

ATTACHMENT A
EXHIBIT NOS. NMPC-100 THROUGH -103

PREPARED DIRECT TESTIMONY AND EXHIBITS
OF TIFFANY M. ESCALONA

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

Niagara Mohawk Power Corporation) **Docket No. ER26-____-000**
d/b/a National Grid)

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF TIFFANY M. ESCALONA
ON BEHALF OF NIAGARA MOHAWK POWER CORPORATION
D/B/A NATIONAL GRID**

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q1. Please state your name and business address.**

3 A. My name is Tiffany Escalona. My business address is National Grid, 2 Hanson
4 Place, Brooklyn, NY 11217.

5 **Q2. By whom are you employed and in what capacity?**

6 A. I am employed by National Grid USA Service Company as Director of FERC
7 Revenue Requirements. National Grid USA Service Company provides
8 administrative, accounting, finance, IT, engineering, regulatory, and legal services
9 for the National Grid operating companies (collectively, the “Company”), one of
10 which is Niagara Mohawk Power Corporation d/b/a National Grid (“NMPC”).
11 In my current position, I support National Grid’s Federal Energy Regulatory
12 Commission (“FERC”) regulated companies on rate matters, including those
13 relating to NMPC rates.

14 **Q3. Please summarize your education and professional background.**

15 A. I graduated from St. Francis College with a Bachelor of Science degree in
16 Accounting and Business Management and from Baruch College in New York,
17 New York with a Master of Business Administration in Finance. I have been with
18 National Grid USA for twenty one years in various positions in the Accounting
19 and Regulatory functions.

20 **Q4. Have you submitted testimony in any prior rate proceedings?**

21 A. Yes, I have submitted pre-filed testimony in Dockets 4485, 4599, and 4691 before
22 the Rhode Island Public Utilities Commission and in Dockets 14-02, 16-13, and
23 17-11 before the Massachusetts Department of Public Utilities. My testimony in

1 those dockets addressed the Company's estimated annual calendar year
2 transmission expenses, including administrative expenses charged to the
3 Company by ISO New England Inc. ("ISO-NE"). In FERC Docket Nos. ER19-
4 132 and ER26-266, I provided testimony on behalf of NMPC to update the
5 depreciation rates in NMPC's wholesale Transmission Service Charge ("TSC")
6 formula rate under the New York Independent System Operator's ("NYISO")
7 Open Access Transmission Tariff ("OATT"). In FERC Docket Nos. ER23-973
8 and ER23-974, I provided testimony on NMPC's behalf to revise the NYISO
9 OATT to establish a new rate schedule and to amend NMPC's TSC formula rate.

10 I also testified on behalf of New England Power Company d/b/a National
11 Grid ("NEP") in FERC Docket Nos. ER22-246 and ER22-248 to update the
12 depreciation rates stated in NEP's wholesale Regional Network Service and Local
13 Network Service rate formulas under the ISO-NE OATT and NEP's Generation
14 in Support of Transmission rate formula under a Local Service Agreement among
15 NEP, Massachusetts Electric Company, and Nantucket Electric Company. Lastly,
16 I provided direct testimony in National Grid LNG LLC general rate case filings
17 pursuant to Section 4 of the Natural Gas Act and Part 154 of the Commission's
18 regulations in FERC Dockets No. RP21-100 and RP25-473.

19 **II. PURPOSE OF TESTIMONY**

20 **Q5. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to support the proposed amendments to Section
22 14.2.1 of Attachment H of the NYISO OATT to allow NMPC to recover the costs
23 of transmission projects it is developing in support of New York State public

1 policy goals, pursuant to the state’s Climate Leadership and Community
2 Protection Act (“CLCPA”). These projects (referred to as the “NMPC Phase 2
3 Projects,” for purposes of this filing) are anticipated to increase transmission
4 system capacity, supporting the development of needed energy projects in New
5 York. The NMPC Phase 2 Projects are additionally expected to improve system
6 reliability and resiliency by replacing aging infrastructure and resolving existing
7 asset condition issues.

8 My testimony also supports the narrative formula rate proposed as new
9 Attachment 6 to Rate Schedule 19 to the NYISO OATT (proposed Section
10 6.19.11), which sets forth the rate mechanism (the “CLCPA Facilities Charge” or
11 “CFC Charge”) which will be used to recover the costs of NMPC’s investment in
12 the NMPC Phase 2 Projects statewide.¹ The CFC Charge is a new rate which the
13 NYISO will collect from all load-serving entities serving load within the New
14 York Control Area on a volumetric load-ratio share basis.

15 Clean and redlined versions of the proposed changes to Section 14.2.1 of
16 Attachment H of the NYISO OATT are included with this filing as Attachments
17 C and D respectively, and a clean version of proposed new Attachment 6 to Rate
18 Schedule 19 to the NYISO OATT is included as Attachment B.

¹ As discussed below, the NMPC Phase 2 Projects are CLCPA Eligible Projects for purposes of Rate Schedule 19.

1 **Q6. Are you sponsoring any exhibits as part of this proceeding?**

2 A. Yes, in addition to this testimony, I am sponsoring the following exhibits:

Exhibit	Exhibit Description
Exhibit NMPC-101	List of NMPC Phase 2 Projects by Forecasted In-Service Date
Exhibit NMPC-102	Illustrative Diagram of Proposed NMPC Phase 2 Projects and Revenue Requirements Design
Exhibit NMPC-103	Demonstration of Proposed Cost of Capital Rates Application

3 **III. BACKGROUND**

4 **Q7. Please provide an overview of NMPC.**

5 A. NMPC is a Commission-regulated public utility company organized and operated
6 under the laws of the State of New York. It provides electric service to over 1.7
7 million customers and natural gas service to over 540,000 customers in upstate
8 New York. NMPC owns and operates transmission facilities in New York, all of
9 which are subject to the NYISO's operational control. NMPC recovers its
10 Commission-regulated transmission revenue requirements pursuant to formula
11 rates under Attachment H to the NYISO OATT.

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

17 **Q8. Would you please briefly summarize the NMPC Phase 2 Projects, why they
18 are needed, and how they benefit the New York State transmission system?**

19 A. The NMPC Phase 2 Projects comprise a portfolio of 27 local transmission
20 projects and involve the construction and rebuild of 394 circuit miles of

1 transmission lines, upgrades and construction of substations, and the deployment
2 of advanced technologies. Approved by the New York State Public Service
3 Commission (“NYPSC”) alongside projects by other transmission owners in New
4 York, the NMPC Phase 2 Projects are designed to support the state’s energy
5 policy objectives, enhance reliability, and reduce congestion across the
6 transmission system.

7 The NMPC Phase 2 Projects are directly tied to key New York legislation:
8 (1) the CLCPA, which mandates substantial greenhouse gas emissions reductions
9 within the next 30 years, and (2) the Accelerated Renewable Energy Growth and
10 Community Benefit Act (“AREGCBA”), which facilitates significant
11 transmission investments in the state. Under AREGCBA, the New York State
12 Department of Public Service Staff (“DPS Staff”), in coordination with
13 stakeholders, was tasked with conducting a comprehensive study to identify
14 necessary distribution, local transmission, and bulk transmission upgrades to
15 enable New York to meet CLCPA targets. AREGCBA also required the NYPSC
16 to initiate proceedings to establish distribution and local transmission capital plans
17 for each New York utility to address necessary system upgrades highlighted by
18 the DPS Staff study. The NMPC Phase 2 Projects were selected as among the
19 most cost-effective solutions to address identified transmission system
20 deficiencies.

