

BEFORE THE  
STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

---

In the Matter of a  
  
THREE-YEAR RATE PROPOSAL FOR ELECTRIC RATES AND CHARGES  
SUBMITTED BY THE LONG ISLAND POWER AUTHORITY AND  
SERVICE PROVIDER, PSEG LONG ISLAND LLC.

Matter Number 15-00262

May 2015

---

Prepared Testimony of:

Staff T&D Capital Expenditures  
Panel

Christian Bonvin  
Utility Supervisor  
Office of Electric, Gas, and  
Water

Vijay Puran  
Utility Engineer 3  
Office of Electric, Gas, and  
Water

John Cary  
Utility Engineer 1  
Office of Electric, Gas, and  
Water

Sean Walters  
Junior Engineer  
Office of Electric, Gas, and  
Water

State of New York  
Department of Public Service  
125 East Bethpage Road  
Plainview, New York 11803

1    **Introduction and Qualifications**

2    Q.    Please state your names, employer, and business  
3           address.

4    A.    Christian Bonvin, Vijay Puran, John Cary and Sean  
5           Walters. We are all employed by the New York  
6           State Department of Public Service, or  
7           Department. Messrs. Bonvin, Puran and Cary are  
8           located at Three Empire State Plaza, Albany, New  
9           York 12223. Mr. Walters is located at 125 East  
10          Bethpage Road, Plainview, New York 11803.

11   Q.    Mr. Bonvin, what is your current position?

12   A.    I am a Utility Supervisor in the Office of  
13          Electric, Gas and Water.

14   Q.    Please summarize your educational background and  
15          professional experience.

16   A.    I graduated from the Worcester Polytechnic  
17          Institute in 1992 with a Bachelor of Engineering  
18          Degrees in Mechanical Engineering and Civil  
19          Engineering. I accepted employment with the  
20          Department of Public Service in August 1993 and  
21          currently work in the Department's Electric  
22          Distribution Systems section. My duties include  
23          the technical analysis of capital projects,  
24          reviewing operations and maintenance programs,

1           and monitoring the provision of safe and reliable  
2           service.

3    Q.    Have you previously testified in utility rate  
4           proceedings or other ratemaking proceedings?

5    A.    Yes. I have testified in several proceedings,  
6           most recently in Case 10-E-0050 that established  
7           rates for National Grid.

8    Q.    Mr. Puran, what is your position with the  
9           Department?

10   A.    I am employed as a Utility Engineer 3 in the Bulk  
11           Electric System Section of the Office of  
12           Electric, Gas and Water.

13   Q.    Please summarize your educational background and  
14           professional experience.

15   A.    I graduated from the University of Guyana in  
16           October 1987 with a Bachelor of Engineering  
17           Degree in Electrical Engineering. In February  
18           1993, I graduated from the City College of New  
19           York with a Master of Engineering Degree in  
20           Electrical Engineering. I also received a Master  
21           of Public Administration Degree from the Nelson  
22           A. Rockefeller College, University at Albany, in  
23           December 2001. I accepted employment with the  
24           Department of Public Service in November 1994.

1 My duties include and have included the technical  
2 analyses of utility rate filings, focusing on  
3 revenue allocation, rate design, examination of  
4 capital infrastructure projects and budgets,  
5 examination of operating and maintenance  
6 expenses, and the review and analysis of electric  
7 transmission lines under Public Service Law  
8 Article VII.

9 Q. Have you previously testified in utility rate  
10 proceedings or other ratemaking proceedings?

11 A. Yes, I have testified in several proceedings  
12 before the New York State Public Service  
13 Commission on revenue allocation, rate design and  
14 capital infrastructure budgets.

15 Q. Mr. Cary, what is your position at the  
16 Department?

17 A. I am employed as a Utility Engineer 1 in the Bulk  
18 Electric Section in the Office of Electric, Gas  
19 and Water.

20 Q. Please summarize your educational background and  
21 professional experience.

22 A. I graduated from Western New England College with  
23 a Bachelor of Science degree in Electrical  
24 Engineering in May 1999. I worked for the

1 USFILTER Corporation as a systems control  
2 engineer from May 1999 to April 2000. I worked  
3 for the Department of Defense (US ARMY ARDEC) as  
4 an electrical engineer in the Precision Munitions  
5 Division from May 2000 to April 2004. I also  
6 worked as a project manager for a residential  
7 homebuilder from April 2004 to March 2012. I  
8 have been employed by the Department since March  
9 2012. My current duties include the review and  
10 evaluation of electric utility Capital and  
11 Operations and Maintenance, or O&M, budgets and  
12 expenditures, review and evaluation of  
13 Article VII Certificate Applications and  
14 production cost modeling using GE MAPS software.

15 Q. Have you previously testified in utility rate  
16 proceedings or other ratemaking proceedings?

17 A. No, I have not previously testified in utility  
18 rate proceedings or other ratemaking proceedings.

19 Q. Mr. Walters, what is your position at the  
20 Department?

21 A. I am employed as a Junior Engineer in the Long  
22 Island Office.

23 Q. Please summarize your educational background and  
24 professional experience.

1 A. I graduated from Stony Brook University with a  
2 Bachelor of Engineering Degree in Mechanical  
3 Engineering in 2008. I joined the Department in  
4 2014. My responsibilities include review of  
5 electric emergency response plans for conformance  
6 with best practices, review of electric utility  
7 performance metrics to insure system reliability  
8 and service quality, review of capital and O&M  
9 expense budgets for adequacy in maintaining  
10 reliability and increasing resilience in a cost  
11 effective manner, as well as reviewing forecasts  
12 and long range system planning.

13 Q. Have you previously testified in utility rate  
14 proceedings or other ratemaking proceedings?

15 A. No, I have not previously testified in utility  
16 rate proceedings or other ratemaking proceedings.

17 Q. What is the purpose of the T&D Capital  
18 Expenditures Panel's testimony?

19 A. The purpose of our testimony is to address PSEG  
20 LI's transmission and distribution, referred to  
21 as T&D, capital projects and expenditures as  
22 presented by PSEG LI's Capital Budget Panel.

23 Q. Are you presenting any exhibits in this  
24 proceeding?

1 A. Yes. We relied upon a number of PSEG LI's  
2 responses to our Information Requests, or IRs,  
3 which are presented as Exhibit\_\_\_(CEP-1). We  
4 also present a summary of our adjustments in  
5 Exhibit\_\_\_(CEP-2).

6 Q. Please explain the scope of the Panel's review of  
7 the proposed capital expenditures.

8 A. PSEG LI's Capital Budget Panel testimony  
9 presented projected T&D capital expenditures for  
10 the years 2016 through 2018. The focus of our  
11 review was to understand PSEG LI's process for  
12 developing its capital budget and to review  
13 documentation provided by PSEG LI to support the  
14 projects and programs contained in its proposed  
15 budget. Where appropriate, we provide specific  
16 adjustments to the capital budgets to be  
17 incorporated into the revenue requirement  
18 calculations. Additionally, we reviewed certain  
19 information technology based capital projects  
20 that support the operation of the T&D system and  
21 recommended adjustments where appropriate.

