BEFORE THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION

In the Matter of

New York State Electric & Gas Corporation And Rochester Gas & Electric Corporation

Cases 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718

January 2010

Prepared Testimony of: Electric Infrastructure Panel Paul J. Darmetko, Jr. Utility Engineer 2 Moutasim Hamayel Utility Engineer 1 Hebert Joseph Power Transmission Planner 3 Jason P. Pause Power System Operations Specialist 4 Richard Quimby Utility Engineer 1 Office of Electric, Gas, & Water State of New York Department of Public Service Three Empire State Plaza Albany, New York 12223-1350

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

A. Paul J. Darmetko, Jr., Moutasim Hamayel, Hebert
Joseph, Jason P. Pause, and Richard W. Quimby. We
are employed by the New York State Department of
Public Service (Department) and are located at Three
Empire State Plaza, Albany, New York 12223.

8 Q. Mr. Darmetko, what is your position at the9 Department?

10 A. I am employed as a Utility Engineer 2 in the
11 Electric Rates Section of the Office of Electric,
12 Gas, and Water.

Q. Please provide a summary of your educational andprofessional experience.

15 I graduated from the State University of New York Α. 16 Institute of Technology at Utica/Rome with a 17 Bachelor of Science Degree in Civil Engineering 18 Technology in 2003. I have been employed by the Department since October 2005 in the Office of 19 20 Electric, Gas, and Water, in the Electric Rates Section. While with the Department I have analyzed, 21 22 reviewed, and prepared reports and studies involving 23 operating revenues, operation and maintenance 24 expense, capital budgets, depreciation, cost of service, revenue allocation, rate design, and sales 25

1 forecasts.

2	Q.	Have you previously testified in proceedings before
3		the New York State Public Service Commission
4		(Commission)?
5	A.	Yes, I have testified in numerous proceedings before
6		the Commission regarding cost of service, capital
7		budgets, rate base, depreciation, rate design, and
8		other revenue requirement issues.
9	Q.	Mr. Hamayel, what is your position at the
10		Department?
11	A.	I am a Utility Engineer 1 assigned to the Electric
12		Distribution Systems Section in the Office of
13		Electric, Gas, and Water.
14	Q.	Please describe your educational background.
15	Α.	I attended Hudson Valley Community College and
16		graduated with an Associate in Applied Science
17		degree in Engineering Science. I continued my
18		education at SUNY New Paltz and graduated with a
19		Bachelor of Science degree in Electrical
20		Engineering.
21	Q.	Please describe your professional experience and
22		responsibilities with the Department.
23	Α.	In December 2006, I joined the Staff of the Electric
24		Distribution Systems Section in the Office of
25		Electric, Gas, and Water. My duties involve

1 performing electric utility inspections, reviewing 2 interconnection applications, and monitoring utility 3 operation and maintenance activities to ensure acceptable electric service reliability. Prior to 4 5 joining the Department, from January 2006 to December 2006, I was employed by SuperPower, Inc. as 6 7 a Test Technician. My work involved testing second 8 generation conductors, fabricating and maintaining 9 specialized test equipment, and troubleshooting and 10 repairing mechanical and electrical test equipment. 11 Have you previously testified before the Commission? 0. 12 Α. Yes, I testified in Case 08-G-0609, National Grid -13 Gas Rates.

Q. Mr. Joseph, what is your position at the Department?
A. I am employed by the Department as a Power
Transmission Planner 3 in the Bulk Electric Systems
Section, Office of Electric, Gas, and Water.

18 Q. Please summarize your educational background and19 professional experience.

A. I earned a Bachelor's Degree in Civil Engineering
from the State University of Haiti in 1995 and a
Master's Degree in Electric Power Engineering from
Rensselaer Polytechnic Institute in 2004. I am
pursuing a dual Masters in Urban and Regional
Planning and Business Administration at the State

1 University of New York at Albany.

2 Ο. Do you belong to any professional associations? 3 Yes, I am a member of the Institute of Electrical Α. 4 and Electronics Engineers (IEEE) and the IEEE Power 5 Engineering Society. In addition, I am a member of the American Planning Association (APA). 6 7 Ο. Have you previously testified before the Commission? Yes. I testified in Case 06-T-0710 regarding the 8 Α. 9 application of Consolidated Edison Company of New 10 York, Inc. for a Certificate of Environmental Compatibility and Public Need under Article VII of 11 12 the New York Public Service Law for its M29 Transmission Line Project. I also testified in 13 14 Cases 06-E-1433 and 07-E-0949 Orange and Rockland 15 Utilities - Electric Rates. 16 Mr. Pause, do you discuss your educational Ο. 17 background, professional experience, and 18 responsibilities in other testimony in these 19 proceedings? 20 Α. Yes, I provide that information in my individual 21 testimony regarding electric reliability performance 2.2 mechanisms. 23 Mr. Quimby, what is your position at the Department? 0. 24 I am a Utility Engineer 1 in the Bulk Electric 25 Α.

1		Systems Section, Office of Electric, Gas, and Water.
2	Q.	Please summarize your educational background and
3		professional experience.
4	A.	I graduated from Clarkson University with a Bachelor
5		of Science Degree in Electrical Engineering in
6		December 2005. In 2006 I began working at Lightning
7		Technologies, Inc. In 2008 I began working for the
8		Department.
9	Q.	Have you previously testified before the Commission?
10	Α.	Yes, I previously testified in an Article VII
11		proceeding, Case 06-T-0650 - New York Regional
12		Interconnect, on matters related to routing and
13		construction.
14	Q.	Are you in training to become a licensed
15		professional engineer?
16	Α.	Yes, I have passed the fundamentals section of the
17		New York State Professional Engineering exam.
18	Q.	What is the purpose of the Panel's testimony?
19	Α.	The purpose of our testimony is to provide our
20		findings from our review of the electric capital
21		projects New York State Electric & Gas Corporation
22		(NYSEG) and Rochester Gas & Electric Corporation
23		(RG&E), collectively referred to as the Companies,
24		have included in their electric and common capital
25		budgets for the calendar years 2010 through 2014 for

1 transmission, distribution, common, and electric 2 production. Additionally, we will discuss our 3 findings concerning the Companies electric 4 Operations and Maintenance (O&M) programs and 5 projects. We are recommending adjustments that reduce NYSEG's and RG&E's rate year average electric 6 7 net plant by \$32.356 million and \$5.865 million, 8 respectively. We are also recommending adjustments 9 that reduce NYSEG's and RG&E's proposed rate year 10 T&D incremental O&M expense levels by \$32.371 11 million and \$6.388 million, respectively. 12 How will you address the Companies' capital projects 0. 13 and O&M expense programs in this testimony? 14 Α. We will: 1) summarize the Companies' forecast and 15 historic electric capital and common budgets and our proposed adjustments, and also discuss the 16 17 Companies' failure to spend the Commission-ordered 18 capital amounts detailed in the Acquisition Orders 19 approving the Iberdrola merger (Case 07-M-0906, 20 Orders issued September 9, 2008 and January 6, 2009); 2) discuss NYSEG's proposed capital projects 21 2.2 and our recommendations; 3) discuss RG&E's proposed 23 capital projects and our recommendations; 4) analyze 24 the Companies' proposed grid modernization initiative and recommend adjustments to the 25

1 initiative; 5) review the Companies' electric 2 geographical information system project and 3 recommend adjustments; 6) discuss the changes NYSEG 4 and RG&E propose to their distribution vegetation 5 management programs and our recommendations; 7) probe the need for the incremental electric 6 7 reliability, customer service and electric metering 8 personnel positions that NYSEG and RG&E plan to add 9 to their employment count and make recommendations; 10 8) discuss the Companies' incremental electric 11 system maintenance program and our recommendations; 12 9) propose adjustments to the Companies' incremental stray voltage inspection and repair costs; 10) make 13 recommendations for the treatment of incremental 14 15 costs arising out of the Companies' transmission and distribution loss studies; and, 11) explain our 16 proposed net plant cap and downward reconciliation 17 18 mechanism.

Q. In your testimony, will you refer to, or otherwise
rely upon, any information obtained during the
discovery phase of these proceedings?

A. Yes, we will refer to, and have relied upon, several
Responses to Department of Public Service Staff
(DPS) Interrogatory Requests (IR). These responses
are contained within Exhibit__ (EIP-1).

1 Q. Will any other exhibits be provided with your 2 testimony?

Yes. We have also provided Exhibit (EIP-2) 3 Α. 4 entitled "Average Electric Net Plant." This exhibit 5 contains our average electric net plant projections, the Companies' average electric net plant 6 7 projections, and a comparison of the difference for 8 the rate year ending August 31, 2011, and the two 9 subsequent twelve month periods ending August 31, 2012 and 2013. We have also provided 10 Exhibit___(EIP-3) entitled "Calendar Year Total 11 12 Electric Capital Expenditures." This exhibit 13 contains our projected level of calendar year 14 electric capital expenditures, the Companies' 15 projected calendar year electric capital 16 expenditures, and the difference, for the calendar years 2010 through 2014. We have provided 17 Exhibit___(EIP-4) entitled "Tree Related Outages -18 19 Reliability Performance Indices." This exhibit 20 contains four charts showing NYSEG's and RG&E's historic SAIFI and CAIDI indices related to tree 21 22 caused outages. Finally, we have provided 23 Exhibit___(EIP-5) entitled "Additional Interrogatory 24 Responses," which contains the Companies' responses to several Staff interrogatories stemming from 25

Staff's investigation of the October and December
 2008 winter storms.

Q. Please summarize the impact your recommended
adjustments to the Companies' T&D capital budgets
will have on the level of electric plant that should
be used for ratemaking purposes in these
proceedings.

8 First and foremost, we are not proposing changes to Α. 9 the Companies' T&D capital budgets. The Companies 10 should spend at the levels they deem appropriate to 11 provide safe and adequate service. We are, however, 12 recommending adjustments to the amount of plant forecast to be added to the Companies' plant-in-13 14 service balances during the rate year and, thereby, 15 adjusting the amount of carrying charges that can be 16 recovered from customers. These adjustments reflect the level of capital additions the Companies have 17 18 justified in their initial rate case presentation 19 and during the discovery phase of these proceedings 20 and, thus, the level of plant-in-service that is most appropriate for the Commission to use in 21 22 setting rates.

Q. If the Companies complete projects, which they deem
appropriate to provide safe and adequate service, at
higher spending levels than forecast, will customers

1 be exposed to higher electric rates than this 2 testimony would otherwise recommend? 3 The rates customers pay will be set in Α. No. 4 accordance with the level of forecasted net plant 5 that the Commission adopts in these proceedings, as well as other cost of service items. 6 If the 7 Companies add plant at levels in excess of the 8 forecasted level than rates are based upon, there 9 are no provisions for automatically adjusting rates upward to recognize that increased level of plant. 10 11 Conversely, however, if the Companies add plant at 12 levels less than the forecasted level rates are 13 based upon, we are recommending that the Companies 14 credit customers the revenue requirement impact of 15 the shortfall in net plant compared to the target levels. 16 What impact will your recommended adjustments have 17 0. 18 on the amount of electric transmission, 19 distribution, production, and common plant used for 20 ratemaking purposes? The capital adjustments we recommend will reduce the 21 Α.

amount of electric plant added to plant-in-service by approximately \$32.356 million and \$5.865 million for NYSEG and RG&E, respectively, for the rate year ending August 31, 2011. We incorporated our

1 project-specific capital adjustments, which are made 2 on a calendar year basis, and the Staff Depreciation 3 Panel's adjustments into each of the Companies' plant-in-service forecast models to develop an 4 5 average net plant amount that should be used for ratemaking purposes for the rate year. The average 6 7 net plant amount we are recommending is shown in Exhibit___(EIP-2). We then provided the average net 8 9 plant amount to the Staff Revenue Requirement Panel, 10 which used the average net plant amounts in its 11 development of the Companies' overall revenue 12 requirements.

Please explain what you mean by "the level of T&D 13 0. 14 plant to be used for ratemaking purposes." 15 The Companies presented their capital budgets on a Α. calendar year basis, reflecting the amount of 16 spending they expect to incur for capital projects 17 18 during that calendar year. For many of their large 19 capital projects, the Companies budget expenditures 20 over several years. When the project is completed, and thus becomes used and useful, the total dollars 21 22 expended on that project are added to the Companies' 23 plant accounts. The Companies' net plant accounts, 24 that is, the total amount expended to complete the Companies' capital projects minus depreciation 25

1 charged to those plant accounts, is the primary 2 component of the Companies' rate base. The 3 Companies' rate base is a component used in calculating the Companies' revenue requirement for a 4 5 rate year by applying a rate of return on the amount of net rate base. Thus, the level of plant assumed 6 7 for ratemaking purposes is the average amount of net 8 plant-in-service expected to be included in the 9 Companies' rate base during the rate year. Generally, the amount of net plant forecast is 10 11 calculated by taking the existing amount of plant in 12 service during the test year, per the Companies' 13 books, adding the amount of plant that is expected 14 to enter service during each month of the link 15 period and the rate year, and subtracting the 16 accrued amount of depreciation on that plant during The average of the monthly net plant 17 each month. 18 balances for the rate year is the level that is 19 reflected in rate base.

Q. How is the amount of plant to be placed in service
during the rate year determined from the Companies'
capital budgets?

