

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 23-E-0418 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service.

CASE 23-G-0419 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Gas Service.

ORDER ESTABLISHING RATES FOR ELECTRIC AND GAS SERVICE

Issued and Effective: July 18, 2024

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STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on July 18, 2024

COMMISSIONERS PRESENT:

Rory M. Christian, Chair  
James S. Alesi  
David J. Valesky  
John B. Maggiore  
Uchenna S. Bright  
Denise M. Sheehan, recusing  
Radina R. Valova, concurring

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(Issued and Effective July 18, 2024)

BY THE COMMISSION:

I. INTRODUCTION

This order establishes electric and gas rates for the Central Hudson Gas & Electric Corporation (Central Hudson or the Company) for the period starting July 1, 2024, and ending June 30, 2025 (the Rate Year), and that will continue until changed by the Commission. On May 1, 2024, the assigned Administrative Law Judges (Judges) issued a Recommended Decision (RD) addressing all issues in these litigated proceedings, which occurred in the context of widespread customer billing problems related to the Company's implementation of an upgraded SAP-based

customer information and billing system (SAP-CIS) beginning in September 2021. After considering the evidentiary record, the RD, and the parties' positions on exceptions, we adopt the recommendations in the RD except as modified below.

We determine that increases to the Company's electric and gas revenues are necessary to ensure the Company continues to provide safe and reliable service at just and reasonable rates, while advancing Commission and State policies, including the Climate Leadership and Community Protection Act (CLCPA). We therefore grant Central Hudson increases in the Rate Year of \$74.418 million to its electric delivery revenues (a 16.5 percent increase in delivery revenues and 7.0 percent increase in total revenues) and \$27.307 million to its gas delivery revenues (a 20.1 percent increase in delivery revenues and 9.4 percent increase in total revenues).

To moderate rates, we have applied regulatory assets of \$13.151 million to the electric revenue requirement and \$5.286 million to the gas revenue requirement. Additionally, as discussed in more detail below, the Commission recently adopted the terms and conditions of a Settlement Agreement in the combined prudence and enforcement proceeding in Case 22-M-0645, resulting in, among other things, an additional \$4.0 million of shareholder funds held in a Customer Benefit Fund, which we also apply here to further moderate rates.<sup>1</sup> Application of those rate moderators results in an electric delivery revenue increase of \$58.067 million (a 12.9 percent increase in delivery revenues and 5.5 percent increase in total revenues) and a gas delivery revenue increase of \$21.221 million (a 15.6 percent increase in

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<sup>1</sup> Case 22-M-0645, Central Hudson Gas & Electric Corporation's Development of Modifications to its Customer Information and Billing System and Resulting Impacts, Order Adopting Terms of Settlement (issued June 20, 2024), p. 11.

delivery revenues and 7.3 percent increase in total revenue) in the Rate Year.<sup>2</sup>

Moreover, the Settlement Agreement in Case 22-M-0645, which is valued at over \$62 million, results in additional significant benefits to ratepayers. Under the Settlement Agreement, Central Hudson agreed to waive its right to seek recovery of the approximately \$35.3 million incurred between September 1, 2021, through June 30, 2024, related to SAP-CIS deployment issues.<sup>3</sup> The Settlement Agreement additionally requires the Company's shareholders, rather than ratepayers, to cover approximately \$2.2 million in previously incurred costs and approximately \$4.1 million in Rate Year costs for the Company's implementation of monthly meter reading.<sup>4</sup> Central Hudson also agreed to the imposition of \$8.75 million in negative revenue adjustments (NRAs) for missing customer service metrics between September 1, 2021, and December 31, 2023.<sup>5</sup> Central Hudson has provided backbill credits to customers totaling over \$8 million, which represents money lost by shareholders for the Company's failure to provide accurate, timely bills to customers as required under the Public Service Law (PSL) and Commission's regulations.<sup>6</sup> Finally, the Settlement Agreement requires Central Hudson to implement at shareholder's expense certain foundational strategic issues identified by the independent third-party monitor (Independent Monitor) assigned

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<sup>2</sup> The revenue requirements supporting these increases to electric and gas revenues are detailed in Appendices 2 and 3, respectively.

<sup>3</sup> Case 22-M-0654, supra, pp. 9-10 and Settlement Agreement, ¶ 1.

<sup>4</sup> Case 22-M-0645, supra, pp. 10-11 and Settlement Agreement, ¶¶ 4a and 5.

<sup>5</sup> Case 22-M-0645, supra, pp. 11-12 and Settlement Agreement, ¶¶ 1, 4b.

<sup>6</sup> Case 22-M-0645, supra, p. 12 and Settlement Agreement, p. 2.

to examine the Company's SAP-CIS deployment, and to waive any right to seek recovery of such expenses from ratepayers.<sup>7</sup>

In addition, the rate increases we approve must be viewed in the larger context of the Company's last rate case and ongoing impacts from inflation. The last case addressing Central Hudson's rates resulted in negotiated electric and gas rate plans (2021 Rate Plan) containing provisions to address the economic impacts from the COVID-19 pandemic.<sup>8</sup> Through the use of various COVID-19 financial mitigation provisions, postponed spending for certain capital projects, reductions in operating expenses, delays in recovery of certain expenses by the Company, and various ratemaking techniques, the 2021 Rate Plan contained electric and gas rate increases below those recommended by the Department of Public Service in testimony. As a result, the Company's electric delivery revenue requirements were decreased by 0.3 percent in rate year one and increased by 2.0 percent in rate years two and three; the gas delivery revenue requirements were increased by 3.2 percent in rate year one and 2.9 percent in rate years two and three. The rates we set in these proceedings also reflect higher than normal inflationary pressures on the cost of labor and materials needed for the Company to continue to provide safe and reliable service, including significant unit price increases for electric transformers and residential gas meters.

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<sup>7</sup> Case 22-M-0645, supra, pp. 12-13 and Settlement Agreement, ¶ 3.

<sup>8</sup> Cases 20-E-0428 et al., Central Hudson Gas & Electric Corporations - Rates, Order Approving Rate Plan (issued November 18, 2021) (2021 Rate Order).



II. BACKGROUND

The factual and procedural background is set forth in detail in the RD and summarized in pertinent part and updated here. On July 31, 2023, Central Hudson filed tariff leaves and testimony seeking to increase its annual electric delivery revenues in the Rate Year by approximately \$139.5 million (a 31.6 percent increase in delivery revenues and 13.3 percent increase in total revenues), and to increase its annual gas delivery revenues in the Rate Year by approximately \$41.5 million (a 29.2 percent increase in delivery revenues and a 14.2 percent increase in total revenues). If these increases were granted as filed, Central Hudson's average residential customers would experience a monthly electric total bill increase of 16.41 percent, resulting in an average total monthly electric bill increase of \$30.13 for residential customers, and a yearly gas total bill increase of 18.99 percent, resulting in an average yearly gas bill increase of \$361.50 for residential heating customers.

Virtual public statement hearings were held in the afternoon and evening on September 12 and 20, 2023. In-person public statement hearings were held on October 17, 2023, in Catskill and Newburgh, New York, and on October 18, 2023, in Poughkeepsie and Kingston, New York. As recounted in more detail in the RD, commenters strongly opposed Central Hudson's requested rate increases and proposed infrastructure investments as unaffordable, contrary to the CLCPA and Climate Action Council's Scoping Plan, and particularly inappropriate given that Central Hudson was under investigation by the Department of Public Service for widespread billing problems arising from implementation of its SAP-CIS starting in September 2021.

Evidentiary hearings were conducted in Albany over a ten-day period from January 24 through February 6, 2024. On

May 1, 2024, the Secretary issued the Judges' RD addressing all issues raised in these proceedings and recommending that Central Hudson receive revenue increases of approximately \$75.45 million for electric and \$29.56 million for gas. Among other things, the RD recommended a rate of return based on a 48 percent common equity ratio and a return on common equity (ROE) of 9.2 percent, as compared to the 50 percent equity ratio and 9.8 percent ROE requested by Central Hudson.

The RD also recommended that we adopt the following stipulations: (1) Stipulation Regarding Sales Forecast and Price Out Revenues, in which the Company agreed to the Rate Year electric and gas sales forecasts and price out revenues advanced by the trial staff of the Department of Public Service (Staff); (2) Stipulation Regarding Electric Capital and Operations, in which the Company and Staff reached agreement on electric capital expenditure levels, the storm reserve, incremental hazard tree bucket truck crews for vegetation management and electric reliability metrics; (3) Stipulation Regarding Customer Experience Capital Projects, in which the Company, Staff and the New York State Department of State Utility Intervention Unit (UIU) agreed to removal of various customer experience projects proposed by Central Hudson; and, (4) Stipulation Regarding Billing Reporting Requirements, in which the Company, Staff and UIU reached agreement on implementation of the Company's Interactive Voice Response Modernization Project and the Company's implementation of various reporting requirements.

Pursuant to a Secretary notice issuing the RD, Central Hudson, Staff, Multiple Intervenors (MI), the Public Utility Law Project of New York (PULP), and Key Capture Energy (KCE) filed briefs on exceptions on May 21, 2024. The Company, Staff, MI, PULP, and UIU filed briefs opposing exceptions on May 29, 2024. Updates and corrections provided by Central Hudson with its

brief on exceptions resulted in minor reductions to the RD's recommended revenue requirements, resulting in an electric delivery revenue increase of \$73.5 million and a gas delivery revenue increase of \$26.6 million.

Additional public comments were filed after issuance of the RD. The comments opposed any rate increase, generally citing unaffordability, the Company's billing issues, and poor customer service. One comment opposed the RD's recommendation regarding Central Hudson's electric rates applicable to battery storage systems. The Ulster County Legislature filed a letter, and the City of Kingston filed a resolution, opposing Central Hudson's requested rate increases.

As indicated above, on June 20, 2024, the Commission adopted the terms and conditions of a Settlement Agreement signed by Central Hudson and Department of Public Service Office of General Counsel, which fully resolved all claims in the combined prudence and enforcement proceeding in Case 22-M-0645. As stated, the Settlement Agreement is valued at over \$62 million and, among other things, requires Central Hudson to promptly transition to a monthly meter read program with an expected completion date of October 31, 2024, and to address the foundational strategic issues identified in the Independent Monitor's March 1, 2024 report. The Commission adopted and approved the Settlement Agreement as it is in the best interest of Central Hudson's ratepayers and in conformance with the Commission's Settlement Guidelines.<sup>9</sup>

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<sup>9</sup> Case 22-M-0645, supra, Order Adopting Terms of Settlement, pp. 13-18.

### III. DISCUSSION

#### A. Use of Rate Moderators

The Company excepts to the RD's recommendation to use net regulatory liabilities as rate moderators in these litigated rate cases. The Company maintains that "moderators are more effective and often necessary for rate levelization in multi-year rate cases and are best utilized in that context."<sup>10</sup> Although the RD did not recommend any particular amount to be used to moderate rates, the Company also takes issue with the RD's statement that the use of one-third of available rate moderators appeared reasonable because it would leave the remaining balance to be used to moderate future rate increases. The Company argues that this statement lacks record support and is overbroad because, taken to its logical extreme, it would support the use of rate moderators in any amount less than the full amount available. The Company maintains that if any amount of the available net regulatory liabilities is used to moderate rates, a smaller percentage should be used because it would allow for some current rate moderation, minimize negative credit rating impacts by weakening the Company's CFO Pre-WC/Debt metric, and preserve funds for rate moderation in future rate cases.

The Company's updated available net regulatory liability balances of \$39.5 million for electric and \$15.9 million for gas are funds the Company owes to its customers. All of those funds must be used for the benefit of ratepayers at some point, and we agree with the RD's conclusion that the use of some of those funds to moderate rates in these litigated proceedings is reasonable and appropriate in light of the rate increases involved. Balancing the use of rate moderators for

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<sup>10</sup> Central Hudson Brief on Exceptions, p. 53.

the benefit of current customers with the impacts on Central Hudson's cash flow and credit metrics, we determine that the use of one-third of the available net regulatory liabilities is appropriate to moderate rates in these proceedings. As stated earlier, this results in using approximately \$13.2 million to moderate the electric delivery revenue increases and \$5.3 million to moderate the gas delivery revenue increases, leaving the remaining regulatory liability balances available to moderate rates in future rate cases. Finally, as indicated earlier, we are using the \$4.0 million in shareholder funds resulting from the Settlement Agreement in Case 22-M-0645 to further moderate rates, allocated \$3.2 million to electric and \$0.8 million to gas.

B. Expenses

1. Operation and Maintenance

a. Site Investigation and Remediation

Central Hudson takes exception to the RD's recommendation that the Commission direct the Company to conduct and file internal audits of each site in its Site Investigation and Remediation Program by the end of the Rate Year.<sup>11</sup> The Company does not oppose conducting such audits in that time frame. Rather, it maintains that it should not be required to file the audits because they are "highly confidential internal reports," which the Company generally makes available to Staff for review at the Company's premises upon request. We agree that the Company's normal process should be followed in these proceedings and modify the RD accordingly.

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<sup>11</sup> RD, pp. 25-26.

b. Labor Expense

1) Incremental Full-Time Equivalents

The RD expressed the Judges' confusion regarding the presentation by Staff and Central Hudson in their respective post-hearing briefs as to the number of disputed incremental Full-Time Equivalent (FTE) positions requested by the Company and contested by Staff in several categories. While the respective briefs on exceptions do clarify certain of the areas for which the Judges sought further guidance, some areas still remain uncertain. In particular, there still appears to be a discrepancy of approximately 46 positions related to customer service and billing operations.<sup>12</sup> In general, we adopt the RD's recommendations with the following modification based on exceptions.

In the area of Electric Capital and Operations, the Company explains that it requested a total of six Assistant Engineers, three in a subcategory of "Grid Modernization" and three others for "Substations."<sup>13</sup> Staff acknowledges that its post-hearing brief did contain a miscount, but then notes that it supports the RD's recommendation of allowing funding for four combined positions, which is two more than Staff had previously supported.<sup>14</sup> The Company also expressed support for the RD's allowance,<sup>15</sup> and so we adopt the Judges' position in the RD.

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<sup>12</sup> Central Hudson Brief Opposing Exceptions, p. 2 (citing Staff's total count of 48 positions in its Brief on Exceptions, consisting of "21 monthly meter reading FTEs, 11 billing FTEs, 11 collections activities FTEs, and five customer outreach and education FTEs" versus the Company's assertion that it is seeking funding for a total of 94 FTEs supported by the Company's Customer Experience Panel).

<sup>13</sup> Central Hudson Brief on Exceptions, pp. 6-7.

<sup>14</sup> Staff Brief on Exceptions, pp. 2-3.

<sup>15</sup> Central Hudson Brief on Exceptions, p. 7.

In the area of Gas Capital and Operations, while no clarification was requested, the Company excepts to the Judges' recommendation to disallow an Assistant Engineer position related to the Pipeline Safety Management System (PSMS). Central Hudson takes issue with the RD's agreement with Staff that the Company's slow pace in developing its PSMS supported disallowing the position until further progress was made. The Company points to Exhibit 61 as providing full support and justification for the position and argues that filling the position is necessary for it to achieve further progress.<sup>16</sup> After considering the Company's exceptions, we do not find them convincing and adopt the RD's disallowance of the contested position for the rate plan for the reasons stated therein.

As noted above, the Company provides citation to the record demonstrating that it requested the addition of 94 incremental FTEs supported by its Customer Experience Panel testimony.<sup>17</sup> In its brief on exceptions, Staff expresses its understanding that Central Hudson was requesting "21 monthly meter reading FTEs, 11 billing FTEs, 11 collections activities FTEs, and five customer outreach and education FTEs."<sup>18</sup> Staff's brief opposing exceptions does not serve to clarify the apparent discrepancy of 46 positions left unaddressed.

As an initial matter, Central Hudson notes that there are 13 incremental FTE positions supported by Staff consisting of four consumer outreach representatives (to be filled in 2023), six accounting technician positions, two additional consumer outreach positions (to be filled by June 30, 2024), and one Meter Reading Supervisor. The Company notes that to the

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<sup>16</sup> Central Hudson Brief on Exceptions, pp. 7-8.

<sup>17</sup> Central Hudson Brief on Exceptions, p. 8.

<sup>18</sup> Staff Brief on Exceptions, p. 4.

extent the RD disallowed certain positions, it failed to recognize that the Company's presentation included attrition in the Company's incremental FTE request, such that where this Order agrees and disallows certain positions, a negative count must correspondingly be removed from the position count.<sup>19</sup> Staff's brief opposing exceptions does not address the Company's claim and so we are persuaded and adjust the RD's allowance consistent with the Company's exceptions, where necessary.

Central Hudson takes exception to the RD's disallowance of "all billing-related FTEs."<sup>20</sup> Staff contests the Company's exceptions for the disallowed 11 incremental FTEs that would be responsible for "supporting complex billing scenarios" and additional collections efforts.<sup>21</sup> Staff notes that the Company's reliance on a Commission May 16, 2024, Order regarding a Statewide Solar For All program is misplaced inasmuch as there is not yet any concrete demonstration that the positions are necessary as call volume impacts are speculative.<sup>22</sup> We agree with Staff and adopt the RD's position.

Central Hudson acknowledges the RD's allowance of 10 field collectors and one supervisor FTE intended to support its resumption of collections efforts.<sup>23</sup> However, the Company expresses its concern that the RD does not consider all 58 of its proposed collections FTE positions.<sup>24</sup> Central Hudson notes that Staff supported six of the 58 FTEs that, when the RD's

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<sup>19</sup> Central Hudson Brief on Exceptions, pp. 8-9.

<sup>20</sup> Central Hudson Brief on Exceptions, p. 9.

<sup>21</sup> Staff Brief Opposing Exceptions, p. 2.

<sup>22</sup> Staff Brief Opposing Exceptions, pp. 2-3.

<sup>23</sup> Central Hudson Brief on Exceptions, p. 10.

<sup>24</sup> Central Hudson Brief on Exceptions, p. 10.



additional 11 positions are added, leaves 41 positions still contested.<sup>25</sup>

The Company submits that the RD fails to consider its evidence that "customer interactions associated with collections activity are expected to grow significantly" necessitating the addition of 33 incremental customer service representative FTEs.<sup>26</sup> Central Hudson points to Exhibit 111 - containing projected call volume increases associated with the resumption of collections activity - as support for its request in full.<sup>27</sup>

Staff excepts to the RD's allowance of even the 11 positions cited by the Company. Staff states that the Company "only cites to a general statement from its Customer Experience Panel regarding increased customer interactions" and that Exhibit 111 is insufficient justification in that it "broadly estimates an increase in call volume in 2024 and beyond."<sup>28</sup> As such, Staff notes that the RD was correct where it determined that the Company's justification was based on speculation rather than the demonstration of actual need, and that Central Hudson does not adequately explain how it calculated the actual number of incremental FTEs it requested.<sup>29</sup>

We again adopt the RD's position. The Judges' position regarding the need for FTEs to support field collections is not inconsistent with its disallowance of representatives meant to support call volume increases. The collections efforts need to get underway before call volume increases can be adequately measured. We see the RD's

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<sup>25</sup> Central Hudson Brief on Exceptions, p. 10.

<sup>26</sup> Central Hudson Brief on Exceptions, pp. 10-11.

<sup>27</sup> Central Hudson Brief on Exceptions, pp. 10-11.

<sup>28</sup> Staff Brief Opposing Exceptions, pp. 3-4.

<sup>29</sup> Staff Brief Opposing Exceptions, p. 4.

recommendations as a reasonable approach, particularly given that Central Hudson can file for new rates at any time after the issuance of this Order. In such filing, the Company can provide more concrete information as to call volume impacts related to collections.

Central Hudson provides additional clarification in response to the RD's treatment of positions related to Climate Leadership and Sustainability. The Company notes that it requested two incremental positions, an Associate Sustainability Coordinator, and a Program Manager of Distributed Energy Resources, both of which received Staff support.<sup>30</sup> Because these positions were allowed in the RD, no additional adjustments are necessary here.

Staff notes that "the Company also proposed an incremental Assistant Engineer whose tasks would involve activity related to the Commission's proceeding addressing Utility Thermal Energy Networks, with the costs associated with this employee to be recovered through base rates." Staff clarifies that while the position may be added by the Company, the costs should not be included in base rates, but tracked consistent with the Commission's Order in Case 22-M-0429.<sup>31</sup> The Company provides a similar clarification and indicates its agreement to Staff's tracking.<sup>32</sup> The parties' positions are consistent with the RD's treatment.

Similarly, Central Hudson takes exception to the RD's discussion of Accounting and Tax positions, noting that it supported seven incremental FTEs, all of which received Staff

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<sup>30</sup> Central Hudson Brief on Exceptions, p. 11.

<sup>31</sup> Staff Brief on Exceptions, p. 4.

<sup>32</sup> Central Hudson Brief on Exceptions, p. 11.

support.<sup>33</sup> The Company and Staff both note that the Company proposed seven other incremental FTE positions for its Training Department.<sup>34</sup> Staff notes that it remains concerned with two of these latter FTEs, a Logistics Coordinator and a second Instructional Designer.<sup>35</sup> Staff explains that these two FTEs have duties and responsibilities that are currently being performed by existing employees and that the addition of five more specialized FTEs supported by Staff reduces the need for the contested positions.<sup>36</sup> We agree and note that the RD was consistent with Staff's position.

Finally, we note that PULP has urged the Commission to require the Company to defer any incremental FTE costs until a prudence review is completed. Given the Commission's action accepting, at its June 2024 session, a settlement with Central Hudson regarding its SAP-CIS implementation that was brought by the Office of Investigations and Enforcement, we consider the issue of prudence resolved.

## 2) Vacancy Rate

The RD recommends adoption of Staff's proposal to apply a 3.5 percent vacancy rate to the total labor expense established in these proceedings.<sup>37</sup> Staff based that vacancy rate on a five-year average of the Company's workforce attrition from 2019 to September 2023, excluding retirements. The RD concluded that Staff's proposal better reflects what could be anticipated during the Rate Year than the Company's proposal to

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<sup>33</sup> Central Hudson Brief on Exceptions, p. 11.

<sup>34</sup> Central Hudson Brief on Exceptions, p. 11; Staff Brief on Exceptions, p. 5.

<sup>35</sup> Staff Brief on Exceptions, p. 5.

<sup>36</sup> Staff Brief on Exceptions, p. 5.

<sup>37</sup> RD, pp. 64-66.

make no vacancy adjustment to the Rate Year labor expense forecast.

On exceptions, the Company argues that, although it will experience some level of vacancy during the Rate Year, reducing its labor expense forecast to reflect those vacancies is appropriate only if the Company's actual Rate Year labor expense is expected to be lower than its forecasted labor expense. The Company asserts that, historically, its actual labor headcount exceeded the headcount allowed for in rates and that it expects this trend to continue in the Rate Year. The Company posits that the RD therefore erred in adopting Staff's vacancy rate, which, the Company maintains, has the effect of denying an entire year's worth of expense regardless of how long a position was vacant.<sup>38</sup> The Company argues that the RD also erred in applying the vacancy rate to incremental new hires because, although the majority of the incremental FTEs are planned to start before the Rate Year, the Company factored in an assumption that staggered the hiring of new employees over time, resulting in a reduced labor expense for the Rate Year that reflects the possibility that those positions are vacant during a portion of the Rate Year.

We adopt the 3.5 percent vacancy rate recommended in the RD. The purpose of a vacancy rate is to ensure that ratepayers are not paying for positions during a rate year that are not filled. Whether the Company at certain times may pay for employees in addition to those funded in rates is irrelevant to this analysis. We therefore find Central Hudson's argument based on potentially hiring more employees than the number of FTEs funded in rates unpersuasive. The Company concedes that there are times when positions will be vacant during the Rate

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<sup>38</sup> Central Hudson Brief on Exceptions, p. 13.

Year. However, the Company did not attempt to develop an average period during which such vacancies may exist for use in forecasting a more accurate vacancy rate.

We agree with the RD that adoption of Staff's 3.5 percent vacancy rate is a better indicator of what can be anticipated during the Rate Year than the Company's position. The 3.5 percent vacancy rate recommended by Staff is conservative, as it was calculated without inclusion of vacancies due to retirements. Moreover, to the extent that Central Hudson's labor expense reflects a staggered hiring of new FTEs, the application of the vacancy rate appropriately applies only to the portion of salary included in the Rate Year labor expense, which ensures that the productivity rate applies to staggered labor expenses properly.

### 3) Labor Distribution Rate

The RD recommended adoption of Staff's proposed labor distribution rate to establish the percentage of Rate Year labor costs allocated to expense or capital.<sup>39</sup> Rather than using the historic test year distribution to forecast labor distribution in the Rate Year, Staff proposed using a three-year historical average of actual labor cost distributions from 2020 to 2022, with no normalizations, to capture the variations that occurred during that time span. Staff proposed its forecasting method to account for the year-to-year fluctuations that can occur in types of work that determine the ratio of labor to expense or capital.

The Company had relied upon the historic test year labor distribution, adjusted for projected changes in the bridge period and Rate Year in proposing a different labor distribution rate. Staff disagreed with the Company's proposed labor

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<sup>39</sup> RD, pp. 67-69.

distribution rate on the grounds that a major component of the Company's forward-looking adjustments to the historic test year was directly linked to the Company's proposed incremental FTEs. Staff explained that attempting to calculate a normalization to apply to the historic test year labor distribution could result in a significant distortion of the distribution rate because the labor distribution of the large number of FTEs requested for the Rate Year was unknown.

On exceptions, the Company argues that Staff's approach is contrary to over 30 years of past practice and that the Commission should adopt the Company's methodology. The Company asserts that the Commission has approved this methodology in multiple Central Hudson rate cases over at least three decades in both settled and litigated cases. The Company noted that Staff proposed a forward-looking normalization adjustment for incremental FTEs in Central Hudson's rate proceedings in Cases 17-E-0459 and 17-G-0460. The Company states that it adopted Staff's proposal in that case and used the same methodology in Cases 20-E-0428 and 20-G-0429, and that the adjustment reduced the amount of labor being charged to electric and gas expense in those cases.

In addition, the Company argues that the Commission's 1977 Statement on Policy on Test Periods in Major Rate Proceedings states that operating results for the rate period should be based on the historic test year with normalizing adjustments. Further, the Company posits that the way in which new employees are likely to allocate their time between expense and capital will almost surely be different from the past and that, unlike Staff's methodology, the Company included adjustments to the historic test year labor distribution to account for known or anticipated changes in the Rate Year. The Company maintains that the use of a historical three-year

average does not reflect how the Company's existing workforce allocated their time between expense and capital and ignores the projected effect that incremental employees will have on the overall labor distribution. Finally, noting that the recovery of costs associated with incremental meter reader FTEs through a surcharge instead of base rates changes the labor distribution rate under the Company's methodology, the Company asserts that the Commission should adopt the resulting labor distribution rate of 54.01 percent to electric expense and 15.26 percent to gas expense.

We agree with Staff and the RD that, given the large number of incremental FTEs involved in these litigated proceedings, which may skew the results of the forecasting methodology typically used in the Company's settled multi-year rate cases, the better way to forecast the likely distribution of the incremental FTEs work between capital and expense during the Rate Year is to use a historical average reflecting the Company's typical distribution of labor. The use of the historical average of actual labor distributions from 2020 to 2022 accounts for the year-to-year fluctuations that can occur in the labor distribution rate and is an appropriate forecasting methodology given the high number of incremental FTEs involved.

#### 4) Wage Increases

##### (a) Union Employees

In the absence of a contract establishing wage increases for Systems Operations Union employees after April 1, 2024, the RD recommended wage increases of 2.5 percent for the period April 1, 2024, through the end of March 2025, and three percent for the period beginning April 1, 2025. In its brief on exceptions, Central Hudson indicates that the Systems Operation Union employees entered into a new Memorandum of Agreement (MOA) that, as relevant here, provides for a 4.0 percent increase

effective April 1, 2024, and a 4.25 percent increase effective April 1, 2025.<sup>40</sup> Staff has reviewed the MOA and recommends that the wage increases set forth therein should be reflected in the revenue requirements.<sup>41</sup> We agree and modify the RD accordingly.

(b) Executive and Non-Union Management Employees

The RD recommended we adopt annual wage increases of four percent effective March 1, 2024, for non-union management employees and January 1, 2025, for executive employees.<sup>42</sup> The RD based that recommendation on record evidence provided by Staff, which established that Staff normally would have recommended those wage increases. However, referencing Central Hudson's SAP-CIS implementation billing issues, the rate pressures involved in these cases, and findings about Central Hudson's management practices in the Company's most recent comprehensive management and operations audit in Case 21-M-0541, Staff ultimately recommended wage increases for non-union management employees of 2.25 percent in 2024 and three percent in 2025, and no wage increase for executive employees. The RD rejected Staff's ultimate recommendation as well as the Company's proposed 4.5 percent wage increases for its non-union management and executive employees.

Staff takes exception with the RD's recommendation of four percent wage increases for non-union management and executive employees. Staff maintains that the evaluation of these wage increases should take into consideration rate pressures and current circumstances at Central Hudson, particularly those related to the Company's billing issues.

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<sup>40</sup> Central Hudson Brief on Exceptions, p. 16.

<sup>41</sup> Staff Brief Opposing Exceptions, p. 5.

<sup>42</sup> RD, pp. 69-72.



Staff argues that the RD's reference to other post-COVID proceedings is inapt because the majority of those proceedings resulted in negotiated settlements and did not involve the particular circumstances here. Staff states that its recommendation is not seeking to punish executive and non-union management employees but merely to recognize they should not be affirmatively rewarded with raises funded by ratepayers in the Rate Year.

We agree with the RD that generalized rate pressures, SAP-CIS billing issues, and the management audit report do not warrant a deviation from Staff's normal methodology for determining appropriate wage increases for non-union management and executive employees. There is no evidence that the rate pressures in these proceedings differ markedly from other post-COVID-19 rate proceedings, regardless of whether those cases resulted from a settlement. Moreover, Staff has not established any link between the class of non-union management or executive employees and the billing issues that Staff would use as a reason for withholding salary increases for those classes of employees. Also, as we recently noted in Case 22-M-0645, the Independent Monitor found in its March 1, 2024, report that "Central Hudson had resolved critical billing issues and reached a stable current state."<sup>43</sup>

Staff also does not point to any specific audit recommendation that would require a deviation from Staff's normal methodology for determining appropriate wage increase amounts for the Rate Year. In addition, we note that, as part of the normal process in such cases, the Company has filed an updated implementation plan to address the audit

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<sup>43</sup> Case 22-M-0645, supra, Order Adopting Terms of Settlement, p. 7 and n. 12.

recommendations, which the Commission has recently approved with certain modifications not relevant here.<sup>44</sup>

On exceptions, the Company argues that the RD should have recommended the Company's 4.5 percent wage increases rather than the four percent increase that Staff ordinarily would have recommended. The Company maintains that the RD did not identify why Staff's methodology for determining the amount of the wage increase was superior, did not raise any concerns or deficiencies in the Company's methodology, and ignores the evidence supporting the Company's proposed 4.5 percent wage increases.

We reject Central Hudson's position. Staff's proposed four percent increase, which was adopted by the RD, is reasonably based on the WorldatWork 2023-2024 forecast of "Total Salary Budget Increases, by Employee Category," a source upon which Staff normally relies; falls within the four- to five-percent range recommended by the Company's compensation consultant,<sup>45</sup> and is more protective of ratepayers than the 4.5 percent proposed by the Company. We therefore agree with the RD and adopt the recommended four percent wage increases for non-union management and executive employees.<sup>46</sup>

5) Executive Variable Compensation

The RD recommended that we approve variable compensation for Central Hudson's executives in the amounts of \$922,000 for electric and \$230,000 for gas. Although Staff's Accounting Panel concluded that the Company's executive compensation plan satisfied Commission requirements stated in

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<sup>44</sup> Case 21-M-0541, Central Hudson Gas & Electric Corporation - Comprehensive Management and Operations Audit, Central Hudson Updated Implementation Plan (filed January 31, 2024).

<sup>45</sup> Tr. 346, 397-398.

<sup>46</sup> Tr. 4013; Hearing Exhibit 340 (SPP-4).

