

Anthony S. Campagiorni, Esq.
Vice President, Regulatory & Governmental Affairs



November 17, 2016

Hon. Kathleen H. Burgess
Secretary
Public Service Commission
Three Empire State Plaza
Albany NY 12223-1350

Re: Case 16-G-0431 – Revised 2015-2016 Annual Reconciliation of Gas Cost

Dear Secretary Burgess:

Central Hudson submits herein its revised determination of the under and over collection of gas costs during the twelve-month period ended August 31, 2016. The revision incorporates changes to update interest rates recommended by the Department of Public Service Staff resulting from an audit of the Company's original filing made on October 14, 2016.

Very truly yours,

A handwritten signature in black ink, appearing to read "Anthony S. Campagiorni". The signature is written in a cursive, flowing style.

ASC:

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CENTRAL HUDSON GAS & ELECTRIC CORPORATION
Annual Gas Cost Adjustment
12 Months Ended August 31, 2016

DEFINITIONS

- 1 System Receipts = Deliveries made to the Company by pipelines or local producers.**
- 2 System Deliveries = Deliveries made by the Company to its customers.**
- 3 Expense Adjustments = Billed by third parties to the Company**
- 4 Revenue Adjustments = Billed by Company to its customers**

QUESTIONS

- 1 Explain how the purchase gas expense is developed for the annual reconciliation period.**
The purchased gas expense for the annual reconciliation period includes everything that has been booked to purchased gas expense including the commodity and demand charges adjusted by the items noted in response to question 2 below.
- 2 Identify each adjustment to purchase gas expense.**
Purchase gas expense is adjusted by sales for resale, capacity release, gas back out credits, cost recoveries associated with SC 6, 12 & 13, marketer balancing penalties, balancing service charges, SC 14 electric generation, interruptible sales, SC 11, turbines and interdepartmental.
- 3 Explain the source of reported system receipts (dth/mcf).**
System receipts reflect metered volumes from the reported summary of system BTU by gate station as provided by the pipelines.
- 4 How does the Company validate the pipeline deliveries?**
Central Hudson verifies on a daily basis, through each pipeline's Electronic Bulletin Board, the deliveries to each of the Company's four city gates as compared to the volumes scheduled on each pipeline.
- 5 Explain how the GAC revenue is calculated.**
GAC revenue is total billed monthly and bimonthly revenue adjusted for the items noted in response to question 6 below.
- 6 Identify each adjustment to GAC revenue.**
GRI surcharge collections, incremental capacity costs, gas department usage, and uncollectible and working capital requirements are backed out of GAC revenue. Carrying charges related to WBS, allowance for change in annual interruptible revenues (collected)/refunded, supplier refund credits refunded to customers, and annual reconciliation (surcharge)/refund is added to GAC revenues.
- 7 Explain the source of reported system deliveries (dth/mcf).**
System deliveries reflect actual billed sales.
- 8 Explain how negotiated contract volumes are handled in the annual reconciliation.**
The transportation revenue, excluding balancing charges associated with the Company's negotiated contracts under SC 14, is included in the interruptible profit imputation/calculation. Any applicable balancing revenue is included as an adjustment to purchase gas expense. It should be noted that the rates, rather than the volumes, are negotiated under these contracts.
- 9 Explain how the commodity cost of gas is derived.**
The commodity costs reflect the actual commodity charges incurred adjusted by the items noted in response to question 2.
- 10 How is Company use accounted for in the annual reconciliation?**
Company use (interdepartmental) is removed from the purchased gas expense that is included in the annual reconciliation.
- 11 Identify all of the prior period adjustments made in the filing.**
N/A
- 12 Identify the source of the sales forecast used to develop the reconciliation rate.**
The reconciliation rate reflects the sales forecast prepared in Spring 2016 for internal Company purposes.
- 13 Identify the hedging gains or losses in the reconciliation period**
Hedging for the period of Sept 2015 - Aug 2016 resulted in a loss of \$(1,943,245).
- 14 Identify the costs of hedging in the reconciliation filing.**
The Company does not pay any broker fees or commissions related to hedging. The gains/losses recorded each month are included in the natural gas commodity cost used in the annual reconciliation.
- 15 Identify the major drivers for the current period over/under.**
The gas cost to be recovered as compared to the revenues collected resulted in an under collection of \$3.7M. The primary drivers of the under collection were lower than estimated storage withdrawals \$(1.4)M, sales impact on demand \$(1.3)M, WBS balancing \$(0.5)M and various smaller components \$(0.5)M.
- 16 Describe the capacity release sharing program currently in place, if any. Identify the gains and losses in the reconciliation period.**
Eighty five percent (85%) of the credits received from upstream pipelines resulting from upstream capacity assignments, excluding assignments made under the Company's Retail Access Program, and streaming transactions are credited to customers taking service under Service Classification Nos. 1, 2, 6, 12, and 13. There were approximately \$2,897,356 in gains during the reconciliation period.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
Annual Gas Cost Adjustment
12 Months Ended August 31, 2016

