

**ATTACHMENT I**  
**EXHIBIT NO. NMPC-500**

**PREPARED DIRECT TESTIMONY  
OF TIFFANY M. ESCALONA**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Niagara Mohawk Power Corporation     )  
d/b/a National Grid                    )**     **Docket No. ER22-\_\_\_\_-000**

**PREPARED DIRECT TESTIMONY  
OF TIFFANY M. ESCALONA**

**I. BACKGROUND AND QUALIFICATIONS**

**Q. Please state your name, current position and business address.**

A. My name is Tiffany M. Escalona. I am a Director in New England Regulation for National Grid USA Service Company, Inc. ("National Grid"). My business address is 2 Hanson Place, Brooklyn, New York 11217.

**Q. Please summarize your education and professional background.**

A. I graduated from St. Francis College with a Bachelor of Science degree in Accounting and Business Management and from Baruch College in New York, New York with a Master of Business Administration in Finance. I have been with National Grid for seventeen years in various positions in the Accounting and Regulatory functions. I was promoted to a Director in Strategy & Regulation in July 2015. In my current role as Director in the New England Regulation Department, my responsibilities include supporting National Grid's Federal Energy Regulatory Commission ("FERC" or "Commission") regulated companies on rate matters, including those relating to Niagara Mohawk Power Corporation ("NMPC") rates.

**Q. Have you previously been a witness in proceedings before the Federal Energy Regulatory Commission?**

A. Yes. I testified on behalf of NMPC in Docket No. ER19-132-000 to update the depreciation rates in NMPC's wholesale Transmission Service Charge (TSC") under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff ("OATT"). I also submitted pre-filed testimony in Docket No. RP21-100-000. My

1 testimony in that docket addressed a National Grid LNG LLC storage rate update  
2 pursuant to section 4 of the Natural Gas Act and Part 154 of the Commission's  
3 Regulations.

4 Lastly, I testified on behalf of New England Power Company ("NEP") in Docket  
5 No. ER22-246-000 and ER22-248-000 to update the depreciation rates stated in its  
6 wholesale Regional Network Service ("RNS") and Local Network Service ("LNS") rate  
7 formulas in the ISO New England Inc.'s ("ISO-NE's") Open Access Transmission Tariff  
8 ("ISO-NE OATT") and its Generation in Support of Transmission rate formulas under a  
9 Local Service Agreement among NEP, Massachusetts Electric Company, and Nantucket  
10 Electric Company.

11  
12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony in this filing?**

14 A. The purpose of my testimony is to support the formula rate proposed in sections 6.18.2  
15 and 6.18.3 of proposed Rate Schedule 18 to the NYISO OATT, which sets forth the rate  
16 mechanism (the "Smart Path Connect Facilities Charge" or "SPC-FC") which will be  
17 used to recover the costs of NMPC's portion of the Smart Path Connect priority  
18 transmission project ("SPC Project"). My testimony also supports the proposed  
19 amendments to Section 14.2.1 of Attachment H of the NYISO OATT, in order to  
20 calculate the revenue requirement for the SPC Project, as well as potential future NMPC  
21 transmission projects where the revenue requirement will not be charged under NMPC's  
22 existing TSC rate.

23 Clean and redlined versions of the proposed changes to Attachment H of the

NYISO OATT are included in this filing as Attachments A and B respectively,  
and clean and redlined versions of the proposed Rate Schedule 18 to the NYISO  
OATT are included as Attachments C and D, respectively.

**III. AMENDMENTS TO ATTACHMENT H OF NYISO OATT**

**Q. What are the proposed changes to Attachment H of the NYISO OATT?**

A. NMPC is proposing to add five schedules -- Schedule 15, Schedule 15a, Schedule 15b, Schedule 15c, and Schedule 15d -- to Section 14.2.1 of Attachment H of the NYISO OATT. These schedules will be used to calculate the revenue requirement for specific NMPC transmission projects that will be charged through rates other than NMPC's TSC rate. For instance, the revenue requirement for the SPC Project will be charged pursuant to the Smart Path Connect Facilities Charge set forth in proposed Rate Schedule 18.

