Attachment C

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PREPARED DIRECT TESTIMONY OF
John J. Borchert, David C. Clarke, Bart D. Franey, Dana Lazarus, and Alan Trotta

ON BEHALF OF THE
NEW YORK TRANSMISSION OWNERS

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Central Hudson Gas & Electric Corporation, et al.	)	**Docket No. ER22-__-000**
The New York Independent System Operator, Inc., et al.	)	**Docket No. ER22-__-000**
	)	**Not Consolidated**

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I. Background and Qualifications

John J. Borchert

Q. Please state your name and business address.

A. My name is John J. Borchert, and my business address is 284 South Avenue, Poughkeepsie, New York, 12601.

Q. Please describe your current work responsibilities.

A. My title is Senior Director, Energy Policy and Transmission Development for Central Hudson Gas and Electric Corporation ("Central Hudson"). In my current position, I monitor and provide strategic input in the technical aspects of state and federal regulatory energy policy. I serve as Central Hudson's representative on various New York Independent System Operator, Inc. ("NYISO") committees, as well as the New York Transmission Owners ("NYTO") Technical Committee.

Q. Please describe your educational background and work experience.

A. I joined Central Hudson Gas and Electric Corporation in 1985 as a Junior Engineer. Over the last 36 years, I have been an engineering and management employee of Central Hudson Gas and Electric Corporation, holding several positions within the utility, including Power Quality Services Engineer, Supervisor of New Business, Manager of Customer Services, and Manager of Gas & Mechanical Engineering. Prior to my current position, I was Manager of Electric Engineering at Central Hudson. I received a Bachelor of Engineering degree in Electric Engineering from SUNY Maritime College, Bronx, New York in 1985, and an M.S. degree in Electric Engineering from Polytechnic University, Brooklyn, New York in 1992. I am a registered Professional Engineer in the State of New York.

Q. Have you previously testified before the Commission?

A. Yes. In 2013, I testified on behalf of Central Hudson in Docket No. ER13-1380-000, New York Independent System Operator, Inc., Proposed Tariff Revisions to Establish and Recognize a New Capacity Zone and Request for Action on Pending Compliance Filing.

David C. Clarke

Q. Please state your name and business address.

A. My name is David C. Clarke. My business address is 333 Earle Ovington Blvd. Suite 403, Uniondale, New York 11553.

Q. Please describe your current work responsibilities.

A. I am the Director of Wholesale Market Policy for the Long Island Power Authority ("LIPA"), and I have been in that role since September 2010. In my position, I oversee the team of PSEG-LI employees and consultants that track and develop power market policy with respect to the NYISO, PJM Regional Transmission Organization, and ISO-NE electric power markets. I also participate directly in various ISO stakeholder processes and regularly review proposed market structures and rules. I am responsible for developing LIPA policies in these markets.

Q. Please describe your educational background and work experience.

A. I graduated from Rensselaer Polytechnic Institute in 1982 with a Bachelor of Science, majoring in Inter-disciplinary Science with a mathematics concentration. As an undergraduate, I participated in research on the use of linear programming to optimize electric generation expansion and dispatch, helping to improve the capabilities of electric power planning software used at the time. Prior to joining LIPA in September 2010, I was the Director of Energy Practice at Navigant Consulting, Inc. ("NCI") from September 2007 to August 2010, where I had a broad range of responsibilities, including representing LIPA

in the NYISO, PJM, and ISO-NE stakeholder processes, and evaluating proposed market rules and structures. From late 1996 to August 2007, I worked for NCI and its legacy companies, where my responsibilities included production cost simulation of competitive markets, evaluation of generation and transmission projects, evaluation of associated market rules and market structures, and advising clients on market restructuring alternatives. From 1984 to 1995, I worked for the New York State Energy Office ("NYSEO") as Electric Energy Planner, where I conducted generation planning, modeling New York's electric power system using GE-MAPS and EMA's Proscreen software, and contributed to the New York State Energy Planning process. After the NYSEO closed in 1995, I joined the New York State Department of Economic Development as an Energy Policy Analyst, where I participated in New York's power market restructuring efforts throughout 1995.