21 In addition to improving reliability and resiliency, the NMPC Phase 2
22 Projects will increase transmission capacity to foster energy project development
23 and advance New York’s energy policy goals. Recognizing the importance of

1 these goals, on June 17, 2022, NMPC, Consolidated Edison Company of New
2 York, Inc., Orange and Rockland Utilities, Inc., Central Hudson Gas & Electric
3 Corporation, New York State Electric & Gas Corporation, and Rochester Gas and
4 Electric Corporation (together, the “New York Transmission Owners”) entered
5 into a Cost Sharing and Recovery Agreement (“CSRA”) to memorialize their
6 local transmission development obligations under the CLCPA and AREGCBA.
7 The CSRA—and related Rate Schedule 19 to the NYISO OATT—mandate that
8 the costs of projects determined by the NYPSC to be necessary or appropriate to
9 the achievement of the CLCPA targets (*i.e.*, “CLCPA Eligible Projects”) be
10 shared state-wide on a volumetric load–ratio basis. The Commission approved the
11 CSRA and Rate Schedule 19, along with this load-ratio share allocation approach,
12 in an August 19, 2022 order.²

13 **Q9. What is the anticipated in-service date for the NMPC Phase 2 Projects?**

14 A. As shown in Exhibit NMPC-101, the vast majority of the NMPC Phase 2 Projects
15 are currently planned to be in service by 2030, pending completion of the
16 necessary New York State transmission permitting processes for individual
17 projects. However, in furtherance of New York’s ambitious energy policy goals,
18 NMPC is pursuing expedited development of the NMPC Phase 2 Projects and
19 anticipates in-service dates for some certain Projects as early as Spring 2026.

² See *Consol. Edison Co. of N.Y., Inc., et al.*, 180 FERC ¶ 61,106 (2022).

1 **IV. PROPOSED AMENDMENTS TO NMPC'S TSC FORMULA RATE AND**
2 **TEMPLATE**

3 **Q10. Please describe NMPC's TSC formula rate.**

4 A. NMPC's TSC formula rate was established pursuant to a settlement agreement
5 accepted by the Commission in Docket No. ER08-552-000. The provisions of
6 NMPC's TSC formula rate are set forth in Section 14.1.9 to Attachment H of the
7 NYISO OATT, and its TSC formula rate template is set forth in Section 14.2.1.

8 **Q11. Please describe the proposed revisions to NMPC's TSC formula rate template**
9 **set forth in Section 14.2.1 of Attachment H to the NYISO OATT.**

10 A. NMPC is proposing to add six schedules—Schedule 16a, Schedule 16b, Schedule
11 16c, Schedule 16d, Schedule 16e, and Schedule 16f— to Section 14.2.1 of
12 Attachment H of the NYISO OATT. These Schedules will be used to calculate the
13 annual revenue requirement for the NMPC Phase 2 Projects. It is necessary to
14 calculate a separate revenue requirement for the NMPC Phase 2 Projects because
15 the costs of the NMPC Phase 2 Projects will be allocated statewide through the
16 new CFC Charge and will not be charged through the existing TSC, which is only
17 assessed to customers within NMPC's service territory.

18 NMPC is also proposing revisions to Schedule 1 (Historical Transmission
19 Revenue Requirement) and Schedule 10 (Other – Billing Adjustments, Bad Debt
20 Expense, Revenue Credits, and Transmission Rents) to include the appropriate
21 revenue credit for the NMPC Phase 2 Project Specific Revenue Requirement
22 Credit amounts in the TSC rate calculation to ensure that the impact to the TSC
23 rate is effectively zero. The proposed Schedules will be populated consistent with

1 the terms of the TSC Annual Update Process specified in Section 14.1.9.4 of
2 Attachment H to the NYISO OATT, whereby the data inputs will be derived from
3 NMPC's FERC Form No. 1 data for the most recent calendar year and be based
4 upon the books and records of NMPC consistent with Commission accounting
5 policies. The proposed Schedules will also adhere fully to the Annual Update
6 Process specified in Section 14.1.9.4 of Attachment H to the NYISO OATT.
7 Exhibit NMPC-102 provides an illustrative example of how the proposed
8 Schedules are designed to utilize FERC Form No. 1-based data in the existing
9 TSC formula rate and also provide a revenue credit to the TSC formula rate to
10 ensure rate neutrality for TSC customers.

11 Note that capitalized terms not defined in the new Schedules are defined
12 as set forth in Section 14.1.9.1 of Attachment H to the NYISO OATT.

13 **Q12. Why is it necessary to add new Schedules to NMPC's TSC formula rate**
14 **template to calculate a revenue requirement for the NMPC Phase 2 Projects?**

15 A. The current TSC formula rate in Section 14.1.9.1 of Attachment H to the NYISO
16 OATT is designed to calculate NMPC's transmission revenue requirement, which
17 is a component of NMPC's TSC rate. The TSC is assessed to NMPC wholesale
18 transmission customers in the NMPC service territory on a monthly basis.
19 However, consistent with the CSRA, NMPC will recover its investment in the
20 NMPC Phase 2 Projects statewide on a load-ratio basis. Because this statewide
21 allocation is distinct from how the TSC revenue requirement is assessed, a
22 separate revenue requirement formula is necessary for the NMPC Phase 2
23 Projects. Absent the calculation of a separate revenue requirement for the NMPC

1 Phase 2 Projects, NMPC would have no means to distinguish between investment
2 and costs associated with the NMPC Phase 2 Projects and those associated with
3 its other transmission plant. Proposed new Schedules 16a, 16b, 16c, 16d, 16e, and
4 16f will be used to calculate the annual NMPC Phase 2 Projects revenue
5 requirement. That revenue requirement will then be recovered through the CFC
6 Charge set forth in proposed Attachment 6 to Rate Schedule 19. I discuss
7 Attachment 6 to Rate Schedule 19 below.

8 **Q13. Does NMPC currently have transmission projects in service that are not**
9 **included in the TSC rate and are instead allocated and recovered on a different**
10 **basis?**

11 A. Yes. The Commission has approved the recovery of certain NMPC transmission
12 upgrades relating to projects to address NYPSC-identified public policy needs in
13 western New York (the “WNY Ancillary Upgrades”) through a rate that is
14 separate from the TSC and is charged to load throughout New York. This rate,
15 known as the Western New York Facilities Charge, is set forth in Rate Schedule
16 17 (Section 6.17) to the NYISO OATT. Rate Schedule 17 provides for the
17 calculation of a revenue requirement specific to the WNY Ancillary Upgrades, the
18 recovery of that revenue requirement from New York load-serving entities
19 (“LSEs”) on the same basis as the public policy project that drove the need for the
20 upgrades (which is being allocated statewide),³ and a crediting mechanism to
21 ensure that NMPC’s TSC customers are not double-charged.

³ That public policy project—NextEra’s Empire State Line Project—is allocated to the various NYISO load zones based on apportionment percentages set forth in Section 31.8.4 of the NYISO OATT,

1 The Commission approved similar approaches to cost allocation and
2 recovery for NMPC’s Segment A Facilities and Smart Path Connect (“SPC”)
3 Project. The Segment A Facilities Charge, pursuant to Rate Schedule 20 of the
4 NYISO OATT, is calculated and billed separately from the TSC and assessed to
5 specific LSEs in accordance with Section 31.8.2 of Appendix E to Attachment Y
6 to the NYISO OATT. The SPC Facilities Charge, set forth in Rate Schedule 18
7 (Section 6.18) to the NYISO OATT, provides for the calculation of an SPC
8 Project-specific revenue requirement, with statewide load-ratio share allocation.

