

DIRECT TESTIMONY
OF
DIANE SEITZ

1 Q. Please state your name and business address.

2 A. My name is Diane Seitz, and my business address is 284 South Avenue,
3 Poughkeepsie, New York 12601.

4

5 Q. In what capacity are you employed by Central Hudson?

6 A. I am employed as Manager of Energy Resources. Energy Resources
7 encompasses three functions, Fuel Resources, Power Procurement, and
8 Energy Accounting.

9 My responsibilities related to Fuels Resources include acquiring natural gas
10 supplies for retail distribution and generation, contracting for and scheduling
11 kerosene used to generate electricity at Combustion Turbines owned by
12 Central Hudson, and to acquire propane that is used at the Company's
13 propane-air facilities. The propane-air facilities are utilized during peak
14 demand periods to supplement the Company's natural gas supply. My
15 natural gas responsibilities also include contracting for pipeline capacity and
16 implementing hedging plans.

17 My responsibilities related to Power Procurement include supervising the
18 procuring of electric energy, capacity, and commodity related products for
19 retail distribution. This includes interfacing with the New York Independent
20 System Operator (NYISO), and implementing hedging plans. I am also
21 responsible for managing Central Hudson's hydro generation, combustion
22 turbine generation and independent power producer generation within
23 Central Hudson's franchise area. The total generation capacity from the

1 above resources is approximately 80 megawatts.

2 My responsibilities pertaining to Energy Accounting include the supervision of
3 activities focusing on the collection, evaluation, and verification of electric
4 supply and natural gas supply systems costs and usage volumes needed for
5 various internal and external reporting requirements. This includes
6 reconciling all electric and natural gas invoices including the NYISO
7 settlement process. I have held my current position as Manager of Energy
8 Resources since April 2009.

9

10

11 Q. Have you appeared as a witness before this Commission?

12 A. Yes. I provided testimony in Case 92-G-1056.

13

14 Q. Please summarize your education and experience.

15 A. I earned a Bachelor of Science Degree in Business from SUNY Buffalo in
16 1978. I also received a Masters of Business Administration from Mount Saint
17 Mary College in 1993. My employment with Central Hudson began in 1989
18 as an Internal Auditor. Two years later I was transferred to Fuels Resources
19 as a Fuels Buyer and then promoted to Manager of the group. In 1999 I went
20 to Central Hudson Enterprises Corporation as the Vice President of Energy
21 Marketing. In 2003 I went back to the utility as the Treasurer. In 2004 I was
22 transferred to the position of Manager Internal Audit.

23 Q. What is the scope of your testimony in this proceeding?

1 A. My testimony will address Central Hudson's natural gas and electricity
2 procurement practices.

3

4 Q. How does Central Hudson meet the natural gas supply requirements of its
5 customers?

6 A. Central Hudson meets its customers' natural gas requirements by utilizing
7 various contract assets and natural gas assets owned by the Company.

8 During the winter months, we purchase gas from suppliers located in the Gulf
9 of Mexico and transport it with long-haul pipeline firm transport contracts.

10 We also purchase natural gas from suppliers located in western Canada
11 (AECO-long haul) and Ontario Canada (Dawn-short haul). We transport our
12 Canadian gas on firm pipeline transport contracts with TransCanada to a
13 delivery point with Iroquois Pipeline at Waddington. These Gulf and
14 Canadian supplies form a base of flowing supplies that are supplemented
15 with storage gas, peaking gas contracts and propane injections. Central
16 Hudson utilizes a combination of long term (12 months or longer) supply
17 contracts, and short-term (5 month winter season) contracts to meet
18 customers' demands for natural gas. The gas supplied by the above
19 contracts is delivered using firm transportation (FT) to Central Hudson's four
20 natural gas gate stations (Cedar Hill, Pleasant Valley, Mahopac, and Tuxedo)
21 by six interstate gas pipelines and firm contracts with Trans Canada Pipeline.
22 In addition, Central Hudson has seven contracts for the storage (Market
23 Area) of natural gas. Storage gas is transported to Cedar Hill, Mahopac, and

1 Tuxedo by four of the interstate pipelines providing Firm Storage Transport
 2 (FST) service. The FT, storage and FST contracts are long-term contracts.
 3 Central Hudson also utilizes peaking contracts and two on-system propane
 4 air plants that can be used to meet firm peak day requirements during very
 5 high natural gas demand days.

6

7 Q. What is Central Hudson's total system peak day capacity?

8 A. The table below shows, by component, Central Hudson's total peak day
 9 capacity in Dth/day (2008/2009 heating season). We will be adding 5,000
 10 DCTH of Millennium FT capacity beginning November 1, 2010 and there are
 11 no further capacity additions planned for the 2009-10 winter season.

Flowing Supplies	35,196
Storage Withdrawals	40,939
Winter Peaking Service	30,000
Algonquin OBA	5,000
LPG	8,000
Marketer Supplies	13,148
Spot Purchases on Firm Transport	<u>12,091</u>
Total Firm	144,374
Additional Marketer Provided Supplies	<u>7,000</u>
Total CHG&E & Marketer Supplies	<u>151,374</u>

12

13 Q. What is Central Hudson's forecast of peak day growth?

14 A. Central Hudson has projected a growth rate in peak day requirements of
 15 1.4% per year.

1 Q. For how long will the Company's peak day capacity cover its peak day
2 requirements?

3 A. Assuming an annual 1.4% growth rate in peak day requirements, Central
4 Hudson had adequate supplies to meet peak day requirements through the
5 2008-09 heating season. Future capacity requirements (including those for
6 the 2009-2010 heating season) are being determined as this testimony is
7 being prepared in late June 2009 based upon the latest available information
8 on actual load growth and retail migration of customers to third party
9 marketers.

10

11 Q. During off-peak periods (April-November) does Central Hudson have excess
12 up-stream capacity?

13 A. Yes.

14

15 Q. What does Central Hudson do with the excess up-stream capacity during off-
16 peak periods?

17 A. This capacity is utilized for off-system sales. In addition, to optimize the use
18 of upstream capacity during off-peak periods, Central Hudson utilizes FT and
19 FST pipeline capacity to refill storage, independently or through swaps,
20 exchanges, and storage optimization programs and promotes releasing
21 capacity to third parties.

22

23 Q. Does Central Hudson employ hedging or pricing strategies to reduce the risk

1 of market price fluctuations with respect to its winter gas supply contracts?

2 A. Yes. A hedging plan is developed by Energy Resources and approved by
3 Central Hudson's Enterprise Risk Management Committee. Energy
4 Resources implements the approved hedge plan by entering into over-the-
5 counter (OTC) fixed for floating swap contracts with various counterparties
6 prior to the upcoming winter heating season. These contracts are purchased
7 on a set schedule during the summer months (June-October) to hedge the
8 price of winter natural gas supply contracts. The OTC contracts fix the price
9 of a portion of Central Hudson's winter supply gas for the upcoming heating
10 season. We also insure that Central Hudson's natural gas storage contract
11 assets are full by the first of November, prior to the start of the heating
12 season. The natural gas OTC swap contracts and our storage gas provide a
13 hedge against winter natural gas price volatility by fixing the price of about
14 65% of Central Hudson's full service customer's winter natural gas usage. A
15 reduction in natural gas price volatility translates directly to less volatile
16 energy bills for our customers during the heating season.

17

18 Q. How does Central Hudson meet the electric supply requirements of its
19 customers?

20 A. Central Hudson meets the electric supply requirements of its customers
21 principally through contract purchases, dispatching from the lowest cost
22 available resources first, using an economic dispatch plan. We also
23 purchase energy in a combination of long-term bilateral contracts (one year

1 or longer), short-term bilateral contracts, and spot purchases made through
2 the NYISO marketplace. In addition, small amounts of energy are obtained
3 from the remaining Company-owned generation (hydro and combustion
4 turbine-

5

6 Q. What generating assets does Central Hudson own?

7 A. Central Hudson owns the Cossackie and South Cairo Combustion Turbines,
8 and several small hydroelectric facilities (Sturgeon pool (15mw), Dashville
9 (5mw), High Falls (3mw). In addition, Central Hudson has existing contracts
10 with several small Independent Power Producers (totaling 11mw).

11

12 Q. Does Central Hudson employ hedging or pricing strategies to reduce the risk
13 of market price fluctuations with respect to electric supply contracts?

14 A. Yes. Annually, Energy Resources develops a plan to hedge that entails
15 purchasing both financial and physical future electric products. These
16 products include a mix of long-term (1 year or greater) and short-term (less
17 than 1 year) durations. The goal is to fix the price of about 65% of our full
18 service customers' electric supply in an effort to reduce electric price
19 volatility.

20

21 Q. Please describe the nature of the transmission service provided to Central
22 Hudson by other companies.

23 A. When Central Hudson sold its interests in Nine Mile Point 2, the Company

1 retained the right to purchase 9% of the plant's output over a ten-year period
2 and the transmission contract with National Grid to wheel the power to
3 Central Hudson zone-G. This supply has proven to be significantly beneficial
4 throughout its duration. Central Hudson is obligated to pay National Grid a
5 monthly fee for the duration of this wheeling contract.

6

7 Q. Does this conclude your pre-filed direct testimony?

8 A. Yes, it does.