A. Capital projects are added to the Companies' plant
accounts using two different methods -- at a single
scheduled point in time or in the middle of a

1 When a large capital project, like a calendar year. 2 substation, is completed, it is added to the 3 Companies' plant accounts at that single point in 4 For instance, if completion of a substation time. 5 and its entry into service is expected in May 2011, the total amount expended on that project will be 6 added to the Companies' plant accounts in May 2011. 7 8 For projects with specific in-service dates, the 9 amount of plant expected to enter service during the rate year is determined from the Companies' capital 10 11 budgets over a number of years by identifying the 12 total cost of the project and the month it will be used and useful. 13

14 Q. Please continue.

15 For capital projects that result in the addition of Α. 16 many pieces of plant throughout the year, such as the Companies' blanket projects, it would be 17 impractical to add the cost of every individual item 18 19 to the Companies' plant accounts each time the plant 20 is placed in service. Rather, the total amount of capital dollars the Companies are expected to expend 21 22 on blanket projects over the course of the year is 23 added to the plant account at the mid point of the 24 calendar year. The amount of plant expected to enter service during the rate year is determined 25

1 from the Companies' capital budgets by identifying 2 the most likely level of expense the Companies' will 3 incur for that project during the year. The 4 Companies are allowed the opportunity to recover a return on, and the depreciation of, the investment 5 over the useful life of the plant. The amount 6 7 included in rates to recover the cost of the plant, 8 the depreciation of the plant, and property taxes 9 related to the plant is generally referred to as the carrying charges on the investment. 10

Q. Before you explain your specific electric capital
adjustments, please describe the general nature of
your adjustments.

14 Α. Our review and adjustments focused on the need, 15 timing, and cost of the Companies' proposed electric 16 projects and programs. With regard to need, we reviewed the justification provided by the Companies 17 in their pre-filed testimony, exhibits, and 18 19 workpapers, conducted several interviews of Company 20 personnel, and analyzed their responses to information requests for each project and program in 21 22 order to assess if a project was necessary to the 23 provision of safe and adequate service. For projects not sufficiently justified, we recommend 24 that the cost of the project be excluded from the 25

1 Companies' rate base for the purpose of setting 2 rates in these proceedings, as we will discuss later 3 in this testimony. In addition to assessing the 4 Companies' justification for each project and 5 program, we determined whether the timing of that project's inclusion in the Companies' plant-in-6 7 service model was consistent with the expected 8 completion of the project. Finally, we made a 9 determination of the reasonableness of the costs associated with the projects and programs. In those 10 instances where we reach conclusions that differ 11 12 from the Companies', we propose adjustments. 13 Electric Capital Projects 14 (NYSEG and RG&E) Please briefly describe the electric infrastructure 15 Ο. 16 investment the Companies propose to undertake during the next five years. 17 18 In its filing, NYSEG proposes electric capital Α. 19 expenditures of \$129.489 million, \$263.511 million, 20 \$278.393 million, \$334.551 million, and \$388.430 million for the calendar years 2010 through 2014, 21 22 respectively. NYSEG forecasts electric capital 23 expenditures for its common facilities of \$16.111 million, \$26.952 million, \$26.348 million, \$23.343 24 million, and \$18.468 million for the calendar years 25

1		2010 through 2014, respectively. RG&E proposes
2		electric capital expenditures of \$76.682 million,
3		\$180.100 million, \$198.900 million, \$254.600
4		million, and \$280.100 million for the calendar years
5		2010 through 2014, respectively. RG&E forecasts
б		electric capital expenditures for its common
7		facilities of \$4.119 million, \$8.143 million, \$6.695
8		million, \$5.964 million, and \$5.574 million for the
9		calendar years 2010 through 2014, respectively.
10	Q.	Has the Panel projected electric capital
11		expenditures for calendar years 2010 through 2014
12		for the Companies that reflect its recommended
13		adjustments?
14	Α.	Yes, we have provided this information in
15		Exhibit(EIP-3).
16	Q.	Please describe the Companies' historical capital
17		expenditure levels.
18	Α.	For the years 2004 through 2008, NYSEG's total
19		electrical capital expenditures, including electric
20		common plant, were \$79.6 million, \$130.8 million,
21		\$113.5 million, \$92.3 million, and \$121.8 million
22		respectively. Over that same time period, RG&E's
23		total electrical capital expenditures, including
24		electric common plant, were \$55.7 million, \$50.9
25		million, \$112.6 million, \$120.9 million, and \$116.5

1		million respectively. In the Acquisition Orders,
2		however, the Commission required the Companies to
3		make, during calendar years 2009 and 2010, capital
4		expenditures of no less than an average of \$140
5		million for NYSEG, and \$90 million for RG&E per year
6		on their electric systems, including common
7		facilities.
8	Q.	For the calendar year 2009 and 2010, what are the
9		Companies' projections for electric capital
10		expenditures?
11	Α.	As provide in the Companies' Policy Panel's
12		Exhibit(PP-1), NYSEG has projected electric
13		capital expenditures at approximately \$101.0 million
14		and \$145.6 million for 2009 and 2010, respectively.
15		RG&E has projected electric capital expenditures at
16		approximately \$46.1 million and \$80.8 million for
17		2009 and 2010, respectively. The Companies 2010
18		capital expenditure projections are conditioned on
19		the Companies obtaining "appropriate rate relief,"
20		as stated on page 12, line 5, of the Companies'

Policy Panel testimony. Both Companies have been operating at a comparatively low level of construction spending since the beginning of 2009 and neither of the Companies had an electric capital budget approved by their Board of Directors during

1 that time.

Q. Do the Companies capital expenditure projections
meet the level of the electric capital expenditure
requirements set forth by the Commission in its
Acquisition Orders?

6 For NYSEG, the average for electric capital Α. No. 7 expenditures for 2009 and 2010 would equate to a \$123.3 million average, well below the \$140 million 8 9 average required. Similarly, for RG&E, the average 10 electric capital expenditures for 2009 and 2010 would equate to a \$63.45 million average, well below 11 12 the \$90 million average required.

13 Q. Have the Companies explained this level of under14 spending?

15 A. At page 11, lines 19-21, the Companies' Policy Panel 16 states that: "In an effort to reduce costs during 17 the financial crisis, the Companies have reduced and 18 deferred certain capital expenditures while 19 maintaining their ability to provide safe and 20 adequate service."

Q. Is the Panel concerned with this reduced level ofcapital spending?

A. Yes. In addition to potentially failing to comply
with the Acquisition Orders, the reduced level of
capital spending could affect system reliability in

1 the future. Even though the Companies are meeting 2 the reliability targets now, current levels of 3 under-spending pose the potential for a more 4 profound adverse affect on equipment and system 5 reliability in the near future. In many cases, as capital projects are deferred due to budget 6 7 concerns, existing system conditions could worsen, 8 which could have a greater negative impact on 9 reliability. Is this issue being addressed by the Commission in a 10 Ο. 11 separate proceeding? 12 Α. Yes. The Commission issued an Order Regarding 13 Compliance with or Modification of Capital 14 Expenditure Commitments on November 13, 2009 in Case 15 07-M-0906 (Compliance Order). The Order, among other things, stated that action on the Companies' 16 17 request to modify the electric capital expenditure 18 targets, as proposed by the Companies' Policy Panel, 19 should be taken more promptly than would be 20 accomplished in this rate proceeding and that the 21 Commission would address the requested modification 2.2 in Case 07-M-0906. 23 Are you proposing anything here concerning the 0.

24 Companies' reduced level of electric capital

25 investment during 2009 - 2010?

1	Α.	Yes. In the event that the Commission does not
2		address this issue in Case 07-M-0906, we are
3		proposing a reconciliation of 2009 - 2010 capital
4		expenditures and an increase in the base revenue
5		adjustments incorporated in the Companies'
6		reliability performance mechanism.
7	Q.	Please explain your proposed electric capital
8		reconciliation.
9	Α.	If by end of 2010 the Companies do not invest at
10		least \$280 million in NYSEG's electric system and
11		180 million in RG&E's electric system, the revenue
12		requirement associated with any shortfall in actual
13		electric capital expenditures during 2009 - 2010
14		relative to the minimum requirements set by the
15		Commission at \$140 million for each of 2009 and
16		2010 for NYSEG and \$90 million for each of 2009 and
17		2010 for RG&E, should be deferred for future
18		ratepayer benefit.
19	Q.	Is it true that the 2009 - 2010 electric capital
20		expenditure requirements are greater that what was
21		currently provided for in rates?
22	Α.	Yes. At pages 58-9 of its January 6, 2009 Order in

Case 07-M-0906, the Commission specified that the annual expenditure requirement was about \$50 million more than reflected in current rates for NYSEG and

about \$41 million more than reflected in current 1 2 rates for RG&E. Since the Commission was aware that 3 its spending requirements were in excess of existing 4 rate allowances, it is reasonable to conclude that 5 the Commission indirectly imputed the revenue requirement associated with the incremental capital 6 7 investment as one of the intangible benefits of the merger into Iberdrola. Moreover, the Commission 8 9 stated on page 58 of its January 2009 Order that the 10 capital expenditure requirements were "all the more 11 necessary as a risk mitigation measure accompanying 12 our approval of the proposed transaction ... " 13 Please explain your proposed increase to the base Ο. 14 revenue adjustments incorporated in the Companies' 15 reliability performance mechanisms. 16 Staff Witness Pause proposes increases to those base Α. 17 revenue adjustments, effective for calendar year 18 2011. We propose that if by end of 2010 the 19 Companies do not invest at least \$280 million in 20 NYSEG's electric system and \$180 million in RG&E's electric system, the Staff proposed increase in base 21 2.2 revenue adjustments for 2011 also apply to calendar 23 year 2010. 24 Ο. Please explain the rational for your proposals.

25 A. The Acquisition Orders contained capital targets at

1 levels proposed by the Companies, excluding 2 expenditures for advanced metering infrastructure 3 and software and RG&E's expenditures for the Russell Station repowering, to protect ratepayers from the 4 5 inherent risk that the merger into Iberdrola would create incentives to degrade service by cutting 6 7 costs. Subsequent to their unconditional acceptance 8 of the Commission's Merger Order, the Companies 9 reduced their electric capital expenditures and only 10 invested in critical infrastructure needs. The Companies went through all of 2009 without approved 11 12 electric capital budgets and invested only about \$101.0 million at NYSEG and \$46.1 million at RG&E, 13 14 which is far less than the capital requirements that 15 would result in average annual spending of \$140 million for NYSEG and \$90 million for RG&E. 16 The Companies are clearly on track, by their own 17 18 admission, to miss the electric capital expenditure targets for 2009 - 2010 and are claiming that their 19 20 proposal to defer capital spending is directly in 21 line with the Commission's Austerity Notice issued 2.2 May 15, 2009 in Case 09-M-0435.

23 Why does the Companies' proposal to defer capital 0. 24 spending fail to satisfy the intent of the 25

Commission's Austerity Notice?

1 Α. In the subsequent Austerity Order (Order Approving 2 Ratepayer Credits issued December 22, 2009 in Case 3 09-M-0435) the Commission stated, at page 2-3, that "[t]he purpose of the Austerity Notice, however, was 4 5 to assist utility customers during the current recession with modest bill reductions without 6 7 jeopardizing safety and reliability and without harm to utility shareholders. The Austerity Notice was 8 9 not intended as a new opportunity to boost utility earnings." The Austerity Order further stated on 10 page 3 that "[w]ithout a concomitant benefit to 11 12 ratepayers, no project should be delayed under the quise of compliance with the Commission's Austerity 13 Notice." In addition, the Commission indicated on 14 page 8 of the Austerity Order that they "are 15 concerned that, as a result of the spending 16 reductions the Companies have already made, NYSEG 17 18 and RG&E may be inadequately prepared, going 19 forward, to supply safe and adequate service." 20 Thus, the proposed deferral of capital expenditures on the premise of austerity is unacceptable. 21 22 Ο. Why is the Panel recommending now the reconciliation 23 of 2009 - 2010 capital expenditures? 24 Α. We are recommending the reconciliation of capital expenditures for the protection of ratepayers. 25 The

1 Commission required, and the Companies 2 unconditionally accepted, levels of electric capital expenditures that would be commensurate with the 3 provision of safe and adequate service. For 2009, 4 the Companies have failed to live up to their 5 commitment. Absent a mechanism to allow for the 6 7 crediting of customers the revenue requirement impact resulting from the difference between actual 8 9 capital expenditures to those required in the 10 Acquisition Orders, the Commission will have not mitigated the risk as it clearly intended. 11 12 Extending the time for compliance with the Iberdrola 13 Orders' capital expenditures into a third year, as proposed by the Companies, will further dilute the 14 15 benefits of the merger imputed to ratepayers through 16 the higher level of electric capital expenditures 17 assumed in those Orders. 18 Major Transmission Projects 19 (NYSEG) 20 Has NYSEG proposed any major transmission projects Ο. 21 or upgrades in its capital construction budget in 2.2 its rate case filing? 23 NYSEG's electric capital construction budget Α. Yes. 24 identifies several major transmission projects, 25 including the Ithaca Reinforcement Project, the

1 Corning Valley Upgrade, and the Klinekille - Valkin 2 New 115 kV Transmission Line. 3 Please discuss the Ithaca Reinforcement Project. 0. 4 The Ithaca Reinforcement Project includes the Α. 5 construction of a new 345/115 kV substation in the vicinity of NYSEG's Lapeer Substation. The new 6 7 substation will consist of two 345/115 kV, 200 MVA, 8 LTC transformers, a 345 kV ring bus and a 115 kV 9 ring bus. The existing 115 kV Line 947, between Etna and Lapeer Substations, will also be rebuilt 10 with 1277 ACAR conductors and a new 15 mile 115 kV 11 12 line will be constructed between the Etna Substation and the new substation. NYSEG states that the 13 14 purpose of this project is to eliminate the Ithaca Load Pocket condition, and to provide adequate 15 16 thermal capacity and acceptable voltage throughout the entire Ithaca area during outages of the 17 18 generating units at the Cayuga Station or in the 19 event that one or both units at Cayuga Station are 20 retired from service. This project was proposed in 21 response to the Commission's August 23, 2006, Order 2.2 in Case 05-E-1222, NYSEG's most recent electric rate 23 proceeding. This project has been under construction since April of 2009 and is expected to 24 enter service by June 2010, with an expected cost of 25

1 \$62.5 million.

2 Q. Is the Panel proposing any adjustments related to3 the project?

4 A. No. Based on our review of the information
5 provided, we are not proposing any adjustments to
6 the Ithaca Reinforcement project.

