BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Central Hudson Central Hudson Gas & Electric Corporation

Cases 24-E-0461 & 24-G-0462

November 22, 2024

Prepared Testimony of:

Staff Gas System Planning and
Reliability Panel (SGSPRP)

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Q. Members of the Gas System Planning and Reliability Panel, please state your names, employer, and business address.

A. Our names are Andrew Riebel and George Coffin. We are employed by the New York State Department of Public Service, or Department, and our business address is located at Three Empire State Plaza, Albany, New York 12223.

Q. Mr. Riebel, what is your position with the Department?

A. I am a Utility Engineering Specialist 3 in the Gas System Planning and Reliability Section of the Office of Energy System Planning and Performance.

Q. Mr. Riebel, please state your educational background and professional experience.

A. I received a Bachelor of Science Degree in Mechanical Engineering from Syracuse University in 1989. In 1990 I started working for the Department of Public Service as a Junior Engineer. Over the years, I have worked in a variety of sections including gas and electric rates, competitive markets, energy and the environment, gas supply and policy, pipeline

safety and reliability and currently with the gas system planning and reliability section.

Q. Mr. Riebel, what are your current duties in the Gas System Planning and Reliability Section?

A. My duties include monitoring and reviewing gas utility plans for meeting gas demand with adequate supply and capacity. This takes place throughout the year with an emphasis on the upcoming heating season. Other responsibilities include reviewing utility tariff and Gas Transportation Operating Procedures filings, conducting analysis of data, drafting reports, memoranda, and testimony of my findings, and participating in proceedings that relate to the natural gas industry, including rate case filings.

Q. Have you previously testified in proceedings before the Public Service Commission, referred to as the Commission?

A. Yes. I have previously submitted testimony in numerous rate cases over the course of my career at the Department. Recent examples include Cases 19-G-0379 and 22-G-0318 regarding New York State Electric & Gas Corporation; Cases 19-G-

0381 and 22-G-0320 regarding Rochester Gas and Electric Corporation; Cases 20-G-0101 and 21-G-0394 regarding Corning Natural Gas Corporation; Cases 21-G-0073 and 24-G-0061 regarding Orange and Rockland Utilities, Inc.; and Cases 20-G-0429 and 23-G-0419 regarding Central Hudson Gas & Electric Corporation, referred to as Central Hudson or the Company.

Q. Mr. Coffin, what is your position with the Department?

A. I am an Engineer Trainee in the Gas System Planning and Reliability Section of the Office of Energy System Planning and Performance.

Q. Please state your educational background and professional experience.

A. I received a Bachelor of Science Degree in Mechanical Engineering from Rensselaer Polytechnic Institute in 2014. I began working at the Department in November of 2023. I previously worked at the Division of Criminal Justice Services where my primary duty pertained to the repair and certification of alcohol breath test equipment for local New York law enforcement agencies and Sherriff's Offices.

Q. What are your current duties in the Gas System Planning and Reliability Section?

A. My duties within the office currently focus on the review and analysis of natural gas and thermal energy system planning and implementation in New York State.

Q. Have you previously testified in proceedings before the Commission?

A. Yes, I have previously submitted testimony in Case 24-G-0061 regarding Orange and Rockland Utilities, Inc., addressing the issues of farm taps and non-pipeline alternatives, referred to as NPAs.

Scope of Testimony

Q. What is the scope of your testimony concerning gas system planning and reliability for Central Hudson in this case?

A. We address the following topics: gas supply and the Company's ability to serve its firm customers on a peak design day; gas planning modifications; gas projects/programs associated with system reliability; the Company's approach to optional alternatives to traditional gas investment, including NPAs; differentiated gas;

and allocation of capacity between sales customers and retail access marketers.

Q. Do you rely on any information produced during the discovery phase of this proceeding?

A. Yes. We rely on responses to numerous Staff information requests, referred to as IRs. These responses are included in Exhibit__(SGSPRP-1). We will refer to these IR responses by the designation given to them by the Department, for example, DPS-516.

