ATTACHMENT C

Direct Testimony and Exhibits of

Andrea Vanluling and Michael Panichi

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York State Electric & Gas Corporation	**)**	**Docket Nos. ER24-___-000**
New York Independent System Operator, Inc.	**)**	
Rochester Gas and Electric Corporation	**)**	**ER24-___-000**
New York Independent System Operator, Inc.	**)**	

DIRECT TESTIMONY
OF
ANDREA VANLULING AND MICHAEL PANICHI

ON BEHALF OF
NEW YORK STATE ELECTRIC & GAS CORPORATION
AND
ROCHESTER GAS AND ELECTRIC CORPORATION

May 6, 2024

DIRECT TESTIMONY OF ANDREA VANLULING AND MICHAEL PANICHI

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DIRECT TESTIMONY OF ANDREA VANLULING AND MICHAEL PANICHI

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DIRECT TESTIMONY OF

ANDREA VANLULING AND MICHAEL PANICHI

I. INTRODUCTION AND EXPERIENCE

Q. MS. VANLULING, PLEASE STATE YOUR POSITION AND BUSINESS ADDRESS.

A. I am the Vice President and Controller for Avangrid Networks. My business address is One City Center, 5th Floor, Portland, Maine, 04101.

Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?

A. I am responsible for overseeing the daily accounting and financial operations of the Avangrid Networks companies, including New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (collectively, "Applicants"), and I help to guide its strategic financial decisions through oversight and responsibility of the budgets and long-term outlook.

Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. I graduated from Bentley University with a Bachelor of Science in Corporate Finance and Accounting, and I earned a Master of Science in Accountancy. Prior to my current role, I served as Chief Accounting Officer for Avangrid, where I assisted with financial reporting and overseeing accounting policies and internal compliance. I began my career at PricewaterhouseCoopers in June 2004 and worked in various roles, including Senior Manager in the assurance practice.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE FERC?

A. No, I have not previously testified before the Federal Energy Regulatory Commission ("FERC" or "Commission").

Q. MR. PANICHI, PLEASE STATE YOUR POSITION AND BUSINESS ADDRESS.

A. I am the Vice President, Treasury at Avangrid, Inc. My business address is 180 Marsh Hill Road, Orange, Connecticut, 06477.

Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?

A. My responsibilities include oversight of the Treasury function and management of financial risks across all Avangrid Networks utilities.

Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. I graduated from Drexel University with a Bachelor of Business Administration in Accounting and Finance. Additionally, I am a Chartered Financial Analyst by the CFA Institute. I joined Avangrid, Inc. in 2016 as an Investor Relations Analyst, and subsequently was promoted to Treasury Manager in 2022, Treasury Director in April 2023, before assuming my current role as Vice President, Treasury in November 2023. Prior to joining Avangrid, Inc., I was an Analyst with Citi from 2010 to 2013, and an Investment Analyst with Genworth Financial from 2013 to 2016.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE FERC?

A. No, I have not previously testified before FERC.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of this testimony is to provide relevant financial information, both quantitative and qualitative, in support of the incentive rate treatment being sought by the Applicants with (1) the inclusion of 100% of prudently incurred Construction Work in Progress ("CWIP") in rate base ("CWIP Incentive") for the Phase 2 components of the Climate Leadership and Community Protection Act ("CLCPA") that the Applicants are

responsible for (the "Phase 2 Projects"), and (2) the recovery of prudently-incurred costs in the event that one or more components of the Phase 2 Projects, for which the Applicants are responsible, are cancelled, in whole or in part, due to reasons beyond their control ("Abandoned Plant Incentive"). We will provide the financial justification and rationale for seeking the two incentives.

Q. ARE YOU SPONSORING ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY IN THIS CASE?

A. Yes. Our testimony is sponsoring the following exhibits:

Exhibit 1:	Summary of Estimated Average Project CWIP Balances.
Exhibit 2:	Summary of Estimated Project Costs – Capital Expenditures and AFUDC.
Exhibit 3:	Summary of Credit Ratings and Outlooks.
Exhibit 4:	Summary of Estimated Project Cash Flows During Construction AFUDC vs. 100% CWIP Incentive.
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Q. PLEASE DESCRIBE THE APPLICANTS' FINANCIAL SITUATION AND ACCESS TO CAPITAL.

A. The Applicants are wholly-owned subsidiaries of Avangrid, Inc., a leading sustainable energy company in the United States. The Applicants are public utilities in New York, serving approximately a combined 1,300,000 electricity customers. The Applicants have current long-term capital structures, which include approximately 50% equity and 50% long-term debt. This helps support financial stability, healthy credit metrics, and investment grade credit ratings. This is important for the Applicants so each company can

attract new capital at a reasonable cost and on reasonable terms while ensuring open access to the capital markets under varying economic conditions.

The Phase 2 Projects to be undertaken by the Applicants represent a substantial incremental infrastructure investment in New York, placing a significant burden on the Company's cash flow, and making it essential that they can access capital to support the investment. Historically, the Applicants have received equity support from their parent, Avangrid, Inc., to bolster the equity component of their capital structures when needed. The current equity is supported by a combination of retained earnings and equity contributed from Avangrid, Inc. The Applicants primarily issue notes and bonds for long-term debt financing and participate in Avangrid's Money Pool for short-term borrowing/investing needs. On January 19, 2024, Moody's Investor Service ("Moody's") affirmed the credit ratings of the Applicants and published updated credit opinions. NYSEG has a current issuer credit rating of Baa1 at Moody's with a stable outlook. RG&E also has a current credit rating of Baa1 at Moody's with a stable outlook. Standard & Poor's ("S&P") issued updated rating reports affirming the credit ratings of NYSEG and RG&E on September 11, 2023, and September 12, 2023, respectively. The Applicants maintain issuer credit ratings of A- at S&P with stable outlooks. A summary of current credit ratings and outlooks on the Applicants are included in Exhibit 3, and the latest reports from Moody's and S&P are provided in Exhibit 5.

Q. WHAT IS A CREDIT RATING, WHY IS IT RELEVANT TO THIS ANALYSIS, AND WHAT IMPACT DO CREDIT RATINGS HAVE ON CUSTOMERS?

A. A credit rating is an evaluation by a credit rating agency of a company's ability to meet its financial obligations in a timely and reasonable manner. It reflects the rating agency's opinion on the overall creditworthiness of a company based on the company's relevant

business and financial risk. A credit rating can be specific to a particular security or to a particular securities issuer. Credit ratings have a significant effect on a company's ability to attract debt capital and, in extreme cases, whether the company can access debt capital at all. Credit ratings also impact the pricing and contractual terms at which a company may issue debt securities. Generally, lower credit ratings lead to higher capital costs, which ultimately get passed on to customers. This is especially true when the utility has ratings below investment grade.

Q. HOW DOES A COMPANY'S CREDIT METRICS AFFECT ITS CREDIT RATINGS?

A. Credit metrics factor significantly into the rating agencies' evaluations of a company's credit profile and the rating agencies' assignment of credit ratings. Moody's evaluates several financial credit metrics to determine a utility's financial strength. However, the financial metric that receives the most consideration by Moody's is a company's cash flow from operations ("CFO") pre-Working Capital to Debt ratio ("CFO pre-WC to Debt"). This metric is of particular significance because it is one of the most common causes of downgraded actions for regulated utilities. Similarly, S&P also evaluates a number of financial ratios to determine a company's financial integrity. The core ratio that receives the most focus is Funds from Operations ("FFO") to Net Debt, and this metric is commonly quoted as a benchmark in upside and downside scenarios for issuer ratings.

