

ATTACHMENT 2

EXHIBIT NO. CECONY-201

PREPARED DIRECT TESTIMONY OF KELLY MCLAUGHLIN-MARTINI

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

New York, Independent System Operator, Inc.)
Consolidated Edison Company of New York, Inc.) Docket No. ER25-__-000
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PREPARED DIRECT TESTIMONY OF KELLY MCLAUGHLIN-MARTINI

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Kelly McLaughlin-Martini, Assistant Controller, Consolidated Edison Company of New York, Inc. (“Con Edison” or “Company”), 4 Irving Place, New York, NY 10003

Q. PLEASE STATE YOUR RESPONSIBILITIES AS ASSISTANT CONTROLLER.

A. I am the Assistant Controller at Con Edison responsible for Regulatory Accounting & Policy, Accounts Payable and Payroll.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from Fordham University in 1997 with a Bachelor of Science Degree in Accounting and Finance and received my Master of Business Administration, also from Fordham University, in 2004. I am a Certified Public Accountant. After five years working predominately as an auditor and accountant, I joined Con Edison in 2003 as an Accountant in the Corporate Accounting department. I assumed positions of increasing responsibility over the years, including Senior Accountant and Department Manager in Corporate Accounting, Financial Accounting & Reporting. In September 2014, I assumed the position of Department Manager, Orange and Rockland Utilities, Inc. Financial Services and, in November 2016, I was promoted to Director, Corporate Financial Planning and Analysis. I assumed the position of Assistant Controller, Corporate Accounting in April 2021.

Q. HAVE YOU PROVIDED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE COMMISSION?

A. No. I have not previously provided testimony in proceedings before the Commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Con Edison seeks Commission authorization for construction work in progress incentive (“CWIP Incentive”) that would provide for recovery during construction of 100% of its prudently incurred costs associated with its investment in the Rainer Breakers that were selected as part of the Propel NY Energy Project by New York Independent System Operator, Inc. (“NYISO”) and designated to Con Edison as well as an abandonment incentive (“Abandoned Plant Incentive”) that would provide for such cost recovery if one or more of the Rainey Breakers are abandoned or cancelled for reasons beyond the control of Con Edison. Through my testimony, I explain how the Rainey Breakers satisfy the Commission’s requirements for the requested CWIP Incentive.

Q. WAS YOUR TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION AND CONTROL?

A. Yes. I consulted with subject matter experts from Con Edison’s Corporate Finance Departments.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I will explain Con Edison’s request to recover 100% of the prudently incurred Construction Work in Progress (“CWIP”) in rate base (“100% CWIP Recovery”) as an incentive-based rate treatment under the Commission’s Order No. 679. I will demonstrate that there is a nexus between Con Edison’s investment in the Rainey Breakers and the requests for (1) 100% CWIP Recovery on the Rainey Breakers, and (2) recovery of 100% of prudently incurred costs of the Rainey Breakers that are abandoned for reasons beyond the control of Con Edison.

I will also address how 100% CWIP Recovery will enhance Con Edison's financial strength by (1) supporting current credit ratings for Con Edison, which allows Con Edison to access the capital markets at a reasonable cost in all market conditions; and (2) maintaining solid financial and operating statistics including stable cash flow over the construction and life of the Rainey Breakers. My testimony will explain how 100% CWIP Recovery for the projects will also benefit our customers by reducing the overall cost of the Rainey Breakers to customers as well as reducing Con Edison's borrowing costs during the construction period.

My testimony will also address how abandonment of any of the Rainey Breakers could have a significant negative impact on Con Edison if prudently incurred costs are not able to be recovered.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes, I am sponsoring the following exhibits, which were prepared by me, or under my supervision:

- Exhibit No. CECONY-202: Comparison of Construction Costs and Revenue Requirements; and
- Exhibit No. CECONY-203: CWIP vs. AFUDC.

