

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
New York State Electric & Gas Corporation
for Electric Service Case 15-E-0283

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
New York State Electric & Gas Corporation
for Gas Service Case 15-G-0284

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Rochester Gas and Electric Corporation for Electric
Service Case 15-E-0285

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Rochester Gas and Electric Corporation for Gas Service Case 15-G-0286

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**REBUTTAL TESTIMONY OF
ELECTRIC SUPPLY AND NATURAL GAS SUPPLY AND
EXPANSION PANEL**

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October 13, 2015

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I. INTRODUCTION

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Q. Please state the names of the members on this Electric Supply and Natural Gas Supply and Expansion Panel (“Panel”).

A. We are Mark R. Beaudoin, Lori A. Cole, Jeffrey M. Converse, Patrick W. Fox, David L. Gridley and David J. Kimiecik.

Q. Did you sponsor the Direct Testimony of the Electric Supply and Natural Gas Supply and Expansion Panel of New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E” and together with NYSEG, the “Companies”) in these proceedings?

A. Yes.

Q. What is the overall purpose of the Panel’s Rebuttal Testimony?

A. We will respond to the New York State Department of Public Service Staff (“Staff”) recommendations and adjustments (as described in the testimony of the Staff Gas Programs Panel) regarding the following: 1) the gas enhancement performance incentive; 2) Program and Pilot Program Reporting; 3) Compressed Natural Gas (“CNG”); 4) Liquefied Natural Gas (“LNG”) and 5) the Daily Balancing Program. We will also address the New York State Public Service Commission’s (“Commission”) July 21, 2015 Order Amending Certificate of Public Convenience and Necessity in Case 15-G-0235 (“Cobleskill Gas Franchise Order”) in which the Commission granted NYSEG’s request to amend its Certificate of Public Convenience and Necessity to exercise a gas franchise in the

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1 Village of Cobleskill (“Village”) while requiring NYSEG to file further expansion
2 plans in these proceedings.

3 Q. Is the Panel sponsoring any exhibits in support of its Rebuttal Testimony?

4 A. No.

5 **II. GAS ENHANCEMENT PERFORMANCE INCENTIVE**

6 Q. What is Staff’s recommendation with respect to the implementation of a gas
7 enhancement performance incentive?

8 A. Staff proposes a gas enhancement performance incentive that would award one
9 basis point for each 10% additional customers the Companies are able to achieve
10 related to Staff’s customer growth targets, with a cap of five basis points.

11 Q. Does the Panel have any concerns with Staff’s proposal?

12 A. In concept, the Panel supports the idea of a gas enhancement performance
13 incentive. However, the Companies’ Deliveries and Revenue/Revenue
14 Decoupling Mechanism Panel has identified concerns with Staff’s gas customer
15 growth forecasts. Specifically, Staff has overestimated the Companies’ gas
16 customer counts. As a result, it is extremely unlikely that the Companies will be
17 able to achieve Staff’s customer growth targets. Staff’s overstated gas customer
18 growth targets thus render its gas enhancement performance incentive illusory.
19 However, if the customer growth targets are adjusted to be consistent with the
20 Companies’ estimates, the Companies would be fully supportive of Staff’s
21 proposed gas enhancement performance incentive.

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III. PROGRAM AND PILOT PROGRAM REPORTING

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2 Q. Do you support Staff's proposal to continue Program and Pilot Program
3 Reporting until the programs are completed and/or modified by the Commission
4 in a future rate order?

5 A. Not entirely. The Companies recommend that any reporting beyond the five
6 years they had initially identified be provided on an annual basis, between 60 and
7 90 days following the end of the calendar year, which coincides with the filing of
8 the Companies' annual reports.

IV. COMPRESSED NATURAL GAS

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10 Q. What is Staff's proposal with respect to CNG fueling stations?

11 A. Staff proposes that the Companies develop a study that evaluates the potential for
12 CNG as a transportation fuel within their respective service territories.

13 Q. Would a study of this nature be beneficial in the potential development of the
14 CNG transportation fuel market?

15 A. Yes, the Companies agree that a study would be beneficial.

16 Q. Do the Companies intend to own and operate CNG fueling stations?

17 A. No. Assuming the study showed sufficient potential, the Companies intend to
18 develop programs to help facilitate the development of CNG fueling stations and
19 fleet conversions by third parties and/or customers.

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1 Q. Do the Companies agree with the proposed timeframe put forth by the
2 Staff Gas Programs Panel to complete the study?

3 A. No. The study should be completed no later than 18 months from a Commission
4 final decision in these rate cases.

5 Q. Why is 18 months a more appropriate period for completing this study?

6 A. An 18-month period is necessary in order to complete a comprehensive study,
7 including time to solicit, identify and secure a consultant to perform the study,
8 determine the information that should be included and obtained in the study
9 (including the recommendations by the Staff Gas Programs Panel), and research
10 models used by other utilities. An additional consideration is the geographical
11 separation and diversity of the Companies' service territories.

12 Q. How much do the Companies anticipate spending on this study and how will it
13 be funded?

14 A. The Companies propose spending a maximum of \$100,000 on a study that
15 encompasses both the NYSEG and RG&E service territories, with recovery of the
16 cost through base rates.

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V. LIQUEFIED NATURAL GAS

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2 Q. Do you have any comments concerning Staff’s recommendation on page 31 of the
3 Staff Gas Programs Panel’s testimony that NYSEG “should explore different
4 capacity options in the North Country area by performing a study with
5 St. Lawrence Gas and any other potential participants so long as such is willing”?