9 **Q14. Why is NMPC proposing to add new Schedules to calculate the NMPC Phase**
10 **2 Projects revenue requirement to its TSC formula rate template under**
11 **Attachment H to the NYISO OATT instead of Rate Schedule 19?**

12 A. NMPC is proposing to add new Schedules 16a, 16b, 16c, 16d, 16e, and 16f to its
13 TSC formula rate template under Attachment H of the NYISO OATT instead of
14 Rate Schedule 19 of the NYISO OATT because the revenue requirement inputs
15 for the NMPC Phase 2 Projects will be derived from amounts included in the TSC
16 revenue requirement per Attachment H of the NYISO OATT.

17 NMPC’s currently approved TSC formula rate under Attachment H
18 includes all investments and costs related to NMPC’s transmission assets, with
19 provisions for revenue credits to the extent that NMPC collects revenues from
20 non-TSC customers related to use of its transmission assets. While the revenues
21 collected under the proposed CFC Charge can be included in the Revenue Credit

based on a settlement approved by the Commission. Per Rate Schedule 17, the WNY Ancillary Upgrades are being allocated on the same basis.

1 component as defined in Attachment H, use of new Schedules 16a, 16b, 16c, 16d,
2 16e, and 16f will provide greater transparency as to the development of the
3 revenue requirement for the NMPC Phase 2 Projects.

4 The inclusion of new Schedules 16a, 16b, 16c, 16d, 16e, and 16f in
5 Attachment H also will provide the ability for parties interested in both the TSC
6 rate and the CFC Charge to review the documents and workpapers supporting
7 both rate calculations to ensure the underlying costs are appropriately allocated
8 and that there is no over-charging or double-recovery. Because the new schedules
9 will become part of NMPC's existing formula rate, they will be subject to the
10 existing Commission-approved Annual Update Process and formula rate review
11 protocols, thereby streamlining and simplifying the overall stakeholder review
12 process.

13 **Q15. Please describe new Schedule 16a to Attachment H.**

14 A. Schedule 16a summarizes the total annual revenue requirement for the NMPC
15 Phase 2 Projects. Schedule 16a shows the investment base items, the associated
16 return and income tax amount, and the expenses related to the NMPC Phase 2
17 Projects. Schedule 16a will also calculate the annual revenue requirement true-up,
18 including interest on the over or under recovery. Below, I explain each revenue
19 requirement component in greater detail:

20 **Net Investment Base**

21 Net Investment Base includes, as related to the NMPC Phase 2 Projects, Gross
22 Plant In-Service, Depreciation and Amortization Reserves, Accumulated Deferred
23 Income Taxes ("ADIT"), any (Excess) Deficient ADIT, Project-Allocated

1 Prepayments, Project-Allocated Materials & Supplies, and Project-Allocated Cash
2 Working Capital. The components of the Net Investment Base are as follows:

- 3 • Project Gross Plant In-Service will be the total capital investment for the
4 Project, excluding ARO, included in Transmission Plant In Service, the
5 sum of transmission allocated General Plant, Common Plant, and
6 Intangible Plant, multiplied by the NMPC Phase 2 Plant Allocation factor.
7 This input will be sourced from Schedule 16e (Project Specific
8 Allocations), as discussed later in my testimony.
- 9 • Project-Related Depreciation and Amortization reserve, excluding ARO,
10 shall equal the accumulated credit from Project-Related Depreciation
11 Expense, determined by vintage of the assets and associated accounts'
12 depreciation parameters (*i.e.*, average service life, net salvage factor, and
13 depreciation curve). This input will be sourced from Schedule 16e (Project
14 Specific Allocations), as discussed later in my testimony.
- 15 • Project-Related Accumulated Deferred Income Taxes shall equal ADIT
16 calculated based on cost, accumulated book depreciation, and accumulated
17 tax depreciation. A detailed workpaper supporting the determination of
18 this input will be provided as part of the Annual Update.
- 19 • Project-Related (Excess) Deficient ADIT shall be the unamortized excess
20 or deficient ADIT balance related specifically to the NMPC Phase 2
21 Projects as reconciled in—and sourced from—Schedule 16c (Project
22 Specific (Excess)/Deficient ADIT Worksheet).

- 1 • Project-Allocated Prepayments shall equal Transmission Allocated
2 Prepayments multiplied by the NMPC Phase 2 Plant Allocation factor.
3 This input will be sourced from Schedule 16e (Project Specific
4 Allocations), as discussed later in my testimony.
- 5 • Project-Allocated Materials & Supplies shall equal Transmission
6 Allocated Materials & Supplies multiplied by the NMPC Phase 2 Plant
7 Allocation factor. This input will be sourced from Schedule 16e (Project
8 Specific Allocations), as discussed later in my testimony.
- 9 • Project-Allocated Cash Working Capital shall equal Transmission
10 Allocated Cash Working Capital multiplied by the NMPC Phase 2 Plant
11 Allocation factor. This input will be sourced from Schedule 16e (Project
12 Specific Allocations), as discussed later in my testimony.

13 **Base Revenue Requirement**

14 Base Revenue Requirement will be the portion of the NMPC Phase 2 Projects’
15 revenue requirement that will serve as the basis for determining the revenue credit
16 to the annual TSC Historical Transmission Revenue Requirement, in order to
17 ensure that NMPC’s existing TSC customers are not double-charged for the costs
18 of the NMPC Phase 2 Projects, as the Project-related investment and cost will be
19 included in NMPC’s total TSC revenue requirement. The Project Specific Return
20 and Associated Income Taxes amount will be the sum of Project Specific
21 Investment Base Return and Associated Taxes, Project-Related Depreciation
22 Expense, Project-Related Amortization of (Excess) Deficient ADIT, Project-
23 Allocated Real Estate Taxes, Project-Related Operation & Maintenance Expense,

1 Project Allocated Administrative & General Expense, and Billing Adjustments.

2 The inputs for Project Specific Investment Base Return and Associated Taxes,

3 Project-Related Depreciation Expense, Project-Allocated Real Estate Taxes,

4 Project-Related Operation & Maintenance Expense, and Project-Allocated

5 Administrative & General Expense will be sourced from the calculation in

6 Schedule 16f (Revenue Requirement by Phase 2 Project). Project-Related

7 Amortization of (Excess) Deficient ADIT will be sourced from Schedule 16c. The

8 definitions for these components are as follows:

- 9 • Project-Related Depreciation Expense, excluding ARO, shall be
10 determined based on FERC approved depreciation rates for NMPC's
11 transmission facilities, as specified in Section 14.1.9.1.14 of Attachment H
12 of the NYISO OATT, on a utility account basis to the Project Gross Plant
13 In-service.
- 14 • Project-Related Amortization of (Excess) Deficient ADIT will be the
15 annual amortized excess or deficient ADIT balance related specifically to
16 the project as identified in Schedule 16c Project Specific (Excess)
17 Deficient ADIT.
- 18 • Project-Allocated Real-Estate Taxes will be calculated based on the
19 electric allocated real estate taxes multiplied by gross transmission plant
20 allocation factor, with the result further multiplied by the NMPC Phase 2
21 Plant Allocation factor.
- 22 • Project-Related Operation & Maintenance ("O&M") Expense will be
23 determined based on charges to Project-specific work orders. O&M costs

1 that cannot be directly attributed to the NMPC Phase 2 Projects shall equal
2 transmission allocated O&M costs minus charges to Project-specific work
3 orders, with this net value multiplied by the NMPC Phase 2 Plant
4 Allocation Factor.