Q. WHAT ARE THE APPLICANTS' CURRENT CFO PRE-WC TO DEBT METRIC DOWNGRADE THRESHOLDS AT MOODY'S?

A. In its January 19, 2024, credit opinions on the Applicants, Moody's cited a CFO pre-WC to Debt ratio downgrade threshold of 14%. In those reports, Moody's indicated that if NYSEG's or RG&E's CFO pre-WC to Debt ratios remained below 14% on a sustained

basis, or if there was a degradation in the relationship between the Applicants and New York politicians/regulators, it could lead to a downgrade. Additionally, for both of the Applicants, Moody's noted that the companies have weak financial metrics and cash flow challenges. On page one of Moody's Credit Opinion dated January 19, 2024, for each of the Applicants, it states that each Applicants' credit: "is constrained by extremely weak, declining financial metrics and the challenge of improving cash flow amid recessionary-type economic pressures, which we expect to occur given the company's 2023 rate case outcome." This relates directly to the risks and challenges that will be exacerbated by the outflow of cash for development and construction of the Phase 2 Projects.

Q. WHAT ARE THE APPLICANTS' CURRENT FFO TO DEBT DOWNGRADE THRESHOLDS AT S&P?

A. In its September 11, 2023, research report on NYSEG, S&P cited an FFO to debt ratio downgrade threshold of 15%. S&P specified in the report that a downgrade could occur if adverse regulatory outcomes were to impede the company's ability to manage regulatory risk, or if stand-alone financial measures weaken such that FFO to Debt falls consistently below 15%. Like Moody's, the S&P September 11, 2023, Ratings Research on NYSEG report identifies risk related to cash flows, specifically, on page one, citing as a key risk NYSEG's "negative discretionary cash flow through the forecast period, indicating a need for external funding." In its September 12, 2023, research report on RG&E, S&P also cited an FFO to debt ratio downgrade threshold of 15%. In that report, S&P indicated, specifically on page three, that they could lower their rating on the company if FFO to Debt weakened to below 15% on a consistent basis or if adverse regulatory outcomes were to occur.

Q. WHAT WOULD BE THE IMPACT TO CUSTOMERS ASSOCIATED WITH A DOWNGRADE OF THE APPLICANTS' CREDIT RATINGS?

A. A one-level downgrade (i.e., to BBB+/Baa2) is estimated to increase debt financing costs for customers by 14 basis points, while a two-notch downgrade to low investment grade is estimated to increase debt financing costs for customers by 64 basis points. This is an additional cost for the Phase 2 Projects due to increased Applicant debt risk, estimated at $2.3 million for a one-notch downgrade or $10 million for a two-notch downgrade, assuming 14 or 64 bps, respectively, are added to the debt rate of the weighted average cost of capital. These increased amounts will be passed on to customers if the Applicants were to use Allowance for Funds Used During Construction ("AFUDC") instead of CWIP.

III. REQUEST FOR 100% CWIP INCENTIVE

Q. PLEASE DESCRIBE THE TWO METHODS BY WHICH A UTILITY MAY RECOVER FINANCING COSTS ASSOCIATED WITH A CONSTRUCTION PROJECT.

A. There are two methods that a utility may use to recover financing, or "carrying," costs incurred during the project construction cycle. Under the Commission's traditional policies, the carrying costs of CWIP can be capitalized in the form of AFUDC. AFUDC is a cost that represents the weighted average cost of capital, including a return on equity ("ROE"), used to finance construction projects. This cost, along with construction costs, is then added to a company's rate base when the project is placed into service, enabling a company to recover its cost of capital utilized to fund the construction of the project upon regulatory approval. With respect to the Phase 2 Projects, this approach would result in a significant delay in the overall recovery of the cost of capital used to finance the investment due to the multi-year siting, permitting, and construction cycles. This delayed

recovery increases the Applicants' cost of capital and, thus, the costs billed to customers. Alternatively, if authorized, a utility can earn a current return to cover its cost of capital on all or part of its CWIP during the construction period (with AFUDC calculated only on any portion of CWIP not authorized to earn a current return). Including the 100% CWIP Incentive that is requested, the Applicants will recover carrying costs on a current rate basis for the Phase 2 Projects it constructs, instead of adding these costs to the capital investment that is ultimately included in rate base and recovering such costs after the Phase 2 Projects are placed in service. Please see Exhibit 1 for a summary of estimated average Phase 2 Projects' CWIP balances from 2023 through 2032.

Q. HOW WOULD THE USE OF THESE METHODS WITH RESPECT TO THE PHASE 2 PROJECTS IMPACT THE APPLICANTS?

A. Under both the AFUDC and the CWIP Incentive mechanisms, a project will not begin to depreciate until it is placed into service. However, as discussed in greater detail below, under the AFUDC approach, the depreciable plant asset balance, and, hence, the related depreciation expense, is greater than would be the case under the CWIP Incentive approach. Specifically, as illustrated in Exhibit 2, depreciable costs and depreciation expense would total approximately $2.13 billion under the CWIP Incentive mechanism and approximately $2.32 billion under the traditional AFUDC approach.

Q. WHAT ARE THE PRIMARY BENEFITS OF THE CWIP INCENTIVE?

A. Allowing a current return on CWIP has positive effects on the Applicants and their customers. First, it results in lower overall project costs and improves cash flows. Therefore, less capital financing is required on the utilities' part to fund the projects. Also, the CWIP Incentive results in a lower overall total project cost that will need to be recovered from customers in the form of return on investment and depreciation.

Additionally, the use of AFUDC defers recovery of the carrying costs until the project is in-service, which results in a sharp increase in customer rates all at once; in contrast, the CWIP Incentive allows the utility to recover financing costs while the project is in construction, providing for a more gradual increase in customer rates. That is, recovering carrying costs through capitalization of AFUDC requires utility customers to pay a return on a higher capitalized amount (project cost plus the utility's carrying cost on CWIP). This results in higher overall project costs, additional financing, higher depreciation expense, and significant rate impacts when the constructed facility is placed into service and added to rate base.

Q. CAN YOU PROVIDE MORE DETAIL REGARDING THE FINANCIAL RISKS AND CHALLENGES TO THE APPLICANTS AND HOW THE CWIP INCENTIVE HELPS TO MITIGATE THESE RISKS AND CHALLENGES?

A. Yes. For NYSEG, its 2024 expected combined Phase 1 and Phase 2 transmission investment is expected to be over 3 times NYSEG's 5-year average transmission investment from 2018 to 2022, increasing to over 4 times the 5-year average by 2026. This substantial growth in capital expenditures will put significant strain on the Applicants' cash flows and credit metrics, given the sheer magnitude of the capital investment required. These transmission investments are crucial to meet the CLCPA goals; however, cost recovery will not begin until projects are operational. The Applicants anticipate having expended over $360 million in Phase 2 capital investments before any projects are placed in service and start to generate any cash flows. Further, projections indicate that NYSEG will be investing $649 million and RG&E will be investing $13 million, for a total of $662 million in Phase 2 Projects within the next three years as compared to only $115 million projected to be placed in service through 2026. The CWIP Incentive will allow for some level of cash flow to start coming in during the

construction period, which will help the Applicants reduce their short-term borrowings and related costs, maintain healthy credit metrics, and meet other financial obligations. Over the next seven years, the Applicants will make significant capital expenditures in connection with the construction of the Phase 2 Projects, which will have an adverse impact on cash flows and liquidity metrics during the construction period and would apply downward pressure to their credit ratings. As shown in Exhibit 2, total capital expenditures in connection with the Phase 2 Projects are expected to be approximately $2.32 billion from 2023 to 2031, with one small project projected to extend into 2031. The Applicants are currently working to bring that project back into 2030. Absent approval of the CWIP Incentive, during each construction cycle, the Applicants will incur financing costs associated with the requisite sizeable investments but receive no offsetting return.

