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Witness: Stanley Blazewicz
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Clean Line LLC
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EA-2014-0207

SURREBUTTAL TESTIMONY OF

STANLEY BLAZEWICZ

ON BEHALF OF

GRAIN BELT EXPRESS CLEAN LINE LLC

October 14, 2014

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1 **I. WITNESS INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name, business address and present position?**

3 A. My name is Stanley Blazewicz. I am Vice President, US Business Development at
4 National Grid USA which together with its parent company, National Grid plc, and
5 National Grid plc's other subsidiaries, I will refer to as National Grid. My business
6 address is 40 Sylvan Road, Waltham, MA. Additionally, I am a member of the Board
7 of Directors of Clean Line Energy Partners LLC ("Clean Line"), the ultimate parent
8 company of Grain Belt Express Clean Line LLC ("Grain Belt Express" or
9 "Company").

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my testimony is to respond to the rebuttal testimony of Dr. Jeffrey M.
12 Gray that, in his view, the Grain Belt Express Clean Line transmission project (the
13 "Grain Belt Express Project" or the "Project") is not economically feasible, that the
14 Company does not have the financial ability to construct and operate the project, and
15 that it is not qualified to provide the proposed service. I will also address certain
16 concerns regarding the economic feasibility of the Project raised in the rebuttal
17 testimony of Staff witness Michael L. Stahlman.

18 **Q. Please describe your educational background and business experience.**

19 A. I have been with National Grid since 2008 and, prior to my current position, held
20 positions in strategy and corporate development. I have over 27 years of experience
21 in the energy field. Prior to National Grid, I was a Managing Director in Navigant
22 Consulting's Energy Practice, where I led client engagements in strategy, planning,
23 market and economic analysis, energy policy, and strategic partnering. I worked with
24 energy companies, electric and gas utilities, small technology start-ups, large
25 equipment suppliers and government organizations in the U.S., Europe, and Asia. I

1 started my consulting career with Arthur D. Little in its Energy practice. I have also
2 held positions with the U.S. Department of Energy, as a program manager, and with
3 Wartsila Diesel, as a project engineer. I started my career in the U.S. Navy as a
4 nuclear submarine officer and hold a bachelor's degree (State University of New York
5 – Maritime College) and a master's degree (George Washington University) in
6 electrical engineering.

7 **Q. What are your duties and responsibilities in your present position with National**
8 **Grid?**

9 A. I am responsible for managing and developing National Grid's existing pipeline of
10 transmission development projects (over \$6 billion portfolio) and bringing them to
11 successful financial close and into construction. I also am responsible for originating,
12 evaluating, and cultivating new opportunities both within and outside of National
13 Grid's current footprint. I work closely with our core electric transmission business in
14 the United States and the United Kingdom to access our extensive core competencies
15 in designing, building, and operating electric transmission.

16 **Q. What is your role with Clean Line?**

17 A. As a board member, I monitor Clean Line's performance relative to its business plan.
18 I am responsible for bringing recommendations to the National Grid board concerning
19 our current and future commitments to National Grid's investment in Clean Line. I
20 work with the Clean Line management to make sure that it has access to National
21 Grid's expertise and resources in an effort to assist Clean Line in the execution of its
22 development, construction, operations, maintenance and financing plans for each of
23 its transmission projects, including the Project.

24 **Q. What is the business of National Grid?**

1 A. National Grid’s regulated subsidiaries deliver electricity to approximately 3.4 million
2 customers in New York, Massachusetts and Rhode Island. Through these
3 subsidiaries, National Grid jointly owns and operates approximately 8,600 miles of
4 high voltage transmission spanning upstate New York, Massachusetts, New
5 Hampshire, Rhode Island and Vermont, operating approximately 105 miles of
6 underground cable and 521 substations. National Grid is also the largest distributor of
7 natural gas in the northeastern United States, serving approximately 3.6 million
8 customers in New England and upstate New York. Other operating subsidiaries are
9 involved in LNG storage. National Grid also invests and participates in the
10 development of natural gas pipelines and other energy related projects. National Grid
11 plc is based in the United Kingdom and is one of the largest investor-owned energy
12 companies in the world with approximately \$87 billion in assets and over \$24 billion
13 in annual revenues.

14 **Q. What experience does National Grid have with high-voltage direct current**
15 **(“HVDC”) transmission that is relevant to the Grain Belt Express Project?**

16 A. National Grid has extensive experience building, owning and operating large HVDC
17 electricity transmission in the United States, in the United Kingdom (UK) and in
18 Europe.

- 19 • National Grid built, operates and owns a majority share of the U.S. portion of a
20 2,000MW HVDC interconnector that operates at 450kV between New England
21 and Canada.
- 22 • National Grid owns half of BritNed Link, a 156-mile, bi-pole HVDC electricity
23 interconnector with 1,000MW capacity each way that connects the Isle of Grain,
24 UK to Massvlakte, Netherlands.

