

Central Hudson Gas & Electric Corporation
Cases 20-E-0428, 20-G-0429 and 20-M-0134
Summary of Electric and Gas Rates Joint Proposal¹

August 24, 2021

The JP proposes a three-year rate plan for electric and gas service at Central Hudson Gas & Electric Corporation (“Central Hudson” or the “Company”) commencing July 1, 2021, with Rate Year 1 (“RY1”), Rate Year 2 (“RY2”) and Rate Year 3 (“RY3”) defined as the 12 months ended June 30, 2022, June 30, 2023 and June 30, 2024, respectively.²

As summarized below, the JP balances the varied interests of the Signatories, including, but not limited to: providing customer relief in light of the COVID-19 Pandemic; furthering the goals of the Climate Leadership and Community Protection Act (“CLCPA”) by instituting a progressive set of commitments related to climate change; implementing new provisions to improve the Company’s interactions with customers; reinforcing the Company’s ongoing commitment to reliability and resiliency; and implementing Earnings Adjustment Mechanisms (“EAMs”) consistent with the New York State Public Service Commission’s (“PSC” or the “Commission”) policies.

COVID-19 Pandemic Provisions

The JP provides numerous provisions that mitigate the financial impact on customers of the COVID-19 Pandemic (“Pandemic”), such as: 1) Expanded access, consistent with recent Commission action, to the Company’s Energy Affordability Program (“EAP”) which provides bill discounts to eligible low income customers; 2) a commitment that if the PSC does not address residential and small business arrears arising from the Pandemic in either the COVID-19 proceeding,³ or some other generic proceeding by September 15, 2021, the Company will convene a collaborative to discuss arrears resolution issues; 3) a \$4.55 million COVID-19 Adjustment - Customer Bill Moderation credit; 4) continuation of the Back to Business economic development program which assists small businesses that continue to operate or that re-open as the economy is

¹ This summary is intended solely for the convenience of the Administrative Law Judges and any other person seeking an executive summary of the Joint Proposal (“JP”). This summary neither supplements nor replaces the JP and is not intended by the Signatories (as hereinafter defined) to vary the terms of the JP.

² The JP is executed by the Company; the New York State Department of Public Service Staff (“Staff”); Multiple Intervenors (“MI”); the Public Utility Law Project of New York, Inc. (“PULP”); the Utility Intervention Unit of the Department of State, Division of Consumer Protection (“UIU”); Alliance for a Green Economy (“AGREE”); Dutchess County; New York Power Authority (“NYPA”); New York Geothermal Energy Organization (“NY-GEO”); Family Energy, Inc; Marathon Power LLC; and M&R Energy Resources Corporation (collectively, the “Signatories”).

³ See Case 20-M-0266 - Proceeding on Motion of the Commission Regarding the Effects of COVID-19 on Utility Service.

restarting during the Pandemic; and 5) pausing the Residential Service Terminations / Uncollectible Target customer service performance metric for 2021 and 2022.

To complement these provisions, the JP reflects postponed spending for certain capital projects, reductions in operating expenses and delays in the recovery by the Company of certain expenses (e.g., incremental electric energy efficiency and heat pump programs where the Company is deferring approximately 75% of the incremental revenue requirement) relative to the Company's pre-filed testimony position, all of which provide added rate relief to customers.

Revenue Requirements/ Bill Impacts

The Signatories have agreed to the following revenue requirements:

(\$000,000)	ELECTRIC			GAS		
	RY1	RY2	RY3	RY1	RY2	RY3
Revenue Requirements (Including Rev Tax)	\$(3.1)	\$19.5	\$20.7	\$4.7	\$6.3	\$6.4
% on Delivery Revenues	-0.8%	4.8%	4.8%	3.8%	4.8%	4.6%
% on Total Revenues	-0.4%	2.8%	2.9%	2.3%	2.9%	2.9%
Use of Moderation	\$2.0	\$(9.5)	\$(21.5)	\$(0.8)	\$(3.2)	\$(5.6)
Prior Year Moderation Reversal	\$-	\$(2.0)	\$9.5	\$-	\$0.8	\$3.2
Revenue Requirement After Moderation	\$(1.1)	\$8.0	\$8.7	\$3.9	\$3.9	\$4.0
% on Delivery Revenues After Moderation	-0.3%	2.0%	2.0%	3.2%	2.9%	2.9%
% on Total Revenues After Moderation	-0.2%	1.2%	1.2%	1.9%	1.8%	1.8%

As shown above, the electric rate change in RY1 represents a \$3.0 million decrease; however, the JP reflects a RY1 rate decrease of only \$1.0 million in order to moderate rates by \$2 million in subsequent rate years. To further moderate rates, the Company will apply: 1) electric bill credits of \$9.5 million in RY2 and \$21.5 million in RY3 using available regulatory liabilities, inclusive of the aforementioned \$2.0 million; and 2) gas bill credits of \$0.8 million in RY1, \$3.2 million in RY2 and \$5.6 million in RY3 using available regulatory liabilities.