Case 10-E-0362,<sup>47</sup> Staff's Policy Panel recommended denial of executive compensation based upon the independent auditor's report in the Company's management and operations audit in Case 21-M-0541.<sup>48</sup> The RD recognized that, based on its recent order approving the Company's updated implementation plan with modifications, the Commission could make a determination denying Central Hudson's request for executive incentive compensation during the Rate Year.<sup>49</sup> Nevertheless, also taking into account Staff's Accounting Panel testimony, the RD recommended, on balance, that we approve executive variable compensation with conditions requiring Central Hudson to retain the funds for the benefit of ratepayers unless it established to Department Staff's satisfaction that it was effectively implementing the independent auditor's recommendation 2.7, which stated that "[m]anagement should set Team Goal targets to require continuous improvement in all measurements of Company performance."<sup>50</sup>

We agree with Staff's position in its brief on exceptions that Central Hudson is not entitled to ratepayer funding for executive variable compensation in the Rate Year. We therefore modify the RD in that respect. As stated in the independent auditor's report, short-term executive incentive compensation at the Company "is tied more directly to the achievement of Central Hudson's Team Goals," but Central Hudson's senior management has not "set an expectation of continuous improvement in the utility's performance over the

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<sup>47</sup> RD, p. 82; Case 10-E-0362, Orange and Rockland Utilities, Inc. - Electric Rates, Order Establishing Rates for Electric Service (issued June 17, 2011), pp. 39-40.

<sup>48</sup> Case 21-M-0541, supra, Order Approving Implementation Plan with Modification (issued March 15, 2024).

<sup>49</sup> RD, p. 86.

<sup>50</sup> Case 21-M-0541, supra, Overland Consulting Report, pp. 2-3 and 2-39, Table 2-19.

audit period” and, “in most cases, targets were influenced by the Company’s performance in the previous year or threshold expectations set in rate cases.”<sup>51</sup> Indeed, the auditor noted that most of the performance targets in Customer and Internal Process areas, including rate case performance metrics, did not change between 2023 and 2027. In recommending that the Company set Team Goal targets to require continuous improvement in all measurements of performance, the auditor stated that “[g]radual improvement should be expected over the next few years as improved targets are set and ultimately achieved.”<sup>52</sup>

In the order approving Central Hudson’s updated implementation Plan with modifications, the Commission rejected Central Hudson’s position that continuous improvement in all areas of performance is inappropriate and that “Team Goals related to targets established in rate plans should be set at the same levels because additional funding would be needed to achieve higher performance levels.”<sup>53</sup> The Commission explained that Central Hudson’s approach to rewarding its employees for achieving the minimum performance levels established in rate plans “is antithetical to the purpose of an incentive compensation plan.”<sup>54</sup> Noting that Central Hudson seeks continuous improvement in financial Team Goals, the Commission stated that the Company “should use its Team Goals to drive performance that benefits its customers as well as its shareholders.”<sup>55</sup>

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<sup>51</sup> Id., p. 2-38.

<sup>52</sup> Id., p. 2-39, Table 2-19.

<sup>53</sup> Case 21-M-0541, supra, Order Approving Implementation Plan with Modification, p. 9.

<sup>54</sup> Id., pp. 8-9.

<sup>55</sup> Id., pp. 9-10.

The implementation of recommendation 2.7 will take time, as the independent auditor recognized. Moreover, we have required the Company to meet with Department Staff after implementation of other benchmarking goals that will be used to inform the process the Company takes in setting Team Goals to motivate its employees to improve performance for the Company's customers. Under these circumstances, we disagree with the RD that the Company's promise to implement recommendation 2.7 in the future provides a basis for us to require ratepayers to fund executive incentive compensation during the Rate Year.

c. Productivity

Staff takes exception to the RD's recommendation that the Commission adopt the one percent productivity adjustment proposed by Central Hudson, as opposed to the two percent productivity adjustment recommended by Staff.<sup>56</sup> Staff argues that a two percent productivity adjustment is appropriate because the RD recommends initiatives that could lead to additional unknown and unquantified benefits/savings during the Rate Year, including additional cost allowances and 31.5 FTEs over the number of FTEs recommended by Staff.

In litigated rate cases, the Commission typically imputes a one percent productivity adjustment to capture unidentified and/or unquantifiable productivity gains, efficiencies and cost savings that could be realized in a rate year.<sup>57</sup> The Company testified that most of the incremental FTEs - to which the one percent productivity imputation would also apply - are needed for incremental work and will not make

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<sup>56</sup> Staff Brief on Exceptions, p. 8.

<sup>57</sup> See Cases 20-G-0101, et al., Corning Natural Gas Corporation - Rates, Order Establishing Rates and Rate Plan (issued May 19, 2021), p. 25; Case 16-G-0257, National Fuel Gas Distribution Corp. - Rates, Order Establishing Rates for Gas Service (issued April 20, 2017), pp. 33-35.

current employees more productive.<sup>58</sup> In addition, Staff does not state what additional cost allowances it claims will result in unquantifiable productivity gains or savings warranting a departure from the typical one percent productivity adjustment. Under these circumstances, we agree with the Company that the typical one percent productivity imputation should not be doubled and that a one percent productivity imputation should apply.

d. Major Storm Expense

The Company takes exception to the RD's recommendation that we adopt Staff's proposed Major Storm Rate Year expense allowance of \$10.7 million, as compared to the \$14.8 million requested by the Company. The Company and Staff both used a 10-year historical average to project Rate Year Major Storm O&M expense. Staff, however, disagreed with including "superstorms" in the ten-year average and removed two storm events with costs of \$14.7 million and \$24.2 million, respectively, both of which were significantly greater than the average storm costs over that period.

The Company raises three arguments on exceptions. First, it argues that Staff's categorization of the two storms as "superstorms" is arbitrary because there is no criterion explaining the basis for removing them in calculating the average cost other than that the related expense exceeds a certain threshold. Second, it asserts that storms of that magnitude are not outliers, as a review of storm data back to 2010 shows that the Company had multiple storms that resulted in restoration costs in excess of \$10 million and two storms with costs that exceeded \$20 million. Finally, it maintains that Staff's removal of storms it deems as outliers in past rate

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<sup>58</sup> Tr. 799.

cases has left the major storm reserve underfunded and resulted in the Company's existing regulatory asset in excess of \$60 million for major storm restoration.

We see no reason to disagree with the RD's conclusion that the two storms removed from the calculation of major storms in the ten-year period used were appropriately removed as outliers. From April 1, 2013, through March 31, 2023, Central Hudson experienced 30 major storm events, out of which one had restoration costs of over \$20 million and two had restoration costs exceeding \$10 million. Staff correctly removed the costs of the two major storm events that were significantly greater than the average storm costs over that time period.<sup>59</sup>

Staff's normalization of the 10-year average of historical costs to remove two outlying events provides a more representative forecast of what is likely to occur during the Rate Year. Notably, the Company's major storm reserve is being increased from \$4.674 million per rate year to \$10.7 million. The Company will be able to recover eligible costs in excess of that amount by debiting its storm reserve regulatory asset and accrue carrying charges on the balance until costs are recovered through its next rate proceeding. Moreover, the Company will begin collecting its existing major storm cost regulatory asset during the Rate Year, and it can request an increase to its Major Storm Reserve O&M rate allowance and additional methods for collecting the storm cost regulatory asset in its next rate case, which it can file at any time after the issuance of this Order.

## 2. Depreciation

In their testimony, Central Hudson and Staff each proposed various depreciation parameters, including survivor

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<sup>59</sup> Tr. 4103.

curves, average service lives (ASL) and net salvage factors. The RD generally recommended we adopt Staff's recommended parameters, except the ASLs recommended by Staff that "deviate[d] unrealistically from those in [Central Hudson's Depreciation] Study, as well as from comparative data and industry standards."<sup>60</sup> Neither Central Hudson nor Staff, the only two parties to provide argument with respect to depreciation issues, take issue with the depreciation parameters identified in the RD.

Central Hudson does take issue, however, with the RD's resolution of the appropriate amortization period for the depreciation reserve deficiency. The RD supported Staff's position, which proposed that the reserve deficiencies for electric, gas, and common be recovered to 10 percent of the theoretical reserve over a period of 20 years.<sup>61</sup> Central Hudson argues that a 20-year amortization period is not "tenable" given "looming" CLCPA deadlines in 2030 and 2050, and "will permit collection of only the excess over 10% of the gas reserve deficiency by 2044, leaving the full remaining 10% (or more, depending on future depreciation studies) to depreciate over" the subsequent six years.<sup>62</sup> Central Hudson argues that the RD's categorization of a 20-year amortization period as "set in stone is unsupported," and cites two cases in which a 15-year amortization period was established for Consolidated Edison Company of New York, Inc. (Con Edison), in 2008 and 2017, and one time in 1991 in which a seven-year amortization period was established for New York Telephone. Relying on those examples, Central Hudson argues that a 10-year amortization period would

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<sup>60</sup> RD, p. 134.

<sup>61</sup> RD, pp. 138-140.

<sup>62</sup> Central Hudson Brief on Exceptions, p. 21 (emphasis in original).



be "keeping with precedent."<sup>63</sup> As for the RD's recommendation that a 20-year amortization period should be applied absent guidance from the Commission in the Gas Planning Proceeding (Case 20-G-0131), Central Hudson opines that "there is no need to wait" for the Commission to take action before taking action in this rate case.<sup>64</sup>

Staff argues that Central Hudson's claim that a shorter amortization period is more typical than the 20-year period stated in the RD is misleading in that Central Hudson neglected to mention that 20-year amortization periods were most recently established for Con Edison in its 2020 and 2023 rate cases. Staff also states that New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation also had an amortization period of 20 years established in their 2010 rate cases. Staff further takes issue with Central Hudson's claim that amortization periods should be established on a case-by-case basis after considering all relevant facts and circumstances, noting that the Company neglects to offer any specific facts or circumstances that warrant a shorter amortization, aside from generic references to the CLCPA deadlines. Thus, Staff's position remains that a 20-year amortization period is appropriate and, in any event, can be reconsidered once the Commission issues statewide guidance in the Gas Planning Proceeding.<sup>65</sup>

We agree with Staff that Central Hudson has not offered a convincing argument that renders the amortization period recommended in the RD unreasonable or unworkable. The 20-year amortization period recommended in the RD is in the

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<sup>63</sup> Central Hudson Brief on Exceptions, pp. 21-22.

<sup>64</sup> Central Hudson Brief on Exceptions, p. 22.

<sup>65</sup> Staff Brief on Exceptions, pp. 8-9.

range of amortization periods established for gas and electric utilities after the enactment of the CLCPA and is reasonable and appropriate under the circumstances. Once guidance is issued through the Gas Planning Proceeding, the amortization period can be revisited.

3. Deferrals

a. Government, Legislative and Other Regulatory Deferrals

The Company takes exception to the RD's recommendation that, in these litigated rate proceedings, we discontinue deferral accounting treatment for costs associated with governmental, legislative, accounting, regulatory, tax or applicable tax rates, fees, government-mandated action or other regulatory actions in a rate year when the impact is greater than 10 basis points for either the gas or electric business.<sup>66</sup> The RD concluded that (1) the risk of governmental, legislative, and other regulatory actions resulting in significant, unforeseen costs during the Rate Year is reduced as compared to the risk present under a multi-year rate plan, and (2) if such action occurs during the Rate Year, it likely would impact all utilities, making it more appropriate for the Commission to address deferral treatment on a generic basis.<sup>67</sup>

On exceptions, Central Hudson maintains that deferral treatment should be continued, "as the risk of governmental, legislative, or other regulatory action is present regardless of the duration of the rate plan, and costs associated therewith are entirely outside the Company's ability to control, difficult to forecast, and non-discretionary."<sup>68</sup> Central Hudson asserts

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<sup>66</sup> RD, pp 146-147.

<sup>67</sup> RD, p. 147.

<sup>68</sup> Central Hudson Brief on Exceptions, p. 22.

that New York is pursuing comprehensive changes to its climate and energy policies and laws, including measures designed to meet CLCPA goals, which could potentially impose significant costs on the Company that might be left uncollected absent a deferral mechanism. The Company states that the Commission has relied on rate case deferral provisions in addressing cost recovery in generic proceedings.<sup>69</sup>

We do not find persuasive the Company's reliance on a single case in which the Commission relied upon existing deferral mechanisms as a mechanism for recovery of incremental costs. Central Hudson does not show that any utility involved in that case was unable to collect incremental costs because it did not have a deferral mechanism in place. Nor does it cite any case in which the Commission allowed utilities with deferral mechanisms to collect incremental costs resulting from government, legislative and other regulatory deferrals, while refusing to allow utilities without such deferral mechanisms to recover such costs. Conversely, Staff cites generic proceedings

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<sup>69</sup> Id., p. 23, citing Case 19-G-0736, Proposed Amendments to Chapter III, Gas Utilities, Subchapter C, Safety, Part 255, Transmission and Distribution of Gas, to Improve Operator Qualification Programs, Memorandum and Resolution Adopting Amendments to 16 NYCRR Part 255 (issued March 18, 2022), p. 17 (any "incremental costs may be deferred pursuant to the terms of the individual utility's rate plan").

in which the Commission has specifically allowed utilities to defer costs with recovery to be addressed in future rate cases.<sup>70</sup>

Moreover, as stated in the RD, the risk borne by the utility of government, legislative or other regulatory action impacting utilities is lower in a litigated case addressing a single rate year as opposed to a negotiated rate case resulting in a multi-year rate plan. We also agree with the RD that any such action likely would impact all utilities, making it appropriate to treat recovery of costs on a generic basis. Indeed, although the Company's testimony referenced passage of the Tax Cuts and Jobs Act of 2017 in support of its position for the continuation of a deferral mechanism,<sup>71</sup> the Commission took action on a generic basis to address utility rate effects of the tax law changes from the Tax Cuts and Jobs Act.<sup>72</sup> Finally, Central Hudson can petition the Commission for deferral authority if a new governmental mandate is not addressed by the Commission in a generic proceeding.

Accordingly, we adopt the RD's recommendation not to continue this reconciliation mechanism in the Rate Year.<sup>73</sup>

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<sup>70</sup> Staff Brief Opposing Exceptions, p. 10, citing Case 22-M-0314, Proceeding to Review Utilities' Diversity, Equity, and Inclusion Practices, Order Initiating Proceeding (issued June 16, 2022), p. 6; Case 20-E-0543, Petition of Interconnection Policy Working Group seeking a Cost-Sharing Amendment to the New York State Standardized Interconnection Requirements, Order Approving Cost-Sharing Mechanism and Making Other Findings (issued July 16, 2021), pp. 16-17; Case 17-M-0815, Proceeding on Motion of the Commission on Changes in Law that Affects Rates, Order Determining Rate Treatment of Tax Changes (issued August 9, 2018).

<sup>71</sup> Tr. 1543.

<sup>72</sup> Case 17-M-0815, supra.

<sup>73</sup> A listing of deferrals in effect during the Rate Year is attached as Appendix 4.

b. Roadway Excavation Quality Assurance Act

On August 16, 2023, Governor Hochul signed the Roadway Excavation Quality Assurance Act, codified as Labor Law §224-F (the Act). Effective September 15, 2023, the Act subjects certain roadway construction work by utility company contractors and subcontractors to the prevailing wage requirements of Article 8 of the Labor Law. Specifically, the Act applies to a "covered excavation project," which, as relevant here, is defined as "construction work for which a permit may be issued to a contractor or subcontractor of a utility company by the state, a county or a municipality to use, excavate or open a street."<sup>74</sup>

The RD recommended that we allow deferral treatment for incremental costs associated with the implementation of the Act with respect to Central Hudson's gas capital work.<sup>75</sup> The RD stated that, although the timing of the Act's enactment did not permit the Company to provide a final estimate of cost impacts, "the record shows that the Act will increase Central Hudson's costs by requiring its contractors and subcontractors to pay prevailing wages."<sup>76</sup> In addition, the RD did not see any "reason to require the Company to file a deferral petition to recoup such costs, where legislation has been passed that will necessarily increase the Company's costs and a deferral mechanism can be used to address as-of-yet unknown costs that will be incurred during the Rate Year."<sup>77</sup>

The RD, however, questioned the Company's position that incremental costs for electric system flagging activities

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<sup>74</sup> Labor Law §224-F(1) (a).

<sup>75</sup> RD, p. 153.

<sup>76</sup> Id.

<sup>77</sup> Id.

should also be subject to the deferral.<sup>78</sup> Staff had indicated that "Lineman-Tree Trimmers serving as 'Flag Person' in their duties have consistently maintained New York State minimum wage as their prevailing wage amount."<sup>79</sup> The Company responded that the Prevailing Wage Law also includes supplemental benefits for "Flag Person" and that, pursuant to union contract, a "Flag Person" is automatically upgraded to "Ground Person" at a higher wage.<sup>80</sup> The RD concluded that the Company's response did not explain why costs for such contractor employees would increase because of the Act as opposed to the union contract.

Central Hudson takes exception to the RD's determination regarding deferral treatment of costs for electric system flagging activities. Central Hudson argues that flagging activities for electric line clearing and hazard tree removal are covered by the Act; that, in addition to the hourly wage, the positions are provided supplemental benefit of \$10.48 per hour plus 4.5 percent of the hourly wage paid; and, that the employees and prices are set by the contractors subject to the Act.<sup>81</sup> Central Hudson testified that "initial estimates of the legislation's impacts for the Rate Year equate to an increase of approximately \$1.1 million for Routing Line Clearance Flagging and \$440,000 for the Hazard Tree Flagging activity associated with 12 Hazard Tree crews."<sup>82</sup>

Noting its concern over the potential increased costs if deferral treatment is given to electric system flagging activities, Staff argues that, if we adopt a deferral mechanism,

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<sup>78</sup> Id., p. 154, n. 562.

<sup>79</sup> Staff Initial Brief, p. 27.

<sup>80</sup> Central Hudson Reply Brief, p. 9.

<sup>81</sup> Central Hudson Brief on Exceptions, pp. 23-24.

<sup>82</sup> Tr. 2145.

it should be in effect only for a limited time period.<sup>83</sup> Staff urges us to ensure that the full cost impacts of the Act are accurately reflected in future rate cases.

We see no reason to depart from the RD's conclusion that the timing of the Act's passage prevented Central Hudson from accurately forecasting increased costs resulting from the Act in these rate proceedings, making deferral treatment appropriate.<sup>84</sup> Given Central Hudson's testimony that the Act will result in increased costs for flagging activities for electric line clearing and hazard tree removal, we conclude that the Company should be allowed to defer incremental costs for those activities as well as for its gas capital work, including Distribution Improvement Projects and elimination of leak prone pipe (LPP). However, at this time, we are authorizing deferral treatment for only the Rate Year and any subsequent rate year should the Company decide to stay out from filing new rates. Central Hudson should be in a better position to accurately forecast the cost impacts from the Act in its next rate case.

In addition, the deferral amount will be subject to Staff audit. The Company shall file with the Secretary in these rate case dockets, within 90 days after the end of the Rate Year and any subsequent rate year should the Company decide to stay out from filing new rates, a report providing the deferral amount the Company proposes with supporting documentation to establish that such costs are due to the Act and are associated with particular gas capital projects or flagging activities for electric line clearing and hazard tree removal.

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<sup>83</sup> Staff Brief Opposing Exceptions, p. 11.

<sup>84</sup> Tr. 1235-1238, 1548-1549, 2145.

C. Rate Base Issues

1. Electric Capital

As stated in the RD, the Company and Staff entered into a Stipulation Regarding Electric Capital and Operations, which establishes an electric capital budget of \$147.598 million for the Rate Year.<sup>85</sup> The electric capital expenditures included in the Rate Year reflect Staff's testimonial position and the removal of expenditures associated with the Company's newly proposed storm tracking category and proposed new Electric Transmission Structure Coating Program.

On exceptions, MI argues that the Company's capital budgeting process undermines the reliability of its proposed capital budgets and that we should reduce the overall electric capital budgets agreed to by the Company and Staff by at least 15 percent. In support of its position, MI points to concerns raised by Staff with respect to the Company's initial presentation of information supporting its capital budgets and in the management audit in Case 21-M-0541<sup>86</sup> with respect to problems in how the Company tracks and reports data at the project level. MI states that a 15 percent reduction is slightly less than the average amount of capital budget reductions that resulted from the negotiated multi-year rate plans in Central Hudson's two prior rate plans.

As an initial matter, the record does not establish that the Company can continue to provide safe and reliable service with MI's proposed blanket reduction of 15 percent to Staff's recommended electric capital budget. MI provided no testimony on this issue and we find MI's reliance on the outcome

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<sup>85</sup> Exhibit 516.

<sup>86</sup> Case 21-M-0541, Proceeding on Motion of the Commission to Conduct a Comprehensive Management and Audit of Central Hudson Gas & Electric Corporation.



of the Company's last two rate cases as compared to the Company's initial proposals in those cases unpersuasive. We are setting rates for the Rate Year in this litigated rate case and cannot cut 15 percent from the electric capital budget without any record support.

As for the accuracy of the electric capital budget, Staff testified that the Company appeared to be "tracking its historical actual and budgeted costs accurately on a category level," and that Staff was able to assess the validity of Central Hudson's proposed electric capital budget by category and apply "specific program or project adjustments to each category, to the extent it was deemed necessary."<sup>87</sup> Moreover, we note that the Commission recently approved Central Hudson's updated audit implementation plan with respect to audit recommendation 3.2 regarding capital project tracking and reporting, which should address issues with the Company's capital expenditure tracking on a project and program level going forward.<sup>88</sup>

We agree with the RD's conclusion that the stipulated electric capital budget represents a reasonable and appropriate level of electric capital spending in light of the Company's historical expenditures and the proposed CLCPA Phase 1 projects needed to comply with the Commission's order in Case 20-E-0197.<sup>89</sup>

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<sup>87</sup> Tr. 2554, 2561-2563.

<sup>88</sup> Case 21-M-0541, supra, Order Approving Implementation Plan with Modification (issued March 15, 2024); Overland Consulting Comprehensive Management and Operations Audit Report, pp. 3-3 - 3-6 and Attachment 1.1; Central Hudson Updated Implementation Plan, pp. 2, 31-34.

<sup>89</sup> Case 20-E-0197, Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act, Order on Phase 1 Local Transmission and Distribution Project Proposals (issued February 11, 2021).

As Staff testified, the proposed electric capital expenditures generally represent “business-as-usual spending” that, with the impacts associated with the CLCPA Phase 1 projects filtered out, would be well below the Company’s historical actual spending levels and the spending levels approved in the Company’s last rate case.<sup>90</sup> Accordingly, we approve the electric capital budget set forth in Exhibit 516 as in the public interest.

a. CATV Make-Ready Reconciliation Mechanism

The RD rejected the Company’s proposal to defer incremental spending above that forecasted for its CATV/Broadband Make-ready projects, which averages approximately \$643,000 annually, over the Company’s five-year construction plan from 2024 through 2028.<sup>91</sup> In doing so, the RD stated that the Company failed to establish it has a reasonable basis, supported with some level of specificity, to expect to perform significant additional CATV/Broadband Make-ready work in the Rate Year.<sup>92</sup> Staff supports the RD’s recommendation.

On exceptions, the Company argues that, given the short timelines involved in the CATV/Broadband Make-ready projects, it is difficult to know how the Company is supposed to explain when that work will begin or what portion of the work is anticipated in the Rate Year.<sup>93</sup> The Company had testified that it experienced an unprecedented increase in applications for attachments to distribution poles in 2023, including a single entity that notified it of build-out plans that would require Central Hudson to survey 34,322 poles within a 1.5-year period.<sup>94</sup>

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<sup>90</sup> Tr. 2562.

<sup>91</sup> Tr. 2038.

<sup>92</sup> RD, p. 162.

<sup>93</sup> Central Hudson Brief on Exceptions, pp. 24-25.

<sup>94</sup> Tr. 2038, 2115.

The Company additionally testified that, "due to insufficient lead times associated with these nondiscretionary projects, inclusion in capital expense and forecasts is not possible and any incremental expenditures would require reprioritization which may impact planned distribution projects necessary for the provision of safe and reliable service."<sup>95</sup>

We agree with the Company that a deferral is appropriate, and therefore approve its request to defer incremental spending above that forecasted for its CATV/Broadband Make-ready projects and modify the RD accordingly. CATV/Broadband Make-ready projects are necessary to promote Commission goals to ensure that additional high-speed broadband throughout New York State is deployed in unserved and underserved areas. Such projects allow telecommunications and cable systems to co-locate on utility-owned poles. Because of these policy goals, we anticipate an increase in CATV/Broadband Make-ready projects over the next several years.

The deferral amount, however, shall not include any costs associated with, or that would normally be funded through, the Company's other capital and O&M projects or programs, such as those under the Company's Distribution Improvement budget category. The deferral amount also shall be reduced by the pole attachment rental revenues in excess of those included in the revenue forecast for the Rate Year. In addition, the deferral amount will be subject to Staff audit. We therefore direct the Company to file with the Secretary in this electric rate case docket, within 90 days after the end of the Rate Year (and any subsequent rate year if the Company stays out), a report providing the deferral amount the Company proposes with supporting documentation to establish that such costs are

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<sup>95</sup> Id.

associated with particular CATV/Broadband Make-ready projects. Finally, the parties to the next rate proceeding for the Company should address whether this deferral treatment should continue.

## 2. Gas Capital

### a. Regulator Station Projects

The RD recommends that we adopt Staff's methodology for forecasting capital budgets for the Company's Regulator Station category, as modified to apply inflation not only on a going forward basis but also to historical expenditures for 2020 through 2022.<sup>96</sup> With that modification, the RD found appropriate Staff's use of a three-year historical average spend for calendar years 2020 through 2022, adjusted for inflation, to forecast the Rate Year Regulator Station capital budget. Regulator Station funding is used for, among other things, replacement of out-of-date regulator stations, pressure monitor upgrades, the addition of conditioning equipment to provide enhanced safety and reliability, and the installation of coating systems to extend the life of existing stations.<sup>97</sup>

In support of its forecasting methodology, Staff testified that, based on historical spending for similar projects in this category, the Company spent below its budget for three out of five historical calendar years - 2018, 2020, and 2021.<sup>98</sup> Staff maintained that the most recent three-year average provides a better estimate by closely following the trend of capital expenditures from the most recent years while also including historical data.<sup>99</sup> Staff recommended capital expenditure budgets for the Regulator Station category of \$2.13

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<sup>96</sup> RD, pp. 170-171.

<sup>97</sup> Tr. 2191.

<sup>98</sup> Tr. 2193.

<sup>99</sup> Id.

million for 2024 (a 35 percent reduction from the \$3.3 million requested by the Company) and \$2.17 million for 2025 (a 40 percent reduction from the \$3.6 million requested by the Company).<sup>100</sup> Those amounts did not include the RD's proposed modification to the application of inflation to historical expenditures.

The Company forecasted its proposed Regulator Station capital budgets on a project-by-project basis. In response to discovery, the Company stated that "the general project titles of Pressure Control Improvements and Pressure Recording Chart Replacements cost estimates are based on the historical five-year average of expenditures for these projects."<sup>101</sup> It also stated that regulator Station Supervisory Control and Data Acquisition implementation costs are based on an estimate of \$50,000 per installation, with three installations planned in 2024 and two installations in subsequent years; that Regulator Station Coating Program Cost estimate information was provided in response to another discovery request; and that detailed cost breakdowns for the remaining future projects [were] not yet developed. The Company indicated that all other cost estimates were based on historical averages for similar types of projects, plus an additional amount for inflation.

On exceptions, Central Hudson argues that the RD should have rejected Staff's proposed methodology for the same reasons the RD rejected Staff's forecasting methodology with respect to gas transmission projects.<sup>102</sup> The RD rejected Staff's proposed forecast for the gas transmission projects because (1) Staff had agreed with the Company's projected costs of \$1

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<sup>100</sup> Tr. 2194.

<sup>101</sup> Exhibit 329 (SGIOP-1), pp. 144-146.

<sup>102</sup> Central Hudson Brief on Exceptions, pp. 26-27.

million in 2024 and \$3.1 million in 2025 for the partial replacement of gas transmission lines pursuant to what is referred to as the Pipeline Mega Rule; (2) Staff testified that another project known as the Poughkeepsie Receival MP/TP Interconnect was important for the Company to maintain reliable gas service; and, (3) Staff, as a result, did not show that its proposed budgets of \$1.92 million in 2024 and \$3.78 million in 2025 were sufficient "to ensure appropriate funding for work that is mandated by law or needed for reliability of the gas transmission system."<sup>103</sup>

However, with respect to the Regulator Station budget, the RD noted that Staff did not agree to any specific funding level for any particular regulator station work.<sup>104</sup> Therefore, the same basis for concern over the sufficiency of Staff's gas transmission budget did not exist with respect to the Regulator Station budget. Under those circumstances, the RD appropriately agreed with Staff's methodology as modified to include the application of inflation to historical expenditures. With that modification, the RD agreed with Staff, as do we, that the use of a three-year historical average, adjusted for inflation, was reasonable.<sup>105</sup> Although the Company generally testified that over 90 percent of the Regulator Station projects in its Five-Year Capital Plan are associated with compliance or maintenance of system standards, that does not invalidate the methodology used to project costs during this Rate Year because, as recognized by Staff and the RD, the "Company can prioritize projects during the Rate Year and request funds for future work in its next rate case."

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<sup>103</sup> RD, pp. 165, 168.

<sup>104</sup> RD, p. 171.

<sup>105</sup> Id.

Nevertheless, the Regulator Station Rate Year capital budget recommended by the RD must be modified to the extent it did not include costs for newly proposed projects that were not included in the 2020-2022 historical costs, such as Heater Replacement and Installations, Property Purchases, and Regulator Station Coating Program. Staff did not object to the inclusion of these projects in the Rate Year capital budget. Adding those projects to the historical average, we now approve a Regulator Station Rate Year budget based on funding levels of \$3.18 million for 2024 and \$3.59 million for 2025. This approach reasonably accounts for the Company's more recent historical actual costs for work that is routinely performed, for increases in costs due to inflation, and for additional costs due to new projects that were not part of the historical actual costs.

b. Distribution Improvements

The Distribution Improvements category of capital projects includes the Company's LPP Elimination Program, the Large Diameter Gas Welded Pipe Replacement Program, the Leak Prone Services Program, the Creek Crossing Risk Remediation Project, and the Transmission Service Elimination Program.<sup>106</sup> The Company proposed capital budgets for the Distribution Improvements category of approximately \$51.6 million in 2024 and \$56.4 million in 2025.<sup>107</sup> Staff recommended a capital budget of \$46.3 million for 2024 and \$48.7 million for 2025.

The Company and Staff relied on different forecasting methodologies to support their respective positions. The Company used a pro forma pricing methodology for all work under the Distribution Improvements category. The Company analyzed a two-year history of unit price estimates based on recently

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<sup>106</sup> Tr. 1215, 1222-1223.

<sup>107</sup> Tr. 1202.

completed projects and applied several factors to reflect unit price increases due to inflation and other causes. For example, with respect to the LPP program budget, the Company took the unit price per main foot that was used for pro forma pricing of LPP projects and increased that amount by 14 percent to account for the difference between actual historical costs and estimated budgets for LPP projects from calendar years 2020 and 2021, plus another four percent to account for past underestimations and continuing inflationary costs, bringing the total proforma increase to 18 percent.<sup>108</sup> Using that methodology, the Company requested \$26.4 million in 2024 and \$24.8 million in 2025 for elimination of 15 miles of LPP per year.

Staff recommended a budget for the LPP program of \$23.7 million in 2024 and \$21.5 million in 2025. Staff calculated the three-year average from calendar years 2020 to 2022 of the difference between historical costs and estimated LPP project budgets, which Staff calculated as "four percent, not 14 percent as used by Central Hudson."<sup>109</sup> Staff then used an inflation rate of 3.65 percent, increased the pro forma unit cost per foot using a similar method as the Company, and calculated its estimated budget using its pro forma unit cost per foot.<sup>110</sup> In short, Staff took the difference between the actual historical costs and estimated budgets and applied inflation for 2024 and 2025. Staff used a similar methodology for several other projects, such as the Large Diameter Gas Welded Pipe Replacement Project, the Compression Coupling

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<sup>108</sup> Tr. 2198.