Q. Are you sponsoring any other exhibits?

A. No, we are not.

Q. What is the "Rate Year" in these proceedings?

A. The Rate Year is the 12-month period ending June 30, 2026.

Design Day Demand and Supply

Q. Please describe how the Company procures gas supply for its service territory.

A. As discussed in the Company's Electric and Gas Procurement Panel initial testimony, starting on page 7, Central Hudson utilizes a combination of multiple pipeline suppliers, which deliver natural gas to its four city gates where the gas is brought into its service territory, to serve

its firm customer demands throughout the year. The Company also uses a physical storage option for its gas supply.

Q. Please explain this physical storage option.

A. During the summer months, Central Hudson's contracted gas volumes are higher than what it needs to fill the base load requirements on the system. At that time, Central Hudson places gas into storage. Central Hudson can withdraw the stored gas during the winter months when the demand increases. This physical storage acts as a physical hedge which is designed to dampen price volatility and is a common practice throughout New York gas utilities.

Q. How does the Company determine how much gas supply it requires for its service territory?

A. The Company forecasts firm sales gas demand on its system every day throughout the year and contracts for gas supply to meet that forecasted demand. While the non-heating portion of that demand does not fluctuate to a great degree throughout the year, the winter months include a particularly high demand heating component that can vary greatly over that period depending on

the temperature.

Q. Please explain the concept of a design day.

A. A design day is a forecast of peak customer demand on a day when a gas utility system experiences its historically coldest average temperature.

Q. What do you mean by "average temperature."

A. In the context of a design day, the average temperature is the average of the day's low and high temperatures.

Q. What average temperature does Central Hudson use for its design day?

A. Central Hudson uses negative eight degrees Fahrenheit as its design day, which was the coldest day experienced by the Company in the last 50 years. This information is part of Company's Winter Supply Review response to question 2, filed on July 15, 2024 in Case 24-M-0205. While this phenomenon occurs very infrequently, it is the customer demand on this design day for which Central Hudson plans.

Q. If the design day occurs very infrequently, why use it for planning purposes?

A. Although experienced infrequently, a design day

is based on historical conditions that have occurred in Central Hudson's service territory, and thus can be expected to occur again. As temperature decreases, the demand on the system increases. When there is more customer demand for heating, the pressure decreases in that segment of pipe. If the pressure drops too far, customers may not receive the minimum amount of pressure required to run their heating equipment or other gas appliances. The result could be the inability to serve the necessary load, or worse, total loss of service. If customers lose gas service it creates a safety hazard. Unlike electric service, which can be restored relatively quickly, the potential safety hazard following a gas outage requires a time-consuming process whereby Central Hudson must check each customer's gas appliances before restoring service. Central Hudson likely would have to conduct this slow restoration process during very cold weather, further exacerbating the risk to both public safety and property damage. For example, water pipes could freeze while buildings are without heat.

Q. Are you familiar with the ongoing review of Central Hudson's gas system long-term plan, or LTP, in Case 23-G-0676.

A. Yes. In that case Central Hudson filed its initial LTP and two versions of its revised LTP. Staff selected PA Consulting, referred to as PA, to assist and provide its expertise in reviewing Central Hudson's filings. PA, Staff, and Central Hudson have executed a contract pursuant to which PA works at the direction of Staff with its costs paid by Central Hudson. Thus far, PA has submitted an initial and a preliminary report of Central Hudson's filings.

Q. What did those reports indicate regarding the Central Hudson gas system?

A. PA filed its "Initial Report" regarding Central Hudson's initial LTP in Case 23-G-0676 on April 5, 2024 and its "Preliminary Findings Report" regarding Central Hudson's second version of its revised LTP in Case 23-G-0676 on October 9, 2024. Those reports both showed that the Company's city gates are capable of meeting demand on a design day and that if demand grows as forecast in the near term, there is no

indication that the Company would need additional investments at its city gates to accommodate the projected load growth. PA also stated in its Preliminary Findings Report that during its review it identified parts of the Central Hudson gas system that are either approaching or exceeding the ability to meet demand on a design day.