Q. DO YOU INCORPORATE THESE EXHIBITS INTO YOUR TESTIMONY?

A. Yes.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. Maintaining and enhancing financial strength is an ongoing consideration when making management decisions. Con Edison must maintain the ability to access the capital markets at a

reasonable cost in all market conditions. Con Edison will continue to attract investors if it maintains its track record of stable financial and operating statistics, including solid credit metrics, strong equity ratios, predictable and stable cash flows, a fair and reasonable return on equity (“ROE”), and favorable regulatory treatment for timely recovery of financing costs during construction. Con Edison needs to recover its cost of financing and requires an approved return that compensates investors fairly. Recovery of prudent utility costs enhances cash flows, credit metrics, capitalization ratios, and supports continued overall financial strength.

I conclude that: (1) 100% CWIP Recovery will allow Con Edison a current return on costs when a project is in construction and, during years when Con Edison undergoes extensive levels of transmission capital expenditures, will produce lower overall construction costs, lower depreciation expenses, and a more gradual rate increase for customers; and (2) as steady cash flows are an important consideration in the determination of credit ratings, authorizing 100% CWIP Recovery will help support Con Edison’s current credit ratings.

III. REQUEST FOR 100% CWIP RECOVERY

Q. PLEASE DESCRIBE THE METHODS FOR A UTILITY TO RECOVER CONSTRUCTION COSTS.

A. There are two methods for a utility to recover its carrying costs associated with capital investments in transmission projects until the total project investment is placed in rate base. The first method is to capitalize carrying costs of CWIP in the form of Allowance for Funds Used During Construction (“AFUDC”), which is added to rate base along with the project investment when the project goes into commercial operation. The second method is, if a utility receives the necessary authorization, to earn a current return on all or part of its CWIP during the construction

period (with AFUDC calculated on any portion of CWIP not earning a current return). Under the 100% CWIP Recovery mechanism, the utility will recover rates on the financing costs of construction on a current basis, instead of adding these costs to the capital investment amount added to rate base following the construction period. However, as with the AFUDC mechanism, a project will not begin to depreciate until it is placed into service.

Allowing a current return on CWIP: (1) results in a lower overall construction cost and, therefore, less financing is required on the utility's part; (2) reduces the overall amount that will need to be charged to customers in the form of depreciation; and (3) provides for more gradual rate increases associated with the new facility. By contrast, recovering carrying costs on construction costs through capitalization of AFUDC requires utility customers to pay a return (the utility's authorized return) on a return (the utility's carrying costs on CWIP). This will result in higher overall construction costs and additional financing, higher depreciation amounts, and increased rate impacts when the constructed facility is placed into service and added to rate base.

Q. PLEASE DESCRIBE THE CHANGES THAT WOULD OCCUR IF CON EDISON RECEIVES APPROVAL FOR 100% CWIP RECOVERY.

A. Con Edison is requesting 100% CWIP Recovery for the costs of its investment in the Rainey Breakers. The primary difference between 100% CWIP Recovery and AFUDC is that 100% CWIP Recovery will allow Con Edison to receive a current return on the costs that are used during the construction of the Rainey Breakers.

Under the AFUDC methodology, Con Edison recovers costs and interest from the construction period for projects after the projects go into service. In addition, 100% CWIP Recovery will

allow for additional cash flow during the construction period, which will help Con Edison support its current credit ratings and financial obligations.

Q. PLEASE DESCRIBE THE BENEFITS TO CON EDISON OF 100% CWIP RECOVERY FOR THE RAINEY BREAKERS.

A. 100% CWIP recovery would benefit Con Edison due to the significant capital expenditure and lengthy construction timelines for the Propel NY Energy Project for which Con Edison is installing the Rainey Breakers.