7 Ο. Please discuss the Corning Valley Upgrade Project. 8 The Corning Valley Upgrade includes the construction Α. 9 of a new 230/115 kV, 200 MVA substation and 10 interconnect the new substation to 230 kV Line 68 between the Avoca and Hillside Substations. 11 Τn 12 addition, NYSEG proposes to construct a new 9 mile 115 kV line from the new substation to the West Erie 13 Substation and construct a 115/12 kV substation at 14 15 Corning Science Park. Based on NYSEG's projected 16 load for the Corning area by the summer of 2009, certain contingency conditions will result in sub-17 18 marginal voltages throughout the cities of Corning 19 and Elmira and thermal overloads on parts of the 115 20 kV system in Elmira. The construction of the new 21 230/115 kV substation and the new 115 kV line will 2.2 allow for the transmission system in the Elmira 23 Division to support the expected area load growth at 24 adequate voltages and thermal conditions. When such transmission support is adequate, the condition is 25

1		known as (N-1), which means that the loss of any
2		element of equipment will not cause the remaining
3		elements to fall below their long-term emergency
4		rating. The project has an expected completion and
5		in-service date of October 2011 at a cost of \$55.579
6		million.
7	Q.	Is the Panel proposing any adjustments to the
8		project?
9	Α.	No. Based on our review of the information
10		provided, we are not proposing any adjustments to
11		the Corning Valley Upgrade project.
12	Q.	Please discuss the Klinekill-Valkin 115 kV
13		Transmission Line Project.
14	Α.	This project includes the construction of a new 8.5
15		mile 115 kV transmission line from National Grid's
16		Valkin substation to NYSEG's existing Klinekill
17		substation, as well as the completion of the
18		necessary substation modifications to accommodate
19		the connection of the new line. NYSEG states that
20		this project is needed to improve reliability in
21		NYSEG's Mechanicville and Chatham areas. The new
22		transmission line will prevent sub- marginal
23		voltages from occurring in this area during certain
24		single transmission outage contingencies. The
25		project has an expected completion and in-service

1		date of December 2011 at a cost of \$ 11.014 million.
2	Q.	Is the Panel proposing any adjustments to the
3		project?
4	Α.	No. Based on our review of the information
5		provided, we are not proposing any adjustments to
б		the Corning Valley Upgrade project.
7	Q.	In addition to the projects discussed above, has the
8		Panel reviewed all other transmission projects that
9		NYSEG has included in its electric capital
10		construction budget filed with its case?
11	A.	Yes, we have reviewed all transmission projects that
12		NYSEG has included in its Exhibit(NYSEGCRO-1).
13	Q.	Are you proposing any adjustments to any
14		transmission project not previously discussed?
15	Α.	Yes, we propose an adjustment to the new Belleayre
16		Substation project.
17	Q.	Please describe the New Belleayre Substation
18		Transformer Project.
19	Α.	This project includes purchasing and installing a
20		new 115-34.5 kV, $12/16/20$ MVA, LTC transformer, with
21		an 115 kV circuit switcher, low side breaker,
22		control house, RTU and one 34.5 kV circuit terminal
23		at the Belleayre substation. Additionally, NYSEG
24		would build a new 34.5 kV distribution feeder
25		approximately 2.2 miles in length from the existing

1 substation to the Belleayre Ski Resort. NYSEG 2 identified the source of the need for installing the 3 transformer as peak load growth, mainly attributed 4 to the construction of a new ski resort complex in 5 the Catskill Mountains at the existing Belleayre ski The total projected electrical load 6 resort. 7 addition to the distribution system is estimated at 8 11.733 MW. This load addition, when added to the 9 existing peak resort load of 2.997 MW, will bring the total expected load for the resort to 14.73 MW. 10 The installation of this new transformer is needed 11 12 to serve new load at the ski resort. Without the 13 upgrades proposed at the Belleayre ski resort, this 14 new transformer project proposed by NYSEG would not 15 be required. This project has an expected 16 completion and in-service date of June 2011 at a cost of \$ 3.399 million. 17 18 Ο. Do you support and agree with NYSEG's proposal for

19 the Belleayre substation?

A. No. Based on NYSEG's response to information
request NYRC-0529 (DPS-393) and verbal discussion
Staff has had with NYSEG, all costs of the Belleayre
substation upgrade project as proposed by NYSEG will
be paid for by the New York State Department of
Conservation. The Department of Conservation is

1 responsible for the proposed upgrades at the ski 2 resort and, therefore, responsible for the Belleavre 3 substation upgrade costs proposed by NYSEG. As 4 such, the \$3.399 million of proposed costs and 5 expenditures for this project should not be included in the rate base arrived at in this proceeding. 6 7 0. With the exception of the project identified above 8 for adjustment, has NYSEG justified the need for the 9 remaining transmission projects you have reviewed? Yes, based on our review, we have determined that 10 Α. 11 each of these projects is warranted and justified 12 for NYSEG to meet its transmission planning 13 criteria, satisfy load growth, and provide safe and adequate electric service. We conclude that these 14 15 transmission capital projects are reasonable for 16 NYSEG to pursue.

17 Q. Please continue.

It should be noted, however, that Staff is concerned 18 Α. 19 with the fact that several projects have been needed 20 to correct failures to meet NYSEG's transmission planning criteria for several years prior to this 21 22 rate case filing, with the full knowledge of NYSEG's 23 transmission planning personnel. Many of the 24 projects, such as the Willet Substation, Flat Street Substation, and Stephentown Substation, were needed 25

1 more than five years prior to the initiation of 2 these proceedings, to correct failures to meet the 3 transmission planning criteria that were known or 4 should have been known at the time. Declining to 5 respond promptly to correct system deficiencies while awaiting the next opportunity to request new 6 7 rates is a poor operating practice. This practice 8 is particularly disconcerting given the drastic 9 under-spending by NYSEG in 2009 following the merger into Iberdrola. 10

In your opinion, is it reasonable to assume NYSEG 11 0. 12 can complete and put in service the proposed transmission infrastructure projects on its 13 14 projected schedules and at the proposed costs? 15 Yes, based on site visits and discussions with Α. involved NYSEG personnel, it is our understanding 16 that NYSEG is actually somewhat ahead of schedule on 17 18 some of the projects and there is no known reason to 19 project NYSEG will not be able to complete the work 20 as currently scheduled at this time and at the 21 proposed costs.

22

Major Distribution Capital Projects

23

(NYSEG)

- Q. Has NYSEG proposed any major distribution projects
 or upgrades in its capital construction budget in
 - 31

1		its rate case filing?
2	Α.	Yes. NYSEG's electric capital construction budget
3		includes several major distribution projects. Those
4		projects include the Yawger Rd. Substation
5		Construction project, and Capacitor Additions -
6		Energy Efficiency project.
7	Q.	Please discuss the Yawger Rd. Substation
8		Construction project.
9	Α.	This project includes the construction of a new 115-
10		12.5 kV substation with 115/12.5 kV, 12/16/20 MVA,
11		LTC transformer, two 115kV breakers, 115 kV circuit
12		switcher, and 12.5 kV switchgear with three 12.5 kV $$
13		circuits. NYSEG identified the source of the need
14		for this new substation as peak load growth, mainly
15		attributed to new industrial and commercial
16		customers. The project has an expected completion
17		and in-service date of May 2010 and at a total
18		project cost of \$6.369 million for 2010.
19	Q.	Is the Panel proposing any adjustments to the
20		project?
21	A.	No. Based on our review of the information
22		provided, we are not proposing any adjustments to
23		the Yawger Rd. Substation Construction project.
24	Q.	Please discuss the Capacitor Additions - Energy
25		Efficiency project.

1 Α. This project includes the addition of 233 MVAR line 2 capacitors on various distribution circuits in 3 Binghamton, Brewster, Elmira, Ithaca, Lancaster, 4 Liberty, and Mechanicville divisions to bring the power factor up to 97%. The majority of these 5 divisions are operating around the 95% power factor 6 7 level at this time, with only Brewster falling below 90%, at approximately 86%. NYSEG identified the 8 9 need for this initiative and the additional 10 capacitors based on its internal system-wide guidelines for voltage regulation standards, which 11 12 state the power factor on the distribution system should be approximately 97% during normal peak 13 loading situations. This guideline is used by the 14 15 Electric Distribution Planning Departments when 16 evaluating the potential to improve the voltage profile on the distribution circuits and minimize 17 18 system losses, which saves both the customers and 19 utility money by operating the system at optimal 20 levels. By reducing losses on the system, NYSEG does not have to purchase and send as much power 21 2.2 over the electrical lines to satisfy the existing 23 load demand. These savings by the utility should, in turn be seen by the end use customer in the form 24 of reduced billing charges by the utility. 25 The

1 Capacitor Addition project has an expected 2 completion and in-service date of December 2010 at a 3 cost of \$1.5 million. 4 Is the Panel proposing any adjustments to the Ο. 5 project? Based on our review of the information 6 Α. No. 7 provided, we are not proposing any adjustments to 8 the Capacitor Additions - Energy Efficiency project. 9 0. In addition to the projects discussed above, has the 10 panel reviewed all other distribution projects that NYSEG has included in its electric capital 11 12 construction budget filed with its case? Yes, we have reviewed all distribution projects that 13 Α. NYSEG has included in its Exhibit (NYSEGCRO-1). 14 15 Ο. Are you proposing any adjustments to any 16 distribution projects not previously discussed? Yes, we propose an adjustment to the 34.5 kV Biogas 17 Α. Collector System, New South Park Substation 18 19 Transformer, and New Mobile Substations. 20 Ο. Please discuss the 34.5 kV Biogas Collector System 21 project. 22 This project includes the installation of 34.5 kV Α. 23 distribution lines above the existing 12 kV 24 distribution lines in two separate areas where numerous dairy farms have expressed interest in 25

1 installing farm waste (biogas) digesters and selling 2 back the excess power produced to NYSEG pursuant to 3 New York's net metering laws. NYSEG has identified approximately 15 to 17 farms, with a potential of 17 4 5 to 20 MW of generation, which might seek connection to the system within the next 36 months. 6 In many 7 cases, these biogas digester projects would require 8 upgrades to the existing electrical distribution 9 system to accommodate the interconnection to the utility system at a significant cost to either the 10 11 utility or the customer. NYSEG has estimated a 12 total cost of upgrading the distribution system on a 13 case-by-case basis in response to the proposed 14 digester projects at approximately \$17 million. 15 Because many of these dairy farms are situated in the same general area, NYSEG has proposed that, 16 instead of upgrading its system piecemeal, it build 17 18 new 34.5 kV systems on top of the existing 12 kV 19 distribution system in two separate locations to 20 accept incorporation of all the proposed interconnection projects. This would eliminate the 21 22 smaller upgrade projects originally needed to 23 support the projects at a cost saving of approximately \$9 - 10 million. The project's 24 proposed cost, \$7.8 million, would be incurred in 25
1 varying amounts between the years 2010 and 2014. 2 Ο. Do you propose any changes to the NYSEG's 34.5 kV 3 Biogas Collector System proposal? 4 Yes. We support the concept and design of this Α. 5 project. However, we are proposing that NYSEG not make any capital investment in this project until at 6 7 least half (50%) of the identified biogas digester 8 interconnection projects, at each of the two phased 9 locations, have submitted official application forms to NYSEG per the New York State Standardized 10 11 Interconnection Requirements (SIR) and NYSEG has 12 approved those projects for interconnection. Only 13 when that has been completed, should NYSEG make 14 capital expenditures for this project. This 15 proposal is intended to ensure that the capital 16 investment is not made on the project without prior commitment from the identified farms to go forward 17 18 and install these biogas digesters as NYSEG expects. 19 Because this project is projected to close to plant 20 in December 2014, our proposal does not impact the rate year revenue requirement. 21 22 Ο. Please discuss the New South Park Substation 23 Transformer project.

A. This project includes replacing transformer #1 with
a new upgraded 34.5/12.5 kV, 12/16/20 MVA, LTC

1 transformer. NYSEG identified the need for replacing 2 the transformer because the existing circuit ties 3 and circuit configurations would fully load the South Park transformer in the event of a failure 4 elsewhere on the system. Additionally, NYSEG stated 5 that in the event of the loss of the nearby Armor 6 7 substation its load cannot be contained by the 8 existing South Park transformer. This project has 9 an expected completion and in-service date of June 2010 at a cost of \$1.463 million. 10 11 Do you support and agree with NYSEG's proposal for 0. 12 the South Park substation? 13 Based on NYSEG's response to information Α. No. 14 request NYRC-0287 and NYRC-0519 (DPS-220 and DPS-

15 383), the existing substation configuration meets 16 NYSEG's Distribution Planning Criteria and the existing transformer is still within its Planned 17 18 Loading Beyond Nameplate rating. NYSEG's Response 19 NYRC-0289 (DPS-222) shows that a total of 7.22% of 20 peak capacity is available on the existing 21 transformer, while average annual peak load growth 2.2 is actually negative, at -0.98% per year. With 23 available capacity on the existing transformer and 24 no projected load growth, we believe the need and justification for replacing this transformer with a 25

1 higher rated transformer is insufficient at this 2 time. Therefore, we do not believe NYSEG has fully 3 supported or justified the need for this project and 4 consider it unnecessary at this time. 5 Please discuss the New Mobile Substations project. Ο. 6 Α. NYSEG has proposed to purchase several new mobile 7 substations to replace some of its existing fleet of 8 mobile substations that are limited in capacity and 9 voltage configurations. Mobile substations are used in the event of an equipment failure and also upon 10 11 corrective or preventative maintenance of 12 infrastructure equipment to minimize interruption to 13 customers during an event. NYSEG has a total of 18 14 existing mobile substations that vary in age from 55 15 years old to 18 years old. These mobile substations 16 are all in good operating condition, but most are limited in capacity and voltage transformation 17 18 capability. NYSEG has already ordered two new 19 mobile substations to replace two 1954 vintage 20 mobile substations at a cost of approximately \$7 million with scheduled delivery dates in early 2010. 21 22 NYSEG also proposed to purchase three more mobile 23 substations in 2011, 2012, and 2013 for \$3.5 million 24 each.

