Exhibit No.____ (NMP-3)

Direct Testimony of James Holodak

UNITED STATES OF AMERICA

BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Niagara Mohawk Power Corporation) Docket No. ER14- _________

Direct Testimony
Of
James G. Holodak Jr.

I. Introduction and Qualifications:

Q. Please state your name and business address.

A. James Holodak, Jr. One Metrotech Center Brooklyn, NY

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

A. I am employed by National Grid USA Service Company as Vice President of Regulatory Strategy & Integrated Analytics. National Grid USA Service Company provides administrative, accounting, finance, IT, engineering, regulatory, and legal services for National Grid USA's operating companies, one of which is Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid" or "Company"). In my current position, I oversee wholesale transmission and generation rates for the FERC regulated subsidiaries as well as regulatory strategy and analytical analysis for the state regulated subsidiaries of National Grid USA. I was part of the National Grid team that negotiated both of the Reliability Support Services Agreements with NRG Energy that are included with this filing.

Q. Please describe your educational background and training.

A. I hold both a Bachelor's Degree in Electrical Engineering and an MBA in Finance from Manhattan College. Effective April 2011, I was appointed Vice President of Regulatory Strategy & Integrated Analytics for National Grid's US operations. From August 2007 to March 2011, I was Director of Finance, Electric Distribution & Generation, where I was responsible for budgeting, financial analysis and support, financial reporting and strategic support for the Generation and Long Island Power Authority Finance segment of National Grid USA's Electric Distribution and Generation business functions. From September 2001 to August 2007, I was the Assistant Treasurer for the former KeySpan Company, which was acquired by National Grid USA. From 1998 to 2001, I was Director of Financial Planning and Analysis for KeySpan performing short-term and long-term financial forecasting and strategy. Prior to that, I was a manager in Financial Planning, Corporate Planning and M&A Economic Analysis, and held various engineering positions in Electric Operations, Marketing, and Engineering and Construction in LILCO, KeySpan's predecessor company.

Q. Have you submitted testimony in any prior rate proceedings?

A. Yes. I have previously provided testimony before the Federal Energy Regulatory Commission ("Commission"), supporting changes to National Grid's Transmission Service Charge ("TSC") rate in Docket No. ER12-1394-000 and, as part of a joint panel in National Grid Generation LLC's rate case reset filing, in Docket No. ER09-628-000. The panel was responsible for the development of forecasted data upon which the cost of service was prepared. I also provided testimony and exhibits in National Grid Generation LLC's rate reset case filing in Docket No. ER04-112-000 before the Commission as the Company's cost of capital and capital structure witness. I have provided testimony and exhibits in LILCO's Electric Rate Case filing in Case No. 96-E-0132 before the New York Public Service Commission ("NYPSC") as the Company's revenue witness.

<u>II. Purpose of Testimony:</u>

Q. What is the purpose of your testimony?

A. The primary purpose of my testimony is to support National Grid's proposed amendment to its wholesale TSC rate formula under the New York Independent System Operator's ("NYISO's") Open Access Transmission Tariff ("NYISO OATT") to include expenses for Reliability Support Services ("RSS") contracts that have been reviewed by the Commission. RSS expenses consist of payments being made to generators by National Grid in order to maintain the reliability of National Grid's transmission system. National Grid began incurring RSS expenses in 2012 as part of two contracts entered into with NRG to ensure that units at NRG's Dunkirk generating station remain in operation long enough to maintain reliability on National Grid's transmission system while needed transmission reinforcements are constructed to enhance reliability on National Grid's transmission system (the "Dunkirk RSS Agreements").

In this testimony, I support TSC rate recovery of National Grid's "Transmission Support Payments" which consist of RSS expenses accepted by the Commission for recovery through the TSC rate pursuant to agreements with generators or other similar resources for the purpose of supporting transmission reliability that have been submitted to the Commission for review. National Grid is also proposing to modify the TSC rate formula so that it recovers only actual Transmission Support Payments incurred under RSS contracts during their term. That is, National Grid proposes to exclude Transmission Support Payments from the forecasted portion of the transmission revenue requirement to ensure that TSC customers will be charged only for actual historic RSS-related costs after they are incurred.