One of the benefits of receiving 100% CWIP Recovery is that Con Edison's cash flow position will be improved, which in turn positively influences the credit metrics the rating agencies rely on when determining Con Edison's credit ratings. Con Edison expects to spend \$54.6 million from 2024 to 2030 on the Rainey Breakers, which, barring 100% CWIP recovery, will result in a net cash outflow for the project during this time frame and reduce Con Edison's overall net cash flow. Con Edison has spent approximately \$4.6 million so far on the Rainey Breakers and expects to spend approximately \$50 million after the requested incentives are granted.

Having more cash flow from operations during years of very high capital expenditures would reduce Con Edison's exposure to the risks of capital market financing. Credit rating agencies have written extensively on how cash flows influence credit ratings for utility companies.

According to S&P, higher than historical levels of capital spending could compromise a utility's cash flow and cause a decline in its financial profile. Credit rating agencies have identified that certain regulatory mechanisms, such as return on CWIP, can strengthen a company's cash flow.

Another benefit of 100% CWIP Recovery is that it reduces downward pressure on Con Edison's cash flows, which are an important metric to the rating agencies and investment community

allowing Con Edison the ability to recover borrowed money at a lower cost. 100% CWIP Recovery also will help Con Edison achieve its financial objectives. On the other hand, 100% CWIP Recovery will not increase the overall amount that customers pay but will affect only the timing of cost recovery. Indeed, this incentive would benefit customers by easing the high capital costs of the Rainey Breakers. 100% CWIP Recovery will reduce nominal rates for NYISO ratepayers over time by decreasing the amount of long-term debt to be issued by Con Edison.

IV. EFFECTS OF CWIP ON CASH FLOW

Q. HOW DOES A “RECOVERY LAG” AFFECT CON EDISON’S CASH FLOW?

A. Any lag in cost recovery negatively affects Con Edison’s cash flow. This can cause the Company to face tight cash positions due to the extensive capital improvement program and investments in transmission it is undertaking. In general, rating agencies are concerned with a company’s ability to meet its short-term capital needs under conditions of market and financial stress. An important aspect in assessing a company’s financial flexibility is its cash flow.

The recovery lag is problematic because of the investments that Con Edison is making in the Rainey Breakers. The lag in recovering these financing costs produces temporary cash flow constraints and forces Con Edison to access higher levels of funding in the capital markets than would otherwise be required if the timing of recovery more closely matched the timing of actual expenditures.

Q. CAN CON EDISON SHOW THE IMPACT ON CASH FLOW FROM 100% CWIP RECOVERY VERSUS THE CURRENT AFUDC APPROACH?

A. Yes. As Exhibit No. CECONY-202 depicts CWIP has a higher benefit to cash flow compared to AFUDC.

Q. WILL 100% CWIP RECOVERY HELP CON EDISON SUPPORT CURRENT CREDIT METRICS?

A. Yes. In developing its quantitative assessment of the financial condition of a company, the rating agencies remove AFUDC from income and use interest actually paid for purposes of developing their measures. This means that if an AFUDC practice is in place during a period of substantial construction activity, absent other changes such as increased equity in the capital structure, the financial measures used by the rating agencies to assess a company's financial condition will be weakened.

V. EFFECTS ON CREDIT RATINGS

Q. WHY SHOULD FERC BE CONCERNED WITH A UTILITY'S CREDIT RATINGS?

A. FERC should be interested in credit ratings because these ratings affect the cost of providing service to customers. Credit ratings affect the cost of both long-term capital and short-term capital. Credit ratings also have a direct impact on the cost of capital through the pricing mechanisms that are used to determine the cost of debt in capital markets. Banks and fixed income investors rely on the credit ratings published by the rating agencies as one measure in determining a company's risk profile, and therefore the return that they require on their capital.

A utility's credit rating directly impacts the cost of capital, which affects the rates that customers pay. When a company issues bonds, the required yield is based on adding a credit spread to the benchmark U.S. Treasury with a maturity similar to the new bond the company is issuing. The credit spread added to the benchmark Treasury is based on perceived credit risk. In times of high liquidity and low perceived credit risk, relative credit spreads between different credit rating categories narrow. In times of low liquidity and higher perceived credit risk, these spreads widen.