25 Q. Do you support the New Mobile Substation purchases?

1 Α. Based on our review of NYSEG's proposal and 2 information provided in responses to NYRC-0265 (DPS-199), we support the acquisition of the first two 3 4 mobile substations at a cost of \$6.978 million in We do not, however, support the expenditures 5 2010. and proposed plans to purchase three additional 6 7 units in 2011, 2012, and 2013 for a cost of \$3.5 million each. With the addition of the two new 8 9 units already ordered to NYSEG's existing inventory, its mobile substation resources are sufficient to 10 11 meet any failures and preventative maintenance event 12 issues that are likely to occur. Any additional 13 spending or acquisitions in this area are not warranted at this time. 14 15 Ο. Do you have any other adjustments to NYSEG's 16 distribution capital projects? 17 Α. No. 18 With the exception of the projects you previously 0. 19 identified for adjustment, has NYSEG justified the 20 need for the remaining distribution projects you have reviewed but not discussed in this testimony? 21 22 Yes, based on our review, we have determined that Α.

23 each of the distribution projects proposed by NYSEG,

24 but not specifically discussed in this testimony,

25 are needed and justified to meet NYSEG's reliability

1		planning criteria, satisfy load growth, and provide
2		safe and adequate electric service. We conclude
3		that these distribution capital projects are
4		reasonable for NYSEG to pursue.
5	Q.	In your opinion, is it reasonable to conclude NYSEG
6		can complete and place in service the proposed
7		distribution infrastructure projects on its
8		projected schedules and at the proposed costs?
9	Α.	Yes, based on our review and discussions with
10		involved NYSEG personnel, there is no known reason
11		to project that NYSEG will not be able to complete
12		the work as currently scheduled at this time and at
13		the proposed costs.
14		Common Capital Projects
15		(NYSEG)
16	Q.	Has NYSEG proposed any major common capital projects
17		or upgrades in its capital construction budget in
18		this rate case filing?
19	Α.	Yes; the Mobile Radio project.
20	Q.	Please discuss the Mobile Radio project.
21	Α.	NYSEG is currently in the process of replacing its
22		existing radio system with a 150 MHz digital hybrid
23		private land mobile radio system. This system
24		includes mobile radios for 1,500 vehicles, 300
25		portable radios, 57 dispatch consoles, and the

development of 51 tower sites with radio equipment,
 antennas, shelters, utilities and generators. The
 Staff Revenue Requirement Panel discusses this
 project and makes recommendations in their
 testimony.

Q. Please discuss generally the types of common capital
projects that NYSEG has included in its capital
construction budget in its rate case filing.

9 A. NYSEG has included in its common capital

10 construction budget the following projects: 11 purchasing of general equipment that will be used by 12 both electric and gas employees; facilities such as customer service center upgrades or repairs; main 13 14 office building upgrades or repairs; security 15 upgrade projects; computer equipment that will be 16 utilized by both electric and gas employees; and, transportation equipment. 17

Q. Is the Panel recommending any adjustments to the level of common capital spending that NYSEG has proposed in its rate filing with the exception of the noted adjustment that the Staff Revenue Requirement Panel is recommending to the mobile radio project?

A. No. In response to NYRC-0527 (DPS-391), NYSEGprovided Staff with a list of all of its common

1 capital projects and details including: project 2 descriptions; cost estimates; schedules; project 3 alternatives that were considered; and, reasons for, 4 and benefits of, each project that it plans on 5 completing during the rate year. We have found that all of the proposed common capital projects appear 6 7 to be reasonable, in cost and scope, and have no 8 reason to believe NYSEG will not complete the 9 proposed projects on schedule. We have also 10 compared NYSEG's historic level of common capital 11 spending to its projected capital spending for the 12 calendar years 2010 through 2014 and found that the projected levels are in line with NYSEG's actual 13 14 historic common capital spending levels. 15 Major Transmission Projects 16 (RG&E) Has RG&E proposed any major transmission projects or 17 Ο. 18 upgrades in its capital construction budget in its 19 rate case filing? 20 Α. Yes. RG&E's electric capital construction budget includes several major transmission projects. Those 21 22 projects include the Station 124 New Phase Shifter 23 Transformer, the Station 124 Static Var Compensator (SVC), the New Downtown 115 kV Transmission Lines, 24 and the 345 kV Source and 115 kV Transmission Lines. 25

Q. Please discuss the Station 124 New Phase Shifter
 Transformer project.

3 Station 42 uses approximately 60 MVAR of reactive Α. 4 supply and is a low point for voltage in the 5 Rochester area. Station 42 presently has two sources into the station, the Line 911 cable and the Line 6 7 932 cable. Dynamic voltage support is required for 8 voltage transient stability for large contingencies 9 such as the tripping off-line of the 500 MW Ginna nuclear unit. RG&E's proposed method for providing 10 11 the necessary voltage support is to connect Line 911 12 and Line 932 through a phase shifting transformer. 13 The primary benefit of this approach is the ability 14 to control the flow on each line, mitigating voltage 15 issues should the large Ginna contingency occur. Without this project, the loss of one of the lines 16 will cause the other to exceed short term emergency 17 18 (STE) limit, which could lead to cable failure. 19 Upon a failure, severe low-voltage circumstances and 20 the shedding of 120 MW in load may be experienced until repairs can be made. To relieve overloads, it 21 2.2 may be necessary to back down generation production 23 at Ginna. This project has an expected completion and in-service date of December 2012 at a cost of 24 \$34.9 million. 25

1 Is the Panel proposing any adjustments to the Ο. 2 project? 3 Based on our review of the information Α. No. 4 provided, we are not proposing any adjustments to 5 the Station 124 New Phase Shifter Transformer project. 6 7 Ο. Please discuss the Station 124 Static Var 8 Compensator project. 9 Α. As previously stated in connection with the Phase 10 Shifting Transformer Project, Station 42 uses 11 approximately 60 MVAR of reactive supply in the 12 Rochester area. Dynamic voltage support is required 13 for voltage transient stability upon the occurrence 14 of large contingencies, which include the tripping 15 of 500 MW at Ginna. In addition to the Phase Shifting Transformer, the addition of a Static Var 16 17 Compensator (SVC) is also needed to provide the 18 necessary voltage support in the event of large 19 contingencies like the loss of Ginna. This will 20 ensure the needed voltage stability to the entire 21 Rochester area. Therefore, RG&E believes that 22 Station 124 is the optimum location to install the 23 This project has an expected completion and SVC. in-service date of December 2012 at a cost of 24 25 \$29.723 million.

1	Q.	Is the Panel proposing any adjustments to the
2		project?
3	A.	No. Based on our review of the information
4		provided, we are not proposing any adjustments to
5		the Station 124 SVC project.

- 6 Q. Please discuss the New Downtown 115 kV Transmission
 7 lines project.
- RG&E's Station 3, which is currently being replaced 8 Α. 9 as part of RG&E's New Station 137 project, is a 34.5 10 kV/11 kV substation that serves approximately 50 MW 11 of load and is an important resource supporting the 12 11 kV network system. The proposed project will eliminate overloads to the 34.5 kV lines feeding 13 14 Station 137 under certain contingency conditions. 15 This project is scheduled for entry into service in June 2012 at an estimated cost of \$35.8 million. 16 Is the Panel proposing any adjustments to the 17 0.
- 18 project?

A. No. Based on our review of the information
provided, we are not proposing any adjustments to
the New Downtown 115 kV Transmission lines project.

22 Q. Please discuss the 345 kV Source and 115 kV $\,$

23 Transmission Lines project.

A. The Rochester electric system normal capability islimited by the following system sources: (1) four

1 bulk power transformers at Station 80, which tap the 2 345 kV bulk transmission system; (2) three bulk 3 power transformers at Station 122, which tap the 345 4 kV bulk transmission system; and (3) the Ginna 5 These three sources provide a total plant. capability of approximately 2440MW. Loss of Ginna 6 7 generation to the Rochester system decreases the 8 total capability to 1830 MW, which is approximately 9 the load that must be served. The expected load 10 growth in the Rochester area requires additional power sources to ensure that load can be served and 11 12 system reliability is maintained during a loss of any bulk power system transformer or Ginna. RG&E 13 14 proposes to add a new 345 kV breaker and half 15 substation with two 250MVA 345/115 kV load tap changer (LTC) transformers, a 115 kV 300/350 MVA 16 17 line from the new station to Station 418, and a 115 kV 300/350 MVA line to Station 3 New 115 kV Source 18 19 Station. This proposed project is scheduled to be 20 in service in December 2014 at an estimated cost of 21 \$177.0 million.

Q. Is the Panel proposing any adjustments to theproject?

A. No. Based on our review of the informationprovided, we are not proposing any adjustments to

1		the 345 kV Source and 115 kV Transmission Lines
2		project. It should be noted, however, that this
3		project is subject to the Article VII process and a
4		final determination of need will be made in that
5		preceding.
6	Q.	In addition to the projects discussed, has the Panel
7		reviewed all other transmission projects that RG&E
8		has included in its electric capital construction
9		budget filed in these proceedings?
10	A.	Yes, we have reviewed all transmission projects that
11		RG&E has included in its Exhibit(RGECRO-1).
12	Q.	Are you proposing any adjustments to any
13		transmission projects not previously discussed?
14	A.	No. Based on our review, we have determined that
15		each of these projects are needed and justified for
16		RG&E to meet its reliability planning criteria,
17		satisfy load growth and provide safe and adequate
18		delivery service. We conclude that these
19		transmission projects are reasonable for $RG\&E$ to
20		pursue.
21	Q.	In your opinion, is it reasonable to conclude that
22		RG&E can complete the proposed transmission projects
23		according to their projected schedules and at the
24		proposed costs?
25	A.	Yes, based on site visits, conference calls and
		47

1		discussions with RG&E personnel, it is our
2		understanding that RG&E can meet the schedules at
3		this time and there is no known reason why the $RG\&E$
4		will not be able to complete the work as scheduled
5		and at the proposed costs.
6		Major Distribution Capital Projects
7		(RG&E)
8	Q.	Has RG&E proposed any major distribution projects or
9		upgrades in its capital construction budget in its
10		rate case filing?
11	Α.	Yes. RG&E's electric capital construction budget
12		includes several major distribution projects. Those
13		projects include the Station 137, Webster East New
14		12 kV Source, and Station 416 projects.
15	Q.	Please discuss the Station 137 project.
16	Α.	This project's scope of work includes the
17		installation of a new substation adjacent to the
18		existing Station 3 that is in poor condition and
19		well beyond its life expectancy. The objective of
20		this project is to replace the aging and over-dutied
21		electrical equipment that is approaching 80 years of
22		age, can no longer be effectively maintained, and is
23		in violation of current electrical safety codes.
24		The replacement of Station 3 has been in RG&E's
25		planning process for several years and RG&E has

1		worked closely with the City of Rochester and other
2		interested parties to obtain approval for this
3		project from local authorities. The new Station 137
4		will include two 34.5 kV to 11 kV, 37 MVA
5		transformers for eighteen 11 kV circuits and
6		provisions for four additional 34.5 kV circuits.
7		The project commenced in 2008 and has an in-service
8		date of December 2010 with a total cost of \$26.2
9		million. Those costs do not include the demolition
10		or decommissioning of the existing Station 3, which
11		are not under review in this rate proceeding.
12	Q.	Is the Panel proposing any adjustments to the
13		project?
14	A.	No. Based on our review of the information
15		provided, we are not proposing any adjustments to
16		the Station 137 project.
17	Q.	Please discuss the Webster East 12 kV Source
18		project.
19	Α.	This project includes the installation of a new 34.5
20		kV to 12 kV, 22 MVA transformer at Station 424 with
21		three new 12 kV circuit positions and the conversion
22		from 4 kV to 12 kV of three of the existing
23		circuits. Existing low voltage and over-loading
24		circuit conditions do not meet the RG&E's
25		distribution planning criteria. Additionally, the

1 projection of additional load growth in the 4 - 5% range within the area from both residential sub-2 3 divisions and new retail stores over the next few years supports the need for this project. 4 The 5 conversion from older existing 4 kV to new 12 kV distribution circuits continues as one of RG&E's 6 7 system improvement objectives, as the conversions 8 elevate existing loading capability and improve 9 reliability. This project was started in 2007 and has an in-service date of December 2010 with a total 10 cost of \$3.0 million. 11

12 Q. Is the Panel proposing any adjustments to the13 project?

14 A. No. Based on our review of the information
15 provided, we are not proposing any adjustments to
16 the Webster East 12 kV Source project.