Q. Have you previously testified before the Commission?

A. Yes. In Docket No. ER11-1844-00 (2012), I provided direct testimony as to why the fixed flow or static load approach used by MISO/ITC to identify alleged beneficiaries of the ITC PARS and to allocate the costs of these PARs to these alleged beneficiaries was fatally flawed. In 2014, I provided testimony for a Federal Energy Regulatory Commission ("FERC" or "Commission") Technical Conference in Simulating Long Island as an Exit-Constrained Region (Docket No. AD14-6-000). In Docket ER18-1743-000 (2018), I provided a declaration in support of LIPA's protest of the NYISO replacement of the then existing method for calculating locational capacity requirements.

Bart D. Franey

Q. Please state your name and business address.

A. My name is Bart D. Franey. My business address is 300 Erie Blvd. West, Syracuse, New York 13202.

Q. Please describe your current work responsibilities.

A. I am a Director of Transmission Business Development at National Grid. In this position, I am primarily responsible identifying cost-effective transmission solutions that enable the deliverability of renewable energy resources in support of New York State's renewable energy mandates.

Q. Please describe your educational background and work experience

A. I received a Bachelor's degree in Physics from the State University of New York at Oswego and a Master of Science in Engineering Management from Syracuse University. I joined Niagara Mohawk in 1988. Prior to assuming my current position in April 2020, I was Director of Transmission Asset Management and Planning New York, and Director of Transmission Asset Systems and Data. I was accountable for all system planning and asset management activities on facilities with an operating voltage of 69kV and above and designated transmission substations. I was also accountable for transmission asset data and related systems.

Prior to becoming director of transmission planning in April 2017, I served as Director of Regulation and Pricing, responsible for evaluating regulatory issues and energy policy initiatives that impact customers' electric commodity costs, system operations, and transmission system planning. I also served as Chairman of the NYISO Business Issues Committee and Management Committee. Between 1988 and 2007, I served as a Strategic Planner, a Principal Analyst, a Supervisor of Transmission System Operations, and held various position at the Nine Mile Point Nuclear Station. Since 1996, I have been involved

in either performing or reviewing transmission system studies (*e.g.*, resource adequacy studies, system power flow studies, and electric production cost studies). I have assisted the NYISO and other New York utilities in jointly complying with New York State Public Service Commission ("NYPSC") and FERC orders associated with transmission planning and cost allocation.

Q. Have you previously testified before the Commission?

A. I have presented on issues regarding transmission investments, transmission utilization, and generator deliverability at several FERC technical conferences. I have also submitted testimony to FERC in Docket No. ER04-449 (NYISO and New York Transmission Owners, Compliance Filing Proposing Criteria to Govern the Potential Creation of New Locational Capacity Zones); Docket No. ER11-2224 (New York Independent System Operator, Inc., Tariff Revisions to Implement Revised ICAP Demand Curves for Capability Years); Docket No. ER15-572-000 (NY Transco Rate Schedule); and Docket No. ER22-1201 (Tariff Amendment: Smart Path Cost Recovery and Incentive Rate). In addition, I have testified before the New York Assembly's Standing Committee on Energy regarding New York's Electric Commodity Market Under the Stewardship of the New York Independent System Operator (2009) and on The Future of Renewable Energy Development Programs in New York State (2015).

Dana Lazarus

Q. Please state your name and business address.

A. My name is Dana Lazarus. My business address is 4 Irving Place, New York, New York 10003.

Q. Please describe your current work responsibilities.

A. I am the Director of the Energy Markets Policy Group at Consolidated Edison Company of New York, Inc. ("Con Edison"). In this role, I lead the development of federal energy policy and regulatory strategy for both Con Edison and Orange and Rockland Utilities, Inc. ("O&R"). This includes matters related to transmission policy and planning in New York state being considered by the Commission, the NYISO, and the NYPSC. Since 2020, I or members of my team have been directly involved in the utility working groups responsible for coordinating local transmission planning in support of New York's clean energy goals, including the group responsible for development of the Cost Sharing and Recovery Agreement that is the subject of this filing.