<sup>109</sup> Tr. 2199.

<sup>110</sup> Tr. 2199-2200.



Elimination Program, and the Transmission Service Elimination Program.<sup>111</sup>

For the Leak Prone Services Program, Staff used a three-year annual average to calculate the cost per replaced service,<sup>112</sup> and made similar adjustments to the Compression Coupling Elimination Program and Transmission Service Elimination Programs.<sup>113</sup> Staff used a three-year historical average, adjusted for inflation, consistent with its methodology for adjustments in other categories.<sup>114</sup>

Central Hudson testified that Staff's methodologies resulted in inaccurate calculations. The Company maintained that the pro forma pricing used for LPP Replacement Projects was not based on accurate information. The Company testified that Staff relied on revised work order estimates that included project specific adjustments, rather than initial work order estimates. According to the Company, "initial work order revisions (estimates) ... should be used to calculate proforma pricing in order to accurately reflect year-over-year adjustments."<sup>115</sup> Using the initial estimates, the Company calculated the increase to be 10.4 percent, rather than 4.2 percent.<sup>116</sup> In addition, the Company argued that Staff's pro

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<sup>111</sup> Tr. 2204-2208.

<sup>112</sup> Tr. 2201-2202.

<sup>113</sup> Tr. 2207-2208.

<sup>114</sup> With respect to the Creek Crossing Risk Remediation project, Staff calculated a similar cost per project as the Company and primarily adjusted the budget by lowering the amount of projects planned to be completed each year because the related emergency events to be prevented were historically rare. Tr. 2210-2211. Staff, therefore, recommended a budget for this category of \$500,000 for 2025. The Company did not object to this recommendation.

<sup>115</sup> Tr. 1251.

<sup>116</sup> Tr. 1251.

forma methodology does not account for unit cost increases it has been experiencing and that Staff should have used a pro forma methodology for all categories.

The RD agreed that Staff's methodology did not account for updated cost increases; however, the RD did not recommend adoption of the Company's methodology either. Instead, the RD concluded that the "best way to account for increased unit costs and to produce the most accurate budgets ... would be to use the latest actual costs provided by the Company, adjusted for inflation."<sup>117</sup>

The Company takes exception to the RD's recommendation on the ground that "it appears to have the unintended consequence of resulting in an inadequate budget for this category, one that is even lower than Staff's proposed budget."<sup>118</sup> The Company contends that the use of 2022 actual spend in forecasting LPP replacement costs does not reflect the cost increases the Company has experienced in 2023.<sup>119</sup> The Company states that it spent approximately \$46.2 million on Distribution Improvement Projects, primarily LPP removal, in 2023. The Company also notes that forecasting the distribution capital budget based on the Company's 2022 actual costs does not reflect costs for newly proposed programs, including the Compression Coupling Neighborhoods, Transmission Service to Distribution Program, the Leak Prone Services Replacement Program, and the River/Creek Crossing Reinforcements.

Staff agrees that a strict interpretation of the RD would not produce an appropriate budget for this capital category, noting that the RD apparently did not intend to

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<sup>117</sup> RD, p. 174.

<sup>118</sup> Central Hudson Brief on Exceptions, p. 27.

<sup>119</sup> Id., p. 28.

exclude the four new capital programs proposed by the Company. Therefore, Staff included those projects in recalculating the budget. Although the Company maintains that we should adopt its budget as originally proposed, the Company and Staff agree that, if we adopt the RD's proposed methodology, the recalculated budget including the four new programs would be \$45.4 million in 2024 and \$51.6 million in 2025.<sup>120</sup> With these corrections, we find the RD's proposed methodology to calculate the Distribution Improvements capital budget to be reasonably based on historical information in the record, as updated on exceptions. Accordingly, we modify the RD by adopting the recalculated Rate Year Distribution Improvements capital budget.

3. Common Capital

a. Land and Building

1) Paving

Central Hudson's Paving budget allocates money "for emergent paving needs that arise during the year and to expand the scope of identified paving projects where conditions warrant."<sup>121</sup> The Paving budget "includes necessary paving projects at Central Hudson's facilities to maintain safe and functional parking lots and roadways."<sup>122</sup> The Company forecasted paving expenditures of \$697,569 in 2024 and \$535,696 in 2025, explaining that the amounts include the historical paving rate plus additional expenditures during 2021 through 2023 that were deferred due to reprioritization.<sup>123</sup> Staff recommended paving expenditures of \$335,305 in 2024 and \$342,676 in 2025.<sup>124</sup>

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<sup>120</sup> Central Hudson Brief on Exceptions, p. 29; Staff Brief Opposing Exceptions, p. 16.

<sup>121</sup> Exhibit 309 (SCP-1), p. 104.

<sup>122</sup> Tr. 3831.

<sup>123</sup> Exhibit 309 (SCP-1), p. 104.

<sup>124</sup> Tr. 3831-3832; Exhibit 309, p. 104.

The RD recommended that we adopt the Company's forecasted expenditures for the Rate Year. Staff had calculated its forecasted Rate Year budget by using the available historical spending level of \$327,600 - the level of spending in 2020 - and applying inflation to that figure.<sup>125</sup> The RD raised a concern that Staff's use of one year of expenditures from 2020 did not include a sufficient sample of historical spending for an accurate forecast of costs anticipated in the Rate Year, especially in light of the Company's testimony that, because it reprioritized paving funds and deferred paving work starting in 2021, it now needed to address significant paving needs, including visible cracks, patches and potholes that continue to degrade.<sup>126</sup> The Company maintained that further delay could result in slips, trips and falls and subsequent injuries to employees or visitors.<sup>127</sup> For those reasons, the RD recommended adoption of the Company's proposed paving budgets.

On exceptions, Staff maintains that it does not have confidence that the Company's proposed budget - which is nearly double what the Company spent in 2020 - will result in necessary repairs actually being made because the Company intentionally delayed a number of paving projects from 2021 to 2023.<sup>128</sup> The Company responds that, as a result of its reprioritization of paving funds, it must now address significant paving needs, which if left unaddressed would increase the risk of injuries to employees or visitors.<sup>129</sup> The Company says that Staff's proposed

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<sup>125</sup> Tr. 3831, 3865.

<sup>126</sup> Tr. 127.

<sup>127</sup> Tr. 127.

<sup>128</sup> Staff Brief on Exceptions, pp. 9-10.

<sup>129</sup> Central Hudson Brief Opposing Exceptions, pp. 10-11.

budget is insufficient to ensure that the necessary repairs are made in the Rate Year.<sup>130</sup>

Staff does not establish that Central Hudson improperly reprioritized paving funds and deferred paving work to a later time. Nor does Staff disagree with the Company's position that significant paving needs exist that must be addressed in the Rate Year. To ensure sufficient funding is included in rates to address those needs and to avoid further deterioration that may pose hazards to employees or visitors, we agree with the RD and adopt the Company's proposed paving budget for the Rate Year.

2) Training Academy and Other Facilities

Central Hudson takes exception to the RD's determination to use an eight percent contingency factor, as recommended by Staff, to forecast capital budgets for the Transportation Building-EC, Butler Building Rebuild, and Ellenville Office Renovation projects. The Company used a 20 percent contingency factor to forecast the capital budgets for those projects.

The Company testified that the use of a 20 percent contingency factor followed its Project Management Manual: Procedures and Best Practices (Project Management Manual), which provides "for an 8% contingency factor for projects at the definitive estimate phase and a 20% contingency factor for projects at the conceptual estimate phase."<sup>131</sup> The Company stated that the amount of uncertainty in a project's scope, and therefore the cost, varies greatly as a project progresses through its lifecycle and that the projects to which it applied an eight percent contingency factor - such as the Training

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<sup>130</sup> Id., p. 11.

<sup>131</sup> Tr. 131; Exhibit 317 (SEIOP-1), p. 147.

Academy-Annex - were much further along in the design phase than the projects to which it applied a 20 percent contingency factor.<sup>132</sup>

The Company's Project Management Manual defines the elements that are required as cost estimates move from the conceptual stage through a bid estimate. The Manual states that the desired outcome and general scope of work is required at the conceptual stage, that the accuracy of using historical data for cost estimates at that time is plus or minus 30 percent, and that the use of a 20 percent contingency is suggested.<sup>133</sup> The cost estimates may be considered to be at a preliminary stage, where a fifteen percent contingency is suggested, if the following additional factors exist - real estate general scope, permitting general scope, major equipment list, pertinent preliminary design diagrams, and pertinent estimates. Cost estimates are considered to be at the definitive stage when there are also detail drawings, detail specification, real estate detail scope, and permitting detail scope, at which point an eight percent contingency is suggested.

However, contingency factors are not static. The Company's Project Management Manual states that, as a project evolves, "the estimate should become more accurate, ... the probability and quantity of unknown costs decreases," and "the amount of contingency dollars added to the estimate also decreases."<sup>134</sup> The addition of a contingency factor "increases the probability that a given project will be completed under the budget allotted, thus decreasing the instances [in which the Company would need] to seek more funding and approvals for

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<sup>132</sup> Tr. 130-131.

<sup>133</sup> Exhibit 317 (SEIOP-1), p. 147.

<sup>134</sup> Id., p. 148.

projects costing only slightly more than their cost estimates.”<sup>135</sup>

In its initial post-hearing brief, Staff asserted that, when the Company is presenting Staff with projects in the design phase, it should “already have a fairly accurate idea of the costs associated with those projects,” which “is particularly true with respect to” these three projects, all of which have capital expenditures forecasted for 2025.<sup>136</sup> Staff argued that its use of an eight percent contingency factor to projects to be implemented in the near future is an appropriate approach for this one-year rate case.

According to the Company’s 2024-2028 Capital Budget Book, two of the projects are expected to begin on January 1, 2025, and are based on vendor generated cost estimates; the third project is expected to begin on June 1, 2025, and has estimated costs based on historical unit pricing; and all three projects are expected to be “in-service” on December 31, 2026.<sup>137</sup> The RD recognized Staff’s concern in having ratepayers fund projects at a higher contingency factor when that contingency factor will become lower as more information is developed. Based on the passage of time, the fact we are setting rates only for the Rate Year, and that 2025 is now less than five months away, we agree with the RD and with Staff that an eight percent contingency factor is appropriate. The projects at issue are not unique and ratepayers should not have to fund a twenty percent contingency for routine projects that are expected to start in the Rate Year and be completed in 2026. Moreover, to

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<sup>135</sup> Id.

<sup>136</sup> Staff Initial Brief, p. 123.

<sup>137</sup> Case 20-E-0428, Central Hudson Gas & Electric Corporation - Rates, 2024-2028 Capital Budget Book (filed June 30, 2023), pp. 1180-1180, 1200-1202.

the extent costs exceed the amounts funded in the Rate Year, the Company can request further funding in future rate filings.

4. Technology Capital

a. Security

Staff takes exception to the RD's recommendation that we require the Company to provide cybersecurity-related information to Staff in a standing monthly call rather than in a written report.<sup>138</sup> Staff had requested that the Company be required to report to Staff (1) when physical or cybersecurity projects reach significant milestones, are merged with other projects, or are discontinued and (2) when significant changes are made to cybersecurity related FTEs.<sup>139</sup> The Company opposed that request on the ground that the reporting requirement was unnecessary and burdensome and could expose vulnerabilities for the Company and/or customers if the reports are inadvertently released to the public or fall into the hands of bad actors.

Staff asserts that the reporting requirements would not be burdensome because the Company should already have the requested information available to properly perform project management and operations and would only need to aggregate the information for Staff. In addition, Staff clarifies that it seeks data similar to what the Company already provides publicly as part of its annual five-year capital investment plan (e.g., project name, budget, and a brief description and justification). Staff states that this information, which is not now included as part of Central Hudson's quarterly and annual reporting, would enable Staff to monitor the progress of the Company's cybersecurity program implementation to address evolving cybersecurity concerns. Staff also stresses the

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<sup>138</sup> RD, pp. 202-203.

<sup>139</sup> Tr. 3530-3532.



importance of tracking how the Company uses additional FTEs. Staff maintains that inadvertent release of sensitive information should not be an issue given that the information sought is similar to other, publicly available information the Company already provides. Finally, Staff notes that cybersecurity reporting similar in scope to that sought here has been authorized in a recent rate case.<sup>140</sup>

Referencing Staff testimony explaining the reasons why it requests written reports, the Company responds that the reports contemplated by such testimony would most certainly contain highly sensitive information related to the Company's cybersecurity capabilities and that the information appropriately could be provided to Staff in a monthly telephone call. Staff had testified that "the Company may need to change the scope or scale of a project, or possibly even switch to a different project to accomplish the same goals" and "[i]n that case, the Department will need to understand how the Company's cybersecurity capabilities are changing."<sup>141</sup> Staff additionally stated that "[i]n the event that hiring, or retaining personnel with necessary skill sets proves difficult, or affects cybersecurity projects, Department Staff needs to know how this affects the Company's existing security capabilities and any modification of planned security projects."<sup>142</sup>

We agree with Central Hudson that the requested information likely will contain sensitive information related to the Company's cybersecurity planning and capabilities.

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<sup>140</sup> Staff Brief on Exceptions, p. 11, citing Cases 22-E-0317, et al., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation (NYSEG and RG&E) - Rates, Order Adopting Joint Proposal (issued October 12, 2023), Joint Proposal, pp. 58-59.

<sup>141</sup> Tr. 3531.

<sup>142</sup> Tr. 3531-3532.

Nevertheless, the Department of Public Service and the Office of Resilience, Utility Security, Nuclear Affairs and Emergency Preparedness (OREP) have a long history of receiving, reviewing, maintaining, and sending confidential information. The Department has policies, procedures and training in place designed to protect confidential, sensitive, and even classified information. Moreover, the OREP Utility Security Section has a policy and procedure specific to confidential information pertaining to the cybersecurity capabilities and planning of regulated utilities.

Should the Company seek confidential treatment of any document, it must file the document in accordance with 16 NYCRR §6-1.3. For the reasons stated above, we see no reason to depart from that practice here. As Staff states, the reporting requirements should not be burdensome because the Company should already have such information available to properly perform project management and operations, and it would need only to aggregate this information for reporting to Staff. Although Staff did not clarify how often the Company should provide the cybersecurity reports, we determine that quarterly reporting should provide Staff with timely information on the Company's cybersecurity projects and personnel.

b. Customer Experience Technology Capital Projects  
Interactive Voice Response Modernization and  
Workforce Management Program

The Company, Staff, and UIU entered into a Stipulation Regarding Billing Reporting Requirements (the Billing Reporting Stipulation).<sup>143</sup> The Billing Reporting Stipulation provides that, subject to implementation of the Company's Interactive Voice Response (IVR) Modernization Project, the Company will comply with various enhanced billing reporting requirements. As

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<sup>143</sup> Exhibit 514.

relevant here, the Billing Reporting Stipulation states that the IVR Modernization Project proposed by the Company will commence in the Rate Year with costs of no more than \$1.7 million reflected in the Rate Year revenue requirements.<sup>144</sup>

The RD recommended that we approve the Billing Reporting Stipulation because it would appropriately allow the Company to move forward with its proposed IVR Modernization program, which is designed to improve customer experience and remedy drawbacks identified with the Company's current IVR system.<sup>145</sup> The RD also noted that, while the Billing Reporting Stipulation allowed for \$1.7 million to be included in the revenue requirements for the IVR Modernization program, the Stipulation Regarding Customer Experience Capital Projects, entered into by the Company, Staff, and UIU, addresses concerns about rate impacts by removing a number of customer service capital programs proposed by the Company and contested in testimony, in the total amount of \$2.436 million.<sup>146</sup>

PULP takes exception to the RD's recommendation to the extent the Billing Reporting Stipulation allows the Company to proceed with its IVR Modernization program. PULP argues that the IVR Modernization program is unnecessary because the Company's current system can produce relevant reports and should not be approved given the Company's performance in upgrading its SAP-CIS.<sup>147</sup>

We reject PULP's arguments. In testimony, the Company explained that its current IVR solution is limited in its ability to easily make changes to the routing and handling of

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<sup>144</sup> Exhibit 514, p. 2.

<sup>145</sup> RD, p. 210.

<sup>146</sup> Tr. 3002, 3087; Exhibit 353.

<sup>147</sup> PULP Brief on Exceptions, pp. 4-5.

calls during high-volume or storm situations and to provide "modernized contact center functionality."<sup>148</sup> The Company also stated that the "new cloud-based IVR solution will enable features such as Voice Recognition, and VoiceBots that will augment contact center live agent support by providing self-service voice capabilities for customers" and "Visual IVR . . . to provide Contact Center agents with additional information on customer calls to improve overall experience."<sup>149</sup>

Additionally, the Company explained that the IVR platform would provide (1) enhanced reporting functions and be upgraded from an on-premises solution to a cloud-based solution with disaster recovery capabilities, (2) the ability to easily develop new flows with a web-based drag and drop configuration tool, and (3) a test environment without the need of a third-party vendor.<sup>150</sup> The Company indicated that certain costs would have to be included in the revenue requirements even if it continued with its current IVR system because the current IVR software requires a technical upgrade for the vendor to continue to support it and to prevent cybersecurity and functional risk to the Company.<sup>151</sup>

In response to PULP's questions on cross examination, the Company stated that it could not provide a specific measure of accuracy provided by its current IVR system for call abandonment rates, call hold times, call handling times, and call answer rates, but that it could obtain the information through a series of queries.<sup>152</sup> The Company explained that its

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<sup>148</sup> Tr. 1309.

<sup>149</sup> Tr. 1309.

<sup>150</sup> Tr. 3085-3086.

<sup>151</sup> Tr. 3085.

<sup>152</sup> Tr. 3142-3143.

options with respect to the IVR system were to remain with the current IVR query process, with the analysts and analytic resources to support that going forward, or to proceed with the IVR Modernization Program, which the Company viewed as the best approach.<sup>153</sup> In determining that a new IVR system was the best approach, the Company conducted benchmarking with other utilities, looked at broader industry standards, and referred to a third-party company to identify metrics for the software solutions, which led the Company to its current system vendor and another vendor.<sup>154</sup> The Company stated that it focused on its current vendor at this point because of its relationship with and ability to obtain information from that vendor and that it would continue to pursue other solutions that are available.<sup>155</sup>

Based on the evidentiary record, we find that the Billing Reporting Stipulation properly includes Rate Year funding for the Company's IVR Modernization program. Moreover, PULP has not established any nexus between the SAP-CIS upgrades and the IVR Modernization project, or any other basis, to support its premise that the problems that occurred with the SAP-CIS implementation are likely to occur with respect to the Company's IVR Modernization Program. The Billing Reporting Stipulation is supported by the record, involves issues that fall within a range of reasonable outcomes had they been litigated, and is in the public interest. Accordingly, we adopt the Billing Reporting Stipulation as recommended in the RD.

c. Spanish Customer Bills, Forms and Letters

The Company requested capital costs in the amount of \$108,000 in the Rate Year to translate customer bills into

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<sup>153</sup> Tr. 3143-3144.

<sup>154</sup> Tr. 3145-3146.

<sup>155</sup> Tr. 3146.

Spanish.<sup>156</sup> It also requested \$107,000 to translate forms and letters into Spanish in 2025 but did not include that amount in the Rate Year.<sup>157</sup> The RD rejected arguments by Staff and PULP that the Company's shareholders should be required to pay for that work because the 2021 Rate Order required that the Company perform it.

Initially, the RD determined that, by entering into a Stipulation Regarding Customer Experience Capital Projects, Staff waived its argument regarding shareholder responsibility for paying to have bills, forms, and letters translated into Spanish.<sup>158</sup> On exceptions, Staff argues, and the Company agrees, that the Stipulation Regarding Customer Experience Capital Projects was not intended to, and did not, effect a waiver of Staff's argument.<sup>159</sup> Based on that clarification, we agree.

The RD also rejected Staff's and PULP's arguments on the merits, concluding that the record did not support a finding that the translation of Spanish bills, documents, and forms should be completed at shareholder's expense.<sup>160</sup> On exceptions, Staff and PULP maintain that the Company's shareholders should be required to pay for the translation of such documents because the Company agreed to perform such work in connection with its 2021 Rate Plan but did not do so.

The RD credited Central Hudson's testimony, and responses to discovery, that it had completed all but one of the Spanish translation projects approved in the 2021 Rate Order.<sup>161</sup>

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<sup>156</sup> Exhibit 109 (CEP-2).

<sup>157</sup> Exhibit 109 (CEP-2).

<sup>158</sup> RD, p. 215.

<sup>159</sup> Staff Brief on Exceptions, p. 11; Central Hudson's Brief Opposing Exceptions, p. 13.

<sup>160</sup> RD, p. 216.

<sup>161</sup> RD, p. 216; Tr. 3088; Exhibits 618-622.

As the RD noted, the Company also testified that, during its evaluation of providing customers with bills in Spanish, "the launch [of the bill translation project] was deemed to be infeasible based on the scope of the project and conflicts with the SAP-CIS that would not be resolved prior to the proposed launch target date."<sup>162</sup> Moreover, as relevant here, the Joint Proposal in the 2021 Rate Case did not limit the Company's flexibility to alter the timing of, substitute, change, or modify its capital projects.<sup>163</sup> Utilities are given the flexibility to shift capital funds to other projects as needed and do not thereby forego the right to request future funding for projects that were not completed. Under all the circumstances, we see no basis to require the Company's shareholders to pay for the translation work at issue.

#### 5. Net Plant Reconciliation Mechanism

The RD recommended the Company's current downward-only Net Plant Reconciliation mechanism, which protects ratepayers if net plant additions and depreciation expense are less than forecasted, be discontinued in the context of these litigated rate cases.<sup>164</sup> In doing so, the RD noted that the parties were not agreeing to a multi-year settlement where capital forecasts may be expected to become less reliable as the plan progresses. The RD also stated that Staff did not argue that the Company would operate its construction program to the detriment of ratepayers without a reconciliation mechanism.

On exceptions, Staff argues that the RD erred in rejecting Staff's recommendation that, for the protection of ratepayers, the one-way deferral mechanism be continued with

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<sup>162</sup> Tr. 3088.

<sup>163</sup> Tr. 3089.

<sup>164</sup> RD, pp. 216-219.

updated net plant and depreciation targets consistent with the Rate Plan levels established in these proceedings.<sup>165</sup> Staff points out that the Commission approved the continuation of a downward-only reconciliation in the context of a recent litigated rate case involving the Corning Natural Gas Corporation.<sup>166</sup>

Central Hudson responds that a downward-only net plant reconciliation mechanism appears to have had its genesis in a 2007 Con Edison case, where the Company had a ten-year history of underfunding its construction budgets and had "not had the benefit of a comprehensive management and operations audit pursuant to Public Service Law Section 66(19) for many years."<sup>167</sup> The Company asserts that Staff presented no such similar history, that Staff's Management Audit Panel identified no unaddressed deficiencies in the Company's capital spending in the Company's recent management audit, and that a downward-only reconciliation would lack a rational basis in those circumstances.

In addition, the Company argues that downward-only net plant mechanisms are inappropriate in one-year rate cases because they do not account for yearly variations in construction spending due to various external forces, including weather, supply chain issues, and operational problems. Central Hudson maintains that such concerns are addressed in multi-year rate cases, where the reconciliation is calculated at the end of the rate plan, allowing for yearly fluctuations in spending. As

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<sup>165</sup> Tr. 2292.

<sup>166</sup> Case 20-G-0101, et al., Corning Natural Gas Corporation - Gas Rates, Order Establishing Rates and Rate Plan (issued May 19, 2021), pp. 32-33.

<sup>167</sup> Case 07-E-0523, Consolidated Edison Company of New York, Inc. - Electric Rates, Order Establishing Rates for Electric Service (issued March 25, 2008), pp. 100-101.



support, the Company cites a provision in the last National Grid NY multi-year rate case stating that a deferral would be required "only if the cumulative revenue requirement impact of the Company's actual average net plant for the 36-month period covered by the rate plans are below the amount included in net utility plant and depreciation expense targets established in the Joint Proposal."<sup>168</sup> Central Hudson argues that, if a deferral mechanism is adopted here, the mechanism should be symmetrical to reflect the yearly variations in capital spending.

We disagree with Central Hudson's position that a downward-only net plant reconciliation mechanism is inappropriate in litigated rate cases. Not only did the Commission adopt a downward-only net plant reconciliation in the 2007 rate case for Con Edison cited by the Company, it expanded the downward-only reconciliation mechanism in its rate order for Con Edison in the subsequent 2008 one-year litigated case,<sup>169</sup> even though Con Edison overspent its budget in most every category from 2005 through 2007. Moreover, in 2009, the Commission adopted a downward-only deferral mechanism in a litigated rate case involving Central Hudson, stating that such a mechanism was "appropriate even for utilities with no prior history of missing spending forecasts."<sup>170</sup> In addition, as Staff

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<sup>168</sup> Central Hudson Brief Opposing Exceptions, p. 15, citing Cases 19-G-0309, et al., The Brooklyn Union Gas Company d/b/a National Grid NY - Gas Rates, Order Approving Joint Proposal, as Modified, and Imposing Additional Requirements (August 12, 2021), p. 198.

<sup>169</sup> Cases 08-E-0539, et al., Consolidated Edison Company of New York, Inc. - Rates, Order Setting Electric Rates (issued April 24, 2009), pp. 171-174.

<sup>170</sup> Case 08-E-0887, et al., Central Hudson Gas & Electric Corporation - Rates, Order Adopting Recommended Decision with Modifications (issued June 22, 2009), p. 31.

notes, the Commission continued the downward-only reconciliation provision in the Corning Natural Gas Corporation's litigated rate case, stating that it saw "no reason to remove the protection the ratepayers have had for the last three rate cases against underspending by the Company."<sup>171</sup>

Central Hudson's argument that a downward-only mechanism makes sense only in the context of a multi-year rate plan is unpersuasive. Whether the Company underspends in a one-year litigated case or over multiple years in a negotiated rate case, the fact remains that the Company should not be allowed to keep ratepayer funds it fails to use. In either case, the downward-only mechanism properly protects ratepayers against paying for capital expenditures in an amount greater than the Company actually incurs.

We agree with Staff that continuation of a downward-only net plant deferral mechanism during the Rate Year is appropriate and modify the RD in that regard. This mechanism incentivizes the Company to operate more efficiently and protects ratepayers if the Company underspends its capital budget or if there is significant slippage, or delay, in closing projects to plant in service. In this regard, while we recognize that the 2021 Rate Plan allows for deferral based on the cumulative net plant and depreciation expense targets over its three-year term, we note that Central Hudson underspent its overall gas, electric and common capital expenditure budget in 2022.<sup>172</sup> Finally, we agree with the RD that imposition of such a deferral mechanism does not constitute retroactive ratemaking.<sup>173</sup>

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<sup>171</sup> Case 20-G-0101, et al., supra, Order Establishing Rates and Rate Plan (issued May 19, 2021), pp. 32-33.

<sup>172</sup> Exhibit 317 (SEIOP-1), 2024-2028 Capital Expenditure Workpaper Recategorization.xlsx.

<sup>173</sup> RD, pp. 217-218.

The electric and gas revenue requirements for the Rate Year are based on the net plant and depreciation expense targets set forth in Appendix 5.

D. CLCPA

1. Compliance with the CLCPA

Section 7(2) of the CLCPA requires that state agencies consider whether their administrative approvals and decisions are inconsistent with or will interfere with the attainment of the statewide greenhouse gas emission limits established in article 75 of the environmental conservation law (ECL). Additionally, CLCPA §7(3) requires that state agencies ensure that their administrative approvals and decisions will not disproportionately burden disadvantaged communities and to prioritize reductions of greenhouse gas emissions and co-pollutants in disadvantaged communities. The Commission has previously found that these provisions apply to orders establishing rate plans.<sup>174</sup>

For reasons stated in the RD and as discussed further below, we find that our adoption of the rate plans in this Order will not interfere with and is not inconsistent with the attainment of the statewide greenhouse gas emission limits established in Article 75 of the ECL.<sup>175</sup> Further, the rate plans appropriately promote CLCPA electrification and greenhouse gas emission reduction goals, have an overall positive impact on disadvantaged communities, and do not result in any disproportionate burden on such communities.

The rate plans include 21 electric CLCPA Phase 1 capital projects, which will contribute significantly toward

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<sup>174</sup> See Cases 19-G-0309 *et al.*, *supra*, Order Approving Joint Proposal, as Modified, and Imposing Additional Requirements (issued August 12, 2021), pp. 69-70.

<sup>175</sup> RD, pp. 222-237.

achievement of CLCPA goals. On the gas side, Central Hudson will continue to replace LPP at a rate of 15 miles annually, be subject to stringent year-end leak repair targets, implement a new leak-prone services replacement program, purchase responsibly sourced gas in amounts not to exceed \$200,000, continue to electrify its fleet of vehicles, conduct a clean hydrogen feasibility study, continue toward eliminating gas declining block rates, and eliminate the high-volume usage rate discount offered to firm non-residential gas transportation customers. In addition, Central Hudson will continue to explore non-pipe alternatives designed to displace the need for traditional gas infrastructure investments.<sup>176</sup> Regarding the Clean Hydrogen Feasibility Study, the Commission directs the Company to include in its study a review of operational and cost profiles of industrial electrification and thermal energy storage technologies that are potentially useful to the industrial process facilities that are the focus of the study.

PULP argues that the RD erroneously concluded that a rate proceeding is not the appropriate venue to address bill impacts on disadvantaged communities. We disagree with that characterization of the RD. In response to PULP's argument about bill impacts on disadvantaged communities, the RD explicitly recognized that the Company's Affordability Program helps offset impacts of rate increases by providing bill discounts to low-income customers, including those located in

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<sup>176</sup> Tr. 2798-2800.

disadvantaged communities.<sup>177</sup> The RD also correctly noted that PSL §65(1) requires the Commission to ensure that utility rates are just and reasonable, a requirement that applies to all ratepayers, including those located in disadvantaged communities.

In addition, the RD correctly concluded that these proceedings are not the appropriate forum to consider whether and to what extent disadvantaged communities should be afforded different or additional financial assistance to address bill impacts. The record in these proceedings is not developed on that issue, and we cannot consider whether to direct utilities to provide additional financial relief to disadvantaged communities absent record information necessary for an informed decision. To the extent additional financial relief may be considered for disadvantaged communities, that issue could best be considered on a statewide basis in a generic proceeding allowing input from all stakeholders.

## 2. CLCPA Deferral Mechanism

The RD recommended that we reject the Company's request for a deferral mechanism for costs related to CLCPA compliance in this litigated rate case. On exceptions, the Company argues that the RD erred in finding that, to the extent

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<sup>177</sup> RD, p. 235. See also Cases 22-E-0317, et al., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation - Rates, Order Adopting Joint Proposal (issued October 12, 2023), p. 58 (in discussing CLCPA compliance, stating that the Joint Proposal provided for bill payment assistance consistent with the Commission's Energy Affordability policy to help offset rate impacts) and Cases 22-E-0064, et al., Consolidated Edison Company of New York, Inc. - Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements (issued July 20, 2023), p. 145 (noting that utility's Energy Affordability Program is available to all qualified customers that reside in disadvantaged communities).

the Company incurs additional costs that do not meet the materiality requirements to support a deferral petition, "those costs are appropriately treated as the Company's cost of doing business as a regulated entity." The Company maintains that a deferral is needed for it to recover CLCPA costs of doing business that exceed those contained in rates and that it is unclear whether the Company could recover those costs through a deferral petition or in a generic proceeding.

We agree with the RD that a deferral mechanism is not required in this litigated rate case. As both Staff and MI have noted, the Company included in Rate Year revenue requirements all known CLCPA-related costs, and the Company can file for new rates after the issuance of this rate order.<sup>178</sup> The Company should have been able to reasonably forecast its capital and CLCPA-related costs for the Rate Year. The Company also can file a deferral petition with the Commission if it incurs significant incremental expenses during the Rate Year or, if applicable, seek recovery in a generic proceeding that subjects the Company to an additional CLCPA-related obligation. As stated in the RD, the Company's request for a deferral mechanism is based only on speculation that it may incur additional CLCPA-related costs in the Rate Year and that it will be unable to recover such costs without a deferral mechanism. We have not authorized such a CLCPA deferral mechanism for any New York State utility, and we find that the Company has not satisfied its burden to establish that a CLCPA-related deferral mechanism is warranted here.

