

LS Power Grid New York Corporation I 2022 Annual Update Stakeholder Meeting August 5, 2022

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Background

Company, Project, and Formula Rate

Background – General

Overview of the Company and the Project

- LS Power Grid New York Corporation I (“LSPG New York”) is a transmission-only company initially formed to develop, own, and operate transmission projects in the state of New York.
- LSPG New York, jointly with the New York Power Authority (“NYPA”), was selected through NYISO’s Order No. 1000 competitive process to develop new 345 kV transmission facilities between the existing Marcy/Edic substations near Utica and the existing New Scotland and Rotterdam substations near Albany.
- As part of the settlement agreement in ER20-716, the Project is subject to a base ROE of 9.65% and a cost containment and risk sharing mechanism.
- More information is available at lspgridnewyork.com

Background – Regulatory

Selected Regulatory Filings and Orders

- December 31, 2019 – LSPG New York submits in Docket No. ER20-716 transmission formula rate to be incorporated into NYISO tariff and requests certain incentive treatment.
- May 26, 2020 – FERC approves certain transmission rate incentives requested by LSPG New York in its December 31, 2019 petition while setting hearing and settlement procedures for other matters.
- April 1, 2021 – Settlement agreement submitted to Commission.
- June 17, 2021 – Commission accepts settlement agreement.

Cost Containment/Risk Sharing Mechanisms

Key Provisions

LSPG New York is bound by certain cost containment and risk sharing mechanisms for the Project defined in the project proposal and settlement agreement

- Cost Cap¹ – Twenty percent of Project costs greater than the binding cost cap of \$316.5 million plus AFUDC do not receive any ROE.
- Adjusted Cost Cap¹ – Project costs below \$261 million plus AFUDC earn tiered ROE incentives.

Cost containment and risk sharing mechanisms defined in the Protocols will be applied when the entire Segment A Project is placed in service.

For the 2021 Annual Update, Project costs are less than the Adjusted Cost Cap

¹ As defined in and subject to the settlement agreement in ER20-716.

