

REBUTTAL TESTIMONY  
OF  
JOHN J. BORCHERT

CASES 08-E-0887 & 08-G-0888

1 Q. Are you the same John J. Borchert who submitted pre-filed direct testimony  
2 in this proceeding?

3 A. Yes, I am.  
4

5 Q. What is the purpose of your rebuttal testimony in this proceeding?

6 A. The purpose of my rebuttal testimony is to provide an update of the approval  
7 status by NYS DEC of Central Hudson's submission of its Remedial Work  
8 Plan for the Newburgh Site and provide an assessment of the impact of the  
9 current projected schedule on expenditures in the rate year, outline changes  
10 in the Laurel Street site that have led to increased project costs, outline the  
11 change in the cost projections related to the North Water Street reactive  
12 capping project and its impact on the total program costs, and provide  
13 updated exhibits showing the cost projections for the period up to and during  
14 the rate year.  
15

16 Q. What is the current status of the Remedial Work Plan and the planned  
17 remediation at the Newburgh MGP site?

18 A. Currently, the Company is continuing to work closely with DEC technical staff  
19 in finalizing key design parameters associated with the Remedial Work Plan.  
20 The majority of the components of the Remedial Work Plan have been  
21 completed and accepted by the DEC. Remediation at the Newburgh MGP  
22 Site is still expected to begin in 2009.

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2 Q. What are your current deadlines for approval of the Remedial Work Plan?

3 A. The current deadline for submission of the draft Remedial Work Plan is  
4 March 1, 2009. This submission will lead to discussion and comments from  
5 the DEC staff and will begin the approval process with the other regulatory  
6 agencies involved. In conversations with DEC staff, we have reached  
7 agreement that the final Remedial Work Plan will be submitted no later than  
8 June 1, 2009. DEC approval of this Work Plan should occur within 90 days  
9 following this June 1, 2009 submittal, or by September 1, 2009.

10

11 Q. Given that this Remedial Work Plan is approved at that time, when would  
12 Remediation work begin at the Newburgh Site?

13 A. Remediation at the Newburgh MGP Site is scheduled to begin in the fall of  
14 2009.

15

16 Q. What impact does this schedule have on the projected expenditures in the  
17 period prior to and during the rate year?

18 A. Based upon this updated schedule, the period prior to the upcoming rate  
19 year will have lower than originally projected expenditures, the current rate  
20 period projected expenditures are only those associated with the design of  
21 the Remedial Work Plan, development of the bid specification and bid  
22 analysis, and other preparatory work. The more significant remediation

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1 expenditures are still forecasted to be spent during the rate year specified in  
2 these cases.

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4 Q. If the approval of the Remedial Work Plan for the Newburgh site were  
5 delayed further than specified, what would be the impact on the remediation  
6 of the Newburgh Site and of the MGP SIR program costs?

7 A. The remediation of the Newburgh Site would be deferred from the 2009  
8 construction season to the 2010 construction season, resulting in a reduction  
9 in the Newburgh Site remediation costs during the rate year of approximately  
10 \$3.5 million. The overall MGP SIR program costs would not dramatically  
11 change as the remediation of the Catskill Site could be accelerated to begin  
12 during 2009.

13

14 Q. Why would Central Hudson look to accelerate the remediation at the Catskill  
15 site?

16 A. Central Hudson believes that the earlier site remediation can be  
17 accomplished the better it is from both a cost and risk perspective. In  
18 addition, the property owners at the Catskill site have expressed interest in  
19 accelerating the remediation of the site.

20

21 Q. Are there any other changes to the MGP Site Investigation and Remediation  
22 program that are expected to impact the program expenditures?

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1 A. Yes, the increased scope of work at the remediation project at the Laurel  
2 Street MGP site and the increase in costs for the reactive cap project at the  
3 North Water Street site.

4

5 Q. What are the changes to the Laurel Street Site remediation and what are the  
6 impacts to the cost prior to and during the rate year specified in these cases?

7 A. The originally planned in-situ solidification/stabilization (ISS) implementation  
8 at the Laurel Street MGP Site required a change due to the large quantity of  
9 adverse subsurface obstructions (large boulders) encountered throughout  
10 the profile. This resulted in a change from the augering to excavator mixing  
11 treatment technology. The change in equipment, including mobilization and  
12 demobilization, increased site management and project management,  
13 increased health, safety and security, and delays in completing ISS related  
14 activities resulted in an increase cost of \$250,000. Additional costs are  
15 anticipated for follow-up confirmation sampling (borings) once the ISS is  
16 complete. These costs are projected to be approximately \$30,000. These  
17 costs are expected to occur prior to the rate year and not impact the cost  
18 projections during the rate year specified in these cases.

19

20 Q. What are the changes to the reactive cap project at the North Water Street  
21 site and what are the impacts to the costs prior to and during the rate year  
22 specified in these cases?

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1 A. Proposals for installing the Reactive Cap Pilot Project greatly exceed the  
2 originally projected budget for this project. With an anticipated installation  
3 timeframe of early spring 2009, these cost increases are projected to be prior  
4 to the rate period and after the rate period. The total cost increase for the  
5 project is projected to be \$750,000, \$670,000 of this increase will be  
6 incurred during the current rate period. Minimal costs are expected during  
7 the rate year specified during these cases.

8

9 Q. Do you agree with the Accounting Panel's proposal to use the three-year  
10 average of actual expenditures from 2005 to 2007 as the basis for the  
11 amount included in rates?

12 A. No, the basis proposed by the Accounting Panel for the amount included in  
13 rates does not address their concern regarding the uncertainty related to the  
14 forecasted expenditures; it only artificially lowers the amount included in  
15 rates to the prior years' average expenditures. The prior years' average  
16 expenditures were for investigation and remediation projects that were  
17 completely different in scope and size and do not relate to the projects  
18 scheduled to occur during the upcoming rate period and the uncertainty in  
19 the project schedule.

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21 Q. Have you updated your projected MGP investigation and remediation costs  
22 based on the latest information you have presented?

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1 A. Yes, I have prepared updated exhibits that address the latest information on  
2 the MGP Site Investigation and Remediation program and have adjusted the  
3 cost projections accordingly. These are shown on Exhibit \_\_\_\_ (JJB-1R),  
4 Rebuttal Schedule A, which summarizes the non-labor costs for the annual  
5 period ending 6/30/10 and Exhibit \_\_\_\_ (JJB-1R), Rebuttal Schedule B, which  
6 show a breakdown of the rate year costs forecast for the Newburgh site.  
7 These updated exhibits specifically address changes to the MGP cost  
8 projections based on the changes in project scope and delays in approval  
9 and implementation of the remediation of the Newburgh Site. As shown in  
10 Exhibit\_\_\_\_ (JJB-1R) Rebuttal Schedule A based on the updates the  
11 projected costs for the upcoming rate year have actually increased to \$8,058  
12 million as compared to \$7,764 included in prior testimony. While Staff has  
13 increased current cash recovery to \$2.8 million the current recovery only  
14 reflects 35% of forecasted expenditures.

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16 Q. Does this conclude your rebuttal testimony?

17 A. Yes, it does.