Importantly, companies with lower credit ratings will generally face higher borrowing costs. This happens because fixed income investors are less likely to lend at favorable prices or terms to companies with lower credit ratings, especially during times of tighter credit conditions.

Maintaining a higher credit rating would ensure that a company can maintain access to reasonably priced capital even in the face of an adverse and unpredictable event or a structural shift in capital markets. This safety margin that comes from a higher credit rating is beneficial for a utility's customers.

Q. PLEASE EXPLAIN THE RATING AGENCY SCALES.

A. Credit ratings are reflections of relative risk and indicators of the likelihood that lenders will be paid their interest and principal on a timely basis and, in the event of a default, will recover some or all of their investment. For example, a company with an S&P rating of AA is viewed by investors as having less risk than a company with an A rating. S&P measures business risk on a scale from Excellent to Vulnerable, with Excellent being the lowest risk and Vulnerable being the highest risk and measures financial risk on a scale of Minimal to Highly Leveraged with Minimal being the lowest risk. The higher the business risk, the more robust the financial metrics and the lower the financial risk must be to achieve the same bond rating.

Q. WHAT IS CON EDISON'S BUSINESS RISK RATINGS?

A. Con Edison has an S&P business risk rating of Excellent.

Q. WHAT DOES FINANCIAL RISK ADDRESS?

A. Financial risk addresses the ability of the company to make scheduled payments of interest and principal on its financial obligations. To assess a company's ability to make these payments

for a given level of cash flow variability from its business risk, the credit rating agencies evaluate certain financial ratios to determine whether the company has sufficient levels of cash flow to cover its interest expense and to repay the principal amount of its debt in the future. The credit rating agencies also evaluate the relative amounts of debt and equity in the capital structure to determine whether the company is appropriately capitalized given its business risk profile.

Q. HOW DO RATING AGENCIES ASSESS CASH FLOW?

A. The primary cash flow metric evaluated by the credit rating agencies is the ratio of Funds From Operations to Total Debt (“FFO/Total Debt”). Credit rating agencies want to understand how a company plans to meet all of its financial obligations, regardless of how they are reported under Generally Accepted Accounting Principles. Accordingly, both these metrics are adjusted for the effect of off-balance sheet obligations. Off-balance sheet obligations may include: purchased power commitments, operating leases, guarantees, repayment obligations for financing factored receivables, and other contingent obligations.

Q. HOW DO RATING AGENCIES DETERMINE FUNDS FROM OPERATIONS?

A. The two largest income statement items that are included in Funds From Operations are net income and depreciation expense. The higher the company’s net income and depreciation expense, the higher the company’s Funds From Operations will be. As a result, the authorized ROE and determinations regarding depreciable plant lives have a significant impact on the critical cash flow coverage ratios. The more debt and other fixed-charge contractual obligations that the company has, the higher the total adjusted debt and the lower the cash flow coverage ratios.

Q. HOW DOES A COMPANY'S CAPITAL STRUCTURE AFFECT ITS CREDIT RATING?

A. The ratio of Total Debt to Total Capitalization provides a long-term measure of a company's financial risk. In general, if a company has more debt, it is considered more financially risky. As the level of debt in a capital structure increases, so does the level of interest expense that must be serviced, which requires higher levels of cash flow to produce adequate levels of interest coverage. The more financial leverage or more fixed-charge obligations, the more the company is perceived as financially risky by potential investors. For regulated utilities, a lower equity ratio will generate less cash flow, assuming the equity return is held constant.

Q. HOW DO CON EDISON'S CUSTOMERS BENEFIT FROM A STRONG CREDIT RATING?

A. Strong credit ratings benefit customers by providing access to capital at a reasonable cost. Conversely, a downgrade to a lower credit rating could affect Con Edison's cost of supporting daily business. Supporting Con Edison's operations requires access to funding, which can come from different sources such as long-term debt, commercial paper, a credit facility, and letters of credit. The cost of each of these types of funding varies and is dependent on the credit rating of the borrower.

