

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Power Authority) Docket No. ER12-____-000

PREPARED DIRECT TESTIMONY
OF THOMAS A. DAVIS

1 **Q. Please state your name and business address.**

2 A. My name is Thomas A. Davis. My business address is 123 Main Street White Plains, NY
3 10601.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am the Vice President of Financial Planning & Budgets for the New York Power
6 Authority (“NYPA” or “Authority”) which is a corporate municipal instrumentality and
7 political subdivision of the State of New York.

8 **Q. Would you please summarize your educational and professional background?**

9 A. I received my Bachelor’s degree in Business Administration and Finance from Hofstra
10 University in 1980 and then attained a Master of Business Administration degree in
11 Management Science from Pace University in 1987 and a Master of Science degree in
12 Energy Management from the New York Institute of Technology in 1997.

1 My professional experience includes 29½ years at the Authority in various subject areas
2 such as financial planning, risk management, budgeting, production and transmission rate
3 development, transmission interconnection agreements and demand side management.
4 I have submitted testimony before the New York State Public Service Commission
5 (“NYPSC”) in Case 04-E-0572, which concerned the bundled transmission and
6 distribution rates for Consolidated Edison Company of New York, Inc.

7 **Q. What is the scope of your testimony in this proceeding?**

8 A. My testimony supports the Authority’s filing under Section 205 of the Federal Power Act
9 to update its transmission revenue requirement which is included in the New York
10 Independent System Operator Inc.’s Open Access Transmission Tariff (“NYISO
11 OATT”). Specifically, my testimony and exhibits explain the cost basis for increasing
12 the current NYPA transmission system revenue requirement (or “RR”) of \$165,449,297
13 that was initially approved by FERC based upon 1996 data when it authorized the
14 formation of the NYISO in *Central Hudson Gas & Elec. Corp., et al.*, 86 FERC ¶ 61,062
15 (1999). This is the first time NYPA has sought to revise its RR in nearly 13 years.
16 NYPA is requesting approval of an updated RR of \$183,096,025.

17 **Q. Please explain how NYPA collects its RR.**

18 A. NYPA’s agreement to join the NYISO was premised on it being able to recover its
19 transmission revenue requirement through the NYISO OATT structure. NYPA owns,
20 operates and maintains over 1,400 miles of high-voltage transmission facilities, including
21 some of the major “back-bone” facilities for long-distance transmission across the State.

1 NYPA has no traditional utility service territory, and thus has no way to bill customers
2 for the use of NYPA's transmission facilities. Therefore, FERC approved the NYPA
3 Transmission Adjustment Charge ("NTAC"), a mechanism set forth in Section 14.2.2 of
4 Attachment H of the NYISO OATT, to ensure NYPA's cost recovery.

5 **Q. Please explain why the Authority is seeking to increase its transmission RR for the**
6 **first time since the NYISO's inception in 1999?**

7 A. Like many electric utilities in the United States, the Authority's transmission system is
8 aging and life extension and modernization actions are required. While segments of
9 NYPA's integrated transmission system, particularly the 345 kV Marcy-South line and
10 the 345 kV Long Island Sound Cable were constructed in the late 1980s and early 1990s,
11 a sizable amount of 230 kV and 345 kV transmission assets date from the 1950s and
12 1960s, contemporaneous with the construction of the Authority's hydroelectric projects at
13 Niagara and St. Lawrence. Historically, these facilities were built to deliver Niagara and
14 St. Lawrence hydropower as well as purchased power from the Canadian utilities Hydro-
15 Québec and Ontario Hydro, and these facilities continue to perform these functions in the
16 NYISO marketplace. Some of the Authority's facilities, such as the 230 kV transmission
17 line from St. Lawrence to the Adirondack station which NYPA acquired in 1953, were
18 built in the 1940s. Additionally, the 765 kV Massena-Marcy line, which was completed
19 in 1978 and contributes significant import capability and market integration with the
20 Hydro-Québec system, is now over 30 years old and in need of life extension and
21 modernization efforts. Since the last time rates were set in 1999 and in the immediate
22 future, this aging plant requires increasing levels of Operation and Maintenance

1 (“O&M”) expenses to keep it operating reliably and safely. That is the immediate reason
2 for the instant request. O&M expenses are currently \$7.2 million above the latest five-
3 year average and are projected to increase further in the short term due to planned major
4 line remediation and tower work. In the long run, to ensure the reliability of its
5 transmission facilities, the Authority is projecting that over the ten-year period 2012-2021
6 transmission-related capital spending will exceed a half billion dollars. The existing RR
7 is not adequate to cover existing costs, and that deficiency will grow as new investments
8 are made.