22 Q. Are there any projects PSEG LI is undertaking in  
23 response to the damage caused by Superstorm  
24 Sandy?

1 A. Yes, PSEG LI will be undertaking storm hardening  
2 projects to make the electric system more  
3 resilient. LIPA was awarded a grant from the  
4 Federal Emergency Management Agency, or FEMA,  
5 which will cover the expenditures for projects  
6 provided they meet specified criteria.

7 Q. Are the storm hardening efforts covered by FEMA  
8 included in PSEG LI's T&D capital budgets?

9 A. PSEG LI's capital budget testimony stated it  
10 excluded costs for projects contemplated under  
11 the FEMA grant. As a result, we will not address  
12 the projects or costs to be recovered by FEMA  
13 grants or other insurances, other than to verify  
14 that those projects are not represented in the  
15 general T&D capital expenditure budget. PSEG LI  
16 also stated certain capital projects were reduced  
17 to reflect the storm hardening efforts that would  
18 be recovered under the FEMA grant.

19 Q. If the storm hardening efforts covered by FEMA  
20 are not part of this Panel, how are they being  
21 captured?

22 A. The recognition of costs to be covered by FEMA is  
23 included in the revenue requirement. The capital  
24 costs are stated in specific line items to

1 clearly separate costs that should be included in  
2 base rates and those that should not. Therefore,  
3 we will be focused on only the costs that will be  
4 recovered through base rates.

5 Q. As part of the review, did the Panel identify any  
6 projects in the PSEG LI's T&D capital budget that  
7 should be covered by FEMA?

8 A. We identified five projects in the 2016-2018  
9 budgets that are related to the impacts of  
10 Superstorm Sandy. The projects are the Rockaway  
11 Beach - Replace 4 kV Banks and switchgear at  
12 \$3.6 million in 2016, Long Beach - Replace first  
13 and second half switchgears and control cables at  
14 \$6.7 million in 2016, Far Rockaway - Replace  
15 33 kV Switchgear, Control Wiring, and Control  
16 Panels at \$5.5 million in 2016, Far Rockaway -  
17 Replace 69 kV inter-panel wiring & Control Cables  
18 at \$600,000 in 2017, and Far Rockaway - Replace  
19 Distribution Switchgear at \$5.7 million in 2016.  
20 The funding requests for some of these projects  
21 clearly identify that the costs may be eligible  
22 for recovery under the FEMA grant or insurances.

23 Q. How did the Panel treat these costs?

24 A. We determined that the projects were needed and

1           that the funding should remain in the T&D capital  
2           budget until it is clear that the FEMA  
3           requirements are met and costs recovery assured.  
4           We do recommend that PSEG LI make all efforts to  
5           meet the FEMA requirements because it will  
6           provide the best storm hardening with respect to  
7           flooding. Should any of the costs be recoverable  
8           from sources other than the ratepayers, we  
9           recommend the over funding in the budget be used  
10          for customer benefit under Staff's proposed  
11          Delivery Service Adjustment mechanism, discussed  
12          in the Delivery Service Adjustment and Storm  
13          Reserve Panel.

14   Q.   Are there other capital projects being proposed  
15          that focused on reliability, but not considered  
16          storm hardening?

17   A.   Yes, PSEG LI has proposed several projects  
18          related to reliability. These projects are  
19          designed to replace aging infrastructure, provide  
20          a level of redundancy to minimize service  
21          interruptions, and ensure that the system  
22          operates within design limits.

23   Q.   How is PSEG LI's reliability performance  
24          measured?

- 1   A.   Appendix 9 of the Amended and Restated Operating  
2       Services Agreement, or OSA, contains 21  
3       performance metrics, three of which directly  
4       relate to system reliability. These are: (1) the  
5       System Average Interruption Frequency Index, or  
6       SAIFI, (2) the Customer Average Interruption  
7       Duration Index, or CAIDI, and (3) the System  
8       Average Interruption Duration Index, or SAIDI.  
9       All three metrics above are computed in  
10      accordance with IEEE standard 1366 and consistent  
11      with New York practices, but exclude outages due  
12      to Major Storms consistent with the Department's  
13      definition that is used by other New York  
14      utilities. The OSA also sets performance targets  
15      to measure whether PSEG LI's performance is  
16      acceptable.
- 17   Q.   Please elaborate on how these measures relate to  
18       the capital program.
- 19   A.   SAIFI is a measure of frequency, or the number of  
20       times a customer's service is interrupted for an  
21       extended period. Infrastructure investments and  
22       changes to the capital budget have the largest  
23       impact on this measure. CAIDI is a measure of  
24       duration, or how long an interruption lasts.

1 SAIDI is a combination of the two. Workforce  
2 management practices influence duration the most;  
3 however, SAIDI shows positive results if  
4 interruptions are kept low due to the nature of  
5 its calculation.

6 Q. Where capital investments and frequency  
7 performances are related, what is PSEG LI's  
8 performance for SAIFI in 2014?

9 A. As of December 31, 2014, PSEG LI's frequency  
10 performance was 0.72; better than the target  
11 performance of 0.90. PSEG LI's frequency  
12 performance is better than most upstate electric  
13 utilities, which average between 1.0 and 1.15  
14 over the past five years. Only Consolidated  
15 Edison Company of New York has a lower  
16 performance average.

17 Q. Will the Department be tracking PSEG LI's  
18 performance each year?

19 A. Yes, one of our oversight activities will be to  
20 monitor PSEG LI's performance and determine if it  
21 is implementing the capital program in an  
22 appropriate manner that is responsive to its  
23 frequency and duration performances.

24 **PSEG LI Budget Process**

1 Q. As part of your analysis did you review the PSEG  
2 LI process for developing its capital budget?

3 A. Yes, we reviewed the budget development process,  
4 including the timing of the budget cycle,  
5 prioritization of projects, and the approval  
6 process conducted prior to finalizing the  
7 budgets.

8 Q. What is your overall impression of the budget  
9 process?

10 A. We found that PSEG LI's process to identify and  
11 prioritize projects to be included in the budget  
12 is reasonable and similar to other utilities in  
13 the state. Projects are proposed based on  
14 mandates, loading forecasts, or reliability  
15 concerns, and prioritized based on need and risk  
16 analysis to help identify which projects would be  
17 best to undertake and at what overall cost. Once  
18 all projects are ranked, PSEG LI develops a list  
19 of projects to be undertaken, beginning with the  
20 higher priority ones, while balancing the overall  
21 funding requirement. The budget process starts  
22 early in the year resulting in a preliminary  
23 project listing and budget by the end of June.  
24 The budget is reviewed and modified, as needed,

1 by a Utility Review Board, or URB, before it is  
2 presented to the LIPA Board of Trustees for final  
3 approval in December.

