

BEFORE THE  
NEW YORK STATE  
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
New York State Electric & Gas Corporation  
for Electric Service

Case 09-E- 0715

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
New York State Electric & Gas Corporation  
for Gas Service

Case 09-G- 0716

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
Rochester Gas and Electric Corporation  
for Electric Service

Case 09-E- 0717

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
Rochester Gas and Electric Corporation  
for Gas Service

Case 09-G- 0718  
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**REBUTTAL TESTIMONY OF  
BRIAN K. HAWLEY**

February 12, 2010

**REBUTTAL TESTIMONY OF BRIAN K. HAWLEY**

1 Q. Please state your name.

2 A. My name is Brian K. Hawley.

3 Q. Were you one of the witnesses that sponsored the Direct Testimony of the Electric  
4 and Natural Gas Supply Panel on behalf of New York State Electric & Gas  
5 Corporation ("NYSEG") and the Direct Testimony of the Electric and Natural  
6 Gas Supply Panel on behalf of Rochester Gas and Electric Corporation ("RG&E")  
7 (together with NYSEG, the "Companies") in these proceedings?

8 A. Yes.

9 Q. What is the overall purpose of your Rebuttal Testimony?

10 A. The purpose of this Rebuttal Testimony is to address the following four topics  
11 discussed in the New York State Department of Public Service Staff ("Staff") Gas  
12 Procurement Panel's testimony: the Gas Cost Incentive Mechanism ("GCIM");  
13 mandatory capacity release assignment pricing; the Gas Reliability Surcharge  
14 ("GRS"); and the Incremental Gas Supply Charge ("IGSC"). Additionally, I will  
15 address the Staff Gas Infrastructure Panel's removal of a proposed project from  
16 Staff's rate year net plant that would interconnect the Seneca West pipeline to the  
17 NYSEG Elmira distribution system, which is otherwise known as the Elmira  
18 Interconnect.

19 Q. Did the NYSEG and RG&E Electric and Natural Gas Supply Panels file revised  
20 exhibits as part of the Companies' update on December 4, 2009?

21 A. Yes. The Panels filed the following exhibits as part of the Companies' update:  
22 Exhibit \_\_ (NYSEGENGSP-3) 12/4/09 Update, Exhibit \_\_ (NYSEGENGSP-4)  
23 12/4/09 Update, Exhibit \_\_ (RGEENGSP-3) 12/4/09 Update and Exhibit \_\_

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1 (RGEENGSP-4) 12/4/09 Update. Both Companies updated their natural gas  
2 expense forecasts to reflect changes to rate year delivery unit forecasts and more  
3 current natural gas market price forecasts. RG&E's updates also proposed  
4 additional language for its tariff and the Gas Transmission Operating Procedures  
5 Manual, which would make an energy services company ("ESCO") responsible  
6 for paying its pro-rata share of any upstream pipeline costs incurred by the  
7 Company as a result of an imbalance in the ESCO's metered daily cashout  
8 calculations exceeding either a positive or negative 10%.

9 Q. Are you sponsoring any exhibits in support of your Rebuttal Testimony?

10 A. Yes, I am sponsoring one exhibit, labeled Exhibit \_\_ (BKH-1), which  
11 incorporates Staff responses to Company information requests NYSEG-RGE-111  
12 and NYSEG-RGE-112.

**GCIM**

14 Q. Does the Staff Gas Procurement Panel recommend changes to NYSEG's and  
15 RG&E's GCIM?

16 A. Yes. In its testimony, the Staff Gas Procurement Panel recommends adjusting the  
17 customer/company sharing for NYSEG and RG&E from 80/20 to 85/15 with  
18 respect to non-migration capacity release and off-system sales. Staff was silent,  
19 however, on the sharing of savings from local production.

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1 Q. Has Staff clarified its position with respect to the sharing of savings from local  
2 production?

3 A. Yes. Staff confirmed that the NYSEG and RG&E sharing of savings from local  
4 production would remain at the 80/20 customer/company level in response to  
5 NYSEG-RGE-111, which is included in Exhibit \_\_ (BKH-1).

6 Q. Do you agree with the Staff Gas Procurement Panel's recommendations?

7 A. Yes.

8 **MANDATORY CAPACITY RELEASE ASSIGNMENT PROGRAM PRICING**

9 Q. Does the Staff Gas Procurement Panel discuss potential changes to NYSEG's or  
10 RG&E's migration capacity release programs?

11 A. Yes. The Staff Gas Procurement Panel recommends that if the Commission  
12 approves NYSEG's proposal to consolidate some or all of its gas supply areas, the  
13 Commission should establish a collaborative process with ESCOs, Staff and other  
14 interested parties to examine the cost and ramifications of releasing capacity to  
15 ESCOs at the system weighted average cost of capacity. The Staff Gas  
16 Procurement Panel also recommends that RG&E participate in the process and  
17 consider making the same change to its program.

