

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

Joint Petition of IBERDROLA, S.A., Energy
East Corporation, RGS Energy Group, Inc.,
Green Acquisition Capital, Inc., New York
State Electric & Gas Corporation and
Rochester Gas and Electric Corporation for
Approval of the Acquisition of Energy East
Corporation by IBERDROLA, S.A.

Case No. 07-M-0906

INTERVENOR TESTIMONY OF GREGORY J. STARHEIM

January 10, 2008

Gregory J. Starheim

INTERVENOR TESTIMONY OF
GREGORY J. STARHEIM
DELAWARE COUNTY ELECTRIC COOPERATIVE, INC.
ON BEHALF OF THE
NEW YORK ASSOCIATION OF PUBLIC POWER AND THE
NEW YORK STATE RURAL ELECTRIC COOPERATIVE ASSOCIATION

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Gregory J. Starheim. My business address is 39 Elm Street, Delhi,
3 New York 13753.

4 Q. WHAT IS YOUR BUSINESS?

5 A. I am the Chief Executive Officer & General Manager of Delaware County
6 Electric Cooperative, Inc. (Delaware or DCEC).

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

8 A. I received an M.B.A. from Rensselaer Polytechnic Institute. I received a B.S. in
9 Mechanical Engineering from Clarkson University. I received an A.A.S. in
10 Engineering Science from Mohawk Valley Community College. I am also a
11 licensed Professional Engineer in the State of New York.

12 Q. PLEASE DESCRIBE YOUR WORK PRIOR TO JOINING DELAWARE
13 COUNTY ELECTRIC COOPERATIVE.

14 A. I worked for General Electric from 1984-2003, in various capacities. I worked in
15 the GE Corporate Technical Marketing Program (1984-1987) in virtually all
16 departments of GE power generation business. During this time, I became a
17 Nuclear Power Plant Senior Reactor Operator. I was a Technical Sales Manager
18 for GE Power Systems, responsible for \$500 million in orders for new power
19 plant equipment (1987-1991). I was also Manager, Business Development for GE
20 Power Systems (1991-1995) where I worked closely with technology partners in
21 the development, design and construction of numerous Integrated Gasification

1 Combined Cycle Projects globally. Also for GE Power Systems, I was a Product
2 Line Marketing Manager (1995-1996) responsible for the development and
3 management of several GE heavy-duty combustion turbine engine platforms. I
4 was also Manager, Power Systems Programs, within the Corporate R&D Division
5 (1996-1999) where I was responsible for \$40 million of annual technology
6 research and development in support of GE Power Systems. I was also Technical
7 Director, Corporate R&D (1999-2001) where these responsibilities were
8 expanded to include \$100 million annual R&D in support of the GE Power
9 Systems, Aircraft Engine, Transportation and Medical Systems businesses.
10 Within GE Plastics, I was a Manager of Global e-Sourcing, leading a global
11 technology team in the implementation of corporate-wide enterprise software
12 platform (2001-2002) and then Global Six Sigma Manufacturing "Black Belt"
13 where I was responsible for global manufacturing productivity and automation
14 initiatives (2002-2003).

15 Q. WHEN DID YOU JOIN DELAWARE COUNTY ELECTRIC COOPERATIVE?

16 A. I have been CEO & General Manager since 2003.

17 Q. PLEASE DESCRIBE THE DELAWARE ELECTRIC COOPERATIVE
18 SYSTEM.

19 A. DCEC serves approximately 5,100 member accounts throughout Delaware,
20 Schoharie, Otsego and Chenango counties. In addition to serving approximately
21 one-third of Delaware County residents, DCEC serves numerous commercial and
22 industrial accounts who are major employers in our area, including DMV
23 International, Clark Companies, Sportsfield Specialties, Dean Foods/Ultra Dairy,

1 SUNY Delhi and the Delaware-Chenango-Madison-Otsego BOCES. DCEC
2 prides itself on providing exceptional electric service reliability to its members
3 and works closely with the area industrial and economic development authorities
4 to attract and retain new business ventures. In addition to serving its membership
5 as a distribution utility, DCEC has become active in developing renewable energy
6 distribution projects to mitigate risks of transmission outages and volatility in
7 power supply and as part of our goal to supply 100% of our membership's
8 electrical needs from renewable sources.

9 Q. PLEASE STATE YOUR EXPERIENCE RELATIVE TO THE TESTIMONY
10 YOU ARE NOW PRESENTING.

11 A. I manage thirty full-time employees and several part-time staff. We have, in
12 addition, to making significant improvement in internal financial and budgeting
13 processes, made major commitments to system reliability improvements to our
14 plant. This work has included successful implementation of AMI (completed in
15 2004). Through implementation of a new SCADA system and load control
16 program (completed in 2005), DCEC has been actively managing peak demand of
17 its system with the capability of instantaneously reducing system peak demand by
18 up to 12% through remote, power-line carrier control of member appliances,
19 significantly reducing purchased power costs and associated demand charges. We
20 have also made a major commitment to system reliability improvement programs,
21 including a proactive 8-year "Right-of-Way" (vegetation management) clearing
22 and herbicide treatment program, an 8-year Line Inspection Program and a major
23 financial investment in long-term New Construction and Modernization Plant

