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 19-E- ____
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 19-G- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service	Case 19-E- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service	Case 19-G- ____

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DIRECT TESTIMONY OF POLICY PANEL

Steven R. Adams
Joseph J. Syta

May 20, 2019

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DIRECT TESTIMONY OF POLICY PANEL

I. INTRODUCTION

Q. Please state the names of the members on this Policy Panel (the "Panel").

A. We are Steven R. Adams and Joseph J. Syta.

Q. Mr. Adams, please state your title and business address.

A. I am Vice President, Regulatory Strategy. My business address is 83 Edison Drive, Augusta, Maine 04336.

Q. Please summarize your work experience and educational background.

A. My Curriculum Vitae ("CV") is set forth in Exhibit __ (PP-1).

Q. Have you previously testified in other proceedings before the New York State Public Service Commission ("PSC" or the "Commission") or any other state or federal regulatory agency?

A. Yes. I have testified in Connecticut, Maine, New York and Virginia. I submitted testimony in Cases 15-E-0283 et al., the most recent rate cases of New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E" and together with NYSEG, the "Companies" and individually, the "Company") (the "2015 Rate Proceeding"). I also testified in Cases 09-E-0715 et al. and in Case 07-M-0906 regarding the indirect acquisition of NYSEG and RG&E by Iberdrola, S.A. In addition, I also testified in NYSEG and RG&E rate proceedings prior to 2009.

Q. Mr. Syta, please state your title and business address.

A. I am the Vice President, Controller and Treasurer. My business address is 89 East Avenue, Rochester, New York 14649.

DIRECT TESTIMONY OF POLICY PANEL

Q. Please summarize your work experience and educational background.

A. My CV is set forth in Exhibit __ (PP-1).

Q. Have you previously testified in other proceedings before the Commission or any other state or federal regulatory agency?

A. Yes. I submitted testimony in the 2015 Rate Proceeding. I also have testified before the Commission in numerous cases dating back to 1989, including Cases 09-E-0715 et al. and Case 07-M-0906 regarding the indirect acquisition of NYSEG and RG&E by Iberdrola, S.A.

Q. Is this Panel sponsoring any exhibits?

A. Yes. This Panel sponsors the following exhibits:

1) Exhibit __ (PP-1) sets forth the CVs of the witnesses testifying on this Panel;
2) Exhibit __ (PP-2) is an index of the subject areas and testimony supporting the Companies' rate filings; and
3) Exhibit __ (PP-3) identifies the major rate case drivers for each of the four businesses.

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

A. The Panel's testimony presents an overview of the Companies' filings and discusses key attributes of the rate cases, including economic drivers and bill impacts.

II. <u>OVERVIEW</u>

Q. Which of the Companies' businesses are filing for new rates in these proceedings?

A. The Companies' filings support rate cases for: NYSEG Electric; NYSEG Gas; RG&E Electric; and RG&E Gas.

Q. What is the Test Year and Rate Year for the Companies' rate filings?

A. The Test Year is calendar year 2018 and the Rate Year is forecast for the period April 1, 2020 to March 31, 2021 ("Rate Year"). As a result of the Companies submitting this filing on May 20, 2019, the effective date of new rates, assuming an approximately 11-month suspension period, is April 20, 2020. These rate filings reflect one-year rate cases for NYSEG and RG&E electric and gas service. As we note later in our testimony, the Companies believe that multi-year settlements can be in the public interest and are interested in engaging in such discussions.

Q. Please identify the delivery rate increases sought by the Companies.

A. Table 1 set forth below provides a summary of the proposed delivery rate increases, delivery revenue percentages and total revenue percentages for all four businesses.[1] The percentage values for Delivery Revenues shown in Table 1 below do not include the impact of moving Energy Efficiency ("EE") program costs from a surcharge to delivery rates, as these program costs are already part of customers' bills, and are reflected in the Total Revenue percentage column.

[1] Total revenue reflects the inclusion of Supply Revenue provided by each business and Energy Services Companies ("ESCOs"). The ESCO supply revenue is based on the 2018 average costs of supply provided by each business times the energy units served by ESCOs.

Table 1: Rate Increase Amount and Percentages

Rate Increase Amounts and Revenue Percentages			
Business	Requested Revenue Increase - $000	Delivery Revenue Percentage	Total Revenue Percentage
NYSEG Electric	$ 156,667	20.4%	10.4%
NYSEG Gas	6,284	3.0%	1.4%
RG&E Electric	31,677	7.0%	4.1%
RG&E Gas	5,813	3.3%	1.4%

Q. Would the Panel initially provide some overall context for the NYSEG Electric increase?

A. NYSEG Electric's rate increase request: proposes implementation of a full cycle vegetation management program (which RG&E has in place today); reflects recovery of investments in the electrical system; and includes increases in NYSEG's staffing levels most notably in the electric operations area to support field operations including storm related activities.[2] NYSEG Electric is the only major New York electric utility that is not on a full-cycle distribution vegetation management program. As the Companies' Vegetation Management and Electric Reliability and Operations Panels discuss, tree-related outages are the number one cause of electric service disruptions during and outside of storm events. NYSEG Electric is requesting approval to reclaim thousands of miles of overhead distribution lines from encroaching vegetation and to implement selective enhanced vegetation management on worst performing circuits identified in the Companies' 2019-2023 Resiliency Plan ("Resiliency Plan") that are described in detail