Q. Please describe your educational background and work experience.

A. I have a Bachelor of Science in Environmental Engineering from Harvard University (2009), and a Master's of Public Affairs from the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin (2014). I have worked for Con Edison since 2018, working in the Energy Markets Policy Group as the policy lead on transmission planning and policy matters. I was promoted to the position of Director of the group in fall 2021. Prior to joining Con Edison, I gained experience in wholesale electricity markets, electric transmission, and regulatory policy at the Electric Reliability Council of Texas (from 2014 to 2016) and S&P Global Platts Analytics (from 2016 to 2018). In these roles, I conducted detailed modeling of power markets, presented on energy policy issues to a range of audiences, and led projects analyzing the impacts of environmental policies on the power sector.

Q. Have you previously testified before the Commission?

A. No.

Alan Trotta

Q. Please state your name and business address.

A. My name is Alan Trotta, and my business address is 100 Marsh Hill Road, Orange, Connecticut, 06477.

Q. Please describe your current work responsibilities.

A. My title is Senior Director, Regulatory for Avangrid Service Company. I am responsible for policy and regulatory matters related to electric transmission and wholesale power markets on behalf of Avangrid's electric utility subsidiaries in New York and New England.

Q. Please describe your educational background and work experience

A. My career in the energy industry started in 1990 as a 24-hour control center operator for Yankee Gas Services Company in Meriden, Connecticut. I held various positions at Yankee Gas for a decade, with my final role being Manager of Gas Supply. From 2000 to 2002, I worked for Coastal Corporation and El Paso Merchant Energy in Houston, Texas in various trading, origination, and transaction structuring roles. In early 2003, I joined NSTAR Electric and Gas Corporation in Westwood, Massachusetts and held various positions in energy supply and corporate procurement, with my final role being Manager of Power Resource Planning. In 2007, I joined The United Illuminating Company as Manager of Wholesale Power Contracts, and held that position at the manager level, then director level, until moving into my current role in late 2018. I have a Bachelor of Science degree in Business Administration from Charter Oak State College.

Q. Have you previously testified before the Commission?

A. Yes. In 2015, I testified on behalf of the New England Power Pool in Docket No. ER15-2208, ISO New England Inc., and New England Power Pool Filings of Winter Reliability Programs. I have also testified in numerous state proceedings.

II. Purpose, Background, and Summary of Testimony

Q. What is the overall purpose of your testimony?

A. Our testimony has several related purposes: to affirm the voluntary nature of the Cost Sharing and Recovery Agreement by and among the NYTOs[1] and accepted by the New York Public State Service Commission ("NYPSC") on May 12, 2022, for purposes of statewide cost allocation of local transmission infrastructure improvements (the "CSRA");[2] to support the CSRA's requirement that the NYPSC provide approval before a transmission owner may proceed with a local transmission project and to apply a return on equity ("ROE") and cost of capital structure determined by the NYPSC, which may not exceed levels set forth in tariff records to be filed and accepted by the Commission under the Federal Power Act ("FPA"); to support the use of the volumetric load-ratio share methodology for purposes of statewide cost allocation under the CSRA and Rate Schedule 19; and to support the treatment of transmission congestion costs ("TCCs") under Rate Schedule 19. In accordance with FPA section 205, both the CSRA and Rate Schedule 19 are being filed with the Commission by the FERC-jurisdictional members of the NYTOs – Central Hudson, Con Edison, NYSEG, National Grid, O&R and RG&E ("Applicants").

[1] The NYTOs are Central Hudson, Con Edison, LIPA, New York Power Authority ("NYPA"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), O&R, and Rochester Gas and Electric Corporation ("RG&E").