In addition to supporting stronger net cash flows for the Applicants, the CWIP Incentive will also reduce downward pressure on various credit metrics influenced by interest expense and debt balances. Moody's, for example, in the computation of some of its credit metrics, imputes additional interest expense on a company's income statement related to financing costs a company has capitalized, as the asset generates no cash during the construction period. This adjustment negatively impacts credit metrics such as the interest coverage ratio. In effect, Moody's, by imputing interest related to AFUDC balances, is recognizing that the deferred recovery of financing costs through an AFUDC mechanism is less beneficial to a company than the current cash return during construction provided by the CWIP Incentive. A meaningful benefit of stronger cash flows, decreased interest expense, and lower debt balances resulting from the CWIP

Incentive is the alleviation of downward pressure on credit ratings. As noted above, the CWIP Incentive provides meaningful cash flow and financial support during this historic level of capital investment. This will benefit both the Applicants and their customers as a financially healthy utility is in everyone's best interest. In addition, customers will pay less in total over the life of the Phase 2 Projects compared to the AFUDC approach, due to the timing of cost recovery and capitalization of financing costs.

Q. WHAT PRECEDENT IS THERE FOR FERC APPROVING THE 100% CWIP INCENTIVE IN SIMILAR PROJECTS?

A. In FERC Docket No. ER15-572-000, New York Transco was granted the 100% CWIP incentive by FERC for the Edic to Pleasant Valley 345-kV Line, with the segment of the project awarded to New York Transco now known as the New York Energy Solution (a/k/a Segment B). In this docket, FERC supported the use of CWIP as a risk-reducing incentive. In its April 2, 2015, Order, FERC cited FERC Order No. 679 (Promoting Transmission Investment through Pricing Reform), stating, "We find that allowing NY Transco to include 100 percent of CWIP in rate base 'removes a disincentive to construction of transmission, which can involve very long lead times and considerable risk to the utility that the project may not go forward.'" In the same April 2, 2015, Order, FERC elaborated further on the value of the CWIP incentive:

> The cost and lengthy construction period involved in completing these projects will strain NY Transco's cash flow and put upward pressure on NY Transco's ability to finance construction. Granting the CWIP incentive will help ease this pressure and reduce project cost by providing upfront certainty, improved cash flow, and reduced borrowing costs as NY Transco moves forward with each project. Inclusion of CWIP in rate base "balance[s] the need for companies to recover carrying costs in a timely manner with the Commission's cost responsibility principle, while reducing the rate impacts of new transmission projects on customers."

More recently, the New York Power Authority ("NYPA") has also received the 100% CWIP incentive for its approximately $281 million portion of Segment A of the Edic to Pleasant Valley transmission solution. In its November 21, 2019, Order on Transmission Rate Incentives in FERC Docket No. EL19-88, FERC granted the 100% CWIP incentive, stating:

> We grant NYPA's request to include the CWIP Incentive in rate base during the development and construction phase of Segment A. We find that NYPA has shown a nexus between the CWIP Incentive and its investment in Segment A. We further find that authorizing 100 percent CWIP recovery for Segment A will enhance NYPA's cash flow, reduce interest expenses, assist it with obtaining favorable financing, and improve the coverage ratios used by rating agencies to determine NYPA's credit quality by replacing non-cash AFUDC with cash earnings. These factors are comparable to those that the Commission has taken into consideration in authorizing the inclusion of CWIP in rate base for other utilities.

As noted above, the CWIP Incentive sought by the Applicants will similarly enhance cash flow, reduce interest expenses, and strengthen the relevant credit rating metrics of the Applicants.

Q. HAVE THE APPLICANTS ANALYZED THE CASH FLOW DIFFERENCE BETWEEN RECOVERING CONSTRUCTION CARRYING COSTS UNDER A CWIP INCENTIVE APPROACH AND RECOVERING THOSE SAME COSTS UNDER AN AFUDC APPROACH?

A. Yes. As shown in Exhibit 4, from 2023 through 2032, the NYSEG's and RG&E's investment in the Phase 2 Projects would result in a net use of cash of approximately $1.127 billion and $108 million, respectively, representing $1.235 billion total under the CWIP Incentive approach. By comparison, NYSEG's and RG&E's investment in the Phase 2 Projects are expected to result in a net use of cash of approximately $1.336 billion and $130 million, respectively, representing $1.466 billion total under the AFUDC recovery mechanism. Being allowed to save this difference of approximately $208 million for NYSEG and $22 million for RG&E, or $230 million total, would benefit the

Applicants' cash flow position and lessen their debt burden while also lowering the overall total cost to customers. Exhibit 4 provides an example of the potential cash flows for the Phase 2 Projects through year 2032, their construction period from 2023 through 2031 plus 1 year. Exhibit 4, as well as the other quantitative analysis supporting this testimony, is based on the expected construction timelines for the Phase 2 Projects and the Applicants' current capital structure of 50% equity and 50% debt.

Q. WHAT DOES MOODY'S SAY ABOUT REGULATORY RECOVERY AND SPECIFICALLY RECOVERY OF CWIP IN RATE BASE?

A. The regulatory environment is a key component for the rating agency in determining the credit rating of a company from both a qualitative and quantitative perspective. From a qualitative perspective, Moody's looks at such things as stability and predictability of regulatory regime, the ability and timeliness of cost and investment recovery as well as revenue risk. From a quantitative perspective, the regulatory factors will show up in the leverage and coverage ratios since such factors can impact, among other things, cash flows, debt, and interest costs. The leverage and coverage ratios, related to financial strength, account for approximately 40% of the overall rating. Based on Moody's investors service rating agency commentary in "Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities" by Laura Schumacher from June 18, 2010, specifically on page 11, rating agencies understand and appreciate the benefits of the CWIP Incentive and consider the positive impact of such an incentive in its evaluation of a company's credit quality.

Q. IF FERC DOES NOT GRANT THE APPLICANTS' REQUEST FOR A CWIP INCENTIVE, WILL THIS AUTOMATICALLY TRIGGER A RATING DOWNGRADE?

A. While it is not possible to predict with any degree of precision the actions of rating agencies, as their ratings are based on a variety of qualitative and quantitative factors, initiating the Phase 2 Projects and the Applicants making substantial capital investment without an incentive that allows current recovery of financing costs will, all other things being equal, decrease cash flows, increase borrowing and interest expense, and result in an erosion of the Applicants' key credit metrics. While we cannot predict what action Moody's or S&P may take, depressed credit metrics for several years would certainly put more pressure on the Applicants' credit ratings, especially if those ratios remain consistently below the stated downgrade thresholds.

Q. WHAT IS THE IMPACT OF THE CWIP INCENTIVE ON CUSTOMERS?

A. Allowing the CWIP Incentive on the Phase 2 Projects to be constructed by the Applicants would result in a lower overall total cost for customers. While the CWIP Incentive primarily would affect the timing of payments for the return on the costs, it would decrease the amount that customers would pay for the Phase 2 Projects on a nominal basis. Exhibit 6 Revenue Requirements comparison illustrates an example of the impact of the CWIP Incentive on total customer revenue requirements of the Applicants versus the AFUDC recovery approach over a 50-year life of the projects. NYSEG customers would pay approximately $270 million less and RG&E customers would pay approximately $28 million less, representing a total of approximately $298 million less, on a nominal basis over the life of the Phase 2 Projects constructed by the Applicants if the CWIP Incentive is utilized instead of using AFUDC to recover financing costs in later years. The difference is primarily attributable to the elimination of AFUDC from the

Phase 2 Projects rate base, which would result in a decrease in depreciation expense and the total equity return earned over the life of the Projects, offset, in part, by the current return that would be allowed on CWIP before the Projects are placed in service. Another benefit to customers of the CWIP Incentive is the fact that it will result in the smoothing of rate increases over time, as noted earlier. By comparison, recovery of project financing costs pursuant to a traditional AFUDC mechanism can create a "rate shock" effect when projects are placed into service and rates are adjusted to reflect the cumulative construction costs and multiple years of capitalized AFUDC. By allowing current financing costs recovery, and avoiding incremental interest payments, customers can benefit similarly to paying their credit card debts in full each month rather than paying interest on their accumulated debts.

