

Excerpts from NYRI's request for early designation of National Interest Electric Transmission Corridors to Department of Energy dated March 6, 2006 and Bill Viola's personal comments on them.

NYRI has been actively developing its proposed transmission facility for more than 3 years. This transmission project initially obtained a position in the New York Independent System Operator ("NYISO") interconnection project queue in August, 2001. In addition, NYRI secured site control for a portion of the proposed transmission route in 2003. Since that time NYRI has filed its interconnection application with the NYISO and executed a feasibility study agreement with the NYISO and the two interconnected Transmission Owners. More recently, in February, 2006, NYRI submitted its solution response to the NYISO's solicitation for needed reliability solutions in the NYISO's Reliability Needs Assessment. And, in May of this year, NYRI will file an application for a Certificate of Environmental Compatibility and Public Need for the transmission facility pursuant to Article VII of the New York Public Service Law.

Comment: How can NYRI be actively developing its proposed transmission facility for more than 3 years when they say they are a 1 year old company? Because they were originally a company called Pegasus out of Canada and have tried this before.

According to a report produced by General Electric Energy for NYRI using GE Energy's proprietary MAPS software, a project like NYRI's proposed transmission facility would provide economic benefits to New York electricity consumers by reducing the cost to serve New York load by \$421 million per year, or roughly 3%.¹ Additional transmission capacity along the proposed corridor also would offer significant economic benefits by reducing the state's reliance on expensive must-run generation. Economic benefits also would accrue to other New York market participants by allowing them non-discriminatory access to additional transmission capacity connected to the load centers in southeastern New York.

Comment: Even if the 3% reduction was passed on to the consumer the savings would be minimal. For example, if a consumer paid on average \$400.00 per month for electric, their yearly cost would be \$4,800.00. The 3% reduction in one year would amount to a savings of \$144.00 per year, or \$12.00 per month.

It is essential that the DOE designate the proposed corridor on an expedited basis. The NYISO RNA estimates that unless addressed this transmission constraint could result in a resource adequacy criterion violation as early as 2008, and that the "New York State bulkpower baseline system for the first Five Year period (2005-2010) indicates that the forecasted system does not meet reliability criteria." (RNA at 4.) Thus, immediate solutions to this constraint are needed. As presently contemplated, NYRI expects an in-service date to address reliability needs by 2011. The marginal difference between early designation and the standard designation process contemplated by DOE could well be critical to meeting the NYISO's imminent reliability needs.

Comment: This shows NYRI is trying to push this through quickly.

Expedited designation of the proposed corridor as a NIETC would also help carve out rights for the NYRI Project that might otherwise not be available. For a project developer with no current transmission-related revenue stream, it would provide invaluable assistance in helping develop a project. This includes sending appropriate signals about the project's importance to other regulators and lenders and investors. The viability of a meritorious project will thus be bolstered. Finally, early designation of the proposed corridor also is necessary and appropriate in light of the size and prominence of the load pocket in southeastern New York. For decades there has been major congestion in this area, and there is no reason not to recognize this expeditiously so that transmission solutions can materialize. Indeed, if any corridor merits early designation, this is it.

Comment: The above statement by NYRI shows if government approves this proposal the government would providing invaluable assistance which will greatly benefit them, their investors and their bottom line.

4. The Proposed Corridor Will Aid U.S. Energy Independence

By relieving congestion and increasing the available capacity to transfer generation to load in New York, the designation of the proposed corridor will aid U.S. energy independence. In particular, new transmission facilities constructed along the corridor would increase the amount of renewable generation that can reach demand in southeastern New York. Increased transmission capacity available will encourage the development of renewable energy sources, which will proportionately lessen the dependence of New York resources on imported fossil fuels.

Comment: The development of renewable energy sources, what is NYRI talking about here? I think they are talking about windmills being constructed along the corridor.

5. The Proposed Corridor Will Help Further National Energy Policy

Congress, DOE and the Federal Energy Regulatory Commission ("FERC") have articulated a national energy policy that seeks to encourage the development of new transmission infrastructure. See Energy Policy Act of 2005 § 1241, Pub. L. No. 109-58, 119 Stat. 594 (2005); Promoting Transmission Investment through Pricing Reform, Notice of Proposed Rulemaking, 113 FERC ¶ 61,182 (2005) ("Transmission Pricing NOPR"). On numerous occasions, FERC has discussed the need for new transmission facilities across the country, and particularly in constrained regions of the country such as southeastern New York. (See Transmission Pricing NOPR at 2; Policy Statement Regarding Evaluation of Independent Ownership and Operation of Transmission, 111 FERC ¶ 61,473 [2005]; Proposed Pricing Policy for Efficient Operation and Expansion of Transmission Grid, 102 FERC ¶ 61,032 [2003].) As FERC noted, while investment in transmission infrastructure has declined over the last thirty years, electric load has more than doubled, "resulting in a significant decrease in transmission capacity relative to load in every North American Electric Reliability Council region." (Transmission Pricing NOPR at 1.) Designation of the proposed corridor as a NIETC would facilitate the construction of new transmission assets in this constrained region, which furthers this national policy of encouraging transmission investment. Furthermore, Congress and FERC also have emphasized the importance of encouraging renewable and other environmentally friendly generation. Current constraints in the proposed corridor inhibit the ability to deliver large amounts of renewable energy products from upstate areas to southeastern New York. The proposed transmission facility would relieve these constraints and facilitate the delivery of an increased amount of renewable and clean generation to load in SENY. Indeed, increased transmission along this corridor also will reduce the amount of Sox and NOx emissions from power plants, specifically in the southeast and Lower Hudson Valley of New York, as a result of newer, more compliant generating facilities gaining broader access to the market. GE Energy's analysis of the NYRI project shows that emissions of SOx will be reduced by 10,406 tons annually and emissions of NOx will be reduced by 2,032 tons annually as a result of this project.

Comment: Under the guise of the national energy policy. NYRI wants current constraints eliminated in the corridor so they can build what they want, where they want even if the area is protected.

6. The Proposed Corridor Will Reduce Load's Vulnerability to Disruption From Natural Disaster or Malicious Acts

The proposed corridor and any additional transmission facilities would encourage a diversification of resources and would provide those resources with improved access to the transmission grid. This diversity, in and of itself, will reduce the vulnerability of the transmission system and of load in the New York control area from disruptions of service due to natural disasters and/or malicious actions. A new transmission line into one of the most populous areas of the state will offer additional, redundant transmission options in the event other transmission lines are damaged or destroyed. New transmission will also make additional generation resources available should a generating unit be prevented from operating.

Comment: Here NYRI is obviously talking about future power plants along the corridor.

IV. CONCLUSION

For the reasons set forth herein, NYRI respectfully requests that the Department consider NYRI's proposed transmission corridor for early designation as a NIETC

Comment: NYRI wants approval and wants it quick, because the longer it takes more and more people will find out what they are up to!