[2] *See Order Accepting Compliance Filings*, NYPSC Case 20-E-0197, issued May 12, 2022 ("State Authorizing Order).

Q. Please explain the need for local transmission upgrades to the New York Control Area.

A. The State of New York has enacted nation-leading climate legislation in the Climate Leadership and Community Protection Act ("CLCPA").[3] To implement the CLCPA, the State of New York has also enacted the Accelerated Renewable Energy Growth and Community Benefit Act (the "Accelerated Renewables Act").[4] Among other things, the Accelerated Renewables Act directs the NYPSC and the NYTOs to plan the local transmission and distribution infrastructure necessary to meet the clean energy and climate goals set for New York under the CLCPA. Under the Act, each of the state-regulated public utilities (the "State-Regulated TOs") and LIPA is statutorily obligated to make local transmission upgrades in accordance with a schedule approved by the NYPSC, and in the case of LIPA, the LIPA Board of Trustees. On May 14, 2020, the NYPSC issued an order requiring the "State-Regulated TOs"[5] to: (1) file criteria for evaluating, funding, and prioritizing local transmission[6] and distribution ("LT&D") investments needed to meet CLCPA objectives; and (2) conduct a study of their LT&D systems to identify potential upgrades.[7] On November 2, 2020, the State-Regulated TOs and LIPA filed proposed project assessment criteria and the results of their LT&D study in a Utility Transmission

[3] Climate Leadership and Community Protection Act, Chapter 106 of the laws of 2019.

[4] 2020 N.Y. Sess. Laws, ch. 58, Part JJJ (McKinney 2020).

[5] The "State-Regulated TOs" are Central Hudson, Con Edison, NYSEG, National Grid, O&R, and RG&E.

[6] The NYPSC defines local transmission facilities for this purpose as "transmission line(s) and substation(s) that generally serve local load, and transmission lines which transfer power to other service territories and operate at less than 200 kV." S*ee Order on Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, at p. 3 n.4, NYPSC Case 20-E-0197, issued May 14, 2020 ("NYPSC Initiating Order").

[7] S*ee generally* NYPSC Initiating Order.

and Distribution Investment Working Group Report (the "Utility Report").[8] In the Utility Report, the State-Regulated TOs and LIPA identified the need for LT&D upgrades to address bottlenecks in the electric grid so as to provide "on ramps" (moving output from existing and future renewable generation resources connected to the local transmission and distribution system onto the bulk transmission system) and "off ramps" (moving the generation output from the bulk system to the LT&D system, where it can be consumed by loads) to attain the CLCPA's requirements. They also made various policy recommendations, including that the costs of projects addressing local transmission needs that are primarily driven by the CLCPA should be allocated statewide, on a load-ratio share basis. In addition, they proposed cost recovery methods, including the use of voluntary agreements.

On September 9, 2021, the NYPSC issued an order addressing the investment criteria that should apply to CLCPA-driven projects and the related LT&D upgrades the utilities had proposed.[9] The NYPSC determined that the costs of LT&D projects to meet the needs of the CLCPA should be allocated to all beneficiaries equally across the state on a volumetric load-ratio share basis. The NYPSC found also that a voluntary "participant funding model can efficiently accomplish the balancing necessary to achieve an equitable cost distribution throughout the State," and directed the State-Regulated TOs to prepare and submit in a compliance filing a form of cost sharing and recovery agreement or a status

[8] Utility Transmission and Distribution Investment Working Group Report, NYPSC Case 20-E-0197, filed Nov. 2, 2020.

[9] *See Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals*, NYPSC Case 20-E-0197 (September 9, 2021) ("Phase 2 Order"). The Phase 2 Order did not approve any CLCPA-driven transmission project, finding it premature given the need for improved planning criteria (including a benefit-cost analysis framework). *Id.* at p. 34.

report if a voluntary consensus agreement was not reached within 120 days.[10] As referenced in our response to the previous question, on May 12, 2022, the NYPSC issued its Order Accepting Compliance Filings concerning the CSRA and Rate Schedule 19.