For residential customers, these delivery decreases/increases will result in the following average monthly bill impacts (shown with rate moderation):

	RY1	RY2	RY3
Residential Electric	\$(0.33)	\$1.72	\$1.82
Residential Gas	\$1.64	\$2.17	\$1.50

Return on Common Equity (“ROE”), Equity Ratio and Earnings Sharing Mechanism

The Company’s electric and gas revenue requirements reflect: 1) an ROE of 9.0%; and 2) a common equity ratio of 50% for RY1, 49% for RY2 and 48% for RY3.

The JP includes an Earnings Sharing Mechanism which provides for the sharing of any potential electric and gas regulatory earnings above specified ROE thresholds as follows:

Customers/Shareholders	Earned ROE
50%/50%	> 9.5% to 10.0%
75%/25%	> 10.0 % to 10.5%
90%/10%	> 10.5%

Rate Design

The electric rate design and gas rate design are set forth in Appendix M to the JP. The JP implements the first three years of a planned five-year phase-out of gas declining block rates, which improves the price signal of delivery rate design and is aligned with the energy conservation and emission reduction goals of the CLCPA.

Electric Reliability and Resiliency

The JP maintains the Company’s current Customer Average Interruption Duration Index (“CAIDI”) metrics and proposes increasingly stringent System Average Interruption Frequency Index (“SAIFI”) targets over the course of the Rate Plan. All revenue adjustments related to the Electric Reliability mechanism will come from shareholder funds and will be deferred and credited for the benefit of customers through the Rate Adjustment Mechanism (“RAM”). The JP also promotes accountability and transparency in this area by requiring the Company to file an annual report on its electric reliability performance.

The JP also reinforces the Company’s commitment to electric reliability by authorizing increased funding for vegetation management along with a program to address impacts caused by the Emerald Ash Borer and other invasive species.

Gas Safety Metrics and Initiatives

The JP continues and further enhances existing gas safety performance metrics and public safety programs. Specifically, the JP continues the First Responder Program which enables the Company to provide training to first responders to natural gas emergencies through classroom instruction and hand-on training opportunities. The JP also continues the Residential Methane Detection program.

The JP also implements the following new programs and initiatives: 1) the Community Emergency Response Drill Program through which Central Hudson will provide simulated full-scale gas emergency exercises in the community to test and enhance communication protocols and logistics of all first responder organizations; 2) the Company's participation in the Pipeline Safety Management System, a management tool used by pipeline operators to manage various aspects of pipeline safety and create a safety framework to identify and mitigate threat and risks and ultimately to improve safety; 3) the New York Pipeline Emergency Response Initiative; and 4) an incentive which enables the Company to earn a PRA of two basis points ("BPs"), capped at one occurrence per year, each time the Company utilizes a re-compression method to recapture methane from being released into the atmosphere during transmission line or valve replacements.

The JP also calls for Central Hudson to replace or eliminate at least 15 miles of leak prone pipe ("LPP") per year. If the Company fails to meet this target, it will incur an NRA of 15 BPs.

Low Income Provisions

The JP continues the Company's EAP program and implements the Commission's recent Energy Affordability Policy Phase 2 Order which provides for increased bill discounts and expands customer eligibility into the program. The Company will also continue to waive reconnection fees consistent with the Order Approving Implementation Plans with Modifications issued on February 17, 2017 in Case 14-M-0565.

Furthermore, as noted above in the COVID-19 Pandemic Provisions section, the Company will commence a collaborative if the PSC does not address residential and small business arrears arising from the Pandemic in a generic proceeding by September 15, 2021. Forty-five days after such a collaborative is convened, the Company will file a report with the PSC which shall describe any arrears resolution program that the Company is planning to undertake and shall identify, to the extent necessary, any Commission authorization needed to implement such programs. The Company shall not be obligated to undertake any arrears resolution program without obtaining PSC approvals that it determines to be necessary.

Economic Development

The JP will implement the following economic development programs to focus on the expansion of manufacturing in the Hudson Valley: 1) Building and Infrastructure Program which will provide (a) monetary awards up to \$200,000 per site to owners of undeveloped sites to be used for utility infrastructure improvements, or (b) varying monetary awards based on specific facts and certain criteria regarding vacant or severely underutilized properties to be used for site development needs; 2) Manufacturing Productivity Program which will provide matching grants of up to the lesser of \$15,000 or 40% of the costs incurred by eligible applicants whose top management commits to “lean manufacturing” projects or manufacturing assistance projects that result in eliminating waste and increasing productivity on the “shop floor” and in the office; 3) Expansion & Retention for Manufacturers Grant Program which will provide grants to manufacturing businesses in the Company’s service territory that satisfy certain criteria, such as making a new capital investment in the Company’s service area and/or creating or retaining a minimum of 20 jobs; and 4) Supply Chain Study Grant Program through which the Company will commit up to \$50,000, which must be matched from other sources, to conduct a study to identify/analyze regional supply chain gaps and opportunities to ensure a resilient regional supply chain.

In addition, the Company will also continue its Back to Business Program which will assist small businesses that continue to operate or that re-open as the economy is restarting during the COVID-19 Pandemic.⁴

Customer Service

The JP implements certain Customer Service Performance Indicators, many of which include higher performance requirements, that establish threshold performance levels for designated aspects of customer service quality and impose substantial negative revenue adjustments (“NRA”) if the Company fails to meet certain metrics. The JP also requires the Company to continue to credit customers \$20 per missed appointment.