Pursuant to the Commission's August 30 Order rejecting National Grid's March 29, 2013 filing to incorporate RSS expenses into its wholesale TSC, National Grid is including the Dunkirk RSS Agreements with this filing for Commission review. I address the background of the Dunkirk RSS Agreements, and explain the process by which those agreements were negotiated and approved by the NYPSC. I also explain why these agreements represent a reasonable bargain for National Grid's customers. Details regarding the transmission reliability needs that gave rise to these Agreements are set forth in the testimony of Peter Altenburger, which is included in this filing as Exhibit No. NMP-5.

In addition, I support certain ministerial changes to the TSC rate to clarify the operation of the rate formula set forth in Section 14 of Attachment H to the NYISO OATT.

Q. Are you sponsoring any exhibits and statements as part of this proceeding?

A. Yes. I am sponsoring Exhibit No. NMP-4, which contains statements AA through BM required by the Commission's rate filing regulations. Period I is the twelve months ended December 31, 2012. I am also sponsoring Exhibits No. NMP-1 and NMP-2, which contain clean and blacklined changes to National Grid's s TSC formula rate under Attachment H of the NYISO OATT, Exhibit Nos. NMP-10 through NMP-13, which consist of confidential and redacted versions of the Dunkirk RSS Agreements, Exhibit No. NMP-14, which is the NYPSC's August 16, 2012 decision approving the terms of the 2012 Dunkirk RSS Agreement, and Exhibit No. NMP-15, which is the NYPSC's May 20, 2013 decision approving the terms of the 2013 Dunkirk RSS Agreement.

III. Background Regarding National Grid's Wholesale TSC

Q. Please describe National Grid's TSC formula rate.

A. The TSC is a formula transmission rate under the Commission's jurisdiction and applicable to wholesale transmission customers taking service over National Grid's transmission system. In accordance with Attachment H to the NYISO OATT, each NYISO Transmission Owner, including the Company, is entitled to amend the Revenue Requirement ("RR"), Control Center Costs ("CCC") and Billing Units ("BU") components of Attachment H to the NYISO Tariff on its own initiative pursuant to a filing with the Commission under Section 205 of the Federal Power Act.

Q. Please provide a history of the TSC rates currently set forth in Attachment H.

A. On January 27, 1999 the Commission conditionally accepted in Docket No. ER97-1523-000, the proposal made by the Company and the other New York Transmission Owners ("NYTOs") to establish the NYISO. On November 17, 1999, the NYTOs filed a joint settlement agreement among all parties ("the NYISO Settlement"). The NYISO Settlement established in Attachment H of the NYISO OATT a "Settlement" Revenue Requirement and a Transmission Service Charge for wholesale transmission services provided under the NYISO OATT to all of the Company's customers. The NYISO Settlement was approved by the Commission by letter order dated July 31, 2000.

On February 11, 2008, as supplemented on May 30, 2008, National Grid submitted a filing under Section 205 of the Federal Power Act in Docket No. ER08-552-000 to replace the stated rates for its Transmission Service Charge in Attachment H to the NYISO OATT with formula rates to become effective May 1, 2008. On April 6, 2009, National Grid, on behalf of the Settling Parties, filed a settlement intended to resolve all issues set for hearing in this proceeding. Among other things, the 2009 Settlement set forth the terms of a formula rate for the calculation of National Grid's transmission service charge under the NYISO OATT, as well as procedures for the annual adjustment of certain inputs to the formula rate. In a letter order issued June 22, 2009, the Commission approved the 2009 Settlement.

In accordance with the 2009 Settlement, National Grid calculates each year new values for the RR, CCC and BU components of the TSC based on updated data inputs. National Grid then prepares an Annual Update that reflects the revised data inputs, the resulting RR, CCC, and BU components, and certain supporting information.

