Case No. 18-G-0068

ORANGE AND ROCKLAND UTILITIES INC.

UPDATE/REBUTTAL TESTIMONY OF
KATHLEEN TRISCHITTA – GAS

Q. Please state your name.

A. My name is Kathleen Trischitta.

Q. Have you previously submitted testimony in this proceeding?

A. Yes, I previously submitted direct testimony on behalf of Orange and Rockland Utilities, Inc. ("Orange and Rockland," "O&R" or "Company").

Q. What is the purpose of your rebuttal testimony?

A. I am updating one of the exhibits submitted with my direct testimony. I am also responding to the testimony of the Staff Gas Programs and Supply Panel ("SGPSP") regarding: the Company's Retail Access program; peaking supplies; joint portfolio; new gas customers; and an energy solutions evaluation tool.

UPDATE

Q. Do you have any updates to your direct testimony or exhibits?

A. Yes. The Company would like to update Exhibit KT-1 Schedule 13. This exhibit has been updated to reflect the lost and unaccounted for ("LAUF") gas calculation for Orange and Rockland.

REBUTTAL

<u>Retail Access Program</u>

Q. What does Staff propose with regard to the Company's Retail Access Program?

A. The SGPSP recommends (pp. 17-19) that the Company redesign its retail access program to be more closely aligned with Consolidated Edison Company of New York, Inc.'s ("Con Edison") retail access program.

Q. Does the Company agree with this proposal?

A. No, it does not.

Q. Please describe O&R's current Retail Access Program.

A. O&R currently runs a load following program that provides marketers with a forecasted monthly Daily Contract Quantity ("DCQ") based on normalized weather for each month.

Q. How does the forecasted DCQ get actualized?

A. The forecasted monthly DCQ and the actual gas usage are actualized on a three month lag and the marketers are cashed out.

Q. Please describe the effort that would be required for O&R to align their program with Con Edison's Daily Delivery Service ("DDS") program?

A. O&R would need to modify a number of computer systems, including the CIMS, RAIS and TCIS systems.

Q. What would be the estimated cost to modify these systems?

A. The cost to modify CIMS, RAIS and TCIS is estimated to be approximately $1.8 million.

Q. Would there be any additional costs incurred?

A. Yes. One full time resource would be needed to assist with the DDS program at a cost of approximately $100,000 per year.

Q. Does O&R recommend changing the current load following program to Con Edison's DDS program at this time?

A. No. O&R and Con Edison are in the process of evaluating a new billing system and plan to have this system in production within the next three to five years. The additional cost and resource needed to make this change and maintain the DDS program utilizing existing systems would not be a prudent investment at this time.

Q. Is O&R willing to explore interim steps between its current load following program and a DDS program similar to Con Edison's that could potentially be implemented for the next three to five year period?

A. O&R would be willing to study the cost and feasibility of implementing potential interim steps that moves the Company's program closer to a DDS program as part of a negotiated three-year rate plan.

Q. Please respond to the testimony of the Staff Gas Policy Panel who recommends that the Company study which alternative auction platform would be best to reduce the high fees associated with peak day assets and inform the Commission which option it decides to pursue.

A. The Company agrees to study alternative auction platform options to determine whether such a platform could serve as a vehicle for the procurement of peaking supplies.

Peaking Supplies

Q. Please describe the concerns expressed by Staff relative to the Company's current peak day capacity assets.

A. The SGPSP asserts (p. 23) that these assets are the costliest portion of the Company's gas capacity portfolio and as the customer base grows, the Company may need to rely more on these assets to meet customer demand during peak winter days.

Q. Do you agree that peaking assets are the costliest portion of the Company's gas portfolio?

A. Due to the nature of the pricing structure for peaking assets in today's market, prices paid under peaking contracts are the most volatile portion of the portfolio. For example, prices are subject to significant increases during extreme weather events or contingencies when commodity supplies become scarce.

During such years, peaking supplies can be the costliest portion of the portfolio. In other years, they can be less expensive than firm pipeline capacity and associated gas supply.

Q. What does Staff recommend with respect to peak day capacity assets?

A. The SGPSP recommends (pp. 23-24) that the Company develop a strategy to reduce its reliance on peaking supplies, placing a greater focus on demand response programs and energy efficiency.

