

Attachment C

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

New York Power Authority) Docket No. ER22-__-000

**PREPARED DIRECT TESTIMONY
OF SCOTT TETENMAN
ON BEHALF OF THE NEW YORK POWER AUTHORITY**

July 28, 2022

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Scott Tetenman. My business address is 123 Main Street, White Plains,
4 NY 10601.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Senior Vice President of Finance for the New York Power Authority
7 (“NYPA”), which is a corporate municipal instrumentality and political subdivision
8 of the State of New York.

9 **Q. Would you please summarize your educational and professional background?**

10 A. I received a bachelor’s degree in Business Administration from Northeastern
11 University in 1991 and attained a Master of Business Administration degree in
12 Finance from the University of Miami in 1992. My professional experience
13 includes 11 years in NYPA’s finance department; three years as the Manager of
14 Finance and Treasury for an anaerobic digestion company; five and one-half years
15 as the Vice President of Finance for a coal mining entity; three and one-half years
16 as the Vice President of Structured Finance for a small commercial bank; and 11
17 years working in the securities industry and related fields.

18 This is my fifth time submitting testimony before the Federal Energy
19 Regulatory Commission (“FERC” or “Commission”). Most recently, I submitted
20 direct testimony earlier this year in Docket No. ER22-1014-000 in support of
21 transmission incentives and cost containment for NYPA’s investment in the Smart
22 Path Connect Project.

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 **Q. What is the purpose and scope of your testimony in this proceeding?**

3 A. The purpose of my testimony is to provide context to the depreciation rate changes
4 proposed by NYPA and present the impact from the proposed changes in
5 transmission and general property depreciation rates recommended by the Alliance
6 Consulting Group and present.

7 **III. DEPRECIATION RATES**

8 **Q. Does NYPA have a transmission formula rate authorized by the Commission?**

9 A. Yes. NYPA has a transmission formula rate by which it recovers its transmission
10 revenue requirement. NYPA’s transmission formula rate was initially established
11 by Commission order on January 19, 2017, approving NYPA’s formula rate
12 settlement in Docket No. ER16-835. NYPA has requested, and the Commission
13 has approved, several changes to NYPA’s transmission formula rate since that time.

14 **Q. When were NYPA’s current depreciation rates approved by the Commission?**

15 A. The Docket No. ER16-835 settlement included depreciation rates for transmission
16 and general property as part of NYPA’s transmission formula rate. Pursuant to the
17 terms of that settlement, NYPA requested a change to its depreciation rates on
18 February 22, 2017, which FERC assigned to Docket Nos. ER17-1010 and EL17-
19 67. The parties to that proceeding reached an uncontested settlement, which the
20 Commission approved on November 21, 2017. According to the terms of the
21 settlement, the depreciation rates became effective March 1, 2017. The
22 depreciation rates contained in that settlement are the depreciation rates included in
23 NYPA’s transmission formula rate today and are used by NYPA to record

1 depreciation expense on its books of account.

2 **Q. Why is NYPA proposing changes to its depreciation rates at this time?**

3 A. It has been over five years since NYPA updated its transmission and general
4 depreciation rates. During this time, NYPA has added \$750 M in transmission
5 plant (net of retirements) and \$183 M in general plant (net of retirements). This
6 represents a 34% increase in transmission plant and a 14% increase in general plant.
7 Given these additions and the time since NYPA last determined its depreciation
8 rates, NYPA commissioned a depreciation study to update its transmission and
9 general plant depreciation rates. It is customary for utilities to update their
10 depreciation rates after a five-year period, especially in instances where there have
11 been significant plant additions.

12 **Q. Who did NYPA select to perform the update to its depreciation rates?**

13 A. NYPA selected Alliance Consulting Group (“Alliance”), an experienced consulting
14 company in depreciation services. Alliance’s consultant, Mr. Dane Watson, has
15 extensive experience performing depreciation studies and is familiar with NYPA,
16 having performed NYPA’s depreciation studies that were the basis for the
17 settlement in Docket Nos. ER17-1010 and EL17-67.