Cost Containment/Risk Sharing Mechanisms

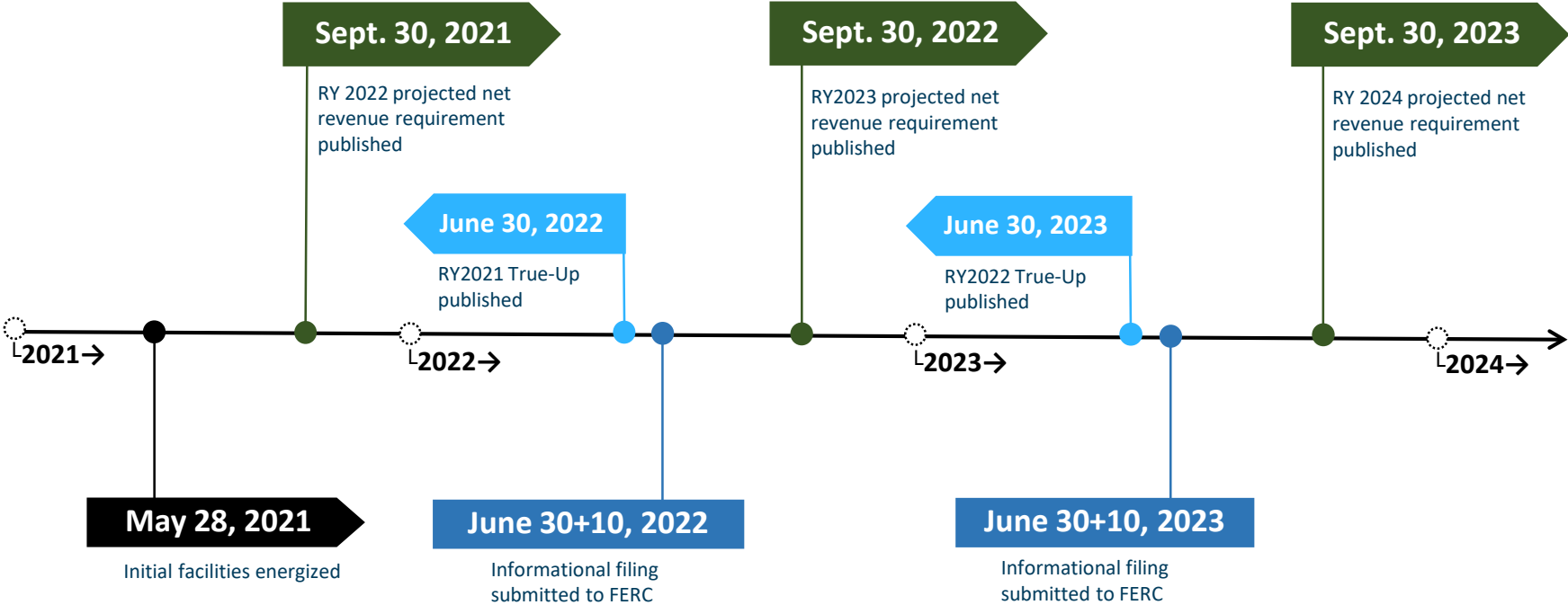
Construction Period Reporting

The Protocols define additional reporting related to the construction period

- Each June 30 during construction period an update submitted with the Informational filing will include estimates for:
 - Capital costs
 - Unforeseeable costs
 - Third-party costs
- Within six months following entire Segment A project placed in service, LSPG New York will publish an informational work paper providing:
 - Final assets owned by LSPG New York and NYPA
 - Total rate base of the assets
 - Accounting entries for asset transfers between the parties that changed ownership of any assets
 - Costs greater than the “Cost Cap” or less than the “Adjusted Cost Cap”

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected 2022 milestones

- April 15 – 2021 FERC Form No. 1 submitted to FERC
- June 30 – Publication of 2021 True-up
- July 8 – Informational filing submitted to FERC in Docket No. ER22-2315
- August 5 – 2021 Annual Update (True-up) meeting
- September 30 – Publication of 2023 Projection
- October 31 – Last day to incorporate corrections into 2023 Projection
- January 1, 2023 – Scheduled end of information request period

Annual Update

Company, Project, and Formula Rate

True-up vs. Projection

Comparison of Revenue Requirement Components

The 2021 rate year reflects the first (and only a partial year) in service. The 2021 projection was published in September 2020 and developed without the benefit of historical operational data. Higher rate base is due largely to higher actual plant in service than in the 2021 Projection.

Appendix A Item	2021 True-up	2021 Projection	Difference (True-up minus Projection)	
Average Rate Base	\$19,239,655	\$12,230,161	+7,063,494	+57.8%
Rate of Return ¹	6.81%	6.18%	+63 bps	
Return on Rate Base	\$1,314,227	\$756,026	+\$558,201	 +73.8%
Incentive Return	\$103,833	\$87,236	+\$16,597	+19.0%
Income Taxes	\$350,384	\$230,785	+\$19,599	+51.8%
Total Return & Taxes	\$1,768,444	\$1,704,047	+\$694,396	 +64.7%
Operating Expenses:				
O&M and A&G Expenses	\$778,084	\$284,204	+\$493,880	+27.9%
Depreciation Expenses	\$363,499	\$260,522	-\$102,977	+39.5%
Non-income taxes	\$28,638	\$5,905	+\$22,733	+385%
Total Operating Expenses	\$1,170,221	\$550,631	+\$619,590	 +113%
Gross Revenue Requirement	\$2,938,665	\$1,624,679	+\$1,313,986	 +80.9%
Less: Revenue Credits	\$0	\$0	-	
Net Revenue Requirement	\$2,938,665	\$1,624,679	+\$1,313,986	 +80.9%

¹ Refer to Weighted Average Cost of Capital (WACC) calculation provided in separate slide.