Q. WHAT IS THE IMPACT OF THE CWIP INCENTIVE ON CUSTOMERS ON A NET PRESENT VALUE BASIS?

A. Allowing the CWIP Incentive on the Phase 2 Projects would not increase the overall cost for customers. Rather, the CWIP Incentive primarily would affect the timing of payments for the return on the costs. This can be seen by comparing the revenue requirement of the projects on a net present value ("NPV") basis, as shown in Exhibit 7. When each of the revenue requirement streams is discounted back to consider the time value of money, the amounts collected from customers over the life of the projects are slightly less under the CWIP in rate base approach.

IV. RECOVERY OF CANCELLED OR ABANDONED PLANT COSTS

Q. WHY ARE THE APPLICANTS SEEKING THE ABANDONED PLANT INCENTIVE FOR THE PHASE 2 PROJECTS?

A. The Abandoned Plant Incentive will eliminate the investment disincentive associated with the possibility that the Applicants will need to abandon the projects if one or more is

cancelled for reasons beyond their control. While the Applicants do not anticipate that any of the Phase 2 Projects will be terminated, they face significant inherent siting, permitting, construction, coordination, environmental, and regulatory risks, many of which are outside of the Applicants' control, that could ultimately result in the cancellation or abandonment of one or more of the Phase 2 Projects. These specific risks and challenges are further detailed in the testimony of James Yeske, provided as Attachment B to the Application. FERC's existing policy is that a utility may recover 50% of the cost of abandoned plant assets, amortized over the expected life of the cancelled plant, with the unamortized portion of this 50% included in rate base and earning a return. Shareholders bear the other 50% of the abandoned plant cost. If FERC grants recovery of 100% of abandoned plant costs in connection with the Phase 2 Projects, it will eliminate the risk that shareholders will bear 50% of the abandonment cost of these Projects, which are being constructed pursuant to the NYPSC Order. Asking the Applicants' shareholders to bear 50% of the abandonment risk for these projects is unreasonable as they should be held harmless if a Phase 2 Project is abandoned for reasons outside the Applicants' control and the Applicants have acted prudently in pursuing the approved Projects and incurring costs in connection with the Projects. By providing additional assurance to lenders and investors that any prudently incurred costs will be recovered, the Abandoned Plant Incentive reduces one element of risk associated with the Phase 2 Projects. Also, it is undeniable that shareholders require a higher return when faced with greater business risk. If shareholders must risk bearing a substantial portion of the abandonment costs for such a significant undertaking as the Phase 2 Projects, it would increase the Applicants' parent company, Avangrid, Inc., shareholders'

required return on common equity and thereby increase rates to the Applicants' retail electric and gas service customers as well as transmission rates. Granting the requested Abandoned Plant Incentive and allowing recovery of 100% of abandoned plant costs will help to mitigate the need for a significant equity risk premium driven by these Projects and, thus, facilitate the ability to finance the projects at a reasonable cost. In addition to adding risks for equity holders, the costs of financing debt are likely to be higher due to the increased business risk associated without having the 100% abandoned plant incentive. Debt issuers will adjust their terms based on their risk assessments, impacting the overall cost of financing debt for this project.

V. NEXUS TEST

Q. TO WHAT EXTENT ARE THE REQUESTED INCENTIVES TAILORED TO THE UNIQUE RISKS FACED BY THE APPLICANTS IN DEVELOPING THE PHASE 2 PROJECTS?

A. Both the CWIP Incentive and the Abandoned Plant Incentive reduce the overall financing risks presented by the Phase 2 Projects and help to eliminate financial obstacles to completion of the projects for the Applicants. The Abandoned Plant Incentive addresses the risk that the Phase 2 Projects may be cancelled for reasons beyond the Applicants' control.

Q. IN SUMMARY, PLEASE ELABORATE ON THE REQUESTED INCENTIVES FOR THE PHASE 2 PROJECTS TO BE CONSTRUCTED BY THE APPLICANTS.

A. Both requested rate incentives (CWIP Incentive and Abandoned Plant Incentive) are designed to provide a level of cash flow certainty with respect to the Phase 2 Projects, making it easier to attract capital investment at a reasonable price and on reasonable terms, and to enhance cash flows during the construction period, which will facilitate the strengthening of credit metrics.

The requested CWIP Incentive is particularly important for the Applicants given the Phase 2 Projects, to be constructed by the Applicants, will more than double their rate base. FERC's authorization of the CWIP Incentive would enhance the Applicants' cash flow, reduce debt balances and interest expense, assist with their financing activities, and improve the Applicants' key financial ratios used by rating agencies to determine credit quality by replacing non-cash AFUDC with current cash revenues. This, in turn, will reduce the risk of a downgrade of the Applicants' corporate issuer credit and debt ratings. Recovery of abandonment costs provides investors and credit metric agencies with upfront certainty that, in conjunction with the other incentive requested, will reduce Phase 2 Project-related cash flow risk and the Applicants' cost of capital, benefiting customers.

Q. IN SUMMARY, PLEASE EXPLAIN WHY THE ABANDONED PLANT INCENTIVE IS APPROPRIATE FOR THE PHASE 2 PROJECTS TO BE CONSTRUCTED BY THE APPLICANTS.

A. The Abandoned Plant Incentive will eliminate the investment disincentive associated with the possibility the Phase 2 Projects will be cancelled for reasons beyond the Applicants' control. It is undeniable that shareholders require a higher return when faced with greater business risk. If shareholders must risk bearing a substantial portion of the abandonment costs for such significant projects, it will increase shareholders' required return on common equity and thereby increase rates to the Applicants' retail electric and gas service customers as well as transmission rates. Allowing recovery of 100% of abandoned plant costs will help to avoid the need for a significant equity risk premium and, thus, facilitate the Applicants' ability to finance the projects at a reasonable cost, benefiting customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Exhibit 1

Summary of Estimated Year-End Project CWIP Balances

Exhibit 1

Summary of Estimated Average Project CWIP Balances
Nominal (in $millions)

NYSEG	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CWIP Balance (CWIP in Rate Base)	$ 4.63	$ 103.86	$ 254.36	$ 392.54	$ 561.59	$ 449.11	$ 350.36	$ 349.55	$ 124.12	$ -
CWIP Balance (AFUDC Recovery)	4.94	111.13	278.80	437.44	628.40	521.17	408.64	400.26	159.18	-
Difference	$ (0.310)	$ (7.28)	$ (24.44)	$ (44.90)	$ (66.81)	$ (72.06)	$ (58.28)	$ (50.70)	$ (35.07)	$ -

RG&E	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CWIP Balance (CWIP in Rate Base)	$ 0.12	$ 2.78	$ 7.17	$ 11.12	$ 15.53	$ 20.00	$ 30.97	$ 75.91	$ 56.00	$ -
CWIP Balance (AFUDC Recovery)	0.13	2.98	7.87	12.43	17.47	22.59	34.68	83.56	65.66	-
Difference	$ (0.008)	$ (0.20)	$ (0.70)	$ (1.31)	$ (1.93)	$ (2.59)	$ (3.71)	$ (7.65)	$ (9.66)	$ -

TOTAL	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CWIP Balance (CWIP in Rate Base)	$ 4.75	$ 106.64	$ 261.54	$ 403.66	$ 577.13	$ 469.11	$ 381.33	$ 425.46	$ 180.12	$ -
CWIP Balance (AFUDC Recovery)	5.07	114.11	286.68	449.86	645.87	543.76	443.32	483.81	224.84	-
Difference	$ (0.318)	$ (7.48)	$ (25.14)	$ (46.21)	$ (68.74)	$ (74.65)	$ (61.99)	$ (58.35)	$ (44.72)	$ -