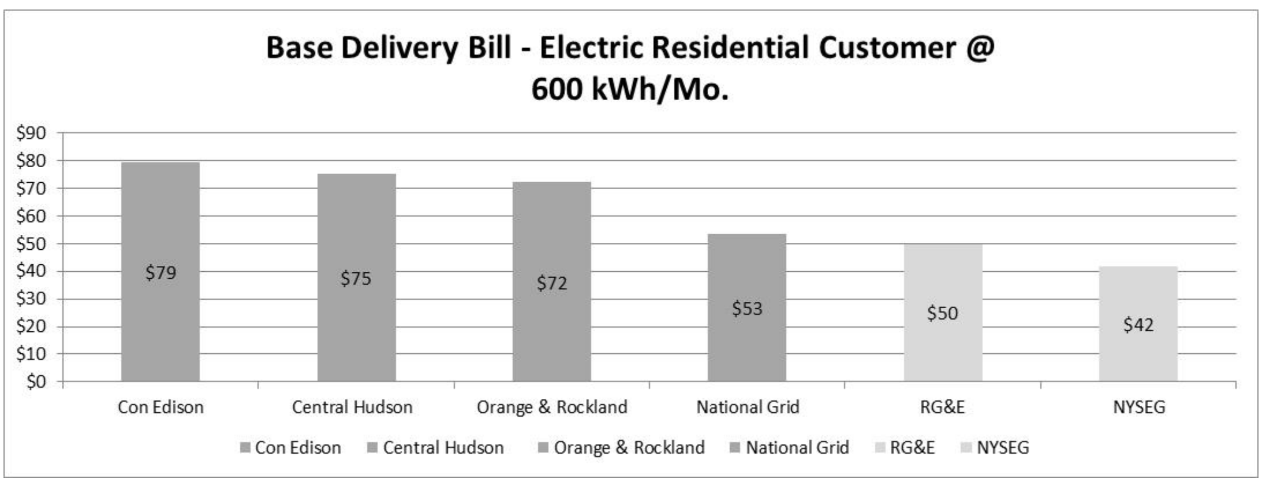
[2] The increase in staffing levels in electric operations includes changes consistent with the New York State Department of Public Service Staff ("Staff") 2018 Winter and Spring Storms Investigation Report Recommendations filed on April 18, 2019, in Case 19-M-0285 - In the Matter of Utility Preparation and Response to Power Outages During the March 2018 Winter and Spring Storms (the "2018 Staff Storm Report").

by the Resiliency Plan Panel. The incremental costs associated with NYSEG's vegetation management proposals represent approximately one-third of the requested rate increase. Other major drivers are discussed in more detail later in this testimony.

Q. How do NYSEG Electric's rates compare with other major New York utilities?

A. NYSEG Electric has the lowest average residential customer base delivery bills in New York. In fact, NYSEG Electric current delivery bills are approximately 19% lower than RG&E, 26% lower than National Grid and at least 71% lower than Central Hudson Gas & Electric Corporation, Orange and Rockland Utilities, Inc., and Consolidated Edison ("Con Edison") (all of which provide service in areas contiguous with NYSEG's service territory). Table 2 is a comparison of average residential electric delivery bills for the major New York utilities.[3]

Table 2: Average NY Residential Electric Delivery Bills



[3] Table 2 reflects Base Delivery Rates contained in each respective utility's rate plans for the rate year beginning April 2020. Table 2 does not reflect the pending Con Edison rate case. The average base delivery bills do not reflect surcharges, such as the Transition Charge and the System Benefits Charge ("SBC") Clean Energy Fund charge, but do include energy efficiency (including the current EE tracker for NYSEG and RG&E). NYSEG and RG&E bills also include the Rate Adjustment Mechanism ("RAM") charge.

Q. Will NYSEG Electric still have the lowest average residential customer electric bills if the NYSEG rate increase is granted?

A. Yes, if the Commission grants the Company's full rate increase requested, NYSEG Electric average residential customers will still have the lowest average base delivery bills in New York.

Q. Please also comment on the rate increase amounts the Companies are requesting for RG&E Electric, NYSEG Gas and RG&E Gas.

A. At RG&E Electric, the rate increase request is primarily to cover investments and operating costs, the impact of which is partially offset by Tax Cuts and Jobs Act of 2017 (the "Tax Act") savings and the return of regulatory liabilities. NYSEG Gas and RG&E Gas are requesting modest rate increases primarily to cover the costs of infrastructure improvements and maintaining safe and reliable gas systems. As we noted in our prior discussion of NYSEG Electric, the major drivers for these three businesses are discussed in more detail later in this testimony.

Q. While the Tax Act provides offsets for all four businesses, please expand upon the offset provided by the Tax Act for the two gas businesses.

A. As of October 1, 2018, NYSEG Gas and RG&E Gas reduced delivery rates by approximately 4.3% and 4.1% to reflect portions of the Tax Act savings as required by the Commission in its Order Determining Rate Treatment of Tax Changes, issued August 9, 2018 in Case 17-M-0815 ("Tax Act Order"). It is notable that the gas rate increases sought in these filings for both NYSEG and RG&E are smaller than the already-implemented reductions resulting from the Tax Act. Had the implementation of the Tax Act offsets corresponded with the start of the proposed Rate Year, there would have been little or no gas delivery rate increases proposed.