Revenue:		
GAC Revenue	\$	23,936,359
Inter-dept Sales Credit		
Balancing		
Off-System Sales		
Transition Surcharge		
Interruptible Profits		
Wholesale Margin		
Marketer's Delivery Penalty Refunds		
TC Penalty Refunds		
Cashouts		
Total Adjusted GAC Revenue	\$	<u>23,936,359</u>
Expense:		
Actual Gas Expense	\$	27,635,102
GCIM		
ISS Gas Expense		
R&D		
Pipeline Refunds		
Gas Supplier Refunds		
Refunds less than \$10 K		
Total Adjusted Purchased Gas Expense	\$	<u>27,635,102</u>
Current Period (Over) Under Collection	\$	3,698,743
LAUF Adjustment	\$	-
Annual Reconciliation Prior Period	\$	(307,279)
Annual Reconciliation Prior Prior Period	\$	195,910
Interest Adjustment Prior Period	\$	(4,557)
Interruptible Profit True-up Prior Period	\$	-
Total (Over) Under Collection	\$	3,582,817
Total Principal Amount Due Customer	\$	3,582,817
Total Interest Amount Due Customer	\$	58,638
Total (Refund Amount) Surcharge Amount	\$	<u>3,641,455</u>
Forecasted Mcf Sales		7,160,083
Principal Rate (Refund) Surcharge	\$	0.5004
Interest Rate (Refund) Surcharge	\$	0.0082
Total Rate (Refund) Surcharge	\$	<u>0.5086</u>

Central Hudson Gas & Electric Corporation
 Calculation of GSC Revenue (Over)/Under Collection
 Twelve Months Ended August 31, 2016

Purchased Gas Cost (Page -1)		\$ 27,635,102
LAUF Adjustment (Page -7)		\$ -
Gas Cost to Be Recovered		\$ 27,635,102
Less: Actual GCA Revenue Collected from SC 1 & 2 Customers (Page -1)		\$ 23,936,359
GCA (Over)/Under Collection		\$ 3,698,743
Prior Period Reconciliation (Page - 3)		\$ (111,369)
Gas Supplier Refunds Completed (Page - 2)		\$ -
Refunds Less Than \$10,000 to be Refunded (Page - 2)		\$ -
Prior Period Adjustment (Page - 8)		\$ -
Interest Adjustment Prior Year (Page - 4)		\$ (4,557)
Interruptible Profit Reconciliation Case 05-G-0935 (Page - 6)		\$ 0
Net GCA Revenue to be Collected		\$ 3,582,817
Interest : (Page - 4)		
September through December 2016	2.60%	\$ 31,056
January through December 2017 (1)	2.10%	\$ 27,582
Total Interest on Refund		\$ 58,638
Gross GSC Revenue to be Collected during the Twelve Month Period Beginning January 1, 2017		\$ 3,641,455
Estimated Sales to Service Classification Nos. 1 and 2 During the Twelve Month period ending December 31, 2017 (Ccf)		71,600,825
Firm GSC Surcharge per Ccf		\$ 0.05086
Firm GSC Surcharge per Mcf		\$ 0.50858
(1) Effective January 1, 2017		

