

Attachment B

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

Consolidated Edison Company of New York

Docket No. ER23-____-000

DIRECT TESTIMONY OF DR. PAUL A. DUMAIS
On Behalf of Consolidated Edison Company of New York, Inc.

June 22, 2023

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	PURPOSE AND SCOPE OF TESTIMONY	4
III.	BACKGROUND INFORMATION – SCHEDULE 19 PROJECTS	6
IV.	BACKGROUND INFORMATION – SCHEDULE 10 PROJECTS	12
V.	TRANSMISSION FORMULA RATE TEMPLATE	14
VI.	TRANSMISSION FORMULA RATE PROTOCOLS.....	35
VII.	CONCLUSION.....	43

TABLE OF EXHIBITS

Exhibit No. CECONY-001 – Direct Testimony of Dr. Paul A. Dumais

Exhibit No. CECONY-002 – Resume of Dr. Paul A. Dumais

Exhibit No. CECONY-003 – Transmission Formula Rate Template

Exhibit No. CECONY-004 – Transmission Formula Rate Protocols

I. INTRODUCTION

2 **Q. Please state your name, position, and business address.**

3 A. My name is Dr. Paul A. Dumais. I am the CEO of Dumais Consulting LLC,
4 with an address of 38578 Kilgore Court, Waterford, Virginia, 20197.

5 Q. On whose behalf are you testifying in this proceeding?

6 A. I am testifying on behalf of Consolidated Edison Company of New York, Inc.
7 ("Con Edison" or "CECONY").

8 **Q. Describe your professional and educational background.**

9 A. I have over 40 years of experience in the electric and natural gas industries in
10 the areas of regulatory strategy, regulatory policy, and ratemaking, including
11 revenue requirements (cost of service), cost allocation and rate design. Through
12 Dumais Consulting LLC, I provide Federal Energy Regulatory Commission
13 (“FERC” or “Commission”)-related ratemaking services, including electric
14 transmission formula rates, ancillary services revenue requirements (including
15 reactive power) and natural gas and electricity cost of service, cost allocation
16 and rate design. I have recently assisted a FERC-jurisdictional transmission
17 owner in moving from a stated transmission rate to a transmission formula rate,
18 including developing the formula rate and protocols, and provided testimony to
19 the Commission in support of the proposed formula rate and protocols, which
20 were accepted by the Commission. I consult regularly with several other
21 transmission owners on their formula rates and FERC accounting issues,
22 including income tax considerations. I have substantial experience in New
23 York transmission ratemaking through my involvement both with New York

10

11

12

13

14

15

16

17

18

19

20

21

22

23

1 Transco, LLC in the past and with a large transmission owner currently. Prior
2 to forming Dumais Consulting in September 2018, I was employed by Avangrid
3 Networks and its predecessor companies in the northeast United States in senior
4 level positions. In this capacity, I focused on asset management and capital
5 budgeting, large customer service and state and federal regulatory and
6 ratemaking matters, including FERC regulatory strategy and policy,
7 transmission formula rates, interconnections, and regional transmission
8 organization stakeholder participation. I was Vice President of Regulatory for
9 New York Transco while serving as Avangrid's representative to this New York
10 transmission owner joint venture. I received a Bachelor of Science Degree in
11 Business Administration with an emphasis in Accounting from the University
12 of Maine in Augusta in 1982. I received a Master of Science Degree in Business
13 Administration from the University of Southern Maine in 1986. Lastly, I was
14 awarded a Doctorate Degree in Strategic Leadership from Regent University in
15 2013.

16 **Q. Have you submitted expert testimony in the past to FERC or to any other**
17 **regulatory bodies?**

18 A. Yes, I have. I provide my FERC and state testimony experience as part of my
19 resume contained in Exhibit No. CECONY-002.

21 II. PURPOSE AND SCOPE OF TESTIMONY

22 **Q. What is the purpose of your testimony in this proceeding?**

1 A. The purpose of my testimony is to present a transmission formula rate and
2 protocols by which Con Edison will recover the costs, under the NYISO
3 (“NYISO”) Open Access Transmission Tariff (“OATT”) of 1) local
4 transmission upgrades determined by the New York State Public Service
5 Commission (“NYPSC”) to be necessary to meet New York State climate and
6 renewable energy goals as required by New York State law and recoverable
7 pursuant to Rate Schedule 19 of the NYISO OATT (referred to as “CLCPA
8 Eligible Projects”, “Approved Local Transmission Upgrades” or “Schedule 19
9 Projects”) and 2) regulated transmission projects that are eligible for cost
10 recovery under Rate Schedule 10 of the NYISO OATT in accordance with the
11 NYISO’s Comprehensive System Planning Process requirements set forth in
12 Attachment Y of the NYISO OATT (“Schedule 10 Projects”).

13 **Q. Are you sponsoring any exhibits in addition to this testimony?**

14 A. Yes. I am sponsoring the following exhibits:
15 Exhibit No. CECONY-001 – Direct Testimony of Dr. Paul A. Dumais
16 Exhibit No. CECONY-002 – Resume of Dr. Paul A. Dumais
17 Exhibit No. CECONY-003 – Transmission Formula Rate Template
18 Exhibit No. CECONY-004 – Transmission Formula Rate Protocols

19 **Q. Please describe Con Edison.**

20 A. Con Edison is a regulated utility operating in New York City and Westchester
21 County in New York and a wholly-owned subsidiary of Consolidated Edison,
22 Inc. Con Edison is engaged in the generation, transmission, distribution, and
23 wholesale and retail sale of electric power in New York City and Westchester

1 County, the distribution and retail sale of natural gas in parts of New York City
2 and Westchester County and the generation, distribution, and retail sale of
3 steam in parts of New York City. Con Edison is a participant in the NYISO's
4 electricity markets and holds market-based rate tariff authority under the
5 Federal Power Act.¹

6 **Q. How is your testimony organized?**

7 A. I first present background information that forms the context of this Con Edison
8 filing. I then present the formula rate template ("Formula Rate Template") by
9 which Con Edison proposes to recover the revenue requirements for Approved
10 Local Transmission Upgrades and Schedule 10 Projects. Lastly, I present the
11 formula rate implementation protocols ("Formula Rate Implementation
12 Protocols") by which stakeholders can engage and review the annual formula
13 rate informational filings and annual updates to be made by Con Edison. The
14 Formula Rate Template and the Formula Rate Implementation Protocols, are
15 collectively referred to herein as the "Formula Rate."

16

17 **III. BACKGROUND INFORMATION – SCHEDULE 19 PROJECTS**

18 **Q. Describe the law or laws that were enacted in New York concerning**
19 **renewable energy requirements that will result in Approved Local**
20 **Transmission Upgrades.**

¹ In this filing, Con Edison is not proposing changes to its existing, stated transmission rate in Attachment H of the NYISO OATT as it relates to Con Edison's wholesale transmission service charge or Attachment O in Con Edison's OATT.

1 A. The State of New York has enacted climate legislation in the Climate
2 Leadership and Community Protection Act (“CLCPA”). Among other things,
3 the CLCPA requires 70 percent of all of New York’s electricity to come from
4 renewable sources by 2030, a 100 percent reduction in greenhouse gas
5 emissions from the electricity sector by 2040, and 9,000 MW of offshore wind
6 generation (“OSW”) by 2035. The state also has enacted the Accelerated
7 Renewable Energy Growth and Community Benefit Act (“Accelerated
8 Renewables Act”) recognizing that the utilities’² local transmission and
9 distribution systems play a key role in the CLCPA-mandated renewable energy
10 transition. The Accelerated Renewables Act requires the NYPSC to establish
11 distribution and local transmission capital plans for each utility in whose service
12 territory distribution upgrades and local transmission upgrades are necessary or
13 appropriate to achieve New York’s climate mandates, and for the utilities to
14 implement (make the local transmission upgrades consistent with) those plans,
15 in accordance with a schedule approved by the NYPSC or, in the case of LIPA,
16 the LIPA Board of Trustees.³

17 **Q. Has the NYPSC established these distribution and local transmission**
18 **capital plans for each utility?**

² The utilities subject to local transmission and distribution mandates under the Accelerated Renewables Act include Central Hudson Gas & Electric Corporation (“Central Hudson”), Con Edison, Long Island Power Authority (“LIPA”), New York State Electric & Gas Corporation (“NYSEG”), Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”), Orange and Rockland Utilities, Inc. (“O&R”), and Rochester Gas and Electric Corporation (“RG&E”). These utilities are sometimes referred to herein as “New York Transmission Owners” or “NYTOs”.

