ATTACHMENT C

EXHIBIT NO. NMPC-100

PREPARED DIRECT TESTIMONY OF MARC QUESNEL

Exhibit No. NMPC-100

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Niagara Mohawk Power Corporation d/b/a National Grid	**)** **)**	**Docket No. ER25-_____-000**

PREPARED DIRECT TESTIMONY
OF MARC QUESNEL
ON BEHALF OF NIAGARA MOHAWK POWER CORPORATION

I. BACKGROUND AND QUALIFICATIONS

Q. Please state your full name and business address.

A. My name is Marc Quesnel. My business address is 300 Erie Blvd, Syracuse, New York.

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

A. I am employed by National Grid, the public utility holding company that wholly owns Niagara Mohawk Power Corporation ("NMPC"), as a Director of Mega Projects.

Q. Please summarize your educational background and work experience.

A. I hold a Bachelor of Science in Civil Engineering from Clarkson University, as well as a Graduate Certificate in Foundations of Business from UMass Lowell, and a Project Management Professional (PMP) Certification from the Project Management Institute. I began my career with the US Air Force where I spent seven years as a Civil Engineering Officer. After the US Air Force, I have spent 22 years working at utilities in a variety of roles in Project Management. I first spent four years at Pennsylvania Power and Light (PPL) Electric Utilities as a Senior Project Manager and then Manager. I joined National Grid in 2016, and since 2019 have served in the role of Director in Project Management.

II. PURPOSE AND SUMMARY OF TESTIMONY

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

A. The primary purpose of my testimony is to discuss NMPC's request in this proceeding for incentive treatment associated with a series of transmission projects NMPC is developing in support of New York State energy policy goals (the "NMPC Phase 2 Projects"), as defined in the state's Climate Leadership and Community Protection Act ("CLCPA"). The NMPC Phase 2 Projects are anticipated to increase transmission system headroom in support of renewable energy development in New York. By replacing aging infrastructure and addressing known asset condition issues, the NMPC Phase 2 Projects will also enhance system reliability and resiliency.

Specifically, NMPC is seeking authorization to recover 100 percent of prudently incurred costs of transmission facilities that are cancelled or abandoned, in whole or in part, for reasons beyond NMPC's control ("Abandoned Plant Incentive"). My testimony provides information necessary to support NMPC's requested Abandoned Plant Incentive for the NMPC Phase 2 Projects.

As I discuss below, developing and placing the NMPC Phase 2 Projects into service will impose a number of substantial financial risks and challenges to NMPC, as well as construction risks that may threaten timely completion of the NMPC Phase 2 Projects. I also describe NMPC's risk mitigation efforts and explain how the Abandoned Plant Incentive is appropriately tailored to alleviate the risks and challenges facing development of the NMPC Phase 2 Projects.

Q. Please provide an overview of NMPC.

A. NMPC is a Commission-regulated public utility company organized and operated under the laws of the State of New York. It provides electric service to over 1.7 million customers and natural gas service to over 540,000 customers in upstate New York. NMPC owns and operates transmission facilities in New York, all of which are subject to the New York Independent System Operator's ("NYISO") operational control. NMPC recovers its Commission-regulated transmission revenue requirements pursuant to formula rates under Attachment H to the NYISO Open Access Transmission Tariff.

The outstanding common shares of NMPC are wholly owned by National Grid USA. National Grid USA is an indirect, wholly-owned subsidiary of National Grid plc, a company incorporated in England and Wales. NMPC is the only wholly-owned National Grid USA subsidiary that owns or operates transmission facilities in New York.

Note that although NMPC does business in New York under the name "National Grid," for purposes of this testimony, in order to avoid confusion, I will use the terms "Niagara Mohawk" or "NMPC" to refer to the New York service company affiliate, and "National Grid" to refer to the parent holding company.

Q. Would you please briefly summarize the NMPC Phase 2 Projects, why they are needed, and how they benefit the New York State transmission system?

A. The NMPC Phase 2 Projects are a portfolio of twenty-seven local transmission projects that includes the construction or rebuild of 394 circuit miles of transmission lines, renovation and construction of substations, and

implementation of new technologies. The NMPC Phase 2 Projects, along with projects that will be developed by other New York transmission owners, were approved by the New York State Public Service Commission ("NYPSC") to support the achievement of New York's energy policy goals while increasing reliability and reducing congestion.[1]

The NMPC Phase 2 Projects are a direct outgrowth of New York climate-related legislation: (1) the CLCPA, which requires significant reductions in greenhouse gas emissions over the next 30 years, and (2) the Accelerated Renewable Energy Growth and Community Benefit Act ("AREGCBA"), which provides for significant transmission investment in New York, including a requirement for the New York State Department of Public Service Staff ("DPS Staff"), in collaboration with other stakeholders, to conduct a thorough study to identify the necessary or appropriate distribution upgrades, local transmission upgrades, and bulk transmission investments to facilitate the timely achievement of CLCPA targets.

