Washington, DC -- U.S. Representatives Michael A. Arcuri (D-NY), Maurice Hinchey (D-NY), John Hall (D-NY), and U.S. Senator Hillary Rodham Clinton (D-NY) today sent a letter strongly urging the Federal Energy Regulatory Commission (FERC) to dismiss a petition by New York Regional Interconnect, Inc. (NYRI) requesting ratepayer subsidies for its proposed electricity transmission project in upstate New York. These rate incentives would guarantee NYRI's investors a high rate of profit on their investment for their $1.8-2.1 billion proposal and would be paid by electricity consumers. The House members and the senator said the rate incentives amount to nothing more than an unnecessary and exorbitant subsidy of a project that's not even wanted or needed by New York residents in the first place.

NYRI has petitioned FERC to set a project life-time rate of return on equity (ROE) of 13.5 percent for their proposed power line under provisions contained in the Energy Policy Act of 2005 that Hinchey and Clinton voted against. The House members and the senator declared the request unjustified and outrageous and vowed to fight requested ratepayer subsidies for the ill-conceived project.

“Despite NYRI's claims that its proposed transmission line is vital to the energy future of New York State, recent reports by the New York Independent System Operator (NYISO) do not identify the development of new transmission capacity along NYRI's proposed transmission corridor as either critical or advisable to ensuring electricity reliability for New York in the coming decade,” **Arcuri, Hinchey, Hall, and Clinton wrote in their letter to FERC Chairman Joseph T. Kelliher**. “Faced with broad and vehement opposition from civic organizations, local communities, business associations and local and state government, NYRI is now relying on efforts to obtain rate incentives in order to attract financing for its failed and senseless project and compete with more viable and practical alternatives that can attract financing based on merit and demonstrated need. We appreciate your consideration in this important matter and hope that FERC will summarily dismiss NYRI's request for rate incentives based on the lack of need for this proposed project and the potential that such incentives could disadvantage and undermine more viable alternatives.”

Hinchey, Arcuri, Hall, and Clinton continue to seek ways to overturn the Energy Policy Act of 2005, legislation that was imposed by the then-Republican-controlled Congress which authorizes the federal government to provide rate guarantees for specific projects as well as override the permitting authority of states for proposed electricity transmission projects. In addition to allowing FERC to consider and provide ratepayer-financed special incentives for private corporations, the law also allows the Department of Energy to establish so-called “National Interest Electric Transmission Corridors” (NIETCs) -- a designation that enables the federal government to permit transmission projects and authorize the use of eminent domain in states that have rejected power line projects based on lack of need or public interest. Much of New York has been designated as a NIETC, which could enable NYRI to move forward with its power line proposal unless DOE’s authority is legislatively repealed or blocked in court. New York State is currently seeking to legally overturn this designation in federal court.

NYRI is proposing to construct a 190-mile high voltage direct current (HVDC) electric transmission line from Oneida County to Orange County, New York despite fierce opposition throughout the communities through which it would run. NYRI’s application for a Certificate of Environmental Compatibility and Public Need has been rejected twice as incomplete by the New York Public Service Commission, which has also opposed the NYRI request to FERC for rate incentives.

<u>The full text of the letter from Arcuri, Hinchey, Hall, and Clinton follows:</u>

April 3, 2008

Joseph T. Kelliher, Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Docket No. EL08-39-000

Dear Chairman Kelliher:

We are writing to express our strong opposition to the Petition for Declaratory Order for Incentive Rate Treatment submitted by New York Regional Interconnect, Inc. (NYRI) to the Federal Energy Regulatory Commission on February 12, 2008. We respectfully urge you to dismiss this petition and reject NYRI's requests for rate incentives for its proposed electric transmission line from Oneida County to Orange County in New York.

As you know, NYRI has petitioned FERC to set a rate of return on equity (ROE) of 13.5% for the life of its transmission project. As an alternative, NYRI has requested a 13.5% ROE for the first three years of the project along with ROE basis point incentives after that time. These requests for rate incentives under provisions of the Energy Policy Act of 2005 are unjustified and wholly inappropriate in this circumstance. NYRI has failed to show that its proposed project is warranted and necessary to meeting the electricity needs of New York State or the Northeast region. The proposed NYRI project would in fact undermine State efforts to manage and meet future electricity demand in a rational and sustainable manner.

The granting of rate incentives by FERC for NYRI’s proposed transmission line would advantage this highly speculative and poorly conceived proposal in attracting financing, possibly to the detriment of alternative projects that would in fact help to meet New York’s growing electricity needs more responsibly and intelligently. Despite NYRI's claims that its proposed transmission line is vital to the energy future of New York State, recent reports by the New York Independent System Operator (NYISO) do not identify the development of new transmission capacity along NYRI’s proposed transmission corridor as either critical or advisable to ensuring electricity reliability for New York in the coming decade. Faced with broad and vehement opposition from civic organizations, local communities, business associations and local and state government, NYRI is now relying on efforts to obtain rate incentives in order to attract financing for its failed and senseless project and compete with more viable and practical alternatives that can attract financing based on merit and demonstrated need.

We appreciate your consideration in this important matter and hope that FERC will summarily dismiss NYRI’s request for rate incentives based on the lack of need for this proposed project and the potential that such incentives could disadvantage and undermine more viable alternatives.

Sincerely,

Maurice Hinchey   Hillary Rodham Clinton   Michael A. Arcuri   John Hall

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