IV. The Dunkirk RSS Agreements

Q. Please describe how National Grid identified the need for reliability services from the Dunkirk generating facility.

A. In March 2012, NRG Energy, Inc. and Dunkirk Power LLC (collectively, "NRG") filed a notice with the NYPSC stating its intention to mothball its Dunkirk generating station within six months of the notice date, *i.e.*, by September 10, 2012. The Dunkirk generating station consists of four generating units interconnected to National Grid's transmission system: Dunkirk 1 and 2 each with a nameplate rating of 100 MW and interconnected to the transmission system at 115 kV; and Dunkirk 3 and 4 each with a nameplate rating of 217.6 MW and interconnected to the transmission system at 230 kV.

After receiving the mothball notice, National Grid conducted an analysis of the reliability impacts of the planned mothballing and identified adverse reliability impacts that would occur on National Grid's transmission system if the Dunkirk station was mothballed as planned. National Grid also identified system reinforcements needed to resolve those reliability impacts. However, because it anticipated that the reinforcements could not be completed by the proposed mothball date of September 10, 2012, National Grid determined that a portion of the Dunkirk generating station must remain online for an interim period in order to maintain system reliability. Specifically, National Grid concluded that the two 115kV units should remain in operation pending the implementation of short-term transmission upgrades, which were planned to go into service by June of 2013. Subsequently, one of the 115kV units would need to remain online until more expansive transmission upgrades were completed. These studies and the conclusions thereof are addressed in greater detail in the testimony of Peter Altenburger included with this filing as Exhibit No. NMP-5.

Q. Please explain the process by which National Grid entered into the first Dunkirk RSS Agreement

A. Shortly after NRG submitted its mothball notice for the Dunkirk facility, National Grid and NRG began negotiations regarding the terms and conditions of a contract for reliability services from Dunkirk. The Company's goal in these negotiations was to obtain the necessary reliability services from Dunkirk at a fair price to its customers. These negotiations were undertaken with the assistance of the staff of the NYPSC. After several months of discussions, the parties concluded that the most sensible approach was to focus on reaching agreement on a contract that would provide for the operation of the two 115kV units from September 2012 through the end of May 2013 (the date by which National Grid anticipated that certain short-term transmission solutions would be in place), and defer to subsequent negotiations the issue of any reliability services needed after May 2013.

On July 20, 2012, the Company and NRG submitted to the NYPSC a proposed term sheet agreement, setting forth the terms and conditions pursuant to which NRG would provide reliability support services from Dunkirk units 1 and 2 from September 1, 2012 through May 31, 2013. In an Order issued August 16, 2012, the NYPSC approved the Term

Sheet Agreement, directed National Grid and NRG to file a final executed contract implementing the Term Sheet Agreement, and also directed the Company to work with Staff to develop a schedule and process for soliciting alternative solutions to any remaining reliability needs that would exist after May 31, 2013. A final contract between the Company and NRG was executed on August 27, 2012 (the "2012 Dunkirk RSS Agreement"). Redacted public and confidential privileged versions of the 2012 Dunkirk RSS Agreement are included with this filing as Exhibit Nos. NMP-10 and NMP-11 respectively. A copy of the NYPSC's August 16, 2012 Order is attached to my testimony as Exhibit No. NMP-14.

Q. Was the 2012 Dunkirk RSS Agreement filed with this Commission?

A. In August 2012, while the negotiations were ongoing, NRG filed an unexecuted reliability service agreement with the Commission in Docket No. ER12-2237. That agreement was never executed and, at NRG's request, the Commission deferred action on that filing. NRG treated the 2012 Dunkirk RSS Agreement as an agreement under its market-based rate wholesale tariff and it accordingly reported the agreement in its Electronic Quarterly Report ("EQR"), rather than filing it separately under section 205. NRG took the same approach with the 2013 Dunkirk RSS Agreement, which I will discuss later in my testimony.