³ Because the New York Power Authority (“NYPA”) does not own any local transmission or distribution facilities that serve a service territory, the NYPSC will not be approving any local transmission upgrades for NYPA for cost recovery under Rate Schedule 19 of the NYISO OATT.

1 A. The NYPSC is in the process of doing this. To date, the NYPSC has identified
2 areas on the transmission and distribution networks in New York that may be
3 in critical need of local investment because existing renewable generation in
4 these areas is being curtailed today or because renewable generation developer
5 interest in those areas exceeds the capability of the local transmission system.
6 The NYPSC directed some of the NYTOs (including Central Hudson, NYSEG,
7 National Grid and RG&E) to submit solutions to address these areas and, on
8 February 16, 2023, approved the development of these projects.⁴ The NYPSC
9 has also found that integrating the CLCPA's target of 9,000 MW of OSW into
10 New York's grid requires developing the transmission system in a well-
11 coordinated way that optimizes points of interconnection that are currently
12 scarce in the downstate region, where the OSW will be delivered into New
13 York. As a result, the NYPSC authorized Con Edison to file a petition for
14 approval of its local transmission projects designed to address these issues, and
15 on April 20, 2023, approved a scalable version of Con Edison's Brooklyn Clean
16 Energy Hub Project for development, while deferring consideration of the
17 project's eligibility for cost recovery under Rate Schedule 19 of the NYISO
18 OATT to a later date when the feasibility of OSW interconnection is clarified.⁵

⁴ State of New York Public Service Commission, Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, Order Approving Phase 2 Areas of Concern Transmission Upgrades (February 16, 2023).

⁵ State of New York Public Service Commission, Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, Order Approving Cost Recovery For Clean Energy Hub (April 20, 2023).

1 Con Edison requests FERC approval of the proposed Formula Rate, as any local
2 transmission investments approved by the NYPSC to satisfy CLCPA
3 requirements would be included therein.

4 **Q. Please describe how the revenue requirements of these Schedule 19**
5 **Projects/Approved Local Transmission Upgrades are to be recovered from**
6 **customers.**

7 A. By Order dated September 9, 2021,⁶ the NYSPC requested that Central
8 Hudson, Con Edison, National Grid, NYSEG, O&R and RG&E (each, an
9 “Eligible Transmission Owner”) develop and propose for its review, prior to
10 submission to FERC, a mechanism under the NYISO OATT to allocate and
11 recover from all beneficiaries across the state the costs of CLCPA Eligible
12 Projects. On January 7, 2022, the Eligible Transmission Owners, having
13 consulted with LIPA, the NYISO and the NYPSC staff, proposed the use of a
14 voluntary participant funding agreement among the NYTOs to be accepted by
15 the NYPSC prior to submission to FERC. They further proposed that the
16 costs be funded by the Eligible Transmission Owners and LIPA and allocated
17 statewide based on load-ratio share, consistent with how the costs of the
18 renewable energy supplies required under the CLCPA are allocated. Because
19 both the renewable energy supplies required by state law, and the CLCPA
20 Eligible Projects that integrate and deliver them, have the same statewide
21 beneficiaries, it follows that they should have the same statewide cost

⁶ State of New York Public Service Commission, Case 20-E-0197, Order dated September 9, 2021, P 48-49.

1 allocation. Upon review, the NYPSC held this approach to be appropriate,
2 and by Order dated May 12, 2022, accepted the proposed participant funding
3 agreement (called the “Cost Sharing and Recovery Agreement” or “CSRA”)
4 and cost allocation mechanism (described in new Rate Schedule 19 [Section
5 6.19] of the NYISO OATT).

6 **Q. Has the Commission accepted the CSRA and Rate Schedule 19 under**
7 **Section 205 of the Federal Power Act?**

8 A. Yes. On August 19, 2022, the Commission issued an “Order Accepting
9 Proposed Cost Sharing and Recovery Agreement, Rate Schedule, Tariff
10 Revisions and Certificates of Concurrence” accepting the CSRA, Rate
11 Schedule 19 and certain conforming amendments to the NYISO OATT.⁷

12 **Q. Describe Rate Schedule 19.**

13 A. Rate Schedule 19 of the NYISO OATT establishes a CLCPA Facilities
14 Charge (“CFC Charge”) and a LIPA CFC Charge as part of the NYISO billing
15 and settlement process and provides for the recovery of costs of each
16 transmission project eligible for cost recovery under the CSRA. Rate
17 Schedule 19 establishes that the costs of each eligible project shall be
18 allocated on a load ratio share basis, calculated volumetrically based upon
19 Actual Energy Withdrawals by Load Serving Entities, excluding Withdrawal
20 Billing Units for Exports and Wheel Through. It establishes that the NYISO
21 will calculate the CFC Charge for CLCPA Eligible Projects of each NYTO by

⁷ See *Consolidated Edison Co. of New York, Inc., et al.*, 180 FERC ¶ 61,106 (2022).

1 starting with each NYTO's applicable annual transmission revenue
2 requirement ("ATRR") and adjusting for settlements related to any
3 Incremental Transmission Congestion Contracts ("Incremental TCCs")
4 associated with the CLCPA Eligible Projects, including any outage charges
5 for the Incremental TCCs. It will allocate the result on a load ratio share basis
6 to LSEs in New York.

7 **Q. What additional approvals are needed from FERC for Con Edison to**
8 **recover costs under Rate Schedule 19?**

9 A. Under Rate Schedule 19 of the NYISO OATT, the CFC Charge is a cost-of-
10 service charge derived from formula rates. The purpose of this filing is to
11 receive FERC's acceptance under Section 205 of the Formula Rate and related
12 implementation protocols that Con Edison will use to determine its ATRR to
13 be used by the NYISO to determine Con Edison's CFC Charges under Rate
14 Schedule 19. Con Edison's Formula Rate and related implementation
15 protocols are proposed to be added as Attachment 3 to Rate Schedule 19
16 (Section 6.19.8) of the NYISO OATT.

17 **Q. Do you anticipate that the any order from the NYPSC on future Con**
18 **Edison Schedule 19 projects will contain a specified return on equity and**
19 **capital structure that will need to be included in Con Edison's formula**
20 **rate?**

21 A. No, I do not. As the NYPSC did in the NYPSC February 16, 2023 Order
22 approving the projects proposed by Central Hudson, NYSEG, National Grid,
23 and RG&E, I expect future NYPSC orders to refer to the CSRA which

1 obligates Con Edison and the other NYTOS to utilize the NYPSC authorized
2 return on equity and capital structure in its Formula Rate. Later in my
3 testimony, I discuss how the formula rate accommodates the return on equity
4 and capital structure determined for Schedule 19 Projects by the NYPSC.

