

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on July 13, 2017

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman
James S. Alesi

CASE 17-E-0113 - Petition of Central Hudson Gas & Electric Corporation for Approval for Deferral Accounting Authority and Recovery of Incremental Costs Associated with Reforming the Energy Vision.

ORDER APPROVING DEFERRAL ACCOUNTING AND RECOVERY OF DISTRIBUTED SYSTEM PLATFORM RELATED COSTS

(Issued and Effective July 13, 2017)

BY THE COMMISSION:

INTRODUCTION

On March 7, 2017, Central Hudson Gas and Electric Corporation (Central Hudson or the Company) filed a petition for an accounting deferral and recovery of costs related to modernization policies set forth in Case 14-M-0101.¹

In this order, the Commission finds that the costs under discussion were reasonably incurred by the Company to advance the Commission's policies set forth in the Track 2 Order and authorizes Central Hudson to recover \$1,829,537, plus carrying charges, for the verified costs accumulated from the

¹ Case 14-M-0101, Reforming the Energy Vision, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016) (Track 2 Order).

beginning of the Company's current Rate Plan, July 1, 2015, through February 28, 2017.

THE PETITION

Central Hudson accumulated expenses of \$1,831,747 related predominately to incremental external labor costs associated with the development of its Distributed System Implementation Plan ("DSIP") and related grid modernization efforts as reflected in the following table:

<u>Category</u>	<u>Cost</u>
Advanced Meter Initiative - Business Case	\$128,994
Benefit/Cost Analysis - Handbook	\$106,420
DSIP - Coordination	\$907,871
Supplemental DSIP	\$228,798
Earnings Adjustment Mechanism Development	\$87,923
Modernization Requirements	\$371,742
Total	\$1,831,747

Given the inability to accurately forecast these grid modernization costs in the rate filing, Central Hudson's current Rate Plan² provides the Company with the opportunity to petition for recovery of such costs.

If such implementation of REV opportunities or requirements were to occur, the Signatories agree that Central Hudson may petition to defer any incremental associated costs it incurs and that such a petition will be exempt from compliance with the Commission's traditional three-part test for deferral.³

² Case 14-E-0318, Central Hudson Gas & Electric Corporation - Rates, Order Approving Rate Plan (issued June 17, 2015) (2015 Rate Order).

³ 2015 Rate Order, Joint Proposal, p. 45.

The Company expects to incur future expenses associated with the Distributed System Platform, including but not limited to, development of an interconnection portal to facilitate the connection of Distributed Energy Resources ("DER") as well as a hosting capacity analysis to determine how much DER can connect to each circuit on Central Hudson's distribution system. Central Hudson requests carrying charges on the expenditures at its currently allowed pre-tax rate of return. The Company proposes to allocate and recover the costs on a volumetric basis by adding a new component to their existing Miscellaneous Charge. This Miscellaneous Charge would be reset annually to include all incremental expenses incurred over the prior 12 months. Central Hudson proposes to file, and provide to Department of Public Service Staff (Staff), an annual report every October 1st detailing the associated costs and charges that were deferred and recovered during each previous 12-month period ending June 30. In addition to supplying Staff with annual deferral and recovery reports, the Company will make all related costs and expenses available to Staff for review and audit.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on April 5, 2017 [SAPA No. 17-E-0113SP1]. The time for submission of comments pursuant to the Notice expired on May 22, 2017. No comments were received.

STATUTORY AUTHORITY

Under Public Service Law (PSL) §§65 and 66, the Commission is required to ensure gas and electric utilities provide safe and adequate service at just and reasonable rates.

As part of this mandate, the Commission may authorize the deferral and later recovery of expenses incurred by utilities while carrying out the Commission instructions.

DISCUSSION & CONCLUSION

Central Hudson's proposal for the recovery of \$1,831,747, plus carrying charges, is approved with modification. The majority of these costs were incurred collectively by the Joint Utilities⁴ members, and Central Hudson's deferral request reflects their 25% share of those costs. All vendor invoices supporting the Company's request were reviewed. A qualitative review of the invoices was performed to ensure the tasks performed were consistent with the intent of the Commission's Track II Order⁵ and the DSIP Order.⁶ For each invoice it was verified that appropriate billable hours were reflected in compliance with the contract. During this process, it was discovered that the rates charged on the invoice for one consultant did not match the contracted rates. Staff corrected this error, which resulted in a minor adjustment to the Company's request. Due to the billing error, Central Hudson is authorized to recover \$1,829,537 of the \$1,831,747. Central Hudson is directed to begin recovery of these verified costs through an additional component of their existing Miscellaneous

⁴ The Joint Utilities members are Central Hudson, Consolidated Edison of New York, Inc., Orange & Rockland Utilities, National Grid, New York State Electric & Gas, and Rochester Gas & Electric.

⁵ Case 14-M-0101, Reforming the Energy Vision, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016) (Track 2 Order).

⁶ Case 16-M-0411 - In the Matter of Distributed System Implementation Plans, Order on Distributed System Implementation Plan Filings (DSIP Order) (Issued and Effective March 9, 2017).

Charge Factor. Central Hudson shall allocate the costs based on Transmission and Distribution revenues as opposed to energy. These costs are not commodity related and therefore should not be allocated as such. The costs are to be recovered on a volumetric basis for non-demand metered customers and on a demand basis for demand metered customers through a Miscellaneous Charge Factor III. For billing purposes, no new line items are to appear on a customer's bill.

Central Hudson shall continue to defer costs related to the Commission-mandated Interconnection Portal and Hosting Capacity Analysis.⁷ The Interconnection Portal will facilitate increased distributed generation to connect to Central Hudson's system. The Hosting Capacity Analysis will provide Central Hudson with information on how much distributed generation can be added to each of its circuits. These projects will help maximize the benefits of increased distributed generation on Central Hudson's system and are approved. Central Hudson shall not begin recovering these costs prior to the Company providing such details in a subsequent petition or its upcoming rate filing.

The Commission orders:

1. Central Hudson Gas and Electric Corporation's request to defer and recover \$1,829,537, plus carrying charges, as discussed in the body of this order, is approved with modifications.

2. Central Hudson Gas and Electric Corporation shall recover the \$1,829,537, plus carrying charges, through its new Miscellaneous Charges Factor III under its Energy Cost

⁷ Case 16-M-0411 - In the Matter of Distributed System Implementation Plans, Order on Distributed System Implementation Plan Filings (Issued and Effective March 9, 2017) at pages 18 and 14 respectively.

Adjustment Mechanism. These costs shall be allocated based on Transmission and Distribution revenues amongst all its service classifications. The costs shall be recovered on a volumetric basis for non-demand metered customers and on a demand basis for demand metered customers for a period of 24 months as explained in the body of this Order.

3. Central Hudson Gas and Electric Corporation shall file tariff amendments to effectuate the changes discussed above, as described in the body of this order, on not less than one day's notice to become effective on August 1, 2017.

4. The requirements of Public Service Law §66(12)(b) and 16 NYCRR §720-8.1 as to newspaper publication of the directed tariff amendments in Clause 3 are waived.

5. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary