

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
Central Hudson Gas & Electric Corporation
for Electric Service

Case 17-E-_____

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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-_____

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**DIRECT TESTIMONY OF THE
SITE INVESTIGATION AND REMEDIATION PANEL**

July 28, 2017

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2

TABLE OF CONTENTS

3

I. INTRODUCTION 1

4

II. PURPOSE OF TESTIMONY..... 4

5

III. SIR COSTS..... 5

6

IV. SIR PROGRAM OVERVIEW 7

7

V. PROJECTED EXPENDITURES 11

8

VI. SIR COMPLIANCE 14

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

I. INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
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21
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Q. Please state the names of the members of the Site Investigation and Remediation Panel (“Panel”).

A. Our names are Wayne J. Mancroni and Mark L. McLean.

Q. Mr. Mancroni, please state your current employer and business address.

A. 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. Mr. Mancroni, in what capacity are you employed by Central Hudson and what is your scope of responsibilities?

A. I am the Manager of Environmental Affairs. In that capacity, I am responsible for environmental compliance as it pertains to work activities performed directly by or for Central Hudson in operating, maintaining, and/or constructing the Company’s gas and electric transmission and distribution systems. In addition, I am responsible for Central Hudson’s Site Investigation and Remediation (“SIR”) Program.

Q. Mr. Mancroni, what is your educational background and professional experience?

A. I graduated from West Virginia University with a Bachelor of Science Degree in the fall of 1979. I joined Central Hudson as an Environmental Specialist in 1987. Over the years, I progressed within the Company’s environmental group until I was promoted and transferred into our

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 Customer Services Group as a Commercial New Business Counselor in
2 the summer of 2003. I spent just under five years in the Customer
3 Services Group and, in June 2008, I was promoted and transferred to the
4 new job title of Senior Environmental Research & Technical Specialist. In
5 this new position, I was in charge of all technical and regulatory matters
6 associated with manufactured gas plants (“MGPs”) as well as serving as
7 the Company’s Research & Development Administrator. In the spring of
8 2016, I was promoted to my current position as the Manager of
9 Environmental Affairs.

10 Q. Mr. Mancroni, have you previously testified before the New York State
11 Public Service Commission (“PSC” or the “Commission”)?

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

14 Q. Mr. McLean, please state your current employer and business address.

15 A. I am employed by Central Hudson and my business address is 284 South
16 Avenue, Poughkeepsie, New York 12601.

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

19 A. I am the Senior Project Manager of Environmental Affairs. In that
20 capacity, I am responsible for supervising and implementing all of Central
21 Hudson’s SIR-related work activities associated with each of our
22 respective sites.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 Q. Mr. McLean, what is your educational background and professional
2 experience?

3 A. I graduated from the State University of New York at New Paltz, with a
4 Bachelor of Science Degree in 1987. I continued my education and
5 received a Master of Science Degree from the University of Maryland,
6 University College in 2009. I initially joined Central Hudson in 1988 as a
7 Mechanic's Helper at one of its formerly-owned fossil fuel power plants. In
8 1990, I was promoted into the Company's Environmental Affairs Division
9 as an Environmental Specialist. In that capacity, I was responsible for
10 managing the transportation, storage, and disposal of hazardous and
11 industrial wastes generated from Company-owned facilities. In 1992, I
12 was promoted to Environmental Coordinator and my responsibilities were
13 expanded to include MGP site assessment efforts. During 1998, I was
14 assigned to the fossil fuel power plants as Environmental Supervisor until
15 the Company divested and sold its fossil fuel power plants in 2001. At that
16 juncture, I was retained by the new owner of the power plants as its
17 Director of Environmental Services. I rejoined Central Hudson in 2012 as
18 the Environmental & MGP Project Manager. In the spring of 2015, I was
19 promoted to my current position as Senior Project Manager.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 Q. Mr. McLean, have you previously testified before the Commission?