NMPC is also proposing a revision to Schedule 1 Historical Transmission Revenue Requirement and Schedule 10 Other – Billing Adjustments, Bad Debt Expense, Revenue Credits and Transmission Rents to include the appropriate revenue credit for Project Specific Revenue Requirement Credit amounts in the TSC rate calculation to ensure that the impact to the TSC rate is effectively zero. Note that projects will only be included in Schedule 15 if they are approved by the Commission for recovery from customers through rates other than the TSC. The proposed schedules will be populated consistent with the terms of the TSC Annual Update Process specified in Section 14.1.9.4 of Attachment H to the NYISO OATT whereby the data inputs will be derived from NMPC's FERC Form No. 1 data for the most recent calendar year and be based upon the books and records of NMPC consistent with FERC accounting policies. The proposed

schedules will also adhere fully to the Annual Update Process specified in Section 14.1.9.4 of Attachment H to the NYISO OATT.

Finally, NMPC is proposing ministerial revisions to Schedules 5, 6, 7, 8, 9, 11 and 12 due to recent changes to the FERC reporting software that affect the FERC Form No. 1 page numbers and to accommodate any formatting changes made to FERC Form No. 1.

**Q. Please describe new Schedule 15 to Attachment H.**

A. Schedule 15 is the Project Specific Revenue Requirement Summary. This schedule will sum the revenue requirements for each applicable transmission project, including the SPC Project, that will not be charged via the TSC rate. The data will be sourced from Schedules 15a through 15d, as applicable. Separate versions of Schedules 15a, 15b, 15c and 15d will be prepared for each applicable transmission project, including the SPC Project, and populated and provided by NMPC as part of the Annual Update process set forth in Section 14.1.9.4 of Attachment H. The revenue requirement components in columns (a) through (e) of this schedule are explained below:

**Column (a) Base Revenue Requirement:** The amounts shown in this column equal the revenue requirement for each project calculated using the same Cost of Capital rate inputs as used in calculating the TSC revenue requirement. This amount will also include Project-Related Depreciation Expense, Project-Related Amortization of Regulatory Assets (Liabilities), Project-Related Amortization of (Excess) Deficient ADIT, Project-Related Real Estate Taxes, Project-Related Operation & Maintenance Expense, Project-Allocated Administrative & General Expense and Billing Adjustments. These components represent portions of the

1 balances in accounts that are already included in the annual TSC revenue  
2 requirement calculation. Therefore, the total of this column will be included in  
3 Schedule 10 and Schedule 1 as a revenue credit to the TSC HTRR such that the  
4 net impact on the TSC HTRR is zero, thereby protecting TSC customers from  
5 double-recovery of these costs.

6  
7 **Column (b) Differential Revenue Requirement:** This column will include the  
8 components of a project's revenue requirement that are not reflected in the annual  
9 TSC revenue requirement. These include Differential Return and Associated  
10 Income Taxes, which include any return and associated income taxes on  
11 Construction Work in Progress ("CWIP") approved for the project by the  
12 Commission for recovery in rate base, and any incremental or decremental return  
13 amounts due to any differences between the ROE and capital structure contained  
14 in the TSC ("Base Return") and a project specific ROE and capital structure  
15 approved by FERC ("Allowed Return"). Any adjustments necessary to  
16 implement project-specific cost containment commitments (including applicable  
17 performance-based rate incentives) approved by FERC, as well as Billing  
18 Adjustments made in accordance with Section 14.1.9.4.4 of Attachment H, are  
19 also included.

20  
21 **Column (c) Annual True-up including interest:** This column will include the  
22 Annual True-up and related interest associated with each applicable project.  
23

1           **Column (d) Total Revenue Requirement:** This will be the sum of columns (a)  
2           through (c). This amount is the total revenue requirement for the SPC Project and  
3           other specific transmission projects that will be charged through rates separate  
4           from the TSC, and will be provided to NYISO for billing effective July 1<sup>st</sup> of each  
5           calendar year.

6  
7   **Q.     Please describe new Schedule 15a to Attachment H.**

8   A.     Schedule 15a calculates the revenue requirement for each specific transmission project,  
9           such as the SPC Project, that will be charged through separate rates from the TSC. It  
10          shows the components of the investment base, the associated return and income tax  
11          amount and the project-related expenses. For components where the source column  
12          includes “Workpaper \_\_,” NMPC will provide a workpaper during the Annual Update  
13          Process supporting the input amount for the applicable transmission project. The data  
14          will be sourced from NMPC’s general ledger records and will show reconciliations to  
15          filed FERC Form No. 1 amounts/pages. Consistent with the manner in which NMPC  
16          calculates the HTRR for the TSC as part of the Annual Update process, these components  
17          will be determined using data from the filed FERC Form 1 for the most recently ended  
18          calendar year for rates effective as of the beginning of the applicable Update Year. Each  
19          component is briefly explained below.

20  
21           **Net Investment Base**

22           Net Investment Base includes Project Gross Plant In-Service, CWIP, Project-  
23           Related Depreciation and Amortization Reserves, Project-Related Accumulated



1 Deferred Income Taxes, Project-Related Regulatory Assets (Liability), any  
2 Project-Related (Excess) Deficient ADIT, Project-Related Prepayments, Project-  
3 Related Materials & Supplies, and Project-Related Cash Working Capital. CWIP  
4 and Project-Related Regulatory Asset (Liability) balances will be populated only  
5 if such treatment is specifically approved by the Commission for the SPC Project  
6 or any other project included in Schedule 15. The remaining components of the  
7 Net Investment Base are briefly described below:

- 8 • Project Gross Plant In-Service will be the total capital investment for  
9 the project included in Transmission Plant In Service plus an  
10 allocation of Transmission allocated General, Common and Intangible  
11 Plant calculated using the ratio of project specific transmission plant to  
12 Transmission Plant.
- 13 • Project-Related Depreciation and Amortization Reserves shall equal  
14 the accumulated credit of Project-Related Depreciation Expense net of  
15 any applicable retirements, cost of removal or salvage adjustments  
16 associated with the project consistent with FERC accounting policies.
- 17 • Project-Related Accumulated Deferred Income Taxes shall equal  
18 ADIT calculated based on cost, accumulated book depreciation and  
19 accumulated tax depreciation.
- 20 • Project-Related (Excess) Deficient ADIT shall be the unamortized  
21 excess or deficient ADIT balance related specifically to the applicable  
22 transmission project as reconciled in Schedule 15c (Project Specific  
23 (Excess)/Deficient ADIT Worksheet).

- Project-Related Prepayments shall equal the ratio of Project Gross Plant In-Service to Gross Transmission Investments multiplied by Transmission Related Prepayments calculated on Schedule 7 of Section 14.2.1 of Attachment H.
- Project-Related Materials & Supplies shall equal the ratio of Project Gross Plant In-Service to Gross Transmission Investments multiplied by Transmission Related Materials & Supplies calculated on Schedule 7 of Section 14.2.1 of Attachment H.
- Project-Related Cash Working Capital shall equal the ratio of Project Gross Plant In-Service to Gross Transmission Investments multiplied by Transmission Related Cash Working Capital calculated on Schedule 7 of Section 14.2.1 of Attachment H.

#### **Base Revenue Requirement**

Base Revenue Requirement, as explained earlier, will be the amount that will serve as a revenue credit to the annual TSC HTRR, in order to ensure that NMPC's existing TSC customers are not double-charged for the costs of the SPC Project and other similar projects, due to the fact that these projects will be included in NMPC's total Transmission Plant in Service. The Base Return and Associated Income Taxes amount will be sourced from the calculation in Schedule 15b using inputs from the existing TSC formula. The inputs for project-related depreciation expense, amortization of regulatory asset (liability), real estate taxes and operation & maintenance expenses will be supported with

workpapers during the Annual Update, and determined as follows:

- Project-Related Depreciation Expense will be determined based on application of the current FERC-approved depreciation accrual rates set forth in Attachment H, Section 14.1.9.1.14 on a utility account basis to the project investment placed in service.
- Project-Related Amortization of Regulatory Assets (liabilities) will be based on any Commission approval of regulatory asset or liability treatment related to these projects.
- Project-related Amortization of (Excess) Deficient ADIT will be the annual amortized excess or deficient ADIT balance related specifically to the project as identified in Schedule 15c Project Specific (Excess) Deficient ADIT.
- Project-Related Real-Estate Taxes will be calculated based on the taxable value of the investment and the applicable property tax rate.
- Project-Related Operation & Maintenance Expense will be determined based on charges to project-specific work orders. Operation & maintenance costs such as system planning, information services and control center operations that cannot be directly attributed to a specific project will be allocated to a project using the ratio of the project's gross plant in-service to NMPC's total Gross Transmission Investment.
- Project Allocated Administrative & General Expense will be allocated to each project based on the ratio of the project's gross plant in-service

1 to NMPC's total Gross Transmission Investment multiplied by both  
2 Transmission Related Administrative and General and Transmission  
3 Related Payroll Tax Expenses as calculated on Schedule 9 of Section  
4 14.2.1 of Attachment H of the NYISO OATT.

- 5 • NMPC has included a Billing Adjustments line item which would be  
6 limited to any billing adjustments related to prior year revenue  
7 requirement calculations in accordance with Section 14.1.9.4 (d) of  
8 Attachment H of the NYISO OATT.

9  
10 **Differential Revenue Requirement**

11 As described earlier, components included in this section of the revenue  
12 requirement calculation are those that are not reflected in any amounts included in  
13 the annual TSC revenue requirement calculation, and therefore are not  
14 appropriately included in the credit provided to NMPC's TSC customers.

15 Supporting workpapers will be provided by NMPC as part of the Annual Update  
16 process for any (i) Cost Containment Adjustments, which will reflect any  
17 adjustments relating to the application of any cost containment commitments and  
18 associated performance-based rate mechanisms approved by the Commission for  
19 the applicable project, and (ii) Billing Adjustments, made pursuant to Section  
20 14.1.9.4.4 of Attachment H as applicable. The Differential Return and Associated  
21 Income Taxes (including that associated with any approved CWIP) will be  
22 calculated by deducting the Base Return and Associated Income Taxes from the  
23 Allowed Return and Associated Income Taxes sourced from Schedule 15b

**Annual True-up including Interest**

This component will include any differences between amounts billed and remitted by NYISO to NMPC, adjusted to remove true-ups billed for prior years and the actual revenue requirement for that period as calculated during the Annual Update. Interest on any over or under recovery will be calculated pursuant to 18 C.F.R. Section 35.19a.

**Q. Please describe new Schedule 15b to Attachment H.**

A. Schedule 15b consists of the project-specific return for each project, such as the SPC Project, that will be charged via rates separate from the TSC. Schedule 15b calculates the Base and Allowed Return and Associated Income Taxes on CWIP and non-CWIP investment base amounts for the applicable project.

Base Return and Associated Income tax reflects the return and associated income taxes based on the application of the ROE and capital structure contained in the existing TSC, and is calculated using:

- a) the Cost of Capital Rate components as defined in Section 14.1.9.2.2 (i), (ii) and (iii) of Attachment H of the NYISO OATT;
- b) plus Federal Income Tax calculated by taking the product of the equity related cost of capital and the effective federal income tax rate divided by 1 minus the effective federal income tax rate
- c) plus State Income Tax calculated by taking the sum of the equity related cost of capital and the Federal Income Tax value times the effective state income tax rate divided by 1 minus the effective state income tax rate.

1           The Allowed Return and Associated Income tax is calculated in the same manner  
2           as the Base Return, except that it utilizes the ROE and capital structure approved by the  
3           Commission for the applicable transmission project. This calculation also accounts for  
4           the impact of any CWIP that the Commission approves for inclusion and recovery in rate  
5           base for the specific transmission project.

6  
7   **Q.   Please describe new Schedule 15c and Schedule 15d to Section 14.2.1 of Attachment**  
8   **H.**

9   A.   Schedules 15c and 15d are to be utilized in the event there is excess or deficient  
10       accumulated deferred income taxes due to changes in federal, state or local income taxes  
11       that can be directly attributed to the SPC Project or other similar projects. This would  
12       ensure that project related balances are appropriately refunded or charged to the correct  
13       customer groups. The income tax allowance adjustment mechanism and rate base  
14       adjustment mechanism in compliance with Order No. 864 have been included in the  
15       revenue requirement calculation on Schedule 15a.

16           NMPC's Order No. 864 Compliance Filing, Docket No. ER20-2051-001 to  
17       amend the existing TSC formula rate is currently pending FERC approval. The clean and  
18       redline versions of the proposed changes to Section 14.2.1 of Attachment H of the  
19       NYISO OATT include the proposed Schedule 14 and 14a as well as edits to Schedule 7  
20       and Schedule 9 submitted as part of the Compliance Filing.

**Q. Please describe the changes to Schedules 1 and 10 to Section 14.2.1 of Attachment H.**

A. NMPC is proposing a revision to two items in Schedule 10 to ensure appropriate credits flow through the TSC for the SPC Project and any similar transmission projects that are charged separately from the TSC. Specifically, the Revenue Credits item will exclude revenues received from the NYISO associated with any transmission projects identified in Schedule 15, while a new item will be added for such projects (“Project Specific Revenue Requirement Credit”) defined as the sum of all the Base Revenue Requirements associated with transmission projects identified on Schedule 15. This will ensure that TSC customers are not double-charged for projects such as the SPC Project, while preserving any project-specific equity components approved by FERC (*i.e.* avoiding “over-crediting” the TSC). Due to the addition of the Project Specific Revenue Requirement Credit on Schedule 10, Schedule 1 has been adjusted to include subpart (M) Project Specific Revenue Requirement Credits as part of the definition and calculation of the TSC HTRR.

**Q. How will NMPC ensure that wholesale transmission customers will not be double charged for both AFUDC and CWIP?**

A. In the instance where a transmission project is approved by the Commission for inclusion of CWIP costs in rate base, NMPC will implement accounting procedures that will monitor and specifically tag all project work orders associated with the project using Powerplan, the Company’s utility plant accounting software, to prevent AFUDC from accruing on the work orders. NMPC will also provide footnote disclosures in the notes to the financial statements of the Company’s annual FERC Form No. 1 and quarterly FERC

1 Form 3-Q which will fully explain the impact of CWIP in rate base, including details of  
2 AFUDC not capitalized because of CWIP in rate base for the current year, the previous  
3 two years, and the sum of all years. The proposed disclosure will also include a partial  
4 balance sheet which includes an Assets and Other Debit section with a line item for  
5 AFUDC not capitalized due to the inclusion of CWIP in rate base.

6  
7 **Q. Is NMPC proposing any changes to the Forecasted Transmission Revenue**  
8 **Requirement and Annual True Up components of NMPC's TSC Revenue**  
9 **Requirement?**

10 A. No. NMPC is not proposing any changes to the Forecasted Transmission Revenue  
11 Requirement ("FTRR") and the Annual True Up ("ATU") components of the TSC  
12 Revenue Requirement ("RR"). The FTRR component of the RR utilizes only the  
13 Investment Return and Income Taxes, Depreciation Expense and Property Tax  
14 components of the TSC HTRR to determine the Annual Forecast Transmission Revenue  
15 Requirement Factor ("FTRRF"). The FTRRF, which is further adjusted to allow for  
16 ADIT proration, is applied to NMPC's Forecasted Transmission Plant Additions to  
17 determine NMPC's forecasted incremental revenue requirement needs. In the following  
18 year, the ATU then compares NMPC's prior year RR, excluding prior true-up amounts,  
19 to NMPC's actual HTRR for that year. The proposed modifications to Attachment H to  
20 include any Project Specific Revenue Requirements as a credit in the TSC HTRR will  
21 therefore reconcile any impact that the SPC Project, or other similar projects, may have  
22 on the FTRR. Any such impacts will be assessed interest as part of the ATU calculation  
23 thereby ensuring that the impact to TSC customers is zero.