5 • Project-Allocated Administrative & General Expense will equal the sum
6 of Transmission allocated A&G Expenses, Transmission allocated Pension
7 & OPEB Expenses, and Transmission allocated Payroll Tax Expense
8 times the NMPC Phase 2 Transmission Wage and Salary Allocation
9 Factor, plus the sum of Transmission Related Property Insurance and
10 Transmission Related Research & Development expenses times the
11 NMPC Phase 2 Plant Allocation Factor.

12 • NMPC has included a Billing Adjustments line item which would be
13 limited to any billing adjustments related to prior year revenue
14 requirement calculations in accordance with Section 14.1.9.4.4 of
15 Attachment H of the NYISO OATT.

16 **Annual True-up including Interest**

17 • This component will include any differences between amounts billed and
18 remitted by the NYISO to NMPC, adjusted to remove true-ups billed for
19 prior years, and the actual revenue requirement for that period as
20 calculated during the Annual Update. Interest on any over- or under-
21 recovery will be calculated at the Commission's interest rate pursuant to
22 18 C.F.R. Section 35.19a.

1 **Q16. Please describe new Schedule 16b to Attachment H.**

2 A. Schedule 16b will calculate the Cost of Capital rates for the NMPC Phase 2
3 Projects. Pursuant to the CSRA, NMPC’s Cost of Capital rate used to determine
4 the NMPC Phase 2 annual revenue requirement will use the NYPSC-approved
5 capital structure, and the lower of the NYPSC-approved Return on Equity
6 (“ROE”)—presently 9.5%—or an ROE approved by the Commission.

7 As previously discussed, NMPC’s TSC revenue requirement includes the
8 NMPC Phase 2 Projects investment and related costs. Therefore, in order to
9 ensure TSC rate neutrality after application of the NMPC Phase 2 Projects’
10 revenue credit, it is necessary for NMPC to also calculate a Cost of Capital rate
11 based on the TSC revenue requirement capital structure, including the existing
12 TSC Commission-approved ROE of 10.3%, which constitutes the ROE “ceiling”
13 up to which the NMPC may set the revenue requirements for “Approved
14 Transmission Projects,”—which include CLCPA Eligible Projects such as the
15 NMPC Phase 2 Projects—under Section 3.2 of the CSRA. The Cost of Capital
16 rate based on the TSC capital structure will be used to determine the appropriate
17 adjustment to the TSC revenue credit which, when applied to the TSC revenue
18 requirement, will result in zero impact to the TSC rates and customers.

19 Exhibit NMPC-103—provided in both PDF and native Excel format—
20 demonstrates, in Table 2, how the application of the Phase 2 revenue requirement
21 using the existing TSC Commission-approved ROE of 10.3% results in rate
22 neutrality for the TSC revenue requirement, whereas the application of the

1 revenue credit using the NYPSC-approved ROE, as illustrated in Table 3, would
2 result in an over-charge of the TSC revenue requirement.

3 **Q17. Please further explain the Cost of Capital rates calculated in Schedule 16b.**

4 A. As previously discussed, there will be two Cost of Capital rates calculated for the
5 NMPC Phase 2 Projects on Schedule 16b, the first used to determine the annual
6 revenue requirement for the Phase 2 Projects, and the second used to determine
7 the associated TSC revenue credit.

8 1. Cost of Capital at NYPSC-Approved ROE and Capital Structure

9 The weighted Cost of Capital for the NMPC Phase 2 Project annual
10 revenue requirement will be calculated using (a) the most recently
11 approved NYPSC capital structure, along with the lower of the NYPSC-
12 approved ROE or an ROE approved by the Commission, in accordance
13 with the CSRA, plus (b) Federal Income Tax calculated by taking the
14 product of the equity-related Cost of Capital and the effective federal
15 income tax rate divided by 1 minus the effective federal income tax rate,
16 plus (c) State Income Tax calculated by taking the sum of the equity-
17 related Cost of Capital and the Federal Income Tax value times the
18 effective state income tax rate divided by 1 minus the effective state
19 income tax rate.

20 2. Cost of Capital at Commission-Approved TSC ROE Rate

21 The weighted Cost of Capital for purposes of determining the TSC
22 revenue credit for the NMPC Phase 2 Projects will be calculated using (a)
23 the Cost of Capital as defined in Sections 14.1.9.2.2 (i), (ii), and (iii) of

1 Attachment H of the NYISO OATT (*i.e.*, the existing TSC Cost of
2 Capital), plus (b) Federal Income Tax calculated by taking the product of
3 the equity related Cost of Capital and the effective federal income tax rate
4 divided by 1 minus the effective federal income tax rate, plus (c) State
5 Income Tax calculated by taking the sum of the equity related Cost of
6 Capital and the Federal Income Tax value times the effective state income
7 tax rate divided by 1 minus the effective state income tax rate.

8 **Q18. Please describe new Schedule 16c and Schedule 16d to Section 14.2.1 of**
9 **Attachment H.**

10 A. Schedules 16c and 16d are to be utilized in the event there is excess or deficient
11 ADIT due to changes in federal, state, or local income taxes that can be directly
12 attributed to the NMPC Phase 2 Projects. This would ensure that balances related
13 to the NMPC Phase 2 Projects are appropriately refunded or charged to the
14 correct customer groups. The income tax allowance adjustment mechanism and
15 rate base adjustment mechanism in compliance with the Commission's Order No.
16 864 have been included in the revenue requirement calculation on Schedule 16a to
17 ensure that the revenue requirement for the NMPC Phase 2 Projects fully reflects
18 the directives of Order No. 864. These Schedules directly correspond to
19 Schedules 14 and 14a that apply to the TSC formula rate, which NMPC submitted
20 in compliance with Order No. 864, and which the Commission approved in
21 Docket No. ER20-2051-003.⁴

⁴ *New York Indep. Sys. Operator, Inc.*, Docket No. ER20-2051-003 (Oct. 7, 2022) (delegated letter order).

1 **Q19. Please describe new Schedule 16e to Section 14.2.1 of Attachment H.**

2 A. Schedule 16e will calculate specific components to be included in the NMPC
3 Phase 2 Projects' revenue requirement sourced from supporting Workpapers or
4 allocated to the NMPC Phase 2 Projects based on the product of TSC-sourced
5 inputs and Project-specific allocation factors. The NMPC Phase 2 Transmission
6 Wage and Salary ("WS") Allocation Factor will be calculated based on the
7 Transmission Wage and Salary balances, sourced from the annual FERC Form
8 No. 1 for the most recently ended calendar year, multiplied by the NMPC Phase 2
9 Plant Allocation Factor and represented as a percentage of Transmission Wage
10 and Salary. The NMPC Phase 2 Plant Allocation Factor ("PA") factor will be
11 calculated based on capital investment related to the NMPC Phase 2 Projects,
12 excluding ARO, divided by Total Transmission Plant in Service. Below are
13 further details on each component calculated on Schedule 16e:

14 Project Specific Gross Plant In-Service

- 15 • Project Specific Gross Plant In-Service is determined as the total capital
16 investment for the project, excluding ARO, included in Transmission
17 Plant In Service, plus the sum of Transmission-allocated General Plant,
18 Common Plant, and Intangible Plant, multiplied by the NMPC Phase 2
19 Plant Allocation factor.

