STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act	:	Case 20-E-0197

VERIFIED PETITION OF NIAGARA MOHAWK POWER CORPORATION D/B/A NATIONAL GRID FOR APPROVAL TO UTILIZE 100% CONSTRUCTION WORK IN PROGRESS IN RATE BASE FOR ITS PHASE 2A LOCAL TRANSMISSION PROJECTS

Niagara Mohawk Power Corporation
d/b/a National Grid

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I. Introduction

Niagara Mohawk Power Corporation d/b/a National Grid ("NMPC") hereby submits this petition to the New York State Public Service Commission (the "Commission") seeking approval to file with the Federal Regulatory Energy Commission ("FERC") an amendment to NMPC's existing transmission rate to utilize 100 percent of prudently incurred Construction Work in Progress ("CWIP") in rate base for its Phase 2A local transmission projects (collectively, the "NMPC Phase 2 Projects") approved by the Commission in the "Order Approving Phase 2 Areas of Concern Transmission Upgrades" (Issued and Effective February 16, 2023) in the above-captioned case ("Phase 2 AOC Order").[1]

Section 3.3 of the Cost Sharing and Recovery Agreement ("CSRA") between NMPC, Consolidated Edison Company of New York, Inc. ("Con Edison"), Orange and Rockland Utilities, Inc. ("O&R"), Central Hudson Gas & Electric Corporation ("Central Hudson"), New York State Electric & Gas Corporation ("NYSEG"), and Rochester Gas and Electric Corporation ("RG&E")

[1] Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, "Order Approving Phase 2 Areas of Concern Transmission Upgrades" (Issued and Effective February 16, 2023).

provides in relevant part that CWIP "shall be recoverable under [the CSRA] only if approved by the NYPSC." In addition to the instant petition, NMPC will be required to submit a filing with the FERC requesting authorization to recover 100 percent of CWIP associated with NMPC's investments in the NMPC Phase 2 Projects in rate base.[2]

Good cause exists for the Commission to approve NMPC's request to file with FERC an amendment to its existing FERC transmission rate to recover 100 percent CWIP associated with the NMPC Phase 2 Projects in rate base. Including 100 percent CWIP in rate base is a customer affordability and protection tool. Utilizing a CWIP in rate base approach would yield over $600 million of nominal customer savings through a reduction in the revenue requirement, including more than $300 million fewer capitalized financing costs.[3] CWIP lessens the rate compression experienced with Allowance for Funds Used During Construction ("AFUDC"), in which customers pay all project costs only after the project is in service and over a shorter time period. Applying CWIP to Phase 2 projects aligns customer interests to the State's timing of deploying energy infrastructure. Allowing for the gradual recovery of project costs mitigates bill volatility and improves bill stability. NMPC further confirmed these qualitative and quantitative benefits to including the CWIP in rate base approach through a quantitative analysis and report prepared by Bill Davis ("Davis Report"), a subject matter expert at Concentric Energy Advisors who specializes in supporting FERC-regulated entities in regulatory and rate matters. A copy of the Davis Report is included as Attachment 1.

To further moderate costs and provide benefits to customers, if the FERC approves NMPC's filing, NMPC commits to using five percent of its annual CWIP return on equity

[2] *Niagara Mohawk Power Corp.*, Docket No. ER26-589-000 (November 24, 2025) (formal notice).
[3] One hundred percent CWIP in rate based would eliminate charges on AFUDC after the CWIP approval date.

recoveries[4] (approximately $7 million) for host community benefits while the projects are under construction. Community benefits will allow NMPC to proactively invest in communities that host CLCPA Phase 2 capital projects by supporting programs that address specific community concerns.

Recovering 100 percent CWIP in rate base is also necessary due to the significant capital investment required to construct the projects, which far exceeds NMPC's historical transmission investments. In fiscal year 2027 alone, NMPC's investment in the NMPC Phase 2 Projects is expected to require a 36 percent increase in capital expenditure on transmission. This significant growth in capital expenditures could strain NMPC's cash flows and credit metrics in certain conditions, which would increase customer costs through higher interest rates. Recovering CWIP in rate base would conversely buttress NMPC's ability to maintain its credit metrics and ensure the financing costs ultimately borne by customers remain competitive.

