

Attachment C
Exhibit No. TRANSCO-100
Testimony of Robert Caso

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

NEW YORK TRANSCO LLC

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DOCKET NO. ER25-____-000

**DIRECT TESTIMONY OF
ROBERT CASO**

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I. Introduction

Q 1 PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A 1. My name is Robert Caso. My business address is 300 Westage Business Center Drive,
Suite 180, Fishkill, NY 12524.

Q 2. IN WHAT CAPACITY ARE YOU CURRENTLY EMPLOYED?

A 2. I am currently the Vice President of Budget, Finance and Accounting of New York Transco
LLC (“Transco” or, the “Company”).

Q 3. WHAT ARE YOUR AREAS OF RESPONSIBILITY IN YOUR CURRENT POSITION?

A 3. As Vice President of Budget, Finance and Accounting, the main areas that I am responsible
for at Transco are payroll, benefits, risk management, budgeting, finance, treasury,
accounting, and financial and regulatory reporting. I am also responsible for the
administration of Transco’s Formula Rate Template and Formula Rate Implementation
Protocols (“Formula Rate”) included in Section 36.3 of Attachment DD of the New York
Independent System Operator Inc. (“NYISO”) Open Access Transmission Tariff (“OATT”
or “Tariff”), including the preparation of Transco’s annual revenue requirement projection
on September 30th of each year and the Annual Update on June 30th of each year.

Q 4. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A 4. I received a Bachelor of Science in Business Economics from the State University of New York at Oneonta in 1988. In 1989, I received a Master of Science in Accounting from Binghamton University. I started my career in public accounting with Arthur Anderson & Co. in New York and I obtained my Certified Public Accountant license in 1993. In 1995, after my public accounting career, I joined Central Hudson Enterprises Corporation, the unregulated wholly owned subsidiary of CH Energy Group, Inc. as its Controller. In 2003, I transferred to Central Hudson Gas & Electric Corporation to be the Director of Taxes and was responsible for all the Utility's taxes. In 2007, I became the Director of Investment Accounting and Taxes and then the Director of Strategic Planning in 2010. In November 2014, I was appointed the Vice President of Budget, Finance and Accounting of Transco.

Q 5. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE A REGULATORY BODY?

A 5. Yes, I filed testimony in support of Transco's rate filing in FERC Docket No. ER24-232-000 for recovery of costs associated with the development and operation of the Propel New York Energy Project ("Propel NY Energy Project" or "Project").

II. Purpose and Sope of Testimony

Q 6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A 6. The purpose of my testimony is to describe Transco's existing Formula Rate, approved by the Federal Energy Regulatory Commission ("FERC" or "Commission") in Docket No. ER15-572-000, et al. I will describe the operation and maintenance accounts included in FERC's Uniform System of Accounts ("USofA") that Transco proposes to include in its Formula Rate for recovery of prudently incurred transmission-related operation and

1 maintenance costs. I will also describe Transco's business purpose and explain the need
2 to establish a company-wide base return-on-equity ("ROE") value that will apply to certain
3 existing Transco electric transmission facilities and all future electric transmission
4 investment of the Company.

5 **Q 7. WHAT TOPICS WILL YOU DISCUSS IN THE REMAINDER OF YOUR**
6 **TESTIMONY?**

7 **A 7.** I will first describe Transco's Formula Rate and provide a summary of the various
8 settlements Transco entered into to establish the rate and approved cost recovery for
9 Transco projects. I will also explain that the current Formula Rate excludes several FERC
10 USofA accounts related to ongoing operation and maintenance transmission expense.

11 Next, I will explain that the Formula Rate includes project-specific base ROE
12 values that were agreed to as part of now three settlement agreements approved by the
13 Commission in Docket Nos. ER15-572-000, et al., and ER24-232-000, et al. I will explain
14 the need for Transco to adopt a company-wide base ROE value that will apply to all
15 existing and future electric transmission projects that Transco develops in the NYISO-
16 operated service territory, except for the Propel NY Energy Project.