17 Q. Please discuss the Station 416 project.

Station 416 serves the Rochester Institute of 18 Α. Technology (RIT). RIT has provided RG&E with a long 19 20 term, 20-year load growth projection that includes 21 plans for several new buildings and other 2.2 infrastructure improvements. RIT has also requested 23 that sufficient back-up capability be available for 24 the entire campus so that there are no outages in the event of failure of one transformer or one of 25

1 the transmission feeds into the campus. Therefore, 2 to support these requests, RG&E proposes the 3 installation of an additional 22 MVA transformer with associated switchgear at the existing Station 4 5 416. The existing transformers are currently not overloaded, but are projected to reach near 6 7 overloaded capacity within 5 years based on RIT's 8 projected load growth. Additionally, the existing 9 transformers could not handle the entire campus load in the event of a failure as RIT has requested. 10 Because this project is largely based on additional 11 12 load growth at RIT and the request for redundant 13 back-up to support electrical supply, RIT would be 14 responsible for a large portion of the project's 15 costs. Based on Response NYRC-0512 (DPS-382), this 16 project is still in the design and engineering stage and at this time, RG&E has submitted a proposal to 17 18 RIT asking it to pay for \$1.728 million of the 19 \$3.188 million project cost. That would leave a 20 total of \$1.46 million for RG&E ratepayers to fund. This amount is a reduction from the \$2.69 million 21 2.2 originally filed in this case. The cost sharing 23 discussions between the two parties are still in the initial stages, and RIT has not officially agreed to 24 fund the level of expense that RG&E desires. 25

Is the Panel proposing an adjustment to the project? 1 Ο. 2 Α. Because funding is sought from RIT, we support the 3 addition to rate base of only the \$1.46 million in 4 costs RG&E believes ratepayers should bear, and do 5 not support rate treatment for any additional costs that may be associated with this project. 6 This 7 project has an in service date of October 2011. 8 In addition to the projects discussed above, has the 0. 9 Panel reviewed all other distribution projects that RG&E has included in its electric capital 10 11 construction budget filed in its case? 12 Yes, we have reviewed all distribution projects that Α. 13 RG&E has included in its Exhibit (RGECRO-1). 14 0. Are you proposing any adjustments to any 15 distribution projects not previously discussed? Yes, we propose an adjustment to the Station 246 16 Α. 17 project. 18 Please describe the Station 246 project. 0. 19 Α. RG&E has proposed to add a second 34.5 kV feed and 20 34.5 to 4 kV, 5/7 MVA transformer at its existing Station 246. RG&E states in Response NYRC-0268 21 22 (DPS-202) that the additional transformer and 34.5 23 kV feed are needed to eliminate the potential poor 24 reliability that could result from the loss of the Station 246 transformer. When asked about 25

1 alternatives, the Company stated that load transfers 2 are not possible because of the existing system 3 configuration in the local service area. The 4 Company also states that the possibility of bringing 5 in a back-up supply for the existing transformer was explored, but no other information was provided on 6 7 that alternative. The existing transformer and associated distribution circuits emanating from the 8 9 Station 246, however, are within the RG&E's distribution planning criteria, as stated in 10 Responses NYRC-0521 (DPS-385) and NYRC-0580 (DPS-11 12 442). Additionally, Station 246 is well within its 13 existing loading capabilities based on Response 14 NYRC-0290(DPS-223) and there is very little existing or expected load growth within the area. RG&E's 15 16 reasoning for proposing this project is that it will improve reliability and create system redundancy 17 useful in the event of other equipment failures. 18 We 19 believe that the level of increased reliability and 20 redundancy that will result from this project are not sufficient to justify it, in the absence of any 21 22 loading or capacity issues in the local area. 23 Therefore, based on our review and the information 24 provided, we do not support the Station 246 project as proposed by RG&E along with the \$5.5 million in 25

1 associated costs.

Q. With the exception of Station 246, has RG&E
justified the need for the projects you have
reviewed?

5 Yes, based on our review, we have determined that Α. each of the projects are needed and justified to 6 7 meet RG&E's reliability planning criteria, satisfy 8 load growth, and provide safe and adequate electric 9 service. We conclude that these distribution capital projects are reasonable for RG&E to pursue. 10 11 In your opinion, is it reasonable to conclude RG&E 0. 12 can complete and place in service the proposed distribution substation infrastructure projects on 13 14 its projected schedules and at the proposed costs? 15 Yes, based on our review and discussions with Α. involved RG&E personnel, there is no known reason to 16 project RG&E will not be able to complete the work 17 as currently scheduled at this time and at the 18 19 proposed costs.

20

Common Capital Projects

(RG&E)

21

Q. Please generally discuss the types of common capital
projects that RG&E has included in its capital
construction budget in this rate case filing.

- 25 A. RG&E has included in its common capital construction
 - 54

1 budget the following projects: purchasing of general 2 equipment that will be used by both electric and gas 3 employees; facilities such as customer service 4 centers upgrades and repairs; main office building 5 upgrades and repairs; security upgrade projects; computer equipment that will be utilized by both 6 7 electric and gas employees; and, transportation 8 equipment.

9 Q. Are you recommending any adjustments to the level of
10 common capital spending that the RG&E has proposed
11 in its rate filing?

12 Α. No. In Response to NYRC-0527 (DPS-391), RG&E provided Staff with a list of all of its proposed 13 14 common capital projects and details including: 15 project descriptions; cost estimates; schedules; 16 project alternatives that were considered; and 17 reasons for, and benefits of, each project that it 18 plans to complete during the rate year. We have 19 found that all the projects appear to be reasonable, 20 in cost and scope, and have no reason to believe 21 RG&E will not complete the proposed projects on 2.2 schedule. We have also compared RG&E's historic 23 level of common capital spending to its projected capital spending for calendar year 2010 through 2014 24 and found that the projected levels are in line with 25

Cases 09-E-0715, et al. - ELECTRIC INFRASTRUCTURE PANEL 1 RG&E's actual historic common capital spending 2 levels. Major Generation Production Project 3 4 (RG&E) 5 Has RG&E proposed any major generation production Ο. 6 projects or upgrades in its capital construction 7 budget in its rate case filing? RG&E's electric capital construction budget 8 Α. Yes. 9 includes several major production projects, but we 10 will only be discussing the Station 5 Tunnel Relining project in this testimony. 11 12 Ο. Please continue. 13 The tunnel system that conveys water to the Station Α. 14 5 powerhouse was originally constructed in 1916, and 15 the Station 5 tunnel brings water from the Headqates Dam at the Middle Falls of the Genesee River to the 16 Station 5 powerhouse located at the base of the 17 Lower Falls of the Genesee River. The Station 5 18 Tunnel Relining Project as originally conceived was 19 20 to install a steel reinforced concrete lining inside the original, un-reinforced tunnel liner. 21 The 2.2 intent was to reinforce deteriorated areas of the 23 old lining and to seal off groundwater intrusion (contaminated ground water was seeping through 24 cracks into the tunnel). During initial work, a 25

1		series of inspections were performed, revealing many
2		deteriorated spots in the existing liner. As a
3		result of these inspections, the original scope of
4		the project was amended to include the relining of
5		the entire tunnel system rather than relining only
6		700 feet of the southern half. Station 5
7		historically produces more than 155,000 MWhrs of
8		hydro power annually. RG&E believes that this
9		project is necessary to preserve a valuable resource
10		low cost renewable hydropower. The proposed
11		project is scheduled to enter service in December
12		2012 at an estimated cost of \$93.0 million.
13	Q.	Is the Panel proposing any adjustments to the
14		project?
15	Α.	No. Based on our review of the information
16		provided, we are not proposing any adjustments to
17		the Station 5 Tunnel Relining project.
18	Q.	In addition to the project discussed above, has the
19		panel reviewed all other production projects that
20		RG&E has included in its electric capital
21		construction budget filed in its case?
22	A.	Yes, we have reviewed all production projects that
23		RG&E has included in its Exhibit(RGECRO-1).
24	Q.	Are you proposing any adjustments to any production
25		projects not previously discussed?

Cases 09-E-0715, et al. - ELECTRIC INFRASTRUCTURE PANEL 1 Α. Based on the documentation provided in this No. 2 proceeding RG&E has provided adequate support for 3 these projects. 4 Grid Modernization Initiative (GMI) 5 (NYSEG & RG&E) 6 Please explain the Companies' proposed Grid 0. 7 Modernization Initiative (GMI). 8 The Companies' GMI proposal is a systematic approach Α. 9 to the replacement of electrical T&D equipment based 10 on the age of the equipment, for the purpose of improving the operations and reliability of the 11 12 entire electrical system. Although the Companies state that characteristics of the equipment other 13 14 than age would be a factor in the replacement 15 prioritization criteria, age is the sole factor for 16 actually identifying equipment for replacement. Additionally, the Companies state that their 17 18 electrical infrastructure is aging and the 19 implementation of GMI would lessen the impact of 20 aging equipment on their systems. What replacement strategy will the Companies 21 Ο. 2.2 implement through GMI? 23 The Companies' goal is to reduce the average age of Α. 24 all major T&D equipment components to what they 25 describe as an ideal age of half (1/2) their

1 depreciable lives.

Q. Please describe the expenditures the Companies
 propose for GMI.

4 The Companies plan to initiate the GMI program at Α. 5 the start of the rate year, which begins in September 2010. Therefore, the expenditures 6 7 allocated for spending in 2010 are very small (\$6.3 million for NYSEG; \$6.5 million for RG&E), compared 8 9 to the following years where expenditures ramp up 10 dramatically. By 2011, projected GMI expenditures for both Companies reach a total of \$245.5 million 11 12 and by 2014 they reach a total of \$1.25 billion. Please continue with your description of GMI. 13 Ο. 14 Based on the Companies' testimony and Responses Α. 15 NYRC-0260, 0270, & 0671 (DPS-194, 204, & 480), the 16 GMI program is a formulaic or calculated approach to identifying the replacement of T&D equipment based 17 18 on age with no consideration for the equipment's 19 actual operating condition or need for replacement. 20 For example, the actual average age of the 226 21 transmission substation transformers on the NYSEG 2.2 system is 39 years old and the Commission approved 23 depreciable life is 60 years old. Using the GMI programs' replacement method, NYSEG would replace 24 25 the oldest substation transformers on its system in

1 order to bring down the average age of the 226 2 transmission substation transformers to half of 60, or 30 years old. This would occur even if the 3 4 recent operation and reliability of that specific 5 oldest unit, or group of oldest units, raise no questions about the condition of the equipment, or 6 7 support a determination that it should be replaced. 8 Additionally, the Companies did not provide any 9 supporting data or information to rationalize their 10 selection of half of the equipment's depreciable 11 life as a sole replacement quideline for determining 12 replacement, as is shown in the Response NYRC-0270 13 (DPS-204).

14 0. Did the Companies provide a list of proposed 15 projects and locations where GMI would be first 16 implemented and expenditures would be first made? When asked for specific projects and locations 17 Α. No. 18 where GMI would be implemented first, in Response NYRC-0259 (DPS-193), the Companies stated that this 19 20 information is not known at this time, since the 21 program is still in its formative stages, and this type of information would not be known until 2.2 23 sometime in 2010.

Q. In the Companies' condition assessment reportssubmitted to the Commission on December 8, 2008 in

1		compliance with the Acquisition Orders, how did the
2		Companies describe the existing condition of each of
3		their electrical systems?
4	A.	Both of the Companies stated that their "electrical
5		systems are in sound condition and the average age
6		of their electrical system facilities are well
7		within the Commission's rate allowance for those
8		facilities." Response NYRC-0271 & 0283 (DPS-205 &
9		216) provide more information on GMI and its
10		relation to the NYSEG and RG&E condition assessment
11		reports.
12	Q.	Can age be a factor when deciding when to replace a
13		piece of equipment?
14	Α.	Yes, we understand and agree that age can be a
15		factor in determining when to replace a specific
16		piece of equipment. We do not, however, believe it
17		should be the sole factor considered in an equipment
18		replacement program. Other factors such as actual
19		equipment condition, reliability concerns, and
20		equipment failure rates should also be reviewed. To
21		base an entire system-wide equipment replacement
22		program on age alone, given the level of
23		expenditures proposed, simply does not make sense on
24		a financial or engineering basis.
25	Q.	Did the Companies provide any supporting information

1		or data suggesting high failure rates or replacement
2		trends for any specific pieces of equipment or
3		facilities on its system?
4	A.	No. In Response NYRC-0670 (DPS-479), the Companies
5		stated that this type of analysis has not been done
б		in the past, but is planned for sometime in 2010.
7	Q.	Has any other New York utility established a
8		reliability replacement program similar to the
9		proposed GMI program premised upon determining the
10		replacement of equipment based exclusively on its
11		age?
12	Α.	No.
13	Q.	Do you support the GMI program and associated
14		expenditures as proposed by the Companies?
15	Α.	No. Based on our review and the information
16		provided by the Companies on GMI, we believe this
17		approach is not justified or warranted. The level
18		of spending proposed by the Companies is a
19		substantial increase from existing infrastructure
20		replacement programs currently in place and would
21		place a huge burden on ratepayers, especially since
22		both Companies continue to state that they are
23		currently providing safe and reliable service to
24		their customers at existing funding levels.
25	Q.	What existing electrical equipment replacement

1		programs were in place at the Companies prior to
2		this filing?
3	A.	Both NYSEG and RG&E have established a Transmission
4		and Distribution Infrastructure Replacement Program
5		(TDIRP) that is currently in place.
б	Q.	Please explain some of the details of the Companies'
7		existing TDIRP.
8	Α.	NYSEG and RG&E commenced the TDIRP in 2005 and 2007,
9		respectively. Under TDIRP, the Companies apply
10		their experience and knowledge and make
11		determinations to replace electrical T&D equipment
12		based on the condition, age, and failure
13		characteristics of the specific item. According to
14		the Companies and Responses NYRC0318 & 0633 (DPS-251
15		& 470), due to their recent financial situation,
16		expenditures for TDIRP have been drastically reduced
17		in 2009 compared to previous years. NYSEG spent an
18		average of \$24 million in each of the first three
19		full years (2006 - 2008) of the program before
20		reducing that amount to an estimated \$5.8 million in
21		2009. RG&E spent an average of almost \$20 million
22		in 2007 and 2008 before reducing that amount to an
23		estimated \$7.9 million in 2009.
~ .		

