

June 5, 2013

VIA ELECTRONIC FILING

Hon. Jeffrey C. Cohen
Acting Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 12-M-0192 – Joint Petition of Fortis Inc., FortisUS Inc., Cascade Acquisition Sub Inc., CH Energy Group Inc., and Central Hudson Gas & Electric Corporation for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. – SUPPLEMENTAL COMMENTS OF MULTIPLE INTERVENORS

Dear Secretary Cohen:

Multiple Intervenors hereby submits these Supplemental Comments in response to the letter from the Petitioners, dated May 30, 2013 (“May 30th Letter”), proposing certain enhancements to the Joint Proposal filed previously in the above-referenced proceeding.¹ For the reasons set forth below, Multiple Intervenors asserts that the Petitioners’ proposed enhancements are extremely beneficial to customers and should eliminate any reasonable doubt that adoption of the Joint Proposal, as enhanced, is in the public interest. Accordingly, Multiple Intervenors urges the New York State Public Service Commission (“Commission”) to adopt the Joint Proposal, as enhanced by the May 30th Letter, at its public session scheduled for June 13, 2013. To do otherwise would place substantial customer benefits and protections at risk.

¹ The Petitioners are comprised of Cascade Acquisition Sub Inc., Central Hudson Gas & Electric Corporation (“Central Hudson”), CH Energy Group Inc. (“CHEG”), Fortis Inc. (“Fortis”), and FortisUS Inc.

Multiple Intervenors is a signatory to, and proponent of, the Joint Proposal. From Multiple Intervenors' perspective, the Joint Proposal provides, *inter alia*, (i) \$49.25 million in tangible, quantifiable benefits to customers (*i.e.*, \$35 million in Public Benefit Adjustments ["PBAs"], an additional \$5 million in PBAs allocated to a Community Benefit Fund to provide increased funding on a one-time basis for economic development and residential low-income assistance programs, and \$9.25 million in guaranteed synergy and/or cost savings over five years), (ii) additional, unquantifiable benefits to customers (*e.g.*, a rate freeze, modifications to the existing "excess earnings" sharing mechanism that are favorable to customers, more stringent performance requirements and/or financial penalties in the areas of electric reliability, service quality and gas safety), and (iii) the most comprehensive set of financial and operational protections for customers that ever has been proposed in a utility acquisition proceeding in New York. Such customer benefits and protections are contingent upon Fortis receiving Commission authorization to acquire, via merger, CHEG and its affiliate, Central Hudson.

In their May 30th Letter, the Petitioners propose meaningful enhancements to the customer benefits and protections embodied in the Joint Proposal. From Multiple Intervenors' perspective, the most compelling enhancement is Petitioners' proposal to extend their previously-offered one-year rate freeze (*i.e.*, through June 30, 2014) by an additional year (*i.e.*, through June 30, 2015). While there have been disputes in this proceeding regarding the monetary or relative value to attribute to the proposed one-year rate freeze, Multiple Intervenors contends that extending such rate freeze for an additional year would constitute a substantial

benefit for customers.² Although it is not possible to quantify definitively the value of the proposed two-year rate freeze, Petitioners note accurately that: (a) Central Hudson was authorized approximately \$23 million in average rate increases over the last seven years; and (b) the utility would be foregoing a return, for an additional year, on capital investments made to its electric and gas systems. (May 30th Letter at 2.) Thus, although the benefit of a two-year rate freeze presently is not quantifiable, it almost certainly is material. Additionally, such benefit likely would be lost to customers if the Commission fails to adopt the Joint Proposal, as enhanced by the Petitioners.

In addition to a two-year rate freeze, the Petitioners' May 30th Letter also offers to enhance the Joint Proposal as follows: (a) an agreement providing job security for four years for union and non-union employees; and (b) an agreement by Fortis to maintain Central Hudson's level of community support and involvement for a ten-year period (*i.e.*, double the commitment incorporated into the Joint Proposal). Importantly, these benefits are contingent upon the proposed transaction receiving all necessary approvals from the Commission.

As detailed in Multiple Intervenors' prior pleadings herein, the Joint Proposal was supported in whole or material part by a large group of parties with diverse – and often adverse – interests. Those parties included every consumer-oriented party that participated actively in the litigation. Since the Joint Proposal was filed, public support for the proposed transaction has grown significantly within the region, especially recently now that Petitioners have been accorded an opportunity to respond to a lot of misinformation disseminated by a few, vocal

² See Case 12-M-0192, *supra*, Initial Comments of Multiple Intervenors (dated October 12, 2012) at 39-40 (advocating for a two-year rate freeze in this proceeding).

opponents of the transaction. The May 30th Letter should be evaluated very favorably by the Commission because it enhances the customer benefits and protections embodied in the Joint Proposal. The commitments contained therein are entirely one-sided in that they supplement previously-offered benefits and protections for customers without any reduction or subtraction thereof.

Accordingly, the Commission should adopt the Joint Proposal, as enhanced by the May 30th Letter, at its next public session scheduled for June 13, 2013. In so ruling, the Commission should reject the arguments advanced in opposition thereto that, as demonstrated in Multiple Intervenors' prior submissions, are based on late-filed and/or unsubstantiated claims and innuendo, as well as arguments that are wholly unrelated to the Joint Proposal or the proposed transaction itself. Such arguments clearly do not warrant jeopardizing the substantial customer benefits and protections that are embodied in the Joint Proposal and recently were enhanced by the May 30th Letter.

Respectfully submitted,

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MBM/cgw

cc: Hon. Rafael A. Epstein (via E-Mail)
Hon. David L. Prestemon (via E-Mail)
Active Parties (via E-Mail)