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

4 **II. PURPOSE OF TESTIMONY**

5 Q. What is the purpose of the Panel's testimony in these proceedings?

6 A. The purpose of our testimony is to describe Central Hudson's SIR
7 Program, including the investigation and remediation of the Company's
8 former MGP sites and other non-MGP related sites. We provide: 1) an
9 overview of Central Hudson's SIR Program; and 2) cost projections for
10 Central Hudson's SIR Program expenditures mandated by consent orders,
11 regulations, or agreements. In addition, the Panel also addresses the
12 Company's compliance with the rate case filing requirements adopted by
13 the Commission in its Order Concerning Costs for Site Investigation and
14 Remediation, issued November 28, 2012 in Case 11-M-0034 ("SIR
15 Order").

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

17 A. Yes, we are sponsoring two exhibits. The first is Exhibit __ (SIRP-1)
18 entitled "Historic and Projected Non-Labor Costs Site Investigation and
19 Remediation Program" which depicts the site-by-site forecasts for the
20 twelve-month period ending June 30, 2019 ("Rate Year"). Exhibit __
21 (SIRP-1) also summarizes the non-labor actual costs incurred during the
22 period April 1, 2014 through March 31, 2017 and projected costs for the

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 annual periods ending December 31, 2017 through December 31, 2021.

2 The second exhibit, Exhibit __ (SIRP-2) entitled “Projected Non-Labor
3 Costs for the North Water Street Manufactured Gas Plant Site
4 Investigation and Remediation Program,” depicts a more detailed
5 projected quarterly cost breakdown for the North Water Street MGP site
6 that will have a significant level of remediation-related activities expected
7 to occur within the Rate Year and for the annual periods ending December
8 31, 2017 through December 31, 2021.

9 **III. SIR COSTS**

10 Q. Have you developed the actual cost incurred by Central Hudson for the
11 SIR Program during the period April 1, 2014 through March 31, 2017?

12 A. Yes. The actual cost incurred during the period April 1, 2014 through
13 March 31, 2017, exclusive of Company labor, was \$23.9 million, as shown
14 in Exhibit __ (SIRP-1). On average, this is \$8.0 million per year and, when
15 adjusted for inflation, the average is \$8.1 million per year, which is greater
16 than the RY3 rate allowance approved in the Order Approving Rate Plan
17 in Cases 14-E-0318 and 14-G-0319 (“2015 Rate Plan”) of \$6.4 million for
18 SIR Program costs.

19 Q. Have you developed a recommendation for the rate allowance for the
20 costs incurred by Central Hudson for the SIR Program for the Rate Year?

21 A. Yes. We propose to use the actual three-year average cost from April 1,
22 2014 through March 31, 2017 of \$8.1 million, adjusted for inflation, as the

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 basis for the rate allowance. The actual expenditures in excess of or
2 below the rate allowance should be deferred for future recovery or used to
3 fund future SIR costs, with carrying charges, in the same manner as
4 authorized in Central Hudson's 2015 Rate Plan. The proposed treatment
5 of these and other deferrals is discussed in the testimony of the
6 Accounting and Tax Panel.

7 Q. Is this proposed ratemaking projection methodology the same general
8 methodology the Company employed to project SIR costs in the 2015
9 Rate Plan?

10 A. Yes, the method employed to project SIR Program costs in Cases 14-E-
11 0318 and 14-G-0319 is very similar to that described above. The notable
12 difference is the number of annual periods used to calculate the rate
13 allowance. In this filing, the Company employed a three-year average to
14 be consistent with the averaging method used to determine other
15 operating expenses.

16 Q. Does the remainder of your testimony focus on forecasts for actual SIR
17 Program cash expenditures or does it focus on revenue requirement?

18 A. The remainder of our testimony is focused on forecasted SIR Program
19 cash expenditures.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

IV. SIR PROGRAM OVERVIEW

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Q. Please provide an overview of Central Hudson’s SIR Program.