Q. Please describe the terms of the 2012 Dunkirk RSS Agreement

A. The 2012 Dunkirk RSS Agreement provides that NRG will defer mothballing actions on Dunkirk Units 1 and 2 (the "RSS Units") and to continue to maintain and operate the RSS Units during the term of the agreement. The agreement also states that NRG will bid the energy and capacity from the RSS Units into the NYISO markets, and that Dunkirk will respond to dispatch instructions from the NYISO and National Grid. The agreement provides that NRG will credit to National Grid an amount equal to all of the capacity revenues earned by the RSS Units in the NYISO markets during the term of the agreement. Total capacity revenues of $3,312,270 were credited to National Grid under the 2012 Dunkirk RSS Agreement.

In exchange for providing reliability services for the nine-month term of the 2012 Dunkirk RSS Agreement, the agreement states that National Grid will pay NRG a monthly fixed-cost charge of $2,924,324/month. In addition, the agreement provides for three separate payment and true-up mechanisms. First, with respect to property taxes incurred by Dunkirk, the agreement provides at that NRG may submit evidence of property tax payments made for Dunkirk up to 30 days after the termination of the agreement, and National Grid will reimburse NRG for any documented property tax payments, up to a maximum of $6,681,084. Based on documentation provided by NRG, National Grid paid $6,681,084 related to property taxes incurred by Dunkirk during the term of the agreement.

In addition, the agreement states that National Grid will pay NRG for the costs incurred under Dunkirk's take-or-pay coal contract based on a pre-determined minimum volume allocation to Dunkirk over the term of the contract of $4,324,985. Payment of actual take-or-pay costs would be made by National Grid in two installments, one at the end of 2012 and the other after the agreement terminated, based on actual coal deliveries. The final take-or-pay payments made under this provision to NRG by National Grid totaled $3,590,278.

Pursuant to both the fixed-cost charge and separate payment and true-up mechanisms, the total cost to National Grid of the 2012 Dunkirk RSS Agreement was $33,278,008, $13.5 million of which was accounted for in 2012 and $19.8 million of which was accounted for in 2013.

Q. Please describe the background of the 2013 RSS Agreement entered into between NRG and National Grid.

A. As I mentioned above, the NYPSC's August 16 Order approving the term sheet for the 2012 Dunkirk RSS Agreement also directed the Company to develop a process for soliciting alternative solutions to any remaining reliability needs relating to the planned mothballing of Dunkirk that continued to exist beyond May 31, 2013. Pursuant to a schedule and process filed with the NYPSC on September 17, 2012, the Company issued a request for proposals ("RFP") on October 24, 2012 for solutions to address the continuing reliability needs beyond May 31, 2013. The RFP sought proposals from various sectors, including merchant and portable generation, energy storage, demand response and energy efficiency. Three responses to the RFP were received, including one from NRG for the continued provision of reliability services from the Dunkirk facility. Following extensive review and negotiations, the Company determined that NRG's proposal provided the preferred solution from both reliability and cost perspectives.

After additional negotiations with NRG, National Grid entered into a second agreement with NRG on March 4, 2013 (the "2013 Dunkirk RSS Agreement"), to keep one unit of the 115kV Dunkirk units online for a two-year period from June 1, 2013 through May 31, 2015, which is the date by which the Company anticipated the completion of transmission reinforcements to alleviate the reliability need caused by mothballing the Dunkirk generating station. Redacted public and confidential privileged versions of the 2013 Dunkirk RSS Agreement are included with this filing as Exhibit Nos. NMP-12 and NMP-13 respectively.

The NYPSC approved the 2013 Dunkirk RSS Agreement in an order issued on May 20, 2013. A copy of this order is included with this filing as Exhibit No. NMP-15.