Beyond the increased borrowing cost discussed above, the lower credit quality also impacts the cost of equity, which in turn will necessitate a higher equity return. In short, maintaining strong financial metrics and credit ratings minimizes the Company's costs of capital investments and customer costs in multiple respects.

Q. DOES A LOWER CREDIT RATING HAVE IMPACTS THAT EXTEND BEYOND THE LONG-TERM COST OF DEBT?

A. Yes. A downgrade could also affect Con Edison's cost of capital and access to short-term liquidity. The three main rating agencies (Moody's, S&P and Fitch) provide credit ratings on short-term debt with P-1, A-1 and F1 as the highest ratings, respectively. Con Edison's current ratings of P-2/A-2/F2 are one notch below that level but still indicate a strong ability to repay short-term obligations. A company's short-term credit ratings are the primary basis that determine borrowing rates for commercial paper. If Con Edison's short-term obligation ratings were downgraded by one notch from P-2/A-2/F2 to P-3/A-3/F3, the Company estimates that its commercial paper borrowing rate would increase by 25 basis points which translates to approximately \$250,000 per \$100 million borrowed. Credit enhancement products that Con Edison uses in the normal course of business, such as letters of credit, similarly become more expensive as the credit rating deteriorates.

Q. WOULD THE ABSENCE OF 100% RECOVERY OF THE FINANCING COSTS FOR CWIP BE ENOUGH TO TRIGGER A DOWNGRADE?

A. Unfortunately, that is difficult to determine precisely. Embarking on a large construction project without the assurance of current recovery of financing costs will likely result in an erosion of Con Edison's key credit metrics. This means that Con Edison would have less financial flexibility and the ability to weather any financial storms that might arise from challenges posed from the overall economic environment.

Q. WHAT WOULD THE IMPACT BE OF A DOWNGRADE OF CON EDISON'S CREDIT RATINGS?

A. A downgrade in Con Edison's credit ratings would increase the cost of debt and equity required to support the construction of the Rainey Breakers and reduce Con Edison's flexibility to finance foreseen and unforeseen capital requirements.

Q. HOW DOES A COMPANY'S BOND RATING AFFECT THE RETURNS THAT EQUITY INVESTORS EXPECT?

A. Potential equity investors consider a company's financial strength when determining if they are willing to buy its common stock at a given price. As residual owners (i.e., they receive a return only after debt and preferred stock investors are paid), equity investors are very concerned about financial integrity. Equity holders anticipate returns commensurate with their perception of the risk associated with a particular investment. Thus, lower financial integrity increases risk resulting in a correspondingly greater expected return.

Q. WHAT OTHER FACTORS DO CREDIT RATING AGENCIES CONSIDER?

A. From a qualitative perspective, the credit rating agencies also consider the supportiveness of the regulatory jurisdiction, management quality, the debt portfolio maturity schedule, service territory economy, trading and risk management programs, competitive pressures, and cost recovery mechanisms.

VI. FINANCIAL OBJECTIVES

Q. WHAT ARE CON EDISON'S FINANCIAL OBJECTIVES?

A. Con Edison's financial objectives are targeted at: (i) maintaining a corporate credit rating sufficient to provide adequate access to external capital at reasonable cost to the ratepayers; (ii) providing reasonably priced electric and natural gas service to Con Edison's customers; and (iii) achieving acceptable returns to shareholders, all of which strengthen the financial integrity of

Con Edison. Con Edison's financial objectives are designed to enable it to manage financial risks throughout the business cycle, to guide financial decision-making, and to ensure that it maintains access to capital on competitive terms and pricing under a wide range of financial market conditions. Ready access to capital is necessary for Con Edison to provide efficient, reliable, and reasonably priced service to its customers.