E. Rate of Return/Financial Issues

In the RD, the Judges carefully weighed the arguments raised by Central Hudson criticizing Staff's position that

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<sup>178</sup> MI Initial Brief, p. 28; Tr. 4002.

adhered to the Commission's long-standing guidance on its preferred analysis pertaining to an allowed ROE and other financial issues. The Judges found the Company's arguments to be unconvincing and recommended that the Commission adopt Staff's positions regarding an allowed equity ratio, ROE, and cost of debt. The Judges ultimately concluded that Central Hudson failed to raise any new or compelling arguments and that the Staff approach maintained the Commission's consistency and predictability in assigning the allowed ROE and other financial components sufficient to allow the Company to attract investment capital and secure debt at favorable terms.<sup>179</sup>

Central Hudson takes exception to the Judges' conclusion arguing essentially that additional relief is warranted to bolster its financial metrics to avoid a downgrade credit rating. The Company's main contention is that the Judges failed to address its main point that in finding in favor of Staff's position, the Commission would create a rate plan that financial analysts would determine produces deficient credit metrics resulting in the potential for a downgrade which, in turn, would impair Central Hudson's ability to attract capital on reasonable terms.<sup>180</sup> Central Hudson argues that while, in its view, the RD was more reasonable overall than Staff's litigated position, inasmuch as the Judges failed to recognize a proper level of major storm expense and denied revenue reconciliation mechanisms that would allow for Rate Year recovery of regulatory assets, the allowed ROE and equity ratio should be elevated to avoid a credit rating downgrade.<sup>181</sup>

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<sup>179</sup> RD, p. 277.

<sup>180</sup> Central Hudson Brief on Exceptions, pp. 31-32.

<sup>181</sup> Id., pp. 32-33.

With regard to the equity ratio, Central Hudson maintains that a 50 percent ratio is necessary to support cash flow and would be consistent with the equity ratio of the companies in the proxy group.<sup>182</sup> As for the ROE, Central Hudson cites Staff's Discounted Cash Flow (DCF) result and notes that the Commission should reconsider its value in its methodology inasmuch as the 8.61 percent result is not in line with the ROEs ultimately adopted by the Commission in "recent memory."<sup>183</sup> The Company then restates arguments rejected by the Judges as to faulty assumptions underlying Staff's position and why its testimony was more reliable despite the Judges' conclusion that it was not credible in light of Staff's brief.<sup>184</sup>

Staff opposes Central Hudson's exceptions noting that Moody's has been aware of these rate cases proceeding on a litigated track but has continued to maintain the Company's credit rating as stable. Staff maintains this is a strong indication that Moody's is focused on the Company's post-Order activity including whether it chooses to file anew for rates when assessing the Company's ability to maintain metrics that support its current "Baal" rating.<sup>185</sup> Staff cites its initial post-hearing brief to demonstrate that the Judges were well aware that other New York utilities currently have Cash Flow from Operations Pre-Weighted Cost/Debt ratios that are at lower levels than Central Hudson but with corresponding ROEs and common equity ratios nearly identical to those in the RD. Staff continues, stating that those similarly, or worse situated

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<sup>182</sup> Id., pp. 33-34.

<sup>183</sup> Id., pp. 34-35.

<sup>184</sup> Id., p. 35.

<sup>185</sup> Staff Brief Opposing Exceptions, p. 17.



utilities have not suffered downgrades to their credit ratings.<sup>186</sup>

Regarding the Company's claim that the RD's equity ratio is a mismatch with the proxy group, Staff asserts that the Company does not actually use the proxy group equity ratio for its comparison, but some intentionally curated calculation of equity ratios allowed by certain other states. Staff also notes that the Company's outright comparison is not appropriate inasmuch as it relies on companies with risk profiles dissimilar to Central Hudson's.<sup>187</sup> Staff concludes by stating that it selected its proxy group to have similar risk profiles and that it produces an average equity ratio of 45 percent.<sup>188</sup>

As for the Judges' recommendation of following Staff's methodology for determining an allowed ROE, Staff correctly notes that the DCF result criticized by Central Hudson is only a component of the methodology used to arrive at the RD's resulting ROE. As such, it is misleading to compare the DCF result to allowed ROEs, but that even if it did, ROEs as low as 8.7 percent were ordered by the Commission within the last decade and in the context of a litigated outcome.<sup>189</sup> Staff posits that Central Hudson's criticisms only serve to demonstrate the wisdom of the Commission's methodology and its reliance on more than one calculated approach to ascertain an appropriate ROE.<sup>190</sup> Staff states that Central Hudson's arguments fail to account for changes in investor expectations and risk

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<sup>186</sup> Id., pp. 17-18.

<sup>187</sup> Id., pp. 18-19.

<sup>188</sup> Id., p. 19.

<sup>189</sup> Id. (citing Case 16-G-0257, Natural Fuel Gas Distribution Corporation - Gas Rates, Order Establishing Rates for Gas Service (issued April 20, 2017)).

<sup>190</sup> Id., p. 20.

tolerance given the corresponding evolution of New York's future energy needs.<sup>191</sup> Ultimately, Staff concludes that it is the overall result that establishes an appropriate ROE and not the individual components.<sup>192</sup>

We agree. Like the Judges, we do not find Central Hudson's exceptions to the Judges' recommendations on the contested financial issues in these matters to be novel or compelling to cause us to change the methodology that has well served the Commission, parties, and the public, including the investment community, to produce predictable and reasonable returns.<sup>193</sup> We are persuaded by the RD's statement that the Judges were satisfied that Staff thoughtfully considered both existing market conditions and the Company's financial profile in concluding that there was no compelling reason to depart from the Commission's methodology.<sup>194</sup> As such, we reaffirm that methodology and the Commission's long-standing practice of updating the resulting ROE through exceptions.<sup>195</sup> Thus, applying the Commission's methodology to the with current financial

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<sup>191</sup> Id.

<sup>192</sup> Id., p. 21.

<sup>193</sup> See Cases 20-G-0101 et al., Corning Natural Gas Corporation - Rates, Order Establishing Rates and Rate Plan (issued May 19, 2021), p. 46; Case 16-G-0257, Natural Fuel Gas Distribution Corporation - Rates, Order Establishing Rates for Gas Service (issued April 20, 2017), pp. 56-57.

<sup>194</sup> RD, p. 278.

<sup>195</sup> See Cases 20-G-0101 et al., Corning Natural Gas Corporation - Rates, Order Establishing Rates and Rate Plan (issued May 19, 2021), p. 46 (stating "we are allowing the Company to set rates based on an 8.80% ROE which has been updated from the time of Staff's testimony to reflect the most current financial information available.")

environment,<sup>196</sup> the rate plan we adopt herein today is premised on a 48 percent equity ratio and a 9.5 percent ROE.

As one final note, we adopt the RD's position on the use of Staff's long-term cost of debt methodology. As noted in the RD, the Commission's preference has been to rely on actual Treasury yields to calculate the cost rates for projected new issuances, not forecasted rates.<sup>197</sup>

F. Authority to Impose Performance Incentives

The RD provides a thorough analysis as to the Commission's legal authority to impose defined performance standards with associated revenue adjustments for a utility's failure to achieve targeted performance levels. The analysis was made necessary because of Central Hudson's asserted position that the Commission lacks statutory authority to order such a performance program absent a utility's consent to be subject to it. The Judges rejected the Company's position, relying on Commission precedent and making a convincing case that performance programs with associated revenue adjustments are inexorably tied to the Commission's statutory obligation to ensure that utilities maintain safe and adequate service and charge only what is just and reasonable for such service.<sup>198</sup> Notwithstanding such conclusion, after noting that the performance program was measured on a calendar year basis and so not aligned with the Company's rate year, the Judges recommended that the Commission allow the performance program that is already effective through December 31, 2024, remain in effect

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<sup>196</sup> The major drivers of the Commission's model for the resulting ROE include an increase in the risk-free rate and a decrease in stock prices to Staff's proxy group of companies, as well as an increase in beta.

<sup>197</sup> RD, p. 266.

<sup>198</sup> RD, pp. 283-284.

for calendar year 2025 inasmuch as Central Hudson was a party to a Joint Proposal that provides for the continuation of the 2024 performance metrics program until modified by the Commission. Such an action would, as the Judges noted, render moot the legal objections raised by the Company.<sup>199</sup> However, the Judges also provided an analysis as to the individual metrics to facilitate any changes that the Commission might desire to make given the customer service performance record of the Company over the term of expiring rate plan, which was the subject of substantial public comment and Staff and intervenor testimony in these proceedings.<sup>200</sup>

In its exceptions, Central Hudson conceded that it has agreed to both a performance program in its expiring rate plan and a provision that allows such program to continue unless and until modified by the Commission.<sup>201</sup> The Company, however, took exception to the RD's suggestion that the Commission might be inclined to modify the targets and associated negative revenue adjustments assessed for noncompliance.<sup>202</sup> In these proceedings, we are continuing the customer service metrics, targets and performance revenue adjustments established in the 2021 Rate Case. However, as discussed later in the gas safety section, while we continue certain gas safety metrics, targets, and performance incentives from the 2021 Rate Case, we are modifying the targets established with respect to gas safety regulations violations and by eliminating positive revenue adjustments (PRAs) for leak management and damage prevention. Because we are making those modifications based on the Company's past

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<sup>199</sup> RD, p. 288.

<sup>200</sup> RD, p. 288.

<sup>201</sup> Central Hudson Brief on Exceptions, p. 39.

<sup>202</sup> Central Hudson Brief on Exceptions, pp. 39-40.

performance, we consider Central Hudson's exceptions and the parties' opposition to those exceptions.

In the RD, the Judges cited two cases concerning Hurley Water Company as providing additional support for their assertion that the Commission has inherent authority to establish a rate plan that allows for an adjustment of the revenues allowed by virtue of a utility's performance.<sup>203</sup> The Company attempts to distinguish the Hurley Water Company cases by stating that they did not consider adjustments retroactively applied to rates already charged suggesting a retroactive ratemaking argument in addition to its point that the cases are not directly on point.<sup>204</sup> The Judges correctly noted that the Hurley Water Company cases applied a retroactive adjustment to rates already charged. It is not materially distinguishable that additional revenue was allowed to be collected from customers based on a contingent event in those case, as opposed to requiring a return of money collected to customers based on a different contingency. The Third Department noted that it was allowing to stand rate plan provisions that allowed for a substantial increase in management expenses and an allowed rate of return conditioned upon the hiring of a competent operator because of its view that both provisions had a rational basis and reasonable support in the record.<sup>205</sup> As Staff and PULP both point out in their respective opposing briefs, the Hurley Water Company cases demonstrate that contingent action in a rate plan is not retroactive because the Company has adequate advance

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<sup>203</sup> RD, p. 286 (citing Matter of Hurley Water Co. v. New York State Pub. Serv. Comm'n, 122 A.D.2d 410, 411 (3d Dep't 1986); Matter of Hurley Water Co. v. Pub. Serv. Comm'n, 87 A.D.2d 678, 679 (3d Dep't 1982) (Hurley Water Company cases)).

<sup>204</sup> Central Hudson Brief on Exceptions, p. 35.

<sup>205</sup> Matter of Hurley Water Co. v. New York State Pub. Serv. Comm'n, 122 A.D.2d 410, 411 (3d Dep't 1986).

notice of the variables and amounts it is entitled to collect its allowed return.<sup>206</sup>

Regardless, as Staff and PULP both note, neither the RD, nor our decision herein, rely primarily on the Hurley Water Company cases to determine that performance metrics programs are necessarily incidental to the Commission's regulatory authority.<sup>207</sup> Rather our action is taken under the explicit authority of Public Service Law §65(1) which prohibits the Commission from approving rates that are not just and reasonable and taking such measures as necessary to ensure that utility delivery service is in all ways safe and adequate.<sup>208</sup> Given that the legislature left the term adequate undefined, the Commission has the authority to define the term,<sup>209</sup> and, as demonstrated by the RD's analysis, to do so by considering the unique individual characteristics of a specific utility.<sup>210</sup> Moreover, the Commission has the power to disallow excessive expenses in order to carry out its general mandate of assuring safe and adequate service at just and reasonable rates.<sup>211</sup> We conclude that given the Company is, in this Order, being provided adequate notice of

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<sup>206</sup> Staff Brief Opposing Exceptions, p. 22; PULP Brief Opposing Exceptions, p. 3.

<sup>207</sup> Staff Brief Opposing Exceptions, p. 21.

<sup>208</sup> See Public Serv. Comm'n v. Jamaica Water Supply Co., 42 N.Y.2d 880 (1977); Energy Assn of N.Y. State v. Pub. Serv. Comm'n, 169 Misc.2d 924, 936 (Sup. Ct., Albany County 1996) (stating "[c]ourts have repeatedly confirmed that the PSC has broad discretion to select the means for achieving the Legislature's goals of 'just and reasonable rates' and economic, efficient service.")

<sup>209</sup> Wang v. James, 40 N.Y.3d 497, 501-502 (2023); Rosen v. Public Employment Relations Bd., 72 N.Y.2d 42, 47-48 (1988).

<sup>210</sup> See RD, pp. 283-286.

<sup>211</sup> Rolling Meadows Water Corp. v. Pub. Serv. Comm'n, 177 A.D.3d 1230, 1231 (3d Dep't 2019); see New York Tel. Co. v. Pub. Serv. Comm'n, 190 A.D.2d 217, 221-222 (3d Dep't 1993).

what its expected performance is in calendar year 2025 and the corresponding adjustments to be made to its allowed earnings so that it is not collecting excessive revenues at the expense of its customers, our action today is both rational and legal.

While Central Hudson concedes that its performance regarding its Customer Service metrics resulted in negative revenue adjustments, it argues that based on the Commission's action in the 2017 rate order regarding National Fuel Gas Distribution Corporation (National Fuel Gas), the Company should not be subject to any adjusted gas safety performance metrics.<sup>212</sup> The Company claims that Commission action contrary to what was done in the National Fuel Gas case on gas safety would be arbitrary and capricious because of its compliance record.

Staff and PULP both distinguish Central Hudson from National Fuel Gas by noting that performance programs serve multiple purposes, including providing an incentive to further improve performance above historical levels, particularly where such performance enhances safety and reliability.<sup>213</sup> Staff then asserts that the Commission should be wary of allowing the Company to operate one aspect of its operations, notably gas safety, without a prescribed performance program where it has so substantially underperformed in another area such as Customer Service.<sup>214</sup>

We agree with Staff and PULP. The Commission's action in National Fuel Gas was taken based on that company's exemplary performance in all areas at that time. As discussed below in

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<sup>212</sup> Central Hudson Brief on Exceptions, pp. 39-43 (referencing Case 16-G-0257, Natural Fuel Gas Distribution Corporation - Gas Rates, Order Establishing Rates for Gas Service (issued April 20, 2017)).

<sup>213</sup> Staff Brief Opposing Exceptions, p. 23; PULP Brief Opposing Exceptions, p. 3.

<sup>214</sup> Staff Brief Opposing Exceptions, pp. 23-24.

each respective section, we have concerns both with desired incremental improvements with respect to gas safety, irrespective of Central Hudson's past performance, and with its overall responsiveness to performance metrics in general given its performance failures in customer service. In addition, with the way Central Hudson has approached at least one of its previous performance incentives concerning Call Answer Rate, the Commission remains concerned about the Company's commitment to a fair evaluation of its performance.<sup>215</sup> Such concern transcends customer service programs and extends to the Company's operations. Thus, unlike in the Commission's 2017 order regarding National Fuel Gas, here we do not have sufficient comfort to allow Central Hudson to operate without performance metrics in any of its historically measured areas.<sup>216</sup>

Accordingly, we address each area hereafter to establish the relevant targets and incentives applicable to calendar year 2025, which will also remain in place until modified by the Commission.

G. Gas Safety

1. Leak-Prone Pipe Removal

The Company and Staff agree that the Company's existing LPP removal target of 15 miles annually is appropriate.<sup>217</sup> The RD recommended that the Company's existing NRAs and metrics for LPP be continued in the Rate Year, but also

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<sup>215</sup> See RD, pp. 341-344.

<sup>216</sup> Case 16-G-0257, Natural Fuel Gas Distribution Corporation - Gas Rates, Order Establishing Rates for Gas Service p. 63-65 (issued April 20, 2017) (stating "[i]n consideration of the Company's record of customer service and gas safety performance" together, the Commission was comfortable that NFG was not likely to take action "to increase earnings at the expense of reliability, safety and customer service.").

<sup>217</sup> Central Hudson Initial Brief, p. 201; Staff Brief on Exceptions, p. 13.



suggested in the alternative that, because the Company has consistently exceeded the target miles, the Commission may wish to decline imposing NRAs associated with LPP removal in these litigated cases.<sup>218</sup> On exceptions, Staff strongly recommends that the Commission adopt potential NRAs associated with this metric.<sup>219</sup>

We agree with the RD's recommendation that the Company's existing NRAs and metrics for LPP be continued in the Rate Year, and reject the alternative proposal that NRAs be eliminated. NRAs are appropriate to ensure that the Company's annual LPP removal target continues to be met, thereby promoting the safe delivery of gas to customers. Additionally, LPP removal programs lead to significant reductions in methane gas emissions, and we conclude that stringent targets and incentives are necessary to minimize those emissions. We further agree with the RD that a deferral is warranted for anticipated increased costs for LPP removal associated with the implementation of the requirements of the newly enacted Roadway Excavation Quality Assurance Act.<sup>220</sup> As Staff concedes on exceptions, such a mechanism would mitigate any concerns about the impact of the statute on the Company's ability to avoid incurring NRAs.<sup>221</sup> However, as stated earlier, the Company's deferral requests will be subject to audit and the Company will bear the burden of proving that any costs that it seeks to defer are, in fact, related to the new statute.

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<sup>218</sup> RD, pp. 297-298.

<sup>219</sup> Staff Brief on Exceptions, p. 13.

<sup>220</sup> RD, pp. 295, 297.

<sup>221</sup> Staff Brief on Exceptions, p. 13.

2. Leak Management

Leak management refers to a gas utility's ability to identify and mitigate new and existing underground leaks on its natural gas system. The RD recommended that, if we impose performance metrics, we should continue those established in the 2021 Rate Order - both NRAs and PRAs - or establish more stringent metrics.<sup>222</sup> On exceptions, the Company argues that we should hold in abeyance all performance metrics or, in the alternative, accept the RD's recommendation that we continue the metrics set forth in the 2021 Rate Order.<sup>223</sup> Staff argues that the Company's performance against this metric from 2021 through 2023 demonstrates that it can achieve more stringent targets than those adopted in the 2021 Rate Order.<sup>224</sup> Thus, Staff maintains that the Company's current year-end leak backlog target of 86 should be lowered to 49 and, because the Company's performance demonstrates that incentives to reduce the backlog to a manageable level are no longer needed, all PRAs should be eliminated.<sup>225</sup>

We note that the Company's three-year average of leak backlogs for 2021 through 2023 is 50 and that the Company ended the year with 47 leaks in 2021 and 41 in 2023, well exceeding the annual backlog target of 86 leaks.<sup>226</sup> Inasmuch as the Company has regularly exceeded the performance metrics under the 2021 Rate Order and avoided NRAs over that period, we conclude that there is no need to modify the Commission-approved gas safety metrics that currently apply in calendar year 2024, as

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<sup>222</sup> RD, pp. 294-295, 302-303.

<sup>223</sup> Central Hudson Brief on Exceptions, p. 43.

<sup>224</sup> Staff Brief on Exceptions, pp. 13-14.

<sup>225</sup> Staff Brief on Exceptions, p. 14.

<sup>226</sup> RD, p. 300.

well as the associated NRAs. In contrast, the Company has regularly exceeded the PRA targets for these metrics and keeping the 2021 PRA targets in place would allow the Company to earn rewards for no incremental improvement in service. Moreover, given the timing of events in this proceeding, the Company is allowed to file a new rate case soon after the issuance of this order. Therefore, we agree with Staff and eliminate PRAs for this metric for 2025 and until modified by the Commission.

### 3. Damage Prevention

Damage prevention refers to programmatic action taken by a Company to increase public safety by minimizing damage to underground facilities or infrastructure caused by mechanized excavation activities. The damage prevention metric is measured as a ratio of the total damages per 1,000 one-call tickets, including damages caused by mismarks, the company itself, excavator error, and damages from "no-calls," which occur when an excavator did not notify a company of its intent to perform excavation work. The Company's recent annual damage rate is approximately 1.4 per 1,000 one-call tickets, as opposed to a state-wide overall average of approximately 1.8 per 1,000.<sup>227</sup> With respect to this metric, the RD recommended that the Commission adopt the Company's proposal that targets adopted in the 2021 Rate Order - for both NRAs and PRAs - be left in place.<sup>228</sup>

On exceptions, Staff argues that the Company should be subject to more stringent targets that would subject it to NRAs despite its exemplary performance.<sup>229</sup> Staff further argues that the PRA targets set forth in the 2021 Rate Order should not be

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<sup>227</sup> RD, p. 305.

<sup>228</sup> RD, pp. 307-308.

<sup>229</sup> Staff Brief on Exceptions, pp. 14-15.

maintained because those targets do not provide incentive for the Company to improve its performance when it can earn PRAs by maintaining the same level of performance.<sup>230</sup> The Company argues that no NRAs should be imposed in connection with damage prevention or, in the alternative, that we should adopt the RD's recommendation to maintain the Company's current targets and associated NRAs and PRAs.<sup>231</sup>

We agree with the Company that it should not be subject to more stringent performance targets that would subject it to NRAs for exemplary performance with respect to this metric and, thus, we reject Staff's request that we modify the targets contained in the 2021 Rate Order. However, as with leak management targets, commencing in 2025 and until modified by the Commission, we decline to authorize the Company to earn PRAs for maintaining its existing level of performance. Were we to keep the 2021 PRA targets in place, we would effectively be allowing the Company to earn a PRA for no incremental improvement, an outcome that is inconsistent with the motivational purpose of PRAs.

#### 4. Gas Safety Regulations Violations

This metric measures the Company's compliance with the Commission's pipeline safety regulations and requirements. The RD recommended that, if the Commission determines that targets and potential NRAs for this metric should remain in place, the Company's existing targets and NRAs should remain in place for 2025.<sup>232</sup> The Company agrees with that recommendation, noting that the record demonstrates that - although it is one of the better performing utilities in terms of regulatory compliance -

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<sup>230</sup> Staff Brief on Exceptions, p. 15.

<sup>231</sup> Central Hudson Brief Opposing Exceptions, pp. 18-19.

<sup>232</sup> RD, p. 313. NRA targets are currently in place; no PRAs are associated with this metric.

it remains unable to meet its current targets and continues to incur NRAs each year.<sup>233</sup> Staff argues on exceptions that more stringent targets are warranted in light of the maturity of the Company's program to reduce violations.<sup>234</sup> We agree with Staff that, given the maturity of the Company's program and the need to provide incentives to promote continuous improvement in safety compliance, the targets should be made stricter. However, as the Company notes, Staff's proposed targets are currently out of reach. Therefore, we conclude that the following new targets are reasonable and are adopted for performance in calendar year 2025 and thereafter until changed by the Commission:

**High Risk**

Category	NRA (BPs) Per Occurrence	Current Target Violations	New Target Violations
Records	0	0-5	0-5
Records	½	6-20	6-15
Records	1	21+	16+
Field	½	1-20	1-10
Field	1	21+	11+

**Other Risk**

Category	NRA (BPs) Per Occurrence	Current Target Violations	New Target Violations
Records	0	0-15	0-12
Records	¼	16+	13+
Field	¼	All	All

<sup>233</sup> Central Hudson Brief Opposing Exceptions, p. 21.

<sup>234</sup> Staff Brief on Exceptions, p. 16.

Finally, we note that Staff strenuously objects to the RD's recommendation that the Company should not be cited for inaccurate map records if the Company has identified an inaccurate record and either has corrected, or is in the process of correcting, the violation.<sup>235</sup> Although the Company's Gas Safety Panel provided uncontradicted testimony that, in the past, it has been penalized for striving to improve the accuracy of its records,<sup>236</sup> Staff states in its brief on exceptions that it currently cites the Company for inaccurate records only if the violation is discovered through a field inspection or after third-party damage that occurs due to a record deficiency.<sup>237</sup> We agree that the Company should not be charged with a mapping violation for purposes of this NRA metric only in those instances where it has proactively updated or corrected its maps before a field inspection or a damage resulting from a map deficiency.

5. Pipeline Safety Management System

Staff takes exception with the RD's recommendation that \$250,000 be included in the Company's gas revenue requirement related to the Company's Pipeline Safety Management System. Inasmuch as Staff failed to cross-examine the Company's Gas Safety Panel with respect to the cost estimate documentation that the Company submitted prior to the evidentiary hearing and did not object to the admission of that evidence into the record, we reject Staff's argument on exceptions that the evidence should not be considered on the ground that it was produced too late in the process.<sup>238</sup> Moreover, the Company

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<sup>235</sup> RD, p. 313; Staff Brief on Exceptions, p. 16.

<sup>236</sup> Tr. 1133.

<sup>237</sup> Staff Brief on Exceptions, p. 16.

<sup>238</sup> Staff Brief on Exceptions, p. 17.

provided evidence that, to the extent work occurs in the Rate Year ending June 30, 2024, the Company would apply available funds from the 2021 Rate Order.<sup>239</sup> We therefore agree with the RD that the evidence entered into the record without objection supports the inclusion of the requested \$250,000 in the Company's gas revenue requirement.<sup>240</sup>

6. Leak Prone Services Replacement Program Initiative

We agree with the Company that the new proposed Leak Prone Services Replacement Program should be funded because it will lead to improvements in public safety and mitigate emissions of greenhouse gas. We note that the cost of the program is included in the capital budget. However, we modify the RD to the extent that it recommended that PRAs be established for this program.<sup>241</sup> Because this is a new program and the Staff and Company disagree on the costs of the program, we conclude that the record contains insufficient evidence to permit us to establish a PRA structure at this time.

H. Customer Service

1. Customer Service Performance Metrics

As relevant here, the RD recommended that we continue the customer service performance metrics, targets, and associated NRAs established in the 2021 Rate Plan without change. In so doing, the RD noted that the 2021 Rate Plan included a provision that the metrics, targets, and NRAs would continue until modified by the Commission.<sup>242</sup> The RD also made certain findings and recommendations regarding the Call Answer Rate metric. The Judges found that there is no language in the

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<sup>239</sup> RD, pp. 319-320; Confidential Exhibit 505 (GSP-5R).

<sup>240</sup> RD, p. 320.

<sup>241</sup> RD, pp. 315-316.

<sup>242</sup> RD, p. 323-324.

CSPI Order<sup>243</sup> nor various rate plans anticipating or authorizing the use of callbacks or virtual holds to satisfy the Call Answer Rate metric and those calls must be included in Central Hudson's calculations of the metric, proposed a means of addressing parties' requests for retroactive relief or resolution of open issues related to calculation of this metric in prior years, and recommended we clarify that Central Hudson must separately report this metric in these rate proceedings, pursuant to the controlling definition, separate and apart from the reporting required by the CSPI Order.

Staff and PULP take exception to the RD's recommendation to maintain Central Hudson's current levels of NRAs associated with its customer service performance metrics. Both parties argue that Central Hudson's poor historical performance demonstrates that the NRAs included in the 2021 Rate Plan are insufficient to ensure that the Company meets baseline customer service performance standards and urge us to establish more stringent NRAs to motivate the Company to improve performance.<sup>244</sup> Staff recommends we establish those levels it recommended in testimony, a total of 72 basis points over four metrics<sup>245</sup> and impose its proposed tripling/quadrupling provision. Staff further advocates that its proposed Estimated Bill metric should be adopted.<sup>246</sup>

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<sup>243</sup> Case 15-M-0566, Customer Service Performance Indicators, Order Adopting Revisions to Customer Service Reporting Metrics (issued August 4, 2017) (CSPI Order).

<sup>244</sup> Staff Brief on Exceptions, pp. 18-25; PULP Brief on Exceptions, pp. 7-8.

<sup>245</sup> The existing PSC Complaint Rate, Residential Customer Satisfaction Survey, and Call Answer Rate and its proposed Estimated Bill metric.

<sup>246</sup> Staff Brief on Exceptions, pp. 22-23.



For its part, Central Hudson continues to take the position that the Commission lacks the authority to impose customer service performance targets and NRAs in a litigated proceeding, but states that it "is willing to accept" the RD's recommendation to apply the 2021 Rate Plan Customer Service Performance Indicator targets and associated NRAs "to moot this entire controversy."<sup>247</sup> In the alternative, if the Commission does not adopt the RD's recommendations, it takes exception to the RD's treatment of the PSC Complaint Rate and Call Answer Rate metrics. In response to arguments that the NRAs in the 2021 Rate Plan are insufficient, Central Hudson states that the record in these proceedings demonstrates that its customer service performance is improving under the existing metrics and associated NRAs relative to the peak of the SAP-CIS issues and are close to those levels prior to the SAP-CIS launch and that publicly available documents demonstrate improvement.<sup>248</sup>

We have considered the arguments raised by the parties and find no reason to depart from the recommendations made in the RD. Many of the arguments raised reiterate positions taken by the parties before the Judges and, in our view, fail to address or refute the conclusions in the RD with record evidence and instead identify preferred outcomes. We find maintaining the existing PSC Complaint Rate, Residential Customer Satisfaction, and Call Answer Rate metrics and the total NRAs associated with those metrics appropriate for the reasons expressed in the RD.<sup>249</sup> In reaching this conclusion, we do not further address the exceptions made by Central Hudson in the

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<sup>247</sup> Central Hudson Brief on Exceptions, pp. 45, 40.

<sup>248</sup> Central Hudson Brief Opposing Exceptions, pp. 23-27.

<sup>249</sup> The Appointments Kept metric will also continue until modified by the Commission.

alternative or the responses to those exceptions made by Staff and UIU.

With respect to the Call Answer Rate metric, we make certain clarifications to address the issues raised regarding calculating and reporting performance for this metric. We concur with the Judges that the metric's performance thresholds and NRAs should remain unchanged for the reasons expressed in the RD. However, for administrative efficiency, we clarify that the calculation for the Call Answer Rate metric applicable for calendar years 2024, 2025, and until modified by the Commission shall use the definition included in the CSPI Order rather than the definition included in the 2021 Rate Plan.<sup>250</sup> As detailed in the RD, the calculation for the Call Answer Rate metric differs between the 2021 Rate Plan and the CSPI Order and no separate reporting mechanism was established in the 2021 Rate Plan to account for the difference. The calculation in the 2021 Rate Plan is substantially similar to that in the CSPI Order, except that it did not explicitly address the treatment of calls abandoned before 30 seconds have elapsed. As the Commission previously recognized, it is sensible to exclude those calls because the metric intends to measure the number of calls answered within 30 seconds.<sup>251</sup> If a customer elects to disconnect before that time has elapsed, the Company has not had the opportunity to answer within 30 seconds, and such call has not satisfied the minimum time threshold to be considered in the metric. For reporting this metric, Central Hudson shall continue to define its business hours as between 8:00 a.m. and 4:30 p.m. Monday through Friday, excluding holidays. We further clarify our agreement with the Judges that there is no rational

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<sup>250</sup> CSPI Order, Appendix, p. 5.

<sup>251</sup> CSPI Order, p. 14.

basis to include calls routed to virtual hold and callback queues as having satisfied the metric. Therefore, if customers routed to virtual hold and callback queues have not been connected with a representative within 30 seconds of their initial call, Central Hudson cannot treat those calls as having satisfied the metric.

In the context of these rate proceedings, we do not adopt the Judges' recommendations for Central Hudson to file reports in prior rate proceedings recalculating the Company's performance for the Call Answer Rate metric. With respect to prior years, as previously discussed, the Settlement Agreement in Case 22-M-0645 addressed the customer service metrics and NRAs applicable in calendar years 2021, 2022, and 2023. We found the Settlement Agreement to be in the public interest and will not revisit the assessment of those NRAs.

