

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
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Case 09-G- 0718

**REBUTTAL TESTIMONY OF THE
DELIVERIES AND REVENUE PANEL**

**Patricia J. Clune
Chester W. Luce
Brian R. Maloney
Michael J. Purtell
Dean E. Schroeder
Shari M. Wells**

February 12, 2010

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1 Q. Please state the names of the members of this Deliveries and Revenues Panel (the
2 "Panel").

3 A. We are Patricia J. Clune, Chester W. Luce, Brian R. Maloney, Michael J. Purtell,
4 Dean E. Schroeder and Shari M. Wells.

5 Q. Did you sponsor the Direct Testimony of the Deliveries and Revenue Panel on
6 behalf of New York State Electric & Gas Corporation ("NYSEG") and the Direct
7 Testimony of the Deliveries and Revenue Panel on behalf of Rochester Gas and
8 Electric Corporation ("RG&E") in this proceeding?

9 A. Yes.

10 Q. What is the overall purpose of the Panel's rebuttal testimony?

11 A. We address the portion of the Staff Gas Rate Panel's testimony that addresses the
12 NYSEG gas deliveries forecast and the associated impact on revenues. We also
13 update the RG&E gas deliveries forecast and discuss the associated impact on
14 revenues.

15 Q. Did the Panel file revised exhibits as part of the Companies' update on December
16 4, 2009?

17 A. Yes. We updated Exhibit __ (NYSEGDRP-1) through Exhibit __ (NYSEGDRP-
18 6) and Exhibit __ (RGEDRP-1) through Exhibit __ (RGEDRP-6). The customer
19 and delivery unit forecasts were updated to a) incorporate the most recent
20 (November 13, 2009) economic forecasts from Moody's Economy.com and b)
21 correct an inconsistency between the estimating algorithm of Metrix ND Version
22 4.2.1 and Staff's statistical software EViews. In addition, the updated NYSEG

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1 Electric forecasts captured a reclassification of customers from residential to
2 commercial that became apparent after the filing of the rate cases. The NYSEG
3 Gas forecast was also updated to move the out-of-model adjustment from
4 municipal to commercial. Revenues were updated to reflect the revised customer
5 and delivery unit forecasts. In addition, the RG&E electric revenues were
6 updated to correct a double-count of economic development revenues in the rate
7 year.

8 Q. Is the Panel sponsoring any exhibits in support of its rebuttal testimony?

9 A. Yes. For NYSEG, Exhibit __ (NYSEGDRP-4) Rebuttal, Schedule A illustrates
10 NYSEG's natural gas delivery forecasts. The deliveries schedules include both
11 actual and weather normalized historical billed delivery data from January 1, 2008
12 through October 2009 and forecasted data through August 2011. Specifically,
13 pages 7 through 10 have been updated to reflect Staff's adjustment to NYSEG's
14 residential gas deliveries forecast, which we will discuss in further detail.
15 Exhibit __ (NYSEGDRP-6) Rebuttal presents projected natural gas delivery
16 revenue data for the rate year ending August 31, 2011 at current rates and has
17 been updated to reflect the changes in Exhibit __ (NYSEGDRP-4) Rebuttal,
18 Schedule A.

19 For RG&E, Exhibit __ (RGEDRP-4) Rebuttal, Schedule A illustrates RG&E's
20 natural gas delivery forecasts. The deliveries schedules include both actual and
21 weather normalized historical delivery data from January 1, 2008 through October
22 2009 and forecasted data through August 2011. Specifically, pages 7 through 10

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1 have been updated to reflect the corrections to the 10-year weather normalized
2 forecast, which we will discuss in further detail. Exhibit __ (RGEDRP-5)
3 Rebuttal shows the natural gas model specifications and the results of RG&E's
4 validation tests of the models used to develop the forecasts of monthly gas
5 deliveries and customers. It has been updated to reflect the corrections to the 10-
6 year weather normalized forecast. Exhibit __ (RGEDRP-6) Rebuttal presents
7 projected natural gas delivery revenue data for the rate year ending August 31,
8 2011 at current rates and has been updated to reflect the changes made in
9 Exhibit __ (RGEDRP-4) Rebuttal, Schedule A. In addition, Exhibit __ (DRP-8)
10 contains the interrogatory response referenced in our rebuttal testimony.

NYSEG

11
12 Q. Did Staff make any adjustments to the NYSEG electric customer or deliveries
13 forecasts?

14 A. No.

15 Q. Did Staff make any adjustments to the NYSEG gas customer forecast?

16 A. No.

17 Q. Did Staff make any adjustments to the NYSEG gas deliveries forecast?

18 A. Yes. Staff made two adjustments to the NYSEG gas deliveries forecast: one to
19 the residential deliveries forecast and one to the commercial deliveries forecast.

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1 Q. What adjustment did the Staff Gas Rates Panel make to NYSEG's residential gas
2 deliveries forecast?

3 A. The Staff Gas Rates Panel reduced NYSEG's forecasted residential use per
4 customer of 101.78 Dth per customer to 99.79 Dth per customer in the rate year
5 thereby reducing total rate year billed deliveries from 23,440,497 to 22,983,580
6 Dth.