Q. Please describe the terms of the 2013 Dunkirk RSS Agreement

A. The terms of the 2013 Dunkirk RSS Agreement are substantially similar to the 2012 RSS Agreement. The 2013 Dunkirk RSS Agreement provides that NRG will defer mothballing actions on Dunkirk Unit 2 and to continue to maintain and operate Unit 2 during the term of the agreement. The agreement also states that NRG will bid the energy and capacity from Unit 2 into the NYISO markets, and that Dunkirk will respond to dispatch instructions from the NYISO and National Grid. As with the 2012 Dunkirk RSS Agreement, NRG must credit to National Grid any capacity revenues earned by Dunkirk Unit 2 in the NYISO markets during the term of the second agreement.

The total cost of the 2013 Dunkirk RSS Agreement, as reflected in the agreement, is approximately $72.741 million, which includes monthly fixed-price charges totaling $50.957 million, property taxes of $13.065 million, and take or pay coal transportation costs of $8.719 million, with the property tax and coal take or pay costs subject to downward adjustment, like the first agreement, if actual costs are lower. National Grid estimates that the final total cost of the 2013 Dunkirk RSS Agreement, taking into account all of the various true-up mechanisms, will be approximately $70.8 million. This is reflected in Exhibit No. NMP-17.

The 2013 Dunkirk RSS Agreement also contains provisions providing for reduced payments to NRG in the event that Dunkirk Unit 2 fails to achieve certain performance standards.

Q. Do you believe that the payments to NRG under the two Dunkirk RSS Agreements represent a reasonable bargain to National Grid and its ratepayers given the need for ongoing reliability services from the Dunkirk facility?

A. Yes I do. First, both Dunkirk RSS Agreements are the product of extensive arms-length negotiations conducted between National Grid and NRG. The underlying purpose of the Dunkirk RSS Agreements is to maintain transmission reliability for the benefit of all of National Grid's transmission customers. In negotiating these agreements, however, National Grid was very cognizant of the need to procure these services at a price that was reasonable for its customers.

Ultimately, National Grid and NRG were able to agree on price terms for both agreements pursuant to NRG's market-based rate authority that represent a significant savings as compared to the full cost-of-service rate proposed by NRG in a filing that NRG made with the Commission in July of 2012 in Docket No. ER12-2237. In that filing, NRG proposed to recover a fixed-cost charge of $5.6 million/month for keeping the two 115 kV units in service, or a total of $50.4 million over nine months, and $4.4 million/month for keeping one 115kV unit online, for a total of $106.8 million over twenty-four months, in addition to a mechanism to recover fuel, emissions, and other variable costs of operation. By comparison, the total cost of the 2012 Dunkirk RSS Agreement was $33.3 million, while the estimated total cost of the 2013 Dunkirk RSS Agreement is $70.8 million.

In addition, the 2013 Dunkirk RSS Agreement was the result of a competitive solicitation conducted by National Grid. Based on a review of the bids submitted in response, National Grid determined that continuing to procure reliability services from Dunkirk was both the most viable option in terms of reliability as well as the lowest-cost option, and this conclusion was accepted by the NYPSC.

Both of the Dunkirk RSS Agreements were filed with and approved by the NYPSC. In both instances, the NYPSC determined that these agreements were in the public interest and that the costs incurred by National Grid were reasonable. Accordingly, the NYPSC approved retail recovery of the costs of both of the Dunkirk RSS Agreements.

Q. Are there other terms in the Dunkirk RSS Agreements that you believe enhance the reasonableness of these agreements from the perspective of National Grid's customers?

A. Yes. As I described above, both Dunkirk RSS Agreements include a provision that requires NRG to credit to National Grid any revenues obtained from sales made by the Dunkirk units in the NYISO capacity markets during the term of the contracts. For the 2012 Dunkirk RSS Agreement, National Grid received a capacity revenue credit of $3,312,270 from NRG.

In addition, both contracts contain provisions that reduce the payments to NRG if the units under contract fail to achieve certain availability requirements. These provisions provide an additional incentive for NRG to ensure that the contracted-for units are available to provide necessary reliability services, and ensure that the payments to NRG appropriately reflect the actual services provided.