Q. Why are the CSRA and Rate Schedule needed to support the development of these local transmission upgrades?

A. The Accelerated Renewables Act requires the State-Regulated TOs and LIPA to make local transmission upgrades needed to meet the CLCPA's statewide requirements, which requirements (and the environmental improvements they yield) benefit all New Yorkers. The NYPSC has found that the costs of these local transmission upgrades should be allocated statewide, commensurate with the benefits of the CLCPA's statewide requirements. This determination aligns with FERC and judicial precedent that transmission costs should be allocated roughly commensurate with the benefits provided. However, absent the proposed CSRA and Rate Schedule 19, there is no existing instrument through which the costs of local transmission projects selected and built to deliver statewide benefits may be allocated to the intended beneficiaries. Instead, the costs of local transmission projects have historically been recovered by the State-Regulated TOs and LIPA from customers within the geographic area where the local transmission facilities are located via bundled transmission and distribution ("T&D") rates. Given these considerations, the State-Regulated TOs and LIPA recommended, and the NYPSC approved, the development of the CSRA and Rate Schedule 19, with the latter, subject to acceptance by FERC, to be added to the NYISO's Open Access Transmission Tariff ("OATT"). This framework is sensible and appropriate because it leverages the NYISO's

[10] *See id.* at pp. 30-31. As discussed below, NYPA is also a signatory to the CSRA, although it is not subject to the NYPSC's directive.

existing software, billing, and collection capabilities – where costs could be borne in their intended proportion from the first dollar.

Q. Please briefly summarize the CSRA.

A. The CSRA addresses the cost recovery and cost allocation for the requisite local transmission facilities. The CSRA provides for the recovery of the costs of local transmission facilities that the NYPSC selects and approves, consistent with requirements in the Accelerated Renewables Act and to meet the CLCPA's requirements (the "Approved Local CLCPA Projects"). The CSRA is a participant funding agreement for sharing of the costs of the Approved Local CLCPA Projects under the cost recovery and cost allocation provisions in Rate Schedule 19. The CSRA provides and Rate Schedule 19 contemplates that the Applicants[11] will file with FERC to establish ROEs and capital structures that will serve as ceilings up to which they may set their respective revenue requirements for Approved Local CLCPA Projects. The NYTOs have agreed that the ROEs and capital structures approved by the NYPSC[12] will govern these projects, subject to appropriate filings and approvals by FERC under the FPA. The Applicants' ROE and equity percentage approved by the NYPSC for each Approved Local CLCPA Project may not exceed an ROE to be established and approved by FERC.

Q. Please briefly summarize Rate Schedule 19's Cost Allocation Methodology.

[11] The CSRA and Rate Schedule 19 contemplate and provide for the status of LIPA as a non-jurisdictional utility and the retained authority of the LIPA Board of Trustees to review and approve its rates (including ROEs and capital structure) with a subsequent filing with the Commission under a comparability review standard. Rate Schedule 19 does not contemplate allocating NYPA costs because NYPA does not have a local transmission and distribution system and, thus, does not expect to have Approved Local CLCPA Projects.

[12] For LIPA, the ROE and capital structure to be used will be those approved by the LIPA Board of Trustees and reviewed by the New York State Department of Public Service.

A. The Approved Local CLCPA Projects are designed and selected to deliver the benefits of New York's clean energy requirements under the CLCPA across the entire state. It is just and reasonable, therefore, to allocate the costs of the Approved Local CLCPA Projects throughout New York on a volumetrically calculated load-ratio share basis. Rate Schedule 19's use of a volumetric load-ratio share allocates the costs of Approved Local CLCPA Projects on the basis of a Load Serving Entity's ("LSE") withdrawal of energy, which comports with the statewide energy benefits that these projects will allow by relieving local transmission bottlenecks. In addition, it aligns with how the costs of renewable energy are allocated under the New York's renewable energy credit program.