4 Q. How does PSEG LI prioritize projects?

5 A. PSEG LI stated it uses a Project Prioritization  
6 and Risk Assessment protocol to identify the  
7 importance of a project and scores the project on  
8 a scale of 1-100. The protocol is based on four  
9 factors: Regulatory Compliance, Customer  
10 Satisfaction, Financial Performance, and  
11 Technical Performance. Within each category are  
12 risk drivers that are scored separately before  
13 being aggregated into a final project  
14 prioritization score.

15 Q. What is the Panel's opinion concerning the role  
16 of the Utility Review Board in the budget  
17 process?

18 A. The concept of a Utility Review Board for  
19 approving projects is valid. The scope of what  
20 is presented to it, however, needs reform. Our  
21 review of the information provided to the URB  
22 identified that for most projects, little data on  
23 actual spending to date within the budget year is  
24 presented to the URB when a change of funding is

1 requested for a project. There is also a lack of  
2 visibility with respect to certain high cost  
3 blanket projects. Simple variance reporting for  
4 each project is not presented to the URB although  
5 the information was available for our review  
6 during discovery. However, the variance reports  
7 we reviewed were not readily comparative to the  
8 information in the URB reports. For example, a  
9 single line item in the URB may be comprised of  
10 several line items in the corresponding variance  
11 report. Further, without historic spending and  
12 variance information at hand, it is difficult to  
13 understand how mid-year requests for funding  
14 changes are processed for approval by the URB.

15 Q. Are there any other concerns with the information  
16 presented to the URB?

17 A. Yes. Major investment projects, such as new  
18 substations and transmission lines over  
19 \$1 million in cost, do not include any  
20 engineering drawings, detailed estimates, or work  
21 schedules to understand the activities to be  
22 taken in the near-term and how it relates to the  
23 funding forecasts. Total project costs are  
24 generally provided as substation work, conversion

1           and reinforcement work, or transmission work  
2           only. The expenditures presented to the URB by  
3           year are lumped together into a "base" and only  
4           broken apart as being distribution or  
5           transmission in nature. More visibility into  
6           what the funds will be spent on for these large  
7           projects is recommended.

8    Q.    Do you identify any other area of concern with  
9           regard to the capital budget process?

10   A.    Yes, our review found that PSEG LI's treatment of  
11           blanket accounts is inconsistent with other New  
12           York utilities in New York State.

13   Q.    Please describe what is meant by a "blanket  
14           account".

15   A.    Blanket accounts are used to capture and  
16           summarize numerous, small routine capital  
17           expenditures such as new customer services,  
18           street lighting, and repairing minor damage or  
19           equipment failures.

20   Q.    Does PSEG LI have blanket accounts and are they  
21           in line with the concept you described?

22   A.    Yes. PSEG LI has identified several blanket  
23           accounts within their capital budget. One of our  
24           major concerns, however, is that PSEG LI

1 considers blanket projects to be an aggregate of  
2 multiple projects with costs less than \$1 million  
3 each. The \$1 million level per project is  
4 inordinately high when compared to other large  
5 utilities in New York that limit an individual  
6 project to \$100,000 or less to be chargeable  
7 against a blanket account.

8 Q. Why is this difference in levels such a concern?

9 A. The defined levels for blankets generally align  
10 with the approval process necessary prior to  
11 expending funds for a project. PSEG LI  
12 incorrectly used the term blanket when  
13 summarizing a small number of higher cost  
14 projects associated with a program or an  
15 overarching objective. By doing so, it  
16 constrains the ability of the URB, or other  
17 parties, to clearly identify what work is being  
18 considered to be performed. The \$1 million  
19 threshold value is so high that it may also  
20 impact the tracking of the actual expenditures  
21 and variances for individual projects, as the  
22 blanket in total may appear in line with the  
23 budget.

24 Q. What do you recommend to resolve this concern?

1 A. We recommend that PSEG LI reduce the blanket  
2 threshold to \$100,000 and provide more visibility  
3 to projects between \$100,000 and \$1,000,000.  
4 This would result in a capital budget where  
5 projects over \$100,000 would be treated similarly  
6 to how PSEG LI lists specific projects.

7 **Review of Capital Expenditures**

8 Q. Please summarize PSEG LI's proposed capital  
9 budget with regard to T&D infrastructure and its  
10 operation.

11 A. PSEG LI's Capital Budget Panel filed testimony  
12 with proposed T&D budgets of \$350 million,  
13 \$371 million, and \$370 million for the years 2016  
14 through 2018, respectively, as shown in PSEG LI's  
15 Exhibit CBP-2. The forecast includes funding for  
16 projects related to reliability, load growth, and  
17 mandatory requirements.

18 Q. Please explain the review process used by the  
19 Panel to assess PSEG LI's proposed capital  
20 budgets.

21 A. We reviewed the internal documentation and  
22 studies used to develop and justify a project or  
23 program merits. We focus on items such as the  
24 scope of work and how it would improve the

1        system, whether alternatives were evaluated,  
2        historic spending trends for similar activities,  
3        and the development of project cost estimates.  
4        We also analyzed whether a project may not be  
5        required to be constructed within the timeframe  
6        in which rates are being set and made adjustments  
7        accordingly, thereby mitigating the impact to  
8        ratepayers.

9    Q.   Did PSEG LI identify any changes to the budget  
10       forecast?

11   A.   Yes.   In its response to IR DPS-CBP-0372, PSEG LI  
12       provided budget forecasts of approximately  
13       \$361 million, \$337 million, and \$382 million for  
14       2016-2018, respectively.   PSEG LI stated that the  
15       amounts shown on Exhibit CBP-2 needed to be  
16       increased by approximately 14.3% to reflect the  
17       Administrative and General, or A&G, costs and the  
18       Pensions/OPEB costs used in the Ratemaking and  
19       Revenue Requirement Panel's Exhibit RRP-1.   In  
20       the response, PSEG LI also made significant  
21       budget changes to a limited number of projects  
22       when compared to Exhibit CBP-2.   Many of these  
23       limited budget changes, mostly reductions,  
24       aligned with questions that were raised in our

1 information requests.

2 Q. Do capital projects normally account for A&G and  
3 Pensions/OPEBs?

4 A. Yes. When capital expenditures for projects are  
5 determined, loaders for A&G and Pensions/OPEB are  
6 embedded in the initial labor estimates. We do  
7 not have a clear understanding, however, as to  
8 why PSEG LI proposes to load the base T&D capital  
9 expenditures for A&G and Pensions/OPEB. By doing  
10 this, PSEG LI would be applying a loader for A&G  
11 and Pensions/OPEB to non-labor components of a  
12 project's expenditure, such as materials, which  
13 is inconsistent with our understanding on how  
14 capital budgets are developed. PSEG LI has not  
15 provided any detailed project cost estimates or  
16 other information that would clearly demonstrate  
17 that the costs proposed in PSEG LI's Exhibit CBP-  
18 2 do not already account for A&G and  
19 Pensions/OPEB.

20 Q. What does the Panel recommend with regard to the  
21 information provided in IR DPS-CBP-0372?

22 A. Our review of IR DPS-CBP-0372 determined that the  
23 loading factors were actually 14.3%, 15.6% and  
24 16.5% for 2016, 2017 and 2018, respectively.

