ATTACHMENT H

EXHIBIT NO. NMPC-400

PREPARED DIRECT TESTIMONY
OF BART D. FRANEY

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Niagara Mohawk Power Corporation	**)**	**Docket No. ER22-___-000**
d/b/a National Grid	**)**	

PREPARED DIRECT TESTIMONY
OF BART D. FRANEY

I. BACKGROUND AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Bart D. Franey. My business address is 300 Erie Blvd. West, Syracuse, New York 13202.

Q. Please describe your current work responsibilities.

A. I am a Director of Transmission Business Development at National Grid (defined below). In this position, I am primarily responsible for identifying cost effective transmission solutions that enable the deliverability of renewable energy resources in support of New York State's renewable energy mandates.

Q. Please describe your educational background and work experience.

A. I received a Bachelor's degree in Physics from the State University of New York at Oswego and a Master of Science in Engineering Management from Syracuse University.

I joined Niagara Mohawk in 1988. Prior to assuming my current position in April 2020, I was Director of Transmission Asset Management and Planning New York, and Director of Transmission Asset Systems and Data. I was accountable for all system planning and asset management activities on facilities with an operating voltage of 69kV and above and designated transmission substations. I was also accountable for transmission asset data and related systems.

Prior to becoming Director of Transmission Planning in April 2017, I served as Director of Regulation and Pricing, responsible for evaluating regulatory issues and energy policy initiatives that impact customers' electric commodity costs, system operations, and transmission system planning. I also served as Chairman of the New York Independent System Operator, Inc. ("NYISO") Business Issues Committee and Management Committee. Between 1988 and 2007, I served as a Strategic Planner, a Principal Analyst, and a Supervisor of Transmission System Operations, and held various position at the Nine Mile Point Nuclear Station.

Since 1996, I have been involved in either performing or reviewing transmission system studies (*e.g.*, resource adequacy studies, system power flow studies, and electric production cost studies). I have assisted the NYISO and other New York utilities in jointly complying with New York Public Service Commission ("NYPSC") and Federal Energy Regulatory Commission ("FERC" or "Commission") orders associated with transmission planning and cost allocation.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the overall purpose of your testimony?

A. The purpose of my testimony is to explain and support the New York-wide load-ratio share cost allocation mechanism that Niagara Mohawk Power Corporation d/b/a National Grid ("NMPC") is proposing for the Smart Path Connect Project ("SPC Project" or

"Project") in the filing to which my testimony serves as an exhibit. I also address the manner in which NMPC proposed to recover the costs of the Project.

Q. What is the Smart Path Connect Project?

A. NMPC was selected in a public solicitation conducted by the New York Power Authority ("NYPA") to act as co-developer in designing and constructing a major transmission upgrade in New York known as Smart Path Connect. The SPC Project is being built pursuant to a determination by the NYPSC and New York State law that it is needed on an accelerated basis in order to meet New York's clean-energy mandates. The SPC Project will be sited in northern New York and consists of rebuilding approximately 100 linear miles of existing transmission lines and associated equipment, upgrading approximately ten substations, and converting most of the Project facilities from 230 kilovolts ("kV") to 345 kV. Additional details regarding the SPC Project are provided in the Prepared Direct Testimony of Mr. Brian Gemmell, Exhibit No. NMPC-100.

Q. Please provide an overview of NMPC.

A. NMPC is a Commission-regulated public utility company organized and operated under the laws of the State of New York. It provides electric service to over 1.5 million customers and natural gas service to over 540,000 customers in upstate New York. NMPC owns and operates transmission facilities in New York which are subject to the NERC planning standards and operational control of the NYISO. NMPC recovers its

electric assets' revenue requirements pursuant to formula rates under Attachment H to the NYISO Open Access Transmission Tariff ("OATT") and through State-approved bundled transmission and distribution retail rates.

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

Although NMPC does business under the name of "National Grid," for purposes of avoiding confusion, I will refer to the filing party and New York service company affiliate here as "NMPC," while references to "National Grid" will refer to one of NMPC's corporate parents.