The financial objectives for Con Edison are targeted at: (i) ensuring that Con Edison can acquire the necessary funds to support efficient, safe, reliable, and reasonably priced service to its customers; (ii) supporting the current credit ratings; and (iii) creating fairness to shareholders.

Q. PLEASE EXPLAIN THE SIGNIFICANCE OF FINANCIAL INTEGRITY TO CON EDISON.

A. Financial integrity is critical to enable Con Edison to obtain access to long-term and short-term capital at reasonable costs on reasonable terms. Access to long-term debt and equity capital is required to fund the Company's large-scale investments in utility assets that are not funded by internally generated funds. Con Edison's capital investments will require access to outside capital. Access to working capital is needed to finance short-term assets (such as natural gas and purchased power) and to provide initial financing required for new capital projects. To maintain financial integrity, Con Edison needs the opportunity to recover in a timely manner all prudently incurred costs for operations and maintenance of the system, capital, purchased capacity costs, and income tax expense associated with providing utility service.

Q. WHAT DOES A UTILITY NEED FOR FINANCIAL INTEGRITY?

A. The financial integrity of a regulated utility is largely a function of the capital structure, the ROE and cash flow, but other considerations also can have an effect. A utility also needs the

opportunity to recover prudently incurred costs for operation and maintenance of the utility system, including the recovery of its financing costs on a timely basis.

Q. HOW DO INVESTORS EVALUATE FINANCIAL INTEGRITY?

A. Financial integrity is evaluated through a comprehensive quantitative and qualitative analysis of a company and the economic and business environment in which it operates. Investors generally look to the company-specific credit ratings published by the major credit rating agencies as a general indication of a company's financial strength. Credit ratings issued by Moody's, S&P, and Fitch provide investors with an independent assessment of financial integrity.

VII. IMPACT ON CON EDISON CUSTOMERS

Q. WHAT IS THE IMPACT OF 100% CWIP RECOVERY TO CON EDISON'S CUSTOMERS?

A. Allowing 100% CWIP Recovery on the Rainey Breakers would not increase the overall level of rates for Con Edison's customers. Rather, 100% CWIP Recovery primarily would affect the timing of payments for the return on the costs of these facilities. In fact, on a nominal basis, allowing 100% CWIP Recovery would decrease the amount Con Edison's customers would pay for the Rainey Breakers. Exhibit No. CECONY-203 illustrates the customer impact of 100% CWIP Recovery for the Rainey Breakers versus the traditional AFUDC mechanism over the estimated useful life of the assets. Customers would pay less on a nominal basis over the life of the Rainey Breakers by allowing Con Edison to earn a current return on its construction balance in comparison to the present AFUDC mechanism.

100% CWIP Recovery will have a beneficial impact on customers because it allows them to ease in the costs of the Rainey Breakers and avoid a sudden cost increase when those facilities go into

service. In comparison, AFUDC can create a “rate shock” effect when projects are placed into service because rates are adjusted to reflect the cumulative construction costs and multiple years of capitalized AFUDC. By allowing current cost recovery, and avoiding interest payments, consumers can benefit much like they do if they pay their credit card debts rather than paying interest on their accumulated debts. Therefore, allowing 100% CWIP Recovery would have the beneficial effect of ameliorating sudden rate changes while not causing an overall long-term rate increase—and, in fact, creating an overall rate decrease on a nominal basis.

VIII. REQUEST FOR ABANDONED PLANT RECOVERY

Q. DO UTILITIES TYPICALLY RECOVER COSTS FOR PLANTS ABANDONED FOR REASONS BEYOND THEIR CONTROL?

A. No. The recovery of Abandoned Plant beyond the utility’s control varies depending on the applicable jurisdiction and circumstances such as whether a project receives a required certificate of need or route permit.