## 2. Customer Bill Credits

In these proceedings Staff advanced proposals whereby Central Hudson's shareholders would be required to provide bill credits to customers under certain circumstances contending that the credits would improve the Company's customer service performance and show good will towards customers. Central Hudson argued that, in the absence of its consent and without clear legislative authority, there is no legal basis for the recommendation. The RD recommends that the Commission reject Staff's proposed estimated bill, adjusted bill, and Community Distributed Generation bill credits, in consideration that Central Hudson is not consenting to provide the credits and in the absence of any reference to the Commission's authority to direct such action. Staff does not explicitly take exception to the RD's recommendations. Nevertheless, it maintains that the provision of bill credits "would deter the Company from issuing numerous bills in one billing period, or numerous estimated

bills over several billing periods while also compensating customers for their inconvenience and restoring good will.”<sup>252</sup>

Central Hudson has a discretionary customer crediting program, whose budget is approximately \$50,000 and included in revenue requirement, that permits certain customer-facing employees to use their discretion to suggest a customer be issued a credit to resolve an issue raised by the customer. The RD concluded that such credits may be useful to resolve situations with customers, and recommended the Commission allow the continuation of the program, with additional record keeping, standard procedures and training, as well as tracking requirements. In so doing, the Judges recommended the Commission reject PULP’s request to establish an annual filing requirement in consideration of the total cost of the program and noting that, if their proposed tracking and recordkeeping requirements are adopted by the Commission, the information would be available for parties in the context of future rate proceedings. PULP takes exception to the RD’s recommendations and requests that the Commission impose the filing of an annual report on the use of discretionary credits, as previously requested for the same reasons, and states its belief that “it is unjust to include any amount of the discretionary credits in the revenue requirement” and that the program should be funded entirely by shareholders.

Staff and PULP largely reiterate the positions taken before the Judges, which the Judges considered and found unpersuasive. PULP does not explain or support its position that allowing a nominal budget for discretionary use to address customer service issues funded by ratepayers is inherently unjust. Finding no new arguments supported by record evidence,

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<sup>252</sup> Staff Brief on Exceptions, p. 26.

none of the arguments raised convince us to deviate from the recommendations in the RD, which we find reasonable and well-supported by the record, and we therefore adopt the Judges' recommendations and rationales.

### 3. Monthly Meter Reading

The RD stated that because the Commission already approved the Company's Revised Monthly Meter-Reading Plan and recognized substantial benefits of reading meters on a monthly basis, there is no basis for denying Rate Year costs associated with the program.<sup>253</sup> The RD finds that the record demonstrates Central Hudson has a comprehensive communications plan and recommends that costs related to monthly meter reading be collected through an applicable rate adjustment clause mechanism pending further consideration, audit, and review by Staff of the Company's implementation costs in the next rate proceedings.<sup>254</sup>

Staff "continues to recommend the disallowance of these costs in these rate proceedings, as, in Staff's opinion, the costs of transitioning to monthly meter reading during the Rate Year are a consequence of addressing and rectifying the Company's recent poor performance."<sup>255</sup> Staff contends the Company should not be afforded cost recovery until the investigation proceeding is resolved. In the alternative, Staff agrees with the RD's recommendations to establish a rate adjustment clause mechanism, cap the costs at the level requested by the Company, and recommends the Commission require Central Hudson to update its monthly meter reading plan and

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<sup>253</sup> RD, pp. 384-385. See Case 22-M-0645, Investigation of Central Hudson Gas & Electric Corporation's Customer Information and Billing System Implementation, Order Adopting Terms of Interim Agreement (issued August 18, 2023) (Interim Agreement Order).

<sup>254</sup> RD, p. 386.

<sup>255</sup> Staff Brief on Exceptions, pp. 26-27.

provide updated cost information to Staff within 30 days of its order establishing new rates.

Central Hudson states that Staff's positions lack record support regarding the impetus for its movement to monthly meter reading and that its proposal "was aligned with residential customer sentiments showing a preference for monthly meter reads and dissatisfaction with bi-monthly billing estimates" rather than in direct response to the SAP-CIS transition issues.<sup>256</sup> The Company maintains that the rationales advanced by the Judges in the RD for denying Staff's position that the Company should not be afforded cost recovery until the investigation proceeding is resolved is well-supported and that Staff failed to provide the requisite legal analysis to justify its proposed denial of recovery of costs associated with the Company's required transition to monthly meter reading. Central Hudson further urges the Commission to reject the modifications that Staff proposes to the RD's rate adjustment mechanism. It states that Staff's proposed additional conditions that would require the Company to update its monthly meter reading plan and provide updated cost information to Staff, are untimely and lacking record support.

As we previously discussed, we approved a Settlement Agreement that, among other things, requires Central Hudson to implement the Updated Revised Monthly Meter Reading Plan for monthly meter reading with an expected completion date of October 31, 2024.<sup>257</sup> As is relevant here, the Settlement Agreement requires Central Hudson to "fund the incremental costs related to the transition to monthly meter reading between the period from July 1, 2024, through June 30, 2025, as originally

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<sup>256</sup> Central Hudson Brief Opposing Exceptions, p. 36.

<sup>257</sup> Case 22-M-0645, supra, pp. 10-11 and Settlement Agreement, ¶¶ 4a and 5.

requested by Central Hudson for rate recovery in Cases 23-E-0418 and 23-G-0419.” Acknowledging that the RD calls for such costs for monthly meter reading to be collected through an applicable rate adjustment clause mechanism, Central Hudson states in the Settlement Agreement that it “withdraws its request for recovery of these costs, which will therefore be borne by the Company’s shareholders rather than Central Hudson’s customers.”<sup>258</sup>

Accordingly, rather than adopt the RD’s recommendation, no incremental costs to do monthly meter reading are included in these rate plans and all such costs will be borne by Central Hudson’s shareholders.

#### 4. Collections Activities

The RD recommends that we reject any proposals to delay collection and termination efforts by Central Hudson that, in the Judges’ view, would only serve to further delay necessary actions to address the existing arrears levels. In so doing, the RD found that the record sufficiently described Central Hudson’s collection and termination plans and its efforts to contact customers in arrears as well as other stakeholders. The Judges also made other recommendations in response to arguments raised by the parties.

Staff opines in its brief that the RD places too much trust in Central Hudson and does not take a reasonable approach to protecting ratepayers from potential harm.<sup>259</sup> Staff then reiterates its preference for the Commission to adopt the proposals it advanced in testimony and in the Billing Reporting Stipulation. PULP takes exception to the RD’s conclusion that because Central Hudson will have commenced collections prior to the Commission’s order, that additional testing of the Company’s

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<sup>258</sup> Case 22-M-0645, supra, Settlement Agreement, ¶ 4a.

<sup>259</sup> Staff Brief on Exceptions, p. 28.

billing system appears impractical.<sup>260</sup> PULP also reiterates its view that Central Hudson's residential service terminations and collections plan is not clear, transparent, and understandable and references several press releases issued by Central Hudson it claims are vague or confusing in support of its position. PULP requests that the Commission require Central Hudson to further delay collections activities "until clear information is given to the public and assurances are given regarding the accuracy of customers' bills."<sup>261</sup>

Central Hudson responds to Staff's arguments by noting the RD properly observed Staff's position is contradictory to its stated concern about the Company's level of arrears and that, to grant its exception would be to exacerbate the level of the Company's arrears and delay the inevitable.<sup>262</sup> Central Hudson states that the RD's trust in the Company, which Staff finds unreasonable, is "predicated on the extensive evidence in the record demonstrating that the Company has taken a reasonable, conservative approach to its rollout of collections activities and service terminations, which have already begun."<sup>263</sup> It contends that Staff failed to rebut any of the record evidence supporting the Judges' rationales and refers to some "potential harm" to ratepayers, without any support.

The exceptions raised by Staff and PULP reflect their preferred outcomes, but do not provide record evidence to support their positions that we should reach another outcome than that recommended in the RD. Central Hudson's arrears levels are significant, and it is necessary to take actions to

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<sup>260</sup> PULP Brief on Exceptions, p. 10.

<sup>261</sup> PULP Brief on Exceptions, p. 11.

<sup>262</sup> Central Hudson Brief Opposing Exceptions, p. 37.

<sup>263</sup> Central Hudson Brief Opposing Exceptions, p. 38.



address them. The Company's collections and terminations plan is described in the record, and we agree with the Judges that Central Hudson must proceed deliberately and transparently with collections and terminations. We are sensitive that customers receive clear communications regarding Central Hudson's plan, and we concur with the Judges and direct the Company to leverage its planned communication efforts to include its timeline for collections and service terminations.

5. Extreme Heat Protections

The RD recommends that we continue the cold and extreme heat protections included in the 2021 Rate Plan and that we reject the expanded extreme heat protections proposed by PULP. PULP seemingly does not take exception to the Judges' recommendation to deny the additional protections it proposed, but rather, it takes issue with the Judges' characterization of its proposals as "unwieldy and administratively difficult to track."<sup>264</sup> Central Hudson responds that PULP failed to address the merits of the Judges' findings, the record that reflects PULP's witness conceded that no entity has concluded there are heat islands within Central Hudson's service territory and PULP's proposal to have the Company undertake a study to make such determination at its own cost, and apparently ignores that the Judges recommend continuation of the existing cold and heat protections.<sup>265</sup>

To the extent PULP takes exception to the RD's recommendations, it has not provided any record basis for supporting another outcome. Thus, we adopt the Judges' recommendations and rationales finding they are reasonable and supported by the record.

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<sup>264</sup> PULP Brief on Exceptions, p. 11; RD, p. 397.

<sup>265</sup> Central Hudson Brief Opposing Exceptions, p. 39.

6. Economic Development

Central Hudson takes no exception to the RD's recommendation that we deny the Company's gas economic development budget but notes that, as a consequence of the recommendation, it will need to make an accounting change.<sup>266</sup> It states that to reflect that the economic development funding is now electric-only, the Company will no longer be able to use the common allocation and requests an accounting change to permit it to allocate the funding entirely to electric. We hereby authorize Central Hudson to make the necessary accounting change and allocate the funding for the program as requested to effectuate the judges' recommendation.

7. Reporting Requirements

As is relevant here, the RD recommends that we approve the Billing Reporting Stipulation executed by Central Hudson, Staff, and UIU. Among the provisions included in the Billing Reporting Stipulation is a requirement for the Company to file a commitment and attestation by a Company executive in these proceedings that a process is in place and has been validated to prevent service terminations from occurring if a residential customer's account has not received an actual meter read prior to the issuance of a final termination notice. Central Hudson excepts to the Judges' statement in the RD that the Judges do not object to PULP's recommendation for Central Hudson to post the attestation on its website and their conclusion that "the proposal is not unduly burdensome on the Company or its resources."<sup>267</sup> Central Hudson argues that if the Commission were to adopt PULP's recommendation and require it to post the attestation on its website, it "would serve to undermine the

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<sup>266</sup> Central Hudson Brief on Exceptions, p. 49.

<sup>267</sup> RD, p. 410.

resolution reached between the Company, Staff and UIU on these issues.”<sup>268</sup> It contends that there is no record developed on the costs and benefits of PULP’s recommendation and that the Billing Reporting Stipulation should be approved by the Commission “as an integrated whole” and PULP’s recommendation be denied.

PULP responds that the Commission has the power to modify the Stipulation, the inclusion of the attestation on Central Hudson’s website is just and reasonable and aligned with the Commission’s mission and would promote the public interest insomuch as it may increase the likelihood that customers see Central Hudson’s commitment. It further argues that Central Hudson has not demonstrated that posting the attestation would be cost prohibitive and that it finds the Company’s position odd insomuch as it seems to limit communication to its customers.

Under the circumstances presented here, where the parties’ agreement does not include a requirement for Central Hudson to post the attestation on its website, we will not disturb the agreement of the parties and direct that the attestation be made available on the Company’s website. While we are inclined to agree with the Judges that such action does not appear costly or burdensome, we find it satisfactory that the document will be publicly available on the Department’s website and accessible by interested stakeholders and customers.

I. Management and Operations Audit

Public Service Law §66(19)(c) provides that, upon the application of a gas or electric corporation for a major change in rates, the Commission shall review the utility’s compliance with Commission directions and recommendations resulting from “the most recently completed management and operations audit.”

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<sup>268</sup> Central Hudson Brief on Exceptions, p. 49.

The Commission shall incorporate its findings into subsequent rate case orders.<sup>269</sup>

We agree with the RD that the Company is in compliance with the directives and recommendations in its 2013 and 2016 audits.<sup>270</sup> Moreover, we generally agree with the RD's recommendations regarding the Company's 2021 management and operations audit.<sup>271</sup> Nevertheless, as Staff asserts on exceptions, the RD's recommendations as to the 2021 audit should be modified in two respects.<sup>272</sup>

The first modification concerns audit recommendation 4.5, which involves the establishment of a project management office for all major IT programs and assignment of project managers to all other IT projects. The RD recommends that we approve the Company's proposal for five incremental FTEs to implement audit recommendation 4.5, which we do. However, we disagree with the RD's conclusion that the Company reasonably assumed that the cost savings associated with implementation of audit recommendation 4.5 were captured in the productivity imputation and should not be separately reflected in the Company's revenue requirements.<sup>273</sup>

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<sup>269</sup> PSL §66(19)(c).

<sup>270</sup> RD, pp. 411-413; Case 13-M-0449, Generic Staffing Audit, Order Approving Implementation Plans (issued December 15, 2017); Case 16-M-0001, Central Hudson Gas & Electric Corporation - Comprehensive Management and Operations Audit, Order Approving Implementation Plan (issued July 16, 2018).

<sup>271</sup> Case 21-M-0541, Central Hudson Gas & Electric - Comprehensive Management and Operations Audit, Order Releasing Audit Report (issued April 20, 2021).

<sup>272</sup> Case 21-M-0541, Central Hudson Gas & Electric - Comprehensive Management and Operations Audit, Order Releasing Audit Report (issued April 20, 2021); Staff Brief on Exceptions, pp. 29-31.

<sup>273</sup> RD, pp. 420-424.

The productivity imputation is intended to capture unidentified/unquantifiable productivity gains, efficiencies and cost savings that are reasonably expected to occur during the Rate Year. Here, the Company recognized in testimony, briefing and its updated implementation plan that the approval of the incremental FTEs it requested would result in \$780,000 of savings in contractor costs, beginning in 2025.<sup>274</sup> Because those cost savings have been quantified and are reasonably expected to occur in a portion of the Rate Year, they should be reflected in the revenue requirements and not be considered to be captured by the one percent productivity imputation.

The second modification we make is to reject the RD's recommendation for deferral treatment of 2021 audit implementation costs.<sup>275</sup> The Company's updated implementation plan provides that various recommendations will result in no or minimal incremental costs; that certain recommendations are anticipated to result in estimated incremental costs that the Company may update if the actual costs are materially different; that certain recommendations are anticipated to result in incremental costs that the Company intends to include in its next rate filing; and that three recommendations possibly may result in incremental costs that are not quantifiable at this time.<sup>276</sup> The Commission's order adopting the updated implementation plan as modified recognizes that the Company has not yet determined costs for implementing certain recommendations, and the order specifically provides a process

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<sup>274</sup> Tr. 840; Central Hudson Initial Post-Hearing Brief, p. 265; Case 21-M-0541, Central Hudson Gas and Electric Corporation - Comprehensive Management and Operations Audit, Updated Implementation Plan (filed January 31, 2024), pp. 49-50.

<sup>275</sup> RD, p. 425.

<sup>276</sup> Case 21-M-0541, supra, Updated Implementation Plan, pp. 8, 10, 13-14, 16, 18, 21, 24, and 27.

for the Company to seek approval of any changes to implementation costs or other terms of the implementation plan.<sup>277</sup> We therefore conclude that a deferral mechanism for recovery of unknown implementation costs is unnecessary.

Central Hudson remains subject to the updated implementation plan approved with modifications in the order issued in Case 21-M-0541. No further action is necessary at this time.

J. Energy Affordability Program

As is relevant here, the RD recommends that we adopt the rate allowance for the Energy Affordability Program (EAP) in the upcoming program year at Staff's recommended levels of \$12.7 million for electric and \$3.5 million for gas.<sup>278</sup> The recommendation is supported by the record, no party takes exception to the rate allowance,<sup>279</sup> and we hereby adopt the budget. Central Hudson is required to update its EAP discounts following the establishment of new rates in compliance with the

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<sup>277</sup> Case 21-M-0541, supra, Order Adopting Implementation Plan with Modification, p. 15.

<sup>278</sup> RD, p. 457.

<sup>279</sup> Central Hudson explained that it takes no exception to the RD's recommended budget advanced by Staff because "the Company has determined that the LIBDP [Low Income Bill Discount Program] budgets it proposed during litigation were overstated due to a reporting error involving the LIBDP." The Company states that it "identified a reporting error that impacted the data provided in the Company's monthly and quarterly LIBDP reports filed in [Cases 14-M-0565 et al.] since the third quarter of 2021," which overstated the number of customers actively enrolled in the Program. By updating the methodology it employed in its testimony with the number of actual LIBDP participants as of April 2024, Central Hudson states that it now projects EAP budgets of \$12.6 million for electric and \$3.7 for gas, substantially similar to the budgets recommended by the RD. Central Hudson Brief on Exceptions, pp. 51-52.

Commission's 2021 Order in Case 14-M-0565<sup>280</sup> and any differences between actual and forecasted EAP budgets will be deferred for future Commission action.<sup>281</sup> In adopting the Judges' recommendation, we do not adopt their preferences regarding the appropriate methodology for calculating the EAP budget - we have not yet prescribed a comprehensive methodology for calculating EAP budgets in rate proceedings.

K. Revenue Allocation and Rate Design

1. ECOS Studies

MI takes exception to the RD's recommendation to use both the historical and pro forma embedded cost of service (ECOS) studies for electric and gas, stating that it is flawed because the Commission typically uses a cost of service-based approach to regulation and, in its view, the recommended methodology does not reflect such approach. MI reiterates the positions it took before the Judges and discounts any part of the Judges' rationale based on prior use of both historical and pro forma ECOS studies because those proceedings were resolved by settlement. MI maintains that only the pro forma ECOS study should be utilized in these proceedings as it proposed in its testimony.

In response, Staff states that using both historical and pro forma ECOS studies provides cost-based insights by demonstrating directional deviations between historical and pro forma studies to inform revenue allocation among rate classes. Staff contends that use of both studies in these proceedings demonstrated differences in the relative rate of return between

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<sup>280</sup> Case 14-M-0565, Energy Affordability Proceeding, Order Adopting Energy Affordability Policy Modifications and Directing Utility Filings (issued August 12, 2021).

<sup>281</sup> Case 14-M-0565, supra, Order Adopting Low Income Program Modifications and Directing Utility Filings (issued May 20, 2016), p. 32.

historical and pro forma ECOS studies and, consequently, allocation factors were modified in consideration of those deviations. Further, Staff states there is ample record basis for using the existing methodology, that whether other utilities use both studies is irrelevant, and there is no basis to deviate from the recommended revenue allocation methodology.

We concur with Staff that the record provides sufficient basis for continuing the use of both the historical and pro forma ECOS studies. Utilizing both studies provides useful information for allocating revenues and may better inform costs than looking at either study in isolation. We find that both studies have benefits and weaknesses. For example, a benefit of the historical study is that it is based on actual data. However, the historical data used in the study may not be a good representation of what will occur in the forecasted rate year. The pro forma study may be a better representation of what will occur in the rate year as it uses forecasted data. However, forecasts are subject to errors as assumptions are used to determine values. Our preference, at this time, is that utilities file historical ECOS studies for major rate proceedings, at a minimum, as such a study is based on actual data, without the requirement that the utility uses such study to determine its proposed revenue allocation and rate design. We will leave the filing of a pro forma ECOS study and the use of such study for revenue allocation and rate design to the discretion of the utility. We adopt the rationales and recommendations expressed in the RD.

## 2. Legacy Generation Fleet

The RD acknowledges that ideally all costs and benefits associated with Central Hudson's legacy generation facilities should be considered in the electric historical and pro forma ECOS studies but concludes that there is insufficient



record basis to impute benefits associated with those facilities. Therefore, the Judges recommended no benefits be included in the pro forma ECOS study and instead any realized benefits be addressed through the Energy Cost Adjustment Mechanism Miscellaneous Charge.<sup>282</sup> In so doing, the Judges noted that there was no dispute between the parties about the cost amount included in the pro forma ECOS study associated with the legacy generation facilities, only a dispute as to whether the costs should be included in that study if the benefits were not also included.<sup>283</sup>

MI takes exception to the RD's recommended treatment of the costs and benefits of Central Hudson's legacy generation facilities in the pro forma ECOS study, largely reiterating the arguments made before the Judges. It argues that both the costs and benefits of legacy gas turbines should either be included or excluded and argues that the rationale advanced in the RD is unpersuasive with regards to the South Cairo turbine, which it states retired as of March 31, 2024, because the record does not justify including costs associated with a retired generation facility.<sup>284</sup> MI also contends that the Judges erred in finding that the record is unclear regarding the amount of revenues earned by the Company's legacy combustion turbines and again refers to Exhibit 534, which provides market revenues earned by Central Hudson's combustion turbines in 2021, and suggests that the base rate revenue imputation should include the wholesale market revenues as "a proxy value for Rate Year revenues, or the Company could modify the pro forma ECOS to include an average

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<sup>282</sup> RD, pp. 482-483.

<sup>283</sup> RD, p. 481, n. 1882.

<sup>284</sup> MI Brief on Exceptions, pp. 15-16.

of the most-recent three-year period (inclusive of 2023)."<sup>285</sup> Central Hudson responds that this proposal is untimely and "neither clarifies the record nor introduces any new justification for modifying the existing imputation."<sup>286</sup>

As stated in the RD, the parties did not dispute the amount of costs in the pro forma ECOS study. However, in consideration that the South Cairo generation facility is now retired, we agree that the costs associated with a facility that will not be used and useful in the Rate Year should be removed from the pro forma ECOS study. As is identified in the RD, there is a lack of clarity as to whether such costs anticipated the retirement. Accordingly, we reduce plant-in-service by \$2.403 million and accumulated depreciation by \$3.247 million, resulting in a net increase to net plant of \$844,000. The associated depreciation expense is reduced by \$87,794.

Although the Cossackie facility is anticipated to retire in the Rate Year, we find costs associated with that facility properly included in the pro forma ESCO study so long as the facility is used and useful and therefore, we maintain the costs associated with that facility in the pro forma ECOS study.

We find that there is insufficient record basis to impute benefits associated with the generation facilities. While Exhibit 534 provides the revenues associated with the facilities in 2021, we know that circumstances are changed from 2021. As MI points out, one of the facilities has already retired and the other may retire mid-way through the Rate Year. In consideration of those factors, and in recognition that Exhibit 534 does not separately identify the revenues associated

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<sup>285</sup> MI Brief on Exceptions, p. 18.

<sup>286</sup> Central Hudson Brief Opposing Exceptions, p. 42.

with each facility and is several years out of date, we are not persuaded to divert from the RD's recommendation.

3. Net-Operating Loss Carryforward

MI contends that the RD's recommendation for addressing Net Operating Loss Carryforwards is flawed for finding that such costs are not easily functionalized by their underlying activity or function. MI concedes that, while it agrees some costs may "defy standard functionalization methods and reasonably may avoid the functionalization step," however it maintains for the reasons it previously argued before the Judges that NOL carryforwards are not such an example, and its approach should be adopted.<sup>287</sup>

MI repeats the arguments raised before the Judges and disagrees with their recommendation. We agree with the rationale and recommendation in the RD and find no new or different arguments raised such that we find a different outcome is warranted.

4. Electric Revenue Allocation

a. Revenue Allocation

MI takes exception to the RD's recommendation for allocating electric revenues and particularly, the RD's rejection of MI's proposal to allocate no increase to rate classes with rates of return that exceed 300 basis points of the system average. MI argues that the Judges' opposition to its proposal is flawed for finding that it would be inequitable to freeze rates for certain classes without further explanation and for finding that mitigation proposed by Central Hudson is adequate.<sup>288</sup> While MI states its general agreement with Central Hudson's allocation approach, it states that the SC 13

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<sup>287</sup> MI Brief on Exceptions, p. 27.

<sup>288</sup> MI Brief on Exceptions, pp. 21-24.

Transmission category would be allocated a 1.25 times system average increase despite a relative rate of return of 460 under the Company's pro forma ECOSS.<sup>289</sup>

MI again reiterates its litigation position and prefers a different outcome than that recommended by the Judges despite acknowledging its agreement with the allocation methodology. While MI contends the methodology produces an inequitable outcome for the SC 13 Transmission class, we disagree. The record demonstrates that although the SC 13 Transmission class may have a relative rate of return exceeding 115% of the system average pursuant to the pro forma ECOS study, the historical ECOS study demonstrates a negative relative rate of return for the class and we therefore find the allocation to be reasonable and supported by the record.<sup>290</sup> We likewise find that, as applied to all other rate classes, the allocation methodology recommended in the RD is reasonable, supported by record evidence, and applies consistent treatment to all rate classes.

b. Rate Design

MI takes exception to the RD's gradual approach to moving customer charges to the cost-based rate. MI contends the approach taken by the Judges in the RD is flawed because subject customer charges are not cost-based rates or close thereto and the modest increases recommended by the Judges would result in negligible movement towards the cost-based customer charges.<sup>291</sup> It reiterates the positions taken before the Judges and states that the RD makes no attempt to explain why rates for certain classes apparently favor smaller customers and why such

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<sup>289</sup> MI Brief on Exceptions, p. 23.

<sup>290</sup> Exhibit 172, Schedule A.

<sup>291</sup> MI Brief on Exceptions, pp. 24-25.

treatment is justified. It then suggests that "if the Commission concludes that a more gradual approach than that proposed by [MI] is warranted, then it should direct Central Hudson to increase the indicated customer charges by an amount between the values proposed by the Company and Multiple Intervenors."<sup>292</sup>

The RD considered the arguments MI reiterates on exceptions and ultimately rejected those positions. We find that the RD's recommended approach to customer charges, which makes gradual movement to cost-based rates, is reasonable and supported by the record. The RD considers rate impacts to all customers within a customer class, and we adopt the RD's recommendation and rationale.

#### 5. Battery Storage Rates

Key Capture Energy (KCE) argues that the RD erroneously concludes that issues related to Central Hudson's wholesale distribution rate are outside the scope of this rate proceeding and improperly defers to the Federal Energy Regulatory Commission (FERC) on the issue.<sup>293</sup> KCE does not dispute that FERC has the authority to establish a wholesale distribution rate for Central Hudson or that the wholesale distribution rate would be appropriately applied to battery storage projects. Rather, KCE reasserts its view that because "FERC defers to the New York State Commission on state policy and factfinding ... the Commission should take a closer look at Central Hudson's bulk storage analysis and rates."<sup>294</sup>

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<sup>292</sup> MI Brief on Exceptions, p. 27.

<sup>293</sup> RD, pp. 532-533.

<sup>294</sup> KCE Brief on Exceptions, p. 2.

We agree with Central Hudson's response<sup>295</sup> and the RD's conclusion that KCE's arguments are misplaced. Wholesale distribution rates are not within the jurisdiction of this Commission to establish, and Central Hudson appropriately has commenced a proceeding at FERC to establish a wholesale distribution rate. Any argument KCE has regarding the reasonableness of the rate to be set by FERC in that proceeding, including its positions regarding the appropriateness of FERC's reliance on or deference to rates set in this proceeding, must be made in the FERC proceeding. However, in our Energy Storage Order we recognized that prudent rate design is necessary to help achieve the State's 6 GW storage target.<sup>296</sup> We therefore directed Staff in that order to be active participants in the FERC wholesale distribution rate process.

#### 6. Tariff Modifications

Staff states its disagreement with the RD's recommendation rejecting Staff's proposed billing tariff modifications for the reasons it advanced before the Judges and continues to recommend the Commission adopt its proposals.<sup>297</sup> Central Hudson responds that Staff merely reiterates its litigation positions, although Staff now acknowledges that utilities are permitted by law to perform estimated and adjusted bills, and contends that the RD's recommendation was based on an accurate and detailed review of the record and should be upheld. To the extent Staff takes exception, we find no support in its arguments to depart from the RD's recommendation.

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<sup>295</sup> Central Hudson Brief Opposing Exceptions, p. 43.

<sup>296</sup> Case 18-E-0130, In the Matter of Energy Storage Deployment Program, Order Establishing Updated Energy Storage Goal and Deployment Policy, (issued June 20, 2024) (Energy Storage Order).

<sup>297</sup> Staff Brief on Exceptions, p. 34.

Central Hudson takes no exception to the provisions of the RD regarding tariff modifications. Central Hudson states that its Forecasting and Rates Panel included a proposal to modify tariff language to reflect the Company's recovery of Integrated Energy Data Resource (IEDR) Phase I costs once Phase I is complete,<sup>298</sup> that it is unaware of any objection to the proposed language, and requests the Commission adopt that language.<sup>299</sup> No party responded to Central Hudson's request.

However, our review of the record does not demonstrate that no party opposed Central Hudson's proposal. Rather, the direct testimony of the Staff Common Panel states that, "[t]he costs of the IEDR Phase I and II projects should be treated as non-discretionary costs and recovered from ratepayers through base rates, as directed by the Commission in Case 20-M-0082."<sup>300</sup> Indeed, Central Hudson's Technology Capital and Operations Panel indicated in its agreement with Staff's position for recovery of IEDR Phase I and II costs in its rebuttal testimony, and that agreement was memorialized in the RD.<sup>301</sup> Finding that Central Hudson now appears to take a contrary position and that its proposed tariff language was opposed by Staff inasmuch as it did not consent to recovery through a surcharge mechanism, we reject Central Hudson's requested tariff modification.

7. Make Whole Provision

Because this order is being issued after June 30, 2024, a make-whole provision is warranted pursuant to which Central Hudson would recover or refund any under-collections or over-collections in sales revenue resulting from the Company's

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<sup>298</sup> Tr. 1856.

<sup>299</sup> Central Hudson Brief on Exceptions, p. 53.

<sup>300</sup> Tr. 3816.

<sup>301</sup> Tr. 1365; RD, p. 200.

agreement to extend the suspension period by one month to accommodate a briefing schedule for the parties to respond to the RD in these proceedings.<sup>302</sup> Those revenue adjustments are calculated as the difference between sales revenues the Company would have billed at new rates compared to sales revenues at current rates during the one month period for which the suspension period was extended. The revenue adjustments will include applicable surcharges and carrying charges and will be subject to the reconciliations we approve. The revenue adjustments will be collected or refunded over ten months, starting September 1, 2024, through the existing Miscellaneous rate component for the electric and gas surcharge.<sup>303</sup>

L. Conclusion

On the basis of our resolution of the issues in these proceedings, we authorize Central Hudson to increase its annual electric delivery revenues by \$74.46 million and its gas delivery revenues by \$27.307 million. The Recommended Decision issued on May 1, 2024, to the extent not inconsistent herewith, is adopted as part of this Order and is incorporated herein by reference.

The Commission orders:

1. Central Hudson Gas & Electric Corporation is directed to file cancellation supplements to Schedule P.S.C. No. 15 - Electricity and P.S.C. No. 12 - Gas, effective on not less than one day's notice, on or before July 29, 2024, cancelling the tariff amendments and supplements listed in Appendix 1 to this Order.

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<sup>302</sup> See Order on Extension of Maximum Suspension Period of Major Rate Filings (issued June 21, 2024).

<sup>303</sup> Illustrative examples of the electric and gas make whole are attached as Appendix 6.



2. Central Hudson Gas & Electric Corporation is directed to file, on not less than two days' notice, to take effect on August 1, 2024, on a temporary basis, such further tariff revisions as are necessary to effectuate the provisions adopted in this Order, except for those related to the make-whole provisions adopted in this Order. Central Hudson Gas & Electric Corporation shall serve copies of its filings on all active parties in Case 23-E-0418 and Case 23-G-0419. Any party wishing to comment on the compliance filings may do so by electronically filing its comments with the Secretary to the Commission and serving its comments upon all active parties within 14 days after service of the Company's proposed amendments. The amendments specified in the compliance filings shall not become effective on a permanent basis until approved by the Commission.

