

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Application of Rochester Gas and Electric Corporation
for a Certificate of Environmental Compatibility and
Public Need for the Construction of the “Rochester Area
Reliability Project,” Approximately 23.6 Miles of
115 Kilovolt Transmission Lines and 1.9 Miles of
345 Kilovolt Line in the City of Rochester and the
Towns of Chili, Gates and Henrietta in Monroe County.

Case No. 11-T-0534

Administrative Law Judge:
Hon. Eleanor Stein

Prepared Rebuttal Testimony of:

E. John Del Monte
Chief Executive Officer
Del Monte Hotel Group
909 Linden Avenue
Rochester, New York 14625

Submitted on behalf of 4545 East River Road, LLC

/s/ Alan J. Knauf, Esq.

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1 E. JOHN DEL MONTE declares under penalty of perjury:

2 Q: Please state your name, employer, position, and business address.

3 A: My name is John Del Monte. I am the Chief Executive Officer of the Del Monte Hotel
4 Group. I am also co-executor of the Estate of my late father, Ernest J. Del Monte, who
5 was the sole member of 4545 East River Road, LLC (the “LLC”), which is the owner of
6 the parcels of land located at 4545 East River Road in the Town of Henrietta, County of
7 Monroe, State of New York, more specifically identified as Tax Parcel Nos. 173.03-2-
8 1.12 and 174.03-2-1.11 (the “Property”). The Del Monte Hotel Group, which includes
9 the LLC, has its principal offices located at 909 Linden Avenue, Rochester, New York
10 14625.

11 Q: What is the purpose of your testimony?

12 A: To provide additional information regarding the Property for the record in this proceeding
13 and the impact on the Property if either Alternative 9 or Alternative 20 is selected as the
14 location for Substation 255 as part of the Rochester Area Reliability Project (“RARP”).

15 **Education and Del Monte Hotel Group Background**

16 Q: Please summarize your background.

17 A: I have a background in hotel and business management and real estate development, and
18 have worked with the Del Monte Hotel Group for nearly 50 years.

19 Q: Please describe the business of the Del Monte Hotel Group.

20 A: The E.J. Del Monte Corporation, now the Del Monte Hotel Group, first began
21 development of real estate in 1958. Since that time, the Del Monte Hotel Group has
22 grown to now own and operate 17 hotels that include Marriott, Renaissance, Courtyard,
23 Residence Inn and Fairfield Inn brands located throughout New York State. *See*

1 DelMonte Hotel Group at <http://www.delmontehotels.com/home.html>. We are currently
2 developing hotels at the University of Rochester College Town complex and in
3 Pittsburgh, Pennsylvania. With our in-house management team, we oversee over 800
4 talented associates in the hospitality industry. In addition to developing and managing
5 hotels, we provide management services to third parties.

6 **The Del Monte Hotel Group History with the Property**

7 Q: When did the Del Monte Hotel Group acquire the Property?

8 A: Through its development entity 4545 East River Road, LLC, the Del Monte Hotel Group
9 purchased the Property in 2011 from Tower Investments, Inc.

10 Q: What was your plan for the Property when it was purchased?

11 A: We were attracted to the Property because of the architectural significance of the
12 buildings, the spacious floor plans (about 330,000 square feet of space), and riverfront
13 location. Although the buildings had been used as a training and office complex for
14 Eastman Kodak, our strategy was to convert the Property into a facility for the University
15 of Rochester or Rochester Institute of Technology. We prepared conceptual plans and
16 cost estimates to this effect. Among the various cost estimates completed as we were
17 assessing options for the Property was an estimate to demolish all of the buildings on the
18 Property. Because of the extensive asbestos abatement required, the total cost estimate to
19 demolish the buildings was in the neighborhood of \$3 million, including the cost of
20 asbestos abatement.

21 Q: What is the current status of the Property?

22 A: After assessing our options for the Property, we determined that our plans would not
23 work out with either university, and that it may instead be more attractive for use as high

1 end office space. Because such a use is not part of our core business, we decided to
2 market the Property targeted to developers focused on the professional office space
3 market. In February 2014, 4545 East River Road, LLC entered into a contract (the
4 “Contract”) to sell the Property to an entity associated with Rainaldi Brothers, Inc.
5 (“Rainaldi”). The Contract was to close in August 2014 when we learned that the
6 Property was under consideration as a site for Substation 255 and the associated
7 transmission lines in this proceeding. Because of the uncertainty regarding the fate of the
8 Property, we agreed with Rainaldi to extend the time to close until August 2014 with the
9 closing solely contingent upon a determination that the Property would not be a site for
10 Substation 255 or its associated transmission lines.

11 **The Impacts on the Property if Alternatives 9 or 20 are Selected**

12 Q: Have you reviewed the scope of proposed Alternatives 9 and 20 for the location of
13 Substation 255 and the associated transmission lines?

14 A: Yes.

15 Q: How would the Property be impacted if Alternative 9 is selected?

16 A: Alternative 9 requires the destruction of the buildings on the Property, thus eliminating
17 any value to the Property for development.

18 Q: How would the Property be impacted if Alternative 20 is selected?

19 A: While Alternative 20 does not appear to require the destruction of the buildings, the
20 proximity of Substation 255 to the buildings and entrance to the campus and the
21 proximity of the transmission lines to the buildings will aesthetically detract from the
22 Property, and could make it unsuitable for Class A office space, so the Property will be
23 significantly devalued.

1 Q: What will be the impact if a decision regarding Alternative 9 and 20 is delayed past
2 August 2014?

3 A: Our substantial investment in the Property will remain in limbo until there is a resolution
4 regarding Alternatives 9 and 20. If there is no resolution regarding Alternatives 9 and 20
5 by August 2014, the Contract will be cancelled and, as I understand the plans of Rainaldi,
6 the opportunity to redevelop the Property and bring hundreds of jobs to the site will be
7 lost.

8 Q: Does this conclude your testimony?

9 A: Yes.

Dated: May 9, 2014

/s/ Ernest John Del Monte
ERNEST JOHN DEL MONTE