Q. Please describe how the NYTOs' revenue requirements for their respective Approved Local CLCPA Projects will be determined.

A. Each Applicant intends to file a formula rate in a subsequent filing with the Commission, which will include a proposed ROE and capital structure and templates for the calculation of revenue requirements. Additional detail regarding the process for the determination and submission of revenue requirements for each Applicant can be found in Section 6.19.4 of Rate Schedule 19 of the NYISO OATT. The approved ROE and capital structure (as described above) for each Applicant will be used in each Applicant's formula rate template as a ceiling level.

Q. How will the revenue requirements for Approved Local CLCPA Projects be allocated to customers and recovered by Applicants?

A. Section 6.19.3 of Rate Schedule 19 provides that State-Regulated TOs' revenue requirements for their Approved Local CLCPA Projects will be allocated pursuant to Rate Schedule 19's volumetric load-ratio share methodology.

Q. Mr. Clarke, could you please describe how LIPA's revenue requirements for its Approved Local CLCPA Projects will be determined?

A. LIPA is a non-jurisdictional utility pursuant to section 201(f) of the FPA and is not subject to FERC's rate jurisdiction under the FPA. LIPA's revenue requirements for calculating the LIPA CLCPA Facilities Charge will be approved by the LIPA Board of Trustees. This process is further detailed in Section 6.19.5 of the proposed Rate Schedule 19.

Q. Will NYPA recover the costs of any of its transmission facilities under Rate Schedule 19?

A. No. While NYPA is a party to the CSRA and is an LSE that will be allocated costs under the Rate Schedule, NYPA does not expect to have Approved Local CLCPA Projects because NYPA does not have a local transmission and distribution system. Further, NYPA has its own recovery mechanism in the NYISO OATT, including a mechanism referred to as the NYPA Transmission Adjustment Charge, through which NYPA allocates and recovers its transmission costs on a volumetric load-ratio share basis.

III. <u>The CSRA Is a "Voluntary Agreement" as Contemplated by FERC's Policy Statement.</u>

Q. Is the Agreement consistent with FERC precedent and policy statements?

A. Yes. FERC explained in its Policy Statement entitled "*State Voluntary Agreements to Plan and Pay For Transmission Facilities*" that "state efforts to develop transmission facilities through voluntary agreements" may serve to advance state goals consistent with Commission policy by "providing states with a way to prioritize, plan, and pay for transmission facilities that, for whatever reason, are not being developed pursuant to the regional transmission planning processes.…"[13]

Q. Is the CSRA such a Voluntary Agreement?

[13] 175 FERC ¶ 61,225, at PP 1-2.

A. Yes. The CSRA is a voluntary, participant funding agreement developed among the NYTOs with NYPSC support to develop, plan, and pay for the local transmission facilities needed to meet CLCPA requirements.

Q. Have the NYTOs voluntarily entered into the CSRA?

A. Yes. The NYTOs fully support attaining the CLCPA requirements in an efficient and cost-effective manner. The CSRA supports those goals by adding the Approved Local CLCPA Projects that will remove bottlenecks in the NYTOs' respective local transmission systems and thereby facilitate the timely and cost-effective integration of the clean energy resources required to meet the CLCPA's requirements. The CSRA is a voluntary, participant funding agreement executed by the NYTOs, and, for a limited purpose, the NYPSC, to show that it agrees with the NYTOs' plan to pay for the Approved Local CLCPA Projects.

Q. Do the NYTOs support the CSRA's use of a FERC-approved ROE and capital structure as the ceiling under which the NYPSC may select a lower ROE and capital structure for an NYTO?