3. Central Hudson Gas & Electric Corporation is directed to file, on not less than six days' notice, to take effect on September 1, 2024, on a temporary basis, such further tariff revisions as are necessary to effectuate the make-whole provisions adopted in this Order. Central Hudson Gas & Electric Corporation shall serve copies of its filings on all parties in Cases 23-E-0418 and 23-G-0419. Any party wishing to comment on the compliance filings may do so by electronically filing its comments with the Secretary to the Commission and serving its comments upon all parties within 14 days after service of the Company's proposed amendments. The amendments specified in the compliance filings shall not become effective on a permanent basis until approved by the Commission.

4. The requirements of Section 66(12)(b) of the Public Service Law and 16 NYCRR Section 720-8.1 that newspaper publication be completed prior to the effective date of the amendments are waived; provided, however, that Central Hudson

Gas & Electric Corporation shall publish notice to the public of the changes made by the amendments once a week for four successive weeks in newspapers having general circulation in the areas affected by the amendments.

5. Central Hudson Gas & Electric Corporation is directed to file with the Secretary to the Commission, not later than six weeks following the amendments' effective date, proof that it has published the notice required in Ordering Clause 4.

6. Central Hudson Gas & Electric Corporation is directed to file before September 1, 2024, the annual class-specific revenue targets for the revenue decoupling mechanism.

7. Central Hudson Gas & Electric Corporation is directed to file, within 90 days after June 30, 2025, and after the end of any subsequent rate year period during a stay-out period, a report providing the deferral amounts it proposes are due to the Roadway Excavation Act and are associated with particular gas capital projects or flagging activities for electric line clearing and hazard tree removal, with supporting documentation.

8. Central Hudson Gas & Electric Corporation is directed to file in Case 23-E-0418, within 90 days after June 30, 2025, and after the end of any subsequent rate year period during a stay-out period, a report providing the deferral amounts Central Hudson proposes, with supporting documentation, to establish that such costs are associated with particular CATV/Broadband Make-Ready projects.

9. Except as herein modified, the May 1, 2024 Recommended Decision is adopted as part of this Order.

10. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for

the extension, and must be filed at least three days prior to the affected deadline.

11. These proceedings are continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS  
Secretary

SUBJECT: Filings by CENTRAL HUDSON GAS & ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 15 - Electricity

First Revised Leaves Nos. 106.1.10, 106.1.11  
Second Revised Leaves Nos. 55, 106.1.6, 106.2  
Third Revised Leaves Nos. 106.1.9, 184.2.1.1  
Fourth Revised Leaf No. 184.2.2  
Fifth Revised Leaf No. 126  
Sixth Revised Leaves Nos. 130, 205.1.1  
Seventh Revised Leaf No. 272.6.1  
Eighth Revised Leaves Nos. 54, 169.2, 210.1  
Ninth Revised Leaves Nos. 124, 163.4, 217.1  
Tenth Revised Leaf No. 163.5.3  
Eleventh Revised Leaves Nos. 163.5.35, 169.1,  
207, 211.1, 222.1  
Twelfth Revised Leaves Nos. 165.1, 171  
Thirteenth Revised Leaves Nos. 107, 206  
Fourteenth Revised Leaves Nos. 135, 178, 186,  
205.2  
Fifteenth Revised Leaves Nos. 163.5.5, 218.2  
Sixteenth Revised Leaves Nos. 163.5.2, 211  
Seventeenth Revised Leaf No. 186.1  
Eighteenth Revised Leaves Nos. 105, 194, 247  
Nineteenth Revised Leaves Nos. 163.3, 219  
Twentieth Revised Leaf No. 221  
Twenty-First Revised Leaves Nos. 165, 185, 218.1  
Twenty-Second Revised Leaves Nos. 163.5.4, 220,  
222, 246  
Twenty-Fourth Revised Leaves Nos. 205.1, 218, 226  
Twenty-Fifth Revised Leaves Nos. 169, 246.1  
Twenty-Sixth Revised Leaf No. 210  
Twenty-Seventh Revised Leaf No. 205  
Twenty-Eighth Revised Leaves Nos. 104, 217  
  
Suspension Supplement Nos. 129, 130, 132

Amendments to Schedule P.S.C. No. 12 - Gas

Original Leaf No. 129.2.1  
First Revised Leaf No. 129.3.1  
Third Revised Leaf No. 129.3  
Sixth Revised Leaf No. 25  
Seventh Revised Leaf No. 113  
Ninth Revised Leaf No. 129.1  
Tenth Revised Leaves Nos. 129.2, 137  
Twelfth Revised Leaf No. 126.2

Thirteenth Revised Leaves Nos. 129, 181.1  
Fifteenth Revised Leaf No. 121  
Eighteenth Revised Leaf No. 195  
Nineteenth Revised Leaf No. 151  
Twentieth Revised Leaf No. 153  
Twenty-Second Revised Leaves Nos. 152, 158  
Twenty-Third Revised Leaves Nos. 181, 188, 193  
Twenty-Fourth Revised Leaf No. 126.1  
Twenty-Sixth Revised Leaves Nos. 149, 186, 191  
  
Suspension Supplement Nos. 69, 70, 71

## Amendments to Schedule P.S.C. No. 15 - Electricity

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Income Statement and Rate of Return Calculation For the Rate Year Ended**  
**June 30, 2025**

	(\$000)				As Adjusted For	
	Per RD	Adj. No.	Commission Adjustments	As Adjusted	Rate Increase	Revenue Requirement
<b>Operating Revenues</b>						
Own Territory Delivery Revenues	\$ 451,583		\$ -	\$ 451,583	\$ 74,418	\$ 526,001
Revenue Taxes	7,777		-	7,777	2,183	9,960
Subtotal - Delivery Rates	459,360		-	459,360	76,601	535,961
Resale Revenues	-		-	-	-	-
Legacy Hydro Revenue	3,916	1	484	4,400	-	4,400
Other Operating Revenues	12,452		-	12,452	498	12,950
<b>Total Operating Revenues</b>	<b>475,728</b>		<b>484</b>	<b>476,212</b>	<b>77,099</b>	<b>553,311</b>
<b>Operating Expenses</b>						
Labor	86,266	2	335	86,601	-	86,601
Executive Incentive Comp	922	3	(922)	-	-	-
Management Variable Pay	3,399		-	3,399	-	3,399
Employee Benefits	16,348	4	447	16,795	-	16,795
Pension Plan	(7,359)	5	(8,445)	(15,804)	-	(15,804)
Other Post Employee Benefits	(5,817)	6	(205)	(6,022)	-	(6,022)
Employee Training, Safety & Education	2,162		-	2,162	-	2,162
Production Maintenance	247		-	247	-	247
Right of Way Maintenance Transmission	3,595		-	3,595	-	3,595
Right of Way Maintenance - Distribution	26,252		-	26,252	-	26,252
Stray Voltage Testing	764		-	764	-	764
System Engineering & Compliance	218		-	218	-	218
Substation Testing & Maintenance	642		-	642	-	642
Transmission Repairs & Maintenance	1,266		-	1,266	-	1,266
Distribution Repairs & Maintenance	5,951		-	5,951	-	5,951
Transformer Installations & Removals	(607)		-	(607)	-	(607)
Informational & Institutional Advertising	71		-	71	-	71
Meter Installations, Removals & Maintenance	(951)		-	(951)	-	(951)
Research & Development	3,725		-	3,725	-	3,725
Economic Development	800		-	800	-	800
Meter Reading, Collections & Call Volume Overflow	5,723		-	5,723	-	5,723
Bill Print	777		-	777	-	777
Postage	1,675		-	1,675	-	1,675
Payment by Credit/Debit Card	1,276		-	1,276	-	1,276
Low Income Program	12,704		-	12,704	-	12,704
Uncollectible Accounts	3,730		-	3,730	-	3,730
Regulatory Commission General Assessment	2,693		-	2,693	-	2,693
Environmental SIR Costs	789		-	789	-	789
Environmental All Other	201		-	201	-	201
Information Technology	15,897		-	15,897	-	15,897
Telephone	2,047		-	2,047	-	2,047
Rental Agreements	2,387		-	2,387	-	2,387
Security of Infrastructure	3,694		-	3,694	-	3,694
Maintenance of Buildings & Grounds	2,763		-	2,763	-	2,763
Major Storm Reserve	10,758		-	10,758	-	10,758
Major Storm Amortization	4,726	7	1,265	5,991	-	5,991
Non Major Storm Reserve	7,634	8	(414)	7,220	-	7,220
Materials & Supplies	2,999		-	2,999	-	2,999
Stores Clearing to Expense	287		-	287	-	287
Transportation - Depreciation	3,036	9	46	3,082	-	3,082
Transportation - Fuel	1,238		-	1,238	-	1,238
Transportation All Other	1,674		-	1,674	-	1,674
Rate Case Expenses	576		-	576	-	576
Legal Services	1,603		-	1,603	-	1,603
Consulting & Professional Services	3,474	10	87	3,561	-	3,561
Miscellaneous General Expenses	5,357		-	5,357	-	5,357
Injuries & Damages	5,518		-	5,518	-	5,518
Other Operating Insurance	1,246		-	1,246	-	1,246
Office Supplies	1,209		-	1,209	-	1,209
Management & Operational Audit Costs	129		-	129	-	129
Management & Operational Audit Savings	-	11	(684)	(684)	-	(684)
Energy Efficiency	6,569	12	(939)	5,630	-	5,630
Heat Pump Program	13,996		-	13,996	-	13,996
Amortization of EE/Heat Pump Assets	1,875		-	1,875	-	1,875
Electric Vehicle Program	-		-	-	-	-
Expenses Allocated to Affiliates	(1)		-	(1)	-	(1)
Miscellaneous Charges	947		-	947	-	947
Amortization of Unprotected Asset (TCJA)	1,998		-	1,998	-	1,998
Productivity Imputation	(1,132)	13	2	(1,130)	-	(1,130)
Recovery/Refund of Rate Change Timing	-		-	-	-	-
Amortization of Depreciation Reserve Adjustment	479	14	385	864	-	864
Inflation Reduction	(117)		-	(117)	-	(117)
<b>Total Operating Expenses</b>	<b>270,329</b>		<b>(9,042)</b>	<b>261,287</b>	<b>-</b>	<b>261,287</b>
<b>Other Deductions</b>						
Variable Rate Debt Interest Overcollection	-		-	-	-	-
Property Taxes	42,966	15	(1,409)	41,557	-	41,557
Revenue Taxes	7,777		-	7,777	2,183	9,960
Payroll Taxes	6,217	16	2	6,219	-	6,219
Other Taxes	3,581		-	3,581	-	3,581
Depreciation	76,540	17	2,240	78,780	-	78,780
<b>Total Other Deductions</b>	<b>137,081</b>		<b>833</b>	<b>137,914</b>	<b>2,183</b>	<b>140,098</b>
<b>Income Taxes</b>						
Federal Income Taxes	3,585		1,376	4,960	14,710	19,670
State Income Taxes	3,053		607	3,659	4,870	8,528
<b>Total Income Taxes</b>	<b>6,638</b>		<b>1,983</b>	<b>8,619</b>	<b>19,580</b>	<b>28,198</b>
<b>Total Operating Revenue Deductions</b>	<b>414,048</b>		<b>(6,226)</b>	<b>407,820</b>	<b>21,763</b>	<b>429,583</b>
<b>Net Operating Income</b>	<b>\$ 61,679</b>		<b>\$ 6,710</b>	<b>\$ 68,391</b>	<b>\$ 55,336</b>	<b>\$ 123,728</b>
<b>Rate Base</b>	<b>\$ 1,747,501</b>		<b>\$ 40,476</b>	<b>\$ 1,787,977</b>		<b>\$ 1,787,977</b>
<b>Rate of Return</b>				<b>3.83%</b>		<b>6.92%</b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Federal Income Tax**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>	<u>Rate Increase</u>	<u>As Adjusted For Revenue Requirement</u>
Operating Income Before FIT, SIT, Interest	\$ 68,317		\$ 8,693	\$ 77,010	\$74,916	\$ 151,926
Interest Expense	40,542		1,654	42,196	-	42,196
State Income Tax - Current Period	1,918		1	1,919	4,870	6,789
	<u>25,857</u>		<u>7,038</u>	<u>32,895</u>	<u>70,046</u>	<u>102,941</u>
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	89,953	18-23	(85)	89,868	-	89,868
Total Additional Deductions and Nontaxable Income	161,960	24-26	(1,417)	160,543	-	160,543
Adjusted Taxable Income	<u>(46,150)</u>		<u>8,370</u>	<u>(37,780)</u>	<u>70,046</u>	<u>32,266</u>
<b>Federal Income Tax</b>						
FIT - 21%	(9,691)		1,758	(7,934)	14,710	6,776
NOL Carryforward Adjustment	9,691	27	(3,344)	6,347	-	6,347
Total	<u>-</u>		<u>(1,586)</u>	<u>(1,587)</u>	<u>14,710</u>	<u>13,123</u>
Deferred Taxes	<u>3,585</u>	28-34	<u>2,962</u>	<u>6,547</u>	<u>-</u>	<u>6,547</u>
<b>Total Federal Income Taxes</b>	<b><u>\$ 3,585</u></b>		<b><u>\$ 1,376</u></b>	<b><u>\$ 4,960</u></b>	<b><u>\$ 14,710</u></b>	<b><u>\$ 19,670</u></b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Additional Income and Unallowable Deductions and**  
**Electric Operations Additional Deductions and Nontaxable Income**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b><u>Additional Income and Unallowable Deductions</u></b>				
Depreciation - Central Hudson	\$ 77,019	18	\$ 1,761	\$ 78,780
Transportation Depreciation	6,083	19	(736)	5,347
50 Percent Meal Disallowance	341	20	61	402
Avoided Cost Interest Capitalized	3,818	21	(271)	3,547
Contribution in Aid of Construction	2,499	22	(890)	1,609
Catch-All Account	193	23	(10)	183
<b>Total</b>	<b><u>\$ 89,953</u></b>		<b><u>\$ (85)</u></b>	<b><u>\$ 89,868</u></b>
 <b><u>Additional Deductions and Nontaxable Income</u></b>				
Depreciation - Central Hudson	\$ 91,777	24	\$ (53)	\$ 91,724
Cost of Removal-Tax Basis	11,800	25	(1,327)	10,473
Property Tax Accrued-Central Hudson	15	26	(37)	(22)
Repair Deduction	58,331		-	58,331
Catch-All Account	37		-	37
<b>Total</b>	<b><u>\$ 161,960</u></b>		<b><u>\$ (1,417)</u></b>	<b><u>\$ 160,543</u></b>



**Central Hudson Gas & Electric Corporation**  
**Electric Operations Federal Income Tax Deferred Items**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b><u>FIT - Current Benefits Deferred</u></b>				
Depreciation-Central Hudson	\$ 7,299	28	\$ 388	\$ 7,687
Avoided Cost Interest Capitalized	(552)	29	57	(495)
Contribution in Aid of Construction	(229)	30	73	(156)
Cost of Removal-Tax Basis	(3,192)	31	(458)	(3,650)
Income Tax Rate Change Protected	(1,044)	32	(68)	(1,112)
NOL Carryforward	(8,855)	33	2,953	(5,902)
Repair Allowance	(168)		-	(168)
Repair Deduction	10,326	34	17	10,343
Catch-All Account	-		-	-
<b>Total</b>	<b><u>\$ 3,585</u></b>		<b><u>\$ 2,962</u></b>	<b><u>\$ 6,547</u></b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations State Income Tax**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	Per RD	Adj. No.	Commission Adjustments	As Adjusted	Rate Increase	As Adjusted For Revenue Requirement
<b><u>Federal Taxable Income</u></b>						
Interest Expense	\$ 68,317		\$ 8,693	\$ 77,010	\$ 74,916	\$ 151,926
	40,542		1,654	42,196	-	42,196
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	89,953		(85)	89,868	-	89,868
Total Additional Deductions and Nontaxable Income	161,960		(1,417)	160,543	-	160,543
Federal Taxable Income	<u>(44,232)</u>		<u>8,371</u>	<u>(35,861)</u>	<u>74,916</u>	<u>39,055</u>
<b><u>Additions:</u></b>						
Federal Depreciation Deduction Transition Property	(17,110)		-	(17,110)	-	(17,110)
<b><u>Subtractions:</u></b>						
NYS Depreciation Deduction Transition Property	-		-	-	-	-
	<u>(17,110)</u>		<u>-</u>	<u>(17,110)</u>	<u>-</u>	<u>(17,110)</u>
NYS Taxable Income	(61,342)		8,371	(52,971)	74,916	21,945
<b><u>State Income Tax</u></b>						
NYS Income Tax - 6.5%	(3,987)		544	(3,443)	4,870	1,426
Capital Base Tax	1,919		-	1,919	-	1,919
NYSIT and MTA	-		-	-	-	-
NOL Carryforward Adjustment	3,986	35	(543)	3,443	-	3,443
Total Current NYSIT	<u>1,918</u>		<u>1</u>	<u>1,919</u>	<u>4,870</u>	<u>6,788</u>
Deferred NYSIT	1,134	36-42	606	1,740	-	1,740
<b>Total State Income Taxes</b>	<b><u>\$ 3,052</u></b>		<b><u>\$ 607</u></b>	<b><u>\$ 3,659</u></b>	<b><u>\$ 4,870</u></b>	<b><u>\$ 8,528</u></b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations State Income Tax Deferred Items**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

<b>SIT - Current Benefits Deferred</b>	<b>Per RD</b>	<b>Adj. No.</b>	<b>Commission Adjustments</b>	<b>As Adjusted</b>
Depreciation-Central Hudson	\$ 3,088	36	\$ 129	\$ 3,217
Avoided Cost Interest Capitalized	(186)	37	18	(168)
Contribution in Aid of Construction	(85)	38	62	(23)
Cost of Removal-Tax Basis	(1,069)	39	(132)	(1,201)
Income Tax Rate Change Protected	(18)	40	(21)	(39)
NOL Carryforward	(3,987)	41	544	(3,443)
Repair Allowance	(27)	42	-	(27)
Repair Deduction	3,418	42	6	3,424
<b>Total</b>	<b>\$ 1,134</b>		<b>\$ 606</b>	<b>\$ 1,740</b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Rate Base Summary**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b>Rate Base</b>				
Book Cost of Utility Plant	\$ 2,465,398	43	\$ (1,792)	\$ 2,463,607
Less: Accumulated Provision for Depreciation & Amortization	<u>(623,310)</u>	44	<u>2,969</u>	<u>(620,341)</u>
Net Plant	\$ 1,842,088		\$ 1,177	\$ 1,843,265
Noninterest-Bearing Construction Work in Progress	11,394	45	13,268	24,662
Customer Advances for Undergrounding	(1,597)		-	(1,597)
Deferred Charges	(46,253)		-	(46,253)
Accumulated Deferred Federal Taxes	(188,269)	46-53	20,158	(168,111)
Accumulated Deferred State Taxes	(38,913)	54-61	7,003	(31,910)
Working Capital	<u>80,730</u>	62	<u>(1,130)</u>	<u>79,600</u>
Unadjusted Rate Base	1,659,181		40,476	1,699,657
EBCAP Adjustment	88,320		-	88,320
<b>Rate Base</b>	<u><u>\$ 1,747,501</u></u>		<u><u>\$ 40,476</u></u>	<u><u>\$ 1,787,977</u></u>
Equity Component of Rate Base				
Rate Base	\$ 1,747,501			\$ 1,787,977
Common Equity Ratio	48%			48%
Common Equity	<u>\$ 838,800</u>		<u>\$ 19,428</u>	<u>\$ 858,229</u>
<b>Interest Expense Deduction</b>				
Rate Base	\$ 1,747,501		\$ 40,476	\$ 1,787,977
Weighted Cost of Long Term Debt & Customer Deposits	2.32%			2.36%
<b>Interest Expense Deduction for Taxes</b>	<u><b>\$ 40,542</b></u>	63	<u><b>\$ 1,654</b></u>	<u><b>\$ 42,196</b></u>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Deferred Items - Rate Base**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b><u>Deferred Charges</u></b>				
MTA Tax	\$ 1,130		\$ -	\$ 1,130
Unamortized Debt Expense	3,295		-	3,295
Deferred Revenues-Attachments Rents	(1,393)		-	(1,393)
Unamortized Loss on Reacquired Debt	554		-	554
Deferred Rate Case Expenses	1,317		-	1,317
Pension/OPEB Reserve	34,297		-	34,297
Federal Tax Rate Change - Unprotected	19,311		-	19,311
Federal & NYS Tax Rate Change - Protected	(105,376)		-	(105,376)
Mgmt. & Operational Audit Costs	615		-	615
Other	(3)		-	(3)
<b>Total Deferred Charges</b>	<b>\$ (46,253)</b>		<b>\$ -</b>	<b>\$ (46,253)</b>

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b><u>Accumulated Deferred Federal Income Taxes</u></b>				
Contributions in Aid of Construction	\$ 5,691	46	\$ (472)	\$ 5,219
Unbilled Revenue	3,798		-	3,798
MTA Tax	(237)		-	(237)
Deferred Avoided Cost Interest Capitalized	5,216	47	113	5,329
Deferred Revenues- Attachment Rents	293		-	293
Bonds Redeemed	(8)		-	(8)
Cost of Removal	9,213	48	(732)	8,481
Repair Allowance	(2,761)		-	(2,761)
Normalized Depreciation	(163,883)	49	94	(163,789)
MACRS - Capital Reliability Program	332	50	1	333
Prepaid Insurance	(464)		-	(464)
Mgmt. & Operational Audit Costs	(129)		-	(129)
Repair Deduction	(87,206)	51	4,893	(82,313)
NOL Carryforward	28,369	52	16,260	44,629
Rate Case Expenses	(277)		-	(277)
Federal Tax Rate Change - Unprotected	(4,055)		-	(4,055)
Federal & NYS Tax Rate Change - Protected	22,129		-	22,129
Other	(4,290)	53	1	(4,289)
<b>Total Deferred Federal Income Taxes</b>	<b>\$ (188,269)</b>		<b>\$ 20,158</b>	<b>\$ (168,111)</b>

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b><u>Accumulated Deferred State Income Taxes</u></b>				
Normalized Depreciation	\$ (38,798)	54	\$ 22	\$ (38,776)
MTA Tax	(73)		-	(73)
Deferred Avoided Cost Interest Capitalized	1,615	55	35	1,650
Deferred Revenues- Attachment Rents	91		-	91
Cost of Removal	2,869	56	(234)	2,635
Repair Allowance	(710)		-	(710)
Contributions in Aid of Construction	1,735	57	(120)	1,615
Unbilled Revenue	1,176		-	1,176
MACRS - Capital Reliability Program	114	58	(3)	111
Prepaid Insurance	(144)		-	(144)
Mgmt. & Operational Audit Costs	(40)		-	(40)
Repair Deduction	(28,869)	59	1,620	(27,249)
NOL Carryforward	16,204	60	5,682	21,886
Rate Case Expenses	(86)		-	(86)
Federal Tax Rate Change - Unprotected	(1,255)		-	(1,255)
Federal & NYS Tax Rate Change - Protected	6,849		-	6,849
Other	409	61	1	410
<b>Total Deferred State Income Taxes</b>	<b>\$ (38,913)</b>		<b>\$ 7,003</b>	<b>\$ (31,910)</b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Working Capital - Rate Base**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b><u>Materials and Supplies</u></b>				
Other Material and Supplies	\$ 23,881		\$ -	\$ 23,881
<b><u>Prepayments</u></b>				
Prepaid Property Taxes	\$ 14,879		\$ -	\$ 14,879
Prepaid Insurance	1,711		-	1,711
Cloud Computing Prepayments	182		-	182
Other Prepayments	6,752		-	6,752
Prepayments Working Capital	<u>\$ 23,524</u>		<u>\$ -</u>	<u>\$ 23,524</u>
<b><u>Operation and Maintenance</u></b>				
Cash Working Capital @ 1/8	\$ 33,325	62	\$ (1,130)	\$ 32,195
<b>Total Working Capital</b>	<b><u>\$ 80,730</u></b>		<b><u>\$ (1,130)</u></b>	<b><u>\$ 79,600</u></b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Capital Structure**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

<u>Per Commission</u>		<u>Adj. No.</u>	<u>%</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pretax</u>
Long Term Debt	\$ 1,361,900	64	51.74%	4.55%	2.35%	2.35%
Customer Deposits	6,740		0.26%	4.20%	0.01%	0.01%
Common Equity	1,263,360	65	48.00%	9.50%	4.56%	6.17%
<b>Total</b>	<b>\$ 2,632,000</b>		<b>100.00%</b>		<b>6.92%</b>	<b>8.53%</b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations Revenue Requirement Calculation**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Average Rate Base	\$ 1,787,977
Rate of Return on Rate Base	<u>6.92%</u>
Net Income after Rate Increase	\$ 123,728
Net Income before Rate Increase	<u>68,391</u>
Net Income Increase	55,337
Retention Factor	<u>0.7224</u>
Revenue Increase Required	<u><u>\$ 76,601</u></u>
Revenue Taxes	\$ 2,183
Uncollectibles	-
Recovery/Refund of Rate Change Timing	-
Finance Charges	\$ 498
<u>Retention Factor</u>	
Additional Revenue Requirement	1.0000
Less: Revenue Taxes	0.0285
Uncollectibles	-
Recovery/Refund of Rate Change Timing	-
Finance Charges	<u>(0.0065)</u>
Operating Income subject to FIT	0.9780
Less: Federal Income Tax	0.2054
Less: State Income Tax	<u>0.0502</u>
Net Operating Income	<u><u>0.7224</u></u>



**Central Hudson Gas & Electric Corporation**  
**Electric Operations - Commission Adjustments**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Adj. No.	Explanation	Adjustments
	<b>Operating Revenues (Schedule 1)</b>	
1	<u>Legacy Hydro Revenue</u> To correctly reflect Recommended Decision's recommendation for Legacy Hydro Revenue.	\$ 484
	<b>Operating Expenses (Schedule 2)</b>	
2	<u>Labor</u> To correctly reflect Recommended Decision's recommendation for Labor. To reflect updated wage increases per new TDSO contract. Total adjustment to Labor	296 39 <hr/> 335
3	<u>Executive Incentive Compensation</u> To reflect removal of Executive Incentive Compensation costs.	(922)
4	<u>Employee Benefits</u> To correctly reflect Recommended Decision's recommendation for Employee Benefits.	447
5	<u>Pension</u> To reflect Central Hudson's Brief on Exceptions update.	(8,445)
6	<u>Other Post Employment Benefits</u> To reflect Central Hudson's Brief on Exceptions update.	(205)
7	<u>Major Storm Amortization</u> To reflect Central Hudson's Brief on Exceptions update.	1,265
8	<u>Non Major Storm Restoration</u> To reflect Central Hudson's Brief on Exceptions update.	(414)
9	<u>Transportation - Depreciation</u> To correctly reflect Recommended Decision's recommendation for Transportation Depreciation.	46
10	<u>Consulting &amp; Professional Services</u> To reflect Central Hudson's Brief on Exceptions update.	87
11	<u>Management &amp; Operational Audit Savings</u> To reflect inclusion of Management & Operations Audit Savings.	(684)
12	<u>Energy Efficiency</u> To reflect Central Hudson's Brief on Exceptions update.	(939)
13	<u>Productivity</u> To reflect tracking adjustment of labor and benefits adjustments for Productivity.	2
14	<u>Amortization of Depreciation Reserve</u> To correctly reflect Recommended Decision's recommendation for Amortization of Depreciation.	385
	<b>Total Operating Expenses</b>	<hr/> <hr/> <b>(9,042)</b>
	<b>Other Deductions (Schedule 1)</b>	
15	<u>Property Taxes</u> To reflect Central Hudson's Brief on Exceptions update.	(1,409)
16	<u>Payroll Taxes</u> To reflect tracking adjustment of labor for Payroll Taxes.	2
17	<u>Depreciation</u> a. To correctly reflect Recommended Decision's recommendation for Depreciation. b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment). c. To reflect removal of South Cairo gas turbine. Total adjustment to Depreciation	2,423  (95) (88) <hr/> 2,240
	<b>Total Other Deductions</b>	<hr/> <hr/> <b>833</b>

**Central Hudson Gas & Electric Corporation**  
**Electric Operations - Commission Adjustments**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Adj. No.	Explanation	Adjustments
	<b>Additional Income and Unallowable Deductions (Schedules 2 and 3)</b>	
18	<u>Depreciation - Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	\$ 1,761
19	<u>Transportation Depreciation</u> To reflect Central Hudson's Brief on Exceptions update.	(736)
20	<u>50 Percent Meal Disallowance</u> To reflect Central Hudson's Brief on Exceptions update.	61
21	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	(271)
22	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(890)
23	<u>Catch-All Account</u> To reflect Central Hudson's Brief on Exceptions update.	(10)
	<b>Total Additional Income and Unallowable Deductions</b>	<u><u>(85)</u></u>
	<b>Additional Deductions and Nontaxable Income (Schedules 2 and 3)</b>	
24	<u>Depreciation - Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	(53)
25	<u>Cost of Removal-Tax Basis</u> To reflect Central Hudson's Brief on Exceptions update.	(1,327)
26	<u>Property Tax Accrued</u> To reflect Central Hudson's Brief on Exceptions update.	(37)
	<b>Total Additional Deductions and Nontaxable Income</b>	<u><u>(1,417)</u></u>
	<b>Federal Income Tax (Schedule 2)</b>	
27	<u>NOL Carryforward Adjustment</u> To reflect updated NOL usage.	(3,344)
	<b>FIT - Current Benefits Deferred (Schedules 2 and 4)</b>	
28	<u>Depreciation-Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	388
29	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	57
30	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	73
31	<u>Cost of Removal-Tax Basis</u> To reflect Central Hudson's Brief on Exceptions update.	(458)
32	<u>Income Tax Rate Change Protected</u> To reflect Central Hudson's Brief on Exceptions update.	(68)
33	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	2,953
34	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	17
	<b>Total FIT - Current Benefits Deferred</b>	<u><u>2,962</u></u>
	<b>State Income Tax (Schedule 5)</b>	
35	<u>NOL Carryforward Adjustment</u> To reflect updated NOL usage.	(543)

**Central Hudson Gas & Electric Corporation**  
**Electric Operations - Commission Adjustments**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Adj. No.	Explanation	Adjustments
	<b>SIT - Current Benefits Deferred (Schedules 5 and 6)</b>	
36	<u>Depreciation-Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	\$ 129
37	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	18
38	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	62
39	<u>Cost of Removal-Tax Basis</u> To reflect Central Hudson's Brief on Exceptions update.	(132)
40	<u>Income Tax Rate Change Protected</u> To reflect Central Hudson's Brief on Exceptions update.	(21)
41	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	544
42	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	6
	<b>Total SIT - Current Benefits Deferred</b>	606
	<b>Rate Base (Schedule 7)</b>	
43	<u>Book Cost of Utility Plant</u> a. To correctly reflect Recommended Decision's recommendation for Utility Plant. b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment). c. To reflect removal of South Cairo gas turbine. Total adjustment to Utility Plant	1,921 (1,310) (2,403) <u>(1,792)</u>
44	<u>Accumulated Provision for Depreciation &amp; Amortization</u> a. To correctly reflect Recommended Decision's recommendation for Accumulated Depreciation. b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment). c. To reflect removal of South Cairo gas turbine. Total adjustment to Accumulated Provision for Depreciation	(407) 129 <u>3,247</u> 2,969
45	<u>Non-Interest Bearing Construction Work in Progress (Non-IBCWIP)</u> To correctly reflect Recommended Decision's recommendation for Non-IBCWIP.	13,268
	<b>Accumulated Deferred Federal Taxes (Schedules 7 and 8)</b>	
46	<u>Contributions in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(472)
47	<u>Deferred Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	113
48	<u>Cost of Removal</u> To reflect Central Hudson's Brief on Exceptions update.	(732)
49	<u>Normalized Depreciation</u> To reflect Central Hudson's Brief on Exceptions update.	94
50	<u>MACRS - Capital Reliability Program</u> To reflect Central Hudson's Brief on Exceptions update.	1
51	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	4,893
52	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	16,260
53	<u>Other</u> To reflect Central Hudson's Brief on Exceptions update.	1
	<b>Total Accumulated Deferred Federal Taxes</b>	20,158