1 Work plan. We have seen significant benefits to these investments in system
2 reliability and member-service. We are currently implementing several other
3 projects further demonstrating our commitment to member service and system
4 reliability, including the implementation of an automated Outage
5 Detection/Management System, and investment in improved engineering and
6 system analysis tools, upgrades to our SCADA/AMI system and (in partnership
7 with NYSERDA) installation of a Energy (Battery) Storage System and 1,000 kw
8 Landfill Gas Power Plant Project. We strongly believe that these actions and
9 investments are critical to improving a high quality of service to our membership.
10 We would like to see the same level of commitment by our investor-owned utility
11 neighbors as transmission reliability issues are now becoming a limitation on our
12 ability to deliver a high quality of service to our members.

13 Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.

14 A. In short, it is not at all apparent that NYSEG has maintained an adequate
15 commitment or investment to their transmission and sub-transmission
16 infrastructure and we believe our members are suffering the consequences.
17 Outages are inconvenient to our customers and potentially hazardous and life-
18 threatening. These outages create unnecessary lost revenue for DCEC and
19 uncompensated costs associated with responding to NYSEG-induced outages.
20 Most importantly, however, is the inconvenience, hazards and economic hardship
21 that they cause, particularly to our commercial and industrial members who are
22 vital business to our local economy. We believe that these outages are heavily
23 caused by failure by NYSEG to embrace adequate investment in plant

1 maintenance. Lately, we have seen a dramatic increase in outages, as noted in
2 Exhibit No. 2 (GJS – 1), which heightens our concern.

3 Q. CAN YOU GO INTO GREATER DETAIL ON WHY THIS REDUCTION IN
4 SERVICE QUALITY FROM NYSEG HAS OCCURRED.

5 A. Yes. Despite our investment and commitment, DCEC (including its members)
6 have grown increasingly concerned and frustrated over the very different
7 philosophy that appears to be the basis of operations at NYSEG. In addition to
8 NYSEG's obvious disregard to right-of-way clearing (we are prepared to provide
9 photographs of sample areas where, we believe, lines have not been cleared of
10 brush for decades) and investment in modernization programs, we have
11 experienced an unacceptable and deteriorating reliability because of NYSEG's
12 transmission and sub-transmission system, which DCEC relies on for delivering
13 power to each of our substations. Unplanned transmission outages on the
14 NYSEG system are a major source of outages after storm damage. I would like to
15 present a list of those unplanned transmission outages that have occurred to our
16 system over the last few years. We also believe that NYSEG (in a misleading
17 manner) reports outage data to the PSC treating DCEC substations as a single
18 customer outage. In fact, each substation outage can cause 2,000+ of our
19 members to lose electric service.

20 In addition to NYSEG's inadequate investment in reliability and maintenance, we
21 have experienced the negative effects of NYSEG's major staffing reductions,
22 particularly in line-staff, over the past 5-10 years. Facilities that were built 20
23 years ago to staff NYSEG offices are now nearly vacant. Further, of special

1 concern to DCEC, is the lack of responsiveness by NYSEG when restoring
2 outages. This is due, in large part, to lineman getting dispatched from distant
3 locations due to local staffing limitations.

4 Q. ARE THERE SOME SPECIFIC EXAMPLES OF PROBLEMS WITH NYSEG?

5 A. Yes. A scheduled November 8, 2007 planned outage at our Dryden Brook
6 Substation had to be postponed on that exact day. The attending NYSEG line
7 crew did not apparently know that they had to operate their own switches on the
8 44 KV transmission line to our substation despite previous arrangements which
9 DCEC had made with NYSEG on preparing for this scheduled outage. The
10 NYSEG crew thought they only needed to operate "our" air break switch. We
11 informed them that if we wanted to operate our switch, then we would have done
12 it ourselves without their help. The outage had to be rescheduled for the end of
13 December of 2007, which resulted in cost and inconvenience to DCEC members
14 including labor and associated arrangements DCEC had made with members to
15 schedule the outage (postage, materials and associated labor) to send out another
16 744 mailings to our members for the new planned outage date and time. There
17 was significant inconvenience to our members that expected an outage on
18 November 8, 2007, that never occurred.

19 As another example, in July of 2006, DCEC had a primary lightning arrestor fault
20 at our South Kortright Substation. This fault tripped the NYSEG, 115 KV switch
21 gear, thereby causing added down-time for DCEC members and for many
22 NYSEG customers fed off that same transmission line. After further investigation,
23 it was determined that NYSEG was working on their own 115 KV transmission

1 line and had purposely fed the DCEC South Kortright Substation from another
2 source, creating a lack of fusing coordination between our substation and the next
3 set of switches on NYSEG's 115 KV transmission line.

