

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of

Central Hudson Gas and Electric Corporation  
Cases 08-E-0887 & 08-G-0888

November 2008

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Prepared Testimony of:

Karl F. Roenick  
Utility Engineer 2  
Office of Electric, Gas and  
Water

State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

1 Q. Please state your full name and business  
2 address.

3 A. My name is Karl F. Roenick and my business  
4 address is Three Empire State Plaza, Albany, NY  
5 12223.

6 Q. By whom are you employed and in what capacity?

7 A. I am employed by the New York State Department  
8 of Public Service as a Utility Engineer 2  
9 working in the Office of Electric, Gas and  
10 Water.

11 Q. Please describe your educational background,  
12 qualifications, and experience.

13 A. I graduated from the Polytechnic Institute of  
14 Brooklyn in 1973 with a Bachelor of Science  
15 degree in Mechanical Engineering. After a two-  
16 year tour in the US Army, I worked as a project  
17 planner for several power plant projects. In  
18 1984, I joined the Department to monitor  
19 construction of the Nine Mile Point 2 Nuclear  
20 Plant. I have worked in several areas while at  
21 the Department and have spent most of my time in  
22 the electrical distribution area.

1 Q. Have you previously testified before the Public  
2 Service Commission?

3 A. Yes. I have testified in a number of  
4 proceedings before the Public Service  
5 Commission. I testified in the last Central  
6 Hudson rate proceeding, Case 05-E-0934.

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to establish a  
9 new Reliability Performance Mechanism (RPM).

10 Q. Does the Company currently have an RPM?

11 A. Yes. Central Hudson is operating under the RPM  
12 developed in the rate order in Cases 05-E-0934 &  
13 05-G-0935. The rate order states at page 16  
14 that the "reliability performance mechanism will  
15 remain in place until the Commission adopts a  
16 subsequent approach."

17 Q. Did the Company propose an RPM for the rate  
18 year?

19 A. No. The Company did not propose an RPM in its  
20 filing in this case.

21 Q. What do you recommend?

22 A. I recommend that Central Hudson be required to  
23 file a proposed RPM based on the existing

1 mechanism in all future rate proceedings.

2 Q. What is the basis for your recommendation?

3 A. The Commission in Opinion No. 96-12 stated its  
4 preference for performance-based regulation  
5 wherever a service remains under monopoly  
6 control. As long as delivery service is a  
7 monopoly, there must be appropriate consequences  
8 to a company for failing to provide adequate  
9 electric service. For more than 10 years, RPMs  
10 have been used to encourage utilities to  
11 maintain or improve electric reliability. By  
12 not including a proposal, the Company is failing  
13 to address this aspect of the regulatory  
14 process.

15 Q. What are the bases of your RPM proposal?

16 A. I am proposing an RPM that is based on  
17 reliability statistics and completion of  
18 significant reliability projects. One of the  
19 two statistics is System Average Frequency Index  
20 (SAIFI), which is the total annual system wide  
21 number of customers affected by interruptions  
22 within the twelve month period divided by the  
23 total number of customers served at the end of

1           that same period. The other statistic is  
2           Customer Average Interruption Frequency Index  
3           (CAIDI), which is the total number of customer  
4           hours of interruption divided by the number of  
5           customer hours over the twelve month period.

6   Q.    Please describe your specific RPM proposal?

7   A.    I propose to continue the current RPM's target  
8           of 2.50 SAIFI and the target of 1.45 for CAIDI  
9           for each calendar year. A rate adjustment of 10  
10          basis points (electric) would be assessed for a  
11          failure to satisfy the annual target threshold  
12          for each metric.

13   Q.    Please explain how you decided on these target  
14          values?

15   A.    The target values for SAIFI and CAIDI are based  
16          on Central Hudson's experience over the last  
17          three years and will help maintain the Company's  
18          continued attention to reliability improvement.

19   Q.    Could you please elaborate?

20   A.    Yes. As explained in Staff's 2007 Electric  
21          Reliability Performance Report (see  
22          Exhibit\_\_\_(KFR-1)), the Company's reliability  
23          statistics have not been favorable compared with

1 other New York electric utilities. Moreover,  
2 the Company's reliability statistics have failed  
3 to meet four out of six targets during the last  
4 three years. On a positive note, however, both  
5 SAIFI and CAIDI targets were met in 2007.  
6 Increased attention to reliability issues on the  
7 Company's part, such as focusing more on  
8 reducing tree and equipment outages, has had a  
9 role in meeting the 2007 targets.

10 Q. Do you propose any other components for the RPM?

11 A. Yes. I propose to continue the policy  
12 established in the last rate case linking  
13 significant reliability and/or infrastructure  
14 improvement projects or programs to the RPM.

15 Q. What are your specific recommendations?

16 A. I recommend linking the completion of 150 miles  
17 of enhanced distribution main line tree  
18 clearance, which is discussed in more detail in  
19 the Infrastructure Panel testimony, for the rate  
20 year ending June 30, 2010 and each successive  
21 rate year to a five basis point rate adjustment  
22 (electric). I also recommend that five basis  
23 points (electric) be tied to the energization of

1 the proposed Galesville substation during the  
2 rate year, i.e., by June 30, 2010. For each  
3 succeeding rate year I propose that five basis  
4 points (electric) be tied to the completion or  
5 milestone achievement of reliability projects or  
6 programs. These projects or programs will be  
7 identified by Staff from the reliability-related  
8 projects identified in the Company's updated  
9 capital or other forecasts.

10 Q. What is the dollar value of the annual potential  
11 rate adjustment in the RPM?

12 A. Applying Staff's approximation of \$50,000 (pre-  
13 tax) per basis point to the 30 basis points that  
14 could potentially be assessed yields a total of  
15 \$1.5 million (pre-tax).

16 Q. Can you please comment on the benefit of these  
17 recommendations?

18 A. These recommendations emphasize Staff's support  
19 of cost-effective reliability and infrastructure  
20 improvements and are targeted to projects and/or  
21 programs that are large budget, discrete and  
22 quantifiable. The tie-in of future reliability-  
23 centric projects further emphasizes the

1 continuing attainment of specific goals as a  
2 path to further reliability improvement.

3 Q. Do you have any other recommendation for the  
4 RPM?

5 A. Yes. I recommend that the Company be required  
6 to file annual compliance reports by March 31<sup>st</sup>  
7 of each year concerning the electric reliability  
8 targets. I also recommend that the RPM remain in  
9 place until the Commission adopts a subsequent  
10 approach.

11 Q. Does this conclude your testimony?

12 A. Yes, it does.