Exhibit 2

Summary of Estimated Project Costs – Capital Expenditures and AFUDC

Exhibit 2

Summary of Estimated Project Costs - Capital Expenditures and AFUDC
Nominal (in $millions)

NYSEG	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Nominal Capital Expense	$ 9.26	$ 189.19	$ 154.00	$ 237.31	$ 370.12	$ 151.72	$ 203.87	$ 595.08	$ 73.63	$ 1,984.17
AFUDC (Traditional Recovery)	0.31	6.95	17.01	26.25	37.56	30.03	23.43	23.38	8.30	173.21
Total	$ 9.57	$ 196.14	$ 171.01	$ 263.56	$ 407.68	$ 181.75	$ 227.30	$ 618.46	$ 81.93	$ 2,157.38

RG&E	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Nominal Capital Expense	$ 0.24	$ 5.08	$ 3.71	$ 4.18	$ 4.66	$ 4.28	$ 17.67	$ 72.20	$ 36.96	$ 148.96
AFUDC (Traditional Recovery)	0.01	0.19	0.50	0.77	1.07	1.38	2.14	5.25	3.87	15.19
Total	$ 0.25	$ 5.27	$ 4.20	$ 4.95	$ 5.73	$ 5.66	$ 19.81	$ 77.45	$ 40.83	$ 164.15

Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Nominal Capital Expense	$ 9.50	$ 194.28	$ 157.70	$ 241.49	$ 374.78	$ 155.99	$ 221.54	$ 667.28	$ 110.58	$ 2,133.13
AFUDC (Traditional Recovery)	0.32	7.14	17.51	27.02	38.63	31.42	25.57	28.63	12.17	188.41
Total	$ 9.82	$ 201.41	$ 175.21	$ 268.51	$ 413.41	$ 187.41	$ 247.11	$ 695.91	$ 122.75	$ 2,321.54

Phase 2 Capital Expense	2023	2024	2025	2026
NYSEG	$ 9.26	$ 189.19	$ 154.00	$ 237.31
RGE	0.24	5.08	3.71	4.18
Total	$ 9.50	$ 194.28	$ 157.70	$ 241.49
Phase 1 Capital Expense				
NYSEG	$ -	$ 148.00	$ 192.00	$ 202.00
RGE	-	-	-	-
Total	$ -	$ 148.00	$ 192.00	$ 202.00
Total Phase 1 and Phase 2				
NYSEG	$ 9.26	$ 337.19	$ 346.00	$ 439.31
RGE	0.24	5.08	3.71	4.18
Total	$ 9.50	$ 342.28	$ 349.70	$ 443.49

Exhibit 3

Summary of Credit Ratings and Outlooks

Exhibit 3 Summary of Credit Ratings and Outlooks

	Moody's		Standard and Poor's		Fitch	
NYSEG						
Issuer/Corp. Credit Rating	Baa1	Stable	A-	Stable	BBB+	Stable
Senior Unsecured	Baa1	Stable	A-	Stable	A-	Stable
RG&E						
Issuer/Corp. Credit Rating	Baa1	Stable	A-	Stable	BBB+	Stable
Senior Secured	A2	Stable	A	Stable	A	Stable

Exhibit 4

Summary of Estimated Project Cash Flows During Construction
AFUDC vs. 100% CWIP Incentive

Exhibit 4 Summary of Estimated Project Cash Flows During Construction - AFUDC Recovery Mechanism vs. 100% CWIP Recovery Mechanism

Total NY	Nominal (in $millions)										
100% CWIP in Rate Base	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ 0.39	$ 8.82	$ 23.70	$ 41.06	$ 68.46	$ 95.79	$ 114.12	$ 154.90	$ 193.80	$ 196.80	$ 897.85
Cash Flows from Investing Activity	$ (9.50)	$ (194.28)	$ (157.70)	$ (241.49)	$ (374.78)	$ (155.99)	$ (221.54)	$ (667.28)	$ (110.58)	$ -	$ (2,133.13)
Total Cash Flows	$ (9.11)	$ (185.46)	$ (134.00)	$ (200.43)	$ (306.31)	$ (60.20)	$ (107.42)	$ (512.38)	$ 83.22	$ 196.80	$ (1,235.28)
Total NY											
AFUDC Recovery	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ -	$ -	$ 2.25	$ 8.53	$ 23.72	$ 64.46	$ 92.75	$ 132.18	$ 195.40	$ 214.60	$ 733.90
Cash Flows from Investing Activity	$ (9.60)	$ (196.63)	$ (163.62)	$ (250.79)	$ (388.12)	$ (167.24)	$ (230.75)	$ (677.43)	$ (115.35)	$ -	$ (2,199.54)
Total Cash Flows	$ (9.60)	$ (196.63)	$ (161.37)	$ (242.26)	$ (364.41)	$ (102.78)	$ (138.00)	$ (545.24)	$ 80.05	$ 214.60	$ (1,465.65)
Total NY											
Difference	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ (0.39)	$ (8.82)	$ (21.45)	$ (32.54)	$ (44.75)	$ (31.33)	$ (21.37)	$ (22.72)	$ 1.60	$ 17.80	$ (163.95)
Cash Flows from Investing Activity	$ (0.10)	$ (2.36)	$ (5.92)	$ (9.30)	$ (13.35)	$ (11.25)	$ (9.21)	$ (10.15)	$ (4.77)	$ -	$ (66.41)
Total Cash Flows	$ (0.50)	$ (11.17)	$ (27.37)	$ (41.83)	$ (58.10)	$ (42.58)	$ (30.58)	$ (32.86)	$ (3.17)	$ 17.80	$ (230.37)

NYSEG	Nominal (in $millions)										
100% CWIP in Rate Base	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ 0.38	$ 8.58	$ 23.09	$ 40.11	$ 67.14	$ 94.08	$ 111.47	$ 148.41	$ 181.46	$ 181.94	$ 856.68
Cash Flows from Investing Activity	$ (9.26)	$ (189.19)	$ (154.00)	$ (237.31)	$ (370.12)	$ (151.72)	$ (203.87)	$ (595.08)	$ (73.63)	$ -	$ (1,984.17)
Total Cash Flows	$ (8.88)	$ (180.61)	$ (130.90)	$ (197.20)	$ (302.98)	$ (57.63)	$ (92.40)	$ (446.67)	$ 107.84	$ 181.94	$ (1,127.49)
NYSEG											
AFUDC Recovery	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ -	$ -	$ 2.25	$ 8.53	$ 23.72	$ 64.46	$ 92.75	$ 132.18	$ 187.01	$ 198.09	$ 709.00
Cash Flows from Investing Activity	$ (9.36)	$ (191.48)	$ (159.74)	$ (246.33)	$ (383.07)	$ (162.46)	$ (212.29)	$ (603.33)	$ (76.91)		$ (2,044.97)
Total Cash Flows	$ (9.36)	$ (191.48)	$ (157.49)	$ (237.80)	$ (359.36)	$ (97.99)	$ (119.54)	$ (471.14)	$ 110.10	$ 198.09	$ (1,335.97)
NYSEG											
Difference	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ (0.38)	$ (8.58)	$ (20.84)	$ (31.59)	$ (43.42)	$ (29.62)	$ (18.72)	$ (16.23)	$ 5.55	$ 16.15	$ (147.68)
Cash Flows from Investing Activity	$ (0.10)	$ (2.29)	$ (5.75)	$ (9.02)	$ (12.95)	$ (10.74)	$ (8.42)	$ (8.25)	$ (3.28)	$ -	$ (60.80)
Total Cash Flows	$ (0.48)	$ (10.87)	$ (26.58)	$ (40.60)	$ (56.37)	$ (40.36)	$ (27.14)	$ (24.48)	$ 2.27	$ 16.15	$ (208.48)