V. Proposed Amendments to the TSC Formula Rate to Incorporate the Costs of the Dunkirk Agreements

Q. Please describe the changes being proposed to the RR component of National Grid's TSC to incorporate RSS expenses.

A. National Grid is proposing add a new item to the Historical Transmission Revenue Requirement ("Historical TRR") component of its overall Revenue Requirement, as specified in Section 14.1.9.2(a) of Attachment H, entitled "Transmission Support Payments." Transmission Support Payments will be defined in Section 14.1.9.1 of Attachment H as "expenses accepted by FERC for inclusion in the Historical Transmission Revenue Requirement pursuant to agreements entered into with generators or other similar resources for the purpose of supporting transmission reliability that have been submitted to FERC for review." This formulation is consistent with the Commission's directive in the August 30 Order because it ensures that National Grid will only be permitted to reflect in its Wholesale TSC the costs of RSS agreements that are "file[d] for Commission review.".

Transmission Support Payments are included as part of National Grid's Transmission Operation and Maintenance ("O&M") Expense. In addition, the definition of

Transmission O&M Expense specifically excludes any RSS-related costs that have not been accepted by the Commission for recovery in the wholesale TSC. See Attachment H in Exhibit NMP-2, Sections 14.1.9.1.41 and 14.1.9.1.67.

In addition, National Grid is proposing to modify the wholesale TSC rate formula so that only its actual Transmission Support Payments during the historic period are included in the TSC rate. This eliminates the uncertainty associated with forecasting the various RSS cost crediting mechanisms present in the Dunkirk RSS Agreements. This is done by modifying the Forecasted Transmission Revenue Requirement ("Forecasted TRR") component of the TSC formula rate to exclude RSS-related costs. See Attachment H in Exhibit NMP-2, Section 14.1.9.2, Schedule 2 of Statement BJ/BK in Exhibit NMP-3 and Schedule 2 of Attachment 1 to Attachment H in Exhibit NMP-2. Statement BJ/BK contains the TSC revenue requirement model that is included each year as "Attachment A" in National Grid's Annual Update informational filings with the Commission. A new Workpaper 9A has been created as part of Attachment A to the Annual Update to calculate and remove the revenue requirement effect of Transmission Support Payments from the Forecasted TRR. This result also benefits customers because it results in a more gradual roll-in of RSS-related costs into the wholesale TSC.

Q. Is it appropriate to recover RSS expenses through the TSC rate?

A. Yes. Like many formerly vertically integrated utilities, National Grid's transmission system was designed and operated under the assumption that generation would be operated as a means of ensuring transmission reliability, in lieu of, or in addition to, physical transmission assets. During industry restructuring, beginning in the late 1990s, the Company divested all of its generation and all of its former generating stations became independently owned. National Grid therefore has no direct control over decisions to retire or mothball generating capacity interconnected to its transmission system. It would be impractical as well as extremely costly for a utility such as National Grid to attempt to identify and remedy every potential reliability contingency that would result from decisions that independent generators may make to retire existing generation by performing upgrades to the transmission system prior to a generator's decision to shut down. Therefore, if a generator decides to retire or mothball its generating units, it may become necessary to enter into agreements with the generator-owner in order to keep generation running, or to procure comparable services from other resources, in order to avoid unacceptable reliability risks on the transmission system.

It is appropriate to include the costs of these contracts in National Grid's TSC rate because these costs are directly associated with maintaining reliability on National Grid's transmission system. All of National Grid's transmission customers, including its wholesale customers, benefit from the ongoing reliability of National Grid's transmission system. Therefore, all customers should bear their appropriate share of the costs incurred by National Grid to ensure transmission reliability. In this respect, the costs incurred under RSS-type agreements are no different than costs incurred to build, operate and maintain physical transmission facilities, and should be allocated to National Grid's customers in the same manner.

