BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

---x

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service	Case 17-E-____

---x

---x

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Gas Service	Case 17-G-____

---x

DIRECT TESTIMONY OF
ANTHONY S. CAMPAGIORNI
(POLICY AND OVERVIEW)

July 28, 2017

TABLE OF CONTENTS

DIRECT TESTIMONY OF ANTHONY S. CAMPAGIORNI

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Anthony S. Campagiorni. I am employed by Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") and my business address is 284 South Avenue, Poughkeepsie, New York 12601.

Q. In what capacity are you employed by Central Hudson and what is your scope of responsibilities?

A. My current position is Vice President of Regulatory and Governmental Affairs. In that capacity, I have overall responsibility for all matters pertaining to Regulatory Affairs, Regulatory Planning, Cost, Rates & Forecasts, Regulatory Legal, Government Affairs, Economic Development, Marketing, and Energy Transformation and Solutions.

Q. Please summarize your educational background and professional experience.

A. I hold a Bachelor of the Arts in Political Science from Syracuse University, a Juris Doctor from Seton Hall University School of Law, and a Master of Public Administration from Marist College. From 1995 to 1998, I was an attorney practicing commercial litigation for the firm of Heller & Laiks, P. A. in New Jersey. From 1998 to 2001, I worked for Empire State Development both as Counsel to the Department of Economic Development in Albany and Director of Business Development in the Mid-Hudson Regional office. From 2001 to 2002, I was Manager of Business Development at Mirant Corporation in Suffern, New York. I was Director, World Trade Business Recovery at Empire State Development in New York City from 2002 to 2003. I was President and CEO of the Hudson Valley Economic Development Corporation from 2003 to 2009 in New Windsor, New York. In 2009, I joined Central Hudson as Assistant Vice President with responsibilities for Governmental Affairs and Economic Development. In 2010, I was promoted to Vice-President and assumed roles of increasing responsibility over the years in Energy Efficiency, Real Property Services, Gas Marketing, Business Development and Commercial Account Services, and Energy Transformation and Solutions before assuming my current position of Vice President of Regulatory and Governmental Affairs in 2016.

Q. Have you previously testified before the New York State Public Service Commission ("Commission")?

A. Yes, I have testified before the Commission in Cases 14-E-0318 and 14-G-0319.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in these proceedings?

A. The purpose of my testimony is to provide an overview of the Company's rate filing. I begin by discussing several key actions and initiatives proposed by the Company in this filing. Next, I address several themes of the rate case filing such as modernizing the Company's electric, gas, and information technology infrastructure and developing a more robust, centralized, and formalized approach to training and developing Central

Hudson's employees. I also discuss the availability of net regulatory balances for moderation of the rate increases via the use of bill credits. My testimony then addresses a few key incentives and performance adjustments such as the Earning Adjustment Mechanisms and Negative/Positive Revenue Adjustment Mechanisms. I then review several accounting, forecasting, and rate design issues and describe the Company's proposed distributed energy resource ("DER") utilization and demonstration project. I conclude by introducing the Company's panels and witnesses.

Q. Are you sponsoring any exhibits in support of your testimony?

A. No.

Q. When did Central Hudson last seek a major base rate increase?

A. Central Hudson last sought a rate increase when it filed Cases 14-E-0318 and 14-G-0319 on July 25, 2014. A Final Joint Proposal for a 3-year Rate Plan was signed by: Central Hudson; the Staff of the Department of Public Service ("Staff"); Multiple Intervenors; Pace Energy and Climate Center; Sabin Center for Climate Change Law at Columbia Law School; and the Retail Energy Supply Association on April 22, 2015. The Commission issued its Order Approving Rate Plan on June 17, 2015 ("2015 Rate Plan"), which adopted the recommendations of the Final Joint Proposal with certain modifications.