1       Because of our inability to determine how the  
2       loaders were developed and the unusual method of  
3       how it was applied, we recommend that the amount  
4       presented in PSEG LI response to IR DPS-CBP-0372  
5       should be "unloaded" for A&G and Pensions/OPEB,  
6       using the percentages we just stated. We believe  
7       that this should produce an apples-to-apples  
8       comparison with Exhibit CBP-2?

9       **Blanket Accounts Forecasts**

10    Q.   How are blanket accounts generally forecasted and  
11       how did you review them?

12    A.   The exact work activity is unknown at the time  
13       the budget is approved for many of the accounts,  
14       such as new business, therefore historic trending  
15       is used to set the capital expenditure level for  
16       the blanket accounts. The exact forecast may be  
17       slightly modified to reflect new circumstance,  
18       such as reducing the new business account to more  
19       appropriately reflect a decline in growth. To  
20       ensure appropriate funding levels for these  
21       accounts, we typically review a five year history  
22       and reasons for deviating from the historic  
23       trends. In many instances PSEG LI forecasted a  
24       low percent change between budget years, so our

1 key analysis focused on whether the initial 2016  
2 budget request was reasonable.

3 Q. Were you able to perform such an analysis?

4 A. PSEG LI could only produce actual spending  
5 information for 2013 and 2014 in response to our  
6 request for five years of historic data. The URB  
7 reports and some of the Project Justification  
8 Documents, or PJDs, for the blanket accounts  
9 contained additional historical budgets and  
10 actual expenditures. Our analysis was based on  
11 the maximum amount of data available to determine  
12 trends and deviations from prior spending  
13 patterns.

14 Q. What was the result of your review of the blanket  
15 accounts?

16 A. We determined that many of the programs budgets  
17 were reasonable and consistent with historic  
18 practices. We did, however, identify  
19 inconsistencies with the forecasted expenditures  
20 for New Business, Electric System Planning,  
21 Accidents, Multiple Interruptions, the Substation  
22 Reliability Enhancement Program and the  
23 Substation Control and Protection Improvements  
24 Program.

1 Q. Please describe the New Business blanket and your  
2 concern.

3 A. The New Business blanket accounts for new  
4 customers being added to the system and  
5 modifications to the system to enable service  
6 installations. Response to IR DPS-CBP-0318  
7 indicated that the 2015 budget was prepared by  
8 considering historical spending from 2011 through  
9 2013 together with the 2014 spending forecast as  
10 of September 2014. The budget for years 2016  
11 through 2018 are escalated by 3% from the 2015  
12 budget.

13 Q. Do you agree with this forecast?

14 A. No, we disagree with the calculation used to  
15 establish the forecast. The response to IR DPS-  
16 CBP-0318 and the URB reports state that 2013  
17 spending was higher as a result of post Hurricane  
18 Sandy customer rebuilding activities. This  
19 increased level of spending is not expected to  
20 continue. In addition, we believe actual  
21 expenditures for 2014 should be considered  
22 atypical because it was nearly double the  
23 forecasted expenditures.

24 Q. What does the panel recommend?

1   A.   We recommend not using 2013 data and 2014 actual  
2       expenditures in the calculation.  Therefore, we  
3       recommend averaging actual expenditures from 2010  
4       through 2012 and the 2014 budget, which results  
5       in a forecast of \$13.26 million.  Escalating this  
6       average by 3% percent annually results in  
7       forecasts of \$13.66 million, \$14.07 million and  
8       \$14.49 million for 2016 through 2018,  
9       respectively.  This represents downward  
10      adjustments of \$1.83 million, \$1.88 million, and  
11      \$1.94 million for 2016-2018, respectively.

12   Q.   Please describe the Electric System Planning Jobs  
13       blanket and your review.

14   A.   Prior to 2015, a blanket account was not  
15       specified to fund small conversion and  
16       reinforcement work.  Going forward, PSEG LI has  
17       appropriately established the Electric System  
18       Planning Jobs blanket to track this activity.  
19       The initial budget level is set at \$3.6 million  
20       per year and appears reasonable relative to the  
21       level of expenditures for accounts such as Public  
22       Works and Distribution Station Equipment  
23       Failures.  Ultimately, we recommend that future  
24       budget levels be set based on the trends of

1 actual expenditures charged to the blanket  
2 account.

3 Q. Please describe the Accident blankets and your  
4 review.

5 A. Where nearly all roadways are lined with overhead  
6 and underground facilities, the assets are  
7 subject to damage by third parties from vehicular  
8 accidents or other incidents. The accident  
9 program is set up to track charges associated  
10 with the repair of these facilities. A  
11 historical review of this account showed that the  
12 forecasted expenditures are approximately a third  
13 of previous forecasts.

14 Q. What was the reason for this decline?

15 A. In certain cases, reimbursement of these costs  
16 may be obtained through the efforts of the claims  
17 organizations. In recent years, the amounts  
18 collected from third parties were not posted  
19 directly to the accidents blanket. PSEG LI  
20 currently post the reimbursements to the  
21 accidents blanket. As a result, it has to  
22 estimate potential credits and uses the  
23 projection to offset the expenditures for this  
24 program within the capital budget. This change

1       in accounting methodology resulted in the  
2       appearance of a large decrease in the current  
3       request for funding.

4   Q.   Does the Panel support this new methodology?

5   A.   Yes, any reimbursements by third parties for  
6       accidents should be directly applied to this  
7       blanket and forecasts should recognize this, as  
8       proposed by PSEG LI.

9   Q.   Please describe the Multiple Interruptions  
10       account.

11   A.   The Multiple Interruption program addresses  
12       pockets of customers which experience an above  
13       average number of electrical interruptions each  
14       year. The program is broken into five separate  
15       sub-programs, which include (1) Multiple  
16       Interruptions, (2) Momentary Interruption  
17       Reductions, (3) Airport Industrial Park, (4)  
18       Hauppauge Industrial Park, and (5) Targeted  
19       Overhead Enhancements. In total, PSEG LI  
20       requests \$4.84 million for rate year 2016,  
21       \$8.54 million for rate year 2017, and  
22       \$10.91 million for rate year 2018.

23   Q.   What is the result of the Panel's review of this  
24       program?

1   A.    The first sub-program, Multiple Interruptions,  
2        has an unexpected increase, resulting in a total  
3        budget of \$7.3 million in 2018 for this sub-  
4        program. According to PJD Reference B30.1 the  
5        historical spending average for years 2009-2013  
6        is \$5.1 million. We believe this level is more  
7        appropriate because PSEG LI was not able to  
8        support the requested increase. Therefore, we  
9        recommend funding of \$5.1 million be used for  
10       2018, which results in a downward adjustment of  
11       \$2.2 million.

12   Q.    Please describe the other programs included under  
13        this account.

14   A.    The other programs under this account include  
15        work to install electromechanical timers to  
16        reduce momentary interruptions, programs which  
17        target specific high load areas like industrial  
18        parks, and a program specifically aimed at  
19        villages identified as experiencing widespread  
20        reliability problems.

21   Q.    Does the Panel agree with the proposed funding  
22        for these programs?

23   A.    Yes. We noticed, however, that the Hauppauge  
24        Industrial Area program has changed from being a

1        10 year improvement program designed to reduce  
2        outages to more of an underground cable  
3        replacement program for industrial parks.

4    Q.    Please elaborate.

5    A.    PJD 30.4 states that 2012 represented the sixth  
6        out of 10 years of funding commitments to improve  
7        the area.    Therefore, 2016 would represent the  
8        final year of the program and funding should be  
9        discontinued afterwards.    IR DPS-CBP-446  
10       requested justification for the 2017 and 2018  
11       funding levels.    PSEG LI's response to this IR  
12       stated the goal of the 10 year program was  
13       completed; however, aging cables were still in  
14       need of replacement not only in the Hauppauge  
15       Industrial Area, but in other areas, such as the  
16       Heartland Industrial.

17   Q.    What does the Panel recommend?

18   A.    We recommend organizing this targeted cable  
19        replacement work as a new blanket program to be  
20        listed as a separate line item in the capital  
21        budget.    The program description should be  
22        altered to explain that the purpose is the  
23        general replacement of aging and deteriorated  
24        cable within various industrial parks on Long

1 Island as opposed to work focused on reducing  
2 higher than desired outage rates.

3 Q. Please provide a brief description of the  
4 Substation Reliability Enhancement Program.

5 A. The Substation Reliability Enhancement Program is  
6 a blanket program consisting of twelve sub-  
7 programs geared towards reducing the likelihood  
8 of equipment failures. Examples of the sub-  
9 programs include a program designed to extend the  
10 life of certain transformers and a program to  
11 replace tap changers.

12 Q. What did the Panel find in its review of this  
13 program?

14 A. We identified two large scale projects with  
15 individual project costs of more than \$1 million  
16 in the 2018 budget that should be categorized as  
17 specific projects.

18 Q. What are these projects?

19 A. The first project is the Substation Transformer  
20 Replacement Program, which addresses aging  
21 equipment and establishes parameters for  
22 transformers to be replaced on a scheduled basis  
23 prior to failure. The Substation Transformer  
24 Replacement Program is funded at \$1.64 million

1       for 2018, which is significantly higher than a  
2       majority of the funding for other sub-projects  
3       within the Substation Reliability Enhancement  
4       Program. In response to IR DPS-CBP-303, PSEG LI  
5       stated that the Substation Transformer  
6       Replacement Program "should have been categorized  
7       as a specific project since it is estimated at  
8       greater than \$1 million." We agree with this  
9       rationale and recommend that this program be re-  
10      categorized as a Specific Program. The second  
11      project is the Redesign and Rebuild Load Tap  
12      Changers project, which is funded at  
13      \$2.88 million for 2018. Similar to the  
14      Substation Transformer Replacement Program, this  
15      sub-program is significantly higher than a  
16      majority of the funding for other sub-programs  
17      within the Substation Reliability Enhancement  
18      Program because it is a single project that  
19      exceeds the \$1 million threshold for what PSEG LI  
20      considers a blanket project.

21    Q.   What is the Panel's recommendation for the  
22       Substation Reliability Enhancement Program.

23    A.   We recommend that the Substation Transformer  
24       Replacement Program and the Redesign and Rebuild

1 Load Tap Changers project, \$4.52 million  
2 combined, be removed from the Substation  
3 Reliability Enhancement Program and be added to  
4 the "specifics" portion of the budget.

5 Q. How will this change impact the funding proposed  
6 by PSEG LI for the Substation Reliability  
7 Enhancement Program.

8 A. As shown in PSEG LI's Exhibit CBP-2, the proposed  
9 capital expenditures for the Substation  
10 Reliability Enhancement Program are \$1.92 million  
11 for year 2016, \$1.43 million for year 2017 and  
12 \$6.93 million for year 2018. Relocating the two  
13 mentioned projects would reduce the forecast for  
14 2018 to \$2.4 million, which is more in line with  
15 the other year's forecasts for projects within  
16 this blanket program.

17 Q. Please describe the Substation Control and  
18 Protection Program and the discrepancies  
19 identified.

20 A. The Substation Control and Protection Program is  
21 a blanket program consisting of 18 sub-programs  
22 geared towards improving Substation Control and  
23 Protection equipment to reduce the likelihood of  
24 equipment failures. As shown in Company Exhibit

1           CBP-2, PSEG LI proposes funding of \$4.64 million  
2           for year 2016, \$4.30 million for year 2017, and  
3           \$10.72 million for year 2018.

4   Q.   What did the Panel find in its review of this  
5           program?

6   A.   According to PSEG LI's response to IR DPS-CBP-  
7           443, all sub-program costs were within the range  
8           of \$15,000 to \$595,340, except for the Relay  
9           Upgrades to Microprocessor Program, which had  
10          significantly higher funding in 2018 compared to  
11          any other sub-program. In response to IR DPS-  
12          CBP-443, PSEG LI states, "[t]he 2018 proposed  
13          budget contains a \$7 million entry for a Relay  
14          Upgrades to Microprocessor Program. This is a  
15          placeholder for additional relay upgrades." We  
16          determined that five other Microprocessor Relay  
17          Upgrade projects were budgeted for in 2018 under  
18          the same PJD B32.15 as the Relay Upgrades to  
19          Microprocessor Program placeholder. The average  
20          budget for these five projects was \$200,000.

21   Q.   Is this placeholder of concern?

22   A.   Yes. There is no clear reason why this  
23          placeholder funding is needed given that other  
24          similar projects are funded under the same

1 blanket program. We believe that if blanket  
2 funds are more than doubled due to a single  
3 program, that program should be given its own  
4 line in the budget to provide clear visibility as  
5 to what the expenditures are. In addition,  
6 because this account has so many sub-components,  
7 it is important to maintain the historic  
8 integrity of the funding levels for future  
9 budgeting purposes.

10 Q. What is the Panel's recommendation for the  
11 Substation Control and Protection Program?

12 A. Due to the fact that this blanket account already  
13 includes Control and Protection Relay Upgrades to  
14 Microprocessor programs in 2018 and a lack of  
15 support for the \$7 million placeholder, we  
16 recommend that the Relay Upgrades to  
17 Microprocessor Program cost of \$7 million be  
18 removed from the Substation Control and  
19 Protection Program budget, resulting in a  
20 downward adjustment of \$7 million for year 2018.

21 Q. How will this change impact the proposed funding  
22 for the Substation Control and Protection  
23 Program?

24 A. Removing the Relay Upgrades to Microprocessor

1           Program placeholder would reduce the budget for  
2           2018 to \$3.72 million, which is more in line with  
3           the other year's forecasts.

4   Q.    What information was provided that impacted the  
5           review of the Distribution Automation program?

6   A.    In response to IR DPS-CBP-0372, PSEG LI removed  
7           all funding associated with this program. As a  
8           result, we have reflected this reduction by PSEG-  
9           LI in Exhibit\_\_(CEP-2).