AREGCBA also required the NYPSC to initiate a proceeding to establish a distribution and local transmission capital plan for each New York utility to address the distribution and local transmission upgrades identified by DPS Staff's study. The NMPC Phase 2 Projects were selected as among the most cost-

[1] *See Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act, Order Approving Phase 2 Areas of Concern Transmission Upgrades*, N.Y. Pub. Serv. Comm'n, Case No. 20-E-0197 (Feb. 16, 2023) ("Phase 2 Order"). The Phase 2 Order is provided as Attachment B to this filing.

effective upgrades to address transmission system deficiencies in specific "Areas of Concern" identified by the NYPSC.

In addition to enhancing the safety, reliability, and resiliency of the local transmission system, the NMPC Phase 2 Projects will increase transmission system headroom in support of renewable energy development and in furtherance of New York's energy policy goals.

Q. What is the anticipated in-service date for the NMPC Phase 2 Projects?

A. The vast majority of the NMPC Phase 2 Projects are currently planned to be in service by 2030, pending completion of the necessary New York State transmission permitting processes and approval ("New York State Siting Approval") for individual projects. However, in furtherance of New York's ambitious energy policy goals, NMPC intends to pursue expeditious development of the NMPC Phase 2 Projects and anticipates in-service dates for some of the NMPC Phase 2 Projects as early as 2024.

III. NMPC PHASE 2 PROJECTS RISKS

A. Financial Repercussions and Risks Associated with the NMPC Phase 2 Projects

Q. Please discuss the magnitude of the NMPC Phase 2 Projects.

A. The total cost for the NMPC Phase 2 Projects is approximately $2.1 billion, making it a major financial undertaking for the company. Below is a cost forecast and spending timeline for NMPC's anticipated investment in the NMPC Phase 2 Projects through the anticipated in-service date of the last of the projects.

Figure 1 - NMPC Phase 2 Projects Spending Projections[2]

	Prior	FY25	FY26	FY27	FY28	FY29	FY30	Total
Cost ($m)	21.834	211.216	390.720	579.251	542.761	272.337	95.832	2,114

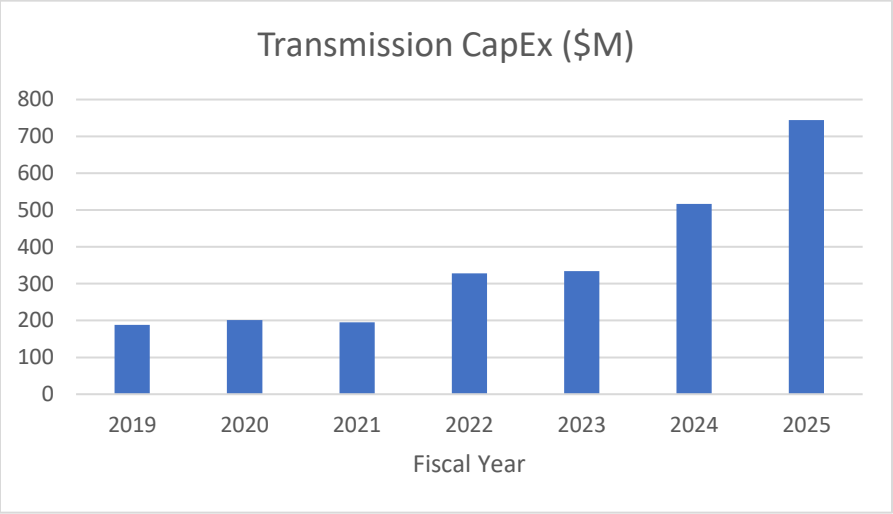
Expenditures for the NMPC Phase 2 Projects represent a continued and relatively large increase in the overall level of NMPC's transmission investment in New York, making it essential for the company to be able to recover its prudently incurred costs of developing and constructing the NMPC Phase 2 Projects, even if such projects are abandoned due to reasons beyond NMPC's control.