Q. Please briefly summarize NMPC's cost allocation proposal for the Smart Path Connect Project.

A. Because the SPC Project is being developed and constructed directly pursuant to New York State clean-energy legislation, and the associated greenhouse gas reduction requirements thereof, NMPC proposes to allocate the costs of the SPC Project throughout New York State on the basis of load ratio share. The cost allocation mechanism for the Project will be substantially similar to that of NYPA's Transmission Adjustment Charge ("NTAC") under which NYPA will be recovering its share of the SPC Project costs.

Although the allocation as between the NYISO's eleven load zones can and presumably will change based on changes in the ratio of load between the various zones, using the most recent load data available from 2020, this proposed cost allocation mechanism would result in approximately 43% of the costs being allocated to load serving entities ("LSEs") in upstate New York (Zones A through F) and 57% of the costs being allocated to LSEs in downstate New York (Zones G through K). While this estimate provides a simple relative distribution of cost, it is important to note that the rate used to recover the costs of the Project is the same across the state.

Additional detail regarding the tariff mechanisms that NMPC proposes to adopt in order to implement this cost allocation proposal are set forth in the Prepared Direct Testimony of Ms. Tiffany Escalona, Exhibit No. NMPC-500.

Q. Please briefly summarize the New York legislative and regulatory process that led to the identification and development of the Smart Path Connect Project.

A. On April 3, 2020, then-Governor Cuomo signed into law the Accelerated Renewable Energy Growth and Community Benefit Act ("AREGCBA").[1] AREGCBA requires the State to provide for the construction of expanded transmission and distribution infrastructure sufficient to ensure the cost-effective and timely development of the renewable energy generation projects needed to meet New York's emissions reduction mandates, as set forth in the Climate Leadership and Community Protection Act

[1] 2020 N.Y. Laws, ch. 58, Part JJJ.

("CLCPA").[2] In particular, AREGCBA directs the NYPSC to establish a bulk transmission investment program. As part of the process to implement the bulk transmission investment program, Section 7 of AREGCBA requires the NYPSC to identify Priority Transmission Projects ("PTPs") that are needed on an "expeditious" basis to meet the CLCPA requirements. In recognition of the State's specific need for the timely development of bulk transmission, AREGCBA directs that PTPs be developed by NYPA, subject to the concurrence of NYPA's Board of Trustees ("Trustees"). Once a project has been designated as a PTP by the NYPSC and the NYPA Trustees have concurred, AREGCBA requires NYPA to undertake a public solicitation process to assess whether joint development of the PTP would provide significant additional benefits in achieving the CLCPA Requirements.

On October 15, 2020, the NYPSC adopted criteria to evaluate potential PTPs, and applying those criteria to Smart Path Connect, determined that the Project met those criteria and referred the project for NYPA to develop as a PTP. Subsequent to this order, and pursuant to AREGCBA, NYPA publicly solicited interest from potential co-participants, and on March 30, 2021, selected NMPC as its co-participant based on NMPC's extensive experience with similarly-scaled projects and its ownership of property and facilities that could be used to support development of the project.

More information relating to the background of the SPC Project can be found in Mr. Gemmell's testimony.

[2] 2019 N.Y. Laws, ch. 106.

II. BASIS FOR THE SMART PATH CONNECT COST ALLOCATION PROPOSAL

Q. What is the basis for NMPC's proposal to allocate the costs of the Smart Path Connect Project on a New York statewide basis using load-ratio shares?

