

Exhibit NMP-1 – Direct Testimony of Tiffany M. Forsyth

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Niagara Mohawk Power Corporation
Docket No. ER19-____-000

Direct Testimony
Of
Tiffany M. Forsyth

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1 **I. Introduction and Qualifications**

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

3 A. Tiffany Forsyth, National Grid, 14th Floor, One Metrotech Center Brooklyn, NY
4 11201.

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

7 A. I am employed by National Grid USA Service Company as Director of FERC
8 Revenue Requirements. National Grid USA Service Company provides
9 administrative, accounting, finance, IT, engineering, regulatory, and legal services
10 for the National Grid operating Companies (collectively, the “Company”), one of
11 which is Niagara Mohawk Power Corporation d/b/a National Grid (“NMPC”). In
12 my current position, I oversee transmission and wholesale generation rates for the
13 FERC regulated entities within National Grid’s US operations.

14

15 **Q3. Please describe your educational background and training**

16 A. I graduated from St. Francis College in Brooklyn, New York with a Bachelor of
17 Science degree in Accounting and Business Management, and from Baruch
18 College in New York, New York with a Master of Business Administration in
19 Finance. I have been with National Grid USA for thirteen years.

20

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

22 A. Yes, I have submitted pre-filed testimony in Dockets 4485, 4599, and 4691 before
23 the Rhode Island Public Utilities Commission and in Dockets 14-02, 16-13, and
24 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.
4

5 **II. Purpose of Testimony**

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

7 A. The purpose of my testimony is to update the depreciation rates in NMPC's
8 wholesale Transmission Service Charge ("TSC") under the New York
9 Independent System Operator's ("NYISO") Open Access Transmission Tariff
10 ("OATT"). NMPC proposes to amend its depreciation rates that will become
11 effective April 1, 2018, the same date that identical depreciation rates were
12 approved to become effective for NMPC by the New York Public Service
13 Commission ("NYPSC") in its Docket Number 17-E-0238. NMPC's revenue
14 requirement for Calendar Year 2018 will be used as the basis for determining its
15 Calendar Year 2019 TSC rate.
16

17 **Q6. Please provide a summary of the depreciation rate changes proposed in this**
18 **proceeding.**

19 A. NMPC is proposing to reflect updated depreciation rates in its TSC formula rates
20 pursuant to new depreciation studies that were submitted to the NYPSC as part of
21 state-jurisdictional rate case proceedings. The depreciation rates set forth in this
22 Federal Energy Regulatory Commission ("Commission" or "FERC") docket are
23 the same as the depreciation rates approved by the NYPSC on March 15, 2018
24 with an effective date of April 1, 2018 in NYPSC Docket Number 17-E-0238.

1 **Q7. Are you sponsoring any statements as part of this proceeding?**

2 A. Yes. Exhibit NMP-7 contains cost of service Statements BJ/BK/BL, detailing the
3 revenue requirements for Period I as required by the Commission. In addition,
4 Statement AY included in Exhibit NMP-7 reflects the statutory and effective
5 federal and state income tax rates used to calculate the estimated impact of the
6 proposed change in the depreciation rates to the accumulated deferred taxes.
7 Schedule 5 in Exhibit NMP-7 reflects the NYPSC-approved rates and the
8 estimated impact on depreciation expenses. Period I is the twelve months ended
9 December 31, 2017. I am sponsoring all of these exhibits.