6 A. Yes. As it relates to natural gas portfolio needs, both NYSEG and RG&E
7 carefully evaluate the various alternatives (i.e., different capacity options) for
8 portfolio assets prior to finalizing any changes within each respective portfolio.
9 While Staff indicates that NYSEG should consider other capacity and supply
10 options, it should be noted that the Companies’ preferred method for incremental
11 transmission pipeline capacity is to first contract with an existing pipeline
12 resource (e.g., physical pipe in the ground), wherever possible. For the
13 North Country load area, NYSEG has been diligently working with a provider for
14 the incremental capacity needs in meeting the supply and reliability needs of our
15 customers in that area. While the use of LNG may be an alternative for meeting
16 future capacity/supply needs, there are a number of concerns that exist
17 surrounding the viability of such a project. Those concerns include, but are not
18 limited to, location/safety requirements, regulatory requirements (siting, transport,
19 etc.), and operational issues in a very remote area. Additionally, when
20 considering the inclusion of “potential participants so long as such are willing,”
21 there are many unknown risks/issues such as contractual and financial
22 responsibilities that could very well impact the success of such a project.

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1 Q. Do the Companies support Staff’s proposal to conduct this study and the
2 requirement to submit the study results for the North Country area?

3 A. No. On page 31 of the Staff Gas Programs Panel’s testimony, Staff indicates that
4 “NYSEG should submit the results of its study in its next rate filing, or no later
5 than one year from a Commission decision in this case should it stay out.”

6 Given that the Companies are proactive and inform Staff of portfolio changes, as
7 well as file winter supply and reliability plans on an annual basis, such a study is
8 redundant and unnecessary.

9 Q. Does NYSEG have an approach for meeting capacity and supply needs for its
10 North Country load area?

11 A. Yes. As discussed earlier, NYSEG has been in discussions to resolve its future
12 load requirements and expects to have these issues resolved no later than
13 April 1, 2016. NYSEG will continue to explore discussions with
14 St. Lawrence Gas on the need for a joint LNG facility, providing a longer
15 planning horizon to adequately evaluate the costs associated with a project of
16 this nature.

17 **VI. DAILY BALANCING**

18 Q. Does the Panel have any comments on Staff’s testimony regarding RG&E’s daily
19 balancing program for daily balanced customers?

20 A. Yes. On page 56 of the Staff Gas Programs Panel testimony, Staff indicates that
21 RG&E does not provide daily balancing service, but instead requires its daily
22 balanced customers to take balancing service under the Dominion Transportation,

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1 Inc. (“DTI”) Citygate Swing Service program. This is incorrect. As provided in
2 RG&E’s Commission-approved tariffs, RG&E provides Energy Service
3 Companies (“ESCOs”) with daily metered pools the option of choosing one type
4 of balancing services. The balancing service selected can be:

- 5 1) Daily Balancing Service (Tariff Leaf No. 127.31.1) which accounts for
6 differences to be cashed out through the tiers; or
7 2) Citygate Swing Customer (“CSC”) Enhanced Balancing Service (Tariff Leaf
8 No. 127.39) which accounts for differences to be handled through an ESCO’s
9 CSC Service Contract with DTI.

10 Q. The Staff Gas Programs Panel proposes modifications to NYSEG’s Daily
11 Balancing program for Service Class (“SC”)-15 and SC-17 classes, including
12 revisions to the: 1) imbalance tolerance bands; 2) imbalance penalty structure;
13 3) daily balancing demand charge; and 4) daily cash-out procedures. Does the
14 Panel have any concerns with these recommended changes, including the changes
15 associated with the balancing program for the SC-15 tariff?

16 A. We do not have any issues with Staff’s proposed changes to the SC-15 and SC-17
17 balancing programs, other than the vendor-related costs for these changes in
18 totality. With the changes recommended by Staff and identified in Staff
19 Exhibit __ (GPP-4) (including the addition of the SC-15 balancing changes),
20 the total vendor-related costs are \$108,900, a slight reduction of \$1,600 from the
21 amount contained in this Panel’s Direct Testimony. It will take approximately six

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1 months to implement the Gas Tracking System modifications if the Commission
2 directs the Companies to implement such changes.

3 **VII. COBLESKILL GAS FRANCHISE ORDER**

4 Q. Did the Cobleskill Gas Franchise Order require NYSEG to incorporate any
5 additional expansion plans for the Village in these proceedings?

6 A. Yes.

7 Q. What are NYSEG's additional expansion plans for the Village?

8 A. In addition to the build-out specifically identified in the Cobleskill Gas Franchise
9 Order, NYSEG's additional expansion plans in the Village include the following:

- 10 1) Connecting customers along existing natural gas mains that currently do not
11 utilize natural gas;
- 12 2) Utilizing NYSEG's Neighborhood Expansion Pilot Program to the extent a
13 project in the Village meets the qualifying criteria and there is adequate
14 customer interest; and
- 15 3) Constructing natural gas main extensions in accordance with NYSEG's tariff,
16 as customer interest permits.

17 In all cases, outreach and education will provide information to prospective
18 customers regarding the benefits of natural gas and availability of rebates and
19 financing programs from NYSEG and other entities.

20 Q. Does this conclude the Panel's Rebuttal Testimony at this time?

21 A. Yes, it does.