True-up Adjustment

Attachment 5 Interest rate presentation error

Attachment 5 (True-up Calculation), Lines 5-13 published June 30 listed *annual* interest values when average *monthly* values should have been presented for each quarter.

FERC Refund Interest Rate			As Published June 30	Corrected Presentation
Line	(a)	(b)	Yearly rate presented	Monthly rate presented
		(c)	(d)	(d)
		Year	Quarterly Interest Rate under Section 35.19(a)	Quarterly Interest Rate under Section 35.19(a)
4	Interest Rate:	Quarter		
5		1st Qtr.	2021	2021
6		2nd Qtr	2021	2021
7		3rd Qtr	2021	2021
8		4th Qtr	2021	2021
9		1st Qtr	2022	2022
10		2nd Qtr	2022	2022
11		3rd Qtr	2022	2022
12		Sum lines 5-11	23.10%	1.92%
13	Avg. Monthly FERC Rate	Line 12 divided by 7	3.300%	0.274%
		July 1 Line 13 / 12 →	0.275%	≈ 0.274%
2	Column E – Under/(Over) Collection		\$1,313,986	\$1,313,986
	Formula for Line 2, Column F interest income/(expense) calculation		$\text{Rate} * \text{Line 2E} / 12 * 24$	$\text{Rate} * \text{Line 2E} * 24$
2	Column F – Interest Income/(Expense)		\$86,723	\$86,498

Notably, the annual value on Line 13 was correctly applied in the column F calculation in the June 30 version, but the effective monthly rate differs between the two due to rounding in the published FERC rate data.

True-up Adjustment

True-up adjustment and interest calculation

True-Up Adjustment (including interest) ¹	Corrected To be published
Actual Annual 2021 Revenue Requirement Appendix A, Line 3	\$ 2,938,665
Actual Annual 2021 Revenue Received (Att. 5 , Line 3, column (d))	\$ 1,624,679
Under/(Over) Recovery of Revenue Requirement	\$ 1,313,986
Monthly Interest Rate	0.274%
Interest For 24 Months	\$ 86,498
Total Under/(Over) Recovery Including Interest	\$ 1,399,395

Revised adjustment
will be incorporated
into 2023 Projection
to be published
September 30

¹Refer to Attachment 5 (True-up Calculation) in the published Annual Update for more detail.

Weighted Average Cost of Capital

WACC Calculation for 2021 True-up

WACC Element	Weight	Cost	Weighted	
Long Term Debt	47%	3.61%	1.70%	
Preferred Stock	-	-	-	
Common Stock	53%	9.65%	5.11%	
Total			6.81%	= Return

Refer to Attachment 3 (Cost Support worksheet) in the published 2021 Annual Update for more detail.

Discussion

Formula rate materials are posted online:

lspgridnewyork.com/documents/

Direct inquiries, information requests, and challenges to:

LSPGNYrates@lspgridnewyork.com

Disclaimer

Notwithstanding requirements and terms defined in the LS Power Grid New York Corporation I (LSPG New York) formula rate implementation protocols and terms commonly used in FERC ratemaking (e.g., ‘projected’, ‘projection’), this document and any related discussions may contain certain statements that describe LSPG New York management’s beliefs concerning future financial performance, future business conditions and prospects, growth opportunities and the outlook for the electric transmission industry based upon information currently available. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts, and are often identified by words such as “anticipates”, “believes”, “intends”, “estimates”, “expects”, “projects”, “projected”, “shall”, “will”, “should”, “could”, “may” and similar phrases. Such forward-looking statements are based upon assumptions management believes are reasonable. Such forward-looking statements are subject to important risks, uncertainties and other factors which could cause actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements. These important risks, uncertainties and other factors include: future economic conditions in regional, national and international markets and their effects on prices, costs and availability of required goods and services; market perception of the energy industry and LSPG New York; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates that LSPG New York may charge; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; and weather conditions, including weather-related damage. Given these uncertainties, you should not rely on forward-looking information.