10

11 **Q8. Are you sponsoring any other exhibits as part of this proceeding?**

12 A. Yes. Exhibit NMP-8 contains the 2018 Annual Update filing with no changes,
13 and is used in this filing as the reference or starting point for NMPC's Period I
14 revenue requirement under present rates. Exhibit NMP-9 contains the formula
15 rate spreadsheets filed with NMPC's 2018 Annual Update in Docket No. ER08-
16 552-000, adjusted for purposes of this filing to reflect 21% Federal Income Tax
17 rate effective January 1, 2018 and removing the impact of the tax rate change
18 from the tax rate adjustment component of the 2018 forecasted revenue
19 requirement. NMPC's revenue requirement under proposed rates is provided in
20 Statement BJ/BK/BL of Exhibit NMP-7. I am also sponsoring Exhibit NMP-10,
21 which is Exhibit NMP-9 modified to reflect the proposed changes to the
22 depreciation rates. I am also sponsoring Exhibit NMP-2, Exhibit NMP-3, Exhibit
23 NMP-4, Exhibit NMP-5, and Exhibit NMP-6. Exhibit NMP-2 is the testimony
24 and exhibits prepared by NMPC's depreciation witness that were submitted to the

1 NYPSC as part of state-jurisdictional rate case proceeding 17-E-0238. Exhibit
2 NMP-3 is the testimony and exhibits prepared by the NYPSC staff that was
3 submitted in the same state-jurisdictional rate case proceeding. Exhibit NMP-4
4 contains the NYPSC-approved depreciation rates for electric plant. Exhibit NMP-
5 5 contains the proposed clean version of the relevant portions of Attachment H to
6 the NYISO OATT, whereas Exhibit NMP-6 contains the proposed redlined
7 version. The changes made have been redlined and are limited to the explicit
8 inclusion of stated depreciation rates for NMPC's applicable classes of Plant in
9 Service, located in Section 14.1.9.1.14 of Attachment H to the NYISO OATT
10 ("Attachment H").

11
12 **III. Background**

13 **Q9. Please provide a history of the TSC rates currently set forth in Attachment**
14 **H.**

15 A. On January 27, 1999, the Commission conditionally accepted in Docket No.
16 ER97-1523-000 the proposal made by NMPC and the other New York
17 Transmission Owners ("NYTOs") to establish the NYISO. On November 17,
18 1999, the NYTOs filed a joint settlement agreement among all parties (the
19 "NYISO Settlement"). The NYISO Settlement established in Attachment H a
20 "Settlement" Revenue Requirement and a TSC ("Settlement TSC") for wholesale
21 transmission services provided under the NYISO OATT to all of NMPC's
22 customers. The NYISO Settlement was approved by the Commission by letter
23 order dated July 31, 2000.

1 On February 11, 2008, as supplemented on May 30, 2008, NMPC submitted a
2 filing under Section 205 of the Federal Power Act in Docket No. ER08-552-000
3 to replace the stated rates for its TSC in Attachment H with formula rates to
4 become effective May 1, 2008. On April 6, 2009, NMPC, on behalf of the
5 Settling Parties, filed a settlement intended to resolve all issues set for hearing in
6 that proceeding (“2009 Settlement”). Among other things, the 2009 Settlement
7 set forth the terms of a formula rate for the calculation of NMPC’s TSC under the
8 NYISO OATT (the “Settlement TSC Formula Rate”), as well as procedures for
9 the annual adjustment of certain inputs to the formula rate. In a letter order issued
10 June 22, 2009, the Commission approved the 2009 Settlement.

11
12 On November 30, 2009, NMPC filed to modify the manner of calculating the
13 long-term debt cost of capital rate in its revenue requirement underlying the TSC
14 rate in Docket Nos. ER10-328-000 and ER10-328-001. The filing sought to
15 adjust the determination of the amount of long-term debt used in the calculation
16 which was based on the average beginning of the year and year end long-term
17 debt balances. On January 13, 2010 the filing was accepted by the Commission
18 effective February 1, 2010.

19
20 In accordance with the 2009 Settlement, NMPC is required to calculate each year
21 new values for the Revenue Requirement (“RR”), Control Center Costs (“CCC”),
22 and Billing Units (“BU”) components of the Settlement TSC Formula Rate based
23 on updated Data Inputs. NMPC is further required to prepare an Annual Update

1 that reflects the revised Data Inputs, the resulting RR, CCC, and BU components,
2 and certain supporting information. According to Section 14.1.9.4 of Attachment
3 H, NMPC is required on or before June 14th of each year to (1) post the Annual
4 Update on the NYISO's Internet website, (2) submit its Annual Update to the
5 Commission as an informational filing requiring no action by the Commission,
6 and (3) serve the Annual Update electronically on all Interested Parties.