Q. Please provide a brief description of the Company's current rate filing.

A. This filing seeks increases in base electric and gas delivery rates for the twelve months ending June 30, 2019 (the “Rate Year”). The Company has also attached schedules showing two additional rate years of information solely for use in any settlement negotiations regarding a multi-year rate plan. The Company’s rate filing reflects the core obligation of the Company to its customers – to provide safe and reliable service at just and reasonable rates. The safety and reliability of the Company’s electric and gas transmission and distribution systems remain critical to serving our customers. Safety and reliability are therefore fundamental underpinnings of the Company’s rate filing themes of system modernization, enhancing customer satisfaction, and furthering employee training and development. As the electric grid becomes more interconnected to support greater penetrations of DER and technologically more sophisticated, the Company is also investing in system modernization and additional employee training. Although the Company’s cost to serve its customers is increasing to fulfill its obligation to serve and meet customer expectations, the filing also demonstrates the Company’s commitment to provide service at reasonable rates by use of available moderation through bill credits.

DIRECT TESTIMONY OF ANTHONY S. CAMPAGIORNI

Q. Has the Company addressed in this testimony the ongoing Comprehensive Management and Operations Audit, filed on March 17, 2016 in Case 16-M-0001?

A. No. As that audit and related recommendations are still pending at the time of this filing, the Company necessarily reserves the right to provide supplemental testimony that addresses audit-related matters.

Q. What are some of the key initiatives that the Company is seeking to implement as part of its current rate filing?

A. The Company's initiatives include continued and increased modernization of its electric, gas, and information technology ("IT") systems; enhancements to its customer service offerings and engagement; and enhanced training and education of its workforce.

Q. Please describe the Company's modernization initiative.

A. The first key initiative that the Company seeks to continue is the further modernization of its electric, gas, and IT infrastructure.

Q. Why is modernization for the electric business important at this time?

A. The electric grid is in the midst of unprecedented change as it evolves toward a "smarter," more integrated, distributed and complex grid. This transformation requires the installation of new devices and technologies to meet the goal of achieving a more dynamic and efficient energy future through the growth of DERs. While new technology investment and installations are occurring, the Company's infrastructure continues to age. In the electric business, more than 33% of the Company's 115kV and

69kV transmission lines are 75 years old and older. The average substation transformer is 35 years old. And more than 40% of the Company’s distribution pole plant is over 50 years old. Appropriate investment in the electric business requires the replacement of aging infrastructure while also investing to facilitate the integration of DERs through the Company’s continued investment in Distribution Automation, Distribution Management System (“DMS”), and Network Strategy. These investments are part of the Company’s broader plan to integrate system planning, manage grid operations, and enable the transition to the role of Distributed System Platform (“DSP”) provider as discussed further in the testimony of the DSP Panel.

Q. Is modernization for the gas business similarly important at this time?

A. Yes. On the gas side of our business, the Company will continue to aggressively replace its Leak Prone Pipe (“LPP”), much of which was placed into service prior to the 1950s. The Company proposes to continue to replace LPP at its current rate of 15 miles per year. At this rate, the Company’s LPP inventory should be completely replaced within fifteen years. Additionally, the Company proposes to continue the LPP incentive to replace up to an additional five miles per year which could shorten the length of time required to completely eliminate or replace LPP. As LPP is being replaced, the Company is also making other enhancements for pipeline integrity to meet new and anticipated mandates and safety requirements as discussed further in the testimony of the Gas

Safety Panel. In addition, the Business Development Panel addresses the potential growth of the natural gas system through highly targeted expansions.

Q. Please explain why modernization of certain components of the Company's IT system is also required at this time.

A. Modernization is required for two reasons. First, the increasing pace of change in the business and regulatory environment coupled with customers' heightened expectations of personalization and mobility are the driving forces for IT modernization. Second, the Company's IT systems are limited and outdated by any measure, and these limitations are further accentuated given rapid technological changes. Specifically, the Company's Customer Information System ("CIS") has served the Company well but was put into service more than 35 years ago in 1982 and was designed for use in a vertically integrated utility model. Company Witness Holtermann describes current limitations of CIS and the need for the Company to undertake a measured and strategic modernization of that system.