Q. Did you review the Company's system modeling and how it determines where in its system, i.e., on Central Hudson's side of its city gates, the Company experiences pressure concerns under design day conditions?

A. Yes. As part of our review of the rate filing, we met with the Company to review its hydraulic modeling of the gas distribution system. The Company performs modeling for its entire system. The Company has approximately 80 individual systems, which to avoid confusion, we will refer to as segments, within its service territory, or its entire system. During this review we looked at various segments of Central Hudson's gas distribution system. When stressed at design conditions, the modeling indicated that most of

the system would continue to reliability meet customer demand. However, for a few segments, Central Hudson's modeling showed drops in pressure to the degree that indicated a need for further evaluation.

Q. What were those areas of concern?

A. In the response to DPS-516, Central Hudson identified the following segments with potential pressure concerns: Hopewell Hughsonville, Highland Mills, Kingston Saugerties, Poughkeepsie Newburgh and Titusville Pleasant Valley.

Q. How did PA define when a segment would become a concern?

A. PA looked at both the maximum capacity and Maximum Allowable Operating Pressure, or MAOP, on the segments of the Central Hudson distribution system under design conditions. PA highlighted those segments of the system that indicated maximum capacity reaching 90 percent and/or pressure drops below 50 percent MAOP.

Q. Did the areas of concern identified by PA match the results of the hydraulic modeling that you reviewed with the Company?

A. Yes, they did.

Q. Did the Company address these areas of concern in its rate filing?

A. Yes. The Company included several capital projects that will reinforce the gas system and improve distribution pressures during design day conditions. In the Rate Year these include the Poughkeepsie Receival Mahopac-Poughkeepsie / Tuxedo-Poughkeepsie MP-TP interconnect project, which addresses a primary source of gas capacity for the Poughkeepsie Newburgh distribution system. Central Hudson also proposes the TP line segment replacement projects in its capital budget for the Rate Year and beyond. The TP line segment replacement projects are necessary to comply with 49 CFR 192.624, which is the MAOP requirements. We will discuss these and other projects in more detail later in our testimony.

Q. Based on your review, is the Company prepared to meet future heating season demand and design day requirements?

A. For the next few years our review indicates that the Company will be able to meet customer demand if it continues to reinforce its gas system.

However, as indicated by both the PA assessment and our review, the modeling suggests that without reinforcement, in some segments of the gas system such as in Hopewell Hughsonville, Highland Mills, Kingston Saugerties, Poughkeepsie Newburgh and Titusville Pleasant Valley, Central Hudson may not be able to reliably serve all its firm customers in those areas during a design day. For those segments on which Central Hudson forecasts pressure concerns beyond the next couple of years, we recommend that the Commission require the Company to continue to look at ways to ensure the reliability of the gas system and avoid potential customer outages using both traditional and non-traditional options, including NPAs.

Q. Are there additional concerns regarding the LTP?

A. We learned during the LTP proceeding that Central Hudson provided a demand model using a technique that produced inaccurate results. After PA performed its analysis it inquired about potential errors in the modeling, which led to the Company's consultant doing additional

work to correct errors. DPS-695 asked for information on this issue. The Company responded to the questions posed while also objecting to the assertions in the questions.

Q. What did PA have to do because of these modeling errors?

A. PA was required to duplicate its review of the new model and substantially revise its then-draft of its "Preliminary Findings Report" to account for the changes.

Q. Did this situation lead to any potential increases in costs for the LTP proceeding?

A. Yes. On October 9, 2024, PA, Central Hudson and the Department filed a modification to the three-way contract between them in Case 23-G-0676. That modification increased the limit on professional fees PA can charge from $470,000 to $578,652, thus increasing the maximum costs of PA's engagement by $108,652.

Q. Do we know the total cost of PA's work on regarding Case 23-G-0676?

A. No. The review of Central Hudson's LTP in that case is ongoing, and PA has more work to complete before its engagement ends.