10   **Specific Accounts Forecasts**

11   Q.    How did you typically review projects with major  
12           spending forecasts?

13   A.    We review projects with major spending forecasts  
14           in multiple ways. First, we review any  
15           overarching program that drives a project or  
16           several projects. Next, we review the individual  
17           projects to determine how it fits in with the  
18           overarching program and if the costs estimates  
19           are reasonable. For projects that are not  
20           related to an overarching program we evaluate the  
21           need, timing and cost for the project on a case-  
22           specific basis.

23   Q.    Are there times when individual projects under a  
24           program may not be fully developed?

1 A. Yes, we expect projects in the future years to be  
2 less developed than work being performed in 2016.  
3 Placeholders would allow appropriate funding to  
4 be set while allowing time to fully develop the  
5 scope and prioritization of the project.

6 Q. Did PSEG LI have any placeholders?

7 A. Yes, PSEG LI utilized a placeholder for the  
8 Conversion and Reinforcement and New Exits  
9 Program. This program was individually valued at  
10 greater than \$1 million. The overall budget was  
11 based on an expenditure level of \$20.10 million  
12 in 2015; \$3.6 million of which was allocated to a  
13 blanket account. As part of PSEG LI's filing,  
14 they identified two projects that are chargeable  
15 against this placeholder account. These projects  
16 are the Mitchell Gardens new exit feeder with a  
17 budget of \$3.64 million in 2016 and the Bayport -  
18 New feeder, Serota, projects with a budget of  
19 \$2.15 million in 2016 and \$2.16 million in 2017.  
20 As a result, the placeholder account forecasts  
21 \$10.80 million in 2016, \$14.44 million in 2017,  
22 and \$16.60 million in 2018.

23 Q. What is the Panel's view of this placeholder?

24 A. While the overall spending level seems

1       appropriate based on historic spending, more  
2       detail related to work activities to be  
3       undertaken is necessary to ensure these costs are  
4       adequate, particularly for work to be performed  
5       in 2016.

6   Q.   Please describe the challenges you faced when  
7       reviewing the proposed capital budget for the  
8       specific accounts.

9   A.   Although PSEG LI's testimony described a few  
10       projects, the filing, including its work papers,  
11       contained little detailed scope and support for  
12       the proposed expenditures for most of the larger  
13       T&D projects and programs being contemplated.  
14       This information is necessary for proper review  
15       of PSEG LI plans and is vital to the Department's  
16       mission which is to provide New York rate payers  
17       with safe, reliable electric service at just and  
18       reasonable rates.

19   Q.   What were you able to determine, given these  
20       challenges?

21   A.   Information contained in the PJDs and responses  
22       to some IRs, allowed us to verify that PSEG LI  
23       had determined the need for several projects and  
24       had considered various alternatives to the

1 recommended projects. Some examples include the  
2 Shelter Island substation and work related to  
3 Fire Island substation.

4 Q. Please describe the Shelter Island project.

5 A. PSEG LI is seeking to construct a substation to  
6 better serve the customers on Shelter Island,  
7 following an initial cable failure and  
8 unsuccessful attempt to replace the underwater  
9 cable with a new submersible cable. PSEG LI  
10 included a project cost of \$25.4 million for 2016  
11 in Exhibit CBP-2, which was later modified to  
12 \$10.5 million in 2016 and \$6.9 million in 2017.  
13 These revised numbers do not reflect loadings for  
14 A&G and Pension/OPEB.

15 Q. Are you satisfied with the need and timing of the  
16 projects?

17 A. Yes. We are satisfied with the need for the  
18 proposed project because the substation will  
19 connect to an existing transmission line and  
20 restore PSEG LI's ability to serve customers if  
21 loss of service on an existing cable occurs.

22 Q. Please describe the Fire Island Upgrades.

23 A. PSEG LI proposes five projects to solve three  
24 problems or contingencies on Fire Island that

1 would restrict the system's ability to transfer  
2 load between substations on Fire Island if the  
3 loss of certain transmission lines occur. These  
4 projects, shown on PSEG LI's Exhibit CBP-2 are:  
5 1) Captree-Robert Moses Trans Cable Circuit 23-  
6 738, 2) Ocean Beach-Fire Island Pines  
7 Transmission Cable Life extension & N-1-1,  
8 3) Ocean Beach Fair Harbor & Robert Moses-Fair  
9 Harbor Cables 23-749 & 23-742, 4) Bayport-Fire  
10 Island Pines and Other Circuits Splices  
11 Improvements, and 5) Fire Island-Brightwater-  
12 Captree Upgrade OH 23-747 Transmission Supply.  
13 Together, the proposed capital expenditures for  
14 these projects are \$18.3 million in 2016,  
15 \$20 million in 2017, and \$13 million in 2018.

16 Q. Are you satisfied with the need and timing of the  
17 projects?

18 A. Yes. In PSEG LI's response to DPS-CBP-0335, it  
19 provided a matrix to show the interrelationship  
20 between the projects and the contingencies they  
21 would solve. Four projects will help solve two  
22 immediate contingencies and one project, the Fire  
23 Island-Brightwater-Captree Upgrade, will help  
24 solve a contingency in 2024. While delaying the

1 Fire Island -Brightwater-Captree Upgrade is  
2 possible, it is also reasonable to have this  
3 project completed in 2018, as proposed, because  
4 in addition to helping to solve the contingency  
5 in 2024 it will help improve the reliability of  
6 the area once the upgrade comes into service.

7 Q. Has PSEG LI evaluated the use of REV type  
8 solutions, or Non-wires alternatives to the Fire  
9 Island Upgrades?

10 A. Yes. In its response to DPS-CBP-0335, PSEG LI  
11 states that:

12 The necessary load relief required for  
13 alleviating these risks through utilizing a  
14 REV like project would require a range of 2  
15 - 6.5 MW load relief at each of a multiple  
16 number of Fire Island substations. This  
17 REV type of solution was not considered  
18 practical due to the varying amount of load  
19 relief that must be combined with the  
20 number of locations requiring relief in  
21 order to effectively address all the  
22 contingencies.

23 We believe that this explanation is reasonable  
24 given that the overarching project is very

1           complicated and is geared to solve multiple  
2           contingencies.

3    Q.    What are the capital expenditures for the Fire  
4           Island Upgrade projects?

5    A.    In response to IR DPS-CBP-0372, PSEG LI increased  
6           the proposed spending on the Ocean Beach-Fire  
7           Island Pines Transmission Cable Life extension &  
8           N-1-1 project in 2016 and reduced it in 2017 by  
9           an equivalent amount. The new proposed capital  
10          expenditures, without loadings for A&G and  
11          pension/OPEB, for the five projects are:  
12          \$19.9 million in 2016, \$18.4 million in 2017, and  
13          \$13 million in 2018, for a total of \$51.3 million  
14          over the three rate years.