1 **Q. Is NMPC proposing any other changes to Section 14.2.1 of Attachment H of the**  
2 **NYISO OATT?**

3 A. Yes. In addition to the changes explained above for the SPC Project and other similar  
4 projects, NMPC is proposing ministerial changes to Schedules 5, 6, 7, 8, 9, 11 and 12 to  
5 update FERC Form No. 1 page references as a result of the implementation of the XBRL  
6 filing process that will be used effective with the 2021 FERC Form No. 1 filing to be  
7 made by April 18, 2022. NMPC is also proposing to remove some fixed FERC Form No.  
8 1 line references. NMPC is proposing that the line references be changed to an input cell  
9 that will be populated during the Annual Update process. These changes will prevent  
10 inadvertent line input errors and accommodate any formatting changes made to FERC  
11 Form No. 1 reports or software while still providing the transparency required for  
12 stakeholder review. Lastly, the Company is proposing a minor correction to the formula  
13 on line 11 of Schedule 7 to include Line 8 Excess AFUDC in the Total of Transmission  
14 Regulatory Assets and Liabilities.

15  
16 **IV. RATE SCHEDULE 18 TO NYISO OATT**

17 **Q. Please provide an overview of proposed Rate Schedule 18.**

18 A. Schedule 18 (contained in Section 6.18 of the NYISO OATT) establishes the Smart Path  
19 Connection Facilities Charge (“SPC-FC”) which is the rate mechanism for the recovery  
20 of the SPC Project. In addition, Rate Schedule 18 sets forth the determination of the  
21 underlying revenue requirement for the SPC-FC, the process for billing and remitting the  
22 revenue collected from the SPC-FC and the formula for determining the SPC-FC Rate.

23

1 **Q. Please describe how the proposed cost recovery methodology contained in Schedule**  
2 **18 will operate.**

3 A. The cost recovery methodology proposed in Rate Schedule 18 prescribes that NYISO  
4 will calculate the SPC-FC and charge all transmission customers serving load within New  
5 York (defined as “Responsible LSEs”) based on actual energy withdrawals -- *i.e.* a “load  
6 ratio share” methodology as addressed in the Prepared Direct Testimony of Bart Franey,  
7 Exhibit No. NMPC-400. The SPC-FC rate to be assessed by NYISO is determined for  
8 each NYISO Billing Period using the (1) annual transmission revenue requirement for the  
9 SPC Project as calculated in accordance with the proposed Schedules 15, 15a and 15b in  
10 Section 14.2.1 of Attachment H of the NYISO OATT (2) less incremental transmission  
11 rights revenue (“TRR”) derived from the sale of incremental transmission congestion  
12 contracts (“TCCs”) and any TCC payments received by NMPC for the SPC Project (3)  
13 plus outage adjustments related to incremental TCCs for the SPC Project. As set forth in  
14 Section 6.18.3.5 of Rate Schedule 18, these three components, as allocated to the Billing  
15 Period, will be multiplied by actual energy withdraws for the Responsible LSE for the  
16 Billing Period divided by the total actual energy withdrawals for all Responsible LSEs  
17 for the Billing Period, to arrive at the rate to be assessed to each Responsible LSE for the  
18 applicable Billing Period.

19  
20 **Q. Does this conclude your testimony?**

21 A. Yes. This concludes my testimony.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Niagara Mohawk Power Corporation                    )  
d/b/a National Grid    )**

**Docket No. ER22-\_\_\_\_-000**

**DECLARATION OF TIFFANY M. ESCALONA**

I depose and state under penalty of perjury that the foregoing testimony was prepared or assembled by me or under my direction, and that I have read the questions and answers labeled as my testimony: that if asked the same questions my answers in response would be as shown; and that the facts contained in my answers are true to the best of my knowledge, information, and belief.

Executed on March 2, 2022

/s/ Tiffany M. Escalona  
Tiffany M. Escalona