7 Q. What is the basis for the Staff Gas Rates Panel's adjustment?

8 A. The Staff Gas Rates Panel testified that it compared the trends for the historical
9 use per customer to the Company's forecasted use per customer. Staff compared
10 the trend lines created in a 2-year, 3-year, 4-year, 5-year, 6-year, 7-year and 8-
11 year historical 12-month rolling weather normalized use per customer data to the
12 Company's 12-month rolling forecast use per customer in the rate year. Staff
13 claims that NYSEG's 12-month rolling residential use per customer is
14 significantly higher than the current 2-year trend line. Staff also asserts that its
15 analysis shows that residential use per customer trends for all periods analyzed
16 indicated a continuous decline at various rates. Staff testified that the historical
17 trends are tied directly to an increase in efficiencies of residential home and water
18 heating equipment, changes in shell construction of new homes, and federal and
19 state incentives offered for the promotion of energy efficiency.

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1 Q. Is the Panel willing to accept the Staff Gas Rates Panel's adjustment to NYSEG's
2 residential gas deliveries forecast?

3 A. Yes. Updated delivery forecasts are provided in Schedule A of Exhibit __
4 (NYSEGDRP-4) Rebuttal to reflect this adjustment.

5 Q. Do the changes to NYSEG's residential gas deliveries forecast also impact the
6 Billed Gas Delivery Revenues provided on Exhibit __ (NYSEGDRP-6)?

7 A. Yes. As provided on page 2 of Exhibit __ (NYSEGDRP-6) Rebuttal, Net Base
8 Delivery Charges are reduced by \$332,000 and Total Delivery Revenues are
9 reduced by \$423,000.

10 Q. What adjustment did the Staff Gas Rates Panel make to NYSEG's commercial gas
11 deliveries forecast?

12 A. The Staff Gas Rates Panel increases NYSEG's forecasted rate year commercial
13 use per customer from 484.27 Dth to 514.31 Dth. This adjustment increases total
14 rate year billed deliveries from 13,144,522 Dth to 13,960,598 Dth.

15 Q. What is the basis for the Staff Gas Rates Panel's adjustment?

16 A. The Staff Gas Rates Panel testified that its comparison of the Company's
17 commercial class 12-month rolling use per customer is significantly lower than its
18 current 2-year trend line. Staff also states that the Company's commercial
19 forecast 12-month rolling average includes the largest decrease in a 13-month
20 period that the Company has experienced in the last eight years. Staff asserts that
21 its 3-year, 4-year and 5-year trend line analysis all reflect increased 12-month
22 rolling usage per customer.

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1 Q. Does the Panel agree with Staff's adjustment to the NYSEG gas commercial
2 usage per customer?

3 A. No.

4 Q. Why not?

5 A. The NYSEG rate year forecast includes an adjustment for a large commercial
6 customer that, as of July 2009, started bypassing NYSEG's system and taking gas
7 directly from a transmission company. NYSEG's forecast takes into account the
8 loss of this customer's annual deliveries in the amount of 446,491 Dth. The Staff
9 Gas Rates Panel's use of the October 2009 twelve-month rolling use per customer
10 as a proxy for the August 2011 use per customer includes units in its commercial
11 forecast from this customer that has permanently bypassed NYSEG's system.
12 Therefore, the Staff Gas Rates Panel's adjustment is inappropriate.

13 Q. Would the Panel accept the Staff Gas Rates Panel's forecasted rate year
14 commercial use per customer if it were reduced to take into account the
15 commercial customer that is bypassing the system?

16 A. Yes.

17 **RG&E**

18 Q. Did Staff make any adjustments to the RG&E electric customer or deliveries
19 forecasts?

20 A. No.

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1 Q. Did Staff make any adjustments to the RG&E gas customer or deliveries
2 forecasts?

3 A. No.

4 Q. Is the Company making an adjustment to the RG&E gas deliveries forecast?

5 A. Yes. As set forth in Exhibit __ (DRP-8) (containing the Companies' response to
6 DPS-581 (NYRC-0898)), the Companies noted two minor errors in RG&E's 10-
7 year weather normalized forecast that was included in the December 4, 2009
8 update. When corrected, the adjustments essentially netted each other out in total
9 (the difference is 42,894 Dth). These corrections are reflected in Exhibit __
10 (RGEDRP-4) Rebuttal, Schedule A.

11 Q. Please describe the first correction.

12 A. The first correction is related to a formula in the weather normalization for
13 September and October 2009. Specifically, the formula was utilizing 30-year
14 rather than 10-year weather data for these two months. This has been corrected so
15 the formula now utilizes 10-year weather data.

16 Q. What is the second correction?

17 A. The second correction is in the residential model. Specifically, the MetrixND
18 software improperly assigned a positive price coefficient, which would indicate
19 that as prices increase, consumers would consume more. This has been corrected
20 so that the price coefficient is negative.

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1 Q. What is the net change for RG&E resulting from these two adjustments?

2 A. The change for RG&E resulting from these two adjustments is 42,894 Dth or
3 0.09% for the rate year using the 10-year weather normalization.

4 Q. What impact do these adjustments have on forecasted gas delivery revenues at
5 present rates?

6 A. As seen in Exhibit __ (RGEDRP-6) Rebuttal, base delivery revenues are
7 \$206,000 higher compared to the December 4, 2009 update. In addition, the
8 higher sales and base revenues result in minimal increases to two surcharges.

9 Q. Does this conclude the Panel's rebuttal testimony at this time?

10 A. Yes, it does.

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