17 **III. Transco's Formula Rate**

18 **Q 9. PLEASE DESCRIBE TRANSCO'S CURRENT FORMULA RATE.**

19 **A 9.** Transco initially filed the Formula Rate in Docket No. ER15-572-000 ("Formula Rate
20 Filing"). At the time of the filing, Transco intended to own and operate the Transmission
21 Owner Transmission Solution ("TOTS") portfolio of projects and develop and own the
22 proposed solutions in the long-standing New York State Public Service Commission
23 ("NYSPSC") regulatory process to relieve historic congestion on the transmission lines

1 near Albany known as the “Central East” and the “Upstate New York – Southeastern New
2 York” constraint (the “AC Transmission Projects”). Transco’s Formula Rate Filing sought
3 acceptance of a formula rate, base ROE component, and certain incentive rate treatments
4 for the TOTS and AC Transmission Projects. In its order, the Commission accepted the
5 formula rate and base ROE for filing, subject to hearing and settlement procedures.

6 Following settlement discussions, Transco entered into two settlement agreements:
7 one to recover the costs associated with its investment in the TOTS projects (“TOTS
8 Settlement”), and another settlement to recover the costs associated with its investment in
9 the AC Transmission Projects (“AC Transmission Project Settlement”) in the event
10 Transco was awarded development rights to one or more aspects of the AC Transmission
11 Projects as part of NYISO-administered competitive solicitation in accordance with the
12 Public Policy Transmission Planning Process under the NYISO Tariff. The TOTS
13 Settlement provided for, among other things, the general formula that would apply for
14 Transco’s investment in all electric transmission facilities, a TOTS-specific base ROE
15 value of 9.5%, and an incentive rate ROE adder specific to the TOTS cost recovery. As
16 part of the AC Transmission Project Settlement, the parties agreed to an AC Transmission
17 Project-specific base ROE value of 9.65% and incentive rate ROE adders specific to the
18 AC Transmission Project cost recovery. Transco was ultimately awarded the Segment B
19 and Segment B Additions components of the AC Transmission Projects (subsequently
20 renamed as the New York Energy Solution (“NYES”), Rock Tavern – Sugarloaf Upgrade
21 (“RTS Upgrade”), and Dover phase angle regulator (“Dover PAR”) substation projects).

22 Recognizing that its Formula Rate was designed to permit recovery of costs of any
23 project or electric transmission asset Transco owns and operates, but the settled base ROE

1 values included in the Formula Rate applied only to the TOTS projects and NYES, RTS
2 Upgrade and Dover PAR projects, Transco sought approval for a base ROE value to apply
3 to Transco's investment in the Propel NY Energy Project in Docket No. ER24-232-000.
4 As part of that filing, Transco also sought approval for certain incentive rate treatments,
5 acceptance of a cost containment mechanism, and other minor revisions to the Formula
6 Rate to allow for the proper recovery of costs solely for the Propel NY Energy Project. In
7 its order in that proceeding, FERC accepted the proposed base ROE value for the Project
8 for filing, subject to hearing and settlement procedures. The Commission recently accepted
9 an Offer of Settlement establishing a base ROE value for the Project of 10.3% and
10 additional ROE incentive adders specific to the Propel NY Energy Project.

11 **Q 10. WHAT IS TRANSCO SEEKING TO ACCOMPLISH IN THE INSTANT FILING?**

12 **A 10.** Transco is seeking two things: First, Transco is proposing to include several additional
13 accounts from the FERC USofA to allow for recovery of prudently incurred Transmission
14 Operation and Maintenance expenses. These accounts are currently specifically excluded
15 from the Formula Rate on file with FERC. Second, Transco is seeking to establish a
16 company-wide base ROE value that, with one exception, will apply to all Transco's current
17 and future investment in electric transmission facilities.