[2] For purposes of my testimony, references to fiscal years are to National Grid's fiscal years. National Grid's fiscal years start April 1 of the prior year, continuing to the next March 31 (*e.g.*, FY25 runs from April 1, 2024 through March 31, 2025).

Q. Please provide a general overview of NMPC's transmission investment plans.

A. NMPC has historically increased its annual investment in transmission to meet the growing needs of its transmission customers. NMPC's transmission investments have grown from $188 million in FY19 to $517 million in FY24. That trend is expected to accelerate going forward, and NMPC projects its annual transmission investments to grow to $744 million in FY25. *See* Figure 2 below.

Figure 2 - NMPC Historical and Projected Transmission CapEx



Q. Please discuss the magnitude of NMPC's transmission investment plans within the context of NMPC's overall capital expenditure program.

A. NMPC's overall capital expenditure ("CapEx") across electric distribution, sub-transmission, and transmission is expected to grow from $1,525 million in 2025 to approximately $2,380 million in 2030, pending rate case approvals. Transmission investments are expected to represent between approximately 48 and 55 percent of annual electric CapEx investment over that period. In FY25 alone, NMPC's investment in the NMPC Phase 2 Projects marks a 39% increase in capital expenditure on transmission.

It is also reasonable to expect that NMPC's need to invest in transmission infrastructure will continue to increase dramatically as efforts to "unbottle" renewable energy and meet emissions reduction targets in New York intensify. The potential increase in transmission investment due to New York's energy policy goals is likely to increase the proportion of NMPC's investment in electric infrastructure that is dedicated to transmission.

Q. How does the investment in the NMPC Phase 2 Projects compare to NMPC's transmission plant in service?

A. Many of the transmission capital projects previously undertaken by NMPC have been much smaller than the NMPC Phase 2 Projects, with 87% of all capital projects budgeted at less than $20 million. To further put the scope of the NMPC Phase 2 Projects investment in perspective, NMPC's electric transmission plant in service as of March 31, 2024, was approximately $4.32 billion. The NMPC Phase 2 Projects will increase NMPC's transmission investment by approximately $2.1 billion or 48 percent.

B. Project Construction Risks Faced by NMPC with Respect to the NMPC Phase 2 Projects

Q. Have the NMPC Phase 2 Projects been subject to any prior regulatory review?

A. Yes. Prior to its issuance of the Phase 2 Order, the NYPSC reviewed a comprehensive report prepared by the New York utilities, including NMPC, which identified proposed local transmission and distribution investments, as well as congestion studies conducted by the NYISO, and approved the proposed

NMPC Phase 2 Projects in light of their anticipated reliability and capacity benefits.

Q. What additional regulatory approvals will the NMPC Phase 2 Projects require?

A. A to-be-determined subset of the NMPC Phase 2 Projects will also be subject to New York State Siting Approval. The New York State Siting Approval for individual NMPC Phase 2 Projects will include a thorough review of the NMPC Phase 2 Projects' attributes, including project-specific determinations regarding anticipated reliability benefits and congestion costs savings. This will be true whether New York State Siting Approval is obtained under the existing transmission permitting process— under which the NYPSC reviews projects in compliance with Article VII of the New York Public Service Law—or a forthcoming revised process, which is anticipated to be initially implemented in Q3 2025.

Q. Other than the need to obtain New York State Siting Approval, will the NMPC Phase 2 Projects face any further development risks?

A. Yes. In addition to the need to obtain New York State Siting Approval for individual NMPC Phase 2 Projects, the projects face significant risks and challenges relating to construction. These risks have the potential to increase the costs and/or delay the in-service dates of the NMPC Phase 2 Projects.

Q. What type of construction-related risks and challenges will the NMPC Phase 2 Projects face?

A. The NMPC Phase 2 Projects require numerous permits including and beyond the New York State Siting Approval needed for individual projects, which increases

the risk that one or more permits may not be obtained. Delays or failure to secure these permits could lead to the cancellation or significant modification of one or more of the NMPC Phase 2 Projects. Additionally, new and expanded rights of way ("ROWs") may be needed for some of the NMPC Phase 2 Projects, introducing siting risks if these ROWs cannot be obtained or take an extended period to secure.

The NMPC Phase 2 Projects also face risks and challenges relating to the need to develop the projects sequentially and on an expeditated timeline, coordination of scheduling outages, increasing material costs, and general supply chain and procurement difficulties. Further, the NMPC Phase 2 Projects are being constructed in support of New York's energy policy goals and in anticipation of future generation that is planned and in development based on the renewable generation developer queue and interest. However, there is no assurance that these planned generation projects will achieve commercial operation. While the NMPC Phase 2 Projects are being developed on an accelerated schedule, the forecasted future renewable generation will require coordinated interconnection efforts and may not materialize or be fully developed, potentially leading to the abandonment of one or more of the NMPC Phase 2 Projects.