Q. How would Central Hudson recover the costs PA charges to it?

A. Pursuant to page 27 of the Commission's Order Adopting Gas System Planning Process, issued on May 12, 2022, in 20-G-0131, the Commission authorized utilities to defer costs associated with the consultant performing PA's role with recovery to be addressed in future rate cases.

Q. Should the Commission allow Central Hudson to recover from customers any incremental costs resulting from the additional work PA had to do as a result of the modeling errors in Central Hudson's LTP?

A. No. Staff recommends that the Commission not allow the Company to recover such costs from its customers.

System Reliability Projects and Programs

Q. What portions of Central Hudson's gas capital budget did you review?

A. We reviewed Central Hudson's system reliability gas capital projects. Most of the system reliability projects are a continuation of what Central Hudson requested, and what was ultimately included in the Commission's 2024

Rate Order adopted on July 18, 2024, in Case 23-G-0419. They include the Poughkeepsie Receival MP/TP Interconnect, which is an important project that allows the Company to supply the Poughkeepsie Regulator Station from multiple sources allowing for improved reliability in that region. The TP Line segment replacement projects were included in the capital expenditure budget adopted by the 2024 Rate Order and are needed for compliance with 49 CFR 192.624 requirements, which are federal regulations on minimum operating pressures of pipe. The Highland Falls Reinforcement project was also included in the capital expenditure budget adopted by the 2024 Rate Order and remains in the capital budget Central Hudson presented in the current rate filing. This project is needed to provide Highland Falls with a secondary supply source that will mitigate risk of firm customer curtailments and improve reliability to that region. The Regulator Station rebuild projects, Regulator Station Coating program and River/Creek Crossing Reinforcement project are also projects included

in the capital budget in the 2024 Rate Order. Central Hudson has proposed to continue them in these proceedings and they remain important projects to maintain system reliability. The regulator stations are older facilities which need to be rebuilt to prevent customers from losing gas service. The recoating project will maintain the integrity of those structures that are not in an urgent state of disrepair. For the water crossings, the pipes that run through those waterways can be exposed to damage during extreme weather events, which could lead to leaks and customers being shut off from gas service until a repair is made. We support each of these projects due to their importance in maintaining reliability and defer to the Staff Net Plant and Gas Infrastructure Panel for any modifications to cost estimates associated with those projects.

Q. Does the Company propose any new reliability projects in these proceedings that the Panel reviewed?

A. Yes. Central Hudson proposes six new regulator station rebuild projects in the five-year

capital budget it presented as part of these proceedings. Central Hudson proposes to complete only one of those rebuild projects, Monument Square Regulator Station, in the Rate Year. The Company proposes to complete the other five in the outer years of the capital plan. We support these projects due to the age and condition of the regulator stations, and their importance for maintaining system reliability.

Non-Pipe Alternatives

Q. What are NPAs?

A. NPAs represent opportunities to defer or avoid otherwise necessary traditional capital investments with alternative solutions, potentially resulting in cost savings and/or environmental benefits while maintaining gas system safety and reliability. An NPA is a strategy that, if successful, addresses a system need with an alternative that provides greater societal benefits to customers while deferring, reducing, or eliminating the need to construct new, or upgrade existing gas infrastructure. For example, in the context of avoiding capital

investments to replace leak-prone pipe, an NPA could include converting natural gas customers served from a segment of leak-prone pipe to other sources of energy, particularly electricity, for their heating and appliance needs. This would allow Central Hudson to permanently retire segments of leak-prone pipe without replacing them. The implementation of NPAs is one action gas utilities are taking to support New York State's climate goals.

Q. Describe the Company's use of NPAs to date.

A. Per the initial Testimony of the Climate Leadership and Sustainability Panel, page 28, Central Hudson has pursued NPAs in accordance with the rate plans adopted by the Commission on June 14, 2018, in Case 17-G-0460, and on November 18, 2021, in Case 20-G-0429. These projects have concentrated on leak-prone pipe elimination projects like the one we just described. On page 27 of Climate Leadership and Sustainability Panel's initial testimony, the Company states that as of March 31, 2024, Central Hudson has completed five NPA projects in Newburgh, Beacon, Fishkill, Poughkeepsie, and

Cornwall-on-Hudson. Through these efforts, Central Hudson has fully electrified 10 homes and retired, rather than replaced, 2,139 feet of leak-prone pipe. The Company states that it is currently reviewing additional locations, including some projects that are in various stages of customer recruitment and implementation. Further the Company states it continues to bring forward new opportunities through its gas project planning. According to the response to DPS-501, the Company explains that despite its efforts, it has only a few projects in the planning phase for conversion from natural gas. These projects would allow the Company to retire leak-prone pipe or eliminate transmission services.