Q. What initiatives is the Company proposing to improve customer service and meet higher customer expectations?

A. A no fee credit card payment option is proposed to provide customers with the ability to pay their bill by credit card without being assessed an additional service charge to do so. This payment option allows the Company to meet modern customer expectations. The Company's

Customer Engagement Panel also proposes Company specific low income informational meetings in order for all stakeholders to further inform the Company's understanding of how to more effectively utilize energy efficiency, demand response and access to solar programs for this important and vulnerable customer segment. Finally, the Customer Engagement Panel describes new and enhanced initiatives to improve customer engagement and better meet customer expectations.

Q. Please describe the Company's new training initiative.

A. The Company proposes a new training initiative for its most valuable asset—its employees. As the electric, gas, and IT systems modernize and increase in complexity, so too must the skills of the Company's workforce. The Company is proposing a multi-year initiative to enhance training by establishing an organization and a dedicated training center to allow the Company to educate its changing workforce in a safe, controlled environment that will enhance learning opportunities and employee skill development. This initiative is further described in the testimony of the Company's Training and Development Panel.

Q. Is the Company proposing to continue any initiatives approved in the 2015 Rate Plan?

A. Yes. The Company proposes to continue and enhance many of the successful programs contained in the 2015 Rate Plan. These current and ongoing initiatives include:

- The continued build-out of the Company's foundational investments in its Network Strategy, Distribution Automation and Distribution Management System;
- Continued outreach to further the successful implementation of the Company's "Peak Perks" program--a non-wires alternative that is likely to meet its first MW reduction milestone in August 2017-- just over one year into the program-- while producing significant customer savings by deferring or eliminating otherwise necessary Company capital investments;
- Continued investment in the functionality and optimization of the Company's customer engagement platform, CenHub. This continued investment will extend customer self-service product and service offerings and increase customer engagement by providing information about a customer's energy usage paired with the ability to purchase products and services. As an example, more than 14,000 product transactions have taken place in CenHub's first year in operation;
- Continued investment in interconnection portals and hosting capacity studies in order to facilitate the continued successful interconnection of DER customers;
- Meeting and exceeding annual mileage targets for LPP replacement;

- Continued refinement of the Company's highly successful Energy Efficiency programs that have consistently exceeded energy savings targets while achieving among the lowest costs per kWh savings in the state; and
- Continuation of opt-in Advanced Metering Infrastructure ("AMI") through Insights+ for those customers who see value in this option. Unlike other recent utility rate filings, the Company's benefit/cost analysis did not demonstrate a net benefit for a system-wide or partial deployment of AMI. Rather, the Company will continue to offer its Insights+ option that allows customers to choose to receive the granular data provided by an AMI meter.

Q. What revenue increases are necessary to achieve the modernization initiatives described above and other key goals?

A. The proposed tariffs reflect rate changes that produce an electric delivery revenue increase of $43.0 million and a gas delivery revenue increase of $18.1 million. A summary of the major cost drivers and cost reductions that have been incorporated in this filing are detailed in the Revenue Requirement Panel's Exhibit __ (RRP-1). These amounts represent the difference between the Company's authorized revenue requirements for Rate Year 3 under the 2015 Rate Plan and the forecasted revenue requirements for the Rate Year. The new rates are designed to recover the revenue requirement developed by the Company's Revenue

Requirements Panel and supported by the Company's cost of service studies.

Q. Has the Company moderated the revenue increases it is seeking?

A. Yes, the Company has identified several areas of mitigation to the proposed revenue increases including pensions and other post-employment benefits ("OPEBs"), property taxes, depreciation and environmental Site Investigation and Remediation ("SIR") cost recovery that are reflected in the development of revenue requirements. The mitigation from pensions and OPEBs is further discussed by Company Witness McGinnis, and the mitigation resulting from property tax measures is addressed by the Property Tax Panel. The Company's Accounting and Tax Panel has continued the existing depreciation rates even though the depreciation study supports an increase. The Site Investigation and Remediation Panel discusses the utilization of a three year average of historical expense to set the rate allowance rather than the cash forecast for the Rate Year which equates to a lower revenue requirement in the amount of approximately $8 million. The filing also contains a 1% productivity credit (based on labor, employee benefits including pension and OPEBs, and payroll taxes) that has been customarily used by the Commission to capture productivity gains for the benefit of customers.