The substantial capital expenditures anticipated during the development and construction of the NMPC Phase 2 Projects require NMPC to significantly increase its level of debt financing. Furthermore, the NMPC Phase 2 projects necessitate long lead times and construction periods that delay cash flow from project cost recovery if they utilize the AFUDC approach to recover financing costs. Increased debt without corresponding cash inflow from project recovery will create pressure on NMPC's credit metrics that could hinder NMPC's ability to secure debt at competitive rates if combined with other materialized risks to NMPC's finances. As an alternative to recovering AFUDC, including 100 percent CWIP in rate base for the NMPC Phase 2 Projects is expected to strengthen NMPC's cash flows and thus could enhance credit metrics during both development and construction. CWIP in rate base also allows NMPC to recover financing costs

[4] CWIP return on equity revenues are roughly 48 percent of total CWIP revenues based on NMPC's current capital structure.

during construction rather than capitalizing them and collecting them later, lowering the overall cost of the project.

NMPC will track capital costs for the NMPC Phase 2 Projects separately from other capital costs, and cost recovery of NMPC Phase 2 Projects will occur via the CSRA mechanism. This means the inclusion of 100 percent CWIP in rate base for the NMPC Phase 2 Projects will not affect Commission approved retail delivery rates charged by NMPC.

In summary, to support customer affordability, customer bill stability, and host communities, and to mitigate adverse impacts on key financial metrics associated with NMPC credit metrics, NMPC seeks the Commission's approval to file for FERC authorization to utilize 100 percent CWIP in rate base during the development and construction phases of the NMPC Phase 2 Projects approved in the Phase 2 AOC Order.

II. Background

A. Niagara Mohawk Power Corporation d/b/a National Grid

NMPC is a public utility company organized and operated under the laws of the State of New York, subject to regulation by the Commission and the FERC. It provides electric service to approximately 1.7 million customers in upstate New York. NMPC owns and operates transmission facilities in New York, all of which are subject to the operational control of the New York Independent System Operator ("NYISO"). NMPC recovers its Phase 2A transmission revenue requirements pursuant to formula rates under the NYISO Open Access Transmission Tariff ("OATT").[5]

[5] *See* NYISO OATT, Attachment H (Sections 14.1.9 and 14.2.1).

B. New York State Policy

The New York State Department of Public Service Staff, in collaboration with other stakeholders,[6] conducted a thorough study to identify the necessary or appropriate distribution upgrades, local transmission upgrades, and bulk transmission investments to address aging infrastructure, enhance reliability, and support the energy deliverability of various generation and storage technologies. Additionally, the Commission initiated a proceeding to establish a distribution and local transmission capital plan for each New York utility.[7] This capital plan is intended to address the distribution and local transmission upgrades identified as necessary or appropriate to meet State objectives.

C. The NMPC Phase 2 Projects

1. Phase 2 Projects Overview

The Commission's "Order on Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act" (Issued and Effective May 14, 2020) in the above-captioned docket ("Initiating Order") established a distribution and local transmission capital investment plan for each New York utility.[8] The Commission directed New York utilities, including NMPC, to submit a comprehensive report to the Commission on November 2, 2020 (the "2020 Study"), which identified proposed local transmission and distribution investments.

In the 2020 Study, the New York utilities recommended dividing local transmission projects into phases. Phase 1 projects would be those responsive to the Initiating Order's discussion of "business as usual" transmission projects—those already needed under existing planning criteria

[6] The Department of Public Service Staff consulted with the New York State Energy Research and Development Authority ("NYSERDA"), the New York Power Authority ("NYPA"), the Long Island Power Authority ("LIPA"), the NYISO, and the state's utilities.

[7] *See* Case 20-E-0197, "Order on Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act" (Issued and Effective May 14, 2020)

[8] *See id.* at 3.

but sized to also provide incremental energy deliverability headroom.[9] Recovery of Phase 1 projects is through existing transmission and distribution rates included in the Commission-approved rate plan that commenced in May 2025. Phase 2 projects, including the NMPC Phase 2 Projects, included transmission projects proposed primarily to increase transmission system headroom in support of reliability and energy deliverability.[10]

On September 9, 2021, the Commission issued an order identifying specific "Areas of Concern" in New York ("Areas of Concern Order"), characterized by existing generation that is already experiencing curtailments and a strong level of generation developer interest exceeding the local transmission system's capability.[11] To address these near-term local transmission deficiencies, the Commission ordered NMPC, along with Central Hudson, NYSEG, and RG&E to consult with Department of Public Service Staff regarding the presentation of a minimum of two options for transmission upgrades to address the needs in each Area of Concern.[12] These options, identifying the most cost-effective Phase 2 upgrades on a dollar-per-megawatt basis, were to be filed within 180 days of the Areas of Concern Order's issuance.[13]