5

6 **IV. BACKGROUND INFORMATION – SCHEDULE 10 PROJECTS**

7 **Q. Please describe Rate Schedule 10?**

8 A. Rate Schedule 10 (Section 6.10) of the NYISO OATT establishes the
9 Regulated Transmission Facilities Charge (“RTFC”) for the recovery of the
10 costs of a regulated transmission project that is eligible for cost recovery in
11 accordance with the NYISO’s Comprehensive System Planning Process
12 (“CSPP”) requirements set forth in Attachment Y of the NYISO OATT. Rate
13 Schedule 10 can be used to recover the costs of various project types (as
14 described in Rate Schedule 10), including, but not limited to (1) a Designated
15 Public Policy Project that is a Public Policy Transmission Project, or a part of
16 a Public Policy Transmission Project, that the NYISO Board of Directors has
17 selected pursuant to Section 31.4.8.3 of Attachment Y of the NYISO OATT
18 as the more efficient or cost-effective solution to a Public Policy Transmission
19 Need (“PPTN”), (2) Designated Network Upgrade Facilities designated
20 pursuant to Section 22.9.6 of Attachment P to the NYISO OATT and
21 associated with a Public Policy Transmission Project selected by the NYISO
22 Board of Directors as the more efficient or cost effective transmission solution
23 to address a PPTN, and (3) a Public Policy Transmission Project proposed by

1 a Developer in response to a request by the NYPSC or Long Island Power
2 Authority in accordance with Section 31.4.3.2 of Attachment Y of the NYISO
3 OATT.

4 **Q. Please further describe Rate Schedule 10?**

5 A. Rate Schedule 10 also describes what projects are not eligible for recovery
6 thereunder (see Section 6.10.1 of Rate Schedule 10 to the NYISO OATT) and
7 provides information on the revenue requirement and cost recovery
8 methodology for eligible projects (see Sections 6.10.2, 6.10.3, and 6.10.4 of
9 Rate Schedule 10 to the NYISO OATT) and on cost containment related to
10 Designated Public Policy Projects (see Section 6.10.6 of Rate Schedule 10 to
11 the NYISO OATT). It also contains a section on cost recovery for LIPA and
12 NYPA (see Section 6.10.5 of Rate Schedule 10 to the NYISO OATT),
13 formula rate and protocols for f LS Power Grid New York (see Section
14 Attachment 1 [Section 6.10.7] to Rate Schedule 10 of the NYISO OATT),
15 formula rate and protocols for a PPTN project of NYPA(see Attachment 2
16 [Section 6.10.8] to Rate Schedule 10 of the NYISO OATT), formula rate and
17 protocols for Next Era Transmission New York (see Attachment 3 [Section
18 6.10.9] to Rate Schedule 10 of the NYISO OATT).

19 **Q. Does Con Edison currently have any projects eligible for recovery under**
20 **Schedule 10?**

21 A. Con Edison expects soon to be required to develop and construct Public
22 Policy Transmission Upgrades and Designated Network Upgrade Facilities
23 related to the project recently selected by the NYISO Board of Directors in

1 response to the Long Island Offshore Wind Export PPTN. As a result of the
2 project selection, Con Edison will have one or more projects eligible for
3 recovery under Rate Schedule 10 of the NYISO OATT, and Con Edison
4 would use the proposed Formula Rate to determine and recover the applicable
5 ATRR under Rate Schedule 10 for such project(s).

6 **Q. Is it possible that Con Edison could have projects in the future that are**
7 **eligible for recovery under Schedule 10?**

8 A. Yes. Con Edison could have, among other projects eligible for recovery under
9 Rate Schedule 10 of the NYISO OATT, Public Policy Transmission Upgrades
10 and Designated Network Upgrade Facilities related to other PPTN projects
11 and could also be awarded a PPTN project as a Developer. It is therefore
12 imperative that Con Edison have in place a formula rate for recovery of
13 Schedule 10 Projects.

14

15 **V. TRANSMISSION FORMULA RATE TEMPLATE**

16 **Q. Describe Con Edison's proposed transmission Formula Rate by which it**
17 **would recover the revenue requirement of Schedule 19 Projects and**
18 **Schedule 10 Projects.**

19 A. I present the proposed Formula Rate Template in Exhibit No. CECONY-003.
20 The proposed Formula Rate Template determines ATRRs using projected data
21 for a calendar year rate year, with an annual true-up adjustments to reconcile
22 actual, applicable revenue for the rate year to the actual, applicable ATRR for
23 that same rate year. The proposed Formula Rate is consistent with transmission

1 formula rates approved by FERC and in use throughout the United States. The
2 unpopulated Formula Rate Template is proposed to be included in Section
3 6.19.8.2.2 of Attachment 3 to Rate Schedule 19 of the NYISO OATT.

4 **Q. Describe Exhibit No. CECONY-003.**

5 A. Exhibit No. CECONY-003 contains the proposed Formula Rate Template,
6 populated with proxy data to enable its ease of use, and consisting of several
7 worksheets necessary to determine and publish the ATRRs for Con Edison's
8 Schedule 19 Projects and Schedule 10 Projects.⁸ The Index to the Formula Rate
9 Template is a list of all the worksheets contained in the Formula Rate Template.
10 Projected input data will come from Con Edison's internal budgeting process,
11 while actual input data will come from the Con Edison FERC Form No. 1. The
12 populated Formula Rate Template will be provided in Excel to stakeholders
13 well in advance of the ATRR or annual true-up adjustment implementation,
14 with ample opportunity to review, question and provide feedback in accordance
15 with the protocols described in the next section.

16 **Q. How does Con Edison recover the costs of its transmission assets today?**

17 A. Under NYPSC ratemaking, Con Edison includes both its transmission and
18 distribution assets in its NYPSC jurisdictional rates. Con Edison has a FERC
19 stated transmission rate in Attachment H to the NYISO OATT, which is used
20 in very limited circumstances for assessing wholesale Transmission Service

⁸ I have included proxy data in all data input cells for ease of use. The unpopulated formula rate is proposed to be included in Section 6.19.8.2.2 of Attachment 3 to Rate Schedule 19 of the NYISO OATT.

1 Charges under the NYISO OATT. Revenue received under Attachment H is
2 credited to the NYPSC jurisdictional revenue requirement.

3 **Q. With the advent of formula rate recovering two types of projects under the**
4 **NYISO OATT, how will Con Edison ensure that its Schedule 19 Projects**
5 **ATRR and Schedule 10 Projects ATRR(s) are not also recovered in**
6 **NYPSC jurisdictional rates?**

7 A. Con Edison will either exclude Rate Schedule 19 and Rate Schedule 10 revenue
8 requirements from its NYPSC approved rates or provide an appropriate credit
9 to its NYPSC jurisdictional rates for recoveries of costs under Rate Schedule
10 19 and Rate Schedule 10. Thus, Con Edison will ensure that the ATRR for
11 Schedule 19 Projects and the ATRR(s) for Schedule 10 Projects are not
12 included in NYPSC jurisdictional rates.

13 **Q. What is Appendix A of Exhibit No. CECONY-3?**

14 A. Appendix A of the Formula Rate Template is the worksheet that computes the
15 non-levelized ATRR for both Schedule 19 Projects and Schedule 10 Projects.
16 The allocation factors and ATRR for Schedule 19 Projects are contained in
17 Columns 4 and 5, respectively, while the allocation factors and ATRR(s) for
18 Schedule 10 Projects are contained in Columns 6 and 7, respectively. Appendix
19 A contains rate base, operations and maintenance expense, depreciation and
20 amortization expense, taxes other than income taxes, income taxes, return and
21 revenue credits. It also contains adjustments to ATRRs for prior period
22 corrections and annual true-up adjustments.

23 **Q. Describe the rate base section of Appendix A.**

1 A. Rate base consists of gross plant in service, accumulated depreciation, net plant
2 in service, construction work in progress (“CWIP”), abandoned plant,
3 accumulated deferred income taxes, land held for future use, and other rate base
4 items. Other base items include cash working capital, materials and supplies,
5 prepayments, and unfunded liabilities. All items are 13-month average
6 balances except accumulated deferred income taxes which are beginning of
7 year/end of year averages or a value that reflects Internal Revenue Service-
8 required proration. Column 3 contains total Con Edison data, where needed,
9 while Column 5 contains data related to the Schedule 19 Projects and Column
10 7 contains data related to Schedule 10 Projects. Column 4 contains the
11 allocation method used to derive the Schedule 19 Project amounts while
12 Column 6 contains the allocation method used to derive the Schedule 10
13 Projects amounts.