Q. Did the Company indicate any barriers to successful NPA deployment?

A Yes. The Company states in its response to DPS-501 that some of the barriers to NPAs seeking to convert customers from gas to electric heating and other appliances include customers' choosing to keep their gas service, as well as older building stock, which can require work to

accommodate successful conversion from gas heating with costs beyond what the Company can provide as part of the NPA program.

Q. Does Central Hudson propose any changes to its NPA program?

A. No, it does not. The Company proposes to continue the implementation of its NPA program as established in Case 17-G-0460 and continued in Cases 20-G-0429 and 23-G-0419, including the NPA Incentive Mechanism and revenue requirement deferral mechanisms described therein. These mechanisms are further discussed in the August 10, 2022, Joint Local Distribution Companies' filing to the Commission for Incentive Mechanisms and Cost Recovery in Case 20-G-0131.

Q. Are there any expenditures included in the capital budget associated with the NPA program?

A. No, there are not.

Q. What is this Panel's position on the Company's progress in implementing NPAs within its service territory?

A. Although the Company's NPAs have experienced slow customer adoption rates to date, we support

the Company's current initiatives and its progress with NPA implementation. However, we recommend the Commission require that Central Hudson evaluate the potential for NPAs to address segments on its system for which modeling identifies emerging pressure concerns under design day conditions. We also recommend that the Commission direct Central Hudson to undertake an outreach effort in the communities impacted by the anticipated pressure issues describing alternatives to gas service. Successful NPAs could delay or eliminate the need for traditional investments to address the pressure concerns for one or more of these segments.

Q. What other capital investments could the Company address through use of NPAs?

A. We also recommend that the Commission require the Company to evaluate NPAs to forestall traditional capital investments to address transmission services, or Farm Taps, and leak-prone services. These service lines present safety and reliability concerns and offer excellent opportunities for Central Hudson to

address those concerns through NPAs.

Q. What is a transmission service?

A. A transmission service, also known as a Farm Tap, is gas service supplied directly from a transmission pipeline, which is a pipeline operating at a pressure in excess of 125 psig. These services contain an above grade regulator set with two stage regulation to reduce the pressure for safe delivery to the customer. In comparison, a traditional service only requires a single stage pressure regulator from a lower pressure distribution main.

Q. What does the Company propose regarding transmission services?

A. Central Hudson proposes a Transmission Service Elimination Program. Central Hudson currently has 156 transmission services on its system, per the initial Testimony of Gas Capital and Operations Panel on page 38. Central Hudson would eliminate many of the transmission services on its system by installing distribution main and service piping and supplying the customer from the distribution system, or in some cases offering the customer

an NPA solution. Central Hudson plans to eliminate 10 transmission services in 2025, 12 services in 2026, and 17 services in 2027, per its response to DPS-386. Central Hudson plans to prioritize the elimination of transmission services based on its assessment of the risk posed by the current configuration and the cost to eliminate. For example, to reduce risk, the Company prioritizes services that have the transmission pressure reduction equipment located at the building wall or near other occupied structures.

Q. Describe why the Company aims to reduce the number of transmission services.

A. Each transmission service carries with it a higher risk than that of supplying gas from a distribution main. In the event of pressure regulation equipment failure or damage, which is more likely due their above-grade nature, there is higher risk of a catastrophic event involving gas venting near a structure intended for human occupancy due to the higher potential volume of gas that could be released from a transmission service compared to a gas service supplied from

a distribution main. Additionally, the required pressure reduction for the service line creates freezing temperatures on the regulators, which can result in the regulator icing over during winter temperatures, increasing the risk for failure. Finally, pipe operated at pressures above 125 psig must be made of steel, which requires extra maintenance and care to mitigate corrosion. Central Hudson can safely construct and operate lower pressure systems with plastic piping without this extra maintenance expense.