- 1 • Interconnexion France-Angleterre (IFA) is a 2,000MW, 42-mile HVDC
2 interconnector between England and France that includes 27 miles of undersea
3 cable. Commissioned in 1986, IFA is part of a joint agreement between National
4 Grid and France's Transmission Service Operator, RTE. National Grid jointly
5 owns and operates IFA.
- 6 • National Grid and Scottish Power Transmission are jointly developing the
7 Western HVDC Link, which is a 250-mile, 600kV, 2,200MW subsea HVDC
8 cable on the western side of the UK that will connect Scotland with England and
9 Wales. The commercial operation date for this project is 2016.

10 National Grid is also currently working with the transmission service
11 operators in Belgium and Norway to develop a 450-mile, 1,000-1,500MW HVDC
12 electricity interconnector between those countries and Great Britain, with a
13 projected commercial operation date of 2018 or 2019.

14 **Q. Why did National Grid invest its development capital in Clean Line?**

15 A. Clean Line's HVDC transmission projects currently under development, including
16 Grain Belt Express Project, are, in National Grid's view, viable, economically
17 attractive investments meeting a market and public policy need. These projects move
18 renewable power from the central United States to load centers where National Grid
19 believes that there is high demand for renewable energy from load-serving entities to
20 diversify their supply portfolios and/or to satisfy Renewable Portfolio Standards
21 (RPS). Notably, in National Grid's view and as explained in the direct testimony of
22 Mr. David Berry, the Project will tap into wind resources in western Kansas with
23 extremely competitive production costs due in significant part to the fact that the wind
24 resources in that region are among the country's best. National Grid's views are
25 supported by the fact that Clean Line and Grain Belt Express have an experienced and

1 skilled management team that has successfully developed, managed and constructed
2 large scale renewable energy projects throughout the United States.

3 The combination of an experienced and skilled management team and
4 National Grid's assessment of the viability of HVDC transmission projects such as the
5 Project made this an attractive investment opportunity for National Grid.

6 **Q. What is National Grid's investment in Clean Line?**

7 A. National Grid, through its wholly-owned subsidiary GridAmerica Holdings, LLC,
8 made a \$48.2 million equity investment in Clean Line in exchange for an approximate
9 40% ownership interest. One of National Grid's objectives was to secure favorable
10 access to the projects in Clean Line's portfolio and the right to continue to invest or
11 participate in them after full development. Notably, National Grid has the right to
12 designate two out of five members of Clean Line's Board of Directors. These rights,
13 among others, provide National Grid with the ability to help direct the development
14 and commercialization of Clean Line's portfolio of HVDC transmission projects,
15 including the Grain Belt Express Project.

16 **Q. Other than financial support, what other commitments has National Grid made
17 to Clean Line?**

18 A. National Grid has made available to Clean Line its engineering, procurement,
19 licensing, operations, safety, construction, and project management skills and
20 resources in HVDC transmission as Clean Line pursues the development of its
21 projects, including the Grain Belt Express Project. National Grid makes these
22 resources available to Clean Line and the Company on an ongoing basis. In addition
23 to National Grid's two Board seats, National Grid has observer rights to make
24 National Grid specialists available to provide input and feedback to Clean Line
25 management.

1 **II. ECONOMIC FEASIBILITY**

2 **Q. In his rebuttal testimony at page 17, Dr. Gray states that the Project is not**
3 **presently economically feasible because it has no contracts with transmission**
4 **customers. Does the fact that the Project is presently without contracted**
5 **customers indicate that the project is not economically feasible?**

6 A. No. There is a proper and expected sequence of activities or milestones for
7 developing a project of this character. The Grain Belt Express Project is currently in
8 the permitting stage and, from the perspective of an investor like National Grid, a
9 project of this character is not expected at this stage of its development to have long-
10 term contracts in place. After certain developmental milestones for the Grain Belt
11 Express Project are achieved (which includes public outreach, interconnection studies,
12 routing, permitting, obtaining certificates such as the one applied for in this
13 proceeding, and siting authority), the customer contracts, construction contracts, and
14 financing commitments will be obtained.

15 **Q. Dr. Gray also states in his rebuttal at page 17 that because the Company must**
16 **sell a majority of the Project's capacity before it obtains construction financing,**
17 **the financing of the Project is subject to substantial uncertainty. Do you agree?**

18 A. No. It is expected with projects of this character that full financial construction
19 financing commitments will not be obtained until contracts for some portion of the
20 transmission capacity are in place and other development milestones are reached.
21 Further, contrary to Dr. Gray's testimony, National Grid does not believe that any
22 adverse inference should be drawn from Mr. Berry's testimony that Grain Belt
23 Express intends to sell a majority of the project's capacity before obtaining
24 construction financing. When project finance is the model used to secure construction
25 financing for a project, the greater the percentage of the project capacity that is

1 committed, the better the terms of the construction financing are likely to be. What
2 Mr. Berry is describing is simply good business practice typical of project financing.