A. Central Hudson has an ongoing program for the management of its former MGP sites and other non-MGP related environmental contamination sites. The New York State Department of Environmental Conservation (“NYSDEC”) regulates the investigation and remediation process for all contaminated sites under remedial programs administered by the Division of Environmental Remediation. In addition, the Division of Environmental Remediation is also responsible for administrating remedial or corrective measures that may be necessary at sites that are permitted by the NYSDEC, under the authority granted by the United States Environmental Protection Agency (“USEPA”), to treat, store, and/or dispose of regulated hazardous wastes. The NYSDEC regulates programs for Central Hudson sites, under a NYSDEC Consent Order, the Voluntary Cleanup Program, the Brownfield Cleanup Program, or hazardous waste storage permits. The SIR process applicable to each respective site, however, is carried out in accordance with a NYSDEC-issued guidance document entitled “DER-10/Technical Guidance for Site Investigation and Remediation” or provisions within the USEPA Resource Conservation and Recovery Act (“RCRA”) Corrective Action Program for permitted sites. Guidance provided in either case identifies the scope of activities required to satisfy minimum requirements for the life cycle of the site-specific remedial

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 program, all of which seek to facilitate consistent, accurate, efficient, and
2 timely completion of remedial projects. Central Hudson’s role is to work in
3 a collaborative process with all stakeholders for the satisfactory
4 remediation of each site incorporated into the clean-up programs
5 governed by the NYSDEC. When Central Hudson, or its predecessors, is
6 considered the responsible party, Central Hudson will take the lead
7 throughout the process of investigating a site, developing the appropriate
8 remedial options, and, upon obtaining all the necessary approvals,
9 successfully remediating the site.

10 Q. Please provide a brief background for Central Hudson’s SIR sites.

11 A. Central Hudson is currently wholly or partially responsible under New York
12 State and federal law for the following SIR sites: seven former MGP sites
13 (Newburgh, Laurel Street, North Water Street, Bayeaux¹ Street, Kingston,
14 Catskill, and Beacon); one maintenance and warehouse facility (Elting’s
15 Corners); and one customer service office property (Newburgh Office).

16 With regard to the MGP sites, Central Hudson and its predecessors
17 owned and operated MGPs to serve their customers’ heating and lighting
18 needs. These plants manufactured gas from coal and oil beginning in the
19 mid- to late-1800s, with all sites ceasing operations by the 1950s. This

¹ The former Bayeaux Street MGP site was inadvertently left off the list of those referenced in our previous rate case testimony. This particular site was initially identified early in the NYSDEC’s listing process (1990s). Following several years of preliminary site assessment and investigation efforts, NYSDEC issued a letter, dated March 19, 2007, concurring with the conclusion, “that no significant MGP-related contamination has been identified at the site, and that no further investigation or remedial action is required.” Because no further action is required, there are no relevant costs to be considered in this rate proceeding.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDIATION PANEL**

1 manufacturing process produced certain by-products that may pose risks
2 to human health and the environment. Given these potential risks, the
3 NYSDEC requires that the sites be cleaned up.

4 In addition, Central Hudson currently operates a maintenance and
5 warehouse facility, Elting's Corners, which is permitted by the NYSDEC.
6 The facility is used to accumulate and store hazardous waste materials for
7 off-site disposal. Issuance of and conditions within this permit are also
8 authorized under federal law, RCRA, as administered by the USEPA.
9 New York State has been granted enforcement authority and thus is
10 responsible for promulgating and implementing rules regulating all
11 facilities within the state, subject to the federal regulations. Lastly, Central
12 Hudson also operates and maintains a customer service office located in
13 Newburgh, New York. Based on a review of the Newburgh Office site
14 history, prior to being acquired and renovated into a Central Hudson
15 customer service office, the former owner manufactured aeronautical
16 instruments at this location. The manufacturing process used by the prior
17 owner included the use of chlorinated solvents as a degreasing agent on
18 metal components.