Q. What is the Leak Prone Services program?

A. Central Hudson describes the Leak-Prone Services Program as a service replacement program that focuses on services that are considered leak-prone pipe but are not included within the Company's Leak-Prone Pipe Elimination Program, which is discussed in initial testimony of the Company's Gas Capital and Operations Panel starting on page 29. Although these services would typically be replaced during a leak repair, under this program the Company would proactively address leak-prone services before a potentially hazardous situation arises.

Q. Would the Company consider an NPA prior to replacing a customer's service under this program?

A. Yes. However, in response to DPS-501, the Company states that in considering NPAs, properties within 100 feet of a neighboring main "should not undergo electrification."

Q. Why does the Company propose to exclude customers within 100 feet of a neighboring main from NPA evaluations?

A. During our review of the rate filing, the Company informed us that from past electrification efforts, including when a customer is within 100 feet of main and they become an NPA candidate, the Company may progress with the electrification process at no cost to the customer, however, that customer may choose to retain its gas service and not ultimately decide to electrify.

Q. Does the Panel have concerns with this methodology?

A. Yes. This suggests that there are customers that fall within 100 feet of an existing gas main, predominantly those in urban areas, that

Central Hudson would not consider for electrification opportunities.

Q. Does the Panel have recommendations regarding NPA opportunities for the aforementioned programs?

A. Yes. In instances where Central Hudson is addressing customers who are either utilizing a transmission service line or a leak-prone service line to be eliminated by a Company program, we recommend that the Commission require that the Company, at minimum, reach out to the customer and provide educational materials on the benefits of alternative energy sources such as electrification as well as any state or federal government programs that may be relevant in supporting the energy transition. This strategy would also help the Company navigate a barrier to the success of NPAs, which Central Hudson identified in DPS-501, stating "[t]he more customers involved in an NPA, the less likely that a project will achieve 100% customer participation". Additionally, commencing NPA evaluations on new construction would be a proactive strategy considering the

All-Electric Buildings Act, which requires changes to building codes regarding fossil fuel use in new buildings less than seven stories beginning in 2026.

Q. What is Differentiated Gas?

A. Differentiated Gas, also referred to in the industry as Certified Natural Gas or Responsibly Sourced Gas, is natural gas that has been documented as having been extracted and handled in a manner that reduces emissions intensity compared to traditional gas exploration and production processes. Although this was referred to as Responsibly Sourced Gas by the parties and the Commission in case 23-G-0419, for the remainder of this panel's testimony we will be referring to this emission intensity reducing gas certification as Differentiated Gas. The use of Differentiated Gas is a way for a gas utility to help reduce the climate impact of the energy it delivers to customers by reducing measurable emissions.

Q. Did the Company propose a plan for Differentiated Gas in this rate filing?

A. Central Hudson did not include any testimony

regarding Differentiated Gas in its rate filing. In response to DPS-519, the Company confirms that it intends to continue to pursue the purchase of Differentiated Gas, as authorized by the 2024 Rate Order, during the Rate Year at issue in these proceedings. The Company stated it would not exceed $200,000 for such purchases in the Rate Year and would continue to report monthly on those purchases as required pursuant to the 2024 Rate Order.

Q. What does the Panel recommend?

A. We recommend that the Commission authorize the Company to continue purchasing Differentiated Gas at a level not to exceed $200,000 in incremental supply cost in the Rate Year and in subsequent 12-month periods until changed by the Commission. Additionally, the Commission should require that any Differentiated Gas Central Hudson purchases meet the highest certification standards available. Specifically, the Commission should direct Central Hudson to limit its purchases of RSG to those certified as having an MiQ Grade A rating, Oil and Gas Methane Partnership 2.0 Level 5 rating, or

Project Canary Trustwell Platinum rating. Moreover, the Commission should require Central Hudson to send requests for proposals to pre-approved gas producers and marketers and purchase volumes from suppliers based on a set of factors that include location, quantity, methane intensity, and price.