1 Project Specific Accumulated Depreciation

2 The input for Project Specific Accumulated Depreciation is the sum of the
3 following components:

- 4 • Project-related depreciation and amortization reserve, excluding ARO,
5 shall equal the accumulated credit from Project-Related Depreciation
6 Expense, determined by vintage of the assets and associated accounts'
7 depreciation parameters (*i.e.*, average service life, net salvage factor, and
8 depreciation curve).
- 9 • Transmission-allocated General Plant's accumulated depreciation times
10 the NMPC Phase 2 Plant Allocation Factor.
- 11 • Transmission-allocated Common Plant's accumulated depreciation times
12 the NMPC Phase 2 Plant Allocation Factor.
- 13 • Transmission-allocated Intangible Plant's accumulated depreciation times
14 the NMPC Phase 2 Plant Allocation Factor.
- 15 • Transmission-allocated Intangible Plant's accumulated depreciation times
16 the NMPC Phase 2 Plant Allocation Factor

17 Project Specific Prepayments, Materials & Supplies, Cash Working Capital

18 The NMPC Phase 2 Plant Allocation Factor is applied to transmission-allocated
19 Prepayments, Material & Supplies, and Cash Working Capital amounts from
20 Schedule 9 of the TSC formula rate to derive NMPC Phase 2 Project Specific
21 Prepayments, Material & Supplies, Cash Working Capital, and Real Estate Taxes.

1 Project Specific Depreciation Expense

2 The input for Project Specific Transmission Depreciation Expense is the sum of
3 the following components:

- 4 • Project-related depreciation expense, excluding ARO, shall be determined
5 based on FERC-approved depreciation rates for NMPC's transmission
6 facilities, as specified in Section 14.1.9.1.14 of Attachment H of the
7 NYISO OATT, on a utility account basis to the Project Gross Plant In-
8 service.
- 9 • Transmission-allocated General Plant's depreciation expense times the
10 NMPC Phase 2 Plant Allocation Factor.
- 11 • Transmission-allocated Common Plant's depreciation expense times the
12 NMPC Phase 2 Plant Allocation Factor.
- 13 • Transmission-allocated Intangible Plant's depreciation expense times the
14 NMPC Phase 2 Plant Allocation Factor.

15 Project Specific Real Estate Taxes

16 The Project-Allocated portion of Transmission Related Real Estate Tax shall
17 equal electric allocated real estate taxes from Schedule 9 of the TSC formula rate
18 multiplied by the Gross Transmission Plant Allocation Factor taken from
19 Schedule 5, the result further multiplied by the NMPC Phase 2 Plant Allocation
20 Factor.

1 Project Specific O&M Expenses

2 The input for Project Specific O&M Expense is the sum of the following:

- 3 • Project-Related O&M based on amounts charged to NMPC Phase 2
- 4 Project-specific work orders.
- 5 • Transmission-allocated O&M costs, minus charges to Project-specific
- 6 work orders, with the net amount multiplied by the NMPC Phase 2 Plant
- 7 Allocation Factor.

8 Project Specific A&G Expenses

9 The input for Project Specific Transmission Administrative and General Expense

10 is the sum of the following:

- 11 • Transmission-allocated A&G Expenses times the NMPC Phase 2 Wage
- 12 and Salary Allocation Factor.
- 13 • Transmission-allocated Pension & OPEB Expenses times the NMPC
- 14 Phase 2 Wage and Salary Allocation Factor.
- 15 • Transmission-allocated Payroll Tax Expense times the NMPC Phase 2
- 16 Transmission Wage and Salary Allocation Factor.
- 17 • Transmission-allocated Property Insurance times the NMPC Phase 2 Plant
- 18 Allocation Factor.
- 19 • Transmission Related Research & Development expenses times the
- 20 NMPC Phase 2 Plant Allocation Factor.

21 **Q20. Please describe new Schedule 16f to Section 14.2.1 of Attachment H.**

22 A. Schedule 16f will calculate the annual Project Return and Associated Taxes for

23 each eligible NMPC Phase 2 Project. As described earlier in my testimony, the

1 NMPC Phase 2 Projects comprise a portfolio of 27 local transmission projects to
2 be completed through 2030. As the NMPC Phase 2 Projects are expected to be
3 placed in service at different points throughout the next 5 years, Schedule 16f was
4 designed to accurately calculate the first year Project Return and Associated
5 Taxes on an individual Project basis. This will ensure that NMPC Phase 2
6 customers are correctly charged, as well as ensure that the TSC revenue
7 requirement is appropriately credited and there are no under- or overcharges to
8 TSC customers. Line 1 of Schedule 16f itemizes each of the NMPC Phase 2
9 Projects, identifying the associated In-Service date; Project-specific Gross Plant
10 In-Service, excluding ARO; and Project-specific Accumulated Depreciation,
11 excluding ARO. The sum of the Project-specific Gross Plant In-Service,
12 excluding ARO, and Project-specific Accumulated Depreciation, excluding ARO,
13 equals Project-specific Net Plant In-Service.

14 Project-specific allocated General Plant, allocated Common Plant,
15 allocated Intangible Plant, allocated ADIT, allocated (Excess)/Deficient ADIT,
16 and other allocated Rate Base Items are allocated based on each NMPC Phase 2
17 Project's Weighted Factor. The Project-specific Weighted Factors are calculated
18 based on the product of each Project-specific Plant In-Service amount, excluding
19 ARO, divided by Total NMPC Phase 2 Plant In-Service and represented as a
20 percentage of Total NMPC Phase 2 Plant In-Service.

21 The sum of each Project-specific Net Plant In-Service, excluding ARO,
22 Project-specific allocated General Plant, allocated Common Plant, allocated
23 Intangible Plant, allocated ADIT, allocated (Excess)/Deficient ADIT, and other

1 allocated Rate Base Items equals the Net Investment Base for each of the
2 individual NMPC Phase 2 Projects. Project-specific Returns and Associated
3 Taxes are the product of Project-specific Net Investment Base, multiplied by the
4 Cost of Capital rate sourced from Schedule 16b. The difference between the
5 Project-specific Returns and Associated Taxes calculated using the NYPS-
6 approved capital structure versus the existing Commission-approved TSC ROE
7 rate is the additional adjustment added to the Base Revenue Requirement amount
8 explained in my answer to Q15, which together equals the revenue credit included
9 on Schedule 10 of the TSC formula rate to ensure TSC rate neutrality.

10 Line 2 of Schedule 16f provides the totals for NMPC Phase 2 Plant In-
11 Service, excluding ARO; Project Weighted Factor; Accumulated Depreciation,
12 excluding ARO; Net Plant In-Service; allocated General Plant; allocated Common
13 Plant; allocated Intangible Plant; allocated ADIT; allocated (Excess)/Deficient
14 ADIT; Other allocated Rate Base Items; Net Investment Base; and Total
15 Adjustment to TSC Rate.

16 Line 3 of Schedule 16f itemizes each of the NMPC Phase 2 Projects, with
17 the associated in-service date, to calculate the Project-specific Base Revenue
18 Requirement. Each NMPC Phase 2 Project's weighted factor, as calculated in
19 Line 1, is applied to calculate Project-specific Depreciation Expense, excluding
20 ARO; Project-specific O&M Expense; Project-specific allocated General Plant
21 Depreciation Expense; allocated Common Plant Depreciation Expense; allocated
22 Intangible Plant Depreciation Expense; allocated Amortization of

1 (Excess)/Deficient ADIT; allocated Real Estate Taxes; allocated O&M Expense;
2 allocated A&G Expense; and allocated Billing Adjustment.

