

New Lower Hudson Valley Capacity Zone

POSS TEST

IBEW Briefing

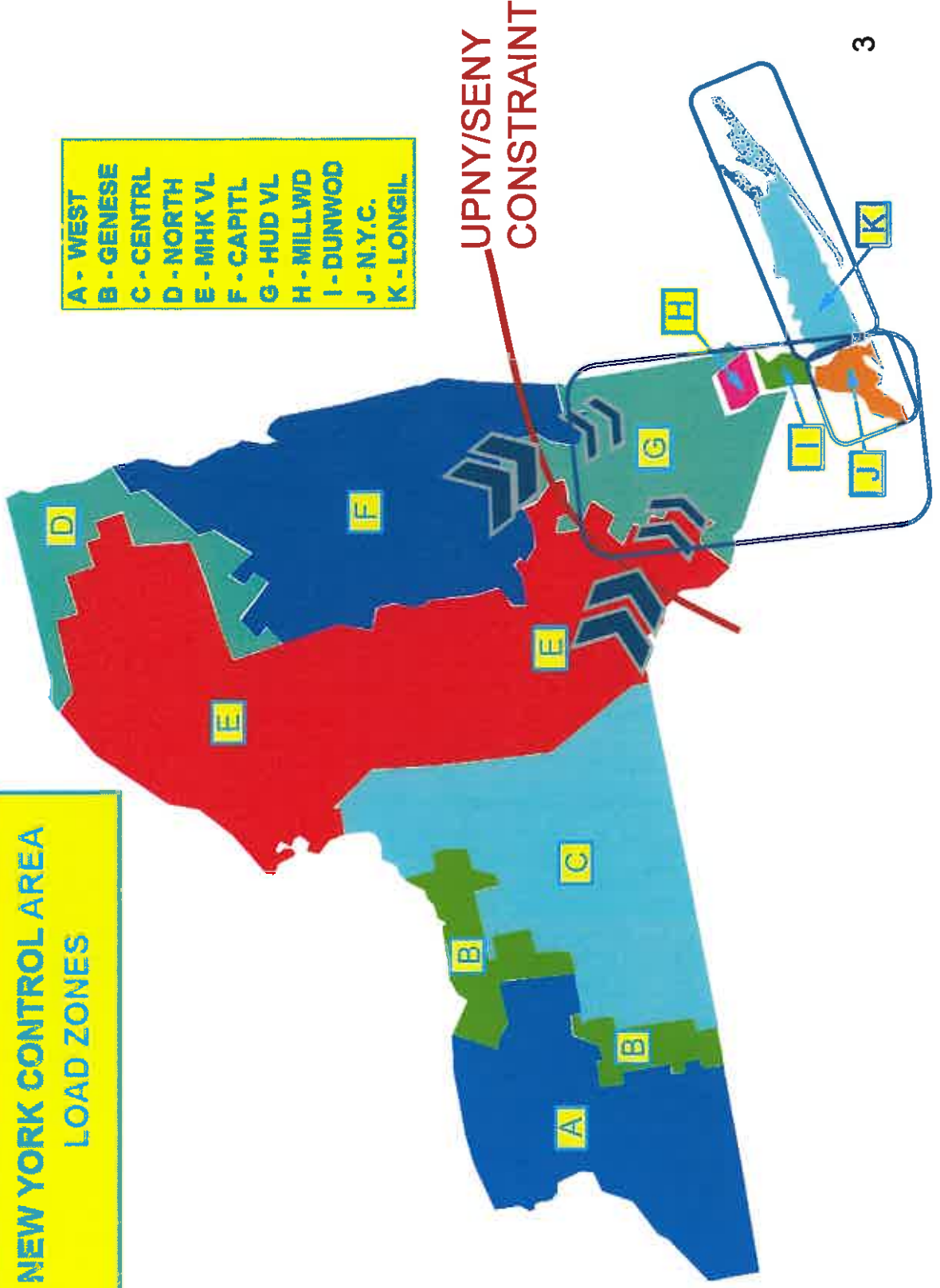
History of the Issue

- Transmission constraints and generator retirements are at the heart of this issue.
- June 2009 FERC Order to establish criteria for the creation of additional capacity zones.
- In January 2011 and November 2011 NYISO set the criteria and timeline for the creation of the new capacity zone. The criteria was based on a deliverability test.
- April 2013 NYISO filed new Lower Hudson Valley Capacity Zone.