A. The primary reason for allocating the SPC Project on a statewide, load-ratio share basis is because the Project is being developed and constructed for the purpose of meeting New York's statewide clean energy mandates, as set forth in the CLCPA. These policies are statewide in scope and are intended to benefit all New York residents. As the legislative findings accompanying the CLCPA indicate, "[c]limate change is adversely affecting economic well-being, public health, natural resources, and the environment of New York."[3] The findings go on to detail the myriad impacts from climate change to New York residents, benefits of reduced greenhouse gas emissions, and ultimately requires that New York reduce greenhouse gas emissions 85% over 1990 levels by the year 2050, with an incremental target of at least a 40% reduction in climate pollution by the year 2030 along with a 100% emissions-free electric demand system by 2040.[4]

Likewise, AREGCBA contemplates benefits to all New York residents. As the statute makes clear, the purpose of AREGCBA is to direct specific actions to "achieve the CLCPA targets."[5] Indeed, AREGCBA states that "[a] public policy purpose would be

[3] CLCPA, § 1.

[4] CLCPA, §§ 2(1)(a) and 7(a); N.Y. Energy Conservation Law § 75–0107(1); N.Y. Pub. Serv. L. § 66-p(2), (5).

[5] AREGCBA, §2(2).

served and the interests of the people of the state would be advanced" by, among other things, directing the NYPSC to "identify bulk transmission investments that should be undertaken, including projects that should be undertaken immediately and on an expedited basis in cooperation with [NYPA]," *i.e.*, PTPs such as Smart Path Connect.[6] Moreover, with respect to PTP projects, AREGCBA directs that such projects should be developed by NYPA, either solely or jointly with one or more co-participants. The costs of transmission projects developed by NYPA and recovered through its NTAC mechanism are allocated on a statewide, load-ratio share basis.

Q. Did the NYPSC find that the costs of Smart Path Connect should be allocated or recovered in a particular manner?

A. No. Although the NYPSC, in its October 15, 2020 order designating the SPC Project as a PTP,[7] recognized that the central purpose of the transmission planning process adopted in AREGCBA was to achieve New York's statewide clean energy mandates, it declined to identify or impose a specific cost allocation mechanism. However, in a more recent order in the same proceeding, the NYPSC made clear that "local" transmission upgrades necessary to meet New York's clean energy mandates should be allocated statewide on a load-ratio share basis.[8] Given that the regulatory and statutory requirements for PTP are

[6] *Id.*, § 3.

[7] *Order on Priority Transmission Projects*, NYPSC Case 20-E-0197 (Oct. 15, 2020), available at https://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=20-E-0197&CaseSearch=Search.

[8] *Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals*, NYPSC Case 20-E-0197, at 22-23 (Sept. 9, 2021), available at the same website listed in the footnote immediately above.

the same as those driving the need for and approval of local transmission upgrades, it is reasonable to adopt the same cost allocation for the SPC Project, *i.e.*, to all load within the state on a pro rata basis.

Q. Have there been any indications as to whether New York stakeholders support a load-ratio share allocation methodology for Smart Path Connect?

A. Yes. It appears that New York's electric distribution utilities representing most of the load to receive Smart Path Connect cost allocation are not opposed to a load-ratio share allocation mechanism for Smart Path Connect. I base this conclusion on the following. First, NMPC and NYPA have engaged in a number of informal meetings with various New York stakeholders, including Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc., the Long Island Power Authority, and New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation. As a result of these meetings, all of these New York Transmission Owners have authorized NMPC to state that they do not oppose the allocation and recovery of the costs of the NMPC portion of the SPC Project from all New York load based on a volumetric load-ratio share methodology. This statement does not bind the New York Transmission Owners with respect to any positions they might adopt regarding other aspects of the filing, including the proposed rate.

Moreover, as part of the NTAC process, NYPA submitted for Voting Member consideration the inclusion and recovery of its portions of the SPC Project through

NTAC, which relies on a load-ratio share allocation. The Voting Member Systems consist of the main New York electric distribution companies, which collectively represent a substantial amount of the electric consumers in the New York Control Area. None of the Voting Member Systems indicated that they wished to exercise their right to require a vote on whether to allow NYPA to recover the costs of the SPC Project through the NTAC.