Finally, there are projected net regulatory liability balances for both electric and gas that are available to moderate the bill impact of the requested rate increases through bill credits. The Company currently projects to have available $22 million of electric moderators and $10 million of gas moderators for that purpose. The Company is open to discussions with Staff and other parties regarding the amount of available moderation to be used to diminish the bill impact to customers. For the purposes of this filing, the Company has utilized all available electric and gas moderators to mitigate customer bill impact.

Q. Please describe the source of the projected balance sheet moderators you previously identified.

A. There are a number of deferred items on the Company's balance sheet that the Revenue Requirements Panel has projected and listed in Exhibit ___ (RRP-7).

Q. Are there other areas of potential rate moderation?

A. Yes. The Accounting and Tax Panel discusses a potential change to the accounting of Compensation—Retirement Benefits, which is another source of moderation not currently reflected in the filing.

III. <u>COST DRIVERS</u>

Q. What are the major categories of cost that are driving the need for the Company to seek rate relief at this time?

A. There are three primary cost drivers: 1) increasing electric, gas, and common capital expenditures; 2) increasing expense items related to line clearance, the low income program, information technology and depreciation and return on rate base; and 3) the need for a higher return on equity and a thicker equity layer in the current business and regulatory environment.

Q. Please describe the main drivers underlying the Company's capital expenditure plan.

A. The increase in the capital program is being driven by: 1) the need to modernize the electric transmission and distribution system by replacing aging infrastructure and installing new grid technology in the electric business; 2) the replacement and elimination of LPP in the gas business; 3) the modernization of the IT systems; and 4) the pressing need for a dedicated training and education center for the Company's workforce. As described in more detail by Company Witness Haering, Central Hudson's investments are not primarily driven by load related growth but rather by the need to modernize its existing electrical system through a methodical replacement of outdated and aging infrastructure. In addition, the Company continues to advance its multi-year Network Strategy, Distribution Automation, and DMS work that it initiated as part of the 2015 Rate Plan. As part of these initiatives, the Company is proposing the construction of a Primary Control Center as further discussed by the DSP Panel. Both Company Witness Haering and the Gas Safety Panel discuss the Company's LPP program and the continued replacement of 15 miles per year as the key cost driver for gas capital expenditures. Company Witness Holtermann testifies about the Company's need to modernize its CIS and the overall IT architecture while continuing to focus on the security of customer and corporate information, and the need to continue investing in key business solutions. Company Witness Holtermann and the Customer Engagement Panel also discuss the Company's digital interactive customer engagement initiatives to enhance the overall customer experience. Finally, the Company's Training and Development Panel discusses the need for an enhanced training facility to train, educate and develop the Company's existing and future workforce and ensure the continued provision of safe and reliable service.

Q. Please describe the second cost driver – expense cost elements – that drives the Company's need for a rate increase at this time.

A. The necessity of the Company to re-establish a four-year cycle for distribution line clearance and a five-year cycle for the transmission Right of Way ("ROW") maintenance program, as well as the need for a significant increase in funding for the removal of danger trees, is the largest individual expense cost driver of the rate filing. Additional expense drivers of the rate filing are the increase in depreciation and return requirement on rate base related to the increase in plant additions that were previously identified, increased expenses in IT, incremental electric transmission and distribution maintenance expense due to increased capital spending, and increased funding to implement a new low income bill discount program as ordered in Case 14-M-0565.

Q. Can you please provide more detail regarding the line clearance cost element?

A. Yes. Providing necessary funding for the Company's Line Clearance Program to allow the Company to work towards re-establishment of a four-year distribution line clearance program and a five-year transmission ROW maintenance program is imperative to providing safe and reliable service. As detailed in the testimonies of Company Witness Dubois and the Electric Reliability Panel as well as in the Company's May 5, 2017 Petition in Case 17-E-0250, the Company is facing a number of obstacles that are negatively impacting its line clearance efforts. These obstacles include current insufficient levels of funding from the 2015 Rate Plan to remain on the applicable four and five year cycles, danger trees caused by the Emerald Ash Borer and other tree related diseases, and strict federal and state environmental regulations protecting the Indiana and Northern Long Eared Bat that limit the months and particular areas in which line clearance can occur. Line clearance is the single most cost effective way to improve customer reliability and the Company seeks to use more aggressive trimming techniques on portions of the system with the highest exposure to danger trees and where applying resources would have the biggest impact. The Company requires an additional $12.1 million over current rates for line clearance as detailed further by Company Witness Dubois.