NYISO Load Zones

NEW YORK CONTROL AREA
LOAD ZONES

- A - WEST
- B - GENESE
- C - CENTRL
- D - NORTH
- E - MMK VL
- F - CAPITL
- G - HUD VL
- H - MILLWD
- I - DUNWOD
- J - N.Y.C.
- K - LONGIL



Current Capacity Zones

NYCA

J

K

Lower Hudson Valley

G H I

ROS
(A-I)

Proposed Capacity Zones

NYCA

J

K

Lower Hudson Valley

G H I

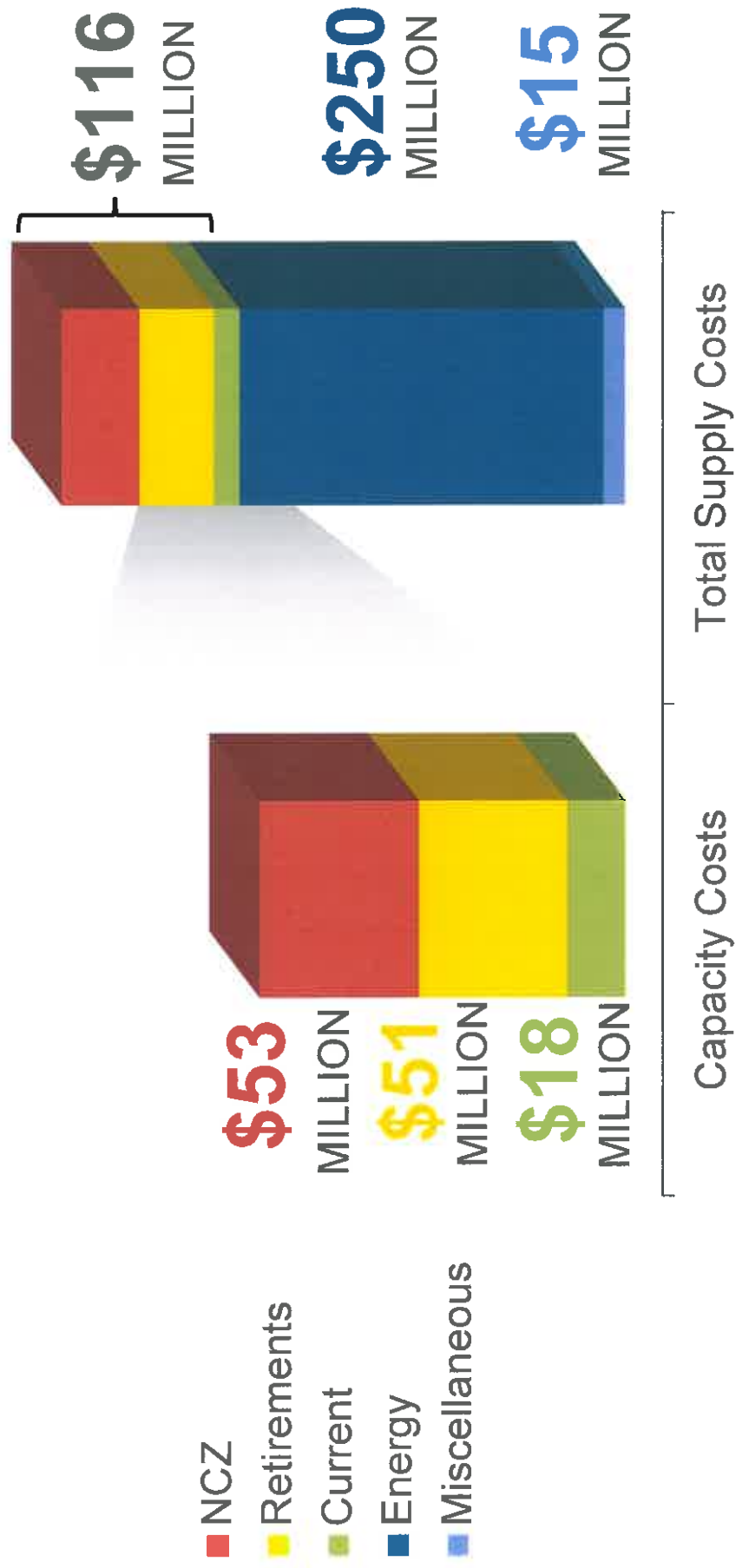
New
ROS
(A-F)