**Central Hudson Gas & Electric Corporation**  
**Electric Operations - Commission Adjustments**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Adj. No.	Explanation	Adjustments
	<b>Accumulated Deferred State Income Taxes (Schedules 7 and 8)</b>	
54	<u>Normalized Depreciation</u> To reflect Central Hudson's Brief on Exceptions update.	\$ 22
55	<u>Deferred Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	35
56	<u>Cost of Removal</u> To reflect Central Hudson's Brief on Exceptions update.	(234)
57	<u>Contributions in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(120)
58	<u>MACRS - Capital Reliability Program</u> To reflect Central Hudson's Brief on Exceptions update.	(3)
59	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	1,620
60	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	5,682
61	<u>Other</u> To reflect Central Hudson's Brief on Exceptions update.	1
	<b>Total Accumulated Deferred State Income Taxes (Schedules 7 and 8)</b>	<u><u>7,003</u></u>
	<b>Working Capital (Schedules 7 and 9)</b>	
62	<u>Cash Working Capital</u> To track O&M adjustments for Cash Working Capital.	(1,130)
	<b>Total Rate Base</b>	<u><u>40,476</u></u>
	<b>Interest Expense (Schedule 7)</b>	
63	<u>Interest Expense Deduction</u> To update Interest Expense consistent with update to Long-Term Debt Rate.	1,654
	<b>Capital Structure (Schedule 10)</b>	
64	<u>Long-Term Debt Cost Rate</u> To update Long-Term Debt Cost Rate.	4.55%
65	<u>Return on Equity</u> To update Return on Equity.	9.50%

Central Hudson Gas & Electric Corporation  
Electric Operations Basis Point Values  
For the Rate Year Ended June 30, 2025

Rate Base	\$	1,787,848,000
x Equity Ratio		<u>48.00%</u>
Equity Component of Rate Base	\$	858,167,040
x 1 BP		<u>0.01%</u>
After-tax value of 1 BP	\$	85,817
Pre-tax value of 1 BP	\$	116,180

**SUBJECT: Filings by CENTRAL HUDSON GAS & ELECTRIC CORPORATION**  
**Amendments to Schedule P.S.C. No. 15 - Electricity**

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Income Statement and Rate of Return Calculation For the Rate Year Ended**  
**June 30, 2025**

	(\$000)					As Adjusted
	Per RD	Adj. No.	Commission Adjustments	As Adjusted	Rate Increase	For Revenue Requirement
<b>Operating Revenues</b>						
Own Territory Delivery Revenues	\$ 135,884		\$ -	\$ 135,884	\$ 27,307	\$ 163,191
Revenue Taxes	3,152		-	3,152	1,082	4,234
Subtotal	139,036		-	139,036	28,389	167,425
Interruptible & Sales to Generators	3,200		-	3,200	-	3,200
Danskammer Revenue	1,000		-	1,000	-	1,000
Other Operating Revenues	1,435		-	1,435	182	1,617
<b>Total Operating Revenues</b>	<b>144,671</b>		<b>-</b>	<b>144,671</b>	<b>28,571</b>	<b>173,242</b>
<b>Operating Expenses</b>						
Labor	25,824	1	7	25,831		25,831
Executive Incentive Compensation	230	2	(230)	-		-
Management Variable Pay	850		-	850		850
Employee Benefits	4,605	3	127	4,732		4,732
Pension	(2,086)	4	(2,395)	(4,481)		(4,481)
Other Post-Employment Benefits	(1,649)	5	(59)	(1,708)		(1,708)
Employee Training, Safety & Reliability	952		-	952		952
System Engineering & Compliance	106		-	106		106
T&D Repairs & Maintenance	3,384	6	(75)	3,309		3,309
Pipeline Integrity & Inspection	2,912		-	2,912		2,912
Gas Leaks Repairs - Distribution Main	760		-	760		760
Meter Installations, Removals & Maintenance	(381)		-	(381)		(381)
Research & Development	800		-	800		800
Economic Development	-		-	-		-
Informational & Institutional Advertising	120		-	120		120
Meter Reading, Collections & Call Volume Overflow	1,445		-	1,445		1,445
Bill Print	194		-	194		194
Postage	419		-	419		419
Payment by Credit/Debit Card	319		-	319		319
Low Income Program	3,503		-	3,503		3,503
Uncollectible Accounts	1,323		-	1,323		1,323
Regulatory Commission General Assessment	757		-	757		757
Environmental SIR Costs	197		-	197		197
Environmental - All Other	52		-	52		52
Information Technology	3,927		-	3,927		3,927
Telephone	495		-	495		495
Rental Agreements	537		-	537		537
Security of Infrastructure	926		-	926		926
Maintenance of Building and Supplies	648		-	648		648
Materials & Supplies	382		-	382		382
Stores Clearing to Expense	49		-	49		49
Transportation Depreciation	993	7	15	1,008		1,008
Transportation Fuel	449		-	449		449
Transportation All Others	719		-	719		719
Rate Case Expenses	140		-	140		140
Legal Services	466		-	466		466
Consulting & Professional Services	1,213		-	1,213		1,213
Miscellaneous General Expense	1,348		-	1,348		1,348
Injuries & Damages	1,427		-	1,427		1,427
Other Operating Insurance	312		-	312		312
Office Supplies	307		-	307		307
Management & Operational Audit Costs	32		-	32		32
Management & Operational Audit Savings	-	8	(161)	(161)		(161)
Energy Efficiency	1,939		-	1,939		1,939
Miscellaneous Charges	828		-	828		828
Amortization of Unprotected Asset (TCJA)	376		-	376		376
Productivity Imputation	(333)	9	1	(332)		(332)
Recovery/Refund of Rate Change Timing	-		-	-		-
Inflation Reduction	(34)		-	(34)		(34)
Gas Safety Programs	-		-	-		-
Amortization of Depreciation Reserve Adjustment	57		-	57		57
<b>Total Operating Expenses</b>	<b>61,840</b>		<b>(2,770)</b>	<b>59,070</b>	<b>-</b>	<b>59,070</b>
<b>Other Deductions</b>						
Variable Rate Debt - Interest Overcollection						
Property Taxes	19,382	10	(276)	19,106	-	19,106
Revenue Taxes	3,152		-	3,152	1,082	4,234
Payroll Taxes	1,763		-	1,763	-	1,763
Other Taxes	324		-	324	-	324
Depreciation	27,948	11	596	28,544	-	28,544
<b>Total Other Deductions</b>	<b>52,569</b>		<b>320</b>	<b>52,888</b>	<b>1,082</b>	<b>53,970</b>
<b>Income Taxes</b>						
Federal Income Taxes	1,881		260	2,141	5,397	7,538
State Income Taxes	1,066		165	1,231	1,787	3,017
<b>Total Income Taxes</b>	<b>2,947</b>		<b>425</b>	<b>3,372</b>	<b>7,184</b>	<b>10,555</b>
<b>Total Operating Revenue Deductions</b>	<b>117,356</b>		<b>(2,025)</b>	<b>115,331</b>	<b>8,266</b>	<b>123,596</b>
<b>Net Operating Income</b>	<b>\$ 27,315</b>		<b>\$ 2,025</b>	<b>\$ 29,340</b>	<b>\$ 20,305</b>	<b>\$ 49,646</b>
<b>Rate Base</b>	<b>\$ 731,381</b>		<b>\$ (13,967)</b>	<b>\$ 717,414</b>		<b>\$ 717,414</b>
<b>Rate of Return</b>				<b>4.09%</b>		<b>6.92%</b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Federal Income Tax**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>	<u>Rate Increase</u>	<u>As Adjusted For Revenue Requirement</u>
Operating Income Before FIT, SIT, Interest	\$ 30,262		\$ 2,450	\$ 32,712	\$27,489	\$ 60,201
Interest Expense	16,968		(37)	16,931	-	16,931
State Income Tax - Current Period	480		-	480	1,787	2,267
	<u>12,814</u>		<u>2,488</u>	<u>15,301</u>	<u>25,702</u>	<u>41,003</u>
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	31,335	12-17	63	31,398	-	31,398
Total Additional Deductions and Nontaxable Income	66,663	18-20	(211)	66,452	-	66,452
Adjusted Taxable Income	<u>(22,514)</u>		<u>2,762</u>	<u>(19,753)</u>	<u>25,702</u>	<u>5,949</u>
<b>Federal Income Tax</b>						
FIT - 21%	(4,728)		580	(4,148)	5,397	1,249
NOL Carryforward Adjustment	4,728	21	(1,410)	3,318	-	3,318
Total	<u>-</u>		<u>(830)</u>	<u>(830)</u>	<u>5,397</u>	<u>4,567</u>
Deferred Taxes	<u>1,881</u>	22-28	<u>1,090</u>	<u>2,971</u>	<u>-</u>	<u>2,971</u>
<b>Total Federal Income Taxes</b>	<u><b>\$ 1,881</b></u>		<u><b>\$ 260</b></u>	<u><b>\$ 2,141</b></u>	<u><b>\$ 5,397</b></u>	<u><b>\$ 7,538</b></u>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Additional Income and Unallowable Deductions and**  
**Gas Operations Additional Deductions and Nontaxable Income**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b><u>Additional Income and Unallowable Deductions</u></b>				
Depreciation - Central Hudson	\$ 28,005	12	\$ 539	\$ 28,544
Adjustment - CY Average Method (Book Depr)	-		-	-
Transportation Depreciation	1,521	13	(184)	1,337
50 Percent Meal Disallowance	85	14	16	101
Avoided Cost Interest Capitalized	975	15	(20)	955
Contribution in Aid of Construction	700	16	(284)	416
Catch-all account	49	17	(4)	45
<b>Total</b>	<b><u>\$ 31,335</u></b>		<b><u>\$ 63</u></b>	<b><u>\$ 31,398</u></b>
<b><u>Additional Deductions and Nontaxable Income</u></b>				
Depreciation - Central Hudson	\$ 32,533	18	\$ 243	\$ 32,776
Cost of Removal-Tax Basis	2,077	19	(437)	1,640
Property Tax Accrued-Central Hudson	7	20	(17)	(10)
Repair Deduction	32,037		-	32,037
Vacation Accrual- Additional Tax Deduction	9		-	9
<b>Total</b>	<b><u>\$ 66,663</u></b>		<b><u>\$ (211)</u></b>	<b><u>\$ 66,452</u></b>



**Central Hudson Gas & Electric Corporation**  
**Gas Operations Federal Income Tax Deferred Items**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

<b><u>FIT - Current Benefits Deferred</u></b>	<b><u>Per RD</u></b>	<b><u>Adj. No.</u></b>	<b><u>Commission Adjustments</u></b>	<b><u>As Adjusted</u></b>
Depreciation-Central Hudson	\$ 2,554	22	\$ 75	\$ 2,629
Income Tax Rate Change Protected	(394)	23	(22)	(416)
Avoided Cost Interest Capitalized	(158)	24	2	(156)
Contribution in Aid of Construction	(14)	25	(109)	(123)
Cost of Removal-Tax Basis	(1,562)	26	(174)	(1,736)
NOL Carryforward	(4,349)	27	1,302	(3,047)
Repair Deduction	5,804	28	16	5,820
<b>Total</b>	<b><u>\$ 1,881</u></b>		<b><u>\$ 1,090</u></b>	<b><u>\$ 2,971</u></b>

Central Hudson Gas & Electric Corporation  
Gas Operations State Income Tax  
For the Rate Year Ended June 30, 2025  
(\$000)

	Per RD	Adj. No.	Commission Adjustments	As Adjusted	Rate Increase	As Adjusted For Revenue Requirement
<b>Federal Taxable Income</b>	\$ 30,262		\$ 2,450	\$ 32,712	\$ 27,489	\$ 60,201
Interest Expense	16,968		(37)	16,931		16,931
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	31,335		63	31,398		31,398
Total Additional Deductions and Nontaxable Income	66,663		(211)	66,452		66,452
Federal Taxable Income	(22,034)		2,762	(19,273)	27,489	8,216
<b>Additions:</b>						
Federal Depreciation Deduction Transition Property	(5,735)		-	(5,735)		(5,735)
<b>Subtractions:</b>						
NYS Depreciation Deduction Transition Property	-		-	-		-
	(5,735)		-	(5,735)	-	(5,735)
NYS Taxable Income	(27,769)		2,762	(25,008)	27,489	2,481
<b>State Income Tax</b>						
NYS Income Tax - 6.5%	(1,805)		180	(1,625)	1,787	161
NOL Carryforward Adjustment	1,805	29	(180)	1,625	-	1,625
Capital Base Tax	480		-	480	-	480
Fixed Dollar Minimum Tax	-		-	-	-	-
Total Current NYSIT	480		-	480	1,787	2,266
Deferred NYSIT	586	30-36	165	751	-	751
<b>Total State Income Taxes</b>	<b>\$ 1,066</b>		<b>\$ 165</b>	<b>\$ 1,231</b>	<b>\$ 1,787</b>	<b>\$ 3,017</b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations State Income Tax Deferred Items**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

<u>SIT - Current Benefits Deferred</u>	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
Depreciation-Central Hudson	\$ 988	30	\$ 25	\$ 1,013
Avoided Cost Interest Capitalized	(53)	31	10	(43)
Contribution in Aid of Construction	(1)	32	(36)	(37)
Cost of Removal-Tax Basis	(454)	33	(19)	(473)
Income Tax Rate Change Protected	(10)	34	(1)	(11)
NOL Carryforward	(1,805)	35	180	(1,625)
Repair Deduction	1,921	36	6	1,927
<b>Total</b>	<b>\$ 586</b>		<b>\$ 165</b>	<b>\$ 751</b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Rate Base Summary**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b>Rate Base</b>				
Book Cost of Utility Plant	\$ 1,017,724	37	\$ 6,964	\$ 1,024,688
Less: Accumulated Provision for Depreciation & Amortization	<u>(224,318)</u>	38	<u>405</u>	<u>(223,913)</u>
Net Plant	\$ 793,406		\$ 7,369	\$ 800,775
 Noninterest-Bearing Construction Work in Progress	 4,751	 39	 1,275	 6,026
Customer Advances for Undergrounding & Prel Survey Investigation	(850)		-	(850)
Deferred Charges	(32,056)		-	(32,056)
Accumulated Deferred Federal Taxes	(78,173)	40-45	(16,313)	(94,486)
Accumulated Deferred State Taxes	(16,857)	46-51	(5,952)	(22,809)
Working Capital	<u>24,020</u>	52	<u>(346)</u>	<u>23,673</u>
Unadjusted Rate Base	694,241		(13,967)	680,274
EBCAP	37,140			37,140
<b>Rate Base</b>	<b><u>\$ 731,381</u></b>		<b><u>\$ (13,967)</u></b>	<b><u>\$ 717,414</u></b>
 Equity Component of Rate Base				
Rate Base	\$ 731,381			\$ 717,414
Common Equity Ratio	48%			48%
Common Equity	<u>\$ 351,063</u>		<u>\$ (6,704)</u>	<u>\$ 344,359</u>
<b>Interest Expense Deduction</b>				
Rate Base	\$ 731,381		\$ (13,967)	\$ 717,414
Weighted Cost of Long Term Debt & Customer Deposits	2.32%			2.36%
<b>Interest Expense Deduction for Taxes</b>	<b><u>\$ 16,968</u></b>	53	<b><u>\$ (37)</u></b>	<b><u>\$ 16,931</u></b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Deferred Items - Rate Base**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b>Deferred Charges</b>				
MTA Tax	\$ 480		\$ -	\$ 480
Unamortized Debt Expense	1,414		-	1,414
Unamortized Loss on Reacquired Debt	238		-	238
Mgmt. & Operational Audit Costs	154		-	154
Federal Tax Rate Change - Unprotected	3,631		-	3,631
Federal & NYS Tax Rate Change - Protected	(38,092)		-	(38,092)
Rate Case Expenses	329		-	329
Pension/OPEB Reserve	(210)		-	(210)
<b>Total Deferred Charges</b>	<b>\$ (32,056)</b>		<b>\$ -</b>	<b>\$ (32,056)</b>

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b>Accumulated Deferred Federal Income Taxes</b>				
Contributions in Aid of Construction	\$ 3,003	40	\$ (293)	\$ 2,710
Unbilled Revenue	1,508		-	1,508
MTA Tax	(101)		-	(101)
Deferred Avoided Cost Interest Capitalized	912	41	(28)	884
Bonds Redeemed	(3)		-	(3)
Cost of Removal	4,435	42	(239)	4,196
Normalized Depreciation	(67,733)	43	(505)	(68,238)
Prepaid Insurance	(116)		-	(116)
Management & Operational Audit Costs	(32)		-	(32)
Repair Deduction	(36,791)	44	(21,889)	(58,680)
NOL Carryforward	11,588	45	6,641	18,229
Interest Expense on Tax Reserve	-		-	-
Federal Tax Rate Change - Unprotected	(762)		-	(762)
Federal & NYS Tax Rate Change - Protected	7,999		-	7,999
Rate Case Expenses	(69)		-	(69)
Other	(2,011)		-	(2,011)
<b>Total Accumulated Deferred Federal Income Taxes</b>	<b>\$ (78,173)</b>		<b>\$ (16,313)</b>	<b>\$ (94,486)</b>

	Per RD	Adj. No.	Commission Adjustments	As Adjusted
<b>Accumulated Deferred State Income Taxes</b>				
Normalized Depreciation	\$ (16,574)	46	\$ (124)	\$ (16,698)
MTA Tax	(31)		-	(31)
Deferred Avoided Cost Interest Capitalized	277	47	(24)	253
Bonds Redeemed	-		-	-
Cost of Removal	1,376	48	(77)	1,299
Contributions in Aid of Construction	921	49	(67)	854
Unbilled Revenue	467		-	467
Prepaid Insurance	(36)		-	(36)
Management & Operational Audit Costs	(10)		-	(10)
Repair Deduction	(12,199)	50	(7,980)	(20,179)
NOL Carryforward	6,619	51	2,320	8,939
Interest Expense on Tax Reserve	-		-	-
Federal Tax Rate Change - Unprotected	(236)		-	(236)
Federal & NYS Tax Rate Change - Protected	2,476		-	2,476
Rate Case Expenses	(21)		-	(21)
Other	114		-	114
<b>Total Accumulated Deferred State Income Taxes</b>	<b>\$ (16,857)</b>		<b>\$ (5,952)</b>	<b>\$ (22,809)</b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Working Capital-Rate Base**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<b><u>Materials and Supplies</u></b>				
Other Material and Supplies	\$ 8,216		\$ -	\$ 8,216
<b><u>Prepayments</u></b>				
Prepaid Property Taxes	\$ 6,077		\$ -	\$ 6,077
Prepaid Insurance	428		-	428
Cloud Computing Prepayments	46		-	46
Other Prepayments	1,688		-	1,688
Prepayments Working Capital	<u>\$ 8,239</u>		<u>\$ -</u>	<u>\$ 8,239</u>
<b><u>Operation and Maintenance</u></b>				
Cash Working Capital @ 1/8	<u>\$ 7,565</u>	52	<u>\$ (346)</u>	<u>\$ 7,218</u>
<b>Total Working Capital</b>	<b><u>\$ 24,020</u></b>		<b><u>\$ (346)</u></b>	<b><u>\$ 23,673</u></b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Capital Structure**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

<u>Per Commission</u>		<u>Adj. No.</u>	<u>%</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Pretax</u>
Long Term Debt	\$ 1,361,900	54	51.74%	4.55%	2.35%	2.35%
Customer Deposits	6,740		0.26%	4.20%	0.01%	0.01%
Common Equity	1,263,360	55	48.00%	9.50%	4.56%	6.17%
<b>Total</b>	<b><u>\$ 2,632,000</u></b>		<b><u>100.00%</u></b>		<b><u>6.92%</u></b>	<b><u>8.53%</u></b>

**Central Hudson Gas & Electric Corporation**  
**Gas Operations Revenue Requirement Calculation**  
**For the Rate Year Ended June 30, 2025**  
**(\$000)**

Average Rate Base	\$ 717,414
Rate of Return on Rate Base	<u>6.92%</u>
Net Income after Rate Increase	\$ 49,645
Net Income before Rate Increase	<u>29,340</u>
Net Income Increase	20,305
Retention Factor	<u>0.7152</u>
Revenue Increase Required	<u><u>\$ 28,389</u></u>
Revenue Taxes	\$1,082
Uncollectibles	-
Recovery/Refund of Rate Change Timing	-
Finance Charges	\$182
<u>Retention Factor</u>	
Additional Revenue Requirement	1.0000
Less: Revenue Taxes	0.0381
Uncollectibles	-
Recovery/Refund of Rate Change Timing	-
Finance Charges	<u>(0.0064)</u>
Operating Income subject to FIT	0.9683
Less: Federal Income Tax	0.2033
Less: State Income Tax	<u>0.0497</u>
Net Operating Income	<u><u>0.7152</u></u>



**Central Hudson Gas & Electric Corporation  
Gas Operations - Commission Adjustments  
For the Rate Year Ended June 30, 2025  
(\$000)**

Adj. No.	Explanation	Adjustments
<b>Operating Expenses (Schedule 1)</b>		
1	<u>Labor</u> To correctly reflect Recommended Decision's recommendation for Labor.	\$ 7
2	<u>Executive Incentive Compensation</u> To reflect removal of Executive Incentive Compensation costs.	(230)
3	<u>Employee Benefits</u> To correctly reflect Recommended Decision's recommendation for Employee Benefits.	127
4	<u>Pension</u> To reflect Central Hudson's Brief on Exceptions update.	(2,395)
5	<u>OPEBs</u> To reflect Central Hudson's Brief on Exceptions update.	(59)
6	<u>T&amp;D Repairs and Maintenance</u> To correctly reflect Recommended Decision's recommendation for T&D Repairs and Maintenance.	(75)
7	<u>Transportation Depreciation</u> To correctly reflect Recommended Decision's recommendation for Transportation Depreciation.	15
8	<u>Management &amp; Operational Audit Savings</u> To reflect inclusion of Management & Operations Audit Savings.	(161)
9	<u>Productivity</u> To reflect tracking adjustment of labor and benefits adjustments for Productivity.	1
	<b>Total Operating Expenses</b>	<u><u>(2,770)</u></u>
<b>Other Deductions (Schedule 1)</b>		
10	<u>Property Taxes</u> To reflect Central Hudson's Brief on Exceptions update.	(276)
11	<u>Depreciation</u> a. To correctly reflect Recommended Decision's recommendation for Depreciation. b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment). c. To reflect depreciation associated with regulator station projects. Total Depreciation	598 (24) 21 <u>596</u>
	<b>Total Other Deductions</b>	<u><u>320</u></u>
<b>Additional Income and Unallowable Deductions (Schedules 2 and 3)</b>		
12	<u>Depreciation - Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	539
13	<u>Transportation Depreciation</u> To reflect Central Hudson's Brief on Exceptions update.	(184)
14	<u>50 Percent Meal Disallowance</u> To reflect Central Hudson's Brief on Exceptions update.	16
15	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	(20)
16	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(284)
17	<u>Other</u> To reflect Central Hudson's Brief on Exceptions update.	(4)
	<b>Total Additional Income and Unallowable Deductions</b>	<u><u>63</u></u>

Central Hudson Gas & Electric Corporation  
Gas Operations - Commission Adjustments  
For the Rate Year Ended June 30, 2025  
(\$000)

Adj. No.	Explanation	Adjustments
	<b>Additional Deductions and Nontaxable Income (Schedules 2 and 3)</b>	
18	<u>Depreciation - Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	\$ 243
19	<u>Cost of Removal</u> To reflect Central Hudson's Brief on Exceptions update.	(437)
20	<u>Property Tax Accrued</u> To reflect Central Hudson's Brief on Exceptions update.	(17)
	<b>Total Additional Deductions and Nontaxable Income</b>	<u>(211)</u>
	<b>Federal Income Tax (Schedule 2)</b>	
21	<u>NOL Carryforward Adjustment</u> To reflect updated NOL usage.	(1,410)
	<b>FIT - Current Benefits Deferred (Schedules 2 and 4)</b>	
22	<u>Depreciation-Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	75
23	<u>Income Tax Rate Change Protected</u> To reflect Central Hudson's Brief on Exceptions update.	(22)
24	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	2
25	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(109)
26	<u>Cost of Removal - Tax Basis</u> To reflect Central Hudson's Brief on Exceptions update.	(174)
27	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	1,302
28	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	16
	<b>Total FIT - Current Benefits Deferred</b>	<u>1,090</u>
	<b>State Income Tax (Schedule 5)</b>	
29	<u>NOL Carryforward Adjustment</u> To reflect updated NOL usage.	(180)
	<b>SIT - Current Benefits Deferred (Schedules 5 and 6)</b>	
30	<u>Depreciation-Central Hudson</u> To reflect Central Hudson's Brief on Exceptions update.	25
31	<u>Avoided Cost Interest Capitalized</u> To reflect Central Hudson's Brief on Exceptions update.	10
32	<u>Contribution in Aid of Construction</u> To reflect Central Hudson's Brief on Exceptions update.	(36)
33	<u>Cost of Removal - Tax Basis</u> To reflect Central Hudson's Brief on Exceptions update.	(19)
34	<u>Income Tax Rate Change Protected</u> To reflect Central Hudson's Brief on Exceptions update.	(1)
35	<u>NOL Carryforward</u> To reflect Central Hudson's Brief on Exceptions update.	180
36	<u>Repair Deduction</u> To reflect Central Hudson's Brief on Exceptions update.	6
	<b>Total SIT - Current Benefits Deferred</b>	<u>165</u>

**Central Hudson Gas & Electric Corporation  
Gas Operations - Commission Adjustments  
For the Rate Year Ended June 30, 2025  
(\$000)**

Adj. No.	Explanation	Adjustments
	<b>Rate Base (Schedule 7)</b>	
37	<u>Book Cost of Utility Plant</u>	
	a. To correctly reflect Recommended Decision's recommendation for Utility Plant.	\$ 6,655
	b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment).	(262)
	c. To reflect additional funding for regulator station projects.	571
	Total Utility Plant	6,964
38	<u>Accumulated Provision for Depreciation &amp; Amortization</u>	
	a. To correctly reflect Recommended Decision's recommendation for Accumulated Depreciation.	224
	b. To reflect removal of residual monthly meter reading transition costs (vehicles, radios, EV charging equipment and other general equipment).	26
	c. To reflect accumulated depreciation associated with regulator station projects.	155
	Total Accumulated Provision for Depreciation	405
39	<u>Non-interest bearing Construction Work in Progress</u>	
	To correctly reflect Recommended Decision's recommendation for Non-IBCWIP.	1,275
	<b>Accumulated Deferred Federal Taxes (Schedules 7 and 8)</b>	
40	<u>Contributions in Aid of Construction</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(293)
41	<u>Deferred Avoided Cost Interest Capitalized</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(28)
42	<u>Cost of Removal</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(239)
43	<u>Normalized Depreciation</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(505)
44	<u>Repair Deduction</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(21,889)
45	<u>NOL Carryforward</u>	
	To reflect Central Hudson's Brief on Exceptions update.	6,641
	<b>Total Accumulated Deferred Federal Taxes</b>	(16,313)
	<b>Accumulated Deferred State Income Taxes (Schedules 7 and 8)</b>	
46	<u>Normalized Depreciation</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(124)
47	<u>Deferred Avoided Cost Interest Capitalized</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(24)
48	<u>Cost of Removal</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(77)
49	<u>Contributions in Aid of Construction</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(67)
50	<u>Repair Deduction</u>	
	To reflect Central Hudson's Brief on Exceptions update.	(7,980)
51	<u>NOL Carryforward</u>	
	To reflect Central Hudson's Brief on Exceptions update.	2,320
	<b>Total Accumulated Deferred State Income Taxes</b>	(5,952)
	<b>Working Capital (Schedules 7 and 9)</b>	
52	<u>Cash Working Capital</u>	
	To track O&M adjustments for Cash Working Capital.	(346)
	<b>Total Rate Base</b>	(13,967)

Central Hudson Gas & Electric Corporation  
Gas Operations - Commission Adjustments  
For the Rate Year Ended June 30, 2025  
(\$000)

<u>Adj. No.</u>	<u>Explanation</u>	<u>Adjustments</u>
	<b>Interest Expense (Schedule 7)</b>	
53	<u>Interest Expense Deduction</u> To update Interest Expense consistent with update to Long-Term Debt Rate.	(37)
	<b>Capital Structure (Schedule 10)</b>	
54	<u>Long-Term Debt Cost Rate</u> To update Long-Term Debt Cost Rate.	4.55%
55	<u>Return on Equity</u> To update Return on Equity.	9.50%

**Central Hudson Gas & Electric Corporation  
Gas Operations Basis Point Values  
For the Rate Year Ended June 30, 2025**

Rate Base	\$	717,414,000
x Equity Ratio		<u>48.00%</u>
Equity Component of Rate Base	\$	344,358,720
x 1 BP		<u>0.01%</u>
After-tax value of 1 BP	\$	34,436
Pre-tax value of 1 BP	\$	46,620

**Central Hudson Gas & Electric Corporation  
 Case 23-E-0418 & Case 23-G-0419**

**Listing of Deferrals**

<b>Deferral Item</b>	<b>Deferral Method</b>	<b>Carrying Charges</b>
AMP Phase I	Under terms of Case 20-M-0479, Central Hudson shall recover AMP Phase I costs (and related carrying charges) through a surcharge on customer bills, beginning August 1, 2022.	Pre-tax Authorized Rate of Return
AMP Phase II	Under the terms of Cases 14-M-0565 / 20-M-0266 Order Authorizing Phase 2 Arrears Reduction Program: to effectuate the Phase 2 program, the utilities shall defer the amount of the arrears relief being provided, net of any economic development funds or additional deferrals, for recovery from customers. Central Hudson shall recover AMP Phase II program costs (and related carrying charges) over a 7-year period through a surcharge on customer bills, effective April 1, 2023.	Pre-tax Authorized Rate of Return
Asbestos Litigation	Deferral of actual or accrued costs with rate allowance set at zero. Carrying charges to be applied to actual costs over / under rate allowance only.	Pre-tax Authorized Rate of Return
Asset Retirement Obligation Depreciation and Accretion Expense	Deferral of depreciation and accretion expense incurred on ARO assets and liabilities.	Not applicable
Case 14-M-0101 and related Proceedings/Orders: Incremental costs not included in base rates	Deferral of the revenue requirement effect over / under the amount included in rates.	Pre-tax Authorized Rate of Return
CATV Make Ready or Broadband Make Ready	Deferral of the revenue requirement effect (depreciation and return on investment) for capital costs associated with CATV Fiber Make Ready above amounts reflected in rates offset by incremental pole attachment rental revenues, as detailed in Case 23-E-0418 Commission Order.	Pre-tax Authorized Rate of Return
CDG Consolidated Billing Deferral	As approved in Order 19-M-0463, deferral of incremental costs incurred for the implementation and operation of the net crediting billing model, with an offsetting deferral of amount billed to customers through the discount rate to cover these costs, subject to carrying charges at the other customer capital rate.	Other Customer Capital Rate
Clean Energy Fund	Deferral of actual costs over / under amount collected through Surcharge.	Not applicable to deferral balance as of March 1, 2016; Other Customer Capital Rate for deferral balances accumulated subsequent to March 1, 2016
Climate Change Vulnerability Study Climate Change Resilience Plan (PSL 66, Subdivision 29; Case 22-E-0222)	Deferral of costs associated with the Central Hudson's Climate Change Vulnerability Study and a Climate Change Resilience Plan in accordance with PSL 66, Subdivision 29 and Case 22-E-0222. Recovery in accordance with developments in the generic proceeding.	Pre-tax Authorized Rate of Return
Cloud Based or SaaS solutions implemented	Deferral of the revenue requirement effect (depreciation and return on investment) of variations resulting from software solutions chosen that require a different accounting treatment than that assumed in the establishment of revenue requirements. Further detail is provided in the Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan in Cases 20-E-0428 and 20-G-0429.	Pre-tax Authorized Rate of Return
Credit / Debit Card Fees and Walk-In Center Fees	Deferral of costs over / under rate allowance (including walk-in center transaction fees and Outreach) related to credit card program.	Pre-tax Authorized Rate of Return
Danskammer Gas Revenue	The Company will defer the amount of actual revenues above or below the \$1.0 million revenue imputation in base delivery rates.	Pre-tax Authorized Rate of Return
Deferred Temp Metro Transit Bus Tax Surcharge	Deferral actual cost over / under the amount collected through Surcharge.	Not applicable
Deferred Unbilled Revenues	Deferral of \$5.1M of unbilled revenues to PSC Account 254.32 as required by Order Approving Accounting Change with Modification Effective July 20, 2016, Ordering Clause 2 (page 6).	Not applicable
Deferred Unrealized Losses/Gains on Derivatives	Deferral for mark to market changes for derivatives for the term of each as reflected with an offsetting receivable or payable on the balance sheet. Realized gain or loss is included in purchased electric or purchased natural gas upon settlement.	Not applicable
Deferred Vacation Pay Accrual	Deferral of vacation accrual recorded.	Not applicable
DEI - Proceeding to Review Utilities' Diversity, Equity, and Inclusion Practices (Case 22-M-0314)	Under the terms of Case 22-M-0314 - Proceeding to Review Utilities' Diversity, Equity, and Inclusion Practices Order Initiating Proceeding Issued and Effective June 16, 2022: While the consultant will work at the direction of Staff, the costs will be paid by the utilities this Order requires to develop DEI plans. Costs associated with the consultant can be deferred with recovery addressed in future rate cases.	Pre-tax Authorized Rate of Return
Earnings Adjustment Mechanisms - Electric	Authorization to recover from customers incentives earned related to earnings adjustment mechanisms targets met.	Not applicable