18 Q. Are NYSEG and RG&E in agreement with the Staff Gas Procurement Panel's  
19 recommended approach?

20 A. Yes.

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**GRS**

Q. Does the Staff Gas Procurement Panel support the implementation of a GRS for RG&E?

A. Yes. In its testimony, the Staff Gas Procurement Panel appears to support the implementation of a GRS for RG&E similar to NYSEG's existing GRS. This was confirmed in Staff's response to NYSEG-RG&E-112, which is included in Exhibit \_\_ (BKH-1).

Q. Does the Staff Gas Procurement Panel provide additional testimony regarding the GRS for NYSEG and RG&E?

A. Yes. The Staff Gas Procurement Panel states that there are two issues in these proceedings which would affect the current NYSEG and proposed RG&E GRS. The first is a determination on the level of consolidation of NYSEG's Gas Supply Areas ("GSAs"). The second is a resolution of the appropriate carrying cost rate for gas storage inventory.

Q. Will NYSEG provide rebuttal testimony regarding the consolidation of the GSAs?

A. Yes. The Rebuttal Testimony of the Revenue Allocation and Rate Design Panel addresses the consolidation of NYSEG's GSAs.

Q. Will the Companies provide rebuttal testimony regarding the carrying charges on underground storage inventory?

A. Yes. The Companies' Revenue Requirements Panel addresses the carrying cost rate for gas storage inventory.

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**IGSC**

Q. Does the Gas Procurement Panel recommend changes to NYSEG's and RG&E's IGSC proposal?

A. Yes. While the Staff Gas Procurement Panel has no objection to NYSEG and RG&E applying the IGSC to interruptible customers that request firm service, Staff recommends that a 12 twelve-month limitation be applied to the IGSC, unless the capacity contract is of longer duration.

Q. Are NYSEG and RG&E in agreement with the Staff Gas Procurement Panel's proposed change to the IGSC?

A. Yes, but with clarification. NYSEG and RG&E agree that the 110% summer and 125% winter multipliers should only be applied to the GSC for a period of one year for customers returning to sales service. These multipliers are applied in instances where the incremental gas cost incurred by all other customers is less than the GSC with the multipliers applied. In instances where a customer returning to sales service is imposing incremental cost in excess of the GSC with the multipliers applied, however, the returning customer should be obligated to pay these costs for as long as a demonstration of such costs can be made. The term of a new pipeline capacity contract may not always be an indicator of the imposition of costs on other customers.

Q. Can you provide examples?

A. Yes. First, it is possible that incremental pipeline capacity could be required to serve a returning customer and the customer could be served at a cost no greater than or less than the GSC. In this situation, the customer could be incorporated

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1 into the local distribution company ("LDC") planning process within a year as the  
2 Panel has pointed out. Alternatively, it is possible that incremental costs could be  
3 incurred beyond the term of a capacity contract. In this instance, the LDC would  
4 no longer have the tariff authority to protect customers from incremental cost. If  
5 an occurrence of such incremental cost can be demonstrated, then NYSEG and  
6 RG&E should have the ability to assign the costs to the returning customer. If an  
7 occurrence of such incremental cost can be demonstrated, then NYSEG and  
8 RG&E should have the ability to assign the costs to the returning customer.

9 Q. Are NYSEG and RG&E prepared to make such a demonstration if necessary?

10 A. Yes.

11 **ELMIRA INTERCONNECT**

12 Q. Did NYSEG propose to interconnect its Elmira distribution system to the West  
13 Leg of the Seneca Pipeline in this case?

14 A. Yes. As described in the Direct Testimony of NYSEG's Capital Expenditures,  
15 Reliability and Operations Panel, such an interconnection was proposed for  
16 construction in 2011 at an estimated cost of \$4.285 million.

17 Q. Did Staff address this proposal?

18 A. Yes. The Staff Gas Infrastructure Panel removed the project from Staff's rate year  
19 net plant because Staff alleges that the in-service date falls beyond the rate year.

20 Q. Does this impact NYSEG from a gas supply and reliability perspective?

21 A. Yes. In its direct testimony, the NYSEG Electric and Natural Gas Supply Panel  
22 introduced a Local Production Plan. The plan proposes the implementation of a  
23 Local Production Area (LPA-1) on NYSEG's Elmira distribution system. The

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1 plan would allow for up to 20,000 Dth a day of local production, directly  
2 connected to NYSEG's distribution system, to be treated as a replacement for  
3 primary point interstate pipeline capacity. The interconnect between the Elmira  
4 distribution system and the West Leg of the Seneca Pipeline is a critical reliability  
5 component of the plan, because it provides for storage downstream of the  
6 interstate pipelines that will serve as the reliability backup for LPA-1.

7 Q. Does this conclude your rebuttal testimony at this time?

8 A. Yes, it does.

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