Q. Have the Companies' TDIRP resulted in improvementsin reliability since inception?

1 Α. The Companies, in Exhibit (NYSEGCRO-6) and 2 Exhibit (RGECRO-6), stated that both the customer 3 hours and customer interruptions related to 4 equipment failures have shown improvements in recent 5 Based on our own analysis of the data vears. collected each year on reliability, however, we 6 7 believe that the overall equipment related 8 reliability indices have remained relatively flat 9 since TDIRP's inception, with only a slight 10 improvement in the frequency of equipment related 11 outages. Additionally, with the exception of NYSEG 12 in 2007, both Companies have been meeting their reliability performance mechanisms, albeit with only 13 14 a small margin that leaves little room for any 15 deterioration. Are the current 2009 TDIRP spending levels 16 0. 17 sufficient to maintain continued safe and reliable service? 18 19 Α. We believe they are not. As stated earlier, TDIRP 20 spending levels for each Company were reduced 21 significantly in 2009. Even though the Companies 2.2 continue to meet their reliability performance 23 mechanisms, we believe that with continued spending

24 levels for TDIRP in the 2009 range would ultimately 25 result in a deterioration of reliability. While the

1		effect may not be noticeable immediately, its
2		eventual occurrence is likely and once deterioration
3		is experienced, correcting it would likely require
4		greater expenditure of funds and effort than would
5		be needed to prevent deterioration in the first
6		instance.
7	Q.	Does Staff propose an option other than the
8		Companies' GMI proposal?
9	Α.	Yes, we support the continued funding of the
10		Companies' TDIRP programs at levels of \$25 million
11		for NYSEG and \$15 million for RG&E on an annual
12		basis. These levels are consistent with pre-2009
13		levels and would support a program not primarily
14		based on age, but based on the equipments' actual
15		condition and performance. Such a forward-looking
16		and proactive program would help maintain the
17		continued operation of a safe and adequate
18		electrical system.
19		Electric Geographical Information System (GIS)
20		(NYSEG & RG&E)
21	Q.	Please describe the Electric GIS Project proposal.
22	Α.	The Companies are proposing to install an Enterprise
23		geographical information system (GIS) and to move
24		from their existing Smartmap system to a more
25		capable outage management mapping system that is

1 scalable and will support the Companies' advanced 2 metering initiatives (AMI). NYSEG and RG&E also 3 support their proposal as a response to 4 recommendations made by the Department's Office of 5 Consumer Policy concerning the Companies' websites and the communication of storm outage information 6 7 and estimated restoration times (ERT). These 8 recommendations included the placement of a highly 9 visible and easily identifiable link on the 10 Companies' home pages to internal pages which would 11 be dedicated to the Companies' information on or 12 during outages. Response NYRC-0273 (DPS-206) details the revisions and enhancements made to the 13 14 web sites in response to the Office of Consumer Policy recommendations, but also lists elements of 15 16 the Staff recommendations not yet implemented because of existing system limitations, such as 17 18 providing outage location maps, summary level outage 19 data, and estimated restoration maps and data. 20 NYSEG and RG&E go on to state that the Enterprise GIS is needed in order to properly disseminate that 21 2.2 information. The associated costs for the project 23 are \$5.8 million for NYSEG and \$2.9 million for 24 RG&E. This project has an expected completion and in-service date of December 2012. 25

Q. Have the Companies justified the need for the
 proposed Enterprise GIS project?

3 No, they have not. Based on our review and Response Α. 4 NYRC-0273 (DPS-206), which has an attached document 5 titled "SMARTMAP DECISION RECOMMENDATION," the main 6 reasoning for implementing the Enterprise GIS was to 7 advance preparations for the AMI by installing a 8 scalable system that could accommodate any changes 9 that will be required to support AMI. The AMI initiative, however, is still under Commission 10 consideration in Cases 94-E-0952 and 00-E-0165 and 11 12 there have been no decisions made at this time as to the direction the AMI proceeding may take in the 13 future. Further more, in the Stimulus Order issued 14 15 July 27, 2009 in Case 09-E-0310, both NYSEG and RG&E 16 submitted, and the Commission approved, Smart Grid and AMI demonstration projects at a reduced level of 17 18 ratepayer funding. The Department of Energy (DOE), 19 however, did not support or award stimulus funding 20 for those projects and they are now considered on 21 hold until further notice.

Q. Is the Enterprise GIS system needed to implement the
Office of Consumer Policy recommendations?
A. Although the Enterprise GIS system would assist in

25 implementing the Staff recommendations, and we

1 encourage the Companies to pursue those 2 recommendations, the Enterprise GIS system is an 3 expensive option for accomplishing those purposes. If limited to those purposes, its capabilities may 4 not be fully utilized. Given the uncertain state of 5 the current AMI proceeding, that purpose does not 6 7 justify the Enterprise GIS expenditure at this time. We recommend that NYSEG and RG&E evaluate other 8 9 alternatives to accomplish Staff's recommendation on the enhancement of the web sites, location map 10 11 outages, and better restoration time predictions 12 without relying upon a system depending upon implementation of AMI. 13

14 0. Are alternatives available for implementing the 15 Staff recommendations other than Enterprise GIS? We reviewed the efforts of other New York 16 Α. Yes. utilities to implement the same Staff Office of 17 18 Consumer Policy recommendations pertaining to the web site modifications and better communication of 19 20 storm outages and estimated restoration times. We found that full implementation of the Staff 21 2.2 recommendations could be completed with the 23 assistance of a consultant and associated software services (i.e., ifactor consulting storm center 24 software) at costs of approximately \$100,000 to 25

\$400,000. Therefore, we do not support rate
 recovery of the costs for the Enterprise GIS project
 at \$5.8 million for NYSEG and \$2.9 million for RG&E
 as proposed.

5 Q. What does the Panel recommend?

Given our support for implementation of the Office 6 Α. 7 of Consumer Policy recommendations, we would allow 8 \$300,000 for NYSEG and RG&E each to comply with and 9 complete implementation of Staff's recommendations. 10 Additionally, the Companies would be required to 11 submit an implementation and compliance status 12 report to the Office of Consumer Policy within 60 days of the Commission's determination in this case 13 14 describing its plan to implement those 15 recommendations, including a description of the project, its benefits, and the schedule, and 16 submission of costing information. 17

18 Distribution Vegetation Management Program
19 (NYSEG)

20 Q. Please describe NYSEG's proposed vegetation21 management program as filed.

A. NYSEG has proposed a full cycle distribution tree
trimming initiative that would cover all of its 3phase, 34.5 kV distribution circuits over a threeyear period and the remainder of its 3-phase and

1		single-phase distribution circuits over a five year
2		period at an annual cost of \$36.2 million, which
3		represents an increase of \$25.3 million over the
4		test year expenditures.
5	Q.	How does this proposal differ from NYSEG's existing
6		distribution vegetation management program?
7	A.	Currently, NYSEG states that it trims all of its 3-
8		phase 34.5 kV, 12 kV, and 4 kV circuits on their own
9		respective cycles of 3-years, 5-year, and 7-years.
10		NYSEG, however, only trims its single-phase circuits
11		on an as needed basis or when reliability or hot
12		spot conditions arise.
13	Q.	Please describe NYSEG's historical spending levels
14		for the vegetation management program.
15	Α.	In its last electric rate proceeding, Case 05-E-
16		1222, NYSEG was allowed \$17.67 million in rates for
17		both transmission and distribution vegetation
18		management. Since that time, however, NYSEG has
19		continually under-spent in this area by an average
20		of approximately \$3.3 million per year. In its
21		August 24, 2009 response in Case 09-E-0427, NYSEG
22		indicated that it has only been spending between \$10
23		- 11 million on distribution tree trimming, which is
24		much less than the \$13 - 14 million it should have
25		been spending based on the weighted average of the

1 T&D expenditures provided for in rates. 2 Ο. Have NYSEG's reliability measures for tree-caused 3 interruptions decreased during this timeframe? Yes, NYSEG has experienced an increase in its 4 Α. 5 reliability indices related to trees in recent years. Exhibit_(EIP-4) and Response NYRC-0282 6 7 (DPS-215) detail NYSEG's tree related reliability 8 performance. Tree contacts are regularly one of the 9 largest factors contributing to outages and 10 declining reliability at NYSEG. NYSEG has also 11 experienced extended restoration times during 12 October and December 2008 winter storms that affected its service territory, which could have 13 14 been partially related to its recent lack of tree 15 trimming efforts. Additionally, Staff's investigation of the two 2008 winter storms and 16 review of historic tree trimming efforts uncovered 17 18 signs that NYSEG has not been completing the 19 existing cycle trimming required under its existing 20 vegetation management program. When Staff specifically asked if NYSEG was meeting its existing 21 2.2 vegetation management requirements, NYSEG, in 23 Response SR-08-0015 as contained in Exhibit___(EIP-24 5), did not directly respond and only stated that it 25 trims at a level to maintain its reliability
1		performance goals. The additional Responses
2		contained in Exhibit(EIP-5) further support our
3		conclusion that NYSEG has not been meeting its
4		existing tree trimming requirements.
5	Q.	Does the Panel support NYSEG's proposal to expand
6		its existing partial-cycle tree trimming program to
7		a full cycle program at an annual cost of \$36.2
8		million?
9	Α.	No. We sent out multiple information requests
10		related to NYSEG's existing and proposed
11		distribution tree trimming program to fully
12		understand the Company's proposal, the issues it
13		raised, and the associated costs, eliciting
14		Responses NYRC-0266, 0275, 0277, 0278, 0280, 0281,
15		0282, & 0317(DPS-200, 208, 210, 211, 213, 214, 215,
16		& 250). Additionally, we looked at all the
17		responses and associated costing and spending
18		information previously provided on NYSEG's
19		distribution tree trimming efforts in Case 09-E-0472
20		and the 2008 winter storm investigation. Based on
21		our extensive review of the information provided,
22		along with NYSEG's historical under spending and
23		lack of tree trimming efforts, we can not support
24		such a large incremental expansion to NYSEG's
25		existing program.

Q. Please give your reasons for declining to support
 NYSEG's proposal.

3 Although we acknowledge that a full cycle tree Α. 4 trimming program would improve overall reliability 5 on the system, NYSEG has not justified the need to do so at this time. The improvements in reliability 6 7 versus the proposed program costs, along with the 8 customer impact need to be considered when making 9 such a determination. Additionally, NYSEG's past actions and historical under spending can not be 10 11 overlooked. As such, we are recommending a smaller, 12 incremental approach to achieving a full-cycle tree 13 trimming program.

14 0. What level of distribution vegetation management 15 efforts and expenditures do you propose for NYSEG? 16 We recommend an increase of \$5.1 million for Α. 17 distribution vegetation management. We believe that 18 the \$16 million total rate allowance we propose is 19 sufficient to justify requiring NYSEG to 20 successfully comply with its existing distribution tree trimming requirements that are already in 21 place. Additionally, if NYSEG does not successfully 2.2 23 complete these distribution tree trimming 24 requirements, and spend the entire amount allowed in rates, the difference between the actual amounts as 25

1		under-spent and the rate allowance should be
2		deferred for future ratepayer benefit at the
3		conclusion of the rate year. Absent a multi-year
4		agreement in these proceedings, this adjustment
5		mechanism should remain in place for each twelve-
6		month period subsequent to the rate year, until the
7		Commission provides otherwise. Staff has also
8		proposed an additional minimum annual distribution
9		tree trimming mechanism be added to NYSEG's electric
10		reliability performance mechanism (RPM). Please
11		refer to Staff witness Pause's testimony on the
12		electric RPM for further information and details.
13		Distribution Vegetation Management Program
14		(RG&E)
15	Q.	Please describe RG&E's proposed vegetation
16		management program as filed.
17	Α.	Similar to NYSEG, RG&E has proposed a full cycle
18		distribution tree trimming initiative that would
19		cover its entire 3-phase and single-phase circuits
20		over a three to six year period, depending on
21		circuit voltage, at an annual cost of \$6.6 million,
22		which represents an increase of \$3.8 million over
23		the test year expenditures. The three to six year
24		difference in the cycle period takes into account
25		RG&E's different voltage classes and configurations.

1		The 34.5 kV circuits would remain on the existing
2		three-year cycle, while the 12 kV through 20 kV
3		circuits would be placed on a five-year cycle. Due
4		to the fact that the majority of RG&E's 4 kV
5		circuits are of rear lot construction and take more
б		time and effort to trim, RG&E has proposed a six-
7		year cycle for those circuits.
8	Q.	How does this proposal differ from RG&E's existing
9		vegetation management program?
10	Α.	Currently, RG&E states that it trims all of its 3-
11		phase 34.5 kV, 20 kv/12 kV, and 4 kV circuits on
12		their own respective cycles of 3-years, 5-years, and
13		7-years. RG&E, however, only trims its single-phase
14		circuits on an as needed basis or when reliability
15		or hot spot conditions arise.
16	Q.	Please describe RG&E's historical spending levels
17		for its vegetation management program.
18	Α.	Unlike NYSEG, RG&E has consistently spent in-line
19		with or only a little under the budgeted
20		distribution tree trimming amounts allowed in rates
21		over the last five years. Typically, RG&E's T&D
22		vegetation management budget is approximately \$3.5
23		million per year, with transmission spending of
24		approximately \$1.0 million and distribution spending
25		of \$2.5 million.

1 Please explain RG&E's reliability performance Ο. 2 measures related to trees during this timeframe. 3 Even though RG&E has not failed any of the corporate Α. 4 reliability performance mechanisms over the last 5 several years, its frequency of tree related outages 6 has shown a slight increase over that same 7 timeframe, as indicated in Exhibit_(EIP-4). At the same time, the duration of tree related outages at 8 9 RG&E has remained relatively constant. Tree contacts are regularly one of the largest factors 10 11 contributing to outages and declining reliability at 12 Additionally, NYSEG and RG&E are the only RG&E. 13 remaining major New York electric utilities to not 14 have a full-cycle tree trimming program in place. As we discussed earlier for NYSEG, we believe that 15 16 full cycle tree trimming efforts would improve the Companies' tree related reliability performance. A 17 18 good example of this improvement would be on RG&E's 4 kV circuits that are of rear lot construction. 19 As 20 explained earlier, contractor crews must make additional efforts to access and trim these 21 22 circuits, and without additional focus on these 23 lines, the existing trimming efforts could lead to 24 an increase in tree related outages and poor reliability performance. Additionally, we believe 25

that if RG&E were to continue with its existing noncycle approach for tree trimming, RG&E and associated customers would see an increase in tree related outages on its single phase circuits, particularly rear lot construction, in the near future, similar to the increase NYSEG experienced.

Prior to the merger of RG&E into Energy East, in 8 Α. 9 2002, RG&E had a full-cycle tree trimming cycle in 10 place. Since that time, however, RG&E has not 11 funded a full-cycle tree trimming effort. This is 12 different from NYSEG, which has never had a fullcycle tree trimming program in place. We believe 13 14 that NYSEG's lack of a full-cycle tree trimming 15 program and its reduced capital investment levels 16 are reasons why NYSEG's tree related outages have been increasing over the years, with some single-17 18 phase circuits have not been trimmed in more than 19 ten years. RG&E, however, has only recently, since 20 2002, abandoned a full cycle trimming program and its single phase circuits have been trimmed more 21 2.2 recently. If RG&E were to continue its existing 23 tree trimming program, however, we believe that they 24 would eventually see an increase in tree-related outages on its system due to lack of sufficient 25

1 trimming.