A. Yes. The CSRA provides that the Applicants will use the FERC-established ROE and capital structure as the ceiling under which the NYPSC will approve the ROE and capital structure that an Applicant may use for Approved Local CLCPA Projects. This approach serves several purposes. First, it respects FERC's rate jurisdiction by establishing an ROE and capital structure to be set by the Commission (provided it is just and reasonable). Second, the use of an NYPSC-selected ROE and capital structure reflects the NYPSC's preference that lower state-established rates apply, given the history in New York State of transmission costs being borne through state-administered bundled T&D rates. Third, allowing the NYPSC-approved ROE to float under a FERC-approved ROE accommodates the need for the NYPSC-approved ROE to change from time to time, consistent with the

ROE used at retail for bundled local transmission and distribution, without incurring the significant burdens of making additional filings with FERC under FPA section 205.[14]

Q. Can FERC fulfill its obligation to ensure that rates are just, reasonable, and not unduly discriminatory by approving the NYTOs' ROE proposal?

A. Yes. We expect that FERC will set an ROE consistent with FERC precedent establishing the appropriate methodology for determining ROEs for electric public utilities. As such, the Applicants will need to provide the same level of support for their ROE as in other electric rate proceedings involving ROE determinations. The only distinction between our proposal and a "typical" section 205 ROE filing is that the NYTOs have agreed to set revenue requirements using an ROE that is less than or equal to the ROE set by FERC. Because the actual earned ROE will not exceed the ROE set by FERC, the ROE cannot exceed the level determined to be just and reasonable by FERC.

Q. Does FERC precedent support the proposed use of a FERC-approved ROE serving as the ceiling up to which the NYTOs may set their respective revenue requirements, and the NYTOs' agreement to use an actual ROE lower than the FERC-established ROE?

A. Yes. FERC's decisions in *Kanstar*[15] and *Republic Transmission*[16] allowed a transmission developer/owner to adopt an OATT formula rate containing a FERC-approved ROE under which the transmission developer/owner could commit to lower rate concessions for their different projects. Viewed in this light, the CSRA should similarly be construed to have a

[14] Instead, the NYPSC-approved ROE to be used by the NYTOs at any time will be identified in the NYTOs' respective informational filings under the soon-to-be-filed formula rates that will, subject to acceptance by FERC, be incorporated as attachments to Rate Schedule 19.

[15] *Kanstar Transmission, LLC*, 152 FERC ¶ 61,209 (2018) ("*Kanstar*").

[16] *Republic Transmission, LLC*, 167 FERC ¶ 61,215 (2019) ("*Republic Transmission*").

FERC-approved ROE and capital structure, with the Applicants consenting to the rate concession of using potentially lower, NYPSC-approved ROEs.

Q. Is it just and reasonable for the NYTOs to use formula rate templates to establish the charges that will be allocated statewide under the Rate Schedule?

A. Yes. It has become relatively customary for transmission owners and transmission developers to add formula rate templates to an RTO/ISO OATT to allow them to recover the costs of their transmission projects under that OATT.[17]

Q. Are the NYTOs submitting their ROE(s) and formula rate templates at this time?

A. No. The Applicants will submit their ROEs and capital structures and implementing formula rate templates for FERC review in one or more subsequent filings. The Applicants are submitting at this time the CSRA and Rate Schedule 19 because of the urgency to have these foundational contractual and cost allocation mechanisms in place so that the development of the requisite Approved Local CLCPA Projects may proceed in an efficient and cost-effective manner.

IV. The Basis for the CSRA's and Rate Schedule 19's Volumetric Load-Ratio Share Cost Allocation Proposal

Q. What is the basis for the NYTOs' proposal to allocate the costs of the Approved Local CLCPA Projects on a statewide basis using volumetric load-ratio shares?