19 Q. Please explain how many of the identified sites will be undergoing SIR
20 Program remediation work activities during the Rate Year.

21 A. The only site that will undergo remediation work activities during the Rate
22 Year is the North Water Street MGP site.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 Q. Please provide a brief history and current status of the North Water Street
2 MGP site as well as the expected costs to be incurred during the Rate
3 Year.

4 A. Between 1986 and 2013, the Company completed several land- and river-
5 based investigations at the North Water Street MGP site to evaluate the
6 nature and extent of the site's MGP-related contamination. In addition,
7 interim remedial measure activities were completed in 2012 to address
8 soil contamination in a portion of the site in advance of third party
9 construction of a path and elevator for a local "not for profit" organization,
10 Walkway Over the Hudson ("WOTH"). WOTH is responsible for the
11 restoration and transformation of a former rail road bridge into a
12 pedestrian walkway that spans the Hudson River from Poughkeepsie,
13 New York to Highland, New York.

14 Currently, Central Hudson has prepared a Remedial Alternatives
15 Analysis ("RAA") Report and supporting documentation. It was submitted
16 to the NYSDEC for review and approval in May 2014. The RAA Report
17 and Decision Document were both approved by the NYSDEC in
18 correspondence dated April 1, 2016. In March 2017, Central Hudson
19 retained an engineering/remediation contractor team under a "Design-
20 Build" approach to perform pre-design investigation work, develop the
21 Remedial Design, and implement the remedial actions following review
22 and approval by all pertinent state and federal environmental regulatory

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 agencies. Currently, these activities are anticipated to be completed
2 between 2017 and 2019. Exhibit __ (SIRP-2) provides a more detailed
3 cost breakdown of these activities and the year they are expected to be
4 incurred. Additionally, Central Hudson will continue to perform periodic
5 non-aqueous phase liquid monitoring/recovery events as required by the
6 NYSDEC.

7 **V. PROJECTED EXPENDITURES**

8 Q. What are the forecasted cash expenditures related to the SIR Program
9 during the Rate Year?

10 A. In total, we forecast approximately \$17.5 million in SIR cash expenditures
11 in the Rate Year. The site-by-site Rate Year forecasts are shown on
12 Exhibit __ (SIRP-1). Exhibit __ (SIRP-1) also summarizes the non-labor
13 actual costs incurred during the period April 1, 2014 through March 31,
14 2017 and projected costs for the annual periods ending December 31,
15 2017 through December 31, 2021.

16 Q. Please explain how the Company developed the forecast Rate Year cash
17 expenditures for the SIR sites.

18 A. The forecasted cash expenditures for the sites are initially based on a cost
19 modeling analysis completed by an environmental engineering consulting
20 firm, ARCADIS, in December 2014. The cost modeling analysis involved
21 assumptions relating to investigation expenses, results of investigations,
22 remediation costs, potential future liabilities, and post-remedial operating,

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 maintenance and monitoring costs. The analysis also was based on a
2 variety of factors including projections regarding the amount and extent of
3 contamination, the location, size and use of the sites, proximity to
4 sensitive resources, status of regulatory investigations, and information
5 regarding remediation activities at other MGP sites in New York State.
6 The cost model also assumed that proposed or anticipated remediation
7 techniques are technically feasible and that proposed remediation plans
8 receive the NYSDEC's and New York State Department of Health's
9 approval.

10 Q. Are the initial cash forecast expenditures further refined over time?

11 A. As each site progresses from the investigation to the remediation phase,
12 the initial forecast expenditures are further refined. Refinements are
13 based on cost estimates provided in items such as RAA Reports and
14 contractor/consultant responses to bids.

15 Q. Please summarize Central Hudson's forecast of costs that the Company
16 will incur during the Rate Year for the SIR Program.