Q. What other permits will be required to develop the NMPC Phase 2 Projects?

A. In addition to applying for and obtaining New York State Siting Approval for individual NMPC Phase 2 Projects, NMPC may need to apply for some or all of the following permits for many of the NMPC Phase 2 Projects:

- U.S. Army Corps of Engineers
  - Sections 10 and 404 Permits for wetlands and waterbody crossings
- New York State Department of Transportation
  - Highway Work Permit for Utility Work (PERM 32)
  - Highway Work Permit for Non-Utility Work (PERM 33)
  - Consolidated Application and Permit for Highway Work and Use & Occupancy for Fiber Optic Facilities and Supporting Infrastructure (PERM 75)
  - County and Local Highway Occupancy and Work Permits
- New York State Department of Environmental Conservation State Pollution Discharge Elimination System ("SPDES")
  - SPDES General Permit for Stormwater Discharges from Construction Activities
  - SPDES Permit for Stormwater Discharges from Municipal Separate Sewer Systems
- New York State Department of Environmental Conservation
  - Article 16 Flood Control Land Use Permit
  - Temporary Revocable Permit
- Alienation and Conversion of State/Municipal Parkland
- Federal Aviation Administration
  - Notice of Proposed Construction or Alteration
- Railroad Use and Occupancy/Utility Crossing Permits

Q. What are the risks relating to potential new and expanded ROWs?

A. The NMPC Phase 2 Projects will be constructed over 208 miles of existing ROW. However, NMPC may also need to obtain new and expanded ROWs in areas where it currently only holds "centerline rights." A centerline right easement typically allows for the installation of structures and wires and operation of the electric line on a fixed centerline, including the right to maintain the electric line. However, it generally does not provide a fixed ROW width or rights for vegetation management or expansion—*i.e.*, additional rights may also be needed to secure access to the line. The estimated acreage of new easements required is approximately 3,245 acres.

Q. Can you please describe the risks relating to outages that NMPC will face in constructing the project?

A. The risks related to the outages needed to construct and interconnect the proposed transmission facilities have the potential to affect the schedule for construction of the NMPC Phase 2 Projects and increase the related costs. Because most of the NMPC Phase 2 Projects are in close proximity to each other, as well as to facilities owned and/or under development by neighboring utilities, construction will require substantial outage coordination with both those utilities and NYISO to ensure transmission network reliability.

Outages to perform the necessary facility work may require NMPC to accommodate requests from the system operator to safeguard system reliability, *e.g.*, shorter outage/construction durations or temporary transmission lines. The scale of the NMPC Phase 2 Projects and the volume of additional transmission projects currently underway across New York also raises the risk that required system outages may not be obtainable in the timeframe needed for completion of the NMPC Phase 2 Projects.

Q. Please describe the material costs and procurement-related risks associated with construction of the NMPC Phase 2 Projects.

A. Current market conditions have resulted in a significant increase in the cost of raw materials, particularly steel. Although NMPC has taken reasonable steps to mitigate this risk, which I discuss below, given ongoing trends, it seems highly likely that these costs will continue to increase through the procurement and construction phase.

Other procurement-related risks include:

- Demand for structures and conductors, given supply chain challenges and a series of large transmission projects being developed during the same time period and competing for materials, is creating pressure on the prices of these items and, depending on availability, could also impact the NMPC Phase 2 Projects' construction schedule.
- Potential labor shortages and other issues. As with structures and conductors, the large number of transmission projects being undertaken in New York and nationally during the same time period as the NMPC Phase 2 Projects could strain the availability of transmission line contractors and crews, particularly if there are any construction delays.
- Manufacturing availability, quality, and delivery logistic risks are significant for projects of this scale.

Q. What other construction-related risks do the NMPC Phase 2 Projects face?

A. In addition to the risks described above, NMPC will need to pursue parkland alienation in association with development of the NMPC Phase 2 Projects.

Parkland alienation refers to the process by which a local government grants easements upon, sells, leases, or discontinues the use of municipal parkland. Under New York State law, public parkland is held in trust for the benefit of the people of the State. Therefore, to dispose of such parkland, the municipality must receive prior authorization from New York State through legislation approved by both houses of the State Legislature and enacted into law by the Governor. This multi-step process requires coordination with multiple stakeholders, sometimes including the federal government, and carries significant risk.