18 **Q 11. DOES TRANSCO'S CURRENT FORMULA RATE NOT INCLUDE A BASE ROE**
19 **THAT WOULD APPLY TO ANY TRANSMISSION-RELATED INVESTMENT BY**
20 **THE COMPANY?**

21 **A 11.** As I explained above, unlike the majority of transmission owners and developers created
22 to compete in FERC Order No. 1000 competitive solicitations administered by
23 transmission providers, Transco's Formula Rate includes project-specific base ROE
24 values. Transco currently has three different base ROE values for its investment in the

1 TOTS projects, the AC Transmission Projects and the Propel NY Energy Project,
2 respectively. In Transco's initial rate filing in 2014, Transco proposed a company-wide
3 base ROE value; however, the parties entered into settlement agreements that established
4 project-specific base ROE values and did not explicitly agree to an ROE that would apply
5 to future projects. While Transco's Formula Rate is generic in nature and can be used to
6 determine costs recoverable under the NYISO Tariff, it does not include a base ROE value
7 that could apply to any other transmission investment not related to these specific projects.

8 **Q 12. YOU MENTION ONE EXCEPTION THAT THE PROPOSED BASE ROE WOULD**
9 **NOT APPLY TO – WHAT IS THAT EXCEPTION?**

10 **A 12.** The base ROE value for the Propel NY Energy Project was established by settlement in
11 Docket No. ER24-232-000. Transco agreed to a limited stay-out provision that commits
12 Transco to not submit a filing under Section 205 of the Federal Power Act ("FPA")
13 requesting a change to the base ROE value for the Propel NY Energy Project before May
14 31, 2030. The proposed inclusion of a company-wide base ROE value in the Formula Rate
15 in this proceeding will not apply to the Propel NY Energy Project. Rather, the terms of the
16 settlement agreed to by the Settling Parties in Docket No. ER24-232-000, et al., will apply
17 to recovery of costs associated with the Propel NY Energy Project. Nothing in this
18 proceeding affects the recovery of costs for that Project.

19 **IV. Support for Inclusion of Additional FERC USofA Accounts in the Formula Rate**

20 **Q 13. WHICH FERC USofA ACCOUNTS IS TRANSCO SEEKING TO INCLUDE IN**
21 **THE FORMULA RATE?**

22 **A 13.** Transco is proposing to include the following accounts in the Formula Rate for cost
23 recovery:

24 Account No. 561.1 Load Dispatch – Reliability

Account No. 561.2 Load Dispatch – Monitor and Operate Transmission System

Account No. 561.3 Load Dispatch – Transmission Service and Scheduling

Account No. 561.4 Scheduling, System Control and Dispatching Services

Account No. 561.5 Reliability, Planning and Standards Development

Account No. 561.6 Transmission Service Studies

Account No. 561.7 Generation Interconnection Studies

Account No. 561.8 Reliability Planning and Standards Development Services

Q 14. ARE THESE ACCOUNTS RECOVERABLE UNDER THE CURRENT TRANSCO FORMULA RATE?

A 14. No. Line 40 of Appendix A of the Transco Formula Rate specifically excludes costs booked to “Accounts 565, 561 and 561.1 to 561.8.” Any prudently incurred transmission-related costs booked to the accounts that Transco now proposes to include for recovery through the Formula Rate are currently removed and do not flow through the formula for recovery.

Q 15. WHY WERE THESE ACCOUNTS NOT INCLUDED IN THE CURRENT TRANSCO FORMULA RATE?

A 15. When Transco submitted its Formula Rate, it was not entirely clear what Transco’s future looked like and how much transmission investment Transco would ultimately own given the uncertainty around the new competitive solicitation process NYISO had developed and whether Transco would be selected as a designated developer of new projects. Because Transco, at the time, did not foresee engaging in the types of transactions contemplated in Account No. 565 (Transmission of electricity by others), nor envision having to perform the types of services defined in the Account No. 561.1 - 561.8 series of accounts, Transco

1 determined that there was no need to include the accounts in Transco's revenue
2 requirement.