17 A. These cost forecasts are shown in Exhibit __ (SIRP-1), which summarizes
18 the non-labor costs for the Rate Year. These forecasts are based on the
19 expected scope of activities at each of the SIR sites and on the expected
20 level of costs for those activities. The unit costs were developed based on
21 our experience in managing the SIR Program since 2008 and on
22 information provided by the Company's consultants. As we discussed

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 previously, the anticipated level of spending is primarily due to the active
2 remediation work expected to take place at the North Water Street MGP
3 site.

4 Q. What is the rate impact associated with the cash expenditures identified
5 for the SIR Program?

6 A. As previously discussed, the proposed rate recovery is based on a three-
7 year average of prior period expenditures and not the projected cash
8 outlay for the SIR program. The accounting and ratemaking authorized in
9 Central Hudson's current rate plan allows for the full reconciliation and
10 deferral of actual cash expenditures in excess of the rate allowance, with
11 carrying charges, for future recovery from customers. It should be noted
12 that rate recovery on this basis provides approximately 50% of the rate
13 recovery required on the projected cash outlay for the remediation at
14 these sites. The Company has elected to not pursue rate recovery based
15 on the planned cash outlay as a rate mitigation measure with the
16 expectation that deferral accounting will remain in effect. The Company
17 proposes that the actual expenditures in excess of or below the rate
18 allowance should be deferred for future recovery or used to fund future
19 SIR costs, with carrying charges, in the same manner as authorized in
20 Central Hudson's current rate plan. The proposed treatment of these and
21 other existing deferrals is discussed in the testimony of the Accounting
22 and Tax Panel.

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

VI. SIR COMPLIANCE

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Q. Please provide an example of Central Hudson’s commitment and adherence to the Inventory of Best Practices for Utility SIR Programs filed March 28, 2013 by the utilities participating in Case 11-M-0034.

A. Central Hudson’s completed active remediation efforts at the former Kingston MGP Site provides a good illustration that demonstrates its commitment and adherence to attributes listed in the Inventory of Best Practices for Utility SIR Programs. Such attributes associated with this project included, but were not limited to, managing the project utilizing knowledgeable staff, including a site-specific project manager, retaining experienced remediation consultants and contractors through a competitive bidding process, using cost effective waste management practices, and maintaining on-going communication and coordination with regulatory agencies, municipal officials, and local community members to ensure compliance with all permits and orders to avoid potential additional costs that could result from non-compliance. More specifically, the project was performed utilizing a “Design-Build” approach whereby an environmental engineering firm and remediation contractor worked together under a competitive bid process to develop and submit a proposal to complete any required design work, secure all regulatory required permits, and perform all approved site remediation work. This innovative approach resulted in receipt of bid proposals with costs far

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 below the projected engineering estimate contained in the site's approved
2 RAA. All bids received were evaluated for conformance to the bid
3 specifications and the contract was awarded to the lowest qualified bidder.
4 A budget of \$20 million was established for the project, based on the bid
5 that was accepted, plus engineering oversight, and a contingency. In
6 addition, following execution of the contract, a projected schedule to
7 commence and complete site remediation was forwarded to the NYSDEC
8 for their acceptance. For this project, Central Hudson committed to
9 commence the project on or before May 1, 2016 and complete on-site
10 activities on or before May 30, 2017. This commitment was met as all on-
11 site activities were effectively completed on May 26, 2017. For the
12 Kingston project, there was an on-site Senior Project Manager for Central
13 Hudson who reported to the site on a daily basis for the duration of the
14 remediation project. Through proactive project management, use of
15 innovative remediation techniques, and development of positive working
16 relationships with all stakeholders including, but not limited to, regulatory
17 agencies, local government representatives, community residents,
18 property owners, and contractors, this project was completed on time and
19 on budget.