Q. WHY IS CON EDISON REQUESTING THIS INCENTIVE?

A. Con Edison is requesting a rate incentive to allow it to recover 100% of prudently-incurred costs if the Rainey Breakers must be abandoned due to forces outside of its control. This type of incentive would reduce the risk of constructing the Rainey Breakers if they were to be abandoned. In the case of large transmission projects, there are a number of risks outside of Con Edison’s control that could jeopardize the completion of the facilities that may be outside the control of the constructing utility. For example, NYISO has designated Con Edison the entity responsible for constructing the Rainey Breakers as part of the Propel NY Energy Project.

In the event the Propel NY Energy Project is abandoned for reasons outside Con Edison’s control, Con Edison may likewise be required to abandon the Rainey Breakers. In addition, the

Propel NY Energy Project will require environmental and other federal and state permits which are dependent on the successful and timely acquisition of rights-of-ways. It can take significant time to obtain these permits and there are no guarantees such permits will be obtained. Further, the projects will require successful negotiations for construction agreements with multiple partners including public utilities who also face multiple risk factors. The Propel NY Energy Project must overcome the complexity of multi-party ownership, including the dynamics of project governance and cooperative decision-making. Please see the testimony of Bradford L. Winer, Exhibit No. CECONY-101, which addresses the various business risks surrounding the Propel NY Energy Project.

Q. WHY IS ABANDONED PLANT RECOVERY APPROPRIATE FOR THE RAINEY BREAKERS?

A. The Abandoned Plant recovery incentive is appropriate because there is a nexus between the Rainey Breakers risks and the requested incentive consistent with the Federal Power Act Section 219 and Order No. 679 for abandoned property. As discussed in Mr. Bradford L. Winer's testimony, there are a number of significant and complex risks to the Rainey Breakers outside the control of Con Edison's management. Granting an Abandoned Plant recovery incentive for the Rainey Breakers is necessary to address the cancellation risks for the Rainey Breakers and to fulfil Order No. 679's goal of encouraging transmission development. The Abandoned Plant Incentive will provide Con Edison with certainty that it will have the opportunity to seek recovery of abandonment costs to make the Rainey Breakers readily financeable. The Commission has granted the Abandoned Plant Incentive for projects that face risks associated with changes in public policy, energy markets, or capital markets that could ultimately render a

project unnecessary. The Rainey Breakers face the possibility of cancellation due to each of these risks.

IX. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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

New York Independent System Operator, Inc.)
Consolidated Edison Company of New York, Inc.) **Docket No. ER25-____-000**
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AFFIDAVIT OF KELLY MCLAUGHLIN-MARTINI

Pursuant to 28 U.S.C. § 1746, I, Kelly McLaughlin-Martini, under penalty of perjury, state under oath that the information contained in the foregoing “Prepared Direct Testimony of Kelly McLaughlin-Martini” on behalf of Consolidated Edison Company of New York, Inc., is true, correct, and accurate to the best of my knowledge and belief.

Executed this 12th day of May 2025 .