Weather also has the potential to increase construction costs and delay the construction schedule beyond the allowances initially included as part of the cost estimates and schedules for the NMPC Phase 2 Projects. For example, the access plan includes base-level assumptions for utilizing gravel roads and matting in the ROWs. However, seasons with more rain or softer ground conditions in winter could result in significantly higher levels of matting required to mitigate environmental impacts.

Q. Has NMPC taken steps, beyond requesting the Abandoned Plant Incentive discussed in further detail below, to minimize the various risks associated with the NMPC Phase 2 Projects?

A. Yes, NMPC has taken a number of steps to minimize the risks associated with developing and constructing the NMPC Phase 2 Projects. These include the following:

- NMPC has and will continue to utilize best-in-class project management practices and contracting strategies. This includes the development of

detailed schedules identifying all tasks, resources, and sequences for such tasks. These schedules will serve to ensure that the entire team working on each of the NMPC Phase 2 Projects knows what needs to be completed, by when, and by whom.

- Additionally, standard procurement processes will be utilized to secure necessary materials and labor resources at competitive prices along with confirming orders of major materials earlier to ensure on-time delivery for construction. Further, best-in-class practices will be utilized to the maximum extent possible to assist in incorporating lessons learned on previous projects and avoiding new risks.
- As discussed above, NMPC has sought, to the greatest extent possible, to site the NMPC Phase 2 Projects using existing ROWs already owned or controlled by NMPC. While there are still land rights that NMPC will need to obtain in order to effectuate the NMPC Phase 2 Projects, the maximal use of existing ROWs will significantly reduce the risk associated with being able to obtain needed rights by working with existing impacted landowners instead of looking to shift to a new route impacting new landowners
- NMPC is incorporating lessons learned from the ongoing Smart Path Connect ("SPC") Project. On-site experience with the development of the SPC Project has allowed NMPC to incorporate best practices into its future construction execution plans. These best practices include outage execution sequencing and helicopter soft line stringing to reduce cost and environmental impact.

- NMPC has well-established community outreach protocols for the NMPC Phase 2 Projects facilities.

IV. THE REQUESTED ABANDONED PLANT INCENTIVE ADDRESSES THE SPECIFIC RISKS FACED IN THE DEVELOPMENT OF THE NMPC PHASE 2 PROJECTS

Q. How is the Abandoned Plant Incentive tailored to the unique risks faced by NMPC in developing the NMPC Phase 2 Projects?

A. NMPC's request for the Abandoned Plant Incentive directly addresses the specific financial and construction-related risks associated with NMPC's investment of capital and resources in the NMPC Phase 2 Projects. Specifically, the Abandoned Plant Incentive offsets some of the uncertainties associated with the NMPC Phase 2 Projects–*e.g.*, if one or more components of the NMPC Phase 2 Projects are unable to move forward for reasons outside of NMPC's control.

Regarding the financial risks NMPC faces in developing the NMPC Phase 2 Projects, the Abandoned Plant Incentive will remove the investment disincentive associated with the potential cancellation of the NMPC Phase 2 Projects for reasons beyond NMPC's control. Shareholders require a higher return when faced with greater business risk. If shareholders must bear a substantial portion of the abandonment costs for significant transmission projects, their required return on common equity will increase, leading to higher rates for NMPC's retail electric and gas service customers, as well as increased transmission rates.

As described above, NMPC also faces a number of non-financial, construction-related risks in developing the NMPC Phase 2 Projects. The

Abandoned Plant Incentive is also appropriate to address these risks, as it helps to mitigate the possibility that challenges associated with construction and permitting require NMPC to abandon development of one or more of the NMPC Phase 2 Projects for reasons beyond NMPC's control.

Q. If granted the Abandoned Plant Incentive, how will NMPC pursue recovery of costs related to the incentive?

A. Consistent with the Commission's requirements in Order No. 679, before NMPC recovers any costs related to the Abandoned Plant Incentive, it will make an FPA Section 205 filing at the Commission seeking approval of the cancelled transmission plant costs and an amortization for the recovery.

Q. Does this conclude your testimony?

A. Yes.

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DECLARATION OF MARC QUESNEL

I depose and state under penalty of perjury that the foregoing testimony was prepared or assembled by me or under my direction; 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 November 13, 2024

/s/ Marc Quesnel
Marc Quesnel