Christopher M. Capone, CFA
Executive Vice President
& Chief Financial Officer

People. Power. Possibilities.
Central Hudson
A FORTIS COMPANY

August 27, 2020

Via Electronic Filing

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
3 Empire State Plaza, 19th Floor
Albany, New York 12223-1350

Dear Secretary Phillips:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "Company") hereby submits for filing revisions to its Schedule for Electric Service, PSC No. 15-Electricity and its Schedule for Gas Service, PSC No. 12-Gas.

Tariffs

The tariff leaves listed in Attachment A with an effective date of September 26, 2020 are being filed electronically via the Commission's tariff system. The Company anticipates that the Commission will suspend the effective dates of the tariff leaves so that the proposed rates will become effective July 1, 2021 since the Company's current electric and gas rate plans extend through June 30, 2021.

The Company has prepared this rate filing using the operating results, with normalization adjustments where appropriate, for the historical year ending March 31, 2020. The Company has also submitted projected operating results for the forecast rate year ending June 30, 2022 ("Rate Year"), with data linking the historical period and the Rate Year. The Company has developed additional forecasted financial information for the 12-month periods ending June 30, 2023 and 2024, as shown in the separate Attachment B entitled "Additional Information" for use only in the event of future multi-year settlement discussions.

Customer and Community Focus

The health and economic impacts of the COVID-19 Pandemic have been felt throughout New York State, including Central Hudson's service territory. Over the last several months Central Hudson has taken numerous steps to help soften the financial impact that the pandemic has had on our customers.

Central Hudson suspended collection activities, halted termination of service for non-payment, suspended late payment fees, and also expanded the flexibility of deferred payment agreements for customers experiencing financial difficulty. Additionally, the Company deferred increases to

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electric and natural gas delivery rates that were scheduled to go into effect on July 1, 2020 and deferred incremental collections through its Rate Adjustment Mechanism. To assist families in need, the Company doubled its shareholder contributions to the Good Neighbor Fund, which provides grants to help pay the energy bills of customers in need.

To help small businesses within the communities we serve, the Company committed up to $1 million in economic development support through our Back to Business program, which subsidizes the cost of loans taken during the pandemic. The Company also accelerated spending within its Energy Efficiency programs to offer free lighting and refrigeration upgrades for small businesses in an effort to help commercial customers reduce costs and energy use as they restart operations.

At this time, Central Hudson's service territory is continuing through a phased reopening. As the reopening progresses, Central Hudson's continuing investments in infrastructure as well as its support of the State's energy efficiency and clean energy goals will continue to serve as engines for job creation and economic recovery.

Central Hudson's Rate Filing

The rate filing aims to balance customer bill impacts with the need to invest in modernizing our infrastructure, advance climate and energy leadership, improve the safety and resiliency of our systems, enhance customer interactions, and build the workforce of the future.

Bill Impacts

The resulting electric delivery increase for an average residential electric customer would be $3.51 per month which equates to a 2.82% total bill impact.

The resulting natural gas delivery increase for an average residential gas customer would be $3.28 per month which equates to a 2.76% total bill impact.

Major Drivers of the Requested Rate Increases

Electric Operations

The drivers of the electric rate increase are predominantly related to: capital investment mainly associated with the replacement of aging infrastructure; distribution and transmission line clearance including targeted storm hardening; increased labor expense; and an enhanced heat pump program.

Gas Operations

The primary drivers of the gas rate increase include: the continuing elimination of leak prone pipe ("LPP"); increased labor expense; and increases in property taxes.

Areas of Moderation of the Requested Rate Increase

Central Hudson recognizes its core obligation to provide safe and reliable service at just and reasonable rates. During this extraordinary time, we recognize the need to balance our core obligations with the need to mitigate near term customer bill impacts. As such, the Company has taken several measures to moderate the requested rate increase. In response to the COVID-19 pandemic, the Company's filing reflects the application of a $2.3 million *COVID-19 Adjustment - Customer Bill Moderation* credit. Further, while the Company's Capital program is comprised predominately of infrastructure projects to ensure system integrity and customer reliability going forward, the proposed Capital Program reflects a $48.5 million delay in spending for certain capital projects.

The Company has applied a 1% productivity credit (based on labor, employee benefits, including pensions and other post-employment benefit ("OPEBs"), and payroll taxes to capture future productivity gains for the benefit of customers. The Company has also reflected a return on equity that is well below our expert witness recommendation. The Company has identified several other areas of moderation to the proposed revenue increase including pension and OPEB expenses and environmental Site Investigation and Remediation ("SIR") cost recovery expenses that are reflected in the development of revenue requirements. Finally, the Company is not seeking recovery of the under-reserved balances associated with its accumulated depreciation reserve during the Rate Year.

The Company has projected net regulatory liability balances for the electric and natural gas businesses that are available to moderate bill impacts through bill credits. The Company currently projects the net regulatory liability balances will provide $20 million of electric moderation and $8 million of gas moderation. The Company, in its filing, has applied these amounts to moderate electric and gas revenue requirements, but is open to future discussion with Staff and other parties regarding the appropriate amount and timing of moderation to be used to lessen customer bill impacts. The Company is also open to further mitigating increases by using available electric rate base credits of approximately $32 million and/or excess deferred income taxes of approximately $30 million.