4 We also have numerous examples of excessively delayed outage restoration due
5 to insufficient staffing. Often, due to insufficient local staffing, NYSEG crews
6 from remote locations travel to our area to respond to outages which contributes
7 to outage time. Further, crews from outside our local area are occasionally
8 unfamiliar with the local NYSEG service territory and plant design. Recently, a
9 DCEC staff member was approached by an "out-of-area" NYSEG crew that was
10 dispatched to an outage in the Hamden area. The NYSEG lineman was
11 requesting directions to certain NYSEG plant locations and devices since they
12 were not familiar with area landmarks or local NYSEG plant. The crew had no
13 idea where their own open switch was located and it required the DCEC
14 employee to direct the crew to the remote location of their open switchgear.

15 DCEC's Jefferson Substation experienced a NYSEG outage on Christmas Eve
16 (December 24, 2007) from 7:00 p.m. – 2:00 a.m., and then again on Christmas
17 Day (December 25, 2007). This was caused by problems on the NYSEG system.
18 Yet again, another NYSEG outage occurred on January 4, 2008 from about 1:30-
19 3:00 pm. Once again, this took out one of our substations, eliminating service for
20 approximately 1,200 DCEC members. During this particular outage, DCEC staff
21 finally made contact with a NYSEG operations employee approximately 20-30
22 minutes into the outage. The NYSEG employee informed us that their closest
23 linemen was 45-60 minutes away and that it would be the better part of an hour

1 before they would arrive on-site. This outage could have been restored promptly
2 if adequate and appropriate staffing were locally available. The delays of the
3 outages, and duration until restoration, limit DCEC in delivering high-quality
4 electric service to our members due to repeated and frequent interruption in power
5 supply.

6 Q. DO YOU HAVE ANY OTHER COMMENTS YOU WISH TO MAKE?

7 A. At DCEC, we are proud of our commitment to service reliability and the level of
8 service reliability we have been able to achieve. We believe that New York
9 consumers, whether members of a rural electric cooperative or customers of an
10 investor-owned utility, deserve exceptional reliability in their electric supply.

11 Unfortunately, we believe that inaction and lack of commitment by NYSEG is
12 limiting both types of consumers from realizing this quality of service.

13 It is common knowledge that NYSEG has, over a period of years, systematically
14 reduced staff, closed offices, reduced tree-trimming and the results are completely
15 predictable: service quality has diminished. NYSEG maintenance of their
16 transmission and sub-transmission system is completely out of our control. We
17 have followed all procedures and have done what we can to protect our members
18 – to make prudent and appropriate investment in our own plant and staffing while
19 communicating our concerns and experiences to the proper authorities. While this
20 has been an ongoing issue with NYSEG for many years, we are hopeful that the
21 potential new owners will address these issues with a clear, concise and well-
22 funded plan and commit to execute on that plan with resulting demonstration of

1 improved system performance. We must insist on an improved situation not the
2 unacceptable status quo.

3 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

4 A. Yes.

Date	Location	Duration	Affected	Comments
3/3/2002	Jefferson Substation	1.5 hrs.	846	
5/3/2002	Cat Hollow Substation	4 hrs.	17	
6/5/2002	Dryden Brook Substation	2 hrs.	626	
6/26/2002	Cat Hollow Substation	2.75 hr.	17	
7/10/2002	Cat Hollow Substation	2 hrs.	17	
11/18/2002	Cat Hollow Substation	12 hrs	19	
7/22/2003	Cat Hollow Substation	7.5 hrs.	19	
8/14/2003	Andes Substation	11 hrs.	402	NE Blackout
8/14/2003	Cat Hollow Substation	11 hrs.	19	NE Blackout
8/14/2003	Delhi Substation	11 hrs.	1618	NE Blackout
8/14/2003	Dryden Brook Substation	11 hrs.	663	NE Blackout
8/14/2003	Jefferson Substation	6.5 hrs.	840	NE Blackout
8/14/2003	Kortright Substation	6.5 hrs.	1870	NE Blackout
11/9/2003	Jefferson Substation	1.5 hrs.	840	
11/16/2003	Jefferson Substation	8 hrs.	840	
11/18/2003	Jefferson Substation	1 hr.	840	
4/18/2004	Jefferson Substation	6 hr.	840	
5/15/2004	Dryden Brook Substation	2 hr.	717	
7/19/2004	Jefferson Substation	2 hr.	840	
10/14/2004	Dryden Brook Substation	1 hr.	717	
4/24/2006	Jefferson Substation	1.5 hr.	882	
5/4/2006	Jefferson Substation	.75 hr.	882	
6/19/2006	Dryden Brook Substation	.5 hr.	717	
8/15/2006	Jefferson Substation	4.5 hr.	882	
10/29/2006	Cat Hollow Substation	1.5 hr.	17	
10/29/2006	Delhi Substation	1.5 hr.	1791	
11/16/2006	Jefferson Substation	3.5 hr.	882	
7/22/2007	Cat Hollow Substation	1.5 hr.	17	
Totals		125.5 hr.	18677	2,343,964
Without NE Blackout		81.0 hr.	13265	1,074,465
01/24/07	Jefferson Substation	6 hr.	882	
12/25/2007	Jefferson Substation	2 hr.	882	
1/1/2008	Dryden Substation	1.5 hr.	744	