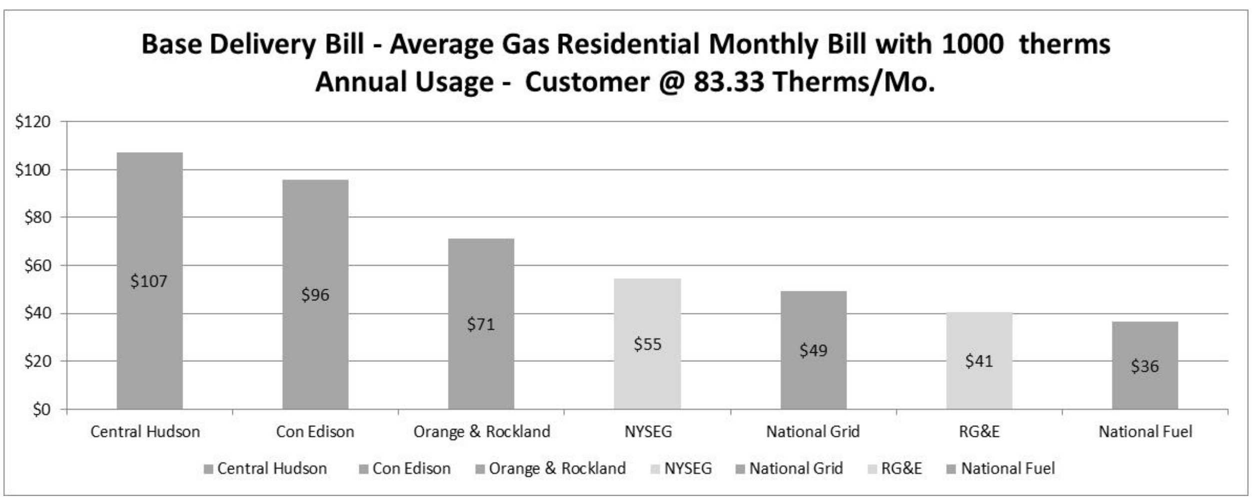
Q. Are the Tax Act savings also a benefit for NYSEG Electric and RG&E Electric?

A. Yes. In October 2018, NYSEG Electric reduced delivery bills by approximately 3.4% and RG&E Electric reduced delivery bills by approximately 5.3% to reflect the flowback of portions of the Tax Act savings. In these rate filings, the Companies continue to reflect these reductions and are also passing back to customers additional Tax Act savings which help offset the rate increases being requested.

Q. How do the Companies' residential gas delivery bills compare with other New York utilities?

A. NYSEG and RG&E have among the lowest average residential gas rates of the major New York utilities. Table 3 below provides a comparison of average residential gas bills.

Table 3: Average NY Residential Gas Delivery Bills



Q. Are the Companies' rate filings detailed and comprehensive in nature?

A. Yes. A total of 27 pieces of testimony (including this one) support the Companies' direct case. Please see Exhibit __ (PP-2) for a brief review of the witness or witness panels and the subject matters being covered. Most of the testimony covers both NYSEG and RG&E. However, stand-alone testimony (i.e., one piece of testimony for NYSEG and another, separate piece of testimony for RG&E) is provided by certain panels/witnesses as noted in Exhibit __ (PP-2).

Q. When did the Companies last file for base delivery rate changes?

A. The Companies last filed for a change in their electric and gas delivery base rates on May 20, 2015, which resulted in a Commission-approved Joint Proposal for a three-year rate plan ("2016 Rate Plan"). The 2016 Rate Plan provided for annual rate changes at each of the four businesses for three years with the last rate change occurring on May 1, 2018. Consistent with provisions of the 2016 Rate Plan, the Companies "stayed out" and postponed seeking rate increases for an additional year, resulting in no change in base rate delivery tariffs during 2019.

III. KEY ATTRIBUTES

Q. What are some of the key attributes of the Companies' filing that the Panel would like to highlight?

A. New York has continued to be at the forefront nationally, leading on issues such as carbon reduction, distributed generation, energy efficiency, electric vehicles ("EV"), and electric storage. The Companies continue to support the Commission's and New York's energy policy objectives and that support is reflected in the Companies' testimony in these proceedings. Since the Companies' last rate filing in 2015, the electric and gas marketplace has changed. Innovative new proceedings such as New York's Reforming the Energy Vision ("REV") have matured and utilities are now implementing many of the initiatives developed in those proceedings.

Q. Please expand further on how the Companies' filings support New York's energy policies.

A. The Companies' filings support the Companies' modernization efforts including system-wide implementation of Advanced Metering Infrastructure ("AMI"), which has now been approved by the Commission and is being implemented by several New York utilities.[4] As set forth in greater detail by the Advanced Metering Infrastructure Panel, AMI provides numerous customer benefits, including greater customer communications and ability to control their energy usage. Throughout this filing, the Companies demonstrate their ongoing willingness and ability to adapt, change, and innovate their businesses to align with the State's energy policies and goals. This willingness and ability are demonstrated by such activities as implementing non-wire alternatives, energy storage projects, electric vehicle projects and becoming a Distributed System Platform provider. The testimony of the Companies' Energy Efficiency and Earnings Adjustment Mechanism ("EE/EAM") Panel also discusses the Companies' commitment to New York State's clean energy and carbon reduction goals through delivery of cost-effective energy efficiency and distributed resources programs that enable customers to manage their energy consumption.[5]

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[4] The Companies have been consistent in their request to implement AMI. For example, the Companies 2016 AMI proposal resulted in extensive settlement discussions among parties and stakeholders during 2017 and into 2018. In these rate case proceedings, the Companies have updated their AMI program proposal and accompanying Benefit Cost Analysis ("BCA") based on more current information (including updated bid results) and programmatic input received as part of extensive collaborative discussions among the Companies, interested parties, and stakeholders.

[5] Consistent with the 2016 Rate Plan Order issued on June 15, 2016, the Companies filed an EAM petition in December 2016. Parties conducted EAM settlement discussions during 2017 but those discussions never resulted in a final outcome. The Companies believe they are the only major New York utilities that do not have EAMs. In these rate filings, the Companies are requesting to implement EAMs and have been guided by the prior settlement discussions and other New York utility EAMs.

Q. Has the traditional need for high quality and reliable service diminished in importance with the passage of time since the Companies' 2016 Rate Plan?

A. No. It is even more important today for customers, stakeholders and the Companies. In these rate proceedings the Companies seek the resources essential for meeting customers' energy needs, whether in blue sky conditions or during and after storms.

Q. Have the Companies experienced intense weather events since the 2016 Rate Plan?

A. Yes. The frequency and severity of recent storms is noted in the Emergency Preparedness Panel testimony. The Emergency Preparedness Panel testimony describes the Companies' response to these recent storms and provides several proposals designed to continue to improve storm response. Also, the Companies' note that the 2018 Staff Storm Report sets forth numerous recommendations for improving utility storm response.

Q. Do the Companies agree and accept Staff's 2018 Storm Report recommendations?

A. Yes. The Companies continue to work at improving and refining their storm performance. This improvement occurs from their detailed self-assessments and lessons learned after each storm as well as review and modifications to the Companies' Emergency Response Plan with input from Staff and other parties. Regarding the 2018 Staff Storm Report's recommendations, the Companies have accepted all 77 applicable recommendations, a few with some proposed minor modifications. More details regarding the Companies' implementation plans for the recommendations is set forth in the Companies' contemporaneously-filed response to the Commission's April 18, 2019 Order Instituting Proceeding and to Show Cause ("Order to Show Cause") in Cases 19-E-0105 and 19-E-0106.

Q. Are the Companies otherwise addressing in their rate case testimony the Commission's Order to Show Cause?

A. Yes. Certain of the Companies' panels address items related to the Order to Show Cause and the 2018 Staff Storm Report. For example, the Companies' Emergency Preparedness Panel's testimony addresses certain preparedness aspects of the 2018 Staff Storm Report, as well as improvements already taken to address some of the concerns expressed by the Staff and Commission. The Companies' Vegetation Management Panel supports implementing a full-cycle distribution vegetation management program at NYSEG and the Resiliency Plan Panel supports the NYSEG and RG&E 2019-2023 Resiliency Plan, which will harden the electrical system and proposes other actions to enhance resiliency. In addition, the rate case filings support increases in employee levels, particularly at NYSEG Electric, to address staffing recommendations contained in the 2018 Staff Storm Report.

IV. MAJOR RATE CASE DRIVERS

Q. Have you identified key drivers for the rate increases the Companies are proposing?

A. Yes. Exhibit __ (PP-3) identifies key rate case drivers for all four businesses. We discuss several of the major drivers for each business below.

A. NYSEG Electric

Q. What are some of the key drivers underlying the requested rate increase at NYSEG Electric?

A. At NYSEG Electric, the largest driver is the implementation of the full cycle distribution vegetation management program along with enhanced Resiliency Plan vegetation management. As shown on Exhibit __ (PP-4), distribution vegetation management represents approximately one-third of the requested revenue increase. NYSEG is the only major electric company in New York that is not on a full-cycle distribution vegetation management program. The Companies' Vegetation Management Panel addresses the numerous benefits and the cost of implementing such a program. NYSEG is also proposing to initiate an Ash Tree program to address the infestation of the Emerald Ash Borer. This invasive insect kills the ash trees and causes them to break at the base and potentially fall on the electric lines.

Q. How much does NYSEG collect annually for distribution vegetation management activities?

A. NYSEG currently collects $30 million annually for distribution vegetation management. NYSEG proposes to phase-in a "Reclamation" program to address vegetation encroachment on its overhead distribution lines. The Reclamation program will take five years and the cost of the program is estimated to be approximately $47 million in the first year, increasing to approximately $85 million by Year 3. After the five-year Reclamation period, the Company proposes a cycle trim program as more fully explained by the Vegetation Management Panel. Once the Reclamation period is concluded, annual costs are expected to decrease as NYSEG moves into a normal full-cycle vegetation management program. NYSEG is proposing to levelize the estimated costs of the Reclamation and full cycle program over ten years through the use of a regulatory deferral. The Companies also propose to symmetrically reconcile these costs because they are subject to competitive bidding through an RFP process.

Q. Will a full cycle vegetation management plan help harden NYSEG's system and improve resiliency?

A. Yes, it will. Fallen trees, branches, and overgrown vegetation are the most common causes of power outages for NYSEG. Implementation of a full-cycle vegetation management plan is expected to reduce the number of tree-related outages experienced by NYSEG's customers and provide for faster storm restoration.

Q. Is employee labor and staffing one of the rate case drivers?

A. Yes. Labor and payroll represent approximately three percent (3%) of the delivery revenue increase request.[6] NYSEG is proposing to increase staffing primarily in its electric operations, customer service, and projects areas. Staffing increases are needed to address the expectations of customers, the Commission, other stakeholders, and the Companies during storm events. Increased staffing also is needed to address the workload requirements associated with additional investments (wherein the labor headcount increases will be capitalized). The Workforce, Compensation and Benefits Panel provides summary testimony on the Companies' staffing requests with support from each respective applicable witness or panel's testimony.

Q. Is network investment and return one of the rate case drivers at NYSEG Electric?

A. Yes. Another major driver at NYSEG is network investment and return. NYSEG Electric's test year ROE was 7.4% and rate base is expected to increase by approximately

[6] In this Major Driver section of this testimony, the Panel uses major drivers' percentages in relation to the proposed delivery rate increase requests as presented on Exhibit __ (PP-3). For example, the increase in labor and payroll is 3% (item 2.a. on Exhibit __ (PP-3)) of the overall NYSEG Electric 20% delivery increase request.

$412 million from the test year to the rate year. Exhibit __ (PP-3) illustrates in items four and five the value of these two drivers.

Q. The Panel mentions that NYSEG Electric's test year ROE was 7.4%. What Return on Equity ("ROE") and equity ratio are the Companies seeking for all businesses?

A. The Companies are proposing an ROE of 9.5% and a 50% equity ratio, as supported by the testimony of Ann E. Bulkley of Concentric Energy Advisors, Inc.

Q. Is the recovery of previously deferred major storm costs a primary driver of the NYESG Electric increase?

A. No. The recovery of previously deferred major storm costs is not a primary driver of the rate increase because the Companies are proposing to recover these costs over time. However, major storm cost recovery remains an important component of the overall revenue requirement. NYSEG has continued to incur major storm costs which have been deferred with a portion being currently recovered in the RAM. NYSEG has approximately $105 million of deferred storm costs remaining to be recovered from the 2016 Rate Plan, which includes $75 million of deferred Super Storm costs. NYSEG proposes to recover these balances at April 2020 over five years. NYSEG also incurred an additional approximately $122 million of deferred major storm costs during the 2016 Rate Plan. Major storms occurred during the 2016 Rate Plan with notable storms in Lancaster/Lockport divisions in March, April, and May 2018 and two Nor'easters and tornado/wind events affecting primarily NYSEG's Brewster and Liberty divisions in March and May 2018. NYSEG proposes a five year amortization period for deferred storm costs incurred during the 2016 Rate Plan. In total, NYSEG Electric is currently collecting approximately $40 million in annual rates from the 2016 Rate Plan and is proposing to amortize and collect approximately $45 million annually in this rate case.

Q. What are some of the other cost drivers for NYSEG Electric?

A. Other costs drivers include incremental operations and maintenance ("O&M"), environmental remediation and depreciation on historical and projected investments. The Revenue Requirements Panel, Electric Reliability and Operations Panel, and Reforming the Energy Vision Panel discuss the incremental O&M. Environmental remediation costs are discussed in the Revenue Requirements Panel and the impacts of the Company's depreciation study is included in Mr. Spanos' depreciation testimony.

Q. Are there any decreasing costs lowering the rate increase?

A. Yes. There are two main items of costs which reduce the NYSEG Electric rate increase, pension expense, and income taxes. The Company has actively managed its pension costs as described by the Workforce, Compensation and Benefits Panel and is seeing cost reductions due to certain retirement plans being closed many years ago as well as from the expiring loss amortizations related to losses in the pension fund investments that occurred during the 2008/2009 time frame.

Q. Please describe the Tax Act benefits and treatment being proposed for NYSEG Electric.

A. NYSEG Electric is proposing to return to customers the savings associated with the Tax Act which have not already been reflected in rates. As fully explained by the Tax Panel testimony, NYSEG Electric reduced rates by approximately $23 million annually or 3.4% effective October 1, 2018 as required by the Commission in its Tax Order. In the Tax Order, the Commission ordered NYSEG to flow back the change in the lower corporate tax rate prospectively but not the deferred impact of the lower corporate tax rate associated with the January 2018 – September 2018 period. The Commission's Tax

Order also did not include the amortization of protected or unprotected Excess Accumulated Deferred Income Taxes ("Excess ADIT"). In this rate case filing, the Company is proposing to amortize to customers the January 2018 – September 2018 deferred tax savings of approximately $19 million. NYSEG is also proposing to amortize to customers, in accordance with IRS rules, Excess ADIT for protected property of $313 million and Excess ADIT on unprotected balances of $65 million. The rate year amortization of the Excess ADIT is a credit of approximately $46 million. These Tax Act benefits reduce NYSEG Electric's rate increase request by approximately nine percent (9%) as shown on Exhibit __ (PP-3).

B. <u>RG&E Electric</u>

Q. What are some of the key drivers of the revenue requirement increase at RG&E Electric?

A. The primary drivers at RG&E Electric are increases in operating expenses, depreciation, and infrastructure investments. These costs increases are partially offset by the amortization of net deferred regulatory liabilities and Tax Act savings.

Q. Please describe the O&M increases at RG&E Electric?

A. The O&M increases at RG&E Electric are shown on Exhibit __ (PP-3). The O&M expense increases include outside services, smart grid programs, labor and environmental remediation costs. Funding of the low income program is also a primary O&M driver for RG&E Electric.

Q. Describe the rate base and depreciation rate increase drivers at RG&E Electric.

A. RG&E Electric rate base is projected to increase by approximately $164 million, primarily associated with infrastructure investments. The plant investments are described in the Companies' Electric, Generation and Common Capital Expenditures Panel's testimony and includes reliability and asset condition investments as well as completion of the Rochester Area Reliability Project. Rate base changes represent about three percent (3%) of the overall seven percent (7%) delivery rate increase request. Depreciation on those investments also contributes to the rate increase as shown of Exhibit __ (PP-3).

Q. Please describe the Tax Act benefits and treatment being proposed for RG&E Electric.

A. Similar to the other businesses, RG&E Electric is proposing to flow back Excess ADIT balances during the rate year. The proposed amortization of Excess ADIT is approximately $8 million which reduces the electric rate increase by two percent (2%) as shown on Exhibit __ (PP-3).

Q. What are the major deferred regulatory liabilities at RG&E Electric?

A. The major regulatory liabilities at RG&E Electric are the positive benefit adjustment balance remaining from the 2008 Iberdrola-Energy East merger, net plant reconciliation from the 2016 rate plan, Nine Mile II revenue sharing subsequent to that plant's sale, property taxes, and fixed rate debt, among a number of other deferred regulatory liabilities. RG&E is estimating net regulatory liabilities of approximately $137 million at the beginning of the Rate Year, excluding Tax related liabilities. The Company is proposing to amortize these net regulatory liabilities to customers, generally over five years, creating a reduction in the rate increase of approximately five percent (5%).

C. <u>NYSEG Gas and RG&E Gas</u>

Q. What are the key drivers of the rate increases for NYSEG Gas and RG&E Gas?

A. For both businesses, the drivers are set forth in Exhibit __ (PP-3) and primarily are O&M increases, depreciation, and infrastructure investments. Both gas businesses have net regulatory liabilities to amortize which offset the rate increases as well as Excess ADIT balances that are being amortized.

V. MAJOR COMPONENTS OF THE FILING

A. Vegetation Management

Q. Would the Panel please describe in more detail the vegetation management proposals for NYSEG?

A. Yes. As set forth by the Vegetation Management Panel, the Companies' propose to move NYSEG to a full-cycle distribution vegetation management program. The Companies' recommend that NYSEG implement an initial Reclamation Cycle in which full-cycle maintenance of the three-phase portions of 34.5 kV circuits will continue while NYSEG moves to full-cycle maintenance on all remaining circuits, including laterals. After the Reclamation Cycle, it is recommended that NYSEG enter into a long-term maintenance cycle. Specifically, the Reclamation Cycle provides for a four-year cycle on 34.5 kV circuits, a five-year cycle on 12.5-19.9 kV circuits, and a five-year cycle on circuits below 12.5 kV. The three-phase portions of the 12.5-19.9 kV circuits drop to a four-year cycle in the second cycle.

Q. Is RG&E Electric distribution vegetation management program on a cycle trim?

A. Yes. RG&E Electric has been on a regular distribution vegetation management trim cycle since the 2010 rate plan. RG&E's total annual distribution vegetation management rate allowance is currently at $8.2 million. RG&E completed the third year of its second cycle at the end of 2018. RG&E has experienced cost increases (primarily due to inflation) that will require additional funding for the Company's estimated spend in the rate year and the Company is requesting to increase the rate allowance to $9,6 million to maintain its full-cycle distribution vegetation management program.

B. <u>Resiliency Plan</u>

Q. Would the Panel please discuss system resiliency as one of the key drivers underlying the requested rate increases at NYSEG and RG&E?

A. As explained by the Resiliency Plan Panel, the Companies continue their focused efforts to enhance the resiliency of the Companies' distribution network. For context, resiliency is defined as: (1) preventing and limiting the scope and impact of outages when they occur; and (2) the ability to restore power expediently after a significant outage. Thus, resiliency is both the ability of a system to withstand forces that could potentially cause damage, as well as, the ability to limit the impact of and restore service when damage is experienced. It addresses outages that are caused by storms as well as non-storm events (<u>e.g.</u>, a hazard tree falling from outside of our right-of-way on electric infrastructure).

NYSEG and RG&E prepared the Resiliency Plan to present the Companies' plan to enhance the resiliency of their electric distribution systems. Although the Companies have always reflected resiliency as a distribution system planning objective, the Resiliency Plan is intended to elevate the attention given to resiliency. The Resiliency Plan proposes specific infrastructure improvements, including enhanced vegetation management programs, that target the worst performing circuits at NYSEG and RG&E.

Q. Please briefly describe the Resiliency Plan.

A. The Resiliency Plan responds to the increasing number of storms of all types and severity that NYSEG and RG&E have experienced over the past decade. The Resiliency Plan also responds to increased vegetation caused outages, as well as an emerging consensus among customers and public officials that it is appropriate for the Companies to take steps designed to enhance the resiliency of the electric distribution system.

Q. Please provide a brief overview of the Companies' Resiliency Plan.

A. As more specifically explained by the Resiliency Plan Panel, the Resiliency Plan is a circuit-by-circuit plan that identifies specific actions to be taken regarding that circuit which are intended to reduce the number of customers that experience outages during major weather or other outage events and enables the Companies to restore power more quickly to impacted customers. The circuit plans consider various actions or programs that are combined to form a single, integrated and holistic plan to enhance the resiliency on the circuit.

Q. Please explain in more detail the three programs to enhance resiliency that are incorporated into the Resiliency Plan.

A. The Companies developed three programs to enhance resiliency: (1) enhanced vegetation management; (2) hardening; and (3) topology with automation on prioritized circuits. The Companies' enhanced vegetation management program as part of the Resiliency Plan has two components: enhanced clearances; and more aggressive danger tree removal. The Companies are addressing the hardening of infrastructure (e.g., poles, crossarms, wires, etc.) by introducing the use of more robust construction practices and materials in compliance with Avangrid's recently drafted Distribution Resiliency Guide, attached as Exhibit __ (RES-3), Appendix A to the Resiliency Plan Panel testimony. With respect to the topology component, the Companies can enhance resiliency, including both the ability to limit the number of outages and improve the speed of recovery by changing the topology through multiple strategies including upgrading lines, and enabling segmentation of circuits during outages to limit the number of customers that are impacted by a particular outage.

C. <u>Emergency Preparedness</u>

Q. Please discuss the emergency preparedness actions undertaken by the Companies due to significant weather or adverse events.

A. In response to significant weather events, and in response to recommendations from the Companies most recent management audit, the Companies' Emergency Preparedness Department ("Department") has developed a Storm Response Improvement Project (the "Project"), which is comprised of six major projects with supporting sub-projects. The Emergency Preparedness Panel more fully discusses the Department and its functions, the Companies' Emergency Plan (the "Plan"), and the Project.

The Companies also have enhanced their acquisition and staging of resources in anticipation of events, even for those events that in the past would not necessarily have indicated a need for resource acquisition and staging. This resource acquisition and staging often has occurred (particularly in 2018 and 2019) without a major event materializing. The Companies' current allowable cost recovery mechanism (the Major Storm Reserves) limits the number of times the Companies can recover resource acquisition and staging costs for events that do not materialize into major storms.

Q. Do the Companies propose any modifications to the recovery of pre-staging storm costs?

A. Yes. Currently, NYSEG is allowed to recover through the Major Storm Reserve Account the costs of up to three pre-staging efforts, assuming the incremental costs associated with the pre-staging is at least $250,000 for an individual event, per rate year if the predicted event does not materialize into a major storm as defined in the Companies' current rate plan. RG&E's recovery of these costs is similar to NYSEG, except that RG&E is limited to two pre-staging efforts per rate year. The dramatic increase in the number of major and minor storms over the past several years and the demonstrated benefits of pre-staging efforts, strongly support the elimination of the current limitations on the number of pre-staging efforts that are recoverable from the Major Storm Reserves. Already in March 2019, the Companies have had three staging and response efforts for events that have not materialized into major storms.

As more fully explained by the Emergency Preparedness and Revenue Requirements Panels, because the Companies will incur pre-staging incremental costs for virtually every potential event, the Companies are proposing all pre-staging costs be charged against the Major Storm Reserve. For those events that do not meet the definition of a major storm, pre-staging costs exceeding the current threshold of $250,000 would be charged against the Major Storm Reserve, with no limits on the number of events.

D. <u>AMI Implementation</u>

Q. Please describe the Companies' AMI proposal.

A. Deploying AMI is a foundational investment for the future and is in the best interest of customers, New York State, and the Companies. This proposition is clearly demonstrated by the quantified benefits of AMI which are projected to far exceed the costs of AMI implementation and operation over the life of the investment. Over the 20-year AMI life cycle, the present value of costs of AMI total $551.5 million and the present value of the capital and operating savings from the investment totals $576.4 million. That is, the AMI system produces enough savings to pay for itself and generates an additional $24.9 million in capital and operational savings over the life of the investment. The Advanced Metering Infrastructure Panel more fully describes the Companies' rationale for proposing that AMI should be deployed now in the Companies' service areas.

In addition to these net operational benefits, AMI provides a platform for achieving very significant societal benefits in the form of reductions in customer outage costs, carbon emissions, avoided generation, transmission and distribution investments, and reduced fuel costs. The Companies estimate that the present value of societal benefits (excluding operational benefits) will total almost $263.7 million over the life of the AMI investment, bringing the total gross benefits to $840.1 million. The present value of net benefits (e.g., benefits minus costs) including both operational and societal gains, is estimated to equal nearly $273.4 million. In addition to these benefits, the Advanced Metering Infrastructure Panel also discusses the fairness and customer benefits associated with deploying AMI now. There would also be opportunities for enhanced customer safety related to AMI implementation, particularly when combined with methane detector notification.

That Panel also explains how AMI is an essential foundation for grid modernization and for achieving the Commission's and New York State's grid objectives. Additionally, detailed AMI data provides customers with usage data needed to better manage their consumption and their consumption budgets. This Advanced Metering Infrastructure Panel also explains how the deployment of AMI complements the Companies' proposed Resiliency Plan by providing power on and off messaging for customers on smaller or more distant sections of the electric system protected by fuses which are not automated and therefore have no remote monitoring.

Q. What is the scope of the AMI proposal?

A. AMI will include: (1) installation of approximately 1.9 million smart devices comprised of 1.3 million new electric meters and modules to be retrofitted on 600,000 existing gas meters (together, "AMI meters"); (2) support of a telecommunications network that will include diverse media solutions (i.e., radio frequency, cell, dark fiber, equipment etc.); and (3) availability of information technology ("IT") infrastructure and software applications to process data and interact with field devices. In addition, the network will provide a telecommunications channel for DER and Demand Response ("DR"). AMI will further enable the DSP to provide granular data, visibility, and situational awareness to customers, third party market participants, and the Companies to inform and enhance decision making. The DSP also will support the generation of new solutions to achieve REV objectives.

E. Investment in Infrastructure

Q. Are the Companies proposing to continue to invest in their infrastructure?

A. Yes. The Companies' Capital Plans include $466 million for NYSEG Electric, $284 million for RG&E Electric, $95 million for NYSEG Gas, and $68 million for RG&E Gas for 2019. These investments are detailed and fully supported by the Electric, Generation and Common Capital Expenditures Panel and the Gas and Common Capital Expenditures Panel. The Companies' annual forecast electric and gas capital expenditures for 2019 – 2023 are provided on Exhibit __ (CEE-3) and Exhibit __ (CGE-2).

Q. Are the Companies proposing leak prone pipe main replacement program enhancements as part of their gas infrastructure programs?

A. Yes. The Companies propose to continue the acceleration of leak prone gas main removal as set forth in the testimony of the Gas Operations Panels.

Q. What is the impact of the REV proceeding on the Companies' rate filings and these proceedings?

A. These rate filings are neither driven by nor are directly the result of REV. They are, however, occurring during the ongoing rapid evolution of the New York's REV process and the need for resources to meet the challenges of the new energy marketplace.

The Commission initiated the REV Proceeding with its Order Instituting Proceeding issued on April 25, 2014 in Case 14-M-0101. On February 26, 2015, the Commission issued an Order Adopting a Regulatory Policy Framework and Implementation Plan ("Track One Order") in Case 14-M-0101. The Commission has issued three additional major orders in the REV Proceeding: 1) the Order Establishing the Benefit Cost Analysis Framework ("BCA Framework Order"), issued January 21, 2016; 2) the Order Adopting a Ratemaking and Utility Revenue Model Policy Framework ("Track Two Order"), issued May 19, 2016; and 3) the Order on Distributed System Implementation Plan Filings ("DSIP Order"), issued March 9, 2017. In addition, on December 13, 2018, the Commission issued its Order Establishing Energy Storage Goal and Deployment Policy in Case 18-E-0130 ("Energy Storage Order") which established goals to install 1,500 MW of energy storage by 2025 and up to 3,000 MW by 2030. Finally, the Commission also issued on December 13, 2018 its Order Adopting Accelerated Energy Efficiency

Targets in Case 18-M-0084. Each of these orders has impacts on the Companies and their customers, which are addressed by the Reforming the Energy Vision Panel.

Q. Have NYSEG and RG&E made progress in implementing aspects of REV since the 2015 Rate Cases?

A. Yes. NYSEG and RG&E, independently and working with the Joint Utilities of New York, have engaged stakeholders and have made significant progress, including: 1) development of two Distributed System Implementation Plans ("DSIPs"), in 2016 and 2018; 2) implementation of our Energy Smart Community; 3) implementation of Non-Wires Alternatives; 4) implementation of energy storage projects; 5) implementation of electric vehicle programs; and 6) implementation of several Demonstration Projects to advance REV principles.

Q. Do the Companies propose that they be permitted to provide updates for REV-related projects, including associated cost recovery mechanisms, during these proceedings?

A. Yes. The Companies recommend that they be permitted to update their proposals and cost recovery mechanisms as necessary based upon Commission orders or policy guidance issued during the pendency of these cases.

Q. Are there additional Commission proceedings underway that may impact the REV proposals sponsored by the Companies in these cases?

A. Yes. Examples of these REV-related cases include the Clean Energy Fund, the Low Income Proceeding, the Net Metering Proceeding, Community Choice Aggregation, Demand Response, and the Retail Access case. Because each of these proceedings is ongoing, new information or Commission guidance or directives may become available subsequent to the filing of the Companies' direct case.

F. Electric Vehicles

Q. Please provide additional details regarding the Companies' current EV projects and the EV Program proposed by the Companies' Reforming the Energy Vision Panel.

A. The Companies are currently implementing three EV projects. The first is the DC Fast Charger Pilot Project where the Companies utilized New York's REVConnect process to inform a scalable model for public DC fast charging. The second project is the Smart Home Rate REV Demonstration Project where the Companies are partnering with Cornell University to design and implement deadline differentiated charging. The third project is the Integrate EV and Battery Storage REV Demonstration Project in which the Companies have installed two DC fast chargers and five Level 2 chargers at the RG&E Operations Center.

As part of these rate cases, the Companies are proposing an EV Program that will have three elements, with each element focusing on a specific outcome to help advance the EV market in New York: 1) Charging Infrastructure, where the Companies will expand the EV charging infrastructure in the NYSEG and RG&E service areas; 2) EV Load Integration, where the Companies will integrate new EV load into the grid in a way that improves the overall efficiency of the system; and 3) Customer Engagement, where the Companies will increase customer awareness of EVs and improve customer comfort with EVs as an alternative to internal combustion engine vehicles.

G. Electric Storage

Q. Are the Companies proposing energy storage projects as part of these rate cases?

A. Yes. As detailed by the Reforming the Energy Vision Panel, the Companies propose developing four additional energy storage projects, two in NYSEG's territory and two in

RG&E's territory providing a total of approximately 12 MW of capacity for load relief and up to 105 MWh of available energy. All four projects will be interconnected at various intermediate voltage class level (12.47 kV - 4.8 kV) distribution substation locations.

Q. Why are the Companies proposing these energy storage projects?

A. The Companies believe energy storage is a transformative technology that can provide multiple benefits to the electric system and customers. Energy storage enables the operation of intermittent renewable resources, supports the distribution system, and can help New York meet its Greenhouse Gas emission targets. The Companies envision energy storage as a critical tool to help facilitate system and customer solutions. The proposed projects will provide key lessons about grid benefits and enable the Companies to broaden their expertise for future energy storage deployments.

Q. Why is it appropriate for the Companies to own these energy storage projects?

A. These projects address multiple substation issues that require significant integration into utility operations and processes while ensuring a safe and reliable distribution system. The proposed energy storage solutions are more conducive to utility ownership due to the complex nature of the solution required and the multiple grid benefits being provided. Additionally, connecting battery storage at distribution substations can accelerate project development, reduce overall implementation costs, and provide benefits to a larger number of customers.

H. <u>Energy Efficiency Program Costs</u>

Q. Has the Commission recently issued various pronouncements concerning utility energy efficiency budgets and obligations?

A. Yes, as discussed in more detail in the testimony of the EE/EAM Panel, the Commission has been very active in this area and has called for significant new investment in energy efficiency programs. The Company also recently filed a proposal in Case 18-M-0084 to target heat pump implementation throughout their service territories. The EE/EAM Panel testimony also addresses the Commission's requirement to move certain utility energy efficiency program costs from surcharge to base rates.

Q. Please elaborate on the overall customer bill impact versus base rate impact of the movement from a surcharge to base rates.

A. For both NYSEG and RG&E, the transition of energy efficiency cost recovery from a surcharge to base rates is discussed by the Revenue Allocation and Rate Design Panel. The Companies have presented their delivery rate increase requests excluding any impacts of moving energy efficiency from surcharges to base delivery rates.

VI. <u>MULTI-YEAR RATE PLAN</u>

Q. Are the Companies open to engaging in settlement discussions to reach multi-year rate plans as part of a Joint Proposal?

A. Yes. The Companies believe that multi-year settlements can be in the public interest and allow for longer range effective planning, while avoiding rate case expense. The Companies are interested in engaging in such discussions and plan to provide Staff three-year data to support the potential for settlement discussions on multi-year rate plans.

Q. Does this complete the Panel's testimony at this time?

A. Yes, it does.