9 **Q. Explain more completely why the proposed transmission RR is inadequate to handle**
10 **the expected life extension maintenance and capital expenditures?**

11 A. The level of such expenditures for the test year is relatively low in comparison to the
12 expected average of such expenditures for the 2013-2021 period. The proposed
13 transmission RR increase is the first in a probable series of proposed RR increases that
14 will likely culminate in NYPA requesting, in some future filing, authorization to
15 implement a formula rate in order to make annual updates to its transmission RR.
16 However, NYPA now only seeks to gain approval of a revised transmission RR designed
17 to recover NYPA’s current transmission system costs. Such increase would be the first
18 RR change NYPA has sought from FERC.

19 **Q. What is the test year you have used for purposes of determining NYPA’s RR?**

20 A. I have used a projected twelve-month test-year period of January 1, 2012 through
21 December 31, 2012, which I refer throughout my testimony as “Rate Year 2012.” I have
22 also included, for informational purposes, supporting cost data for the twelve-month

1 period ending December 31, 2011, which I label the “Historic Year 2011.” Adjustments
2 from Historic Year 2011 to Rate Year 2012 reflect differences in the annualized RR for
3 the projected test year.

4 **Q. Are you sponsoring any schedules and work papers?**

5 A. Yes, I am sponsoring the following schedules for Rate Year 2012: Transmission
6 Revenue Requirement Summary, A, B, C, D, E, F, G and H (Exhibit PA-2, collectively)
7 and work papers WP-1 through WP-22 for Rate Year 2012 (Exhibit PA-3, collectively).
8 I am also sponsoring similar schedules and work papers for Historic Year 2011;
9 Transmission Revenue Requirement Summary and Schedules A, B, C, D, E, F, G and H
10 (Exhibit PA-4, collectively), and work papers WP-23 through WP-44 (Exhibit PA-5,
11 collectively). These two sets of schedules and supporting work papers explain the
12 derivation and/or calculation of NYPA’s transmission RR.

13 **Q. Are you sponsoring any other exhibits?**

14 A. Yes, Exhibit PA-6 is a map of the NYPA transmission system and Exhibit PA-7 is a
15 description of these transmission assets. Also sponsored are Exhibit PA-13 which shows
16 the billing units in MWh that were used to derive the monthly NTACs since the inception
17 of the NYISO; Exhibit PA-14 which shows how the proposed RR increase would affect
18 the NTAC; and Exhibit PA-15 which shows potential bill impacts on residential,
19 commercial and industrial customers.

20 **Q. Please describe the nature of the NYPA transmission facilities whose costs would be**
21 **recovered under NYPA’s proposed RR?**

1 A. NYPA’s transmission assets whose costs are included in the revised RR are those
2 facilities listed on Appendix A-1 and Appendix A-2 to the “Agreement Between the New
3 York Independent System Operator and Transmission Owners” (“NYISO-TO
4 Agreement”). In the NYISO-TO Agreement, the New York transmission owners
5 specified transmission facilities over which the NYISO would have day-to-day
6 operational control and those are listed in Appendix A-1. The transmission owners are
7 also responsible for providing notification to the NYISO with respect to actions related to
8 other specified transmission facilities listed in Appendix A-2. NYPA considers its
9 Appendices A-1 and A-2 assets to be part of the bulk transmission system.