Q. Please continue with additional details regarding the other major expense cost drivers.

A. The Low Income Panel discusses the additional $4.3 million required in delivery rates to institute the new Low Income bill discount program as approved by the Commission's February 17, 2017 Order Approving Implementation Plans with Modifications in Case 14-M-0565. The Company's new Low Income program is projected to double the amount of eligible participants in the program from approximately 12,000 participants today to 25,000. The Company's projected costs associated with the new Low Income bill discounts assumes a multi-year phased-in approach to full low income customer participation – 60% in the first year of the program, increasing to 80% and 100% in the subsequent two years – as the Company believes it will take several years to achieve full projected participation levels. Because of this uncertainty, the Company also seeks full symmetrical deferral of the Low Income program expenses.

Q. Please explain the third cost driver of the rate case, an increased need for a higher return on equity and a higher equity ratio in the Company's capitalization.

A. As explained in the Company's Finance Panel's testimony and by Company Witness Bulkley, the Company's filing contains a return on equity ("ROE") of 9.5% with a 50% equity ratio to maintain the Company's current financial integrity and to maintain the Company's current capitalization. Maintaining a strong credit rating is in the best interest of customers because it lowers borrowing costs, which are ultimately paid for by customers. It also maintains the Company's ability to secure affordable capital. Company Witness Bulkley testifies, in part, that business and regulatory risks warrant an increase in the Company's ROE and the equity layer. These business risks include the imposition of negative revenue adjustments ("NRAs") – a potential exposure of more than $10 million annually – in the 2015 Rate Plan.

IV. INCENTIVES AND PERFORMACE ADJUSTMENTS

Q. What incentives and performance adjustments does the Company's rate filing reflect?

A. The Company is proposing to: 1) implement Earnings Adjustment Mechanisms ("EAMs"); 2) reduce certain NRAs which were doubled in Case 12-M-0192; and 3) introduce additional positive revenue adjustments ("PRAs").

Q. Please describe the Company's proposal to implement EAMs as set forth in the Commission's Reforming Energy Vision ("REV") Track 2 Order.

A. As further described in the testimony of the Earnings Adjustment Mechanism Panel, the Company proposes 100 basis points of EAM opportunities split among six EAMs that are responsive to Commission and state energy policy. The Company proposes EAMs for the following measures: 1) Energy Efficiency; 2) Carbon Intensity; 3) System Efficiency; 4) Interconnection; 5) Customer Engagement; and 6) DER utilization.

Notably, the Company's carbon intensity metric will be the first of its kind in New York State.

Q. Does the Company propose changes to its current performance adjustment measures?

A. Yes. The Company proposes to reduce its NRAs that were doubled as part of the Commission's Order Authorizing Acquisition Subject to Conditions in Case 12-M-0192 ("Acquisition Order"). The Company also proposes the introduction of several new PRA opportunities.

Q. Why is the Company proposing to eliminate the doubling of NRAs implemented in the Acquisition Order?

A. The NRAs were doubled at the time of the merger to prevent the perceived potential for post-merger deterioration in service and safety metrics. The Company has demonstrated that its customer service and safety metrics have not deteriorated in the years since the Acquisition Order. Consequently, the Company seeks to return NRAs to the levels that existed prior to the Acquisition Order and, particularly with the gas NRAs, that are consistent with statewide averages. Currently the Company is subject to 229 basis points of NRAs plus an additional $3,800,000 of penalties related to Customer Satisfaction and PSC Complaint targets for a total exposure in excess of $10 million. Conversely, the Company has only 20 basis points of PRAs---15 for gas (2 basis points for each mile of LPP replaced in excess of mileage targets up to 5 miles, and for gas expansion 1 basis point for every 200 customers above target, capped at 5 basis points) and 5 basis points of potential PRAs in the electric and gas business (for fewer than 11,000 annual service terminations). Total potential PRAs equal approximately $1,285,000 for the Company in Rate Year 3 of the 2015 Rate Plan.