Expense, Sendout and Collections

<u>Month</u>	<u>Commodity Expense</u>	<u>Demand Expense</u>	<u>Purchased Gas Expense</u>	<u>Firm Sendout (Mcf)</u>	<u>GCA Revenues Collected</u>
September 2015	\$ 381,431	\$ 1,124,997	\$ 1,506,428	148,459	\$ 552,678
October	\$ 461,932	\$ 1,150,891	\$ 1,612,823	215,056	\$ 541,940
November	\$ 1,444,455	\$ 823,067	\$ 2,267,522	347,295	\$ 970,520
December	\$ 2,808,766	\$ (289,019)	\$ 2,519,747	647,358	\$ 2,262,491
January 2016	\$ 5,019,299	\$ (549,068)	\$ 4,470,231	844,156	\$ 3,534,186
February	\$ 4,444,462	\$ (196,920)	\$ 4,247,542	1,226,448	\$ 5,106,093
March	\$ 2,295,900	\$ 666,223	\$ 2,962,123	1,040,532	\$ 3,982,790
April	\$ 931,177	\$ 1,375,685	\$ 2,306,862	845,373	\$ 3,113,642
May	\$ 420,979	\$ 1,144,093	\$ 1,565,072	495,663	\$ 1,500,691
June	\$ 288,627	\$ 1,087,212	\$ 1,375,839	331,429	\$ 1,024,083
July	\$ 345,678	\$ 1,116,879	\$ 1,462,557	242,416	\$ 835,147
August	\$ 205,327	\$ 1,133,029	\$ 1,338,356	149,171	\$ 512,098
Total	\$ 19,048,033	\$ 8,587,069	\$ 27,635,102	6,533,356	\$ 23,936,359

Transport Delivery Adj. (Page - 5)
Adjusted Firm Sendout Mcf

23,595
6,556,951

Average Cost of Gas Applicable
to Firm Sendout per Mcf.

Commodity	\$ 2.9050
Demand	\$ 1.3096
Total	\$ 4.2146

Adjusted Sendout

<u>Month</u>	<u>SC.No.1, 2 Sales-Mcf</u>	<u>Actual Factor of Adjustment</u>	<u>Calculated Sendout Mcf</u>
September 2015	147,981	1.0032	148,459
October	214,364	1.0032	215,056
November	346,178	1.0032	347,295
December	645,275	1.0032	647,358
January 2016	841,440	1.0032	844,156
February	1,222,502	1.0032	1,226,448
March	1,037,184	1.0032	1,040,532
April	842,653	1.0032	845,373
May	494,068	1.0032	495,663
June	330,363	1.0032	331,429
July	241,636	1.0032	242,416
August	148,691	1.0032	149,171
	6,512,335		6,533,356

Completed Gas Supplier RefundsRefunds Over \$10,000

<u>Supplier</u>	<u>Refund No.</u>	<u>Date Received</u>	<u>Date of Permission</u>	<u>Amount Refundable</u>	<u>Amount Refunded</u>	<u>To be Collected</u>
				\$ -	\$ -	\$ -

<u>Supplier</u>	<u>Refund No.</u>	<u>Date Received</u>	<u>Date of Permission</u>	<u>Interest Refundable</u>	<u>Interest Refunded</u>	<u>To be Collected</u>
				\$ -	\$ -	\$ -

Total Gas Refunds				\$ -	\$ -	\$ -
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Refunds Less Than \$10,000

<u>Supplier</u>	<u>Date Received</u>	<u>Refund Amount</u>	<u>Interest</u>	<u>Total Inc. Interest</u>
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To be Refunded	\$ -	\$ -	\$ -	\$ -
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Reconciliation of Prior Periods