14 **Q. Describe how the Formula Rate derives gross plant in service, accumulated**
15 **depreciation, and net plant in service.**

16 A. Gross plant in service and accumulated depreciation amounts are contained in
17 Workpaper 1-RB Items. Workpaper 1-RB Items contains gross plant in service
18 and accumulated depreciation by function. The respective gross plant in service
19 and accumulated depreciation for Schedule 19 Projects and Schedule 10
20 Projects will be based upon Con Edison tracking these assets in its fixed asset
21 system, and the actual amounts will be included on appropriate FERC Form No.
22 1 pages via footnotes. Net plant in service equals gross plant in service less
23 accumulated depreciation.

1 **Q. How do you determine the portion of electric general, electric intangible**
2 **and common gross plant in service and the applicable accumulated**
3 **depreciation to allocate to the Schedule 19 Projects and Schedule 10**
4 **Projects?**

5 A. Consistent with the construct of most formula rates accepted by the
6 Commission for transmission cost of service, the proposed Formula Rate
7 allocates to Schedule 19 Projects and Schedule 10 Projects rate base electric
8 general gross plant and electric intangible gross plant in service and the
9 applicable accumulated depreciation using a wage and salary allocator based
10 upon estimated transmission wages for the Schedule 19 Projects or Schedule 10
11 Projects. The Formula Rate derives these allocators for Schedule 19 Projects
12 and Schedule 10 Projects on Line 96 of Appendix A. The Formula Rate
13 allocates common gross plant in service⁹ and the applicable accumulated
14 depreciation using the product of both a common plant allocator to determine
15 the electric transmission portion (derived on Line 98 of Appendix A) and the
16 same wage and salary allocators as used for electric general and electric
17 intangible items.

18 **Q. Describe CWIP on Line 23 of Appendix A.**

19 A. If Con Edison requests (after approval by the NYPSC for Schedule 19 Projects)
20 and FERC grants recovery of CWIP for any Schedule 19 Project or Schedule

⁹ Common plant is used for electric, natural gas or steam business functions.

1 10 Project, the 13-month average rate year amount would be included both on
2 Workpaper 1-RB Items and in rate base on Line 23 of Appendix A.

3 **Q. Describe Abandoned Plant on Line 24 of Appendix A.**

4 A. If Con Edison requests and FERC grants recovery of any abandoned plant costs
5 for a Schedule 19 Project or Schedule 10 Project, the 13-month average rate
6 year amount would be included both on Workpaper 1-RB Items and in rate base
7 on Line 24 of Appendix A.

8 **Q. Describe how the Formula Rate determines accumulated deferred income**
9 **taxes included on Line 25.**

10 A. The Formula Rate derives accumulated deferred income taxes on Workpaper
11 2a19-ADIT Current Year, Workpaper 2b19-ADIT Prior Year, Workpaper
12 2c19-ADIT Proration Projected and Workpaper 2d19-ADIT Proration Actual
13 for Schedule 19 Projects and on Workpaper 2a10-ADIT Current Year,
14 Workpaper 2b10-ADIT Prior Year, Workpaper 2c10-ADIT Proration Projected
15 and Workpaper 2d10-ADIT Proration Actual for Schedule 10 Projects . Only
16 direct assigned accumulated deferred income taxes are included, such as those
17 related to accelerated depreciation attributable to the Schedule 19 Projects or
18 Schedule 10 Projects. Workpaper 2a19-ADIT Current Year and Workpaper
19 2a10-ADIT Current Year contains both the current year and prior year values
20 for Accounts 190 and 283 and the prorated value for Account 282. The prior
21 year values come from Workpaper 2b19-ADIT Prior Year or Workpaper 2b10-
22 ADIT Prior Year. The prorated values come from Workpaper 2c19-ADIT
23 Proration Projected or Workpaper 2c10-ADIT Proration Projected, which are

1 used when the Formula Rate is populated with projected data, or Workpaper
2 2d19-ADIT Proration Actual or Workpaper 2b10-ADIT Proration Actual,
3 which are used when the Formula Rate is populated with actual data. The
4 proration workpapers determine values consistent with Treasury Regulation
5 Section 1.167(l)-1(h)(6) and reflect methodologies accepted by the
6 Commission and in use in many transmission formula rates today.

7 **Q. Line 26 of Appendix A contains Excess Accumulated Deferred Income**
8 **Taxes. Please explain why this Worksheet is needed.**

9 A. Per FERC Order No. 864, the Commission requires that all transmission
10 formula rates provide for the ability, should income tax rates change, to
11 remeasure accumulated deferred income taxes, to determine the excess or
12 deficient accumulated deferred income taxes and to include such amount in rate
13 base. Workpaper 3a19-EADIT and Workpaper 3b10-EADIT provide for the
14 potential remeasurement for direct assigned accumulated deferred income taxes
15 related to Schedule 19 Projects and Schedule 10 Projects.

16 **Q. Describe land held for future use.**

17 A. Con Edison would include here any land held for future use related to approved
18 Schedule 19 Projects or awarded or assigned Schedule 10 Projects. In other
19 words, if Con Edison has purchased land and that land will be used for an
20 approved Schedule 19 Project or an awarded or assigned Schedule 10 Project,
21 Con Edison would include, prior to the project going in service, such amounts
22 on both Workpaper 1-RB Items and on Line 28, Column 5 of Appendix A. This

1 approach is consistent with FERC precedent on the rate base treatment of land
2 held for future use,

3 **Q. Describe how the Formula Rate determines cash working capital on Line**
4 **29.**

5 A. Cash working capital is equal to one-eighth of operations and maintenance
6 expenses (including administrative and general expenses) contained on Line 50,
7 consistent with FERC precedent. For Schedule 19 Projects, the cash working
8 capital is based upon Schedule 19 Project O&M on Line 50, Column 5 while
9 the cash working capital for Schedule 10 Projects is based upon Schedule 10
10 Project O&M on Line 50, Column 7.

11 **Q. Lines 30 and 31 contain materials and supplies amounts. Describe how the**
12 **Formula Rate derives these amounts.**

13 A. There are two materials and supplies lines. One is for materials and supplies
14 directly assigned to transmission. To determine the Schedule 19 Projects and
15 Schedule 10 Projects portions, the Formula Rate allocates the total amount from
16 Workpaper 1-RB Items by the Schedule 19 Projects or Schedule 10 Projects
17 transmission plant allocator. The other line contains materials and supplies
18 related to electric, gas and steam construction. To determine the Schedule 19
19 Projects and Schedule 10 Projects portions, the Formula Rate allocates the
20 100% amount from Workpaper 1-RB Items by the product of the common plant
21 allocator (to determine the electric portion) and the gross electric plant allocator
22 (to determine the portion of electric that is for Schedule 19 Projects and
23 Schedule 10 Projects).

1 **Q. Describe prepayments contained on Line 32.**

2 A. This item represents prepayments for all Con Edison's businesses. Therefore,
3 to determine the Schedule 19 Projects and Schedule 10 Projects portions, the
4 Formula Rate allocates the 100% amount from Workpaper 1-RB Items by the
5 product of the common plant allocator (to determine the electric portion) and
6 the gross electric plant allocator (to determine the portion of electric that is for
7 Schedule 19 Projects and Schedule 10 Projects).

8 **Q. Describe the last rate base item – unfunded liabilities.**

9 A. Certain cost items are accrued and expensed, but not externally funded and not
10 paid for some time. For example, injuries and damages are determined,
11 estimated, and expensed when the injury or damage occurs; the amount is not
12 deposited in an external fund, and cash may not be expended for many months
13 and sometimes years. As a result, such amounts should reduce rate base. I have
14 analyzed accounts 228 and 242 and determined that three items should be
15 reflected in unfunded liabilities – allowance for injuries and damages, accrued
16 vacation and stock-based compensation. Therefore, the Formula Rate
17 determines the 13-month average rate year balance of these items in Workpaper
18 1-RB Items and then reduces rate base on Line 34 of Appendix A. Since these
19 unfunded liability items are related to Con Edison's electric, natural gas and
20 steam businesses and are predominantly payroll items, the Formula Rate
21 allocates the 100% amount from Workpaper 1-RB Items by the product of the
22 common plant allocator (to determine the electric portion) and the Schedule 19

1 Projects or Schedule 10 Projects wage and salary allocator (to determine the
2 respective Schedule 19 Projects and Schedule 10 Projects portion).

3 **Q. Now that you have covered rate base items, describe the items that make**
4 **up the ATRR.**

5 A. The first item is Operations and Maintenance Expenses (“O&M”), which
6 begins on Line 36 of Appendix A. The Formula Rate provides for either direct
7 assigning transmission O&M, if Con Edison tracks O&M expenses for the
8 Schedule 19 Projects or Schedule 10 Projects or allocating transmission O&M
9 to Schedule 19 Projects or Schedule 10 Projects, but not both. EPRI dues are
10 removed from transmission O&M prior to any allocation to Schedule 19
11 Projects or Schedule 10 Projects. If the allocation approach is selected, the
12 Formula Rate allocates transmission O&M to Schedule 19 Projects and
13 Schedule 10 Projects using a Schedule 19 Projects or Schedule 10 Projects
14 transmission gross plant allocator, respectively.

15 **Q. Describe how administrative and general expenses (“A&G”) are treated in**
16 **the Formula Rate.**

17 A. The Formula Rate begins with total electric A&G and deducts any EPRI dues,
18 electric regulatory commission expenses, electric property insurance and
19 certain electric Account 930.2 items to arrive at adjusted A&G. It then allocates
20 adjusted A&G to Schedule 19 Projects and Schedule 10 Projects using a
21 Schedule 19 Projects or Schedule 10 Projects wage and salary allocator,
22 consistent with how A&G is treated in most transmission formula rates. It then
23 allocates any transmission regulatory expenses not directly assigned to

1 Schedule 19 Projects or Schedule 10 Projects using a Schedule 19 Projects or
2 Schedule 10 Projects transmission plant allocator and direct assigns any
3 regulatory expenses incurred directly for Schedule 19 Projects or Schedule 10
4 Projects regulatory proceedings. Lastly, it allocates electric property insurance
5 using a Schedule 19 Projects and Schedule 10 Projects gross plant allocator and
6 then determines total O&M, as is shown on Line 49.

7 **Q. Are EEI Dues included in the Formula Rate?**

8 A. EEI dues that are not related to lobbying activities are included in administrative
9 and general expenses which are included in the Formula Rate. EEI dues related
10 to lobbying activities are charged to a "below-the-line" account that is not
11 included in the Formula Rate.

12 **Q. You mentioned that Con Edison will exclude certain items in electric**
13 **Account 930.2 from A&G. What items will Con Edison exclude?**

14 A. As is stated in Note L of Appendix A, Con Edison will exclude from the ATRR
15 for Schedule 19 Projects and the ATTR(s) for Schedule 10 Projects any items
16 in Account 930.2 that exceed \$1 million and are not directly or indirectly related
17 to the provision of transmission service.

18 **Q. How is depreciation and amortization expense determined?**

19 A. The Formula Rate direct assigns depreciation expense related to Schedule 19
20 Projects and Schedule 10 Projects, as tracked by Con Edison in its fixed asset
21 system. The Formula Rate allocates general, intangible, and common electric
22 depreciation and amortization using the Schedule 19 Projects and Schedule 10
23 Projects wage and salary allocator. The Formula Rate provides for amortization

1 of abandoned plant if Con Edison receives FERC approval to recover any
2 abandonment losses related to Schedule 19 Projects or Schedule 10 Projects.

3 **Q. What is included in taxes other than income taxes and how are these items**
4 **allocated to Schedule 19 Projects and Schedule 10 Projects?**

5 A. This category contains electric, gas and steam taxes. Included in this category
6 are payroll taxes, real estate taxes, franchise taxes and gross receipts taxes.
7 Payroll taxes consist of FICA and unemployment, and the Formula Rate
8 allocates them to Schedule 19 Projects and Schedule 10 Projects using the
9 product of the common plant allocator to determine the electric portion and the
10 Schedule 19 Projects or Schedule 10 Projects wage and salary allocator to
11 determine the Schedule 19 Projects or Schedule 10 Projects portion. The
12 Formula Rate allocates real estate taxes and franchise taxes using the product
13 of the common plant allocator (to determine the electric portion) and the gross
14 electric plant allocator (to determine the Schedule 19 Projects or Schedule 10
15 Projects portion). The Formula Rate determines the gross receipts tax based
16 upon an estimate of the respective ATRR(s) for Schedule 19 Projects and
17 Schedule 10 Projects and includes the amount in the revenue requirement. This
18 is done in Note N of Appendix A. As shown on Line 60, the Formula Rate
19 provides for the addition in the future of other tax items that may arise.

20 **Q. The next item is Income Taxes. Describe the items in this category and**
21 **how the Formula Rate determines the Schedule 19 Projects and or**
22 **Schedule 10 Projects component.**

1 A. Income taxes include amortization of investment tax credit (Line 65 and the
2 grossed-up amount on Line 69), amortization of excess accumulated deferred
3 income taxes (Line 66 and the grossed-up amount on Line 70), the tax effect of
4 permanent book/tax differences (line 67 and the grossed-up amount on Line 71)
5 and the income taxes on the common equity and preferred stock return (line
6 68). The Formula Rate contains the composite tax rate on Line 64 which is
7 based upon the state and federal tax rates in Note F and also contains the
8 grossed-up tax rate $(1/(1-t) - \text{Line 63})$ and the income tax factor $(t/(1-t) - \text{Line}$
9 64).

10 **Q. Describe the amortization of investment tax credit and the amortization of**
11 **excess accumulated deferred income taxes.**

12 A. The amortization of investment tax credit would be included if the Internal
13 Revenue Code provided for an investment tax credit for the Schedule 19
14 Projects or Schedule 10 Projects investments, which presently, it does not. The
15 amount would be shown on the applicable Con Edison FERC Form No. 1 page.
16 The amortization of excess accumulated deferred income taxes would be
17 determined on Workpaper 3a19-EADIT for Schedule 19 Projects and
18 Workpaper 3b10-EADIT for Schedule 10 Projects if federal or state tax rates
19 change in the future. These worksheets are included to comply with FERC
20 Order No. 864 which requires all transmission formula rates to provide for
21 remeasurement of accumulated deferred income taxes and inclusion of the
22 remeasured amount in rate base and the amortization in the applicable ATRR.

23 **Q. Describe what is included in permanent book/tax differences.**

1 A. The Formula Rate includes permanent book/tax differences on Workpaper 4-IT
2 Permanent Differences. Con Edison anticipates that the only permanent
3 book/tax difference for Schedule 19 Projects and Schedule 10 Projects will be
4 AFUDC equity, which is included as part of the cost of construction on the
5 books but not for income taxes. Therefore, the Formula Rate includes the
6 income taxes related to recovering the AFUDC equity portion of such book
7 depreciation. Workpaper 4-IT Permanent Differences includes the ability to
8 add other items, if authorized by the Commission. AFUDC equity and any
9 other items would be included in footnotes on the applicable FERC Form No.
10 1 page.

11 **Q. Describe the income taxes related to common equity and preferred stock**
12 **return.**

13 A. Income taxes related to common equity and preferred stock return recognizes
14 that these return items are not deductible for income taxes and, therefore, the
15 Formula Rate provides the income taxes necessary to recover this amount,
16 which, for Schedule 19 Projects, is based upon the common equity and
17 preferred stock return determined on Workpaper 5-Project Return and the
18 Income Tax Factor on Line 64 of Appendix A and which, for Schedule 10
19 Projects, is based upon the common equity and preferred stock return on Line
20 74 and the Income Tax Factor on Line 64 of Appendix A.

21 **Q. Describe the debt and common equity and preferred stock items on Lines**
22 **73 and 74, respectively, of Appendix A.**

1 A. For Schedule 19 Projects, these items are a function of the Schedule 19 Projects
2 rate base (Line 35) and the cost of capital on Workpaper 6a19-Project Cost of
3 Capital, which provides for a different cost of capital for each Schedule 19
4 Project, if there is need for such differentiation. Workpaper 6a19-Project Cost
5 of Capital provides for using the lower of the FERC allowed return on equity
6 ceiling, as determined in the accompanying testimony of Adrien McKenzie, or
7 the NYPSC determined return on equity, consistent with the CSRA. It also
8 provides for use of the NYPSC approved capital structure, also as specified in
9 the CSRA.¹⁰ Lastly, Workpaper 6a19-Project Cost of Capital determines the
10 cost rates of preferred stock and long-term debt, both used in determining the
11 cost of capital.

12 For Schedule 10 Projects, these items are a function of the Schedule 10 Projects
13 rate base (Line 35) and the cost of capital on Workpaper 6b10-Project Cost of
14 Capital. Workpaper 6b10-Project Cost of Capital determines the cost rates of
15 preferred stock and long-term debt, both used in determining the Schedule 10
16 Projects cost of capital. The cost of long-term debt is the same for both
17 Schedule 19 Projects and Schedule 10 Projects. The return on equity is the base
18 return on equity eventually approved by the Commission plus the 0.50% RTO
19 Participation Adder which Con Edison is requesting in this proceeding for
20 Schedule 10 Projects.

21 **Q. Describe Workpaper 5-Project Return.**

¹⁰ Con Edison would include the then effective NYPSC approved ROE and cost of capital for Schedule 19 Projects and does not anticipate a separate order by the NYPSC setting forth the ROE and capital structure for Con Edison's Schedule 19 Projects.

1 A. This worksheet determines the rate base for each Schedule 19 Project or
2 grouping of projects and applies the Schedule 19 Project cost of capital to
3 determine the debt and common equity and preferred stock return. The Formula
4 Rate carries the sum of these amounts forward to Appendix A.

5 **Q. How does the Formula Rate determine the rate base for each Schedule 19**
6 **Project?**

7 A. As can be seen on Workpaper 5-Project Return, the Formula Rate direct assigns
8 rate base items that can be direct assigned and allocates those that cannot by
9 using a gross plant ratio based upon Column b amounts. The Formula Rate
10 applies the project-specific weighted average cost of capital to the applicable
11 rate base to determine the project-specific return as well as the common equity
12 and preferred stock return and debt return.¹¹ The Formula Rate carries forward
13 to Appendix A the sum of the common equity and preferred stock returns and
14 the sum of the debt returns.

15 **Q. Summarize the Schedule 19 Projects and Schedule 10 Projects ATRR**
16 **calculations at this point.**

17 A. Line 76 of Appendix A is the sum of operations and maintenance expense,
18 depreciation and amortization expenses, taxes other than income taxes, income
19 tax expense and common equity and preferred stock return and debt return
20 (Column 5 is for Schedule 19 Projects while Column 7 is for Schedule 10

¹¹ Workpaper 5-Project Return provides, for efficiency, the ability to group individual Schedule 19 Projects that are part of a larger project that receive the same weighted average cost of capital.

1 Projects). The remaining items to be included in the Formula Rate are revenue
2 credits, prior Formula Rate corrections and the annual true-up adjustment.

3 **Q. Please describe the “revenue credits” that will be included in the Formula**
4 **Rate.**

5 A. The Formula Rate includes and credits any revenues recorded in Rent from
6 Electric Property (Account 454) or Other Electric Revenues (Account 456) that
7 directly apply to the Schedule 19 Projects or Schedule 10 Projects. Con Edison
8 will show any such revenue in a footnote on FERC Form No. 1 pages 300-301
9 and include any amounts on Lines 99 and 100, which are carried forward to
10 Line 77 on Appendix A. The Formula Rate shows the respective ATRRs for
11 Schedule 19 Projects and Schedule 10 Projects before any corrections and the
12 true-up adjustment on Line 78 of Appendix A.

13 **Q. What are “prior formula rate corrections.”**

14 A. The Formula Rate provides the ability for Con Edison to make any necessary
15 corrections to prior actual ATRRs that are beyond being included in an annual
16 true-up adjustment. The Formula Rate provides for these corrections in
17 Workpaper 9-Corrections, which also includes interest at the FERC determined
18 interest rates (18 C.F.R. Section 35.19a).

19 **Q. Explain the “annual-true-up adjustment.”**

20 A. As explained previously, Con Edison initially will determine the Schedule 19
21 Projects and Schedule 10 Projects ATRRs using the Formula Rate populated
22 with projections for the rate year. After it has completed its FERC Form No. 1
23 for that same rate year, Con Edison will reconcile the revenue received, which

1 would be based upon the projected ATRRs, with the actual ATRRs determined
2 using the Formula Rate populated with actual data. The difference is the annual
3 true-up adjustment, before including interest. The Formula Rate determines
4 this amount on Workpaper 7a19-True-up Adjustment (for Schedule 19
5 Projects) and Schedule 7b10-True-up Adjustment (for Schedule 10 Projects),
6 and both include interest (using the FERC determined interest rates from 18
7 C.F.R. Section 35.19a) from the middle of the rate year to the middle of the
8 period during which such true-up adjustment is calculated and included in the
9 revenue requirement. The sum of the true-up amount plus interest is the
10 respective Annual True-up Adjustments.

11 **Q. What revenue requirement amount will be provided to the NYISO for**
12 **state-wide cost allocation under Rate Schedule 19?**

13 A. The Formula Rate shows the sum of the ATRR plus corrections plus the Annual
14 True-up Adjustment on Line 83. Any FERC-approved ROE Adder on Line 84
15 will not apply to Schedule 19 Projects. Therefore, there are no Line 84 and 85
16 values for the Schedule 19 Projects. Con Edison will provide the Line 83
17 amount (or individual project ATRRs from Schedule 10a19-Schedule 19
18 ATRRs, if needed), effective each January 1, to the NYISO for allocation to
19 load serving entities in New York pursuant to Rate Schedule 19 of the NYISO
20 OATT. As described above, the NYISO will adjust this amount by any
21 Incremental TCC settlements or outage charges for Incremental TCCs before
22 billing such amount to load serving entities in New York, consistent with Rate
23 Schedule 19.

1 **Q. What revenue requirement amount will be provided to the NYISO for**
2 **allocation of Rate Schedule 10 Projects?**

3 A. The Formula Rate shows the sum of the ATRR plus corrections plus the Annual
4 True-up Adjustment on Line 81. The formula rate also includes
5 accommodation for any ROE Adder on Line 82, if FERC approved an ROE
6 Adder Incentive¹² for any Schedule 10 Project.¹³ The formula rate determines
7 the value of a 100-basis point ROE Adder on Workpaper 11-ROE Adder. The
8 formula rate then uses this amount to determine the value of any specific ROE
9 Adder for a Schedule 10 Project on Workpaper 10b10-Schedule 10 ATRRs.
10 The formula rate then carries this amount forward to Line 84 of Appendix A.
11 Line 85 is the total ATRR. Con Edison will provide the Line 85 amount (or
12 individual project ATRRs from Schedule 10b10-Schedule 10 ATRRs, if
13 needed), effective each January 1, to the NYISO for allocation according to the
14 NYISO approved cost allocation approach. As described above for Schedule
15 19 Projects, the NYISO will adjust this amount by any Incremental TCC
16 settlements or outage charges for Incremental TCCs before billing such amount
17 under Rate Schedule 10.