10 **Q. Does NYPA need to make any adjustments to its booked transmission accounts in**
11 **order to produce its proposed RR?**

12 A. Yes, NYPA’s booked transmission assets include transmission plant-in-service that are in
13 addition to the Appendices A-1 and A-2 assets and these need to be deducted from the
14 plant-in-service investment amount. For the most part, these adjusted transmission assets
15 are generator leads or represent station equipment associated with NYPA generators.
16 NYPA recovers their costs either through production charges to its customers or through
17 proceeds from the generators’ NYISO market sales. Schedule H (Exhibit PA-2) shows
18 the generator leads and substation equipment net plant-in service-that need to be excluded
19 from the transmission rate base. This amount is \$107 million. In more detail, NYPA
20 work paper WP-2 (Exhibit PA-3) delineates the transmission and general plant-in-service
21 amounts by project and by FERC plant accounts that are included in the development of

1 the RR as well as those transmission and general plant amounts that are excluded from
2 the RR and recovered through the means described above.

3 **Q. Are there any other transmission asset amounts that need to be adjusted for the RR**
4 **calculation?**

5 A. Yes, there are a number of other downward adjustments to NYPA's transmission plant.
6 Following long-standing FERC policy, step-up transformers associated with NYPA's
7 bulk transmission have been re-classified to the production function. The aggregate step-
8 up transformer net plant-in-service re-classified is shown on Schedule H and is \$19.6
9 million in Rate Year 2012. A more detailed breakdown of this amount is given in work
10 paper WP-11 (Exhibit PA-3). NYPA has also reduced its transmission plant-in-service
11 by the amount of its investment in the Flexible Alternating Current Transmission System
12 device ("FACTS," also known as the Convertible Static Compensator) installed during
13 the 2000-2004 period. At that time, NYPA agreed that its compensation for FACTS
14 would be through the NYISO's issuance of Transmission Congestion Contract ("TCC")
15 payments. Schedule H shows a reduction in net transmission plant for the FACTS device
16 of \$35.2 million with more detailed information shown on work paper WP-13 (Exhibit
17 PA-3). Lastly, NYPA has made some recent transmissions investment to facilitate wind
18 turbine development in upstate New York and has been recompensed by private
19 developers for its investment. Accordingly, as shown on Schedule H from work paper
20 WP-14 (Exhibit PA-3), NYPA has reduced its net transmission plant by \$58.3 million.

21 **Q. Has NYPA made any other major capital plant adjustments that impact the**
22 **transmission RR?**

1 A. Yes, NYPA has made adjustments to its general plant capital amount related to
2 hydroelectric relicensing and substation lease expenditures. The general plant capital
3 amount is allocated to both the production and transmission functions based on a labor
4 ratio derived from employee salaries and benefits associated with each function. During
5 the decade of the 2000s, NYPA successfully relicensed its Niagara and St. Lawrence
6 hydroelectric projects. Many of the expenses associated with the two relicensing efforts
7 were capitalized and booked to general plant at both facilities. NYPA considers the
8 relicensing expenditures as allowing its hydroelectric production plants to remain
9 operational and that the relicensing payments were unconnected to the continued
10 operation of its transmission lines that emanate from the two generating stations. As a
11 result, NYPA has re-classified, as shown in Schedule H, \$550 million of net general plant
12 to the production plant function. A more detailed breakdown of the re-classification of
13 the re-licensing expense is given in work paper WP-12 (Exhibit PA-3). Additionally,
14 NYPA has made a plant adjustment to include the payments associated with the Marcy
15 South substation leases. This is explained later in my testimony.

16 **Q. Please summarize how NYPA has calculated its proposed transmission RR.**

17 A. The RR is determined based on the annualized sum of NYPA's (a) Transmission
18 Operation and Maintenance Expenses ("O&M"), (b) Transmission-Related
19 Administrative and General Expenses ("A&G"), (c) Transmission-Related Depreciation
20 & Amortization Expenses, and (d) Return on Rate Base.

21 **Q. Please explain Line 1 of the Transmission Revenue Requirement Summary**
22 **schedule.**

Exhibit PA-1

1 A. Line 1 of this schedule (Exhibit PA-2) represents the direct O&M expense estimate for
2 the Authority's bulk transmission system in Rate Year 2012. Further back-up to this
3 direct O&M aggregate expense is shown in Schedule A (Exhibit PA-2) and work paper
4 WP-6 (Exhibit PA-3). Schedule A breaks down the aggregate O&M amount into its
5 individual FERC 560 to 573 account level. WP-6 (Exhibit PA-3) breaks down these
6 individual FERC accounts by each of NYPA's facilities that collectively make-up its bulk
7 power transmission system.

