

LS Power Grid New York Corporation I 2022 Annual Update Stakeholder Meeting August 10, 2023

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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 (“Segment A Project”).
- As part of the settlement agreement in [ER20-716](#), the Segment A 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 Segment A Project defined in the project proposal and settlement agreement

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

Cost containment and risk sharing mechanisms defined in the Protocols will be formally applied when the entire Segment A Project is placed in service. Nevertheless, for the 2022 Annual Update, Segment A Project costs are less than the Adjusted Cost Cap

¹ Terms as defined in and subject to the settlement agreement filed in FERC Docket No. ER20-716.

Cost Containment/Risk Sharing Mechanisms

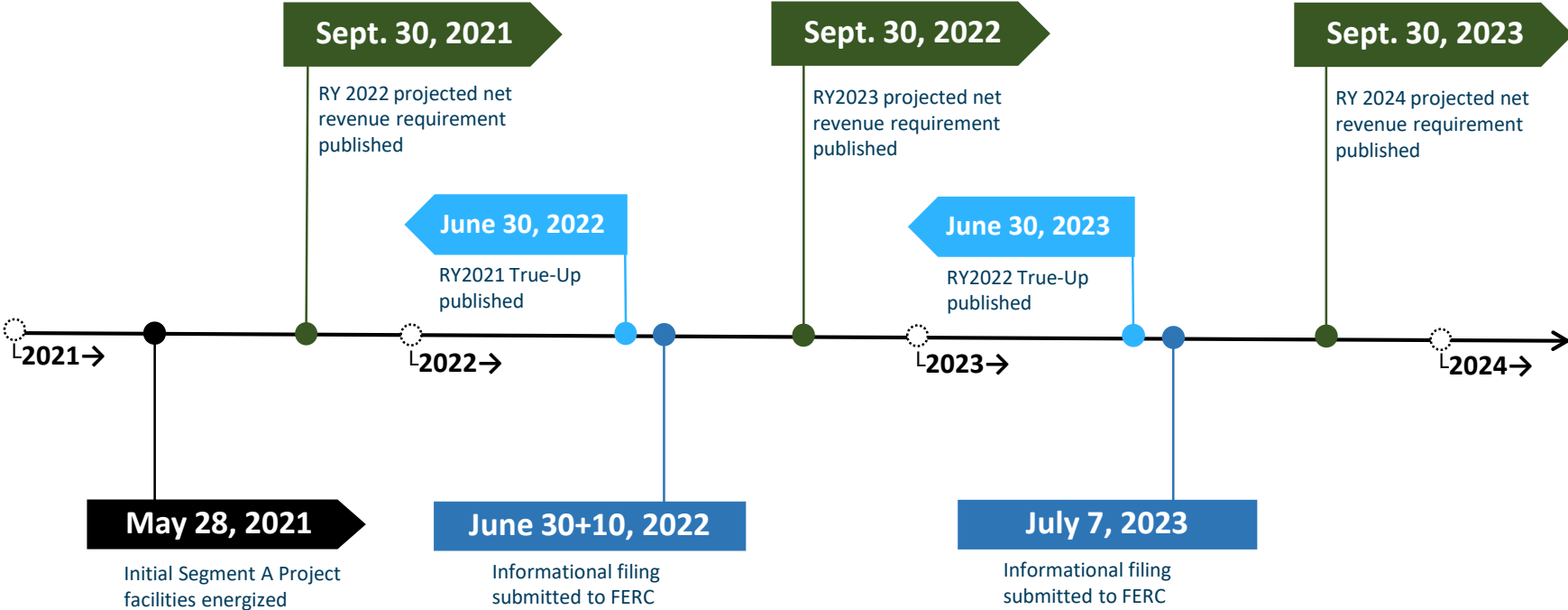
Construction Period Reporting

The Protocols define additional reporting related to the construction period

- During the 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 2023 milestones