3 **Q. In his rebuttal testimony at pages 7-11, Staff witness Michael L. Stahlman**
4 **identifies four areas where the Project does not have a complete estimate of**
5 **certain expenditures. As a result, he states that Staff does not know whether the**
6 **project is economically feasible. Do you agree with his conclusion?**

7 A. No. At its current stage of development, one would not expect Grain Belt Express to
8 have a final estimate of all expenditures that will be necessary to bring the Project to
9 fruition. As is typical with such projects, more precise estimates of costs will become
10 available as the Project moves forward. Based on National Grid's experience with the
11 development, construction and operation of transmission projects in the U.S.,
12 including HVDC projects, I believe the project will be cost-competitive and do not
13 believe that the particular areas of expenditures identified by Mr. Stahlman will
14 materially impact the economic feasibility of the Project.

15 National Grid believes that Grain Belt Express has completed sufficient
16 interconnection-related studies and analyses to determine a reasonable upgrade
17 estimate that is incorporated in the Project's financial model. To Mr. Stahlman's
18 concern that the Company has not yet developed cost estimates for operational,
19 maintenance and emergency restoration plans, National Grid believes that Grain Belt
20 Express is quite capable of developing such plans at the appropriate time after key
21 permits have been received, and the final route and interconnection facilities are
22 determined. National Grid's resources will be available to aid the in the development
23 of such plans. The cost of such plans is unlikely to differ substantially from the
24 Company's current project estimates.

1 Finally, National Grid agrees with and supports the conclusion of Mr. Berry in
2 Section III (particularly, pages 11-29) of his direct testimony that there will be ample
3 demand from load-serving entities in Missouri and the broader MISO and PJM
4 regions for the low-cost clean energy delivered by the Grain Belt Express Project. As
5 Mr. Berry discussed, such demand will be driven by declining wind energy prices, the
6 retirement of aging and inefficient fossil plants, and renewable energy standards in
7 Missouri and throughout MISO and PJM. The wind energy to be delivered by the
8 Project likely represents the most economically feasible renewable energy option, and
9 a low cost option generally, to many potential customers in Missouri, as well as in
10 MISO and PJM. Therefore, based on its own experience, informed by the
11 considerations discussed in the direct testimony of Mr. Berry, National Grid believes
12 that the Project is viable and economically feasible.

13 **III. FINANCIAL ABILITY AND RESOURCES**

14 **Q. In his rebuttal testimony at pages 17-19, Dr. Gray states that Grain Belt Express**
15 **does not have the financial ability to construct and operate the Project. Do you**
16 **agree?**

17 A. No. If National Grid did not believe that the Company was capable of financing the
18 construction of the Project or that it did not have a rational, well-considered business
19 plan and financing plan, National Grid would not have invested in Clean Line.
20 National Grid firmly believes that the Company is capable of raising the capital
21 needed to finance the construction of the Project which is economically attractive.
22 There is financing available to construct a project of this scale, but it is premature to
23 expect that this financing be in place at this point. National Grid agrees with Mr.
24 Berry's views in Section IV (pages 37-51) of his direct testimony that large amounts
25 of liquidity exist in the capital markets for transmission projects that have reached an

1 advanced stage of development and that the capital markets have a substantial history
2 of supporting transmission projects, including merchant transmission projects,
3 through debt and equity financing. The real question is whether investors believe that
4 the Project is viable and an economically attractive investment. National Grid
5 believes that it is. National Grid agrees with and supports the conclusion of Staff
6 witness David Murray at page 3 of his rebuttal testimony that Grain Belt Express has
7 the financial qualifications to be granted a CCN for the Project.

8 **IV. QUALIFICATIONS**

9 **Q. In this rebuttal testimony at pages 19-20, Dr. Gray states that Grain Belt Express**
10 **is not qualified to provide the service proposed by the Project because neither**
11 **the Company nor Clean Line has ever constructed or operated a transmission**
12 **line. Do you agree?**

13 A. No. As I discussed earlier, National Grid made a decision to invest in Clean Line
14 based on its conclusion that the projects in Clean Line's portfolio, including the Grain
15 Belt Express Project, were viable and fundamentally sound, and that Clean Line's
16 management team had the requisite experience and skill to develop, finance and
17 construct these projects. Not only does National Grid believe that the Company is
18 fully capable of efficiently managing and supervising the construction of the Project
19 but, as I explained above, as part of its investment in Clean Line, National Grid has
20 made and will continue to make available to Clean Line and to Grain Belt Express its
21 engineering, procurement, licensing, operations, safety, construction, and project
22 management skills and resources in HVDC transmission. All of these considerations
23 lead National Grid to conclude with confidence that Grain Belt Express is capable of
24 efficiently managing and supervising the construction of the Project and operating it
25 as well.

1 Q. Does this conclude your surrebuttal testimony?

2 A. Yes.