Q. When are the rate changes associated with the RSS expenses proposed to become effective?

A. National Grid is proposing that the modifications to the TSC to reflect the inclusion of the costs associated with the two Dunkirk RSS Agreements go into effect beginning on July 1, 2013, which was the effective date requested by National Grid in its March 29, 2013 filing with the Commission in Docket No. ER13-1182 to include RSS costs in its wholesale TSC rate. A July 1, 2013 effective date for these rate changes is appropriate because wholesale transmission customers have had sufficient notice, pursuant to National Grid's March 29 filing, of National Grid's intention to include the costs of the Dunkirk RSS Agreements in the Wholesale TSC. Although the Commission rejected the March 29 filing, the costs specified in this filing for inclusion in the Wholesale TSC are equivalent to those indicated in the March 29 filing – *i.e.* those incurred under the 2012 and 2013 Dunkirk RSS Agreements. An early effective date will allow the fair apportionment of all of the costs of the Dunkirk RSS Agreements amongst the Company's transmission customers.

Q. Does National Grid have an alternative proposal for implementing the rate changes associated with collecting RSS costs if the Commission rejects a July 1, 2013 effective date?

A. Yes. National Grid acknowledges that waiver of the Commission's regulations is required for its revised rates to take effect on July 1, 2013 and it is requesting such a waiver in its filing. If the Commission declines to grant a July 1, 2013 effective date, then National Grid proposes to implement revised TSC rates to collect the costs of the Dunkirk RSS Agreements as of February 5, 2014, which is sixty days after the date following this filing.

Q. What is the estimated impact of these changes to TSC rate customers?

A. As shown in Exhibit No. NMP-4, Statement BG/BH, a comparison of the TSC rate and the revised TSC rate using 2012 as the test year yields a total increase of $1,141,716 on an annual basis, or 4.37%. The estimated increase in the TSC rate of $0.3751 per MWh is calculated in Exhibit NMP-4, Statement BJ/BK/BL. As shown in Statement BJ/BK/BL, this increase is a result of a change in the Revenue Requirement of $13,921,516 between the Revenue Requirement and true-up as filed in National Grid's 2013 annual update filing, and the Revenue Requirement and true-up reflecting the inclusion of the actual total RSS expenses incurred in calendar year 2012, divided by Total Billing Units of 37,110,982 MWh. Billing Units from TSC customers of 3,043,504 MWh multiplied by the projected increase in the TSC rate yields a total increase of $1,141,716.

National Grid is also providing with this filing, for informational purposes, as Exhibit No. NMP-16, a schedule showing the estimated effect of including the costs of the Dunkirk RSS Agreements on its TRR and the resulting rate impacts for rate years subsequent to 2013-2014. As indicated in this schedule, the estimated rate impact varies from less than $.5 per MWh to just over $1 per MWh.

VI. <u>Ministerial Updates to National Grid's Formula Rate:</u>

Q. Is National Grid proposing any other revisions to its formula rate?

A. In addition to the changes relating to including the costs of the Dunkirk RSS agreements, National Grid is proposing in this filing a number of non-substantive ministerial changes to Attachment H to the NYISO OATT.

1. In the Definitions Sections 14.1.9.1.12, 14.1.9.1.14, 14.1.9.1.19 and 14.1.9.1.28 of the NYISO OATT, Attachment H, the Company is proposing to add FERC Accounts 404 and 405 to the definition of Depreciation Expense for Common Plant, Transmission Plant General Plant, and Intangible Plant respectively. Schedule 9 of Attachment 1 to Attachment H states "the source for Depreciation Expense will be the Total of Column (f) of FERC Form 1, page 336". This total includes Accounts 403 (Depreciation Expense), 403.1 (Depreciation Expense for asset retirement costs), 404 (Amortization of Limited Term-Electric) and 405 (Amortization of other electric plant). Currently, Account 403 is the only account listed in the Definitions Sections of the NYISO OATT. Beginning with calendar year 2011, amortization expenses are being reflected in Account 404 on the

FERC Form 1 for land rights. These expenses were originally classified in Account 403. Pursuant to the Audit of Niagara Mohawk Power Corporation Compliance with the Commissions Accounting and FERC Form 1 and 3-Q Reporting Regulations, Docket No FA11-2-000, April 2012, page 8, National Grid was instructed to reclassify its amortization of land rights from Account 403 to Account 404. Therefore, by adding accounts 404 and 405 to the OATT definition, National Grid is not increasing the revenue requirement but rather, updating the tariff to reflect the appropriate accounts.