2	Q.	Does Staff support RG&E's proposal to expand its
3		existing partial-cycle tree trimming program to a
4		full-cycle program at an annual cost of \$6.6
5		million?

We sent out multiple information requests 6 Α. Yes. 7 related to RG&E's existing and proposed distribution 8 tree trimming program to fully understand the 9 Company's proposal, the issues it raised, and the 10 associated costs, eliciting Responses NYRC-0266, 0276, 0277, 0279, 0280, 0281, 0282, 0317, & 0710 11 12 (DPS-200, 209, 210, 212, 213, 214, 215, 250, & 516). Based on our review and the information provided, 13 along with RG&E's past efforts and spending levels, 14 15 we believe that a full cycle tree trimming program 16 is warranted and justified for RG&E.

Q. Should tree trimming costs at RG&E be subject to an
adjustment mechanism similar to that recommended for
NYSEG?

A. Yes. If RG&E does not spend the entire amount
allowed in rates, the difference between the actual
amounts as under-spent and the rate allowance should
be deferred for future ratepayer benefit at the
conclusion of the rate year. Absent a multi-year
agreement in these proceedings, this adjustment

1		mechanism should remain in place for each twelve-
2		month period subsequent to the rate year until the
3		Commission provides otherwise.
4		Additional Electric Reliability Personnel
5		(NYSEG)
6	Q.	Please explain NYSEG's proposal for adding
7		additional electric reliability personnel.
8	Α.	NYSEG is proposing to hire 91 new employees. They
9		include 50 field craft workers, eight distribution
10		engineering /planning /supervision positions, nine
11		maintenance engineering /electrical test /vegetation
12		management positions, and 24 operations /security
13		/real estate supervision /coordination
14		/administration positions. The total incremental
15		cost of these 91 positions is approximately \$8.68
16		million. NYSEG plans to add all of these new
17		positions in the 4th quarter of 2010 and 1st quarter
18		of 2011.
19	Q.	What is the reasoning or justification provided by
20		NYSEG for all these positions?
21	A.	In testimony, NYSEG stated that it needed to add
22		more experienced field electric craft positions to
23		support reliability and maintain the electrical
24		system. In Response NYRC-0042 (DPS-42), NYSEG
25		stated generically that all the additional positions

1 were needed if it is to continue to provide safe and 2 reliable service throughout the service territory 3 and meet regulatory requirements. Although we asked 4 the Company to provide specific information on the 5 need and justification for each position proposed beyond what was provided in Response NYRC-0042, no 6 7 additional information or justification was provided 8 beyond a generic instance that each position was 9 needed to continue to provide safe and reliable 10 service.

11 Q. Have NYSEG's personnel levels been declining in12 recent years?

13 Overall, yes. As shown in Response NYRC-0262 (DPS-Α. 196), NYSEG's workforce levels declined from 2004 14 15 through 2007. Staff identified the decline as a 16 concern in its 2007 Electric Reliability Performance report that recommended that NYSEG perform a self 17 assessment of its work force numbers. 18 NYSEG's 19 response to the Report, which was filed with the 20 Commission on January 7, 2009, identified reductions in historical personnel levels from 678 field craft 21 2.2 personnel in December of 2003 to 608 field craft personnel in December of 2007. NYSEG also stated 23 that its 2008 work force numbers of 662 field craft 24 25 personnel was a return to previous levels prior to

the reductions, and that an increase of 1 2 approximately 10% in experienced personnel could 3 help improve reliability performance. NYSEG again 4 confirmed its view of the increase in personnel in its Response NYRC-0262 (DPS-196). But that response 5 also showed another significant decrease in the 2009 6 7 level of employment, to 631 field craft personnel from the 664 level employed in 2008. 8 9 Ο. Does the Panel support the level of additional 10 personnel NYSEG has proposed in this case? 11 Although we believe that employment of Α. No. 12 additional electric reliability personnel could be beneficial to the safe and reliable operation of the 13 14 electrical system, the level requested by NYSEG is 15 excessive and has not been justified. Based on NYSEG's historic reductions to staffing levels and 16 specifically the significant decrease in field craft 17 personnel discussed above, we do not believe NYSEG 18 19 would be able to actually achieve the proposed level 20 of hiring even if its proposed rate allowance were granted. Additionally, NYSEG asserts it is 21 currently providing safe and reliable service at 2.2 23 current employment levels, and then fails to explain 24 why additional employees are needed at this time. 25 What employment level do you recommend? 0.

1 Α. Based on our review, we recommend reducing the total 2 number of incremental positions from 91 to 22, which 3 would bring the personnel levels to approximately 4 the historical average and closer to the 2008 level. 5 The 22 additional positions include nine new field craft workers, five new distribution 6 7 engineering/planning/supervision positions, two new 8 maintenance engineering /electrical test /vegetation 9 management positions, and six new operations /security /real estate supervision /coordination 10 11 /administration positions. These additional 12 positions would bring the total number of field craft workers to 640, with 100 distribution 13 14 engineering / planning / supervision positions, 15 maintenance engineering / electrical test / 15 vegetation management positions, and 102 operations 16 /security /real estate supervision /coordination 17 18 /administration positions. 19 Additional Electric Reliability Personnel 20 (RG&E) Please explain RG&E's proposal for adding additional 21 Ο. 22 electric reliability personnel. 23 RG&E is proposing to hire 61 new employees. Α. They include 32 field craft workers, four distribution 24 engineering /planning /supervision positions, three 25

1	maintenance engineering /electrical test /vegetation
2	management positions, and 22 operations /security
3	/real estate supervision /coordination
4	/administration positions. The total incremental
5	cost of these 61 positions is approximately \$4.96
6	million. RG&E plans to add all of these new
7	positions in the 4th quarter of 2010 and 1st quarter
8	of 2011.

9 Q. What is the reasoning or justification provided by10 RG&E for all these positions?

In testimony, the RG&E stated that it needed to add 11 Α. 12 more experienced field electric craft positions to support reliability and maintain the electrical 13 14 In Response NYRC-0040 (DPS-40), RG&E stated system. 15 that all the additional positions were needed if it 16 is to continue to provide safe and reliable service 17 throughout the service territory and meet regulatory 18 requirements. Although we asked RG&E to provide 19 specific information on the need and justification 20 for each position proposed beyond what was provided 21 in Response NYRC-0040, no additional information or 2.2 justification was provided beyond a generic instance 23 that each position was needed to continue to provide safe and reliable service. 24

25 Q. Have RG&E's personnel levels been declining in

1 recent years?

2 Α. As shown in response to NYRC-0263 (DPS-197), No. 3 only in the electric field craft workers category 4 has there been any significant reduction in staffing 5 levels in the past two years. For electric field craft workers, levels prior to 2008 averaged around 6 7 150, and then dropped to 140 in 2008 and then again 8 to 132 in 2009. RG&E has not fully explained this 9 reduction.

Q. Does Staff support the level of additional personnel
 RG&E has proposed in this case?

12 Α. Although we believe that the employment of No. 13 additional electric reliability personnel could be 14 beneficial to the safe and reliable operation of the 15 electrical system, the level requested by RG&E is 16 excessive and has not been justified. Based on RG&E's recent reduction in field craft worker 17 18 positions in the last two years, we do not believe 19 RG&E would be able to actually achieve the proposed 20 level of hiring even if its proposed rate allowance were granted. Additionally, RG&E asserts it is 21 providing safe and reliable service to its customers 2.2 23 at current employment levels, and then fails to 24 explain why additional employees are needed at this 25 time.

1 Q. What employment level do you recommend?

2 Α. Based on our review, we recommend reducing the total number of incremental positions from 61 to 21, which 3 4 would bring personnel levels to approximately the 5 historic average and close to the 2008 levels. The 15 additional positions include eight new craft 6 7 workers two new maintenance engineering /electrical 8 test /vegetation management positions, and 5 new 9 operations /security /real estate supervision 10 /coordination /administration positions. These 11 additional positions would bring the total number of 12 field craft workers to 140, 12 maintenance engineering / electrical test / vegetation 13 management positions, and 64 operations /security / 14 15 real estate supervision / coordination 16 /administration positions. 17 Customer Service and Metering Personnel 18 (NYSEG) 19 0. Please describe NYSEG's proposal for adding 20 additional customer service representatives and electric meter operations personnel. 21 2.2 Α. NYSEG is proposing to hire 11 new employees in 23 response to increased customer traffic and transaction times in their customer offices, to 24 augment employee training efforts, and to enhance 25

1 its customers' satisfaction when dealing with the 2 Company. Two of these positions are customer 3 advocate analysts and the remaining nine are field 4 customer service representatives. The total 5 incremental cost of adding these 11 positions is approximately \$718,872. The costs of these 6 7 positions will be split between NYSEG's electric and 8 qas businesses.

9 Q. Please continue.

NYSEG is also planning to add/hire 6 new employees 10 Α. 11 in its meter services departments consisting of the 12 following: one meter engineer, one meter lab 13 analyst, and four meter technicians. The total cost 14 of adding these six positions is approximately 15 \$574,728. NYSEG plans to add all 17 of these new 16 positions in the 4th quarter of 2010 and into the 1st quarter of 2011. 17

What was the reasoning or justification provided by 18 Ο. 19 NYSEG for the additional customer service positions? 20 Α. In Response NYRC-0687 (DPS-494), NYSEG states that since the significant downturn in the economic 21 2.2 climate, the number of customers unable to pay on 23 time has been rising, which results in both an increase in the number of customers visiting their 24 customer offices and an increase in the time it 25

1 takes to work with each customer on a payment 2 solution. 3 What is NYSEG's historic level of full time customer 0. 4 service representatives? 5 NYSEG's level of full time customer service Α. representative from 2004 through 2008 was fairly 6 7 even, with an average employment level of 8 approximately 46 full time employees. 9 Ο. Has NYSEG hired additional employees in 2009 to deal 10 with the problems previously described? 11 Yes, from the end of calendar year 2008 through Α. 12 November 6, 2009, NYSEG has filled approximately six full time customer service positions. 13 14 Ο. What is your recommendation with regard to the 15 additional customer service personnel that NYESG has 16 proposed to hire? We believe that the level of customer service 17 Α. 18 representatives that NYSEG proposes to hire is 19 excessive. NYSEG has not quantified the benefit of 20 hiring the additional 11 customer service positions, nor has it explained why 11 additional customer 21 2.2 service representatives is the appropriate number of 23 additional employees to deal with the increased level of workload. However, we believe that NYSEG 24 25 has provided enough justification to hire some of

1		the 11 positions that it has proposed in this rate
2		filling. Based on our review, the information
3		provided, and discussions with the Staff Consumer
4		Issues Panel, we have reduced the total number of
5		these positions from 11 to three. The three
6		additional positions include one customer advocate
7		analyst, and two field customer service
8		representatives.
9	Q.	Since these positions serve both the electric and
10		gas sides of NYSEG and are customer service
11		positions, have you discussed your recommendation
12		with any other staff panels testifying in these
13		proceedings?
14	Α.	Yes. We have discussed our recommendation with both
15		the Gas Infrastructure Panel and the Consumer Issues
16		Panel.
17	Q.	Do both panels agree with your recommendation?
18	A.	Yes.
19	Q.	What was the reasoning or justification provided by
20		NYSEG for the additional metering positions?
21	Α.	NYSEG states on page 92 of the direct testimony of
22		its Capital Expenditure, Reliability, and Operations
23		Panel that an additional meter engineer position is
24		needed because it currently has only one meter
25		engineer, who is involved in every special project

involving metering, including the treatment of new
 rates, meter programming and meter retirement
 programs. The requested new engineer would focus on
 the new smart grid initiatives and provide support
 and backup to the current engineer.

6 Q. Please continue.

7 Α. NYSEG also proposed to hire an additional analyst in 8 its MV90 group. NYSEG states that this group 9 currently consists of six analytical staff and one manager that are responsible for maintaining and 10 11 reviewing electric meter reading data, including 12 handheld system and the MV90 telemetering data. 13 NYSEG states that the mandatory hourly pricing (MHP) 14 has increased immensely the amount of data collected 15 and analyzed by this group and that the existing 16 staff can handle the workload as of 2009, but any additional expansion of MHP will require an 17 18 additional analyst. NYSEG also proposed that, given 19 the onset of new technology for electric metering, 20 such as time-based rates and smart grid, it create a small, mobile group of approximately four 21 2.2 experienced meter technicians that would be 23 responsible for providing training and support to the rest of the meter technicians. These four meter 24 technicians would also be utilized for special 25

1 project work.

2	Q.	What is your recommendation with regard to the
3		additional metering positions?
4	Α.	We are recommending that the requested analyst
5		position be filled to handle the increased level of
6		MHP workload. As to the engineering position and
7		the four additional meter technicians allegedly
8		needed to work on smart grid and smart metering
9		initiatives we know of no smart grid or smart
10		metering programs approved for NYSEG by the
11		Commission. Therefore, we do not recommend
12		ratepayer funding of these positions at this time.
13		Customer Service and Metering Personnel
14		(RG&E)
15	Q.	Please explain RG&E's proposal for adding additional
16		customer service representatives and electric meter
17		operations personnel.
18	Α.	RG&E is proposing to hire 11 new employees in
19		response to increased customer traffic and
20		
		transaction times in their customer offices, to
21		transaction times in their customer offices, to augment employee training efforts, and to enhance
21 22		transaction times in their customer offices, to augment employee training efforts, and to enhance its customers' satisfaction when dealing with the
21 22 23		transaction times in their customer offices, to augment employee training efforts, and to enhance its customers' satisfaction when dealing with the Company. Four of these positions are credit and
21 22 23 24		transaction times in their customer offices, to augment employee training efforts, and to enhance its customers' satisfaction when dealing with the Company. Four of these positions are credit and collection representatives, two are supervisors and

representatives. The total incremental cost of
 adding these 11 positions is approximately \$718,872.
 The costs of these positions will be split between
 the electric and gas sides of RG&E's utility
 companies.

