

DIRECT TESTIMONY
OF
JOHN J. BORCHERT

1 Q. Please state your name and business address for the record.

2 A. My name is John J. Borchert. I am employed by Central Hudson Gas &
3 Electric Corporation "Central Hudson" and my business address is 284 South
4 Avenue, Poughkeepsie, New York 12601.

5

6 Q. What is your educational background?

7 A. I graduated from State University of New York Maritime College in 1985 with
8 a Bachelors of Engineering degree in Electrical Engineering and from
9 Polytechnic University in 1991 with a Master of Science degree in Electrical
10 Engineering. I am a Professional Engineer in the State of New York.

11

12 Q. In what capacity are you employed at Central Hudson?

13 A. I am the Manager of Gas & Mechanical Engineering. In that capacity I am
14 responsible for the engineering plans and designs for Central Hudson's gas
15 transmission and distribution system and for Central Hudson's Manufactured
16 Gas Plant ("MGP") Site Investigation and Remediation ("SIR") Program.

17

18 Q. Please summarize your professional experience.

19 A. I joined Central Hudson in 1985 as a Junior Engineer in the Electric Planning
20 Section of Engineering performing fuel forecasting, generation planning, and
21 various system studies. In 1989, I was transferred to the Energy Efficiency
22 Division where I developed demand side management programs and
23 forecasts. In 1995, I was transferred to the position of Power Quality

1 Services Engineer in Customer Service where I was the customer liaison to
2 IBM and other large or high tech customers in the service territory. In 1996, I
3 was transferred to the position of Supervisor of New Business in the Mid-
4 Hudson Division in Customer Service and in 1999 promoted to the position of
5 Customer Service Manager of the Mid-Hudson Division, where I oversaw all
6 aspects of Customer Service Operations for the area. In 2005, I was
7 promoted to my current position of Manager of Gas & Mechanical
8 Engineering.

9 Q. Have you previously testified before the Commission?

10 A. Yes. Most recently I have submitted testimony in Cases 05-E-0934 and 05-
11 G-0935.

12

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

14 A. The purpose of my testimony is to describe Central Hudson's program for the
15 investigation and remediation of former manufactured gas plant sites. I will
16 provide 1) an overview of the Central Hudson's MGP SIR Program and 2)
17 cost projections for Central Hudson's MGP Remediation Program
18 expenditures mandated by consent orders, regulations, or agreements. In
19 total, we expect \$7.8 million in MGP SIR expenditures in the forecast rate
20 year. The site-by-site rate year forecasts are shown on Exhibit ____ (JJB-1),
21 Schedule A. Exhibit ____ (JJB-1) Schedule A summarizes the non-labor
22 costs for the annual period ending 6/30/10.

23 I also note that Central Hudson expects to expend an additional \$16.0 million

1 for the MGP SIR Program in the two years following the rate year. The
2 increase in rate year and following period expenditures is principally
3 attributable to the continuation of remediation at the Newburgh MGP site that
4 began in 2007 with source removal at the upland "Area A" and will continue
5 through the commencement of a three-year period of remediation at the
6 Newburgh MGP site for Areas "B" and "C", which are in or adjoining the
7 Hudson River.

8

9 Q. Please provide an overview of Central Hudson's MGP SIR Program.

10 A. Central Hudson has an ongoing program for the management of its MGP
11 sites, verifying that the required remedial response measures (site
12 investigations followed, in some cases, by remedial actions) are properly
13 performed for sites containing wastes from a number of former MGP
14 facilities.

15

16 Q. Please provide a brief background on MGP facilities.

17 A. Manufactured gas plants were operated until the mid 1900s to produce
18 combustible gases from coal and oil for municipal street lighting systems and
19 for lighting and other uses in homes and businesses in densely populated
20 regions of the United States. When these plants were removed from service,
21 some by-products of the gas production process remained. The DEC, which
22 regulates the timing and extent of remediation of MGP sites in New York
23 State, has notified Central Hudson that it believes Central Hudson or

1 predecessor organizations at one time owned and/or operated MGPs at eight
2 sites in Central Hudson's franchise territory. The DEC has further requested
3 that Central Hudson investigate and, if necessary, remediate these sites
4 under a Consent Order, Voluntary Cleanup Agreement, or Brownfield Clean-
5 up Agreement. A number of the eight sites are now owned by third parties
6 and have been redeveloped for other uses.

7

8 Q. Please identify the eight MGP sites that have been identified by the DEC for
9 investigation and potential remediation by Central Hudson.

10 A. There are four sites in Dutchess County (River St. in Beacon, and Bayeux
11 St., Laurel St., and North Water St. in Poughkeepsie); two sites in Ulster
12 County (East Strand in Kingston and Ferry St. in Saugerties); one site in
13 Greene County (Water St. in Catskill); and one site in Orange County (Water
14 St. in Newburgh). The DEC has required Central Hudson to investigate and,
15 when believed necessary by DEC to protect human health and the
16 environment, to undertake remedial actions for these sites.