18 **Q. Describe Workpaper 10a19-Schedule 19 ATRRs and Workpaper 10b10-**
19 **Schedule 10 ATRRs.**

¹² Con Edison would need to file for FERC approval pursuant to Section 219 of the FPA for project-specific incentives.

¹³ The RTO Participation Adder of 0.50% requested in this proceeding by Con Edison for Schedule 10 Projects is included with and added to the base ROE on Column (d) of Line 3 of Workpaper 6b10-Project Cost of Capital.

1 A. In these two worksheets, the formula rate determines the ATRR for each
2 individual project comprising the total Schedule 19 Projects ATRR and total
3 Schedule 10 Projects ATRR contained in Appendix A. Individual project
4 revenue requirements would be needed if different Schedule 10 Projects receive
5 different cost allocations or if FERC grants an ROE Adder for a Schedule 10
6 Project.

7 These worksheets develop ATRR component factors based upon the total
8 ATRR for Schedule 19 Projects or Schedule 10 Projects and apply the factors
9 to the individual Schedule 19 Projects or individual Schedule 10 Projects to
10 determine the ATRR components and the total ATRR. For Schedule 19
11 Projects, since the total return is determined on Workpaper 5-Project Return,
12 these amounts are carried over to column 12 of Workpaper 10a19-Schedule 19
13 ATRRs, leaving only the income taxes to be determined for each Schedule 19
14 Project on Workpaper 10a19-Schedule 19 ATRRs.

15 **Q. Does Con Edison expect that Schedule 19 Projects could receive different**
16 **cost allocations?**

17 A. It does not currently, as the CRSA anticipates all Schedule 19 Projects being
18 allocated to all LSEs in New York based on a volumetrically calculated load
19 ratio share. Nevertheless, Con Edison is building this flexibility into the
20 proposed formula rate should the CSRA signatories agree to different cost
21 allocations for individual Schedule 19 Projects in the future.

22 **Q. Are there any other comments you have on the Formula Rate?**

1 A. Yes, there are. On lines 82 through 98 of Appendix A, the Formula Rate
2 calculates several of the allocators used in Appendix A and in other worksheets.
3 The Formula Rate also contains several footnotes at the bottom of Appendix A,
4 one of which provides the definition of the acronyms used for the various
5 allocators. Last, Workpaper 8-Depreciation Rates contains the depreciation
6 rates to be used to determine transmission, general, intangible, and common
7 depreciation and amortization expense included in ATRRs. These depreciation
8 rates are those approved by the NYPSC. Con Edison will continue to use these
9 depreciation rates until the NYPSC orders changes and Con Edison receives
10 approval from FERC to use the changed depreciation rates. It is Con Edison's
11 intent that any changes to these depreciation rates would be implemented
12 simultaneously for both NYPSC ratemaking and for this Formula Rate.

13 **Q. What is the process for Con Edison to request transmission rate incentives**
14 **for any of its Schedule 19 Projects?**

15 A. Consistent with the CSRA, Con Edison would only request the CWIP Incentive
16 (100% CWIP in rate base) if first approved by the NYPSC. As for the
17 Abandonment Incentive, the CSRA provides for recovery of the costs of
18 Schedule 19 Projects abandoned for reasons beyond the control of the
19 transmission owner. Con Edison may request the Abandonment Incentive from
20 FERC once it is ordered to develop a Schedule 19 Project. The CSRA does not

1 contemplate Con Edison requesting any other transmission incentives for
2 Schedule 19 Projects.¹⁴

3
4 **VI. TRANSMISSION FORMULA RATE PROTOCOLS**

5 **Q. What is the purpose of formula rate protocols?**

6 A. The Commission considers the transmission formula itself to be the rate, not
7 the components of the formula. Therefore, periodic adjustments, typically
8 performed on an annual basis and made in accordance with the Commission-
9 approved formula, do not constitute changes in the rate itself and, accordingly,
10 do not require section 205 filings. However, the Commission requires
11 safeguards to be in place to ensure that the input data is correct and accurate,
12 that calculations are performed consistent with the formula, that the costs to be
13 recovered in the formula rate are reasonable and were prudently incurred, and
14 that the resulting rates are just and reasonable. The reason for including formula
15 rate protocols in formula rates for transmission service is to provide parties
16 specific procedures for notice and review of, and challenges to, the transmission
17 owner's annual updates. Formula rate protocols afford adequate transparency
18 to affected customers, state regulators and other interested parties, as well as
19 provide mechanisms for resolving potential disputes.

20 The Commission has determined that formula rate protocols must address three
21 main issues: (1) the scope of participation (i.e., who can exchange information

¹⁴ See *Consolidated Edison Co. of New York, Inc., et al.*, 180 FERC ¶ 61,106 (2022), CSRA, paragraph 3.3.

1 with transmission owners); (2) the transparency of the information exchange
2 (i.e., what information is exchanged); and (3) the ability of customers to
3 challenge transmission owners' implementation of the formula rate as a result
4 of the information exchange (i.e., how the parties may resolve their potential
5 disputes.)¹⁵

6 **Q. Do the protocols you propose for Con Edison meet these criteria?**

7 A. Yes, they do.

8 **Q. Are you familiar with other transmission owner protocols?**

9 A. Yes, I am. I am familiar with the protocols in place today for transmission
10 owners in the Midcontinent Independent System Operator, Inc. ("MISO")
11 which were adopted by FERC in and since 2015. I am familiar with the
12 protocols in place for many transmission owners in PJM, having designed in
13 2020 the protocols for one of the PJM transmission owners. I am also familiar
14 with the protocols in place for transmission owners in New York and in New
15 England. I am also aware of FERC's recent effort to see protocols updated for
16 transmission owners in the west and southeast United States.

17 **Q. Did you consider these transmission owner protocols in developing those**
18 **for Con Edison?**

19 A. Yes, I did.

20 **Q. Please describe the proposed Con Edison Formula Rate Implementation**
21 **Protocols.**

¹⁵ *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 at P 8.

- 1 A. The proposed protocols are contained in Exhibit No. CECONY-004 and are
2 proposed to be included in Section 6.19.8.2.1 of Attachment 3 to Rate Schedule
3 19 of the NYISO OATT. The protocols are organized as follows:
- 4 a. Section 1 – Definitions – Contains the definition of key terms used
5 in the protocols;
 - 6 b. Section 2 – Applicability – The protocols apply to the Con Edison
7 calculation of Actual Annual Transmission Revenue Requirements
8 (“Actual ATRRs”) and related Annual True-up Adjustments, as well
9 as to Projected Annual Transmission Revenue Requirements
10 (“Projected ATRRs”), for its Schedule 19 Projects and its Schedule
11 10 Projects;
 - 12 c. Section 3 – Specific requirements related to the Projected ATRRs,
13 Actual ATRRs, Annual True-up Adjustments and Annual Updates;
 - 14 d. Section 4 – Fundamental Predicates - Describe the basis of the data
15 on which the Formula Rate is premised;
 - 16 e. Section 5 – Specific requirements related to CWIP in rate base, if
17 applicable;
 - 18 f. Section 6 – A description of the annual review procedures, including
19 a timeline for the formula rate cycle (Section 10 includes an example
20 of such timeline);
 - 21 g. Section 7 – Informational Filing;
 - 22 h. Section 8 - Challenge Procedures
 - 23 i. Section 9 – Changes to annual informational filings; and

1 j. Section 10: Timeline example of formula rate cycle.