7
8 With respect to its 2010 Annual Update, on November 18, 2010 NMPC filed with
9 the Commission a Stipulation and Agreement and a Supplemental Informational
10 Filing ("2010 Stipulation") in Docket No. ER11-2228-000 setting forth a
11 modification to be made in NMPC's future Annual Updates of certain
12 components of the NMPC TSC rate based on adjusted inputs to the Settlement
13 TSC Formula Rate. Specifically, NMPC agreed to exclude the costs of the
14 section 18-a Temporary Assessment in any future Annual Update of the
15 Settlement TSC Formula Rate. The Commission accepted the 2010 Stipulation in
16 a letter order issued January 7, 2011.

17
18 In 2012, NYAPP and NYMPA filed Complaints at the Commission against
19 NMPC in Docket Nos. EL12-101-000 and EL13-16-000, respectively, seeking,
20 *inter alia*, to have the base Return on Equity ("ROE") used in calculating rates for
21 transmission service reflected in National Grid's TSC of 11.5% (inclusive of
22 incentive adders) lowered. The Commission ordered the parties to participate in
23 settlement procedures and the parties subsequently agreed to settle the Complaints
24 by reducing the ROE from 11.5% to 10.3%, inclusive of any incentive adders,

1 from November 2, 2012 forward. The Commission approved the settlement
2 agreement in an order issued in Docket Nos. EL12-101-000, *et al.* on May 13,
3 2015.

4
5 **Q10. Please describe NMPC's TSC formula rate.**

6 A. The TSC is a formula rate. Attachment H specifically provides for the RR
7 component, CCC component, and BU component of a Transmission Owner's
8 wholesale TSC rate to be updated "based on Transmission Owner filings to
9 FERC." Each Transmission Owner is entitled to amend these three components
10 of Attachment H on its own initiative. As stated above, NMPC has filed and
11 received approval via a settlement agreement accepted by the Commission in
12 Docket No. ER08-552-000 to utilize a formula rate in accordance with the
13 definitions set forth in Section 14.1.9.1 (formerly Section 9.1), and the formula
14 references in Section 14.1.9.2(formerly Section 9.2) of Attachment H.

15
16 **IV. Proposed Amendment to NMPC's Formula Rates**

17 **Q11. Please describe the depreciation rate changes being proposed to NMPC's**
18 **TSC formula rate under Attachment H.**

19 A. On March 15, 2018, the NYPSC issued an order establishing rates for NMPC's
20 electric retail customers, including a change to NMPC's depreciation rates.
21 NMPC is making this filing with the Commission so that the TSC formula rate
22 will reflect the same depreciation rate changes approved by the NYPSC. This
23 will permit NMPC to have a consistent set of depreciation rates on its books and
24 ensure that both electric retail customers and transmission wholesale customers

1 are consistently charged the same depreciation rates.

2

3 **Q12. Why are these changes being proposed at this time?**

4 A. According to Section 14.1.9.4 of Attachment H, NMPC recalculates its RR, CCC,
5 and BU components as part of its Annual Update to become effective as of July 1
6 of each year. With the exception of forecasted information, the cost data used in
7 the Annual Update is the cost data from NMPC's Annual FERC Form 1 or
8 NMPC's official books of Record from the prior calendar year. The depreciation
9 rate changes approved by the NYPSC to become effective as of April 1, 2018 will
10 be reflected in NMPC's 2018 FERC Form 1. NMPC's 2019 Annual Update
11 would be the first time the new depreciation rates would be utilized to calculate a
12 TSC Formula Rate that will become effective as of July 1, 2019.