3 **Q 16. WHY IS IT APPROPRIATE TO INCLUDE THESE ACCOUNTS IN THE**
4 **FORMULA RATE AT THIS TIME?**

5 **A 16.** As Transco has developed and placed in-service new transmission assets, Transco is
6 responsible for certain of the planning and study services outlined in the Accounts. As a
7 transmission-owning member of NYISO, Transco is expected to conduct the appropriate
8 system planning and perform any necessary transmission service and generator
9 interconnection studies that impact the Transco-owned system. The Propel NY Energy
10 Project alone will have Transco develop and own two new electric transmission substations
11 and increase Transco's electric transmission asset ownership substantially. Transco also
12 has several project proposals under consideration in the pending NYISO competitive
13 solicitation related to the New York City Offshore Wind Public Policy Transmission Need
14 ("PPTN"). Given this level of investment, Transco may determine that it is necessary to
15 operate its own control center, rather than contract with third parties to perform the
16 functions that a control center operator is required to perform for the Transco system.

17 **Q 17. DOES TRANSCO CURRENTLY RECOVER COSTS ASSOCIATED WITH THE**
18 **ACTIVITIES CONTEMPATED IN THESE ACCOUNTS?**

19 **A 17.** Yes. At this time, Transco contracts with third parties to perform some of the services
20 identified in Account Nos. 561.1-561.8. Transco then books the amounts paid to these
21 third parties to Account No. 923: Outside services employed. While this is certainly an
22 appropriate way to account for these costs, once Transco performs each of these functions
23 on its own with Transco employees, Transco will be required to book these costs to the
24 561.1 – 561.8 series and will no longer be able to book the costs to Account No. 923.

1 **Q 18. DOES THE INCLUSION OF THE ADDITIONAL ACCOUNTS TO TRANSCO'S**
2 **FORMULA RATE AT THIS TIME RESULT IN A COST INCREASE?**

3 **A 18.** No, Transco's proposal to include the accounts in the Formula Rate will not result in a rate
4 increase or double recovery of costs. As noted above, Transco has a mechanism in place
5 to recover current costs through the Formula Rate because it currently engages outside
6 service providers to perform certain of these tasks. Once Transco begins to perform these
7 tasks on its own with Transco employees, the outside services costs will simply be replaced
8 by Transco direct costs. We do not expect these costs to be any greater than the amounts
9 that are already prudently incurred and may indeed decrease once Transco performs these
10 tasks itself.

11 **Q 19. WILL THE INCLUSION OF THESE ACCOUNTS IN THE TRANSCO FORMULA**
12 **RATE RESULT IN ANY DOUBLE RECOVERY OF COSTS UNDER THE NYISO**
13 **OATT?**

14 **A 19.** No, there will be no double recovery of costs reflected in FERC Account Nos. 561.1 –
15 561.8. As mentioned above, the amounts booked to these accounts are direct cost items
16 incurred by Transco. In the event that Transco receives cost recovery for any item reflected
17 in the accounts directly from a third party or the NYISO itself, there will be a corresponding
18 credit in the Formula Rate. For example, if Transco is asked to perform generator
19 interconnection studies for the benefit of a specific interconnection customer and Transco
20 receives payment for the studies directly from NYISO through a contractual relationship,
21 those amounts will not flow through the Formula Rate for recovery under Transco's
22 transmission service schedule. Customers will be able to ensure the proper accounting of
23 these costs during the Annual Update review process in accordance with the Formula Rate
24 Implementation Protocols.

Q 20. WHAT SPECIFIC CHANGES TO THE FORMULA RATE ARE YOU PROPOSING?

A 20. The only change to the Formula Rate proposed here is to eliminate the reference to Account Nos. 561 and 561.1 to 561.8 in Line 40 of Appendix A. Specifically, Line 40, Appendix A, Column 1 is revised to read: “Less Account 565.” Also, the FERC Form No. 1 Page, Line, and Column numbers are revised to read: “321.96.b.” This correction retains the exclusion of costs to an account that does not apply for Transco rate recovery and allows for the recovery of costs associated with operation and maintenance accounts that should be permitted for recovery. We are also proposing to change the base ROE value in the Formula Rate consistent with the recommendation of Mr. Adrien McKenzie in his testimony, as described further below.