History Continued

- On June 5th, the NYTOs, ConEd, CHG&E, PSC, and MI protested the NYISO filing:
 - Ensure capacity zone goes away when constraint is eliminated.
 - Phase-in approach to ease the price impacts.
 - Inclusion of Zone K (as they cause some of the congestion they should contribute).
 - Subsidizing of NYC & LI by LHV.
- On August 13th FERC issued its order essentially accepting the NYISO filing.
- Implementation by Summer 2014.

2014 CHG&E

Capacity Cost Impacts



Projected Impacts

- For next capability year (May 2014 – Apr. 2015)
 - Central Hudson will need to buy 88% of its capacity within the Lower Hudson Valley and NYC.
 - Prices in this zone will be on average \$11.5/kW vs. \$3.4/kW per month in 2013. (with Danskammer retired)
- These increases are magnified due to the impacts of the Danskammer retirements.
- Impacts of \$173 million/year for GHI zone
- 7% increase in CH customer bills due to the NCZ.
- Suppliers in the LHV and NYC will benefit:
 - Indian Point(50% or \$85 mil)
 - Bowline(20% or \$35 mil),
 - Roseton(30% or \$50 mil), and

Mitigation Strategies

FERC Rehearing and DC Court Appeal

- Ensure capacity zone goes away when deliverability constraint is eliminated.
- If transmission had been built prior, the result would have been no NCZ, so now after transmission is built the result should be the same.
- Phase-in approach to these price impacts.
- Allocate costs so CHG&E customers are not subsidizing NYC & LI customers.
- A stay on the FERC Order is highly unlikely

Legal Action Costs & Schedule

FERC action rough estimate of cost

- Rehearing - \$50,000 to \$75,000 (additional research as needed and rehearing brief)
- Appeal - \$200,000 to \$250,000 (notice, initial and reply briefs, argument prep. and argument)

Timeline

- Rehearing due – September 12, 2013
- FERC action - in theory, Oct. 12, best guess is a FERC order on rehearing in the spring of 2014
- Appeal - due within 60 days of FERC order on rehearing; briefing schedule and argument at court's discretion; estimate 6 months.

Mitigation Strategies

NYISO Process

- Demand Curve Reset – drive LHV proxy unit to be the same or similar to NYCA proxy unit.
- Argue through the NYISO stakeholder process, Board, and Board Appeal process if needed.
- Protest at FERC if not successful at NYISO.
- Also challenge LHV LCR methodology when IRM is prepared.

Lobbying and Outreach

PSC Staff & Commissioners

- Reach out to senior Staff. Coordinate rehearing efforts.
- Apprise Commissioners of the impact of this on the CHG&E Customer Bills.

Customer Groups

- Reach out to MI and other large customers.
- Press release to local papers.

Governmental Officials

- Prepare a Fact Sheet & Presentation to share with the Legislative leaders, Governors Office, and local County Officials.