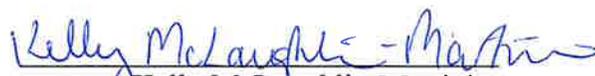

Kelly McLaughlin-Martini

EXHIBIT NO. CECONY-202

COMPARISON OF CONSTRUCTION COSTS AND REVENUE REQUIREMENTS

Comparison of Construction Costs and Revenue Requirements 2024 - 2059						
CWIP						
\$ in 000's						
Year	- Construction Costs LI PPTN Rainey	Contribution to Rate Base Value	Contribution to Fair Return	Depreciation	Revenue Recovered from Ratepayers	Revenue Req. Comparison CWIP vs. AFUDC
2024	2,433	2,433	224		224	224
2025	16,688	19,120	1,761		1,761	1,761
2026	11,682	30,802	2,837		2,837	2,837
2027	9,507	40,309	3,712		3,712	3,712
2028	3,078	43,388	3,996		3,996	3,996
2029	11,282	54,670	5,035		5,035	5,035
2030		54,670	4,948	1,822	6,770	(1,347)
2031		51,599	4,752	1,822	6,574	(1,308)
2032		49,261	4,537	1,822	6,359	(1,265)
2033		46,996	4,328	1,822	6,150	(1,223)
2034		44,801	4,126	1,822	5,948	(1,183)
2035		42,669	3,930	1,822	5,752	(1,144)
2036		40,596	3,739	1,822	5,561	(1,106)
2037		38,578	3,553	1,822	5,375	(1,069)
2038		36,590	3,370	1,822	5,192	(1,033)
2039		34,606	3,187	1,822	5,009	(996)
2040		32,623	3,004	1,822	4,827	(960)
2041		30,639	2,822	1,822	4,644	(924)
2042		28,656	2,639	1,822	4,461	(887)
2043		26,672	2,456	1,822	4,279	(851)
2044		24,688	2,274	1,822	4,096	(815)
2045		22,705	2,091	1,822	3,913	(778)
2046		20,721	1,908	1,822	3,731	(742)
2047		18,738	1,726	1,822	3,548	(706)
2048		16,754	1,543	1,822	3,365	(669)
2049		14,770	1,360	1,822	3,183	(633)
2050		12,947	1,192	1,822	3,015	(600)
2051		11,442	1,054	1,822	2,876	(572)
2052		10,095	930	1,822	2,752	(547)
2053		8,749	806	1,822	2,628	(523)
2054		7,403	682	1,822	2,504	(498)
2055		6,057	558	1,822	2,380	(473)
2056		4,711	434	1,822	2,256	(449)
2057		3,365	310	1,822	2,132	(424)
2058		2,019	186	1,822	2,008	(399)
2059		673	62	1,822	1,884	(375)
Total 2024 - 2059	\$54,670			\$54,670	\$140,738	(\$6,936)

Comparison of Construction Costs and Revenue Requirements 2024 - 2059

AFUDC					
\$ in 000's					
Year	<u>Construction Costs</u> LI PPTN Rainey	Contribution to Rate Base Value	Contribution to Fair Return	Depreciation	Revenue Recovered from Ratepayers
2024	\$2,512				
2025	\$17,390				
2026	\$13,310				
2027	\$12,046				
2028	\$5,807				
2029	\$14,479				
2030		64,416	5,932	2,185	8,117
2031		61,863	5,697	2,185	7,882
2032		59,059	5,439	2,185	7,624
2033		56,344	5,189	2,185	7,374
2034		53,712	4,947	2,185	7,131
2035		51,156	4,711	2,185	6,896
2036		48,671	4,482	2,185	6,667
2037		46,251	4,259	2,185	6,444
2038		43,868	4,040	2,185	6,225
2039		41,490	3,821	2,185	6,006
2040		39,112	3,602	2,185	5,787
2041		36,733	3,383	2,185	5,568
2042		34,355	3,164	2,185	5,349
2043		31,977	2,945	2,185	5,130
2044		29,599	2,726	2,185	4,911
2045		27,221	2,507	2,185	4,692
2046		24,843	2,288	2,185	4,473
2047		22,465	2,069	2,185	4,254
2048		20,086	1,850	2,185	4,035
2049		17,708	1,631	2,185	3,816
2050		15,522	1,429	2,185	3,614
2051		13,717	1,263	2,185	3,448
2052		12,104	1,115	2,185	3,299
2053		10,490	966	2,185	3,151
2054		8,876	817	2,185	3,002
2055		7,262	669	2,185	2,854
2056		5,648	520	2,185	2,705
2057		4,035	372	2,185	2,556
2058		2,421	223	2,185	2,408
2059		807	74	2,185	2,259
Total 2024 - 2059	\$65,544			\$65,544	\$147,674

EXHIBIT NO. CECONY-203

CWIP V. AFUDC