- April 17 – 2022 FERC Form No. 1 submitted to FERC
- June 30 – 2022 FERC Form No. 1 resubmitted to FERC
- June 30 – Publication of 2022 Annual Update (including True-up Adjustment)
- July 3 - Publication of revised 2022 Annual Update materials
- July 7 – Informational filing submitted to FERC in Docket No. [ER23-2364](#)
- August 10 – 2022 Annual Update (True-up) meeting
- September – Publication of corrected 2022 True-Up Adjustment
- September 30 – Publication of 2024 Projection
- October 31 – Last day to incorporate corrections into 2024 Projection
- January 1, 2024 – Scheduled end of information request period

Annual Update

2022 Rate Year

2022 Annual Update

Revenue Requirement Components

Construction on the Segment A Project continued through 2022.

Appendix A Item	2022 Annual Update
Average Rate Base	\$ 114,907,668
Rate of Return ¹	6.77%
Return on Rate Base	\$ 7,783,895
Incentive Return	\$ 699,444
Income Taxes	\$ 2,135,445
Total Return & Taxes	\$ 10,618,783
Operating Expenses:	
O&M and A&G Expenses	\$ 7,210,676
Depreciation Expenses	\$ 3,346,697
Non-income taxes	\$ 1,254,407
Total Operating Expenses	\$ 11,811,780
Gross Revenue Requirement	\$ 22,430,563
Less: Revenue Credits	-
Net Revenue Requirement	\$ 22,430,563

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

True-up Adjustment

Attachment 5 Interest rate calculation error

Attachment 5 (True-up Calculation), Line 2, Column F contained an error on the calculation formula that inadvertently divided the Average monthly rate by 12 thereby understating the interest amount.

FERC Refund Interest Rate				As Published July 3	Corrected Calculation
Line	(a)	(b)	(c)	(d)	(d)
				Quarterly Interest Rate under Section 35.19(a)	Quarterly Interest Rate under Section 35.19(a)
4	Interest Rate:	Quarter	Year		
5		1st Qtr.	2022	0.27%	0.27%
6		2nd Qtr	2022	0.27%	0.27%
7		3rd Qtr	2022	0.30%	0.30%
8		4th Qtr	2022	0.41%	0.41%
9		1st Qtr	2023	0.53%	0.53%
10		2nd Qtr	2023	0.63%	0.63%
11		3rd Qtr	2023	0.67%	0.67%
12		Sum lines 5-11		3.08%	3.08%
13	Avg. Monthly FERC Rate	Line 12 divided by 7		0.44%	0.44%
2	Column E – Under/(Over) Collection			\$(1,015,460)	\$1,015,460
	Formula for Line 2, Column F interest income/(expense) calculation			<u>Rate * Line 2E / 12 * 24</u>	<u>Rate * Line 2E * 24</u>
2	Column F – Interest Income/(Expense)			\$(8,936)	\$(107,233)

A revised version of the formula rate template for the 2022 Annual Update including the correction above will be published before the 2024 Projection.

True-up Adjustment

Calculation of True-up Adjustment including interest

True-Up Adjustment (including interest) ¹	Corrected To be published
Actual Annual 2022 Revenue Requirement Appendix A, Line 3	\$ 22,403,461
Actual Annual 2021 Revenue Received (Att. 5 , Line 3, column (d))	\$ 23,418,921
Under/(Over) Recovery of Revenue Requirement	\$ (1,015,460)
Average Monthly Interest Rate	0.44%
Interest For 24 Months	\$ (107,233)
Total Under/(Over) Recovery Including Interest	\$ (1,122,692)

Corrected True-up Adjustment will be incorporated into 2024 Projection to be published by October 2
(September 30 is a Saturday)

¹Refer to Slide 11 and Attachment 5 (True-up Calculation) in the published Annual Update for more detail.

Weighted Average Cost of Capital

WACC Calculation for 2022 True-up

WACC Element	Weight	Cost	Weighted	
Long Term Debt	47%	3.53%	1.66%	
Preferred Stock	-	-	-	
Common Stock	53%	9.65%	5.11%	
Total			6.77%	= Return

Refer to Attachment 3 (Cost Support worksheet) in the published 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.