13 **Q13. Please describe the changes to depreciation rates.**

14 A. In this proceeding, NMPC is proposing to modify its depreciation rates to match
15 those approved by the NYPSC. Exhibit NMP-7, Schedule 5 calculates the change
16 in depreciation expense that results from the proposed depreciation rate changes,
17 by FERC account, for the twelve months of depreciation expense reported in
18 NMPC's 2017 FERC Form 1 (Period I). This page also shows the depreciation
19 rates in effect in calendar year 2017 and the proposed depreciation rates ordered
20 by the NYPSC to become effective as of April 1, 2018. The column labeled
21 "Estimated Annual Depreciation Expense based on Proposed Rates" on this
22 schedule calculates depreciation expense for calendar year 2017 under NMPC's
23 proposed depreciation rates. Line 11 demonstrates that the proposed depreciation

1 rate change results in an increase to NMPC's total Transmission Depreciation
2 Expense of \$3.96 million. The change in depreciation rates also impacts the
3 calculation of depreciation reserves, deferred taxes, the return on investment, and
4 the forecasted revenue requirement in the revenue requirement calculation. In
5 total, the depreciation rate changes result in a total increase of \$3,822,456 to the
6 RR calculation, which is reflected on line 43 column C on Page 1 of Exhibit
7 NMP-7. The resulting increase to TSC customers would be 8% of that amount,
8 or \$294,838.

9
10 **Q14. Why is it important to adopt the updated depreciation rates for NMPC that**
11 **are identical to those approved by the NYPSC?**

12 A. The goal of depreciation accounting is to charge to operations a reasonable
13 estimate of the cost of the service potential of an asset or group of assets
14 consumed during an accounting interval. Appropriate recovery of investor-
15 supplied capital is dependent upon appropriate levels of depreciation expense.
16 The NYPSC has already determined that the proposed depreciation rates are
17 appropriate. However, the Company recognizes that Commission approval is
18 needed to ensure that NMPC's depreciation rates already approved by the
19 NYPSC can be uniformly and consistently applied across the entire Company.
20 Consistently applied depreciation rates are administratively efficient for the
21 Company and its customers and result in consistent reporting and cost recovery
22 from all rate payers. Modified depreciation rates consistent with the rates

1 approved for NMPC by the NYPSC are therefore proposed to be used in the TSC
2 transmission formula rate.

3

4 **Q15. When are these depreciation rate changes proposed to become effective?**

5 A. The depreciation rate changes are proposed to become effective as of April 1,
6 2018, the same date that they were permitted to become effective by the NYPSC.
7 These depreciation rate changes to NMPC's calendar year 2018 revenue
8 requirement will be reflected in NMPC's 2019 Annual Update that will become
9 effective for TSC rates as of July 1, 2019.

10

11 **Q16. What parts of Attachment H is NMPC proposing to amend to reflect these**
12 **depreciation rate changes?**

13 A. As shown in Exhibit NMP-4, NMPC is proposing to change the depreciation
14 rates in Section 14.1.9.1, Paragraph 14, Attachment H to coincide with the
15 effective date of revisions to its retail electric rates approved by the NYPSC in
16 Case 17-E-0238.

17

18 **V. Rate Impact**

19 **Q17. Please explain the customer rate impact of implementing the new**
20 **depreciation rates for the formula TSC rate.**

21 A. A comparison of the present TSC rate and the proposed TSC rate using calendar
22 year 2017 Period I test year yields a total revenue increase of \$294,838 on an
23 annual basis. This is shown in Exhibit NMP-7, Schedule 8. The estimated

1 increase in the TSC rate of \$0.11 per MWh is calculated in Exhibit NMP-7,
2 Schedule 1, Line 49, Column C. As shown in the same schedule, this increase is
3 a result of a change in total Transmission Revenue Requirement of \$3,822,456
4 divided by Total Billing Units of 35,384,910 MWh. Billing Units from TSC
5 customers of 2,729,344 MWh multiplied by the projected increase in the TSC rate
6 yields a total increase of \$294,838.

7

8 **VI. Conclusion**

9 **Q18. Does this conclude your testimony?**

10 A. Yes, it does.