RG&E	Nominal (in $millions)										
100% CWIP in Rate Base	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ 0.01	$ 0.24	$ 0.61	$ 0.95	$ 1.33	$ 1.71	$ 2.65	$ 6.49	$ 12.34	$ 14.86	$ 41.18
Cash Flows from Investing Activity	$ (0.24)	$ (5.08)	$ (3.71)	$ (4.18)	$ (4.66)	$ (4.28)	$ (17.67)	$ (72.20)	$ (36.96)	$ -	$ (148.96)
Total Cash Flows	$ (0.23)	$ (4.84)	$ (3.09)	$ (3.23)	$ (3.33)	$ (2.57)	$ (15.02)	$ (65.71)	$ (24.62)	$ 14.86	$ (107.78)
RG&E											
AFUDC Recovery	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8.39	$ 16.51	$ 24.90
Cash Flows from Investing Activity	$ (0.24)	$ (5.15)	$ (3.88)	$ (4.46)	$ (5.05)	$ (4.79)	$ (18.46)	$ (74.10)	$ (38.45)		$ (154.58)
Total Cash Flows	$ (0.24)	$ (5.15)	$ (3.88)	$ (4.46)	$ (5.05)	$ (4.79)	$ (18.46)	$ (74.10)	$ (30.06)	$ 16.51	$ (129.67)
RG&E											
Difference	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Cash Flows from Operating Activity	$ (0.01)	$ (0.24)	$ (0.61)	$ (0.95)	$ (1.33)	$ (1.71)	$ (2.65)	$ (6.49)	$ (3.95)	$ 1.66	$ (16.28)
Cash Flows from Investing Activity	$ (0.00)	$ (0.07)	$ (0.18)	$ (0.28)	$ (0.40)	$ (0.51)	$ (0.79)	$ (1.90)	$ (1.49)	$ -	$ (5.62)
Total Cash Flows	$ (0.01)	$ (0.31)	$ (0.79)	$ (1.23)	$ (1.72)	$ (2.22)	$ (3.43)	$ (8.39)	$ (5.44)	$ 1.66	$ (21.89)

Exhibit 5

Latest Moody's and S&P Rating Reports on NYSEG and RG&E

REDACTED

Exhibit 6

Summary of Estimated Total Revenue Requirements for the Projects – AFUDC vs. 100% CWIP Incentive

Exhibit 6

Summary of Estimated Total Revenue Requirements for the Projects - AFUDC Recovery Mechanism vs. CWIP in Rate Base Mechanism

	CWIP Recovery Mechanism			AFUDC Recovery Mechanism			Net Difference
Year	NYSEG	RG&E	**Total**	NYSEG	RG&E	**Total**	**Total**
2024	$ 8.6	$ 0.2	**$ 8.8**	$ -	$ -	**$ -**	**$ 8.82**
2025	$ 23.1	$ 0.6	**$ 23.7**	$ 2.3	$ -	**$ 2.3**	**$ 21.45**
2026	$ 40.1	$ 1.0	**$ 41.1**	$ 8.5	$ -	**$ 8.5**	**$ 32.54**
2027	$ 67.1	$ 1.3	**$ 68.5**	$ 23.7	$ -	**$ 23.7**	**$ 44.75**
2028	$ 94.1	$ 1.7	**$ 95.8**	$ 64.5	$ -	**$ 64.5**	**$ 31.33**
2029	$ 111.5	$ 2.6	**$ 114.1**	$ 92.7	$ -	**$ 92.7**	**$ 21.37**
2030	$ 148.4	$ 6.5	**$ 154.9**	$ 132.2	$ -	**$ 132.2**	**$ 22.72**
2031	$ 181.5	$ 12.3	**$ 193.8**	$ 187.0	$ 8.4	**$ 195.4**	**$ (1.60)**
2032	$ 181.9	$ 14.9	**$ 196.8**	$ 198.1	$ 16.5	**$ 214.6**	**$ (17.80)**
2033	$ 176.6	$ 14.4	**$ 191.0**	$ 192.2	$ 16.0	**$ 208.2**	**$ (17.28)**
2034	$ 171.4	$ 14.0	**$ 185.4**	$ 186.6	$ 15.5	**$ 202.1**	**$ (16.77)**
2035	$ 166.4	$ 13.6	**$ 180.0**	$ 181.2	$ 15.1	**$ 196.3**	**$ (16.28)**
2036	$ 161.5	$ 13.2	**$ 174.7**	$ 175.9	$ 14.6	**$ 190.5**	**$ (15.80)**
2037	$ 156.7	$ 12.8	**$ 169.5**	$ 170.6	$ 14.2	**$ 184.8**	**$ (15.32)**
2038	$ 151.8	$ 12.4	**$ 164.2**	$ 165.3	$ 13.8	**$ 179.1**	**$ (14.84)**
2039	$ 147.0	$ 12.0	**$ 159.0**	$ 160.0	$ 13.4	**$ 173.4**	**$ (14.36)**
2040	$ 142.1	$ 11.7	**$ 153.8**	$ 154.7	$ 13.0	**$ 167.7**	**$ (13.89)**
2041	$ 137.4	$ 11.3	**$ 148.7**	$ 149.5	$ 12.6	**$ 162.1**	**$ (13.42)**
2042	$ 132.8	$ 10.9	**$ 143.7**	$ 144.6	$ 12.1	**$ 156.7**	**$ (12.98)**
2043	$ 128.7	$ 10.6	**$ 139.2**	$ 140.1	$ 11.7	**$ 151.8**	**$ (12.59)**
2044	$ 124.9	$ 10.2	**$ 135.1**	$ 136.0	$ 11.3	**$ 147.4**	**$ (12.25)**
2045	$ 121.7	$ 9.8	**$ 131.5**	$ 132.5	$ 10.9	**$ 143.4**	**$ (11.94)**
2046	$ 119.1	$ 9.5	**$ 128.7**	$ 129.8	$ 10.6	**$ 140.4**	**$ (11.69)**
2047	$ 116.8	$ 9.3	**$ 126.2**	$ 127.2	$ 10.4	**$ 137.6**	**$ (11.46)**
2048	$ 114.5	$ 9.2	**$ 123.7**	$ 124.7	$ 10.2	**$ 134.9**	**$ (11.23)**
2049	$ 112.2	$ 9.0	**$ 121.2**	$ 122.2	$ 10.0	**$ 132.2**	**$ (11.00)**
2050	$ 109.8	$ 8.8	**$ 118.7**	$ 119.6	$ 9.8	**$ 129.4**	**$ (10.77)**
2051	$ 107.5	$ 8.6	**$ 116.1**	$ 117.1	$ 9.6	**$ 126.7**	**$ (10.54)**
2052	$ 105.2	$ 8.5	**$ 113.6**	$ 114.6	$ 9.4	**$ 124.0**	**$ (10.31)**
2053	$ 102.9	$ 8.3	**$ 111.1**	$ 112.0	$ 9.2	**$ 121.2**	**$ (10.08)**
2054	$ 100.5	$ 8.1	**$ 108.6**	$ 109.5	$ 9.0	**$ 118.5**	**$ (9.85)**
2055	$ 98.2	$ 7.9	**$ 106.1**	$ 106.9	$ 8.8	**$ 115.8**	**$ (9.62)**
2056	$ 95.9	$ 7.8	**$ 103.6**	$ 104.4	$ 8.6	**$ 113.0**	**$ (9.40)**
2057	$ 93.5	$ 7.6	**$ 101.1**	$ 101.9	$ 8.4	**$ 110.3**	**$ (9.17)**
2058	$ 91.2	$ 7.4	**$ 98.6**	$ 99.3	$ 8.2	**$ 107.5**	**$ (8.94)**
2059	$ 88.9	$ 7.2	**$ 96.1**	$ 96.8	$ 8.0	**$ 104.8**	**$ (8.71)**
2060	$ 86.6	$ 7.0	**$ 93.6**	$ 94.3	$ 7.8	**$ 102.1**	**$ (8.48)**
2061	$ 84.2	$ 6.9	**$ 91.1**	$ 91.7	$ 7.6	**$ 99.3**	**$ (8.25)**
2062	$ 81.9	$ 6.7	**$ 88.6**	$ 89.2	$ 7.4	**$ 96.6**	**$ (8.02)**
2063	$ 79.6	$ 6.5	**$ 86.1**	$ 86.6	$ 7.2	**$ 93.9**	**$ (7.79)**
2064	$ 77.2	$ 6.3	**$ 83.6**	$ 84.1	$ 7.0	**$ 91.1**	**$ (7.56)**
2065	$ 74.9	$ 6.2	**$ 81.1**	$ 81.6	$ 6.8	**$ 88.4**	**$ (7.33)**
2066	$ 72.6	$ 6.0	**$ 78.6**	$ 79.0	$ 6.6	**$ 85.7**	**$ (7.10)**
2067	$ 70.3	$ 5.8	**$ 76.1**	$ 76.5	$ 6.4	**$ 82.9**	**$ (6.87)**
2068	$ 67.9	$ 5.6	**$ 73.6**	$ 73.9	$ 6.2	**$ 80.2**	**$ (6.64)**
2069	$ 65.6	$ 5.4	**$ 71.1**	$ 71.4	$ 6.1	**$ 77.5**	**$ (6.41)**
2070	$ 63.3	$ 5.3	**$ 68.5**	$ 68.9	$ 5.9	**$ 74.7**	**$ (6.18)**
2071	$ 61.0	$ 5.1	**$ 66.0**	$ 66.3	$ 5.7	**$ 72.0**	**$ (5.95)**
2072	$ 58.6	$ 4.9	**$ 63.5**	$ 63.8	$ 5.5	**$ 69.3**	**$ (5.72)**
2073	$ 56.3	$ 4.7	**$ 61.0**	$ 61.3	$ 5.3	**$ 66.5**	**$ (5.49)**
2074	$ 54.0	$ 4.6	**$ 58.5**	$ 58.7	$ 5.1	**$ 63.8**	**$ (5.26)**
2075	$ 50.9	$ 4.3	**$ 55.2**	$ 55.4	$ 4.8	**$ 60.1**	**$ (4.95)**
2076	$ 48.6	$ 4.1	**$ 52.7**	$ 52.9	$ 4.6	**$ 57.5**	**$ (4.73)**
2077	$ 45.9	$ 3.9	**$ 49.9**	$ 50.0	$ 4.4	**$ 54.3**	**$ (4.47)**
2078	$ 42.6	$ 3.8	**$ 46.4**	$ 46.3	$ 4.2	**$ 50.5**	**$ (4.12)**