3 Project-specific Returns and Associated Taxes, calculated using the
4 NYPSC-approved capital structure from Line 1, is applied to the individual
5 NMPC Phase 2 Projects. Project-specific Base Revenue Requirement is the sum
6 of Project-specific Returns and Associated Taxes; Project-specific Depreciation
7 Expense, excluding ARO; Project-specific O&M Expense; Project-specific
8 allocated General Plant Depreciation Expense; allocated Common Plant
9 Depreciation Expense; allocated Intangible Plant Depreciation Expense; allocated
10 Amortization of (Excess)/Deficient ADIT; allocated Real Estate Taxes; allocated
11 O&M Expense; allocated A&G Expense; and Allocated Billing Expense. Net
12 Project-Specific Revenue Requirement is the sum of Project-specific Base
13 Revenue Requirement and Project Specific TSC Adjustment, as sourced from
14 Line 1.

15 Line 4 of Schedule 16f provides the totals for the NMPC Phase 2 Projects,
16 excluding ARO; Weighted Factor, Returns, and Associated Taxes calculated
17 using the NYPSC-approved capital structure; Depreciation Expense, excluding
18 ARO; O&M Expense; allocated General Plant Depreciation Expense; allocated
19 Common Plant depreciation expense; allocated Intangible Plant depreciation
20 expense; allocated (Excess)/Deficient ADIT; allocated Real Estate Taxes;
21 allocated O&M expense; allocated A&G expense; allocated Billing Adjustments;
22 Base Revenue Requirement; Adjustment to TSC Rate; and total Project-specific
23 Revenue Requirement.

1 **Q21. Please describe the proposed changes to Schedule 1 and Schedule 10 of Section**
2 **14.2.1 of Attachment H.**

3 A. NMPC is proposing revisions to four line items on Schedule 10 to ensure
4 appropriate credits flow to the TSC for the NMPC Phase 2 Projects. Specifically,
5 Line 7 (Revenue Credits) has been updated to exclude revenues received from the
6 NYISO associated with the NMPC Phase 2 Projects. Line 18 has been renamed
7 “Smart Path Connect Project Specific Revenue Requirement Credit” as this
8 component is solely related to the SPC Project, while a new line item has been
9 added on line 20 for the “NMPC Phase 2 Projects Specific Revenue Requirement
10 Credit,” defined as the “Project Specific Revenue Requirement Credit shall equal
11 the Base Revenue Requirement associated with transmission projects not charged
12 under this TSC rate plus the ROE adjustment using the approved TSC ROE as
13 calculated on Schedule 16bf.” Line 22 has been added to reflect the “Total Project
14 Specific Revenue Requirement Credit,” which equals Line 18, the Smart Path
15 Connect Project Specific Revenue Requirement Credit, plus Line 20, the NMPC
16 Phase 2 Project Specific Revenue Requirement Credit.

17 Additionally, Schedule 1 has been adjusted to source subpart (M) (Project
18 Specific Revenue Requirement Credits) from Schedule 10, line 22. The Table of
19 Contents to Section 14.2.1 of Attachment H has also been updated to reflect all
20 proposed changes.

1 **V. ATTACHMENT 6 TO RATE SCHEDULE 19 TO THE NYISO OATT**

2 **Q22. Please provide an overview of proposed Attachment 6 to Rate Schedule 19.**

3 A. Rate Schedule 19 (contained in Section 6.19 of the NYISO OATT) establishes the
4 CFC Charge, which is the rate mechanism for the recovery of all CLCPA Eligible
5 Projects, including the NMPC Phase 2 Projects. Attachment 6 to Rate Schedule
6 19 establishes the CFC Charge specific to the NMPC Phase 2 Projects. Section
7 6.19.11.2 sets forth the determination of the underlying revenue requirement for
8 the CFC Charge, while Section 6.19.3 outlines the process for billing and
9 remitting the revenue collected from the CFC Charge, and the formula for
10 determining the CFC Charge rate.

11 **Q23. Why is NMPC proposing to incorporate its CFC Charge rate mechanism as**
12 **an attachment to Rate Schedule 19?**

13 A. Rate Schedule 19 does not by itself create or produce transmission charges.
14 Implementation of Rate Schedule 19 requires the submission and acceptance of a
15 given New York Transmission Owner's individual formula rate for recovery of its
16 costs associated with CLCPA Eligible Projects, to be filed separately for
17 Commission review under Federal Power Act Section 205.

18 **Q24. Please describe how the rate mechanism under Attachment 6 to Rate Schedule**
19 **19 will operate.**

20 A. The cost recovery methodology outlined in Rate Schedule 6.19.3 prescribes that
21 the NYISO will calculate and bill the CFC Charge to all LSEs serving Load in the
22 New York Control Area (each a "Responsible LSE"). This charge is allocated on
23 a load ratio share basis, calculated volumetrically based on Actual Energy

1 Withdrawals by LSEs. For each Billing Period, the NYISO sets the CFC Charge
2 rate using the (1) revenue requirement established by Eligible Transmission
3 Owners, (2) less incremental transmission rights revenue derived from the sale of
4 incremental transmission congestion contracts (“TCCs”) and any TCC payments
5 received from CLCPA Eligible Projects, and (3) plus outage adjustments related
6 to incremental TCCs for the CLCPA Eligible Projects. The net of these three
7 components, as allocated to the Billing Period, will be multiplied by a
8 Responsible LSE’s actual energy withdrawals and divided by the total actual
9 energy withdrawals of all Responsible LSEs for that Billing Period, to arrive at
10 the rate to be assessed to each Responsible LSE for the applicable Billing Period.

11 However, Sections 6.19.1 through 6.19.4 of Rate Schedule 19 do not
12 themselves create or produce transmission charges. As I noted above,
13 implementation of Rate Schedule 19 requires the submission and acceptance of a
14 given New York Transmission Owner’s individual formula rate for recovery of its
15 costs associated with CLCPA Eligible Projects (for NMPC, the NMPC Phase 2
16 Projects). Proposed Attachment 6 to Rate Schedule 19 specifies that the CFC
17 Charge for the NMPC Phase 2 Projects shall be determined in accordance with
18 proposed Schedules 16a through 16f of NMPC’s TSC formula rate template, as
19 set forth in Section 14.2.1 of Attachment 1 to Attachment H of the NYISO
20 OATT.

21 The CFC Charge revenue requirement shall be recalculated annually
22 through the Annual Update process set forth in Section 14.1.9.4 of Attachment H
23 of the NYISO OATT, whereby the data inputs will be derived from NMPC’s

1 FERC Form No. 1 data for the most recent calendar year and based upon the
2 books and records of NMPC consistent with FERC accounting policies.

3 The proposed Schedules will also adhere fully to the Annual Update
4 Process, which includes the formula rate review protocols as specified in Section
5 14.1.9.4 of Attachment H to the NYISO OATT. Additionally, proposed
6 Attachment 6 to Rate Schedule 19 sets forth the treatment of the CFC Charge
7 revenue requirements credit from the NMPC Phase 2 Projects—as the costs will
8 be allocated statewide, consistent with the Commission’s approval of the CSRA
9 in Docket No. ER22-2164—to ensure NMPC’s customers are not double-charged
10 for the NMPC Phase 2 Projects.