V. Support for Creation of Company-Wide Base ROE Value

Q 21. WHAT BASE ROE VALUE IS TRANSCO PROPOSING IN THIS FILING?

A 21. Based on the testimony of Mr. McKenzie, Transco is requesting a base ROE value of 10.9%.

Q 22. WHICH PROJECTS WILL THE BASE ROE VALUE APPLY TO?

A 22. The base ROE will apply to the TOTS projects, the NYES, RTS, and Dover PAR projects, as well as any future project (which may include Public Policy Transmission Upgrades and Designated Network Upgrade Facilities) and capital additions Transco owns and operates. As I mentioned above, the new base ROE value will not apply to the recovery of costs associated with the Propel NY Energy Project, which is the subject of a settlement agreement filed in Docket No. ER24-232-000, et al.

Q 23. WHY IS IT IMPORTANT TO ESTABLISH A COMPANY-WIDE BASE ROE?

1 **A 23.** Transco was initially created to fund and develop transmission solutions identified in the
2 2012 New York State Transmission Assessment and Reliability Study (“STARS”)
3 Technical Working Group Phase II Study Report (“STARS Report”). The Stars Report
4 served as a blueprint for developing high-voltage electric transmission projects in New
5 York State that are designed to replace aging infrastructure; ease congestion and reduce
6 energy prices for the state’s consumers; facilitate growth and utilization of renewable
7 generations resources; and meet clean air and public policy goals while ensuring long-term
8 grid reliability and resiliency. Since its inception, Transco has developed and proposed
9 solutions to PPTN determinations and competitive solicitations administered by the
10 NYISO. Transco has been awarded development rights to two projects in two separate
11 solicitations (Segment B of the AC transmission Project and the Propel NY Energy
12 Project).

13 Recently, Transco submitted proposed solutions to the pending NYISO competitive
14 solicitation for the New York City Offshore Wind PPTN. That process is ongoing and the
15 NYISO is expected to make its selection in the 2nd or 3rd Quarter 2025. The company-wide
16 base ROE would apply to the project proposed by Transco if selected by NYISO.
17 Moreover, most of the developers that submitted proposals in the NYC Offshore Wind
18 PPTN have established base ROEs that would apply to their projects if selected.

19 Also, as part of the solicitation process, developers are required to include specific
20 project solutions as well as any cost containment mechanism they would agree to in the
21 development of the proposed project. The NYISO considers the cost containment
22 mechanism on a quantitative and qualitative basis in its evaluation and selection of the
23 more efficient or cost-effective transmission solution. Having a company-wide base ROE

1 value approved by FERC in its Formula Rate would allow Transco to have a better
2 understanding of its anticipated cost recovery at various cost containment levels and,
3 hence, assist in the development of more thoughtful and competitive bids. The PPTN
4 determinations require some of the most complex and costly transmission project solutions
5 and rate certainty is extremely important in the development of bids with cost containment
6 mechanisms.

7 **Q 24. ARE THERE OTHER PRACTICAL REASONS WHY TRANSCO NEEDS A**
8 **COMPANY-WIDE ROE?**

9 **A 24.** Yes. Transco has developed and placed in-service multiple electric transmission assets,
10 including the TOTS projects, the NYES, and the RTS Upgrade project. The Dover PAR
11 project is expected to be in-service mid-2025. Transco is also fully engaged in the
12 development of the Propel NY Energy Project in the New York City area. As a
13 transmission owner, any future development may require Transco to construct a
14 Designated Public Policy Project (including those comprised of Public Policy
15 Transmission Upgrades) and Designated Network Upgrade Facilities and the NYISO
16 Tariff allows for rate recovery under Rate Schedule 10 of the NYISO OATT. Transco
17 seeks to establish a company-wide base ROE for the recovery of costs associated with these
18 types of facilities on a prospective basis for purposes of rate certainty, efficiency, and
19 consistency of rate treatment across its transmission assets. The New York Transmission
20 Owners recently filed for recovery of these types of upgrades as well and established a base
21 ROE for their recovery in Docket Nos. ER23-2212-000 (Consolidated Edison Company of
22 New York, Inc.), ER23-1816 (New York State Electric & Gas Corporation), ER23-1817

(Rochester Gas and Electric Corporation), and ER23-2507 (Central Hudson Gas and Electric Corporation).