2 **Q. Please describe Section 3 – Projected ATRRs, Actual ATRRs, Annual**
3 **True-up Adjustments and Annual Updates.**

4 A. This section of the protocols states that the respective Projected ATRRs for
5 Schedule 19 Projects and Schedule 10 Projects will be applicable to services on
6 and after January of each year, with the first Projected ATRR to be for the Rate
7 Year in which Con Edison expects one or more of its Schedule 19 Projects or
8 its Schedule 10 Projects to be in service (or to begin construction, if CWIP in
9 rate base is granted) or if Con Edison plans to purchase land held for future use.
10 Con Edison will update the respective Projected ATRRs for Schedule 19
11 Projects and Schedule 10 Projects each January 1. Section 3 provides the dates
12 by which an Annual True-up Adjustments for Schedule 19 Projects and
13 Schedule 10 Projects are to be posted on the NYISO website (June 15th). It
14 also states that an Annual Update addressing both Schedule 19 Projects and
15 Schedule 10 Projects will be posted on the NYISO website by October 15th of
16 each year, to be followed by a stakeholder meeting for interested parties.

17 **Q. How do the protocols define interested party?**

18 A. Interested parties are defined as any transmission customer under the NYISO
19 OATT, the New York State Department of Public Service, the New York State
20 Department of State's Division of Consumer Protection Utility Intervention
21 Unit, other New York consumer advocacy agencies, the New York Attorney
22 General, or any party that has standing in a Con Edison formula rate proceeding
23 under section 205 or 206 of the Federal Power Act.

1 **Q. Continue to describe Section 3.**

2 A. Section 3 also defines the information that Con Edison will provide related to
3 its Annual True-up Adjustments for Schedule 19 Projects and Schedule 10
4 Projects, including the interest rates used. It also defines the information Con
5 Edison will provide in its Annual Updates.¹⁶ It states the formula rate data
6 inputs that are fixed: (i) rate of return on common equity; (ii) extraordinary
7 property losses, and (iii) depreciation and amortization expense rates. These
8 items may only be changed through an FPA Section 205 or 206 proceeding. It
9 also provides that Con Edison may make a limited Section 205 filing to change
10 its rate of return on common equity ceiling for Schedule 19 Projects, its base
11 rate of return on common equity for Schedule 10 Projects, request recovery of
12 extraordinary property losses, or change or add new depreciation and
13 amortization rates, and that Con Edison may request incentives pursuant to FPA
14 Section 219.

15 **Q. Please describe Section 4 of the protocols – Fundamental Predicates.**

16 A. This section of the protocols states that the Formula Rate is premised upon data
17 that is consistent with the FERC Uniform System of Accounts, applicable
18 FERC Form No. 1 requirements, FERC's policies governing transmission
19 formula rates, FERC's orders establishing transmission ratemaking policies and
20 procedures, and the accounting and cost allocation policies of Con Edison.

21 **Q. Please describe Section 5 of the protocols - Construction Work in Process.**

¹⁶ The Annual Update includes the Schedule 19 Projects and Schedule 10 Projects Projected ATRR for the upcoming Rate Year and includes any Annual True-up Adjustments for the prior Rate Year and any Corrections for prior years.

1 **A.** This section applies to Con Edison Section 19 Projects and Schedule 10 Projects
2 where FERC has granted Con Edison the CWIP Incentive (greater than 50%
3 CWIP in rate base). It states that the CWIP Incentive can only be included in
4 rate base when the Commission has approved this incentive for a transmission
5 project or projects, and it imposes certain accounting and reporting
6 requirements on Con Edison, including that AFUDC will not be accrued
7 simultaneously on projects where CWIP is included in rate base, in order to
8 avoid the possibility of AFUDC recovery at the same time that the projects is
9 included in rate base.

10 **Q. What is the purpose of Section 6 – Annual Review Procedures?**

11 **A.** Section 6 of the protocols sets out the procedures, process and timeline for
12 interested parties to review the annual Informational Filing and Annual
13 Updates. It limits interested parties' inquiries to:

- 14 1. the extent or effect of an Accounting Change;
- 15 2. whether an Annual True-up Adjustment or Annual Update fails to
16 include data properly recorded in accordance with the protocols and
17 the Fundamental Predicates or includes data not properly recorded
18 in accordance with the protocols and the Fundamental Predicates;
- 19 3. whether the costs included in an Annual Update are properly
20 accounted for (e.g., recordable and recorded in the appropriate
21 accounts) under FERC's Uniform System of Accounts and
22 otherwise consistent with Con Edison's accounting policies,
23 practices, or procedures;

- 1 4. whether there are errors in the current Annual Update and, if any are
- 2 identified, whether the same or similar errors were made in prior
- 3 Formula Rate filings with a further explanation identifying each
- 4 Formula Rate filing in which such errors were made;
- 5 5. the proper application of the Formula Rate and procedures in the
- 6 Protocols;
- 7 6. the accuracy of data and consistency with the Formula Rate of the
- 8 calculations shown in an Annual True-up Adjustment or Annual
- 9 Update;
- 10 7. the prudence of actual costs and expenditures;
- 11 8. the effect of any change to the underlying Uniform System of
- 12 Accounts or the FERC Form No. 1; or
- 13 9. any other information that may reasonably have a substantive effect
- 14 on the calculation of the respective ATRRs for Schedule 19 Projects
- 15 and Schedule 10 Projects pursuant to the Formula Rate.

16 **Q. Please describe the next section of the protocols, Section 7 – Informational**
17 **Filing.**

18 A. By February 1 of each year, at the close of the review period, Con Edison shall
19 submit to FERC an Informational Filing of its Annual Update and the results of
20 the Annual Review Procedures. This Informational Filing must include the
21 information that is required by Section 3, must describe any changes pursuant
22 to the Annual Review Procedures and must describe all aspects of the formula

1 rate or its inputs that are the subject of an ongoing dispute under the informal
2 or formal challenge procedures.

3 **Q. Describe Section 8, Challenge Procedures.**

4 A. These procedures would be invoked by an interested party if disputes with Con
5 Edison are not resolved. There are two levels of challenge procedures: informal
6 and formal. Informal challenges include when the interested party and Con
7 Edison are continuing to work to resolve differences. If an informal challenge
8 does not result in a resolved dispute, the interested party can make a formula
9 challenge, which is filed at FERC.

10 **Q. Please describe Section 9 – Changes to Informational Filings.**

11 A. This section of the protocols states that any changes to the data inputs resulting
12 from, for example, revisions to Con Edison's FERC Form No. 1, the result of
13 any FERC proceeding to consider the Formula Rate or the result of the
14 procedures set forth in the protocols, shall be incorporated into the Formula
15 Rate (with interest) in the Annual Update for the next effective rate year via a
16 correction or via an Annual True-up Adjustment. This approach applies in lieu
17 of mid-rate year adjustments, refunds, or surcharges.

18 **Q. Please describe the last section of the Formula Rate Implementation**
19 **Protocols?**

20 A. Section 10 contains the timeline of the Formula Rate Implementation Protocols
21 that begins with the calculation of the actual ATRRs for the prior rate year and
22 ends with the formal challenge process.

23

1 **VII. CONCLUSION**

2 **Q. Please summarize your recommendation to the Commission.**

3 A. I recommend that the Commission approve the Formula Rate Template and
4 Formula Rate Implementation Protocols for Con Edison contained herein.

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.

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

)
Consolidated Edison Company of New York, Inc.) Docket No. ER23-____-000
)

DECLARATION OF PAUL A. DUMAIS

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 June 22, 2023

/s/ Paul A. Dumais
Paul A. Dumais