<u>Calculation of Under/(Over) Collection of 2014 - 2015 Refund</u>		<u>Net Rev. Exc. Revenue Taxes</u>
January 2016		\$ (93,002)
February		\$ (426,690)
March		\$ (407,921)
April		\$ (329,549)
May		\$ (174,119)
June		\$ (107,299)
July		\$ (80,937)
August		\$ (51,900)
Eight Months Ended August 31, 2016		\$ (1,671,417)
Budget Sales and Estimated Refund @ Current Factor per Ccf	\$ (0.03462)	
September 2016	1,609,975	\$ (55,734)
October	1,984,110	\$ (68,686)
November	4,206,676	\$ (145,628)
December	7,912,156	\$ (273,905)
Revenues Expected to be Returned		\$ (2,215,370)
Estimate included in the Reconciliation of the Twelve Months Ended August 31, 2015		<u>\$ (2,522,649)</u>
Under/(Over) Collection of Amount to be Refunded		\$ (307,279)
<u>Under/(Over) Collection of 2013 -14 Collection</u>	<u>Net Collection Estimated</u>	<u>Actual</u>
Eight Months Ended August 2015	3,279,787	\$ 3,279,787
September	60,887	\$ 84,609
October	112,182	\$ 110,128
November	223,459	\$ 153,073
December	435,614	\$ 288,422
	<u>4,111,929</u>	\$ 3,916,019
Necessary Net Adjustment to Original Estimate of GSC Collection		\$ 195,910
Amount to be Collected Beginning January 1, 2017 Related to Prior Period Reconciliations		<u>\$ (111,369)</u>

Interest Calculation

Current Year	<u>Firm Sales Ccf</u>	<u>Sales Ratio</u>	<u>Amount to Be Collected</u>	<u>Balance @End/Mt.</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u>Int.Bal.</u>
September 2016				\$ 3,582,817	\$ 3,582,817	0.2167%	\$ 7,764
October				\$ 3,582,817	\$ 3,582,817	0.2167%	\$ 7,764
November				\$ 3,582,817	\$ 3,582,817	0.2167%	\$ 7,764
December				\$ 3,582,817	\$ 3,582,817	0.2167%	\$ 7,764
January 2017	11,404,072	15.93%	\$ 570,646	\$ 3,012,172	\$ 3,297,495	0.1750%	\$ 5,771
February	12,498,985	17.46%	\$ 625,434	\$ 2,386,738	\$ 2,699,455	0.1750%	\$ 4,724
March	11,938,227	16.67%	\$ 597,374	\$ 1,789,364	\$ 2,088,051	0.1750%	\$ 3,654
April	8,774,143	12.25%	\$ 439,047	\$ 1,350,316	\$ 1,569,840	0.1750%	\$ 2,747
May	5,214,840	7.28%	\$ 260,944	\$ 1,089,372	\$ 1,219,844	0.1750%	\$ 2,135
June	2,579,078	3.60%	\$ 129,054	\$ 960,318	\$ 1,024,845	0.1750%	\$ 1,793
July	1,813,887	2.53%	\$ 90,765	\$ 869,553	\$ 914,936	0.1750%	\$ 1,601
August	1,553,428	2.17%	\$ 77,732	\$ 791,822	\$ 830,688	0.1750%	\$ 1,454
September	1,625,297	2.27%	\$ 81,328	\$ 710,494	\$ 751,158	0.1750%	\$ 1,315
October	1,992,862	2.78%	\$ 99,720	\$ 610,774	\$ 660,634	0.1750%	\$ 1,156
November	4,237,575	5.92%	\$ 212,043	\$ 398,730	\$ 504,752	0.1750%	\$ 883
December	7,968,430	11.13%	\$ 398,730	\$ -	\$ 199,365	0.1750%	\$ 349
Total	71,600,825	100.00%	\$ 3,582,817				\$ 58,638
Jan - Dec 2017							\$ 27,582

Prior Year

	<u>Amount</u>	<u>Factor</u>	
Net GCA Revenue to be Collected	\$ (2,474,514)	\$ (0.03396)	98.09%
Total Interest	\$ (48,135)	\$ (0.00066)	1.91%
Gross GCA Revenue to be Collected	\$ (2,522,649)	\$ (0.03462)	