Q 25. WHAT IS THE RATE IMPACT OF THE PROPOSAL TO INCLUDE A BASE ROE VALUE IN THE FORMULA RATE?

A 25. As it relates to Transco’s existing projects, the proposed change in the base ROE value will only apply to Transco’s investment in the TOTS and NYES projects (including the RTS Upgrade and Dover PAR). The base ROE proposed here will not apply to the Propel NY Energy Project. On September 30, 2024, Transco published its Annual Projection of revenue requirements for the 2025 rate year on the NYISO billing rates page on its website. In that projection, Transco calculated an annual revenue requirement figure for the TOTS Project and AC Transmission Projects (NYES, RTS Upgrade, and Dover PAR) of \$27,366,087 and \$114,714,948, respectively. If the new base ROE proposed here were in effect on January 1, 2025, the increase in Transco’s yearly annual revenue requirement for 2025 for the TOTS Project would be \$1.67 million and the increase for the AC Transmission Projects would be \$6.65 million.

VI. Depreciation Rates

Q 26. DOES TRANSCO PROPOSE TO CHANGE THE DEPRECIATION RATES IN THIS FILING?

A 26. No. Transco proposes to continue to utilize the depreciation rates that are currently included in Attachment 9 of the Formula Rate at this time.

Q 27. HOW WERE THOSE DEPRECIATION RATES DETERMINED?

A 27. In its filing in Docket No. ER15-572, Transco proposed to use an average of the FERC-approved depreciation rates for the New York Transmission Owner (“NYTO”) affiliates

1 of Transco.¹ Transco supported the use of these rates because it was a newly-formed entity
2 and at that time, with no assets upon which to base depreciation rates.

3 **Q 28. DOES TRANSCO PLAN TO SUBMIT A FUTURE FILING WITH THE**
4 **COMMISSION TO CHANGE THE DEPRECIATION RATES?**

5 **A 28.** Yes. As part of the filing in Docket No. ER15-572-000, Transco originally committed to
6 submit a new depreciation study within five years of the in-service date of the first project
7 to be placed in service. However, as I mentioned above, Transco entered into two
8 settlement agreements in that proceeding and the first settlement, the TOTS Settlement,
9 did not contain any consideration of the depreciation rates or Transco's commitment as
10 articulated to the Commission in its original filing letter. The second settlement, the AC
11 Transmission Project Settlement, did address the depreciation rates and included a Section
12 3.2(h):

13 The depreciation rates applicable to all classification of capital assets associated
14 with the AC Transmission Projects are set forth in Attachment A of this Settlement.
15 By January 1, 2026, NY Transco shall submit to FERC a limited Section 205 filing
16 to implement any modification to depreciation rates as a result of a depreciation
17 study.

18 Transco confirmed in Docket No. ER24-232-000 that it will abide by the settlement
19 agreement in Docket No. ER15-572-000 and intends to conduct a depreciation study and
20 submit any modifications to the Attachment 9 depreciation rates by January 1, 2026.

21 **Q 29. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 **A 29.** Yes, this concludes my testimony.

¹ The NYTO affiliates of Transco are: Central Hudson Gas & Electric Corporation ("Central Hudson"), Consolidated Edison Company of New York, Inc. ("ConEd"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), and New York State Electric & Gas Corporation ("NYSEG").

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Docket No. ER25-____-000

AFFIDAVIT OF ROBERT CASO

Pursuant to 28 U.S.C. § 1746, I, Robert Caso, under penalty of perjury, state under oath that the information contained in the foregoing "Prepared Direct Testimony of Robert Caso" on behalf of New York Transco, LLC is true, correct, accurate, and complete to the best of my knowledge and belief.

Executed this 7th day of January, 2025.



Robert Caso