In recognition of the Spanish speaking population in the Company’s service territory, the Signatories agree that the Company will expand its Spanish language customer support channels. The Company will also convene a panel that will invite stakeholders to provide feedback on customer service-related issues, such as billing, payment assistance programs and multi-language translation.

In addition, Central Hudson commits to the following customer protections: 1) additional winter protections for residential customers during the cold weather period of November 1 through April 15, such as accepting all Home Energy Assistance Program payments and providing customers with continued service regardless of the amount due and/or the customer’s payment status, and refraining from locking customers who are coded as

⁴ Once the \$1 million committed by the Company for the Back to Business Program has been exhausted, the program will be discontinued.

Elderly, Blind or Disabled; and 2) suspending electric residential terminations during periods of extreme heat.

Earnings Adjustment Mechanisms

Under the JP, the Companies will implement 10 EAMs which incentivize the Company to achieve outcomes that are aligned with the State's clean energy goals, including the goals set forth in the CLCPA, such as: 1) increasing electric system efficiency through peak reduction and distributed energy resource utilization; 2) increasing achieved electric and gas energy efficiency; 3) efficiently reducing greenhouse gas ("GHG") emissions through increased penetration of environmentally beneficial electric technologies (e.g., air and ground-source heat pumps and electric vehicles); and 4) promoting the acquisition of energy savings by the Low-to-Moderate Income customer segment.

Climate and Energy Leadership Issues

A. Development of Plan to Reduce Company GHG Emissions

In response to the CLCPA and the State's focus on the nexus between energy and the environment, the JP establishes a set of commitments regarding environmental sustainability and climate change. Specifically, the JP recommends that the Company develop a plan to reduce its GHG emissions.

B. Additional Commitments by the Company

The Company also commits to the following items consistent with CLCPA goals:

- Targeting cumulative savings that equate to approximately 2.5% from 2019 gas sales and 6.9% of 2019 electric sales during the period from 2021-2025;
- Targeting a 2% reduction in electric sales volumes by 2025 through volt-var optimization;
- Decommissioning its natural gas-powered Cocksackie and South Cairo Simple Cycle Combustion Turbines by December 31, 2025;
- Spending at least 10% of its annual vehicle capital budget on the procurement of battery electric vehicles and/or plug-in hybrid electric vehicles through 2025;
- Phase-in the elimination of the natural gas declining block rate which is consistent with the promotion of energy efficiency;
- Continuing to support and facilitate the subscription of community distribution generation through the Company's Clean Energy Marketplace; and
- Continuing to actively seek non-pipes alternatives locations.

C. Geothermal District Energy Loop Initiative

The JP provides for deferral of funding for the Company to conduct a Geothermal District Loop Feasibility Study to identify areas of the Company's service territory where the potential for geothermal district loop pilots might exist.

D. No Incentives for Oil-to-Gas Conversions

The Signatories have agreed that the Company will not offer incentives for conversion from oil-to-natural gas during the term of the rate plan. The Company will also modify its website to emphasize heat pump programs and incentives.

E. Streetlight Dimming Energy Efficiency Pilot

Under the JP, the Company will implement a pilot project to determine the real-world energy savings achieved by a municipality through streetlight dimming (*i.e.*, an LED fixture with dimmable capability) and identify whether such technology should be included in a Central Hudson energy efficiency program on a long-term basis. A minimum of 30 streetlights are needed for the pilot project with locations to be determined in collaboration with participating municipalities. Implementation of the pilot is conditioned on the successful recruitment of participating municipalities by the New York Power Authority ("NYPA").

F. Smart City Technologies

To facilitate the attachment of smart street lighting or "smart city" devices to customer-owned lights, the JP recommends that the Company publish a summary of its Make Ready Pole Attachment Process for "smart city" technology on its website. The JP also requires that the Company and NYPA co-chair a working group, which will be open to other parties, to discuss "smart city" related issues.

The JP further requires that the Company: 1) develop a standard municipal "smart city" devices attachment agreement and publish such agreement on its website; 2) develop a single point of contact process for attaching "smart city" devices; and 3) consult with Staff on the status and approval of utility grade network lighting control ("NLC") node meters and metering.

Cybersecurity Investments

Due to growing cybersecurity threats facing critical infrastructure, the Signatories have agreed to increased funding levels for information technology and cybersecurity investments which will improve the Company's ability to secure its information technology systems.

Conclusion

The JP represents a carefully balanced, collaborative agreement among multiple Signatories that provides the Company with an opportunity to invest in new equipment, update aging infrastructure and deploy new information and electric grid technology to

modernize the Company's systems so it can continue to deliver electricity and natural gas to its customers in a reliable and safe manner at just and reasonable rates. The JP also reflects COVID-19 Pandemic considerations, is aligned with CLCPA and other New York State goals and Commission policies, and produces a result that is rational and well within the range of reasonable outcomes had the proceeding been fully litigated.