Estimated Ccf Sales

72,870,596

	<u>Total Collection Page 3</u>	<u>Interest Portion 1.91%</u>	<u>GCA Portion 98.09%</u>	<u>Balance @End/Mt.</u>	<u>Interest Rate</u>	<u>Int.Bal.</u>
September 2015				\$ (2,474,514)	0.2417%	\$ (5,981)
October				\$ (2,474,514)	0.2417%	\$ (5,981)
November				\$ (2,474,514)	0.2417%	\$ (5,981)
December				\$ (2,474,514)	0.2417%	\$ (5,981)
January 2016	\$ (93,002)	\$ (1,775)	\$ (91,227)	\$ (2,383,287)	0.2167%	\$ (5,165)
February	\$ (426,690)	\$ (8,142)	\$ (418,548)	\$ (1,964,739)	0.2167%	\$ (4,258)
March	\$ (407,921)	\$ (7,784)	\$ (400,137)	\$ (1,564,602)	0.2167%	\$ (3,390)
April	\$ (329,549)	\$ (6,288)	\$ (323,261)	\$ (1,241,341)	0.2167%	\$ (2,690)
May	\$ (174,119)	\$ (3,322)	\$ (170,797)	\$ (1,070,544)	0.2167%	\$ (2,320)
June	\$ (107,299)	\$ (2,047)	\$ (105,252)	\$ (965,292)	0.2167%	\$ (2,092)
July	\$ (80,937)	\$ (1,544)	\$ (79,393)	\$ (885,899)	0.2167%	\$ (1,920)
August	\$ (51,900)	\$ (990)	\$ (50,910)	\$ (834,989)	0.2167%	\$ (1,809)
September	\$ (55,734)	\$ (1,063)	\$ (54,671)	\$ (780,318)	0.2167%	\$ (1,691)
October	\$ (68,686)	\$ (1,311)	\$ (67,375)	\$ (712,943)	0.2167%	\$ (1,545)
November	\$ (145,628)	\$ (2,779)	\$ (142,849)	\$ (570,094)	0.2167%	\$ (1,235)
December	\$ (273,905)	\$ (5,226)	\$ (268,679)	\$ (301,415)	0.2167%	\$ (653)
Prior Year Actual						\$ (52,692)
Prior year Estimate						\$ (48,135)
Adjustment						\$ (4,557)

Transportation LAUF Adjustment

	<u>SC 9/11</u>	SC 11 <u>Elec Gen</u>	<u>SC 6,12,13</u>	LAUF <u>Adjustment</u>	Allowed <u>LAUF</u>
Deliveries - Mcf					
September 2015	156,550	121,600	216,926	2,168	0.44%
Oct	247,556	7,875	368,872	2,734	0.44%
Nov	278,601	9,969	353,270	4,461	0.70%
Dec	305,620	28,638	357,125	4,805	0.70%
January 2016	417,266	20,866	357,022	5,526	0.70%
Feb	358,158	45,272	298,480	4,878	0.70%
Mar	305,052	44,718	261,073	4,245	0.70%
Apr	264,916	12,768	392,405	4,657	0.70%
May	205,693	34,420	269,127	3,539	0.70%
Jun	151,936	70,928	172,699	2,749	0.70%
Jul	155,225	168,926	166,167	3,408	0.70%
Aug	150,624	150,554	170,161	3,276	0.70%
Total	2,997,197	716,534	3,383,327	46,448	
LAUF actual				46,448	
LAUF @ 8/16	0.32%			22,853	
Free gas				23,595	