8 **Q. Please explain differences in the Historic Year 2011 and the Rate Year 2012 O&M**
9 **expenses.**

10 A. The increase in the O&M expenses from 2011 to 2012 primarily reflects program
11 increases and escalation in fringe benefits. Program changes account for approximately
12 \$4.6 million of the overall \$6.6 million increase in O&M. The most significant program
13 increases are associated with an extensive technical study of transmission life extension
14 and modernization analysis of an aging transmission system (\$1.9 million), the
15 refurbishment of a 345/765 kV autotransformer and reactor in the Marcy switchyard
16 (\$1.0 million), foundation repairs in the Niagara switchyard (\$0.4 million) and evaluation
17 and repair of the Marcy South overhead static wires. Benefits account for over \$2 million
18 of the O&M increase. NYPA benefits are assigned as a percent of straight time payroll.
19 While there is some impact from increased labor charges to transmission projects, the
20 majority of the benefits increase derives from rapidly escalating costs, primarily pension
21 costs. Pension costs represent nearly 35% of 2012 benefits costs. Between 2011 and
22 2012 pension rates rose by approximately 22%. The pension rates are established by the

1 New York State Comptroller's Office, and NYPA as a State entity is required to pay the
2 prescribed amount based upon salaries paid each year. The balance of the benefits
3 increase results from an escalation in medical benefits, and a one-time long term
4 disability credit (\$1 million) received in 2011. The impact of the increase in benefits
5 expenses affects all O&M accounts. The increase in benefits costs alone accounts for
6 over 30% of the total increase in O&M expenses. Going forward, O&M costs are
7 expected to rise with significant additional work identified in the transmission life
8 extension and modernization analysis. Likewise, we expect that pension and medical
9 costs (which combined account for 65% of benefits costs in 2012) will continue to rise in
10 coming years. In the near term, there is continued upward pressure on pension
11 contribution rates as market investment returns are currently projected to be modest.
12 Down the road, pension costs may level off as older employees are gradually replaced by
13 newer employees in a less costly tier because pension benefits available to new NYPA
14 employees have been reduced in recent years.

15 **Q. Explain Line 2 of the Summary schedule.**

16 A. Line 2 shows the allocation of estimated A&G expenses for Rate Year 2012. For the
17 most part, these represent the NYPA bulk power transmission system's allocation of
18 headquarters, insurance and post-employment benefits other than pensions ("OPEB")
19 expenses. Schedule B (Exhibit PA-2) shows the A&G expenses by FERC 900 accounts
20 and WP-6 (Exhibit PA-3) which further shows the 900 accounts allocated to the various
21 projects that make up the Authority's bulk transmission system. Lastly, work paper WP-
22 7 (Exhibit PA-3) shows the derivation of the labor ratio used to functionalize the A&G

1 expenses into production and transmission.

2 **Q. Please explain what you mean by the “labor ratio.”**

3 A. In developing labor ratios, NYPA uses an activity-based costing method with standard
4 rates. Standard rates include salaries, benefits and other employee-related costs. The
5 transmission labor ratio is the sum of all of the activities charged to the operation and
6 maintenance of the bulk transmission facilities as a percentage of the total activities
7 charged to both production and transmission facilities. This ratio is applied to
8 functionalize A&G expenses, general plant, the general plant accumulated depreciation
9 and general plant depreciation expense.

10 **Q. Please explain differences in the Historic Year 2011 and the Rate Year 2012 A&G**
11 **expenses.**

12 A. The decrease in A&G expenses from 2011 to 2012 represents a combination of reduced
13 corporate A&G costs with a lower labor ratio in the 2012 budget. The reduction in the
14 labor ratio represents a slight shift in labor resources. The two primary factors in the
15 decrease of corporate A&G are an increase in the allocation of costs to capital projects
16 (greater capital program costs in 2012) and greater headquarters labor charged to
17 facilities. There is some offset from increased research & development costs (much
18 associated with transmission technology) and benefits escalation.