As directed, NMPC, Central Hudson, NYSEG, and RG&E (together, the "Applicants"), consulted with Department of Public Service Staff, and on March 8, 2022 submitted a joint petition for approval of Phase 2A local transmission projects designed to address the near-term transmission system deficiencies identified in the Areas of Concern Order. On February 16, 2023,

[9] Phase 2 AOC Order at 3.
[10] *See id.* at 3-4.
[11] *See* Case 20-E-0197, Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals (Issued and Effective September 9, 2021).
[12] *See id.* at 37-38.
[13] *Id.* at Ordering Clause Number 6.

the Commission issued the Phase 2 Order, approving investments proposed by the Applicants in the joint petition.

On June 17, 2022, NMPC, Con Edison, O&R, Central Hudson, NYSEG, and RG&E entered into the CSRA. Under the CSRA, the executing parties acknowledge their local transmission development obligations pursuant to the Initiating Order and that the costs of associated Commission-approved projects shall be shared on a statewide basis and recovered from wholesale load serving entities ("LSEs") on a volumetric load-ratio basis. The FERC approved the CSRA and the associated Rate Schedule 19 of the NYISO OATT, including the aforementioned cost allocation methodology, in an order issued August 19, 2022.[14] NMPC's formula rate to implement this statewide cost allocation under the CSRA and Rate Schedule 19 to the NYISO OATT for purposes of the NMPC Phase 2 Projects was approved by the FERC on January 13, 2026.[15]

2. NMPC Phase 2 Projects

The NMPC Phase 2 Projects include 27 local transmission projects approved by the Commission in its Phase 2 AOC Order to support the achievement of New York's energy policy goals while increasing reliability and reducing congestion.[16] To further the timely pursuit of these goals, NMPC is moving forward promptly with the development of the NMPC Phase 2 Projects and anticipates all projects to be in-service by 2030.

As noted in the Phase 2 AOC Order, by building off the groundwork laid by the Phase 1 projects, the NMPC Phase 2 Projects will support development of additional generation capacity, reduce generation curtailment, allow for the cost-effective delivery of electric output from

[14] *Consol. Edison Co. of N.Y., Inc., et al.*, 180 FERC ¶ 61,106 (2022).
[15] *Niagara Mohawk Power Corp.*, Docket No. ER26-589-000 (Jan. 13, 2026) (delegated letter order).
[16] *See* Phase 2 AOC Order, Appendix, Table 8 (listing approved Phase 2 projects for all utilities).

generators to load, and enhance the safety, reliability, and resiliency of the local transmission system.[17]

III. Customer Benefits of Allowing 100 Percent CWIP in Rate Base

Recovery of 100 percent CWIP in rate base prevents the accumulation of large AFUDC balances, which traditionally compound and result in increased rates over the life of an investment. By replacing AFUDC with CWIP, once the NMPC Phase 2 Projects become operational, NMPC's return on investment will be calculated solely based on actual project cost, excluding non-cash carrying charges for AFUDC balances accrued during construction. This approach will significantly reduce overall project expenses, ensuring sustained customer savings throughout the assets' depreciable lives. Additionally, incorporating CWIP into rate base facilitates more favorable financing terms, thereby potentially lowering overall debt costs for customers. Finally, CWIP helps mitigate rate shock by smoothing the sharp increase in the rate base that is typical under the traditional capital investment cash recovery treatment. An independent assessment determined that, due to all these factors, CWIP can deliver customer savings of up to 11 percent through a reduced revenue requirement.[18]