17

18 Q. What is the current status of each of these sites?

19 A. For the Newburgh (Water St.) site the remediation has been completed in
20 one area and pre-design studies have been completed at two additional
21 areas under a NYSDEC-approved consent agreement, for Laurel St-
22 Poughkeepsie, a remediation plan has been developed under Voluntary
23 Cleanup Agreement and is awaiting NYSDEC approval, for North Water St-

1 Poughkeepsie the site investigation is currently underway under NYSDEC-
2 approved Brownfield Clean-up Agreement; for the Kingston site a Brownfield
3 Clean-up Agreement application has been filed with NYSDEC, awaiting
4 NYSDEC approval prior to beginning site investigation; for the Catskill site
5 the investigation is currently underway under NYSDEC-approved Brownfield
6 Clean-up Agreement; and for the Saugerties (Ferry St.) and the Bayeaux St.-
7 Poughkeepsie sites, Central Hudson has informed DEC that it believes it
8 does not have any liability.

9 For the Beacon (River St.) site the remediation is also complete. In 2001,
10 following the completion of site investigations conducted by the Company
11 under the terms of a Voluntary Cleanup Agreement with the DEC, the DEC
12 and the NYS Department of Health (DOH) concluded that no further action
13 was required at the site. Subsequent to this determination, construction at
14 an adjacent property in 2006 discovered further soil contamination. This
15 contamination was remediated in 2007, through source removal, and the
16 remediation final report approved by the DEC in April 2008.

17

18 Q. What sites are currently included in the Company's MGP SIR Program?

19 A. Sites currently included in the SIR Program include: Newburgh,
20 Poughkeepsie-Laurel St., Poughkeepsie-North Water St., Kingston, and
21 Catskill.

22

23 Q. Of the \$7.8 million in forecast rate year MGP SIR costs, what portion is due

1 to the Newburgh site?

2 A. As shown on Exhibit ____ (JJB-1), Schedule A, approximately \$7.2 million
3 (or 92%) is due to the Newburgh site.

4

5 Q. Please explain how you developed the forecast rate year expenditures for
6 the Newburgh site.

7 A. I have been intimately involved with activities at the Newburgh site since
8 assuming my current position in 2005. Following over 10 years of
9 investigation under the terms of a 1995 DEC Consent Order, the DEC issued
10 a Proposed Remedial Action Plan ("PRAP") in February 2005. DEC held a
11 Public Hearing on the PRAP and has completed a public comment period.
12 DEC issued a Record of Decision ("ROD") in December 2005. The Company
13 requested in April 2006 that the Remedial Design schedule of 180 days as
14 specified in the Consent Order be extended until September 2006 for the
15 upland "source" area of the project and extended until December 2007 for
16 the shore and river areas of the project. The Remedial Work Plan for the
17 remediation of the upland "source" area of the Newburgh Site known as Area
18 A was filed and approved in November 2006. The work on this area started
19 in November 2006 and was completed in August 2007. The Project Manager
20 for this work reported to me. As is generally required, following completion of
21 the fieldwork, a construction completion report was submitted to the DEC in
22 February 2008. Comments on this report have been provided by the DEC
23 and the report is being revised. At this time, I believe that the work

1 concerning Area A has been essentially completed.
2 Company has been working with the DEC to complete the remedial work
3 plan for the shore and river areas, or areas B and C, of the Newburgh site.
4 In December 2007, the Company requested a further extension of the
5 deadline to complete the remedial work plan. DEC granted an extension of
6 the deadline to 12/31/08. Additional pre-design investigations were
7 completed in June 2008 and a conceptual remedial design has been
8 forwarded to the DEC. A draft remedial work plan will be completed and
9 submitted to DEC by October 1, 2008. The final remedial work plan is
10 required by December 31, 2008. We are working closely with DEC in
11 developing the remedial work plan and, as a result, expect that the remedial
12 work plan should be approved promptly after it is submitted. In Exhibit ____
13 (JJB-1), Schedule B, I have shown a breakdown of the rate year costs
14 forecast for the Newburgh site. This is based on the work done thus far at
15 the Newburgh site, including the work done in 2007, and additional work
16 done to date in developing the information needed for the remedial work plan
17 that will be submitted to DEC in October of this year. The forecasts shown in
18 Exhibit ____ (JJB-1) Schedule B reflect my best current estimates of the
19 activities that will be required at the Newburgh site, the costs for those
20 activities and the timing of the incurrence of those costs. In Exhibit ____
21 (JJB-1), Schedule B I have shown the major activities and costs on a
22 quarterly basis.

23

1 Assuming that the remedial work plan is completed and approved by DEC in
2 2008, as is currently expected, we expect that costs will be incurred in 2009
3 through 2011 for the remediation project, to be constructed over a three year
4 period beginning in 2009. Following completion of construction, a post-
5 construction operating and monitoring program is expected to be required.

6

7 Q. If the DEC authorization to proceed is not received in 2008, as you have
8 assumed, but sometime in 2009, would that necessarily cause the costs you
9 have forecast to be incurred during the rate year to be delayed until after the
10 rate year?

11 A. No. The major activity identified on Exhibit ____ (JJB-1) Schedule B during
12 2009 is the construction of a barrier wall that is needed to permit removal of
13 sediment in the Hudson River. The location of the sediment has been
14 delineated in prior work. The construction window for the barrier wall is
15 between March and December, and the likely duration of the in-river
16 construction portion of the task is approximately 20 weeks. If there were to
17 be a delay in receipt of DEC authorization to proceed of less than about six
18 months, there should be no significant impact on completing the barrier wall
19 during 2009. If the hypothetical delay were to be longer than six months, I
20 would evaluate the options at that time to shift the timing of other tasks so as
21 to complete the barrier wall during 2009. However, under the hypothetical
22 scenario of an extended delay, at some point the 2009 construction season
23 would be lost for this item.

1

2 Q. What is the current status of the Laurel St. site?

3 A. The Company has completed site investigations of the upland "source" area
4 under the terms of a Voluntary Cleanup Agreement with DEC. The remedial
5 work plan has been completed and is under review by the DEC and the NYS
6 DOH as of the preparation of my direct testimony. I am assuming that the
7 remedial work plan will be approved by DEC/DOH in the near future and that
8 the site remediation will be completed in 2008. Following completion of
9 construction, a post-construction operating and monitoring program is
10 expected to be required.

11

12 Q. Are other costs expected to be incurred at the Laurel St. site?

13 A. Yes. It is likely that additional costs will be incurred to conduct additional site
14 investigations the DEC may require for down gradient areas within the street
15 and the river. In addition, it is possible that the additional investigations will
16 indicate that additional remediation may be required.

17

18 Q. What is the current status of the North Water St. MGP site?

19 A. The Company has conducted site investigations at the North Water St. MGP
20 site under the terms of a Voluntary Cleanup Agreement with the DEC. In
21 May 2005, the agreement was converted to a Brownfield Cleanup
22 Agreement. Continued site investigation and remediation is required under
23 the Brownfield Cleanup Agreement. Based on the current status of the

1 investigation, which is in the remedial investigation stage, remediation
2 construction is expected to begin in 2012 on the upland "source" area of the
3 site. The proposed remediation action plan, pre-design investigation, and
4 remedial design all remain to be completed prior to any remediation work
5 commencing.

6

7 Q. What is the status of the Kingston and Catskill sites?

8 A. DEC has requested that the Company conduct additional site investigations
9 and remediation, if necessary, at these sites. Again, based on the current
10 status of the investigations at these sites, which are in the site investigation
11 stage, and the time generally required to complete the DEC-required
12 processes, remediation construction is not anticipated to occur prior to the
13 end of 2015. The proposed remediation action plan, pre-design
14 investigation, and remedial design all remain to be completed prior to any
15 remediation work commencing.

16

17 Q. Have you developed the actual costs incurred by Central Hudson for the
18 MGP SIR Program during the test year?

19 A. Yes. The actual costs incurred during the period 4/1/07 through 3/31/08
20 exclusive of Company labor are shown in Column 4 of Exhibit ____ (JJB-1),
21 Schedule A, and amount to \$5.346 million. This amount is greater than the
22 existing annual cash rate allowance of \$1.65 million for MGP costs.

23

1 Q. Have you developed a comparison of the existing annual cash rate
2 allowance to the actual costs incurred by Central Hudson for the MGP SIR
3 for each of the three rate years in the existing rate plan?

4 A. Yes. The actual costs incurred during the period July 1, 2006 through June
5 30, 2008, the latest actual information available as of the preparation of my
6 testimony are \$8.818 million. The projected costs for the period 7/1/08
7 through 6/30/09 are \$6.362 million. In summary, Central Hudson expended
8 and will expend over \$15.18 million, or \$11.88 million above the cash rate
9 allowance over the three-year term of the current rate plan. The actual
10 expenditures in excess of the rate allowance were and will be deferred for
11 future recovery, with carrying charges, per the existing rate plan. The
12 proposed treatment of these deferrals is discussed in the testimony of the
13 Revenue Requirements Panel.

14

15 Q. Please summarize your expectations of the costs that the Company will incur
16 during the rate year for the MGP SIR Program.

17 A. My cost forecasts are shown on Schedule A of Exhibit ____ (JJB-1), which
18 summarizes the non-labor costs for the annual period ending 6/30/10. These
19 forecasts are based on the expected scope of activities at each of the four
20 sites and on the expected level of costs for those activities. The unit costs
21 were developed based on my experience in managing the MGP Program
22 since 2005 and on information provided by the Company's consultants. As
23 discussed previously, the increased level of spending is primarily due to the

1 implementation of the Newburgh Remediation Work Plan. The shoreline and
2 river areas of this remediation project will be completed in 2009, 2010, and
3 2011. The other major project will be the completion of the investigation and
4 start of the remediation at the North Water Street site. Finally, continuing
5 investigations at the Laurel Street, Kingston, & Catskill sites and ongoing
6 O&M Activity at the sites are also included.

7

8 Q. Does this conclude your pre-filed testimony?

9 A. Yes, it does.