19 **Q. Please explain Line 3 of the Summary schedule.**

20 A. Line 3 shows the total estimate annual depreciation and amortization expense for the bulk
21 transmission system for Rate Year 2012. Schedule C (Exhibit PA-2) breaks down this

1 expense into its individual FERC 350 accounts and the 390 accounts that then are
2 functionalized by the labor ratio. WP-10 2012 (Exhibit PA-3) shows the individual 350
3 and 390 accounts by the various projects that make up the Authority's bulk transmission
4 system.

5 **Q. Please explain differences in the Historic Year 2011 and the Rate Year 2012**
6 **Depreciation expenses.**

7 A. NYPA uses the straight line method of depreciation expense. The differences in
8 depreciation expenses in Historic Year 2011 and Rate Tear 2012 is the net result of (a)
9 additional depreciation expenses on asset acquisition in 2012, and (b) the reduction in
10 depreciation expense caused by the discontinued depreciation on fully depreciated and
11 retired assets.

12 **Q. What are the components of the Transmission Rate Base?**

13 A. The Transmission Rate Base represents NYPA's bulk transmission asset investments and
14 is comprised of the sum of (a) Transmission Plant, plus (b) Transmission-Related electric
15 General Plant, plus (c) Transmission-Related Prepayments, plus (d) Transmission-
16 Related Materials and supplies, plus (e) Transmission-Related Cash Working Capital,
17 plus (f) Marcy-South lease payments recovery. These components are shown on
18 Schedule D (Exhibit PA-3).

19 **Q. Can you describe in more detail the Marcy-South lease payments recovery?**

20 A. Yes. The Authority's Marcy-South line is a predominantly double-circuit, 190-mile
21 (right-of-way miles) 345 kV transmission line between the Town of Marcy, near Utica

1 and the Town of East Fishkill in Dutchess County. Construction of the Marcy-South line
2 was completed in 1988 and necessitated substation modifications by various New York
3 State investor-owned utilities. The total capital costs of these substation modifications
4 was \$108.9 million financed upfront by the investor-owned utilities which the Authority
5 paid back to the investor-owned utilities on an accelerated basis over a ten-year period
6 from 1988 through 1997. In its proposed transmission RR, the Authority treats these
7 payments as a capital lease with a 50-year amortization period, which was also the
8 treatment used in the existing \$165 million RR. In short, NYPA entered into facilities
9 agreements to obtain the use of certain facilities actually owned by others; the lease term
10 is equal to 75% or more of the estimated economic life of the leased facilities; the
11 facilities agreements required NYPA to make all payments to the utilities during the first
12 few years of the facilities agreements; and the transmission rates set at that time did not
13 recover the cost of such payments made by NYPA. WP-17 (Exhibit PA-3) shows
14 NYPA's rate base and amortization expense treatment of the capital costs assessed by the
15 investor-owned utilities to NYPA related to the substation capital leases.

16 **Q. Please explain Line 5 of the Summary schedule.**

17 A. Line 5 represents the Transmission Rate Base discussed above. NYPA is forecasting that
18 the Transmission Rate Base will be \$695.4 million for Rate Year 2012.

19 **Q. Please explain the differences in the Historic Year 2011 and the Rate Year 2012**
20 **Rate Base.**

21 A. The difference in the Transmission Rate Base from Historic Year 2011 and Rate Year
22 2012 is due to these factors:

1 (a) The net change to Transmission Plant balance as a result of estimated additions in
2 2012 at 100%;

3 (b) The net change to General Plant as a result of estimated additions in 2012 at 24.05%
4 (labor ratio);

5 (c) Unamortized balance of Marcy South Capital Leases at 100%

6 (d) Net change in Cash working Capital equal to 1/8 of Transmission O& M expenses and
7 transmission allocated A&G expenses;

8 (e) Net change in the balance of Transmission Plant Material & Supplies at 100%;

9 (f) Net change in the balance of Non-Interest Bearing Construction Work in Progress
10 (NIBCWIP) at 24.05% (labor ratio); and

11 (g) Net change in the year-end balance of Prepayments at 24.05% (labor ratio).