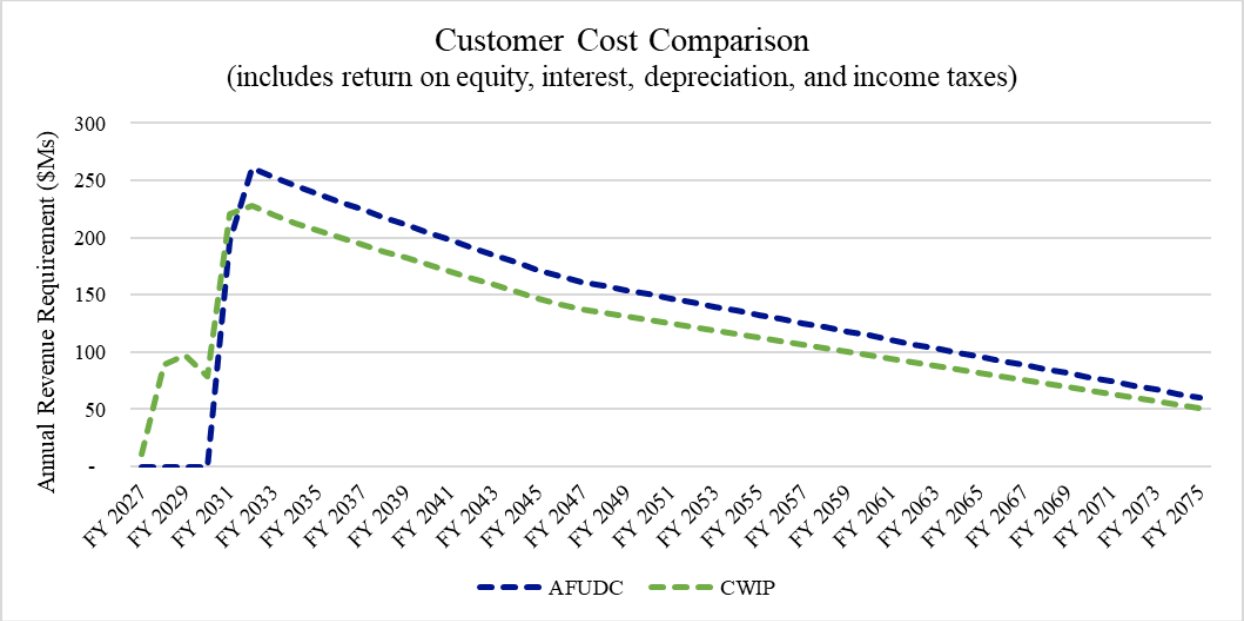
NMPC calculated multiple customer savings resulting from using the CWIP in rate base approach instead of AFUDC; these calculations were reviewed and confirmed by the Davis Report. NMPC estimates that capital costs for the NMPC Phase 2 Projects will be reduced by approximately $307 million[19] if capital outlays are recovered via CWIP instead of AFUDC. This is achieved by avoiding AFUDC carrying costs after approval of the CWIP in rate base, which

[17] *See id*., Appendix, Technical Assessment at 8-15.
[18] Wires Group, June 25, 2025 *available at* https://wiresgroup.com/wp-content/uploads/2025/06/The-Construction-Work-in-Progress-Incentive-Lowers-Costs.pdf ("The Construction Work in Progress Incentive Lowers Costs.").
[19] Nominal, gross cost.

would otherwise be capitalized into the project cost and recovered as depreciation expense over the assets' depreciable life. A further savings to customers of $162 million will be realized by applying NMPC's return on equity to a lower rate base using CWIP instead of AFUDC. NMPC anticipates an additional $138 million of savings due to the reduction in interest on NMPC debt and associated income and gross receipt taxes.

A further $7 million could be saved annually, on average, from property taxes applied to a lower asset value that does not include AFUDC, depending on future property tax policies in host communities. This impact stems from the New York Office of Real Property Tax Services calculation methodology, which includes AFUDC as a reportable expense to Office of Real Property Tax Services as part of asset costs. Therefore, if the project cost is lower due to avoided AFUDC, property tax would be lower. As such, once the NMPC Phase 2 Projects enter service, customer rates will be lower over the subsequent decades if supported by CWIP than if paid for by AFUDC (see Figure 1).

Figure 1



Importantly, this smoothing effect does not increase total costs. Rather, it changes the timing of recovery in a way that improves rate stability while lowering long-term revenue requirements, as discussed further below and in the attached Davis Report. The total nominal savings for CWIP relative to AFUDC over the depreciation accounting period are approximately $607 million. Savings in real dollars, discounted back, are $246 million assuming a discount rate of 2.5 percent, which is the 30-year historical average for U.S inflation, and real savings are $147 million assuming a discount rate of 3.8 percent, which is the 50-year historical average for U.S inflation.[20]