15   Q.    Please describe the Ruland-Plainview New  
16          Transmission Circuit and the Old Bethpage  
17          substation projects.

18   A.    PSEG LI Capital Budget Panel, at page 26, stated  
19          that the Plainview to Ruland Road - New 69 kV  
20          Transmission Line is needed because the existing  
21          69 kV circuit between the Ruland Road and  
22          Plainview substation experiences post contingency  
23          overloads for the loss of the Syosset Breaker 630  
24          or for the loss of Syosset to Woodbury 69 kV

1 transmission line. The Panel also claimed that  
2 several major load additions totaling about  
3 30 MVA are proposed for the Plainview area in the  
4 next 2 to 5 years and this would further  
5 exacerbate the loading on the existing Ruland to  
6 Plainview 69 kV line. Consequently, the Panel  
7 opined that a new Old Bethpage substation could  
8 be required. This new substation would be fed by  
9 tapping into to the new Plainview to Ruland Road  
10 mentioned above.

11 Q. Discuss your assessment of the need and timing  
12 for the Ruland-Plainview New Transmission Circuit  
13 project.

14 A. Our review of the PJD S1.1 indicates that a  
15 contingency that causes the existing Ruland to  
16 Plainview 69 kV line to overload could require  
17 shedding approximately 18 MVA of load during peak  
18 usage hours. To solve this problem, it is  
19 reasonable to build the proposed 69 kV  
20 transmission circuit between Ruland and  
21 Plainview, which would improve reliability in the  
22 area and also serve a new Old Bethpage substation  
23 if or when it is built. We note, however, at the  
24 Technical Conference on March 3, 2015, PSEG LI

1 indicated that it intends to issue a Request for  
2 Information, or RFI, to seek approximately 20 MW  
3 of capacity relief through REV type projects,  
4 which could defer this project. This was  
5 confirmed in response to IR DPS-CBP-0372 where it  
6 indicated that the project is currently on hold.

7 Q. What do you recommend for the Ruland-Plainview  
8 New Transmission Circuit project?

9 A. Given the importance of this project, if a  
10 favorable outcome is not obtained from the  
11 proposed RFI to defer this project, we recommend  
12 that PSEG LI proceed with construction of the new  
13 Ruland-Plainview 69 kV transmission circuit. The  
14 recommended cost treatment for this project is  
15 discussed in the Staff Energy Efficiency and REV  
16 Panel testimony. This project is one of the five  
17 load pocket projects discussed in that testimony.

18 Q. Discuss your assessment of the need and timing  
19 for the Old Bethpage substation project.

20 A. We do not recommend that PSEG LI proceed with the  
21 construction of the Old Bethpage substation at  
22 this time. According to its response to IR DPS-  
23 CBP-0420, acquiring suitable land for the  
24 substation is still in progress. In addition,

1        need for the substation is dependent on future  
2        load additions which have been contemplated for  
3        years, but have so far failed to materialize as  
4        evidenced in PSEG LI response to DPS-CBP-0420.  
5        Moreover, the substation is contingent upon the  
6        construction of the new Plainview to Ruland Road  
7        69 kV transmission line which is currently on  
8        hold pending the outcome of an RFI, as we  
9        discussed above.

10    Q.    What capital expenditures do you recommend for  
11        the Old Bethpage substation project?

12    A.    We recommend that PSEG LI's proposed capital  
13        expenditures of \$300,000 in 2016 and \$2.4 million  
14        in 2017 be approved to facilitate purchase of  
15        land and engineering for a potential future  
16        substation. We further recommend that the 2018  
17        proposed budget be reduced by \$13 million, given  
18        the uncertainty surrounding this project. Should  
19        the situation develop where the substation needs  
20        to be built, PSEG LI should re-prioritize its  
21        2018 budget to accommodate this project.

22    Q.    Has PSEG LI identified any project that is needed  
23        to meet North American Electric Reliability  
24        Corporation, or NERC, Bulk Electric System

1 reliability requirements?

2 A. Yes, PSEG LI has identified two capital projects;  
3 the East Garden City to Valley Stream and the  
4 Syosset to Shore Road projects to address N-1-1  
5 criteria violations.

6 Q. What is an N-1-1 violation?

7 A. An N-1-1 violation occurs when specific  
8 performance criteria required under NERC's  
9 Transmission Planning are not met after a Bulk  
10 Electric System, or BES, transmission element  
11 fails, system adjustments are made, and loss of  
12 another BES element occurs. Simply put, the BES  
13 should be able to withstand loss to two major  
14 transmission elements without negatively  
15 impacting reliability.

16 Q. Please describe the East Garden City to Valley  
17 Stream 138 kV project.

18 A. PSEG LI Capital Budget Panel, at pages 32-33,  
19 states that based on internal studies of the  
20 Barrett area, N-1-1 criteria violations are  
21 observed on the existing East Garden City to  
22 Valley Stream 138 kV circuit 138-262 for loss of  
23 Barrett to Valley Stream 138 kV circuit 138-291  
24 followed by loss of Barrett to Valley Stream

- 1        138 kV circuit 138-292.
- 2        The Capital Budget Panel further noted that a
- 3        second N-1-1 criteria violation is observed on
- 4        the existing East Garden City to Valley Stream
- 5        138 kV circuit 138-262 for loss of one Barrett
- 6        steam generating unit followed by loss of
- 7        Freeport to Newbridge Road 138 kV circuit 138-
- 8        461. The Panel states that the addition of a new
- 9        138 kV circuit from East Garden City to Valley
- 10       Stream substations will eliminate all N-1-1
- 11       violations in the Barrett area and also provide
- 12       flexibility for uncertainties in system load
- 13       growth and impact from generation/renewable RFPs.
- 14       According to PJD S49.1, the need date for this
- 15       project is 2020 in order to be in strict
- 16       compliance with NERC's requirements.
- 17    Q.    What is your assessment of the need and timing of
- 18       the East Garden City to Valley Stream 138 kV
- 19       project?
- 20    A.    Based on our review of PJD S49.1 and responses to
- 21       IRs DPS-CBP-0247, DPS-CBP-0425, and DPS-CBP-0426
- 22       we agree with the need assessment and timing
- 23       proposed by PSEG LI.
- 24       As indicated in response to IR DPS-CBP-0426, PSEG

1 LI plans to issue a Request for Proposal to  
2 solicit REV solutions in the area. PSEG LI also  
3 noted that load relief in the range of 100 MW to  
4 200 MW would be needed in order to defer this  
5 project.

6 Given the long lead time necessary for a project  
7 of this magnitude and the fact that compliance  
8 with NERC's requirements is needed by 2020, PSEG  
9 LI must make a timely decision based on the  
10 responses to the RFP on whether to defer the  
11 project, use a combination of load relief and  
12 possibly other smaller capital projects or to go  
13 with this project in order to be in compliance  
14 with NERC's requirements by 2020. The  
15 recommended cost treatment for this project is  
16 discussed in the Staff Energy Efficiency and REV  
17 Panel testimony.