Major Initiatives

The Company's major initiatives underlying this rate filing include modernization of the Company's electric, gas, and information technology systems to continue providing safe and reliable service while enhancing the customer experience. Other major initiatives include programs aimed at reducing carbon emissions and meeting the State's ambitious mandates under the Climate Leadership and Community Protection Act ("CLCPA").

1) *Infrastructure Modernization*

The electric grid is in the midst of unprecedented change as it evolves into a more integrated and complex system. This transformation requires the installation of new devices and technologies to meet the goal of a more dynamic and efficient energy future through the continued proliferation of distributed energy resources, such as solar and battery storage. The Company must continue to replace its aging infrastructure while at the same time facilitating the integration of Distributed Energy Resources ("DERs").

The major initiatives with the gas system provide for the continued elimination of leak prone pipe at the pace of approximately 15 miles per year. This replacement rate should allow the Company to eliminate all leak prone pipe ("LPP") in approximately 10 years.

The Company's filing includes upgrading computer systems to improve cybersecurity, reduce risk, enable utilization of advanced electric grid technologies and enhance customer offerings and services. The increasing pace of change occurring in the business and regulatory environment, coupled with customers' heightened expectations of personalization and mobility, are driving investments in information technology. Moreover, elements of the Company's IT systems are antiquated — with many having been put into service more than 40 years ago. Without necessary investments to modernize and upgrade these systems, the Company will be unable to meet the needs of customers, market participants, and regulators.

2) *Enhancing Resiliency*

Central Hudson's filing includes the implementation of a targeted vegetation management program that aims to reduce the impact of the increasing number of severe weather events brought about by climate change and to address the proliferation of invasive insect infestations and tree diseases. The program will improve storm resiliency from tree related outages and includes a phased approach to hazard and danger tree removals over all of the Company's distribution and transmission circuitry over an eight year period. The on-cycle traditional tree trimming program together with targeted vegetation management are required to preserve current reliability levels, and provide improved system resiliency during severe weather events.

3) *Customer Services Initiatives*

The Company's filing reflects a proposal to expand the eligibility criteria for the Company's Low Income Bill Discount Program in an effort to reach more customers in need. The Company also proposes to modernize customer interactions by implementing a multi-channel digitally enabled experience that includes telephone communication as an option. The Company's filing reflects investments in modernizing customer operations to provide a seamless, unified experience across all contact communication channels offering simple, proactive, easy and consistent customer interactions.

4) *Advancing Climate and Energy Leadership*

Central Hudson is committed to smart investments in infrastructure and technology that cost effectively reduce carbon emissions while continuing to provide reliable, resilient and affordable energy services. The Company has included programs that support the advancement of environmentally beneficial electrification by encouraging the adoption of Electric Vehicles and Heat Pumps which aligns with the goals of the CLCPA. In addition, the Company is proposing an optional Community Distributed Generation Interconnection process that encourages the installation of renewable generation and removes barriers to the development of DERs.

The Company is also evaluating potential locations for non-pipe alternatives primarily as an option to the in-kind replacement of LPP, as well as proposing a feasibility study for Geothermal District Energy Loops.

Requested Revenue Increases

The tariffs filed herewith produce the revenues necessary to reflect the Company's costs of providing electric and gas delivery service in the Rate Year. These tariffs produce electric and gas delivery revenue increases of $32.8 million and $14.4 million, respectively, compared to the revenues approved in Rate Year 3 of the Company's current Rate Plan established in Cases 17-E-0459 and 17-G-0460.

Proposed Increases in Electric Delivery Rates

The Company has proposed utilization of $20 million of electric moderation. ***The resulting electric delivery impact for and average residential electric bill would be $3.51 per month which equates to a 4.25% delivery bill increase and a 2.82% total bill increase.*** Prior to moderation, the increase in delivery revenue results in an average residential monthly delivery bill increase of $7.76 per month which represents a 9.39% increase on the delivery bill or a 6.22% on the total bill for an average 630 kWh per month customer prior to any moderation.

Proposed Increases in Gas Delivery Rates

The Company has proposed utilization of $8 million of gas moderation. ***The resulting gas delivery impact for an average residential gas bill would be $3.28 per month which equates to a 3.50% delivery bill increase and a 2.76% total bill increase.*** Prior to moderation, the increase in delivery revenue results in an average residential monthly gas delivery bill increase of $9.45 per month which represents an 10.11% increase on the delivery bill or a 7.96% increase on the total bill for an average residential gas customer utilizing 70 Ccf per month prior to any moderation.

Procedural Matters

An electronic copy of the Company's prepared written testimony and exhibits, which comprise the Company's direct case in support of this filing, are also submitted herewith. Hard copies will be provided, as required, shortly after filing under separate cover once copying production has concluded. Notices of this filing will be published in newspapers in accordance with 16 NYCRR Sections 720-8.1 and 270.70 and proof of publication will be submitted upon completion. In addition, the Company will issue appropriate bill inserts in accordance with 16 NYCRR Sections 720-9.1 and 270.80.

Very truly yours,

Christopher M. Capone

Cc: Commissioner John B. Rhodes, Chair
Commissioner James S. Alesi
Commissioner Diane X. Burman
Commissioner Tracey A. Edwards
Commissioner John B. Howard

Copies: Active Parties to Cases 17-E-0459 and 17-G-0460

Attachment A—Tariff Leaves—PSC No. 15 Electricity and PSC No. 12 Gas
Attachment B—Additional Information