Utilizing CWIP strengthens NMPC's ability to secure financing for the NMPC Phase 2 Projects. In contrast, relying on AFUDC exposes NMPC to significant cash flow challenges that could reduce the Company's credit metrics in certain situations. For example, NMPC estimates the increased debt cost resulting from a one notch downgrade to its five year financing plan would be approximately 15 basis points and cost customers approximately $150 million over the life of the bonds.[21] The potential cost of a downgrade to customers is relevant, given the cushion for exogenous events in NMPC's credit metrics is on the low end; this results in vulnerability to the metrics, should any of a multiple of potential risks manifest. CWIP can mitigate those risks and

[20] Based on data taken from the Federal Reserve Bank of St. Louis. Averages for 1995-2024 and 1975-2024, respectively. Present value of customer cost savings assuming a discount rate of National Grid's Weighted Average Cost of Capital ("WACC") is approximately $9 million (the WACC assumes a 4.6 percent long-term debt rate, 9.5 percent ROE, and a 48 percent equity ratio). These calculations do not take into account cost savings associated with lower property taxes, which could add over $300 million in nominal customer cost savings but will be determined later in project development.

[21] Calculation is the average interest rate increase associated with a one-notch downgrade from NMPC's current bond rating, applied to NMPC's expected future financing needs and corresponding bond issuances. An indication of the cost of a "BBB" range rating compared to an "A" range rating can be taken from the difference in credit spread between the JP Morgan JULI 'BBB' and 'A' utility bond indices (the difference between 'BBB' and 'A' is three credit rating notches). This difference has averaged 50 basis points (i.e., 17 basis points for one notch) for utility operating company bonds over the last five years from April 2021 to April 2026.

offset the potential of triggering a credit downgrade; this impact is discussed in further detail in the Davis Report.

Finally, CWIP in rate base helps mitigate the risk of further customer cost increases in the event of a hypothetical project delay caused by factors outside of NMPC control. NMPC still expects to meet its target in-service dates for the Phase 2 projects, with engineering, procurement, and permitting efforts progressing in accordance with the project schedule needs. However, in a hypothetical scenario where there is an average two-year delay of in-service dates for CLCPA Phase 2 projects,[22] CWIP could save customers over $700 million over the life of the assets, an increase in savings of over $100 million as compared to the savings from CWIP if projects are completed on schedule. These additional savings would result from CWIP limiting the incremental compounding cost of AFUDC during a lengthened project schedule.

The Commission previously approved NYSEG and RG&E's request for authorization for 100 percent CWIP in rate base for their Phase 2A projects, referencing the same financial constraints and customer benefits that drive NMPC's instant request.[23] Accordingly, such treatment is appropriate for the Phase 2A Projects.

IV. NMPC's Financial Need for 100 Percent CWIP in Rate Base

NMPC is making a substantial investment in New York's upstate electric grid. The NMPC Phase 2 Projects build on the company's planned investments in transmission infrastructure. Combined, these projects will spearhead a historic era of transmission development and construction for NMPC. Total investment in the NMPC Phase 2 Projects is projected to be approximately $2.8 billion, which includes $630 million in fiscal year 2027, $782 million in fiscal

[22] Scenario assumes only schedule delay and 20 percent spending reduction from fiscal year 2027-2030, with the remaining cost spent in the subsequent two years.
[23] *See* Case 20-E-0197, "Order Addressing Ratemaking for Areas of Concern Transmission Upgrades" (Issued and Effective April 19, 2024) at 3-6.

year 2028, and $571 million in fiscal year 2029.[24] Given the size of the proposed investment compared to its current average annual transmission investment, NMPC could face financial risk as a result of its development of the NMPC Phase 2 Projects. In terms of all transmission capital projects undertaken by NMPC, most are much smaller in scope than the NMPC Phase 2 Projects, with 93 percent of all other transmission projects budgeted at less than $20 million per project.

Over the coming years, the growing need for transmission investments could further strain NMPC's cash flow and credit metrics. The approved NMPC Phase 2 Projects include several large projects with long development and construction schedules. Significant funds must be deployed rapidly, but under the traditional ratemaking framework – which includes AFUDC and results in higher overall customer costs – cost recovery will only begin once the NMPC Phase 2 Projects enter commercial operation. Given the planned scale of the Phase 2A transmission investments, NMPC expects that, between fiscal years 2027 through 2030, its total capital expenditures will exceed $10.7 billion. Under the traditional framework, however, these investments will not generate cash flow.

