ORANGE AND ROCKLAND UTILITIES, INC.

GAS FORECASTING PANEL
UPDATE/REBUTTAL TESTIMONY – GAS

Q. Please state your names.

A. Patrick F. Hourihane and Douglas B. Elgort.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. We previously submitted direct testimony on behalf of Orange and Rockland Utilities, Inc. ("Orange and Rockland," "O&R" or "Company") as the Gas Forecasting Panel ("Panel").

Q. What is the purpose of the Panel's update and rebuttal testimony?

A. First, we are updating our direct testimony to reflect updated delivery volumes and revenue forecast to incorporate changes to the large commercial customer volumes as discussed by the Staff Gas Rates Panel's ("SGRP") testimony (p.12). The Panel will also update how the Company plans to determine average weather conditions based on 30-years of weather data to forecast sales, as proposed in the testimony of Staff Gas Program & Supply Panel ("SGPSP"), instead of using ten years of weather data. The Panel will also rebut the following intervenor proposals:

- SGRP's testimony regarding its firm sales and resultant delivery revenue forecast;
- SGRP's testimony regarding potential residential growth caused by proposed community development;
- Staff witness McKenzie Yezzi's application of an adjustment to residential volumes for either employment or for personal income; and
- PACE Energy and Climate Center Witness Rabago's criticism of the Company's inflating usage, not including climate warming.

UPDATE

Q. Please the Company's update regarding the adjustment to large commercial customer delivery volume?

A. The Company noted in its response to Staff Interrogatory DPS-295 (included in Staff Exhibit ___(SGRP-1)), "that in the course of preparing the calculations to confirm the usage" of its large commercial forecast that "the Company identified certain discrepancies that result in a small overall difference in the forecasted anticipated load. The primary reasons for these discrepancies include misreporting CFH instead of MCF and using a wrong rate for duty cycle when calculating the usage of backup generators. The total change in anticipated load from what originally was filed in the rate case is 8,898 MCF". This update will lower the Company's original forecast.

Q. Please explain Staff's recommendation regarding the determination of average weather conditions.

A. The SGPSP (p. 31) states "we recommend that a thirty year average be used to normalize the gas sales forecast". The SGPSP (p. 32) offers the following rationale for this recommendation: "Both the National Oceanic and Atmospheric Administration and the World Meteorological Organization use a 30-year time frame to define normal weather." The SGPSP failed to note that the reason the Company is currently using a 10-year normal is in response to a Staff recommendation in a prior rate case. Although the Company agrees to return to a 30-year normal, the Company urges Staff to maintain a consistent position regarding the weather normal it recommends the Company use in future rate filings.

Q. Please explain the results of Staff's recommendation regarding the determination of using a 30-year average weather conditions.

A. Although the overall number of heating degree days ("HDDs") increased by using a 30-year normal, the split of HDDs used to normalize delivery volumes were lower for the core period (December - April) by 30 HDDs and greater by 46 HDDs during the shoulder period (which include the months of September, October, November, May, and June). This resulted in an overall decrease in delivery volumes of 3,000 MCF compared to the Company's original forecast.

Q. Please explain Exhibit__GFP-4 Schedules 1 through 3.

A. Exhibit__GFP-4 Schedules 1 through 3 are similar to the Company's original Exhibit__GFP-1 Schedules 1 through 3 that list the 12 month ending volumes and the various adjustments to produce firm delivery volumes for the Rate Year, the bridging period, and RY2 and RY3.

Q. What is the result of the updates to the Company's original firm delivery volume forecast?

A. The updated total firm delivery volumes are 20,959,063 MCF a decrease of 11,898 MCF for the Rate Year. The firm delivery volume forecast for RY2 and RY3 are 21,153,594 MCF and 21,227,133 MCF, respectively. Exhibit__GFP-4 Schedule 4 is a comparison of the Company's firm delivery volumes.

Q. What is the revenue result of these updates to the Company's original forecast?

A. Exhibit__GFP-4 Schedule 4 lists the total revenue associated with the change in the firm delivery volumes result in a decrease of $50,000 for the Rate Year, a decrease of $59,000 for RY 2, and $48,000 for RY3. Exhibit__GFP-5 is the price out of the Company's updated firm delivery volumes. Exhibit__GFP-6 is a comparison of the Company's updated revenues and Staff's revenues from the May 25th filing. The result of the comparison is that the Company's update is an overall decrease $86,000.

REBUTTAL

Q. Please describe Staff's proposed adjustment related to the use of a 30-year period for determining normal weather.

A. The SGRP (p. 8) states "Using the thirty-year period to define a normal weather year results in a total of 4,990 heating degree days in the Rate Year, or an increase of 0.22%." Staff continues by stating, "As a result, our Rate Year sales forecast increases the Company's forecast by 2,500 MCF or 0.012%."

Q. Does the Company agree with this adjustment?

A. No. Exhibit ___ (GFP -3) shows that in response to Staff interrogatory DPS-33 592, the Company provided Staff the 30-year normal ending 2016 at 4,995 heating degree days, or an increase of 0.33%.

Q. What impact, if any, does this have on the forecasted delivery volume?

A. The Company has reworked the delivery volume with this 30-year normal and the result is a decrease to the Company's Rate Year volume forecast of 3,000 MCF or 0.014% reduction.

Q. Please describe Staff's concerns related to the Company's projected customer growth.

A. The SGRP (pp. 9-11) does not propose any adjustments to the Company's forecast of customer growth for the Rate Year, but Staff does recommend certain large scale residential projects be added as incremental to historic growth beyond the Rate Year.

Q. Do you agree with Staff's concern that "historic growth over such a long period, nearly seventeen years, would not predict such instant, large scale residential developments in the next few years"?

A. No. The Company consistently has had large scale residential developments over the past seventeen years that were reflected in the historical growth.

Q. Are there any other reasons to question whether the addition of large developments in the Company's service territory are wholly incremental?

A. Yes. The two larger scale residential developments in the Company's service territory described in Company interrogatory responses included in Exhibit __ (SGRP-1) have the potential to bring new load to the service territory. However, some of the movement to these residential developments would be from customers currently residing in the Company's service territory with existing residential accounts and their movement will cause vacancies and replacement of existing residential stock.

Q. Please describe Staff witness Yezzi's proposed adjustments.

A. Staff witness Yezzi makes price elasticity and employment adjustments, which result in adjustments to the Company's delivery volume forecasts.

Q. Do you agree with the changes Staff Witness Yezzi provided SGRP to adjust the Company's forecast?

A. No. See the Company's Electric Forecasting Panel Rebuttal testimony regarding Staff witness Yezzi's model specification where the product of employment and billing days is used as a single variable. As explained by the Company's Electric Forecasting Panel, there is no basis in economic theory to support Staff witness Yezzi's assertion that a one percent change in employment has the same effect as a one percent change in the number of billing days, *i.e.*, that their coefficients are equal. The Company's Electric Forecast Panel Rebuttal testimony discusses the problem with Staff witness Yezzi's model specification for price elasticity that was also used in the gas SC 1 Commercial Heating Model.

Q. Do you agree with the Staff Witness Yezzi statement (p. 13) "the Company should rely on income when modelling the effect of economic growth on residential volumes instead of employment?"

A. No. The Company was able to produce an econometric model using employment as an econometric variable. In the Company's model that included weather, price and employment as variables, all the variables are statistically significant. Staff Witness Yezzi in her testimony regarding replacing employment with income as the economic variable "found the model to be very unstable" and did not submit a residential heating model.

Q. Do you agree with the PACE Energy and Climate Center Witness Rabago statement (p. 37) "that the Company develops its gas forecast using a weather normalization adjustment to inflate its forecast of gas sales"?

A. No. The Company uses a weather normal that establishes what delivery volumes would have been if weather, which has a large influence on delivered volumes, were stable (normal). Witness Rabago in his testimony does not offer an alternate means to accomplish this.

Q. Do you agree with the PACE Energy and Climate Center Witness Rabago statement (p. 38) "that there is no evidence the Company evaluated for accelerated climate warming?"

A. No. As noted earlier in this testimony with SGPSP both the National Oceanic and Atmospheric Administration and the World Meteorological Organization use a 30-year time frame to define normal weather. It should be noted that National Oceanic and Atmospheric Administration updates the normal once a decade, with the next update anticipated in 2020. The Company updated the normal for this filing for the year ending 2016 as this was the last full year available when producing the gas delivery volumes for the Rate Case. By updating the normal through year ending 2016, the Company's normal includes six of the more recent years reflecting any climate warming than just using a normal through the year ending 2010. As far as projecting continued climate warming, the Company is not aware of any acceptable methodology to project future adjustments to produce a normal weather that can be used in a rate filing.

Q. Does this conclude your rebuttal and update testimony?

A. Yes, it does.