6 Q. Please continue.

7 Α. RG&E is also planning to hire four new employees in 8 its meter services departments consisting of the 9 following: one meter engineer and three meter 10 technicians. The total incremental cost of adding these four positions is approximately \$348,530. 11 12 RG&E plans to add all 15 of these new positions in the 4th quarter of 2010 and into the 1st quarter of 13 14 2011.

What was the reasoning or justification provided by 15 Ο. 16 RG&E for the additional customer service positions? In Response NYRC-0687 (DPS-494), RG&E states that 17 Α. 18 since the significant downturn in the economic 19 climate, the number of customers unable to pay on 20 time has been rising, which results in both an increase in the number of customers visiting their 21 2.2 customer offices and an increase in the time it 23 takes to work with each customer on a payment solution. 24

25 Q. What is RG&E's historic level of full time customer

1		service representatives?
2	Α.	RG&E's level of full time customer service
3		representative from 2004 through 2008 was fairly
4		even, with an average employment level of
5		approximately 34 full time employees.
6	Q.	Has RG&E hired additional employees in 2009 to deal
7		with the problems previously descried?
8	Α.	Yes, from 2008 through November 6, 2009, RG&E has
9		filled approximately 13 full time customer service
10		positions.
11	Q.	What is your recommendation with regard to the
12		additional customer service personnel that RG&E has
13		proposed to hire?
14	Α.	We believe that the level of customer service
15		representatives that RG&E proposes to hire is
16		excessive. RG&E has not quantified the benefit of
17		hiring the additional 11 customer service positions,
18		nor has it explained why 11 additional customer
19		service representatives is the appropriate number.
20		However, we believe that RG&E has provided enough
21		justification to hire some of the 11 positions that
22		it has proposed in this rate filling. Based on our
23		review and discussions with the Staff Consumer
24		Issues Panel, we have reduced the total number of
25		these positions from 11 to three. The three

1		additional positions include one credit and
2		collections representative, and two field customer
3		service representatives.
4	Q.	Since these positions serve both the electric and
5		gas sides of RG&E and are customer service
6		positions, have you discussed your recommendation
7		with any other staff panels testifying in these
8		proceedings?
9	A.	Yes. We have discussed our recommendation with both
10		the Gas Infrastructure Panel and the Consumer Issues
11		Panel.
12	Q.	Do both Panels agree with your recommendation?
13	Α.	Yes.
14	Q.	What was the reasoning or justification provided by
15		RG&E for the additional metering positions?
16	Α.	RG&E, on page 101 of the direct testimony of its
17		Capital Expenditure, Reliability, and Operations
18		Panel, states that the three additional electric
19		meter technicians are needed to support its electric
20		metering activities.
21	Q.	Did RG&E provide any other justification for its
22		position?
23	Α.	No. We asked RG&E to provide the reason or basis
24		for the new hires, and any documentation that
25		supported their position, but in Response NYRC-0883
		93

1		(DPS-567), RG&E states: "The requested positions
2		are needed to continue RG&E's focus on safe and
3		reliable service throughout the service territory."
4		This blanket statement is not sufficient
5		justification for us to recommend these positions be
6		funded with a rate allowance. We also reviewed the
7		level of electric field meter technicians over the
8		past 4 years and have found no change in the level
9		of metering technicians.
10	Q.	Did RG&E propose to hire and additional electric
11		meter engineer?
12	Α.	RG&E included in Exhibit(RGECROGAS-5), an
13		incremental electric meter engineer position not
14		mentioned in RG&E's direct testimony, nor did
15		Response NYRC-0883 (DPS-567) include any discussion
16		on the need or justification for the engineer
17		position. Therefore, we do not recommend that the
18		position be funded in rates.
19		Electric System Maintenance
20		(NYSEG & RG&E)
21	Q.	Please describe the Electric System Maintenance
22		initiative that both Companies are proposing and
23		explain what programs are included in the
24		initiative.
25	Α.	NYSEG and RG&E are proposing an Electric System

1 Maintenance initiative that includes an aerial 2 inspection program, thermography inspection program, 3 115kV pipe-type cable maintenance program (RG&E 4 only), line reclosers and sectionalizers program, electric substation circuit breakers maintenance 5 program, network maintenance program, substation 6 7 transformer maintenance program, transmission and 8 distribution wood pole inspection and treatment 9 program, aluminum base post insulator replacement 10 program, network protectors, animal fences, 345 kV cross-arm brace replacement, 115 kV and 230 kV oil 11 12 pipe cable maintenance (NYSEG only), tracker fault indicator (FI) replacement on 19.9 kV (RG&E only), 13 manhole and handhole restoration, and fault 14 15 indicator battery replacement (RG&E only). According to the Companies, these programs included 16 in the overall maintenance initiative will 17 18 significantly enhance the T&D systems and further 19 support the achievement of reliability goals. То 20 accomplish the goals of this initiative, NYSEG and RG&E are proposing incremental costs of \$8.5 million 21 22 and \$3.7 million, respectively. 23 Does the Panel support the proposed initiative as 0.

24 proposed by the Companies?

25 A. Not entirely. We believe many of the programs

1 included in the maintenance initiative are sound and 2 could help maintain and ensure reliability on the 3 electrical system. Based on discussions Staff has 4 had with the Companies and Responses NYRC-0284 (DPS-217) and NYRC-0285 (DPS-218), however, the 5 Companies' maintenance initiative includes new 6 7 programs along with programs that already exist. When asked for historical and actual expenditures 8 9 during past years on those existing programs, 10 however, the responses showed no budgeted amounts 11 and very little actual expenditures. These 12 responses also revealed inconsistencies in the 13 Companies' management of these programs and poor documentation of the associated costs. In light of 14 15 these flaws we believe that full support of the 16 maintenance initiative is not justified or warranted. We believe, however, that the Companies 17 18 should continue to pursue the implementation of many 19 of these projects to help maintain and ensure its 20 reliability goals on the electrical system, just at 21 a reduced amount. 22 What level of expenditure do you recommend? 0.

A. We recommend \$4.25 million for NYSEG and \$1.85
million for RG&E. The Companies should allocate
these funds at their own discretion, subject to an

1		adjustment mechanism. Any difference between actual
2		amounts as under-spent and the rate allowance should
3		be deferred for future ratepayer benefit at the
4		conclusion of the rate year. Absent a multi-year
5		agreement in these proceedings, this adjustment
б		mechanism should remain in place for each twelve-
7		month period subsequent to the rate year, until the
8		Commission provides otherwise.
9		Safety Standards/Inspection Programs
10		(NYSEG & RG&E)
11	Q.	Please discuss the Companies' stray voltage
12		inspection program.
13	Α.	The Companies' included under the Stray Voltage
14		program the following components: inspection,
15		testing, repair and program development.
16	Q.	Please explain the components that you are focusing
17		on within your testimony.
18	Α.	Our focus will be on the inspection and repair
19		components.
20	Q.	What are the Companies' proposals regarding
21		inspection and repair?
22	Α.	NYSEG is proposing to increase its budget for
23		inspections from \$133,107 in the test year to
24		\$189,108 in the rate year, an increase of \$56,001;
25		as for repairs, NYSEG is proposing to increase its

1 budget from \$56,259 in the test year to \$140,930 in 2 the rate year, an increase of \$84,670. RG&E is 3 proposing to reduce its budget for inspection from 4 \$390,537 in the test year to \$278,650 in the rate year, a reduction of \$111,888; as for repairs, RG&E 5 is proposing to increase its budget from \$30,359 in 6 7 the test year to \$72,012 in the rate year, an 8 increase of \$41,653. In NYSEG's and RG&E's Capital 9 Expenditure, Reliability, and Operations Panel 10 testimony, page 60, lines 21-22 and page 60, lines 11 11-12, respectively, the Companies generally stated 12 that the additional expenditures are prompted by the Commission's Safety Standards Order issued December 13 15, 2008 in Case 04-M-0159, along with increased 14 15 contractor costs for stray voltage testing. 16 Do you support the proposed incremental costs for 0.

17 the inspection and repair components proposed by the 18 Companies'?

19 A. Partially.

20 Q. Please explain.

A. The Commission's Electric Safety Standards Order
modified prior Orders by imposing on the Companies
incremental requirements above those in the initial
safety standards Order issued in 2005. The
modifications made in the Electric Safety Standards

1 Order, however, did not affect the scope of work for 2 inspection program. Instead, it affected repair 3 costs as the timeline for correcting discovered 4 In the case of NYSEG's deficiencies changed. 5 \$56,001 increase in spending on the inspection part of the requirements, NYSEG has not explained or 6 7 justified the increase at this time. Although NYSEG did state that it encountered increased contractor 8 9 costs for stray voltage testing requirements, the 10 Company, in Response NYRC-0705 (DPS-512), did not 11 say that was the case for the repairs. Therefore, 12 based on the information provided to Staff we do not support the incremental cost of \$56,001. Based on 13 14 the Electric Safety Standards Order modifications, 15 however, we do support NYSEG's incremental amount of 16 \$84,670 for repairs and RG&E's incremental amount of \$41,653 for repairs. 17 18 Transmission & Distribution (T&D) Losses Study 19 (NYSEG & RG&E) Please explain the Companies' T&D losses study 20 Ο.

21 proposal.

A. The Companies proposed to hire a consultant to
complete a system wide losses study based on its
current system configuration for a cost of \$350,000
for NYSEG and \$120,000 for RG&E.

Q. How do the Companies justify the spending on these
 studies?

3 The Companies state that in the System Losses Α. 4 proceeding (Case 08-E-0751), the Commission required 5 each utility to identify the major sources of losses on its systems. Both NYSEG and RG&E provided a 6 7 report on the matter, however, they stated that the 8 data provided was based on information from their 9 last system losses studies which was completed by 10 the Companies in the 1998 to 1999 timeframe, based on the system configurations that existed at that 11 12 time. The Companies went on to state that to provide more accurate and up to date information on 13 their system losses, another system losses study 14 15 performed by a consultant at the expense of 16 ratepayers would be needed.

17 Q. Do you support the proposed expenditures for the T&D18 losses study?

19 Α. No. Although we would fully support the Companies' 20 conducting another system losses study to provide 21 more up to date and accurate losses information, we 2.2 believe such studies should be performed more 23 regularly as a normal operating practice. Such studies should not be performed only when an 24 25 opportunity to recover costs in a rate proceeding is

1		experienced. Moreover, the Companies both made
2		filings in compliance with the Commission Order,
3		which does not require the performance of additional
4		studies such as the Companies propose. No other New
5		York utility requested additional funding to support
б		such a study and each were able to provide accurate
7		and up to date information without any additional
8		studies. Therefore, based on our review of this
9		request and the information provided, we do not
10		support any additional funding for the T&D losses
11		studies NYSEG and RG&E propose.
12		Electric Plant Targets
13		(NYSEG & RG&E)
14	Q.	Are you proposing any mechanisms to ensure that the
15		Companies effectively manage their electric capital
16		infrastructure investments?
17	Α.	Yes. We recommend a net plant cap mechanism be
18		adopted in these proceedings. Using the Companies'
19		plant model, we have developed our rate year average
20		electric net plant balances for rate making
21		purposes, which is shown in Exhibit(EIP-2). It
22		is our intent that the average electric net plant
23		levels proposed with this testimony should be the
24		cap, or maximum level, on the amount of electric
25		plant used for ratemaking purposes.

Q. Are you proposing a downward reconciliation for the
 Companies electric plant?

We believe that if the actual amounts added to 3 Α. Yes. 4 the Companies plant accounts at the conclusion of the rate year are less than our recommended levels 5 contained in Exhibit___(EIP-2), then the Commission 6 7 should require NYSEG and RG&E to credit their 8 customers the revenue requirement impact of the 9 difference between the actual net plant expenditures and the target levels. If the amount of added plant 10 11 exceeds the plant target levels recommended in our 12 testimony as provided in Exhibit___(EIP-2), we 13 recommend that the Companies only be allowed to 14 recover the revenue requirement related to the plant 15 upon inclusion of it in rate base in their next rate 16 case, provided that the Companies fully justify 17 exceeding the plant target levels proposed in our 18 testimony.

19 Q. Has the Panel also developed electric net plant 20 levels for the twelve-month periods following the 21 rate year?

A. Yes, using the Companies' updated plant-in-service
 models, submitted in Response NYRC-23 (DPS-23), we
 incorporated our project-specific capital

25 adjustments and the Staff Depreciation Panel's

1 adjustments into each of the Companies' plant-in-2 service forecast models to develop an average 3 electric net plant amount for September 1, 2011 4 through August 31, 2012 (Rate Year 2), and for September 1, 2012 through August 31, 2013 (Rate Year 5 3). Our projected NYSEG Rate Year 2 and Rate Year 3 6 7 electric net plant amounts are \$1.602 billion and 8 \$1.623 billion, respectively. Our projected RG&E 9 Rate Year 2 and Rate Year 3 electric net plant 10 amounts are \$1.094 billion and \$1.271 billion, 11 respectively. In the absence of a multi-year rate 12 agreement in these proceedings, we recommend that these plant levels be set as targets to ensure the 13 Companies' continued investment in their electric 14 15 infrastructure subsequent to the rate year ending August 31, 2011. 16

How does the Panel propose to use these plant 17 0. 18 targets as an incentive for the Companies to continue investing in their electric infrastructure? 19 20 Α. We recommend that following Rate Year 2 and Rate 21 Year 3 the Companies reconcile their actual electric 22 net plant levels with our proposed Rate Year 2 and 23 Rate Year 3 electric net plant level targets. Ιf the actual electric net plant levels are less that 24 the target levels, we recommend that the Companies 25

defer the revenue requirement impact of any
 shortfall in actual electric net plant as compared
 to the target levels for future ratepayer benefit.
 Q. Does this conclude your testimony at this time?
 A. Yes.