Maintaining existing credit ratings ensures the Company has access to external financing to fund important capital investments, such as Phase 2 projects, and that new debt is issued at competitive rates, thus ensuring a low debt expense that is ultimately recovered from customers through rates for the life of the bonds – which may be up to 30 years. The proposal for 100 percent CWIP in rate base has the potential to provide buffer to the existing credit metrics, helping to ensure customers are not saddled with high financing costs. The Davis Report provides confirmation and additional detail on this benefit of CWIP.

[24] National Grid's fiscal years start April 1 of the prior year, continuing to the next March 31 (*e.g.*, fiscal year 2026 ran from April 1, 2025, through March 31, 2026).

NMPC's current credit ratings assume full achievement of the allowed return on equity in NMPC's current rate plan and the consistent associated cash flow. However, multiple exogenous factors present risks to those assumptions, including negative cash flow impacts from severe storms, local policy or tax changes, and unexpected cost increases from issues like supply chains or tariffs. Similarly, both NMPC and other utilities in New York State have not historically fully achieved their allowed return on equity, demonstrating the risk that NMPC does not achieve its allowed return on equity in this rate plan and accordingly suffers negative impacts to its cash flow that jeopardize its credit ratings. Allowing the inclusion of 100 percent CWIP in rate base for the NMPC Phase 2 Projects would alleviate any financial strain resulting from the NMPC Phase 2 Projects' investment and reduce the risk of a credit rating downgrade for NMPC.

V. Precedent for 100 percent CWIP in Rate Base

As the preceding discussion and the attached Davis Report explains, CWIP in rate base provides significant benefits to customers by lowering the total cost of the NMPC Phase 2 Projects and delivering customer savings that will persist throughout the life of the project assets. The CWIP in rate base approach will also help mitigate rate shock by smoothing the otherwise sharp increase in rate base that would occur over a short period under traditional capital investment recovery methods. Additionally, the cash inflows during construction stemming from CWIP in NMPC's rate base will support the company in securing financing, directly benefiting customers by mitigating risks associated with the cost of capital.

Substantial precedent exists for including CWIP in rate base for large-scale transmission projects in New York. As discussed below, the allowance of 100 percent CWIP in rate base for transmission in New York has been supported by the Commission, and previously authorized by the FERC, for comparable transmission investments in the State:

- In 2024, the Commission and the FERC both approved NYSEG and RG&E's request for authorization for 100 percent CWIP in rate base for their Phase 2A projects.[25] The Commission found, "Given the magnitude of the savings expected to be realized by electric customers across the state and the financial risk to the Companies' creditworthiness metrics, the Commission authorizes the Companies to seek FERC approval to utilize CWIP in rate base for these transmission upgrades." FERC similarly found that NYSEG and RG&E demonstrated that capitalizing the costs of the Phase 2A projects would potentially harm their cash flow and metrics, and granting the CWIP in rate base would "help ease [the cash flow and credit metrics] risks by providing upfront certainty, improved cash flow, and reduced interest expense" as the projects are developed and constructed.[26]
- In 2023, NMPC received FERC authorization for 100 percent CWIP in rate base for the Smart Path Connect Project in Northern New York.[27, 28] FERC determined that approval of CWIP in rate base would bolster NMPC's financial metrics, help maintain the company's current credit rating, and support the successful development of the Smart Path Connect Project.[29]
- In 2019, NYPA received the 100 percent CWIP in rate base for its approximately $281 million portion of Segment A of the Edic to Pleasant Valley transmission solution. In its order, the FERC granted the 100 percent CWIP in rate base based on its determination that NYPA

[25] *See supra* note 23; *see also Rochester Gas and Elec. Corp., et al.*, 188 FERC ¶ 61,001, at P 28, *order on reh'g*, 189 FERC ¶ 61,001 (2024). FERC's approval was issued subject to NYSEG and RG&E obtaining state siting approval for their individual Phase 2 Projects. *Rochester Gas and Elec. Corp., et al.*, 188 FERC ¶ 61,001 at PP 12, 28-29, Ordering Paras. (A) & (C).

[26] *Rochester Gas and Elec. Corp., et al.*, 188 FERC ¶ 61,001 at PP 29.

[27] *N.Y. Indep. Sys. Operator, Inc., et al.*, 184 FERC ¶ 61,059, at P 29 (2023).