Q. Should the Commission require Central Hudson to provide reports regarding its purchases of Differentiated Gas?

A. Yes. We recommend that the Commission require the Company to file monthly reports to the Secretary providing the details of its purchases of Differentiated Gas, including the name of the certifier, volume of certified gas purchased, methane intensity of certified gas and cost per unit along with the steps it undertakes when making those decisions. This will ensure that Staff can properly track, monitor, and learn from Central Hudson’s use of Differentiated Gas. Since the use of Differentiated Gas is nascent and requires further consideration to assess its costs and benefits, it is important to ensure Central Hudson, and other utilities, provide

useful information regarding their use of Differentiated Gas.

Pipeline Capacity

Q. Explain the term "capacity" when referring to the gas system.

A. Capacity is the space reserved on a gas pipe by an entity which allows it to flow supply up to that amount of space on that pipe at a point in time. Gas utilities reserve the capacity on pipelines that feed into their city gates for their sales customers. They can also do the same for transportation customers who may not always have the capacity reserved for them by their providers. When the utility reserves the capacity for any of these customers the utility charges the customers for the cost of that capacity.

Q. How does the utility collect the cost of the capacity from customers?

A. Gas utilities include this cost as part of their overall cost of gas. Central Hudson collects its cost of gas through its gas supply charge, or GSC, and not part of its base delivery rates.

Q. Does Central Hudson charge the same rate to both

its sales and transportation customers for the cost of capacity?

A. According to its response to DPS-509, during the last 36 months the Company's sales and transportation customers have been paying different rates for capacity.

Q. Why are the Company's sales and transportation customers paying different rates?

A. The Company explains that the cost is dictated by the tariff. Leaf 115 of the tariff provides that the Company calculates its weighted average cost of capacity, WACOC, each month and assigns the April rate to both its sales and retail access customers. For retail access customers, which are transportation customers, this rate remains the same for 12 months, unless the monthly WACOC varies by more than five percent. For sales customers, the rate varies monthly. This mechanism, as described on Leaf 115 of the Company's gas tariff with an initial effective date of November 1, 2012, was issued in compliance with a March 19, 2012, Commission Order on the Retail Access Program in Case 11-G-0697.

Q. Does there appear to be an inequity between sales and retail access, or transportation, customers?
A. Yes.
Q. Does the Panel agree that these customers should be paying different amounts for capacity?
A. No. While the weighted average cost of capacity is used to calculate the rate being charge to both sets of customers every April, it does not appear equitable when one group of customers will remain at that April rate for 12 months and another is paying a different amount every month.
Q. What does the Panel recommend?
A. We recommend Central Hudson should either demonstrate in rebuttal there is not an inequity under the current approach, or, if one exists, propose a change to the methodology in the tariff to align the calculation for both sales and transportation customers to eliminate the inequity.
Q. On which pipeline paths is capacity released to Retail Suppliers as part of the Company's Retail Access Program?

A. According to the Company's Gas Transportation and Operating Procedures manual, Central Hudson releases capacity to Retail Suppliers on two pipelines, Tennessee and Columbia, that supply gas to the Company's service area.

Q. Do additional pipelines feed into the Central Hudson service territory on which the Company purchases capacity?

A. Yes. In addition to Tennessee and Columbia, the Company also purchases capacity on Iroquois, Algonquin and Millennium pipelines.

Q. Does the Company explain in its filing why the Retail Access Program only includes releases of capacity on two of the five gas pipelines versus the Company holding capacity for its sales customers on all of the five pipelines?

A. The Company did not include this issue in the filing.

Q. What does the panel recommend?

A. We recommend Central Hudson should demonstrate in rebuttal why there is a difference in the capacity being applied to the two sets of customers and how they would suggest this inequity of capacity be eliminated.

Q. Does this conclude your testimony at this time?

A. Yes.