The Company proposes modest increases in the PRAs as an opportunity to earn incentives for superior customer service and gas safety performance in order to provide improved balance in the Company's performance adjustment mechanisms. The Company seeks 19 basis points of PRAs and an additional $950,000 in incentive dollars if superior Customer Satisfaction and PSC Complaint targets are achieved for a total of approximately $2 million. These proposals are further described and supported in the testimonies of the Company's Customer Service Panel and Gas Safety Panel.

Q. Does the Company propose any modifications to its current performance metrics?

A. Yes. The Company seeks to modify the NRA related to its System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI") targets and to eliminate the NRAs associated with Company/Contractor damages and mismark damages as these are measured in the combined total damages metric.

The Company's Electric Reliability Panel proposes that SAIFI and CAIDI metrics exclude certain outages that are beyond the Company's control (danger trees including unexpected deforestation, motor vehicle accidents, vandalism and other criminal activity, and foreign objects) and outages occurring during times when Central Hudson is providing mutual aid assistance. Outages due to both danger trees/unexpected deforestation and motor vehicle accidents have trended upward over the past five years and are having a significant impact on the Company's reliability indices. These modifications are appropriate because they are outside the Company's control as described by the Electric Reliability Panel.

The Gas Safety Panel describes retaining a single total damage metric that includes Company/Company Contractor damages and mismark damages as well as other modifications to existing metrics including a dead-band around the total damage metric and the potential to utilize a three year average for this metric. These modifications are appropriate because they are either outside of the Company's ability to control or unfairly penalize the Company due to its relatively small size in comparison to the other New York State gas local distribution companies as described by the Gas Safety Panel.

V. ACCOUNTING TOPICS

Q. Does the Company address accounting in its rate filing?

A. Yes. As discussed more fully by the Accounting and Tax Panel, the Company addresses: 1) certain deferrals it is seeking; 2) the depreciation study results and its impact on depreciation expense and the depreciation reserve; 3) the need to establish proper rate recovery due to recent accounting standards updates for incentives earned by the Company; 4) Accounting for Pension and OPEBs; and 5) a Rate Adjustment Mechanism ("RAM") that the Company wishes to institute.

Q. Is the Company seeking any new deferrals or modifications to existing deferrals with this rate filing?

A. Yes. The Company proposes several additional deferrals while retaining most of the deferral mechanisms currently in place. For example, the Company is seeking additional deferrals for: 1) bad debt/uncollectibles; 2) credit/debit card fees; 3) gas leak repairs to expense; and 4) cloud based IT solutions. A complete listing of new and existing deferrals is included in the testimony and exhibits of the Company's Accounting and Tax Panel.

Q. Does the Company propose any mechanism to better provide for timely recovery or pass back of deferred balances that build up during the term of the rate plan?

A. Yes. As more fully described by the Accounting and Tax Panel and the Forecasting and Rates Panel, the Company proposes the institution of a RAM that would allow for timely recovery from customers for certain deferred balances and carrying charges and avoid the excessive build-up of deferred balances.

Q. Does the Company wish to address any accounting issues surrounding the achievement by the Company of earning incentives?

A. Yes. As referenced in the Accounting and Tax Panel, Generally Accepted Accounting Principles allow full recognition of incentive revenue when it is collected within 24 months from when it is earned. As a result, the Company proposes that any earned incentives should be collected within 24 months so that the incentive earned is recovered in a time period that approximates when it was earned. As the Commission seeks to reform the utility business model, its regulation must accordingly reinforce its commitment to this new vision of the utility business model by appropriately rewarding utilities when they achieve key state driven policy incentives and allowing timely recovery.