12 **Q. Please define Return on Rate Base.**

13 A. Return on Rate Base is equal to the product of the Transmission Rate Base and the
14 weighted cost of capital.

15 **Q. What is the capital structure that will be used for calculating NYPA's overall rate of**
16 **return?**

17 A. NYPA is proposing to use its actual capital structure which is comprised of long-term
18 debt and net assets, the latter of which is equivalent to a private entity's retained earnings.
19 NYPA's capital structure and cost of capital are indicated in Schedule E (Exhibit PA-2)
20 as drawn from WP-8 and WP-9 (both Exhibit PA-3). A more detailed description of
21 NYPA's capital structure is discussed in the testimony of NYPA Witness Mr. Richard L.
22 Ansaldo (Exhibit PA-8).

1 **Q. How is the cost of capital determined?**

2 A. The cost of capital is a rate equal to the weighted cost of capital. The weighted cost of
3 capital is determined by multiplying the relative percentages of NYPA's actual capital
4 structure for long-term debt and retained net assets by the corresponding long-term debt
5 rate and the proposed rate of return on equity for the net assets.

6 **Q. What rate of return on common equity is used to calculate the cost-of-capital rate?**

7 A. Consistent with the analysis and conclusions contained in Mr. Ansaldo's testimony, I
8 have used a return on common equity of 9.75%.

9 **Q. What is the overall rate of return?**

10 A. Based on a long-term cost of debt of 4.45% and a return of common equity of 9.75%
11 applied to a capital structure that is weighted 29.32% debt and 70.68% equity, the
12 requested overall rate of return for Rate Year 2012 is 8.19%.

13 **Q. Please explain Line 6 of the Summary schedule in Exhibit PA-2.**

14 A. Line 6 represents the estimated return on Rate Base that should be earned for Rate Year
15 2012. It is the product of the overall return of 8.19% and the Transmission Rate Base of
16 \$695.4 million.

17 **Q. What is the total transmission RR that NYPA is requesting based on the Rate Year**
18 **2012 data?**

19 A. As shown in Line 7 of the Summary schedule (Exhibit PA-2), NYPA has calculated a
20 proposed transmission RR of \$183,096,025 Based on the Rate Year 2012 data that
21 supports this filing, NYPA believes this increase is justified. This proposed RR

1 represents a \$17,646,728 increase from the RR currently in effect.

2 **Q. Please explain briefly the \$17,646,728 increase and how it impacts the NTAC**
3 **calculation contained in the NYISO OATT.**

4 A. The NTAC is a NYISO surcharge paid by all energy users in the NYISO marketplace
5 (except for certain exports into New England). Over the past three years, it has been
6 applied to an annual average of 161 million MWh (see Exhibit PA-13). However, the
7 full \$17,646,728 will not be applied to all NYISO energy users subject to the NTAC.

8 **Q. Why wouldn't the full \$17,646,728 be spread among all such energy users?**

9 A. There is a component of the NTAC mechanism that automatically adjusts to changes in
10 the RR (see Section 14.2.2.2.1 of Attachment H of the NYISO OATT (“NTAC
11 Formula”)).¹ The “IR” component of the NTAC Formula is an amount that NYPA
12 credits to the RR and is assessed to NYPA’s governmental customer load in southeastern
13 New York (“SENY Load”) due to 600 MW of NYPA OATT reservations being
14 converted to 600 MW of TCCs at the inception of the NYISO. Currently, the IR
15 component is \$16.056 million (annualized) based on the 600 MW being assessed a
16 NYPA transmission system rate of \$2.23 per kilowatt per month that both pre-existed and
17 was grandfathered into the NYISO OATT. The \$2.23 per kilowatt per month rate is
18 referred to as the system rate in the IR component description and it is benchmarked to
19 the RR. In accordance with the NYISO OATT, if the RR is amended, the system rate
20 will be increased (or decreased) by the ratio of the new RR compared to the originally
21 accepted RR. Thus, a portion of the increased RR will not flow through the NTAC

¹ The NTAC Formula is included in the tariff sheets attached to this filing.

