

August 12, 2022

**VIA ELECTRONIC DELIVERY**

Honorable Michelle L. Phillips  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

**RE: Case 20-M-0082 – Proceeding on Motion of the Commission Regarding Strategic Use of Energy Related Data**

**JOINT UTILITIES' RESPONSE TO DEPARTMENT OF PUBLIC SERVICE STAFF INFORMATION REQUEST DPS-5**

Dear Secretary Phillips:

The Joint Utilities<sup>1</sup> hereby submit for filing the response to Information Request DPS-5 from the New York State Department of Public Service ("DPS") Staff in the subject proceeding. DPS Staff requested that these responses be filed in DMM.

Please direct any questions to the undersigned. Thank you.

Respectfully submitted on behalf of the  
Joint Utilities,

/s/ Janet M. Audunson

Janet M. Audunson

Enc.

cc: Justin Fung, DPS Staff, w/enclosure (via electronic mail)  
Thomas Dwyer, DPS Staff, w/enclosure (via electronic mail)  
Michael O'Donnell, DPS Staff, w/enclosure (via electronic mail)  
Michael O'Neil, DPS Staff, w/enclosure (via electronic mail)  
Michael Summa, DPS Staff, w/enclosure (via electronic mail)  
Jane Bersani, w/enclosure (via electronic mail)  
Susan Esswein, w/enclosure (via electronic mail)  
Joan Godlewski, w/enclosure (via electronic mail)  
Preston Large, w/enclosure (via electronic mail)  
Rachel Stowell, w/enclosure (via electronic mail)

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<sup>1</sup> The Joint Utilities are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., National Fuel Gas Distribution Corporation, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, KeySpan Gas East Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, Orange and Rockland Utilities, Inc. and Rochester Gas and Electric Corporation.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

**Case 20-M-0082**

**Proceeding on Motion of the Commission Regarding Strategic Use of Energy-Related Data**

<b>Request No.:</b>	DPS-5
<b>Requested By:</b>	Office of Accounting, Audits, and Finance
<b>Information Requested of:</b>	The Joint Utilities
<b>Date of Request:</b>	August 5, 2022
<b>Response Due Date:</b>	August 15, 2022
<b>Subject:</b>	Cost Recovery

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In their response to DPS-4, the Joint Utilities (JU) state:

“US generally accepted accounting practices (GAAP) prohibits the recognition of the equity component of the return because shareholder return is not an incurred cost, but rather represents an allowed cost. Therefore, regulated utilities can only recognize the debt portion of the “return on capital” and associated carrying charges of a capital tracker regulatory asset. If the utilities are not permitted to collect IEDR capital costs through a surcharge mechanism, the utilities must accordingly derecognize the equity component (“return on capital” and carrying charges) for the IEDR regulatory asset in their respective US GAAP financial reports.”

Please provide a citation to the applicable section of the US GAAP referenced in the above statement, and specific examples (with docket references, if applicable) where any of the JUs derecognized the equity component of any carrying charges on regulatory assets in accordance with the above GAAP.

**Response:**

The Joint Utilities<sup>1</sup> respond as follows.

The Financial Accounting Standards Board (FASB) provides guidance specific to the capitalization of carrying charges and, in particular, the capitalization of shareholder return as a component or in full, as described below in ASC 980-340-25-5:

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<sup>1</sup> The Joint Utilities are Central Hudson Gas & Electric Corporation (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), National Fuel Gas Distribution Corporation (National Fuel), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation d/b/a National Grid, KeySpan Gas East Corporation d/b/a National Grid, and The Brooklyn Union Gas Company d/b/a National Grid NY (collectively, National Grid), Orange and Rockland Utilities, Inc. (O&R), and Rochester Gas and Electric Corporation (RG&E).

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Allowance for Earnings on Shareholder Investments Capitalized for Rate-Making Purposes  
ASC 980-340-25-5

If specified criteria are met, paragraph 980-340-25-1 requires capitalization of an incurred cost that would otherwise be charged to expense. An allowance for earnings on shareholders' investment is not an incurred cost that would otherwise be charged to expense. Accordingly, such an allowance shall not be capitalized pursuant to that paragraph. The phrase *an allowance for earnings on shareholders' investment*, as used in this Subtopic, is intended to have the same meaning as the phrase *a designated cost of equity funds*, used in paragraph 980-835-30-1, which, in specified circumstances, requires capitalization of an allowance for earnings on shareholders' investment (a designated cost of equity funds) during construction.

As a result, consistent with FASB guidance, it is National Grid's policy that except in the case of equity return on allowance for funds used during construction and alternative revenue programs, an allowance for earnings on shareholders' investment does not qualify as an incurred cost and therefore cannot be capitalized under US GAAP.

For US GAAP reporting, National Grid does not recognize either the equity component for the return on capital on its capital tracker regulatory asset or the equity component of carrying charges if the regulatory asset does not meet the definition of an alternative revenue program.

The net capital tracker of The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY) is a specific example of where National Grid derecognizes the equity component for the return on capital and associated carrying charges of a regulatory asset. On a monthly basis, in compliance with US GAAP, KEDNY reduces the regulatory asset balance of the capital tracker by the equity component for the return on capital and the equity component of the related carrying charges.

See KEDNY's Annual Report for the year ending December 31, 2021, originally filed with the Commission on March 31, 2022 in Matter 10-01693 – *In the Matter of Gas Company Filings of Financial Reports for The Brooklyn Union Gas Company* and resubmitted on May 23, 2022, at page 269, entitled Other Deferred Credits (Account 253), where the shareholder return on regulatory assets includes the capital tracker offset as well as the offset for carrying charges, etc. These reports are available at <https://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=10-01693>

As it relates to Central Hudson, the Joint Proposal adopted in Cases 20-E-0428 and 20-G-0429 allowed for continuation of Central Hudson's Rate Adjustment Mechanism (RAM) which provides for the recovery and/or pass back of all Commission-approved carrying charges. Given that the mechanism allows Central Hudson timely recovery of accrued net carrying charges and the annual offset results in an immaterial accumulated net carrying charge balance, Central

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Hudson does not currently have any instances where it is required to derecognize the equity component of carrying charges on any deferred assets.

NYSEG and RG&E share the same policy as National Grid above with the exception that the impact is monitored and assessed annually, versus recorded on their respective books. Therefore, NYSEG and RG&E do not have an example of a specific derecognition recorded in the financial statements but could be subject to derecognition if it was material to the financial statements. NYSEG and RG&E propose including a specific percentage rate for the carrying charges to avoid this potential accounting derecognition. For example, instead of being allowed to accrue carrying charges at the weighted average cost of capital rate or the AFUDC rate, NYSEG or RG&E would include a statement that company is allowed to accrue carrying charges at 8.8%. A stated rate versus reference to a rate that includes an equity component would avoid the derecognition.

Con Edison, O&R, and National Fuel practices are in accordance with ASC 980-340-25-5. However, neither Con Edison, O&R, nor National Fuel currently have a situation where there is a need to derecognize the equity component of the carrying charge for GAAP.