Q. Does the Company agree with Staff's recommendation?

A. Conceptually, the Company does not disagree with Staff's recommendation, but this concern does not currently apply to O&R. From a practical perspective, all peaking supplies in the current joint portfolio are delivered to Con Edison citygates. The strategy Staff recommends has already been developed and is embodied in Con Edison's Smart Solutions Filing. The concern involving the reliance on peaking supplies currently is being addressed in the multi-prong approach that is part of the Smart Solutions Filing.

Joint Portfolio

Q. What are Staff's concerns with respect to the combined O&R/Con Edison gas portfolio?

A. The SGPSP contends (p. 24) that the combined portfolio makes it difficult to disaggregate the capacity and commodity assets associated with each of the separate service territories for long term planning needs.

Q. What does Staff recommend to address its concern?

A. Staff recommends that the Company separate its capacity and supply portfolio assets from Con Edison to match the demand requirements forecast and peak day assets for O&R for reporting purposes, though the assets should still be jointly managed.

Q. Does the Company accept this recommendation?

A. We accept it in part. The Company will work with Con Edison so that the use of capacity, including peak day assets, in the joint portfolio, can be separately reported from Con Edison's use of capacity and peak day assets, which can change from year to year.

Commodity requirements, however, are difficult to disaggregate due to deliveries of gas on the same pipes to both Companies. Therefore, commodity requirements should continue to be reported jointly.

New Gas Customers

Q. Please describe Staff's recommendation regarding the addition of new gas customers.

A. The SGPSP recommends (p. 25) that while focusing on converting customers to natural gas, the Company should not be adding any new gas customers in areas where reliability is threatened by capacity shortages. Moreover, the SGPSP recommends that the addition of new gas customers should be stopped if it would mean pursuing pipeline projects or otherwise adding to peak day assets.

Q. Does the Company agree with Staff's recommendations?

A. No, the Company does not agree. Currently, the Company does not foresee any areas within the Orange & Rockland service territory where reliability is threatened by capacity shortages, even if the Company adds more gas customers than forecasted. Moreover, even if the number of customers is higher than forecasted, this will not necessarily lead to an increase in peak demand because, as the Policy Panel rebuttal explains, the Company has committed to explore alternatives to reduce peak demand. Consequently, there are no plans to pursue new pipeline projects in addition to previously subscribed volumes on Millennium Pipeline's Eastern System Upgrade Project or procure additional peak day assets to serve Orange & Rockland customers. The Eastern System Upgrade Project as stated in Kathleen Trischitta's testimony was increased from 10,000 Dt/d to 15,500 Dt/day of firm transportation capacity in April 2018.

Q. Even though the Company does not have this concern as a practical matter, does the Company agree that it should not add new customers if it requires adding to peak day assets?

A. No. The Company does not agree even though, as stated above, the Company has sufficient capacity to add new customers without adding peak day assets. Staff explains in response to Company interrogatory O&R-15 (Exhibit ___ (KT-2)) that it defines "peak day assets" to mean "any asset identified as necessary to meet peak day demand needs. This includes, but is not limited to, any system design day capacity capability used to meet design day or peak day customer demand. These capacity volumes include pipeline capacity assets, any recallable capacity assets, mandatory assignment of capacity assets, capacity assets supporting the transportation of others, peaking assets, and contracts, etc."

In the Company's view, this proposed standard conflicts with the obligation to serve. In general, the Company has the obligation to serve customers to the extent that it can assemble a peak day portfolio capable of providing reliability. Moreover, assuming that there were areas where the availability of pipeline capacity is a concern, the Company will pursue alternative solutions, such as procuring delivered services, implementing demand response programs and pursuing non-pipeline alternatives. If these solutions prove to be inadequate, and there is inadequate gas supply as a result, the Company would take additional measures to limit growth, where it deems necessary, in order to maintain reliability. Otherwise, the Company will comply with its obligation to serve new customers.

Energy Solutions Evaluation Tool

Q. What is Staff's recommendation regarding an energy solutions evaluation tool for customers?

A. The SGPSP recommends (p. 25) that the Company develop and provide a tool to customers to evaluate the costs and benefits of installing and operating different heating solutions.

Q. Does the Company agree with this proposal?

A. The Company will need to gather additional information to determine the costs involved and whether it has the ability to provide such guidance to customers.

Q. Does this conclude your update and rebuttal testimony?

A. Yes, it does.