Q. Is the proposed load-ratio share cost allocation mechanism consistent with the Commission's policies and precedent?

A. Yes. The foundational principle of the Commission's cost allocation policy is that the costs of transmission facilities must be allocated in a manner that is "roughly commensurate" with the benefits thereof. Because the SPC Project is being developed for the purpose of meeting statewide climate policy goals that are intended to benefit all New York customers it is appropriate to allocate the costs of these projects on a statewide basis and in a manner that roughly corresponds to the location of customers throughout the State.

This approach is also consistent with the allocation methodology that the NYISO proposed, and the Commission approved, as the default methodology for allocating the costs of projects selected in order to meet public policy transmission needs identified by the NYPSC. In accepting this methodology, the Commission found as convincing the NYISO's explanation that it has been shaped by coordinated statewide policy initiatives

even prior to the formation of its predecessor entity, the New York Power Pool, and New York State is "currently pursuing public policy transmission requirements that may lead to changes to the bulk power grid on a unified statewide basis."[9] There is no doubt that AREGCBA and CLCPA qualify as policies aimed at unified statewide changes to the bulk power grid. As such, I believe it is reasonable and consistent with Commission policy to allocate the costs of the SPC Project on a load-ratio share basis statewide.

Q. In Mr. Gemmell's testimony, he discusses a number of benefits of the project in addition to emissions reductions, such as lower customer energy payments and capacity costs. Do you believe that these benefits also support allocating Project costs on a load-ratio share basis?

A. Yes. Most of the cost savings associated with the Project identified by analyses performed by NYPA are New York Control Area-wide savings, rather than savings specific to or favoring particular regions or customers. Moreover, other benefits, such as the significant amount of congestion and renewable curtailments that will be remedied by placing the SPC Project into service, are benefits associated with "unbottling" renewable generation. Although the generation being unbottled by the Project will be located in northern New York, the Project will deliver energy to customers across the state. Therefore, the benefits of this unbottling are appropriately ascribed to all New York customers, without any additional weighting of particular zones or groups of customers.

[9] *N.Y. Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,044, at P 331 (2014).

Q. Are there other reasons supporting the allocation of NMPC's portion of the Smart Path Connect Project on the basis of load-ratio share?

A. Yes. In addition to being consistent with the purpose of the Project, as articulated in the underlying legislation, as well as Commission policy and precedent and the NYPSC's order on local transmission upgrades, adopting a load-ratio share allocation would be consistent with NYPA's planned allocation of its portion of the Project. NYPA intends to allocate and recover the costs of its portion of the Project through its NTAC mechanism, as set forth in Section 14.2.2 of Attachment H to the NYISO OATT. The benefits associated with the Project are the same for the portions of the SPC Project being developed and constructed by NYPA and for the portions being developed and constructed by NMPC. As such, it would not be reasonable or rational to adopt fundamentally different cost allocation methodologies for the NYPA and NMPC portions of the Project.

III. COST RECOVERY MECHANISM

Q. How does NMPC propose to recover its costs associated with the Smart Path Connect Project under the proposed load ratio share cost allocation method?

A. Operational control of Smart Path Connect will be turned over to the NYISO and service over the facilities will be provided under the terms and conditions of the NYISO OATT. The NYISO will bill and collect the Smart Path Connect revenue requirement under the terms of its OATT. Accordingly, NMPC proposes to recover the revenue requirement

from all LSEs in the NYISO's region through the NYISO OATT. The revenue requirement for NMPC's portion of the SPC Project will be calculated in accordance with new Rate Schedule 18 to the NYISO OATT, as well as NMPC's wholesale Transmission Service Charge formula rate template, as modified in this filing. These tariff modifications are discussed in Ms. Escalona's testimony.

Q. Does this conclude your testimony?

A. Yes.

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DECLARATION OF BART D. FRANEY

I depose and state under penalty of perjury that the foregoing testimony was prepared or assembled by me or under my direction, and 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 March 2, 2022

*/s/ Bart D. Franey*_____
Bart D. Franey