2079	$ 38.0	$ 3.6	**$ 41.6**	$ 41.1	$ 4.0	**$ 45.1**	**$ (3.51)**
2080	$ 29.2	$ 3.4	**$ 32.6**	$ 31.3	$ 3.8	**$ 35.1**	**$ (2.48)**
2081	$ 22.6	$ 3.2	**$ 25.8**	$ 24.0	$ 3.6	**$ 27.6**	**$ (1.80)**
2082	$ 14.0	$ 3.1	**$ 17.1**	$ 14.9	$ 3.4	**$ 18.3**	**$ (1.20)**
2083	$ 3.1	$ 2.9	**$ 6.0**	$ 3.3	$ 3.2	**$ 6.5**	**$ (0.48)**
2084	$ 0.0	$ 1.4	**$ 1.4**	$ (0.0)	$ 1.6	**$ 1.6**	**$ (0.15)**
Total	$ 5,580.4	$ 435.9	**$ 6,016.4**	$ 5,850.7	$ 463.6	**$ 6,314.3**	**$ (297.9)**

Exhibit 7

Summary of Estimated NPV Total Revenue Requirements for the Projects – AFUDC vs. 100% CWIP Incentive

Exhibit 7

Summary of Estimated Total Revenue Requirements For the Projects - AFUDC Recovery Mechanism vs. CWIP in Rate Base Mechanism

