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Issues: Economic Feasibility; Financing  
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Witness: Stanley Blazewicz

Sponsoring Party: Grain Belt Express  
Clean Line LLC

Type of Exhibit: Surrebuttal Testimony

Case No.: EA-2014-0207

Date Testimony Prepared: 10/14/14

**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**

G-BE Exhibit No. 103  
Date 11-12-14 Reporter XF  
File No. EA 2014-0207

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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.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of Grain Belt	)	
Express Clean Line LLC for a Certificate of	)	
Convenience and Necessity Authorizing it to	)	Case No. EA-2014-0207
Construct, Own, Operate, Control, Manage and	)	
Maintain a High Voltage, Direct Current	)	
Transmission Line and an Associated Converter	)	
Station Providing an Interconnection on the	)	
Maywood 345 kV transmission line.	)	

**AFFIDAVIT OF STANLEY BLAZEWICZ**

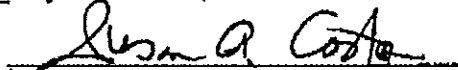
STATE OF MASSACHUSETTS )  
 ) ss  
 COUNTY OF Middlesex )

Stanley Blazewicz, being first duly sworn on his oath, states:

1. My name is Stanley Blazewicz. I am Vice President, US Business Development at National Grid USA which together with its parent company, National Grid plc, and National Grid plc's other subsidiaries.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Grain Belt Express Clean Line, LLC consisting of 10 pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
 Stanley Blazewicz

Subscribed and sworn to before me this 14 day of October, 2014.

  
 Notary Public

My Commission Expires: 3-5-2015