11 **Q25. What ROE will apply to the NMPC Phase 2 Projects?**

12 A. As noted above, under the CSRA, each New York Transmission Owner must
13 establish a Commission-approved ROE that is a ceiling up to which that New
14 York Transmission Owner may set the revenue requirements for its Approved
15 Transmission Projects, including CLCPA Eligible Projects under Rate Schedule
16 19. NMPC is proposing to utilize a ceiling ROE of 10.3% for the NMPC Phase 2
17 Projects recovered under Rate Schedule 19, consistent with the ROE approved by
18 the Commission in a 2015 settlement in Docket Nos. EL14-29-000, *et al.*
19 involving NMPC’s wholesale TSC.⁵

⁵ See Settlement Agreement and Offer of Settlement, Docket Nos. EL14-29-000, *et al.* (Feb. 24, 2015) (“2015 TSC Settlement”). The Commission accepted the 2015 TSC Settlement in an order issued May 13, 2015. *N.Y. Ass’n of Pub. Power v. Niagara Mohawk Power Corp.*, 151 FERC ¶ 61,121 (2015).

1 VI. CONCLUSION

2 Q26. Does this conclude your testimony?

3 A Yes, it does.

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

Niagara Mohawk Power Corporation) **Docket No. ER26-____-000**
d/b/a National Grid)

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; 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 24, 2025.

/s/ Tiffany M. Escalona
Tiffany M. Escalona

EXHIBIT NO. NMPC-101

**LIST OF NMPC PHASE 2 PROJECTS BY
FORECASTED IN-SERVICE DATE**

NMPC Phase 2 Projects						
Project Name	Forecasted Plant-In-Service by Fiscal Year (in 000's)					TOTAL
	FY26	FY27	FY28	FY29	FY30	
1 Alcola Thermal Upgrades	435.65	-	-	-	-	435.65
2 Black River - Lighthouse Hill Rebuild	-	-	-	-	347,520.58	347,520.58
3 Black River - North Carthage - Taylorville Rebuild	-	-	-	151,712.21	130,039.04	281,751.25
4 Black River Substation Upgrades	-	-	8,276.67	-	-	8,276.67
5 Boonville - Porter Rebuild	8.30	-	276,203.69	-	-	276,211.99
6 Boonville Substation - PAR	-	-	-	28,477.28	-	28,477.28
7 Breman Thermal Upgrades	1,115.36	-	-	-	-	1,115.36
8 Clay Thermal Upgrades	-	-	5,193.24	-	-	5,193.24
9 Coffeen-Black River Rebuild	-	-	-	58,245.54	-	58,245.54
10 Coffeen - East Watertown Rebuild	-	-	-	-	67,386.29	67,386.29
11 Coffeen - Lyme Junction Rebuild	-	43,213.44	-	-	-	43,213.44
12 Coffeen Synchronous Condensers	-	-	-	110,473.84	-	110,473.84
13 Colton - Nicholville Rebuild	14.75	-	-	112,042.00	7,224.75	119,281.50
14 Colton Thermal Upgrades	461.81	-	-	-	-	461.81
15 Dennison Thermal Upgrades	42.61	-	-	-	-	42.61
16 East Ave Substation	-	-	-	51,932.35	-	51,932.35
17 East Watertown Thermal Upgrades	1,490.05	-	-	-	-	1,490.05
18 Lighthouse Hill - Clay Rebuild	-	-	74,547.57	178,914.16	459.07	253,920.81
19 Lighthouse Hill - South Oswego Rebuild	-	-	225,729.80	60,894.55	15,798.70	302,423.05
20 Maiden Lane Substation	-	-	68,466.16	-	-	68,466.16
21 Ames Road Substation	-	-	128,293.76	-	-	128,293.76
22 McIntyre - Colton DLR Installation	-	1,695.30	-	-	-	1,695.30
23 Staplin Creek Substation	-	-	-	41,436.78	-	41,436.78
24 North Carthage Thermal Upgrades	-	1,366.52	-	8,700.81	-	10,067.33
25 South Oswego Thermal Upgrades	-	-	-	3,420.61	-	3,420.61
26 Taylorville - Boonville Rebuild	6.52	-	-	221,228.17	161,286.55	382,521.24
27 Beaver River Substation & Synchronous Condensers	3.50	-	93,644.54	-	93,644.54	187,292.59
Total	3,578.53	46,275.25	880,355.43	1,027,478.31	823,359.54	2,781,047.06

EXHIBIT NO. NMPC-102

**ILLUSTRATIVE DIAGRAM OF PROPOSED NMPC PHASE 2 PROJECTS
AND REVENUE REQUIREMENTS DESIGN**

Niagara Mohawk Power Corporation Proposed Revenue Requirement

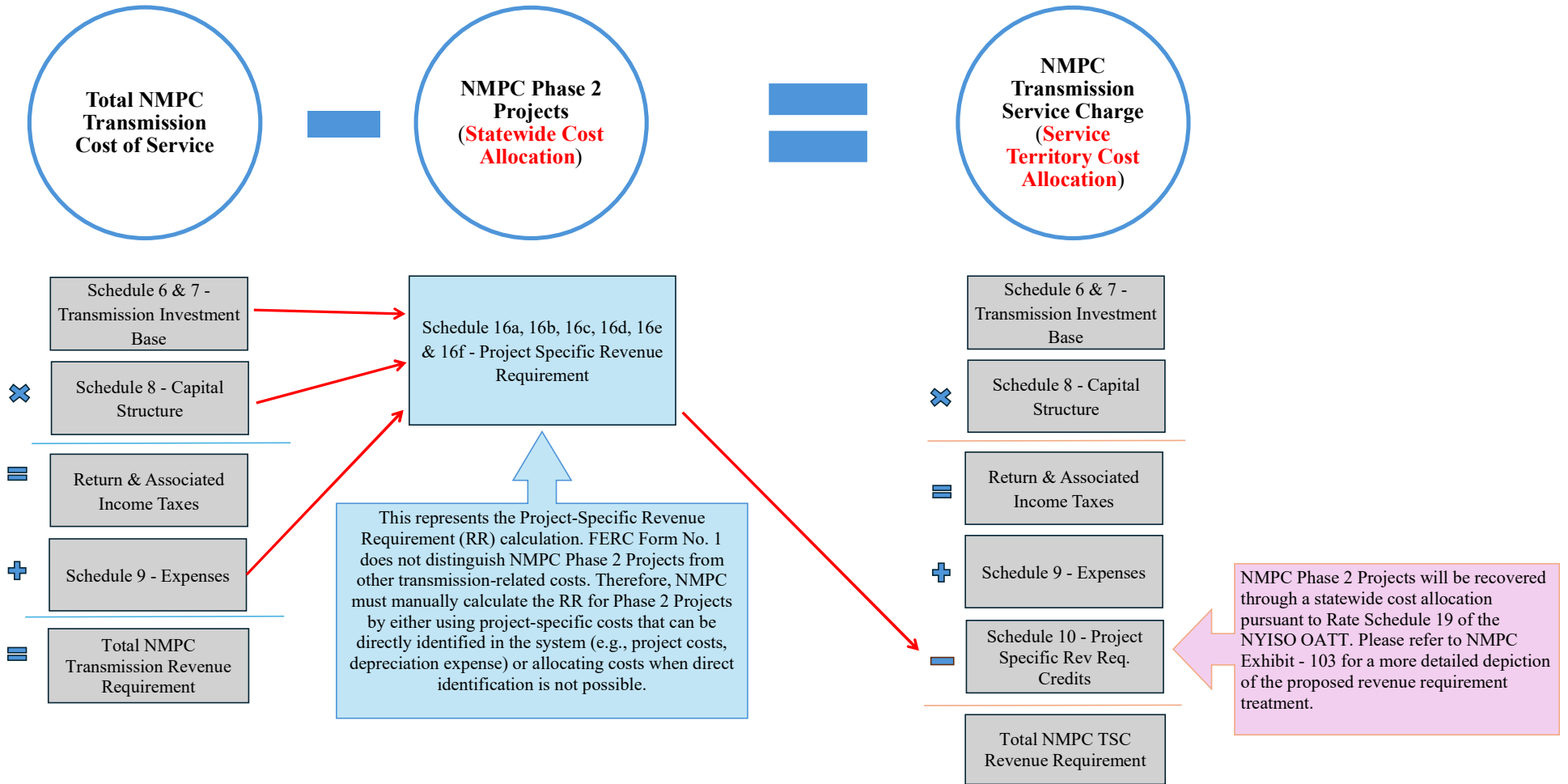


EXHIBIT NO. NMPC-103

DEMONSTRATION OF PROPOSED COST OF CAPITAL RATES APPLICATION

NMPC Existing TSC Formula Rate Template
Table 1

Existing TSC excluding NMPC Phase 2 Projects			
Description	Amount	Reference	
Transmission Investment Base-NMPC Phase 2 Project	\$ 0	Schedule 6 & 7	
Transmission Investment Base-Excluding NMPC Phase 2	\$ 70,000,000	Schedule 6 & 7	
Transmission Investment Base	\$ 70,000,000		
Cost of Capital Rate (10.3% ROE)	9.2734%	Schedule 8	
Return and Associated Taxes	\$ 6,491,363		
Operation & Maintenance Exp.	\$ 2,100,000	Schedule 9	
Administrative & General Exp.	\$ 2,100,000	Schedule 9	
Depreciation Exp.	\$ 2,100,000	Schedule 9	
Project Specific Credit	\$ -	Schedule 10	
TSC Transmission Revenue Requirement	\$ 12,791,363	Schedule 1	

TSC Transmission RR applies to TSC wholesale customers

NMPC Proposed Changes to TSC Formula Rate Template
Table 2

Existing TSC including NMPC Phase 2 Projects			
Description	Amount	Reference	
Transmission Investment Base-NMPC Phase 2 Project	\$ 30,000,000	Schedule 6 & 7	
Transmission Investment Base-Excluding NMPC Phase 2	\$ 70,000,000	Schedule 6 & 7	
Transmission Investment Base	\$ 100,000,000		
Cost of Capital Rate (10.3% ROE)	9.2734%	Schedule 8	
Return and Associated Taxes	\$ 9,273,376		
Operation & Maintenance Exp.	\$ 3,000,000	Schedule 9	
Administrative & General Exp.	\$ 3,000,000	Schedule 9	
Depreciation Exp.	\$ 3,000,000	Schedule 9	
Project Specific Credit + COC Adjustment	\$ (5,482,013)	Schedule 10	
TSC Transmission Revenue Requirement	\$ 12,791,363	Schedule 1	
Variance to Existing Formula Rate (Table 1)	\$ -		

TSC Impact Using NYPS-C-Approved ROE for Revenue Credit
Table 3

Existing TSC including NMPC Phase 2 Projects			
Description	Amount	Reference	
Transmission Investment Base-NMPC Phase 2 Project	\$ 30,000,000	Schedule 6 & 7	
Transmission Investment Base-Excluding NMPC Phase 2	\$ 70,000,000	Schedule 6 & 7	
Transmission Investment Base	\$ 100,000,000		
Cost of Capital Rate (10.3% ROE)	9.2734%	Schedule 8	
Return and Associated Taxes	\$ 9,273,376		
Operation & Maintenance Exp.	\$ 3,000,000	Schedule 9	
Administrative & General Exp.	\$ 3,000,000	Schedule 9	
Depreciation Exp.	\$ 3,000,000	Schedule 9	
Project Specific Credit	\$ (5,267,372)	Schedule 10	
TSC Transmission Revenue Requirement	\$ 13,006,004	Schedule 1	
Variance to Existing Formula Rate (Table 1)	\$ 214,641		

TSC Transmission revenue requirement remains neutral. This is accomplished by adjusting the revenue credit using the TSC FERC approved ROE.

TSC Transmission revenue requirement increased because project credits were calculated using the NYPS-C-approved ROE instead of the FERC-approved ROE.

Calculation of Project Specific Revenue Credit to the TSC			
Description	Amount	Reference	
Transmission Investment Base-NMPC Phase 2 Project	\$ 30,000,000	Schedule 16a	
Transmission Investment Base	\$ 30,000,000		
Cost of Capital Rate (9.50% ROE)	8.5579%	Schedule 16b	
Return and Associated Taxes	\$ 2,567,372		
Adjustment to Cost of Capital Rate using 10.3% ROE	\$ 214,641		
Total Return and Associated Taxes	\$ 2,782,013		
Operation & Maintenance Exp.	\$ 900,000	Schedule 16a	
Administrative & General Exp.	\$ 900,000	Schedule 16a	
Depreciation Exp.	\$ 900,000	Schedule 16a	
NMPC Phase 2 Projects revenue requirement at 10.3% ROE	\$ 5,482,013	Schedule 16f	

NMPC Phase 2 Projects Facilities Charge ("CFC Charge")			
Description	Amount	Reference	
Transmission Investment Base-NMPC Phase 2 Project	\$ 30,000,000	Schedule 16a	
Transmission Investment Base	\$ 30,000,000		
Cost of Capital Rate (9.5% ROE)	8.5579%	Schedule 16b	
Return and Associated Taxes	\$ 2,567,372		
Operation & Maintenance Exp.	\$ 900,000	Schedule 16a	
Administrative & General Exp.	\$ 900,000	Schedule 16a	
Depreciation Exp.	\$ 900,000	Schedule 16a	
NMPC Phase 2 Projects revenue requirement at 9.5% ROE	\$ 5,267,372	Schedule 16a	

Notes:
Assumes transmission investment base is allocated as 70% to TSC and 30% to NMPC Phase 2 projects.
Assumes 3% allocation applies to Depreciation expenses, O&M and A&G, based on investment base

Cost of capital rate calculation:

TSC - FERC approved ROE	Capitalization Ratio	Cost of Capital	Cost of Capital
	LONG-TERM DEBT	49.75%	4.49%
PREFERRED STOCK	0.25%	3.66%	0.0091%
COMMON EQUITY	50.00%	10.30%	5.1500%
	Total Investment Return		7.3912%
	Federal & State Tax		1.8822%
	Cost of Capital Rate		9.2734%

NYPS-C approved Capital Structure and ROE	Capitalization Ratio	Cost of Capital	Cost of Capital
	LONG-TERM DEBT	51.75%	4.49%
PREFERRED STOCK	0.25%	3.66%	0.0091%
COMMON EQUITY	48.00%	9.50%	4.5600%
	Total Investment Return		6.8909%
	Federal & State Tax		1.6670%
	Cost of Capital Rate		8.5579%

Variance in COC Rate between NYPS-C approved Capital Structure and ROE versus FERC-approved ROE	COC rate Adj. to FERC-approved 10.3% ROE	
		0.7155%