**Central Hudson Gas & Electric Corporation**  
**Case 23-E-0418 & Case 23-G-0419**

**Listing of Deferrals**

<b>Deferral Item</b>	<b>Deferral Method</b>	<b>Carrying Charges</b>
Earnings Adjustment Mechanisms - Gas	Authorization to recover from customers incentives earned related to earnings adjustment mechanisms targets met.	Not applicable
Economic Development	Deferral of rate allowance and actual expenditures and subject to carrying charges.	Pre-tax Authorized Rate of Return
Energy Efficiency - Electric & Gas	In accordance with the Order in Case 18-M-0084, as amended by June 23, 2023 Order Approving Funding for Clean Heat Program in Case 18-M-0084, the Company is authorized to defer over/under spending compared to the amended rate allowance, with the ability to defer overspending capped at the cumulative NENY budgets plus that afforded in the Order in Case 18-M-0084.	Pre-tax Authorized Rate of Return
Energy Efficiency - Exemptions from Utility Programs	Deferral of differences between electric Energy Efficiency exemptions imputed in base rates and actual Energy Efficiency exemptions provided.	Pre-tax Authorized Rate of Return
Energy Storage Projects	Deferral of revenue requirement effect (depreciation and return on investment) of energy storage projects.	Pre-tax Authorized Rate of Return
Environmental Site Investigation and Remediation Costs	Deferral of actual or accrued costs over / under rate allowance. Carrying charges to be applied to actual costs over / under rate allowance only.	Pre-tax Authorized Rate of Return
EV - Time of Use ("TOU")	As prescribed in Case 18-E-0206, the Company is authorized to defer the revenue requirement associated with the incremental cost of TOU meters . If during the term of the Rate Plan, the deferred balance reaches \$50,000, it will be included in the Miscellaneous surcharge for recovery from SC1 and SC6 customers over a one-year period beginning the first billing batch of the subsequent February or August. If the balance is less than \$50,000 it will be reflected in the balance sheet offset process in the Company's next rate case.	Pre-tax Authorized Rate of Return
EV - Fast Charge Incentive	In accordance with Case 18-E-0138, the Company will continue its deferral of the \$4.4 million provided by NYSEDA, as well as the surcharge billed to customers during calendar year 2020 that did not contribute to the SBC. Amounts spent to fund the fast charging stations annual incentive payments will be deferred as a reduction of this balance.	Pre-tax Authorized Rate of Return
EV Make Ready Program Light Duty - Incremental O&M and Capital Costs Excluding New Business	In accordance with Case 18-E-0138, the Company will defer actual O&M costs specific to this program (e.g. incentives rebated for Customer Owned make ready work, implementation costs, allowable non-utility futureproofing) associated with the EV Make Ready Program. In addition, the Company is authorized to defer the revenue requirement effect (return and depreciation) of Company make ready capital expenditures, excluding New Business related capital expenditures. Costs will be recovered through a surcharge.	Pre-tax Authorized Rate of Return
EV Make Ready Program Light Duty - Incremental New Business Capital Costs	To the extent that the Company exceeds its Net Plant Targets, the Company can defer the revenue requirement effect (return and depreciation) of New Business capital expenditures specific to this program for future collections.	Pre-tax Authorized Rate of Return
EV Make Ready Program Medium/Heavy Duty - Incremental O&M and Capital Costs Excluding New Business	In accordance with Case 18-E-0138, the Company will defer actual O&M costs specific to this program (e.g. incentives rebated for Customer Owned make ready work, implementation costs, allowable non-utility futureproofing) associated with the EV Make Ready Program. In addition, the Company is authorized to defer the revenue requirement effect (return and depreciation) of Company make ready capital expenditures, excluding New Business related capital expenditures. Costs will be recovered through a surcharge.	Pre-tax Authorized Rate of Return
EV Make Ready Program Medium/Heavy Duty - Incremental New Business Capital Costs	To the extent that the Company exceeds its Net Plant Targets, the Company can defer the revenue requirement effect (return and depreciation) of New Business capital expenditures specific to this program for future collections.	Pre-tax Authorized Rate of Return
External Rate Case Expenses	Deferral of external expenses as incurred up to cumulative three year rate allowance with amortization over 36 months with no true-up.	Not applicable
FAS 109	Deferral of tax on basis differences not provided for elsewhere.	Not applicable
FERC jurisdictional proceedings: Incremental costs and potential outcomes regarding Hydro facilities	Deferral of incremental O&M expenses and the revenue requirement effect on incremental capital spending incurred in a RY as a result of a FERC proceeding concerning hydroelectric facilities when the total impact is greater than 10BPs of return on common equity for the electric department.	Pre-tax Authorized Rate of Return
FEMA Grant Microgrid Project	Deferral of the revenue requirement effect of the Company's funds not reimbursed for phase 1 and 2 of the project.	Pre-tax Authorized Rate of Return

**Central Hudson Gas & Electric Corporation  
Case 23-E-0418 & Case 23-G-0419**

**Listing of Deferrals**

<b>Deferral Item</b>	<b>Deferral Method</b>	<b>Carrying Charges</b>
FERC Wholesale Delivery Service Revenues	Should the Company have customers that take service under the FERC Wholesale Distribution Service tariff associated with Case 22-E-0549 and aligned with FERC Order No. 2222 and No. 841, the Company proposes to defer the associated revenues for future pass-back to delivery service customers.	Pre-tax Authorized Rate of Return
Funded Status Adjustment of Pension/OPEB Plans	Deferral of the over/under funded status of the plan at each year-end with an offsetting asset or liability on the balance sheet.	Not applicable
Heat Pump Program	In accordance with the Order in Case 18-M-0084, as amended by June 23, 2023 Order Approving Funding for Clean Heat Program in Case 18-M-0084, the Company is authorized to defer over/under spending compared to the amended rate allowance, with the ability to defer overspending capped at the cumulative NENY budgets plus that afforded in the Order in Case 18-M-0084.	Pre-tax Authorized Rate of Return
IEDR Proceeding	Deferral of incremental costs, including expenses and the revenue requirement effect (depreciation and return on capital) of capital costs incurred under the Integrated Energy Data Resource Order (Case 20-M-0082).	Pre-tax Authorized Rate of Return
IPWG (Interconnection Policy Working Group)	Under the terms of Case 20-E-0543, Central Hudson is authorized to defer the revenue requirement effect associated with unsubscribed project costs until such time the costs are included in base rates.	Pre-tax Authorized Rate of Return
Legacy Hydro Revenue	The revenue requirement includes a level of \$4.4M revenue / benefit from legacy hydro generation. The Company will defer actual monthly revenue / benefit above or below 1/12th of the imputed Rate Year revenue / benefit. This amount will be refunded or collected on all deliveries through the Miscellaneous Charge Component of ECAM on a current month basis.	Not applicable - Continued treatment within ECAM, deferral of over/under into ECAM Regulatory Asset and included in ECAM working capital carrying charge calculation
Long Term Debt - Variable Rate NYSERDA Series B Bond	Deferral and amortization of the costs associated with the refinancing of this Bond should it occur during the rate plan.	Not applicable
Long Term Debt Interest Costs - Existing Variable Rate Debt	Deferral of interest costs over / under rate allowance.	Pre-tax Authorized Rate of Return
Long Term Debt Interest Costs - Variable Issuances (Interest Costs on New Issuances of Long-Term Debt)	Deferral of long-term debt cost rate of new debt and actual embedded average cost rate of long-term debt will be reconciled to the forecasted rates reflected in rates.	Pre-tax Authorized Rate of Return
Lost Revenues (Finance Charges and Reconnection Fee Revenues)	Symmetrical deferral of actual finance charge and reconnection fee revenues above or below the levels included in the final revenue requirement in the Rate Year if the impact is greater than 10 BPs of return on common equity for either gas department or electric department.	Pre-tax Authorized Rate of Return
Low Income Program - Bill Discount / Energy Affordability Program	Deferral of costs over/ under rate allowance, with any under-expenditures available for future use in the low income / energy affordability program.	Pre-tax Authorized Rate of Return
Low Income Program - Waiver of Reconnection Fee	Deferral of costs over/ under rate allowance, with any under-expenditures available for future use in the low income program.	Pre-tax Authorized Rate of Return
Major Storm Reserve	Deferral of incremental major storm restoration or prestaging costs as described in the Stipulation Regarding Electric Capital and Operations in Case 23-E-0418.	Pre-tax Authorized Rate of Return
Net Lost Revenues - Merchant Function Charge	Deferral of actual lost revenues over / under amount forecasted in rates due to migration to Non-RDM classes.	Pre-tax Authorized Rate of Return
Net Plant Targets	Deferral of the revenue requirement effect of underspend on net plant and depreciation targets.	Pre-tax Authorized Rate of Return
Non-Pipes Alternative (NPA) Projects	Deferral of revenue requirement effect of costs and incentives incurred during the term of the Rate Year as specified in the Commission's June 14, 2018 Order in Case 17-G-0460.	Pre-tax Authorized Rate of Return
Non-Wires Alternative (NWA) Projects	Deferral of revenue requirement effect of costs and incentives as authorized in the Commission's June 14, 2018 Order in Case 17-E-0459.	Pre-tax Authorized Rate of Return



**Central Hudson Gas & Electric Corporation  
Case 23-E-0418 & Case 23-G-0419**

**Listing of Deferrals**

<b>Deferral Item</b>	<b>Deferral Method</b>	<b>Carrying Charges</b>
NYS Corporate Tax Change	Deferral of incremental tax expense resulting from legislative changes. The revenue requirement reflects the New York State budget bill enacted in April 2023. If legislation is extended or amended and the Company continues to be subject to a capital-based tax in 2027, the Company will defer this incremental tax expense for future collection from customers. Additionally, if the legislation is amended or extended with regards to the corporate income tax rate, the Company will defer for future return to or recovery from customers the revenue requirement effect of (1) the change in income tax rate on current tax expense, if any, as well as (2) the re-statement of deferred tax asset and liability balances. These balances will be subject to carrying charges at the PTROR beginning with the date the taxes are paid or balances are re-stated.	Pre-tax Authorized Rate of Return
OPEB	Deferral of expenses over / under rate allowance.	Not applicable
Pension and OPEB reserve carrying charges	Deferral of carrying charges on the difference between actual Pension and OPEB reserve levels compared to the reserve levels included in the development of rate base used to establish delivery rates.	Pre-tax Authorized Rate of Return
Pension Plan	Deferral of expenses over / under rate allowance.	Not applicable
PSC initiated or Required Management or Operational Audit	Deferral of incremental costs incurred as a result of any Commission mandated management or operational audits.	Pre-tax Authorized Rate of Return
Purchased Electric Costs	Deferral of actual costs over / under the amount collected.	Not applicable
Purchased Gas Costs	Deferral of actual costs over / under the amount collected.	Not applicable
Rate Moderator - Electric	Deferral of the net remaining regulatory liabilities resulting from previous rate cases available for future rate moderation.	Pre-tax Authorized Rate of Return
Rate Moderator - Gas	Deferral of the net remaining regulatory liabilities resulting from previous rate cases available for future rate moderation.	Pre-tax Authorized Rate of Return
Research and Development	Deferral of costs over / under rate allowance.	Not applicable
REV Demonstration Projects	Deferral of the revenue requirement effect of REV demonstration projects up to 0.5% of delivery service revenue requirement, or the revenue requirement associated with capital expenditures of \$10 million, whichever is larger.	Pre-tax Authorized Rate of Return
Platform Service Revenues	The Company will defer 80% of the Company's share of the revenue earned from sales through the Community Distributed Generation Marketplace ("CDGM") platform for the benefit of customers.	Pre-tax Authorized Rate of Return
Revenue Decoupling Mechanism - Electric	Deferral of actual revenues billed over / under targeted revenues.	Other Customer Capital Rate
Revenue Decoupling Mechanism - Gas	Deferral of actual revenues billed over / under targeted revenues.	Other Customer Capital Rate
Roadway Excavation Quality Assurance Act	Deferral of incremental costs, including expenses and the revenue requirement effect (depreciation and return on capital) of capital costs from the impacts of the Roadway Excavation Quality Assurance Act.	Pre-tax Authorized Rate of Return
Sales Tax Refunds and Assessments	For any refunds received (net of fees) or assessments paid where the source amounts were charged to expense, the Company will defer this amount for future return to or recovery from customers. The Company will continue to file notice as required under 16 NYCRR 89.3 or include refunds in its PSC Annual Report.	Pre-tax Authorized Rate of Return
Stray Voltage Expenses	Deferral of actual costs over / under rate allowance.	Pre-tax Authorized Rate of Return
Uncollectible Write-offs and Collection Agency Fees	Symmetrical deferral, of any differences between the actual 12 months of net write-offs and collection agency fees experienced as compared to the 12 months of billed uncollectibles and the established rate allowance for collection agency fees.	Pre-tax Authorized Rate of Return
Utility asset sale to TRANSCO carrying charges	Under the terms of Case 22-E-0077, Central Hudson transferred easements and transmission property to NY Transco with the proceeds of selling the easements to benefit customers.	Pre-tax Authorized Rate of Return

**Notes:**

The definition of incremental costs includes the return on and of (depreciation) capital investment, O&M expenses, Property Taxes, and any associated income tax effects.

Central Hudson Gas & Electric Corporation  
 Net Plant Targets  
 (\$000)

<b><u>Net Plant Targets</u></b>	<b>Electric</b>	<b>Gas</b>
Plant In Service	2,463,868	1,024,950
Accumulated Reserve	(620,367)	(223,938)
Net Plant	1,843,502	801,012
NIBCWIP	24,662	6,281
<b>Net Plant Target</b>	<b>1,868,163</b>	<b>807,294</b>

  

<b><u>Depreciation Expense Targets</u></b>		
Transportation Depreciation	3,082	1,008
Depreciation Expense	78,875	28,567
<b>Depreciation Expense Target</b>	<b>81,958</b>	<b>29,575</b>

Central Hudson Gas & Electric Corporation  
 Example Calculation of Revenue Requirements on Net Plant Targets  
 (\$000)

<u>Targets</u>	<u>Electric</u>	<u>Gas</u>
Net Plant & NIBCWIP	1,868,163	807,294
Depreciation Expense	81,958	29,575
<u>Actual (For Illustrative Purposes Only)</u>		
Net Plant & NIBCWIP	1,900,000	800,000
Depreciation Expense	82,000	30,000
<u>Difference (For Illustrative Purposes Only)</u>		
Net Plant & NIBCWIP	31,837	(7,294)
Depreciation Expense	42	425
<u>Determination of Revenue Requirements</u>		
<u>Return Component</u>		
Net Plant & NIBCWIP Difference	31,837	(7,294)
x Pre-tax WACC	8.53%	8.53%
Return Component	2,716	(622)
<u>Revenue Requirement on Differences</u>		
Depreciation	42	425
Return Component	2,716	(622)
Total	2,758	(197)
Amount Deferred for Customer Benefit Smaller of Total or \$0	-	(197)

**Cases 23-E-0418 & 23-G-0419**  
**Illustrative Example of Make Whole Provision - Electric**

	Jul-24			Current Rates					Proposed Rates					Unrealized Revenue***
	Custs/Faces	kWh	kW	Cust. Chg.	kWh	MFC kWh	Bill Credit	kW	Cust. Chg.	kWh	MFC kWh	Bill Credit	kW	
SC 1 Residential	260,373	174,200,300		\$ 19.50	\$ 0.10546	\$ 0.00468	\$ -		\$ 21.50	\$ 0.12288	\$ 0.00293	\$ -		\$ 3,250,465
SC 2 Non Demand	32,898	15,762,037		\$ 30.50	\$ 0.07234	\$ 0.00687	\$ -		\$ 32.50	\$ 0.09506	\$ 0.00429	\$ -		\$ 383,243
SC 2 Secondary	11,355	125,344,322	379,831	\$ 120.00	\$ 0.00467	\$ 0.00032	\$ -	\$ 12.71	\$ 140.00	\$ 0.00467	\$ 0.00021	\$ -	\$ 14.13	\$ 751,950
SC 2 Primary	150	19,465,000	55,614	\$ 490.00	\$ 0.00144	\$ 0.00003	\$ -	\$ 9.79	\$ 530.00	\$ 0.00144	\$ 0.00002	\$ -	\$ 10.39	\$ 39,186
SC 3 Primary	32	26,752,000	60,800	\$ 2,400.00			\$ -	\$ 12.56	\$ 2,600.00		\$ -	\$ -	\$ 13.18	\$ 44,096
SC 5 Area Lighting **	3,731	810,000		\$ 216,300.00		\$ 0.01352	\$ -		\$ 269,340.00		\$ 0.00762	\$ -		\$ 53,040
SC 6 Residential TOU 12 Hour on pk^^	1,130	484,000		\$ 22.50	\$ 0.13826	\$ 0.00215	\$ -		\$ 24.50	\$ 0.15710	\$ 0.00221	\$ -		\$ 11,408
SC 6 Residential TOU 12 Hour off pk^^		396,000			\$ 0.04612	\$ 0.00215	\$ -			\$ 0.05237	\$ 0.00221	\$ -		\$ 2,499
SC 6 Residential TOU 5 Hour on pk				\$ 22.50	\$ 0.10987	\$ 0.00215	\$ -		\$ 24.50	\$ 0.12955	\$ 0.00221	\$ -		
SC 6 Residential TOU 5 Hour off pk					\$ 0.09501	\$ 0.00215	\$ -			\$ 0.11203	\$ 0.00221	\$ -		
SC 8 Street Lighting **	209	700,000		\$ 414,487.00		\$ 0.00066	\$ -		\$474,753		\$ 0.00050	\$ -		\$ 60,266
SC 9 Traffic Signals	59	60,000		\$ 4.26		\$ 0.01050	\$ -		\$ 4.97		\$ 0.00210	\$ -		\$ (462)
SC 13 Substation	6	10,024,900	16,828	\$ 7,500.00			\$ -	\$ 10.11	\$ 8,500.00		\$ -	\$ -	\$ 10.52	\$ 12,899
SC 13 Transmission	6	57,917,303	93,462	\$ 12,000.00			\$ -	\$ 5.95	\$ 13,500.00		\$ -	\$ -	\$ 6.28	\$ 39,842
<b>Total</b>														<b>\$ 4,648,433</b>

^^ Actual make whole calculation will reflect customers and kWh billed at 5-hr rate and 12-hr rate, as applicable.

\*\* Total fixture revenue included in Cust. Chg. Column.

\*\*\* Utilizing an estimated revenue requirement of \$58.109M

**Cases 23-E-0418 & 23-G-0419  
Illustrative Example of Make Whole Provision - Gas**

	Jul-24			Current Rates					Proposed Rates					Unrealized Revenue***
	Customers	Mcf	MDQ	Cust. Chg.	Ccf	MFC Ccf	Bill Credit	MDQ	Cust. Chg.	Ccf	MFC Ccf	Bill Credit	MDQ	
<b>SC 1/ 12 Residential</b>														
Block 1	75,622	13,815		\$ 24.25			\$ -		\$ 26.25			\$ -		\$ 151,244
Block 2		100,567			\$ 1.36250				\$ 1.4276					\$ 65,469
Block 3		7,459			\$ 0.94790				\$ 1.2141					\$ 19,856
MFC						\$ 0.01741					\$ 0.01706			\$ (426)
Gas Bill Credit														\$ -
<b>SC 2/6/13 Non-Residential</b>														
Block 1	12,794	1,606		\$ 39.00			\$ -		\$ 41.00			\$ -		\$ 25,588
Block 2		36,497			\$ 0.56090				\$ 0.6573					\$ 35,183
Block 3		103,157			\$ 0.54200				\$ 0.6462					\$ 107,515
Block 4		33,629			\$ 0.48050				\$ 0.6096					\$ 43,402
SC 6 High Volume		47,668			\$ 0.38690				\$ 0.5511					\$ 78,262
MFC						\$ 0.01676					\$ 0.01699			\$ 402
Gas Bill Credit														\$ -
<b>SC 11 DLM</b>														
Customer Charge - First 1,000 ccf				\$ 7,600.00			\$ -		\$ 7,100.00			\$ -		\$ -
Block 1		100			\$ 0.02750				\$ 0.0347					\$ -
Block 2		28,655												\$ 2,056
MDQ			4,900					\$ 15.48					\$ 17.35	\$ 9,163
Gas Bill Credit														\$ -
<b>SC 11 D</b>														
Customer Charge - First 1,000 ccf		4		\$ 2,100.00			\$ -		\$ 2,400.00			\$ -		\$ 1,200
Block 1		320			\$ 0.04040				\$ 0.0500					\$ 1,800
Block 2		18,630												\$ 15,872
MDQ			4,752					\$ 21.35					\$ 24.69	\$ -
Gas Bill Credit														\$ -
<b>SC 11 T</b>														
Customer Charge - First 1,000 ccf		2		\$ 4,800.00			\$ -		\$ 4,000.00			\$ -		\$ (1,600)
Block 1		200			\$ 0.01890				\$ 0.0231					\$ 1,683
Block 2		40,060												\$ 11,882
MDQ			8,548					\$ 9.23					\$ 10.62	\$ -
Gas Bill Credit														\$ -
<b>SC 11 EG</b>														
Customer Charge		2		\$ 2,000.00					\$ 3,000.00					\$ 2,000
MDQ			10,000					\$ 15.16					\$ 17.33	\$ 21,700
<b>Total</b>														<b>\$ 592,249</b>

\*\*\* Utilizing an estimated revenue requirement of \$22.221M

**Cases 23-E-0418 & 23-G-0419  
Illustrative Example of Make Whole Provision - Rates**

Electric	Make Whole Dollars	Carrying Charges	Sep24 - Jun25 Recovery	
			Sales	Rate
SC 1 Residential (kWh)	\$ 3,250,465.07	\$ -	1,935,680,616	\$ 0.00168
SC 2 Non Demand (kWh)	\$ 383,243.42	\$ -	167,812,508	\$ 0.00228
SC 2 Secondary (kW)	\$ 751,950.39	\$ -	3,433,594	\$ 0.22
SC 2 Primary (kW)	\$ 39,185.75	\$ -	459,249	\$ 0.09
SC 3 Primary (kW)	\$ 44,096.00	\$ -	519,849	\$ 0.08
SC 5 Area Lighting (kWh)	\$ 53,039.99	\$ -	10,750,000	\$ 0.00493
SC 6 Residential (kWh)	\$ 13,906.36	\$ -	11,360,000	\$ 0.00122
SC 8 Street Lighting (kWh)	\$ 60,266.36	\$ -	9,170,000	\$ 0.00657
SC 9 Traffic Signals (kWh)	\$ (462.11)	\$ -	600,000	\$ (0.00077)
SC 13 Substation (kW)	\$ 12,899.48	\$ -	147,069	\$ 0.09
SC 13 Transmission (kW)	\$ 39,842.46	\$ -	857,139	\$ 0.05
	\$ 4,648,433.18			
	\$ -			

Gas	Make Whole Dollars	Carrying Charges	Sep24 - Jun25 Recovery	
			Sales (Mcf)	Rate
SC 1/ 12 Residential (Ccf)	\$ 236,142.53	\$ -	5,525,144.00	\$ 0.00427
SC 2/6/13 Non-Residential (Ccf)	\$ 290,351.81	\$ -	7,326,073.00	\$ 0.00396
SC 11 DLM (Ccf)	\$ 11,218.96	\$ -	689,711.00	\$ 0.00163
SC 11 D (Ccf)		\$ -	595,015.08	\$ -
SC 11 T (Ccf)	\$ 11,964.24	\$ -	804,636.33	\$ 0.00149
SC 11 EG ** (Mcf)	\$ 23,700.00	\$ -	110,000.00	\$ 0.22000
	\$ 573,377.54			
	\$ (18,871.68)			

\*\*to be included in MDQ charge on bill

Illustrative Example of Make Whole Provision - Electric

	Jul-24			Current Rates					Proposed Rates					Unrealized Revenue***
	Custs/Faces	kWh	kW	Cust. Chg.	kWh	MFC kWh	Bill Credit	kW	Cust. Chg.	kWh	MFC kWh	Bill Credit	kW	
SC 1 Residential	260,373	174,200,300		\$ 19.50	\$ 0.10546	\$ 0.00468	\$ -		\$ 21.50	\$ 0.12288	\$ 0.00293	\$ -		\$ 3,250,465
SC 2 Non Demand	32,898	15,762,037		\$ 30.50	\$ 0.07234	\$ 0.00687	\$ -		\$ 32.50	\$ 0.09506	\$ 0.00429	\$ -		\$ 383,243
SC 2 Secondary	11,355	125,344,322	379,831	\$ 120.00	\$ 0.00467	\$ 0.00032	\$ -	\$ 12.71	\$ 140.00	\$ 0.00467	\$ 0.00021	\$ -	\$ 14.13	\$ 751,950
SC 2 Primary	150	19,465,000	55,614	\$ 490.00	\$ 0.00144	\$ 0.00003	\$ -	\$ 9.79	\$ 530.00	\$ 0.00144	\$ 0.00002	\$ -	\$ 10.39	\$ 39,186
SC 3 Primary	32	26,752,000	60,800	\$ 2,400.00			\$ -	\$ 12.56	\$ 2,600.00		\$ -	\$ -	\$ 13.18	\$ 44,096
SC 5 Area Lighting **	3,731	810,000		\$ 216,300.00		\$ 0.01352	\$ -		\$ 269,340.00		\$ 0.00762	\$ -		\$ 53,040
SC 6 Residential TOU 12 Hour on pk^^	1,130	484,000		\$ 22.50	\$ 0.13826	\$ 0.00215	\$ -		\$ 24.50	\$ 0.15710	\$ 0.00221	\$ -		\$ 11,408
SC 6 Residential TOU 12 Hour off pk^^		396,000			\$ 0.04612	\$ 0.00215	\$ -			\$ 0.05237	\$ 0.00221	\$ -		\$ 2,499
SC 6 Residential TOU 5 Hour on pk				\$ 22.50	\$ 0.10987	\$ 0.00215	\$ -		\$ 24.50	\$ 0.12955	\$ 0.00221	\$ -		
SC 6 Residential TOU 5 Hour off pk					\$ 0.09501	\$ 0.00215	\$ -			\$ 0.11203	\$ 0.00221	\$ -		
SC 8 Street Lighting **	209	700,000		\$ 414,487.00		\$ 0.00066	\$ -		\$474,753		\$ 0.00050	\$ -		\$ 60,266
SC 9 Traffic Signals	59	60,000		\$ 4.26		\$ 0.01050	\$ -		\$ 4.97		\$ 0.00210	\$ -		\$ (462)
SC 13 Substation	6	10,024,900	16,828	\$ 7,500.00			\$ -	\$ 10.11	\$ 8,500.00		\$ -	\$ -	\$ 10.52	\$ 12,899
SC 13 Transmission	6	57,917,303	93,462	\$ 12,000.00			\$ -	\$ 5.95	\$ 13,500.00		\$ -	\$ -	\$ 6.28	\$ 39,842
<b>Total</b>														<b>\$ 4,648,433</b>

^^ Actual make whole calculation will reflect customers and kWh billed at 5-hr rate and 12-hr rate, as applicable.

\*\* Total fixture revenue included in Cust. Chg. Column.

\*\*\* Utilizing an estimated revenue requirement of \$58.109M

Illustrative Example of Make Whole Provision - Gas

	Jul-24			Current Rates					Proposed Rates					Unrealized Revenue***
	Customers	Mcf	MDQ	Cust. Chg.	Ccf	MFC Ccf	Bill Credit	MDQ	Cust. Chg.	Ccf	MFC Ccf	Bill Credit	MDQ	
<b>SC 1/ 12 Residential</b>														
Block 1	75,622	13,815		\$ 24.25			\$ -		\$ 26.25			\$ -		\$ 151,244
Block 2		100,567			\$ 1.36250				\$ 1.4276					\$ 65,469
Block 3		7,459			\$ 0.94790				\$ 1.2141					\$ 19,856
MFC						\$ 0.01741				\$ 0.01706				\$ (426)
Gas Bill Credit														\$ -
<b>SC 2/6/13 Non-Residential</b>														
Block 1	12,794	1,606		\$ 39.00			\$ -		\$ 41.00			\$ -		\$ 25,588
Block 2		36,497			\$ 0.56090				\$ 0.6573					\$ 35,183
Block 3		103,157			\$ 0.54200				\$ 0.6462					\$ 107,515
Block 4		33,629			\$ 0.48050				\$ 0.6096					\$ 43,402
SC 6 High Volume		47,668			\$ 0.38690				\$ 0.5511					\$ 78,262
MFC						\$ 0.01676				\$ 0.01699				\$ 402
Gas Bill Credit														\$ -
<b>SC 11 DLM</b>														
Customer Charge - First 1,000 ccf				\$ 7,600.00			\$ -		\$ 7,100.00			\$ -		\$ -
Block 1		100			\$ 0.02750				\$ 0.0347					\$ -
Block 2		28,655												\$ 2,056
MDQ			4,900					\$ 15.48					\$ 17.35	\$ 9,163
Gas Bill Credit														\$ -
<b>SC 11 D</b>														
Customer Charge - First 1,000 ccf	4			\$ 2,100.00			\$ -		\$ 2,400.00			\$ -		\$ -
Block 1		320			\$ 0.04040				\$ 0.0500					\$ 1,200
Block 2		18,630												\$ 1,800
MDQ			4,752					\$ 21.35					\$ 24.69	\$ 15,872
Gas Bill Credit														\$ -
<b>SC 11 T</b>														
Customer Charge - First 1,000 ccf	2			\$ 4,800.00			\$ -		\$ 4,000.00			\$ -		\$ (1,600)
Block 1		200			\$ 0.01890				\$ 0.0231					\$ 1,683
Block 2		40,060												\$ 11,882
MDQ			8,548					\$ 9.23					\$ 10.62	\$ -
Gas Bill Credit														\$ -
<b>SC 11 EG</b>														
Customer Charge	2			\$ 2,000.00					\$ 3,000.00					\$ 2,000
MDQ			10,000					\$ 15.16					\$ 17.33	\$ 21,700
<b>Total</b>														<b>\$ 592,249</b>

\*\*\* Utilizing an estimated revenue requirement of \$22.221M



Illustrative Example of Make Whole Provision - Rates

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