18 **Q. Upon what vintage data did Alliance rely in performing its transmission plant
19 and general plant depreciation studies?**

20 A. For its transmission plant depreciation study, Alliance relied upon data as of
21 December 31, 2020. For its general plant depreciation study, Alliance used data as
22 of December 31, 2019.

1 **Q. Briefly summarize the approach Alliance used to determine new depreciation**
2 **rates?**

3 A. Alliance conducted the transmission plant and general plant depreciation studies
4 using the traditional depreciation study approach for life and net salvage, including
5 the broad group, average life, remaining life depreciation system. This
6 methodology has been adopted by numerous state commissions and FERC. For
7 general plant, Alliance recommends that NYPA use vintage group amortization for
8 certain accounts, such as office furniture, with high volumes and low value items.
9 NYPA plans to adopt this recommendation.

10 **Q. Is NYPA including the depreciation study reports with this filing?**

11 A. Yes. NYPA is including the testimony of Mr. Watson, Partner of Alliance
12 Consulting Group, along with the Alliance transmission and general plant
13 depreciation study reports, as NYPA Exhibit Nos. NYP-200 – NYP-203.

14 **Q. Summarize the impacts of Alliance’s recommended depreciation rates on**
15 **NYPAs annual transmission revenue requirement.**

16 A. As stated in Mr. Watson’s testimony, the change in depreciation rates results in a
17 \$7.4 M increase in transmission depreciation expense using asset data as of
18 December 31, 2020. Also as stated in Mr. Watson’s testimony, the change in
19 depreciation rates results in a \$1.9 M decrease in general plant expense using asset
20 data as of December 31, 2019.¹

¹ Approximately 35% of general plant depreciation expense is included in the annual transmission revenue requirement.

1 **Q. Have you done calculations of the impacts from the depreciation rate changes**
2 **using more recent data?**

3 A. Yes, I have. Using NYPA financial data as of December 31, 2021, which is more
4 indicate of the prospective impacts of these depreciation rate changes, I anticipate
5 transmission depreciation expense to increase by \$8.7 M and general depreciation
6 expense to decrease by \$1.1 M annually.

7 **Q. What impact will these depreciation rate changes have on NYPA's annual**
8 **transmission revenue requirement?**

9 A. Given that 35% of the general depreciation decrease will be allocated to the
10 transmission function and using asset data as of December 31, 2021, NYPA
11 anticipates its transmission function annual depreciation expense to increase by
12 \$8.3 M, which is approximately a 3% increase to the current NTAC annual revenue
13 requirement.

14 **Q. When will NYPA implement these new depreciation rates?**

15 A. NYPA is requesting an effective date for its proposed depreciation rate changes of
16 October 1, 2022. NYPA plans to begin using the proposed depreciation rates to
17 record depreciation expense on its books beginning October 1, 2022.

18 **Q. When will NYPA's annual transmission revenue requirement reflect the**
19 **impact of these depreciation rates?**

20 A. Assuming these depreciation rates are approved later this year, the NYPA annual
21 transmission revenue requirement will reflect the calendar year 2022 impacts of
22 these new depreciation rates beginning July 2023, consistent with NYPA's formula
23 rate implementation protocols. The full 12-month impact of the new depreciation
24 rates will not get reflected until the annual transmission revenue requirement

1 change in July 2024.

2 **Q. Does this conclude your testimony on the depreciation rate changes?**

3 **A.** Yes, it does.

Respectfully submitted,

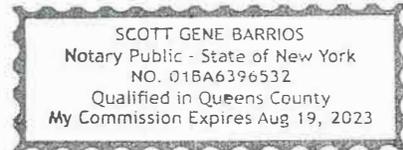


Scott Tetenman

Dated: July 28, 2022

Subscribed and Sworn to before me on this 28th day of July, 2022.



Notary Public

My commission expires: 08/19/2023