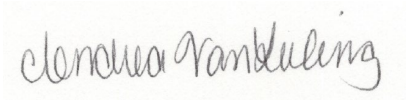
	CWIP Recovery Mechanism			AFUDC Recovery Mechanism			Net Difference		
Year	NYSEG	RG&E	**Total**	NYSEG	RG&E	**Total**	**Total**	NPV Factor Year	Inflation Factor
2024	$ 8.6	$ 0.2	**$ 8.8**	$ -	$ -	**$ -**	**$ 8.8**	1	0 2%
2025	$ 22.6	$ 0.6	**$ 23.2**	$ 2.2	$ -	**$ 2.2**	**$ 21.0**	0.98	1
2026	$ 38.5	$ 0.9	**$ 39.4**	$ 8.2	$ -	**$ 8.2**	**$ 31.2**	0.9604	2
2027	$ 63.2	$ 1.2	**$ 64.4**	$ 22.3	$ -	**$ 22.3**	**$ 42.1**	0.941192	3
2028	$ 86.8	$ 1.6	**$ 88.4**	$ 59.5	$ -	**$ 59.5**	**$ 28.9**	0.922368	4
2029	$ 100.8	$ 2.4	**$ 103.2**	$ 83.8	$ -	**$ 83.8**	**$ 19.3**	0.903921	5
2030	$ 131.5	$ 5.7	**$ 137.2**	$ 117.1	$ -	**$ 117.1**	**$ 20.1**	0.885842	6
2031	$ 157.5	$ 10.7	**$ 168.2**	$ 162.3	$ 7.3	**$ 169.6**	**$ (1.4)**	0.868126	7
2032	$ 154.8	$ 12.6	**$ 167.4**	$ 168.5	$ 14.0	**$ 182.6**	**$ (15.1)**	0.850763	8
2033	$ 147.2	$ 12.0	**$ 159.2**	$ 160.3	$ 13.3	**$ 173.6**	**$ (14.4)**	0.833748	9
2034	$ 140.0	$ 11.4	**$ 151.5**	$ 152.5	$ 12.7	**$ 165.2**	**$ (13.7)**	0.817073	10
2035	$ 133.3	$ 10.9	**$ 144.1**	$ 145.1	$ 12.1	**$ 157.1**	**$ (13.0)**	0.800731	11
2036	$ 126.8	$ 10.3	**$ 137.1**	$ 138.0	$ 11.5	**$ 149.5**	**$ (12.4)**	0.784717	12
2037	$ 120.5	$ 9.8	**$ 130.3**	$ 131.2	$ 10.9	**$ 142.1**	**$ (11.8)**	0.769022	13
2038	$ 114.4	$ 9.4	**$ 123.8**	$ 124.6	$ 10.4	**$ 135.0**	**$ (11.2)**	0.753642	14
2039	$ 108.5	$ 8.9	**$ 117.4**	$ 118.2	$ 9.9	**$ 128.1**	**$ (10.6)**	0.738569	15
2040	$ 102.9	$ 8.4	**$ 111.3**	$ 112.0	$ 9.4	**$ 121.4**	**$ (10.1)**	0.723798	16
2041	$ 97.4	$ 8.0	**$ 105.5**	$ 106.1	$ 8.9	**$ 115.0**	**$ (9.5)**	0.709322	17
2042	$ 92.3	$ 7.6	**$ 99.9**	$ 100.5	$ 8.4	**$ 108.9**	**$ (9.0)**	0.695135	18
2043	$ 87.7	$ 7.2	**$ 94.9**	$ 95.4	$ 8.0	**$ 103.4**	**$ (8.6)**	0.681233	19
2044	$ 83.4	$ 6.8	**$ 90.2**	$ 90.8	$ 7.6	**$ 98.4**	**$ (8.2)**	0.667608	20
2045	$ 79.6	$ 6.4	**$ 86.0**	$ 86.7	$ 7.1	**$ 93.8**	**$ (7.8)**	0.654256	21
2046	$ 76.4	$ 6.1	**$ 82.5**	$ 83.2	$ 6.8	**$ 90.0**	**$ (7.5)**	0.641171	22
2047	$ 73.4	$ 5.9	**$ 79.3**	$ 80.0	$ 6.5	**$ 86.5**	**$ (7.2)**	0.628347	23
2048	$ 70.5	$ 5.6	**$ 76.2**	$ 76.8	$ 6.3	**$ 83.1**	**$ (6.9)**	0.61578	24
2049	$ 67.7	$ 5.4	**$ 73.1**	$ 73.7	$ 6.0	**$ 79.8**	**$ (6.6)**	0.603465	25
2050	$ 65.0	$ 5.2	**$ 70.2**	$ 70.7	$ 5.8	**$ 76.5**	**$ (6.4)**	0.591395	26
2051	$ 62.3	$ 5.0	**$ 67.3**	$ 67.9	$ 5.6	**$ 73.4**	**$ (6.1)**	0.579568	27
2052	$ 59.7	$ 4.8	**$ 64.5**	$ 65.1	$ 5.3	**$ 70.4**	**$ (5.9)**	0.567976	28
2053	$ 57.3	$ 4.6	**$ 61.9**	$ 62.3	$ 5.1	**$ 67.5**	**$ (5.6)**	0.556617	29
2054	$ 54.8	$ 4.4	**$ 59.3**	$ 59.7	$ 4.9	**$ 64.6**	**$ (5.4)**	0.545484	30
2055	$ 52.5	$ 4.2	**$ 56.7**	$ 57.2	$ 4.7	**$ 61.9**	**$ (5.1)**	0.534575	31
2056	$ 50.2	$ 4.1	**$ 54.3**	$ 54.7	$ 4.5	**$ 59.2**	**$ (4.9)**	0.523883	32
2057	$ 48.0	$ 3.9	**$ 51.9**	$ 52.3	$ 4.3	**$ 56.6**	**$ (4.7)**	0.513405	33
2058	$ 45.9	$ 3.7	**$ 49.6**	$ 50.0	$ 4.1	**$ 54.1**	**$ (4.5)**	0.503137	34
2059	$ 43.8	$ 3.6	**$ 47.4**	$ 47.7	$ 4.0	**$ 51.7**	**$ (4.3)**	0.493075	35
2060	$ 41.8	$ 3.4	**$ 45.2**	$ 45.5	$ 3.8	**$ 49.3**	**$ (4.1)**	0.483213	36
2061	$ 39.9	$ 3.3	**$ 43.1**	$ 43.4	$ 3.6	**$ 47.0**	**$ (3.9)**	0.473549	37
2062	$ 38.0	$ 3.1	**$ 41.1**	$ 41.4	$ 3.4	**$ 44.8**	**$ (3.7)**	0.464078	38
2063	$ 36.2	$ 3.0	**$ 39.2**	$ 39.4	$ 3.3	**$ 42.7**	**$ (3.5)**	0.454796	39
2064	$ 34.4	$ 2.8	**$ 37.3**	$ 37.5	$ 3.1	**$ 40.6**	**$ (3.4)**	0.4457	40
2065	$ 32.7	$ 2.7	**$ 35.4**	$ 35.6	$ 3.0	**$ 38.6**	**$ (3.2)**	0.436786	41
2066	$ 31.1	$ 2.6	**$ 33.6**	$ 33.8	$ 2.8	**$ 36.7**	**$ (3.0)**	0.428051	42
2067	$ 29.5	$ 2.4	**$ 31.9**	$ 32.1	$ 2.7	**$ 34.8**	**$ (2.9)**	0.41949	43
2068	$ 27.9	$ 2.3	**$ 30.2**	$ 30.4	$ 2.6	**$ 33.0**	**$ (2.7)**	0.4111	44
2069	$ 26.4	$ 2.2	**$ 28.6**	$ 28.8	$ 2.4	**$ 31.2**	**$ (2.6)**	0.402878	45
2070	$ 25.0	$ 2.1	**$ 27.1**	$ 27.2	$ 2.3	**$ 29.5**	**$ (2.4)**	0.39482	46
2071	$ 23.6	$ 2.0	**$ 25.6**	$ 25.7	$ 2.2	**$ 27.9**	**$ (2.3)**	0.386924	47
2072	$ 22.2	$ 1.9	**$ 24.1**	$ 24.2	$ 2.1	**$ 26.3**	**$ (2.2)**	0.379185	48
2073	$ 20.9	$ 1.8	**$ 22.7**	$ 22.8	$ 2.0	**$ 24.7**	**$ (2.0)**	0.371602	49
2074	$ 19.7	$ 1.7	**$ 21.3**	$ 21.4	$ 1.8	**$ 23.2**	**$ (1.9)**	0.36417	50
2075	$ 18.2	$ 1.5	**$ 19.7**	$ 19.8	$ 1.7	**$ 21.5**	**$ (1.8)**	0.356886	51
2076	$ 17.0	$ 1.4	**$ 18.4**	$ 18.5	$ 1.6	**$ 20.1**	**$ (1.7)**	0.349749	52
2077	$ 15.7	$ 1.4	**$ 17.1**	$ 17.1	$ 1.5	**$ 18.6**	**$ (1.5)**	0.342754	53
2078	$ 14.3	$ 1.3	**$ 15.6**	$ 15.6	$ 1.4	**$ 17.0**	**$ (1.4)**	0.335899	54
2079	$ 12.5	$ 1.2	**$ 13.7**	$ 13.5	$ 1.3	**$ 14.8**	**$ (1.2)**	0.329181	55
2080	$ 9.4	$ 1.1	**$ 10.5**	$ 10.1	$ 1.2	**$ 11.3**	**$ (0.8)**	0.322597	56
2081	$ 7.1	$ 1.0	**$ 8.2**	$ 7.6	$ 1.1	**$ 8.7**	**$ (0.6)**	0.316145	57
2082	$ 4.4	$ 1.0	**$ 5.3**	$ 4.6	$ 1.1	**$ 5.7**	**$ (0.4)**	0.309822	58
2083	$ 0.9	$ 0.9	**$ 1.8**	$ 1.0	$ 1.0	**$ 2.0**	**$ (0.1)**	0.303626	59
2084	$ 0.0	$ 0.4	**$ 0.4**	$ (0.0)	$ 0.5	**$ 0.5**	**$ (0.0)**	0.297553	60
Total	$ 3,574.8	$ 268.0	**$ 3,842.8**	$ 3,683.5	$ 279.1	**$ 3,962.6**	**$ (119.8)**		

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York State Electric & Gas Corporation	**)**	**Docket Nos. ER24-___-000**
New York Independent System Operator, Inc.	**)**	
Rochester Gas and Electric Corporation	**)**	**ER24-___-000**
New York Independent System Operator, Inc.	**)**	

VERIFICATION

I, Andrea Vanluling, verify under penalty of perjury that I have read the testimony, know the contents thereof, and that the facts and representations set forth therein are true to the best of my knowledge, information and belief.



Andrea Vanluling

Dated: May 6, 2024

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York State Electric & Gas Corporation	**)**	**Docket Nos. ER24-___-000**
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Rochester Gas and Electric Corporation	**)**	**ER24-___-000**
New York Independent System Operator, Inc.	**)**	

VERIFICATION

I, Michael Panichi, verify under penalty of perjury that I have read the testimony, know the contents thereof, and that the facts and representations set forth therein are true to the best of my knowledge, information and belief.

Michael Panichi

Dated: May 6, 2024