Interruptible Profit Reconciliation Case 09-G-0589

	<u>Net of Fuel Revenue</u>	<u>Imputation</u>	<u>Difference</u>	<u>Customer Share Included In GSC</u>
September 2015	\$ 335,631	\$ 250,000	\$ 85,631	\$ 77,068
October	\$ 237,455	\$ 250,000	\$ (12,545)	\$ (11,290)
November	\$ 204,761	\$ 250,000	\$ (45,239)	\$ (40,715)
December	\$ 166,958	\$ 250,000	\$ (83,042)	\$ (74,738)
January 2016	\$ 186,731	\$ 250,000	\$ (63,269)	\$ (56,942)
February	\$ 179,979	\$ 250,000	\$ (70,021)	\$ (63,019)
March	\$ 167,463	\$ 250,000	\$ (82,537)	\$ (74,283)
April	\$ 171,458	\$ 250,000	\$ (78,542)	\$ (70,687)
May	\$ 168,676	\$ 250,000	\$ (81,324)	\$ (73,191)
June	\$ 326,830	\$ 250,000	\$ 76,830	\$ 69,147
July	\$ 314,794	\$ 250,000	\$ 64,794	\$ 58,315
August	\$ 336,515	\$ 250,000	\$ 86,515	\$ 77,863
Total	\$ 2,797,252	\$ 3,000,000	\$ (202,748)	\$ (182,473)

	<u>Adjusted Net of Fuel Revenue</u>	<u>Rolling Total</u>	<u>Customer Share</u>	<u>Shareholder Share</u>
September 2015	\$ 335,631	\$ 335,631	\$ 77,068	\$ 8,563
October	\$ 237,455	\$ 573,086	\$ (11,290)	\$ (1,254)
November	\$ 204,761	\$ 777,847	\$ (40,715)	\$ (4,524)
December	\$ 166,958	\$ 944,805	\$ (74,738)	\$ (8,304)
January 2016	\$ 186,731	\$ 1,131,536	\$ (56,942)	\$ (6,327)
February	\$ 179,979	\$ 1,311,515	\$ (63,019)	\$ (7,002)
March	\$ 167,463	\$ 1,478,978	\$ (74,283)	\$ (8,254)
April	\$ 171,458	\$ 1,650,437	\$ (70,687)	\$ (7,854)
May	\$ 168,676	\$ 1,819,113	\$ (73,191)	\$ (8,132)
June	\$ 326,830	\$ 2,145,943	\$ 69,147	\$ 7,683
July	\$ 314,794	\$ 2,460,737	\$ 58,315	\$ 6,479
August	\$ 336,515	\$ 2,797,252	\$ 77,863	\$ 8,651
Total	\$ 2,797,252		\$ (182,473)	\$ (20,275)

Total Adjusted Net of Fuel Revenue	\$ 2,797,252			
Imputation	\$ 3,000,000			
Net Profit/(Loss)	\$ (202,748)		\$ (182,473)	\$ (20,275)

Amount included in GSC	\$ (202,748)		\$ (182,473)	\$ (20,275)
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Reconciliation	\$ (0)		\$ (0)	\$ -
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+ = amount to be refunded through GSC

() = amount to be collected through GSC

LAUF Adjustment

<u>Month</u>	<u>SC.No.1, 2 Sales-Mcf</u>	<u>Allowed LAUF</u>	<u>Bottom Dead Band</u>	<u>Actual LAUF</u>	<u>Top Dead Band</u>	<u>Average Commodity Cost</u>	<u>LAUF Adjustment</u>
September 2015	147,981	0.44%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
October	214,364	0.44%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
November	346,178	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
December	645,275	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
January 2016	841,440	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
February	1,222,502	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
March	1,037,184	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
April	842,653	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
May	494,068	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
June	330,363	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
July	241,636	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
August	148,691	0.70%	0.00%	0.32%	1.79%	\$ 2.9050	\$ -
	6,512,335						\$ -
<u>Jan - Dec 2017</u>	<u>Sales - Mcf</u>	<u>Allocation</u>					
Firm	7,160,082	59.68%					\$ -
Retail Access	4,838,096	40.32%					\$ -

*Pursuant to the Order Approving Rate Plan issued and effective June 17, 2015, the target FOA effective November 1, 2015 (to be updated annually) is 1.0070 with a top dead band set at 1.0182 and a bottom dead band set at 1.000. Also, the LAUF adjustment has been allocated to full service and retail customers, with the later to be addressed through the Company's Transportation Demand Adjustment.