VI. FORECASTING AND RATE DESIGN

Q. Does the Company suggest changes to forecasting and rate design in this rate filing?

A. Yes. As discussed by the Forecasting and Rate Design Panel, the Company proposes: 1) to expand the existing revenue decoupling mechanisms ("RDM") to include electric Service Classification ("S.C.") 3 Large Power Primary Service, S.C. 5 Area Lighting, S.C. 8 Public Street & Highway Lighting ("Street lighting"), S.C. 9 Traffic Signals and S.C.13 Large Power Substation and Transmission electric customers and to include gas S.C. 11 Firm Transportation; 2) maximum daily quantity ("MDQ") based rates of its gas S.C. 11 customers; 3) to eliminate declining blocks rates in the gas business in favor of flat rates; 4) to increase the customer charge for residential customers; and 5) to add a "service size" charge for residential customers utilizing more than 9,000 kWh on an annual basis. For the last two items, the Company seeks to better align its cost of service with its cost recovery as described in more detail by the Forecasting and Rates Panel.

VII. DER UTILIZATION AND DEMONSTRATION PROJECTS

Q. Does the Company propose any new projects consistent with the principles outlined initially in Case 14-M-0101 and subsequent rate proceedings?

A. Yes, the Company believes it must continue to innovate and develop projects that benefit customers and the Company in advancing penetration of DERs, lower customer costs, and/or defer future capital investments made by the Company. To that end, the Company proposes projects related to energy storage, refined real time pricing, and a non-pipes alternative for the gas system. As described more fully by the DSP Panel, the Company will be supporting testimony regarding two types of battery storage projects – "Storage Assisted Interconnection" to help support increased integration of DERs and "Reliability-Based" storage in areas of the system where customers are experiencing significantly higher number of outages compared to the average customer. These battery storage projects are consistent with the Commission's directives in its Order on Distribution System Implementation Plan Filings issued on March 9, 2017 in Case 16-M-0411. The DSP Panel will also introduce the Refined Real Time Pricing project which is designed to provide customers with granular pricing at both the transmission and distribution level in real time and will allow the Company to assess the impact of system load due to more granular pricing. Finally, the Company's Gas Safety Panel supports a non-pipes alternative in order to respond to winter gas peak day demands on constrained areas of the natural gas system. The Company will identify areas that, based on current load growth, will require future reinforcement through the installation of additional piping or a regulator station. Similar to the Company's electric non-wires alternative, the Company will be looking to defer or avoid this gas capital investment through a demand reduction program and proposes to share those cost savings between the Company and gas customers.

Q. Would you please introduce the panels and witnesses that will provide testimony in support of the Company's filing?

A. The panels and witnesses that will provide testimony in support of the Company's filing are listed in Table 1 below.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

DIRECT TESTIMONY OF ANTHONY S. CAMPAGIORNI

Table 1: Company Panels and Witnesses

Panel / Witness	Major Topics of Interest
Accounting & Tax Panel	Accounting information; taxes; net plant; CWIP; deferrals
Finance Panel	Capital structure and cost of capital
Ann Bulkley – Concentric	Capital structure and cost of capital
Revenue Requirement Panel	Projection of income; rate base; rate moderators
Property Tax Panel	Property tax projections
Earnings Adjustment Mechanism Panel	EAMs
Paul Haering	Electric, gas and common capital expenditures
Mark Holtermann	IT capital and O&M
Electric Reliability Panel	Reliability targets
Don Dubois	T&D trimming projections; T&D maintenance expense
Gas Safety Panel	Gas safety metrics; infrastructure enhancements; Non-Pipes Alternatives
Sharon McGinnis	Staffing, compensation and benefits
Training & Development Panel	Training curriculum and facilities
Business Development Panel	Economic Development; Gas Expansion
DSP Panel	DER; distribution system operations; NPA; battery storage; REV demo
Richard Nuzzo	Security expense and staffing projections
Customer Service Panel	Performance metrics; uncollectible accounts; credit/debit card payment
Low Income Panel	Low Income Program projections
Customer Engagement Panel	Digital customer initiatives
Jeff May	Electric and gas procurement; forecasting and hedging
Site Investigation & Remediation Panel	SIR projections and project status
Cost of Service Panel	Embedded and marginal cost of service studies
Forecasting & Rates Panel	Electric and gas forecasting; rate design

Q. Does this conclude your testimony at this time?

A. Yes, it does.