[28] *See* Protest of the New York State Public Service Commission, Docket No. ER22-1201-000 (filed Mar. 25, 2022); Comments of the New York State Public Service Commission, Docket Nos. ER23-973-000 and ER23-974-000 (filed Feb. 21, 2023).

[29] *N.Y. Indep. Sys. Operator, Inc., et al.*, 184 FERC ¶ 61,059 at P 29.

showed a nexus between the CWIP in rate base and its investment in Segment A.[30] FERC determined that authorizing 100 percent CWIP recovery for Segment A would "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."[31]

NMPC notes the $2.8 billion investment authorized for NMPC in the Phase 2 AOC Order is significantly greater than other transmission investments in New York that have received 100 percent CWIP in rate base, with the exception of the Phase 2A investments planned by NYSEG and RG&E. As such, the cash flow and financing needs expressed by the FERC for NYSEG and RG&E are directly comparable to those of NMPC.

VI. Controls

NMPC will implement accounting controls to ensure that it does not accrue AFUDC in CWIP for the NMPC Phase 2 Projects during any period when the CWIP in rate base is in effect. Specifically, NMPC will monitor and specifically tag all project work orders associated with the NMPC Phase 2 Projects to prevent AFUDC from accruing on the work orders. NMPC will also provide footnote disclosures in the notes to the financial statements of NMPC's annual FERC Form No. 1 and quarterly FERC Form 3-Q which will fully explain the impact of CWIP in rate base, including details of AFUDC non-capitalized because of the inclusion of CWIP in rate base for the current year, the previous two years, and the sum of all years. The proposed disclosure will also include a partial balance sheet which includes an "Assets and Other Debit" section with a line item for AFUDC non-capitalized due to the inclusion of CWIP in rate base. Additionally, NMPC

[30] *N.Y. Power Authority*, 169 FERC ¶ 61,125, at P 26 (2019).
[31] *Id.*

will comply with any CWIP reporting required by the FERC. These are the same controls that the Commission ordered NYSEG and RG&E to adopt in granting those companies petition.

VII. Host Community Benefits

Many project risks, such as permitting, ROW acquisition, and parkland alienation risks, are influenced and can be exacerbated by challenges regarding the project's perception by host communities. Per its standard business operations, NMPC strives to constantly listen to host communities, maintain strong relationships and trust, and partner with communities wherever possible. Therefore, if the petition is approved by FERC, NMPC commits to using five percent of its annual CWIP return on equity revenues[32] for host community benefits, while the project is under construction, to mitigate this risk and ensure community concerns are not only listened to but also acted upon. The community benefits spending will also generally enhance economic growth and strengthen communities in locations hosting the project; for example, using CWIP revenues for host community benefits will enable NMPC to provide direct financial support like improvements to community infrastructure and broad educational opportunities that are not possible with other funds available through NMPC's current approved rate plan or projects. Finally, using a portion of CWIP in rate base for a host community benefits plan will enable host community programs that would otherwise not be possible.

VIII. Conclusion

NMPC is committed to making needed investments that support New York's system reliability, addition of generation capacity, and customer and community benefits. The development and construction of the NMPC Phase 2 Projects represent a significant step towards attainment of such goals. Including 100 percent CWIP in rate base will provide crucial support in

[32] CWIP return on equity revenues include roughly 48 percent of total CWIP revenues, assuming NMPC's current capital structure.

three key ways: 1) it will increase project affordability by saving customers a total of over $600 million during the life of the asset, 2) it will allow the company to voluntarily provide host community support in mitigating any impacts from project construction, and 3) it will better enable NMPC to maintain its credit metrics. Orders from the Commission and FERC authorizing NMPC to include 100 percent CWIP in rate base will provide savings, improved cash flow, and risk reduction which will benefit both NMPC and its customers. Accordingly, NMPC respectfully requests an order from the Commission consistent with this petition.

Respectfully submitted,

NIAGARA MOHAWK POWER CORPORATION
D/B/A NATIONAL GRID

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Dated: May 8, 2026

STATE OF NEW YORK
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VERIFICATION

I, Bart Franey, Vice President of Clean Energy Development – New York for Niagara Mohawk Power Corporation d/b/a National Grid, the corporation on whose behalf the foregoing petition is submitted; do hereby affirm that the contents of the attached Petition are true and correct to the best of my knowledge, information, and belief.

Bart D Franey

Bart Franey