18 Q. Please describe the Syosset to Shore Road 138 kV  
19 project.

20 A. PSEG LI's Capital Budget Panel, at page 32,  
21 states that based on internal studies of the  
22 Glenwood area, N-1-1 criteria violations are  
23 observed on the existing East Garden City to  
24 Carle Place circuit for loss of transmission line

1 Y50 followed by loss of Glenwood GT - Glenwood  
2 North Bus circuit. There are also other N-1-1  
3 combinations involving loss of Y50 that result in  
4 criteria violations. The Panel states that  
5 addition of a new 138 kV circuit from Syosset to  
6 Shore Road substations will eliminate all N-1-1  
7 violations in the Glenwood area. According to  
8 response to IR DPS-CBP-0428, the need date for  
9 this project is 2020 absent REV type solutions to  
10 provide about 100 MW to 200 MW load relief.

11 Q. What is your assessment of the need and timing of  
12 the Syosset to Shore Road 138 kV project?

13 A. Based on our review of PJD S50.1 and responses to  
14 IRs DPS-CBP-0246 and DPS-CBP-0428 we agree with  
15 PSEG LI's assessment on the need for this  
16 project. However, as noted in response to IR  
17 DPS-CBP-0428, this project is not driven by a  
18 generator contingency followed by another single  
19 contingency. If this were the case, a solution  
20 would have had to be in place by 2020 in order to  
21 be in strict compliance with NERC's requirements.  
22 Since there is no strict due date for this  
23 project, there is more time to analyze and decide  
24 if there are viable REV alternatives to this

1 project.

2 It its response to IR DPS-CBP-0428, PSEG LI  
3 stated that it plans to issue a Request for  
4 Proposal to solicit REV solutions in the area. A  
5 decision on the timing of the project will be  
6 based on the outcome of the RFP combined with the  
7 reliability and cost effectiveness of the  
8 potential REV solutions. We recommend that PSEG  
9 LI's proposal on evaluating the outcome of the  
10 RFP be accepted. The recommended cost treatment  
11 for the Syosset to Shore Road project is also  
12 discussed in the Staff Energy Efficiency and REV  
13 Panel testimony.

14 Q. Please provide a brief description of the System  
15 Operation Control Room Modification/Upgrade  
16 project.

17 A. PSEG LI proposed to replace the existing control  
18 room in Hicksville with a new Primary Control  
19 Center. It claimed that the big board in the  
20 existing control room is grossly undersized to  
21 operate the system in a safe and efficient  
22 manner. The new control room would add new  
23 technology such as video display walls,  
24 situational displays and video charts. In

1        addition, the new control room would improve the  
2        system operator's ability to quickly identify  
3        lines and equipment during emergency situations  
4        and help to minimize the chance of switching  
5        errors, which could lead to financial penalties  
6        as explained in the response to IR DPS-CBP-0348.  
7        PSEG LI further proposed that the project be  
8        completed in two phases. The first phase would  
9        hire a design contractor and the second phase  
10       would involve construction and commissioning  
11       activities based upon the contractor's  
12       recommendations.

13    Q.    What level of capital expenditure does the PSEG  
14        LI propose for the System Operation Control Room  
15        Modification/Upgrade project?

16    A.    In Exhibit CBP-2, PESG-LI proposes to spend  
17        \$5 million in 2016, \$25 million in 2017, and  
18        \$20 million in 2018. However, in its response to  
19        DPS-CBP-0372, these costs were significantly  
20        reduced to approximately \$5 million in 2017 and  
21        \$10 million in 2018, without loadings for A&G and  
22        pension/OPEB.

23    Q.    What is your assessment of the need for the new  
24        System Operation Control Room?

1   A.   Based on our review of PJD S48.1 and responses to  
2       IRs DPS-CBP-0348, DPS-CBP-0349, and DPS-CBP-0349  
3       Supplemental, we agree with the reasons provided  
4       by PSEG LI for a new control room. Staff of the  
5       Department also visited the control room to  
6       visually inspect and verify that the existing big  
7       board lacks space to accommodate addition of new  
8       transmission elements on the board. Staff also  
9       verified that the current control room cannot  
10      accommodate a larger board. As a result, we are  
11      satisfied that a new control room should be built  
12      at another site.

13   Q.   What is your assessment of the timing for the new  
14      System Operation Control Room?

15   A.   The timing for the new System Operation Control  
16      Room cannot be determined at present. No site  
17      for the new control room has been identified so  
18      far. Furthermore, in its response to DPS-CBP-  
19      0349 PSEG LI stated that the first phase of the  
20      study to firm up project details, timing and  
21      costs, has not yet been approved to proceed by  
22      the Utility Review Board for 2015.

23   Q.   What level of capital expenditures do you  
24      recommend for the new System Operation Control

1 Room?

2 A. Given the importance of this project, we believe  
3 that some funding must be allowed even though the  
4 timing cannot be established at present. We also  
5 believe that the levels proposed by PSEG LI in  
6 its response to DPS-CBP-372 are reasonable.  
7 Therefore, we recommend PSEG LI be allowed  
8 \$5 million in 2017 and \$10 million in 2018.  
9 These numbers do not reflect loadings for A&G and  
10 Pension/OPEB.

11 **T&D Capital Budget Recommendations**

12 Q. Given the difficulties expressed in verifying  
13 that the costs are reasonable, how does the Panel  
14 recommend the three-year budget be set?

15 A. We recommend using a macro level approach to  
16 setting the capital budget, as opposed to our  
17 individual project adjustments. We believe this  
18 approach is appropriate because our review found  
19 that the projects identified have merit and are  
20 being implemented at a reasonable time.

21 Q. Would the Panel please walk us through how your  
22 recommended budget was determined?

23 A. Yes. We started with the budget filed in PSEG  
24 LI's Exhibit CBP-2. We then recognized the

1 budget adjustments filed in IR DPS-CBP-0372 that  
2 were not associated with A&G and Pension/OPEB, as  
3 previously discussed. Blanket accounts were  
4 further reduced by our recommend project  
5 adjustments. A summary of the recommended budget  
6 for blankets is provided in Exhibit\_\_(CEP-2).  
7 For specific projects we did not make individual  
8 project adjustments other than to remove  
9 \$13 million of the proposed cost for 2018  
10 associated with the Old Bethpage substation  
11 project.

12 Q. What was the result?

13 A. Using our approach, we recommend total capital  
14 budgets of approximately \$314 million,  
15 \$289 million, and \$304 million for 2016-2018,  
16 respectively. This equates to total negative  
17 adjustments of \$36.4 million, \$81.9 million, and  
18 \$66.7 million for 2016-2018, respectively, when  
19 compared to the original budget levels in PSEG  
20 LI's Exhibit CBP-2.

21 Q. Why does the Panel believe this is fair?

22 A. The levels set are in line with historical  
23 budgets and actual investment levels provided in  
24 IRs DPS-Preliminary-0048 Supplemental and DPS-

1           CBP-0448 after removing projects reimbursed by

2           FEMA from 2014.

3   Q.    Does this conclude your testimony at this time?

4   A.    Yes, it does.