20 Lastly, it is important to note Central Hudson developed an effective
21 means to proactively communicate to neighborhoods and residents
22 surrounding these sites before, during, and after remediation to ensure

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 their awareness and address their concerns throughout the process. Prior
2 to commencing site activities two public informational meetings were held
3 in a local church hall. In addition, an informational and complaint “hot line”
4 was established whereby local residents or concerned citizens could call
5 and receive either an immediate or timely response from the Central
6 Hudson Senior Project Manager or his designee. Finally, a direct
7 communication link was established with the City Mayor so concerns or
8 issues raised by residents through his office could also be addressed
9 quickly and effectively. By building this level of trust and credibility we
10 have been able to more effectively remediate these sites and return them
11 to usable form without expending additional time, money, and/or
12 resources.

13 Q. Please summarize the rate case filing requirements the Commission
14 established in the SIR Order.

15 A. In the SIR Order, the Commission determined that “in any future rate filing
16 in which a utility seeks to recover SIR expenses, the utility must provide
17 sworn testimony 1) establishing the remediation process is in compliance
18 with existing timetables and DEC requirements, or provide explanations
19 for any divergence; 2) discussing the utility’s SIR cost control efforts,
20 including an attestation to utility compliance with the best practices
21 inventory; and 3) indicating the results of any internal process the utility
22 may have conducted with respect to review of SIR procedures, and in

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 particular explaining how controls are brought to bear on site investigation
2 and remediation projects.” SIR Order at 30.

3 Q. Please confirm that the Company has complied with the requirements
4 established in the SIR Order.

5 A. The Company has complied with these requirements. As required by item
6 one above and as discussed previously in our testimony, the Company
7 complies with applicable federal and state requirements and processes,
8 including those of the U.S. Army Corps of Engineers and NYSDEC.
9 Where applicable, the Company has also followed established timetables
10 for the completion of work, submission of reports and other requirements.
11 Central Hudson continues to meet these timetables. With respect to item
12 two above, Central Hudson’s process for identifying remediation
13 alternatives supports the Company’s ongoing SIR cost control efforts. The
14 remaining steps in the process also support cost control efforts. For
15 example, as the Panel testified above, the Company also retains an
16 engineering/remediation contractor team under a “Design-Build” approach
17 to perform pre-design investigation work, develops a remedial design, and
18 implements the remedial actions following review and approval by all
19 pertinent state and federal environmental regulatory agencies. At each
20 one of these steps, as the Company identified appropriate actions, costs
21 are considered and thus appropriately controlled. The Panel’s testimony
22 above also addresses the Company’s commitment and adherence to the

**DIRECT TESTIMONY OF THE SITE INVESTIGATION AND
REMEDATION PANEL**

1 Inventory of Best Practices for Utility SIR Programs and provides an
2 example. The Company can thus attest to Central Hudson's compliance
3 with the best practices inventory.

4 With respect to the third prong identified above, the Company
5 periodically assesses its SIR procedures. As the Company reported in
6 Cases 14-E-0318 and 14-G-0319, the Company retained an independent
7 third-party audit firm to conduct a Quality Assurance review of the
8 Company's SIR program and provided the audit report as an exhibit to the
9 Environmental Remediation Panel's testimony in that proceeding. That
10 Panel testified that the auditor concluded that Central Hudson was in full
11 compliance with: 1) NYSDEC Brownfield or Voluntary Clean-up
12 Agreements (including Consent Orders); 2) Commission Accounting
13 Treatment; 3) Commission and/or Central Hudson purchasing and
14 procurement requirements; and 4) Commission and/or Central Hudson
15 contract management requirements. The auditor also stated that Central
16 Hudson demonstrated a thorough practice of obtaining qualified bids for
17 the type of service needed to ensure compliance with NYSDEC
18 regulations and PSC requirements. Central Hudson continues to follow
19 the same protocols and procedures in place at the time of this audit and
20 has demonstrated the adequacy of its review of SIR procedures.

21 Q. Does this conclude your direct testimony at this time?

22 A. Yes, it does.