A. The primary rationale for allocating the Approved Local CLCPA Projects on a statewide, volumetric load-ratio share basis is that these projects are being developed and constructed for the primary purpose of attaining the CLCPA's requirements. These public policy mandates are statewide in scope and are intended to benefit all New York residents. The

[17] *See, e.g., NextEra Energy Transmission MidAtlantic, LLC*, 161 FERC ¶ 61,141 (2017), *settlement approved*, 164 FERC ¶ 61,042 (2018) (letter order); *Southwest Power Pool, Inc.*, 152 FERC ¶ 61,257 (2015) (letter order); *Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 61,274 (2012).

legislative findings accompanying the CLCPA detail the impacts of climate change on New York residents and the benefits of reduced greenhouse gas emissions, providing a basis for the CLCPA's required reductions in greenhouse gas emissions of 85% over 1990 levels by 2050.[18] In addition, the Approved Local CLCPA Projects will allow the unbottling of clean energy resources, providing emissions reductions and energy availability on a statewide basis.

Q. Has the NYPSC supported cost allocation of the Approved Local CLCPA Projects on a volumetric load-ratio basis?

A. Yes. In its Phase 2 Order, the NYPSC supported allocating the costs of the Approved Local CLCPA Projects on a volumetric load-ratio basis, concluding that "the statewide allocation to all customers of the [Approved Local CLCPA Projects] is appropriate... [for] projects that capture CLCPA benefits."[19]

Q. Is the proposed volumetric load-ratio share cost allocation mechanism consistent with FERC's policy and precedents?

A. Yes. FERC's foundational cost allocation principle is that the costs of transmission facilities are to be allocated in a manner that is "roughly commensurate" with the benefits thereof. Because the Approved Local CLCPA Projects are being developed for purposes of meeting statewide CLCPA climate policy goals intended to benefit all New York customers, and because addressing the bottlenecks in the NYTOs' local transmission grids will allow statewide access to the associated clean energy, it is appropriate to allocate the costs of these projects statewide based on an LSE's energy withdrawals. Further, the use of a volumetric load-ratio share methodology is appropriate. This calculation uses

[18] CLCPA § 2 (amending N.Y. Envtl. Conserv. Law § 75-0107(1)).

[19] Phase 2 Order at pp. 22-23.

NYISO's existing capabilities and is consistent with how other statewide, clean energy mandates – particularly zero emissions credit, renewable energy credit, and offshore wind renewable energy credit programs – allocate costs.

IV. Description of Other Technical Provisions of Rate Schedule 19

Q. How does Rate Schedule 19 treat the Incremental TCCs created by the addition of the Approved Local CLCPA Projects?

A. Rate Schedule 19's proposed treatment of the Incremental TCCs associated with the Approved Local CLPA Projects is designed to provide for comparable, alternative treatment to the rates recovered by the NYTOs as the "Member Systems" under Attachment H of the NYISO OATT. By way of background, TCCs are "[t]he right to collect or obligation to pay Congestion Rents in the Day-Ahead Market for Energy associated with a single MW of transmission between a specific [Point of Interconnection and Point of Withdrawal]…."[20] Attachment H allocates the revenues derived from the sale of TCCs to each NYTO in proportion to the contribution that each NYTO's transmission facilities make toward supporting the TCCs sold in each auction as well as assessments to them for outages. The alternative structure for the CLCPA projects is the same that FERC has previously approved for facilities recovered under OATT Rate Schedules 10, 12, 13, 15, 16, and 17. Consistent with the treatment of TCC-related revenues in Attachment H, the overall TCC design in Rate Schedule 19 is intended to adjust the revenue requirement charged to LSEs to account for the financial benefits of increased transmission capability associated with the Approved Local CLCPA Projects, as monetized through the NYISO-administered TCC market, as well as to provide for the assessment of outage charges to the

[20] NYISO OATT § 1.20.

facility owner to the extent that the facilities awarded Incremental TCCs are out of service for any hour in the Day-Ahead Market. In essence, that Incremental TCC revenue acts as an offset to the project's revenue requirement, while outage charges to the facility owner are recoverable as part of the rate mechanism. This is consistent with the treatment provided to the NYTOs' rate recovery under Attachment H.

Q. Does this conclude your testimony?

A. Yes.