1 surcharge and instead be recovered directly from NYPA's SENY Load.

2 **Q. What is the effect of the IR component, based on NYPA's proposed RR?**

3 A. The proposed RR of \$183,096,025 represents a 10.7% increase over the current RR.
4 Accordingly, the IR component credit would increase from its current level of \$16.056
5 million to \$17.768 million. This is based on the grandfathered system rate of \$2.23 per
6 kilowatt per month being benchmarked to the RR increase to create an amended system
7 rate of \$2.468 per kilowatt per month.

8 **Q. Holding all other component values of the NTAC at their same levels, what is the**
9 **net RR increase to NYISO users and the estimated impact to their monthly NYISO**
10 **total charges?**

11 A. The net RR increase would be \$15.935 million, which would be spread among roughly
12 161 million MWh of NYISO customer usage. This would translate into an NTAC
13 increase of about \$0.10 per MWh.

14 **Q. Do you show this effect more specifically?**

15 A. Yes, Exhibit PA-14, page 1 contains a summary sheet of the actual monthly NTAC
16 calculations for calendar year 2011. The NTAC ranged from a low of \$0.44/MWh to a
17 high of \$1.25/MWh. On page 2 of the exhibit, I have replaced the existing RR with the
18 proposed RR and I have correspondingly adjusted the IR component to reflect the effect
19 that the increased RR would have on that component. The monthly NTACs predicated on
20 the proposed RR would vary from a low of \$0.54/MWh to a high of \$1.34/MWh. On a
21 percentage basis, the NTAC increase ranges from a low of 7.2% to a high of 23%. Over

1 the entire twelve-month span, the un-weighted average percent increase for the year is
2 about 13%.

3 **Q. What will be the impacts of the proposed NTAC increase on the ultimate consumer**
4 **bill?**

5 A, While NYISO customer charges vary by location, current total wholesale per MWh
6 commodity charges fall within a \$40 to \$60 per MWh range. At these price levels, the
7 NTAC increase effect is about 0.17 percent to 0.25 percent of wholesale prices. Exhibit
8 PA-15 shows the estimated bill effects from the proposed RR increase on the residential,
9 commercial and industrial customers of the New York transmission owners.
10 Collectively, these customers likely represent the largest segment of consumers affected
11 by the proposal. The source data for this bill impact analysis is the NYPSC's "Typical
12 Customer Bill Information" updated semi-annually for electric residential, commercial
13 and industrial customers. The data used for our analysis were primarily averages of the
14 NYPSC's calculations for the months of January and July 2011, with some rate data or
15 surcharges updated from transmission owner data if available. Based on this framework,
16 I calculated that for residential customers the typical bill impact would be less than one-
17 tenth of 1% or about 5 cents to 8 cents per month. Commercial and industrial customers
18 would see monthly bill increases of 0.05% to 0.17% depending upon load factor and the
19 applicable transmission owner service territory.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes, it does.

UNITED STATES OF AMERICA
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New York Power Authority)

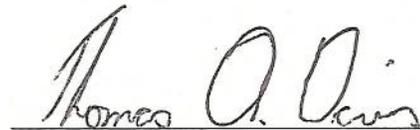
Docket No. ER12-___-000

AFFIDAVIT OF THOMAS A. DAVIS

State of New York)

County of Westchester)

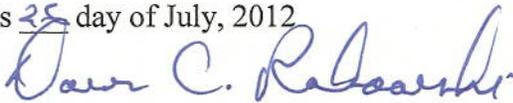
I, Thomas A. Davis, being duly sworn, depose and say that the statements contained in the Prepared Direct Testimony of Thomas A. Davis served on behalf of the New York Power Authority in these proceedings are true and correct to the best of my knowledge, information and belief, and I hereby adopt said testimony as if given by me in formal hearing, under oath.



Thomas A. Davis

SUBSCRIBED AND SWORN to before me

This 25 day of July, 2012



Dawn C. Rakowski
Notary Public, State of New York

No. 01RA6205737

Qualified in Westchester County
Commission Expires 05/14/13