2. In the Definitions Sections 14.1.9.1.17, 14.1.9.1.22, 14.1.9.1.32, 14.1.9.1.35 and 14.1.9.1.43 of the NYISO OATT, Attachment H, National Grid is proposing to change certain account expenses from “those being recorded in National Grid’s internal accounts” to those recorded in a FERC Account. This change will not impact the calculation of the revenue requirement but rather, adds consistency with all paragraphs referencing FERC accounts as opposed to National Grid’s internal accounts.

3. In Attachment 1 to Attachment H, Section 14.2.1, Schedule 1, the Company is proposing to make clearer the correct impacts of investment tax credits, billing adjustments, and revenue credits on the Historical Revenue Requirement based on the appropriate numerical sign (negative or positive). For instance, lines 21 and 22 in Schedule 1 represent reductions to the Revenue Requirement for Transmission Revenues and Transmission Rents received. Currently, the line descriptions for these items uses the term “less” to indicate that these values should be subtracted from the subtotal of cost

items set forth on line 17, to calculate the total Revenue Requirement on Line 24. However, the revenues relating to Lines 21 and 22 are reflected in the source workpapers as negative values. Mathematically, when a negative number is subtracted, the sign is reversed. If read literally, the Company would actually add these items to the revenue requirement, thereby increasing it. Line 13 of schedule 1 represents Transmission Related Investment Tax Credits. This value is reflected as a negative value in the formula rate because it serves to reduce the revenue requirement. The source is defined as Schedule 9, line 23, column 5, which is currently a positive value. Therefore, the Company is proposing to add the "times minus 1" language to ensure that the value used to calculate the Historical TRR operates as a credit, rather than increasing the TRR.

4. On Schedule 2, Line 19 the Company is removing the reference to Workpaper 9 under the source column.

5. On Schedule 4, the Company is removing the phrase "2008 Forecast using 2007 Historical Data and 2008 Forecast" from the heading, because the data in this Schedule is not limited to data from 2007/2008, but rather is updated based on the relevant rate year. For the same reason, the Company is also removing the double asterisk and associated footnote located above column (c) and amending Line 2 to remove the hardcoded value of 2008 as the effective date of the rate year.

6. On Schedule 6, page 2 of 2, Lines 2, 19 and 28, the Company is removing the references to specific lines of the relevant workpapers because the applicable input may derive from a different workpaper line in each annual update filing.

7. On Schedule 7, the Company is removing as an extraneous reference the word "(link)" included in the reference on Line 3.

8. On Schedule 9, the references for the sources for PSC Regulatory Expenses have been corrected. On Lines 5, 29, and 32 of Schedule 9, the Company is removing the line reference numbers to the applicable workpapers because, as explained with respect to Schedule 6 above, these line numbers may vary between annual update filings.

9. On Schedule 10, the Company is proposing to add a note on Line 2 clarifying that a value in parentheses indicates a refund or reduction to the revenue requirement on Schedule 1. The Company is also removing the line reference numbers to the applicable workpapers on Lines 4 and 7 because, as explained with respect to Schedules 6 and 8 above, these line numbers may vary between annual update filings.

10. Finally, on Schedule 12, the Company is removing the reference to the hard coded date of "Dec 06-Nov-07" from the input column, as well as the reference to "High Load Fitzpatrick" on Line 10, which are retail contracts and therefore not included in the TRR, as well as the asterisks and associated footnotes that reference historical data.

Q. Do these ministerial changes impact the TSC rate in any way?

A. No, none of the above ministerial changes have any impact on the TSC rate.

VII. Conclusion:

Q. Does this conclude your testimony?

A. Yes, it does.