

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

Case 24-E-0461 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service.

Case 24-G-0462 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Gas Service.

STAFF STATEMENT IN SUPPORT OF THE JOINT PROPOSAL

BRANDON F. GOODRICH
ALISON E. WRYNN
Staff Counsel

IAN MAURO
Excelsior Fellow

Dated: Albany, New York
May 23, 2025

Table of Contents

INTRODUCTION 1

PROCEDURAL HISTORY 1

OVERVIEW OF THE JOINT PROPOSAL 3

THE JOINT PROPOSAL IS IN THE PUBLIC INTEREST 6

 I. Benefits of the Joint Proposal 6

 II. Standard of Review 8

 III. The Joint Proposal Comports with the Commission’s Settlement Guidelines 9

 A. The Joint Proposal is Consistent with State Policies 9

 B. The Joint Proposal Furthers the Goals of the CLCPA 10

 C. The Joint Proposal Compares Favorably to the Litigation Positions of
 the Parties to this Proceeding 18

 D. The Joint Proposal Appropriately Balances the Interests of Stakeholders 19

 E. The Commission has a Rational Basis on which to Adopt the Terms of
 the Joint Proposal 20

ELEMENTS OF THE JOINT PROPOSAL 22

 I. Introduction 22

 II. Procedural History 22

 III. Term and Effective Date of Rate Changes 22

 IV. Revenue Requirements 23

 A. Revenue Requirements 23

 B. Delivery Revenue Increases 24

 C. Electric Bill Credits 24

 D. Gas Bill Credits 24

 E. Delivery Revenue and Total Bill Increases after Moderation 25

 F. Make Whole Provision 25

 G. Major Provisions Incorporated into Development of the Revenue
 Requirements 26

 1. Labor 26

 2. Uncollectible Accounts 28

 3. Distribution Repairs and Maintenance 29

 4. Incentive Compensation 29

 5. Information Technology 30

 6. Environmental SIR 31

7.	Pension and OPEBs	31
V.	Accounting Matters	32
A.	Net Plant Targets, Reconciliation, Deferral Accounting and Reporting Requirements.....	32
1.	Components of Net Plant	32
2.	Electric and Gas Net Plant Targets	32
3.	Net Plant Target Reconciliations	39
4.	Deferral for the Benefit of Ratepayers.....	40
5.	Capital Expenditures Reporting Requirements.....	40
B.	Deferral Accounting.....	40
1.	Effective Deferrals	40
2.	Expiring Deferrals.....	46
C.	Deferral Extension/Continuation.....	46
D.	Right to Petition	46
E.	Cost Recovery Mechanisms in Generic Proceedings.....	47
F.	Projected Net Deferred Regulatory Credits	47
G.	Revenue Matched Rate Allowances.....	48
H.	Fortis Overhead Allocation Methodology.....	48
I.	Depreciation	48
VI.	Capital Structure and Rate of Return	49
A.	Capital Structure and Return on Equity	49
B.	Cost of Long-Term Debt.....	50
VII.	Earnings Sharing Mechanism.....	51
A.	Thresholds	52
B.	Reporting and Calculation of Actual Regulatory Earnings.....	52
VIII.	New, Modified, and Continuing Reporting Requirements	52
A.	Non-Major Storm Reporting	53
B.	Distribution Right-of-Way Maintenance Reporting	53
C.	Discontinued Reporting Requirements	54
IX.	Forecasts of Sales and Customers	54
1.	Electric Forecast.....	55
2.	Gas Sales Forecast	56
A.	Treatment of Danskammer Revenues	57
X.	Cost of Service, Revenue Allocation and Rate Design.....	57

A.	Cost of Service	57
1.	Next Rate Filing	58
B.	Revenue Allocation	59
C.	Rate Design	60
1.	Electric Rate Design	60
2.	Gas Rate Design.....	62
XI.	Provisions for Low-Income Customers.....	63
A.	Energy Affordability Program	63
B.	EAP Outreach.....	65
D.	EAP Reporting	67
XII.	Tariff-Related Matters.....	67
B.	Electric Revenue Decoupling Mechanism	67
C.	Gas RDM.....	68
D.	Electric Factor of Adjustment	68
E.	Billing Services Credit	69
F.	Energy Efficiency Credits for Recharge NY.....	69
G.	Reconnection Charges.....	69
H.	Interruptible Imputation	70
I.	Merchant Function Charge and Lost Revenue.....	70
J.	Application for Service	70
K.	Incremental Monthly Charge	71
L.	Housekeeping Changes	72
M.	Conforming Tariffs	72
XIII.	Economic Development	72
A.	Economic Development Programs.....	72
1.	Workforce Clean Energy Program.....	73
B.	Reporting Requirements.....	74
XIV.	Energy Efficiency Program and Heat Pump Program Costs.....	74
XV.	Rate Adjustment Mechanism	75
XVI.	Electric Reliability.....	76
XVII.	Gas Safety Metrics	77
A.	Emergency Response Time.....	78
B.	Leak Management.....	79
1.	Gas Leak Backlog.....	80

C.	Damage Prevention	81
D.	Gas Safety Violations Performance Measures	82
E.	Leak Prone Pipe	83
F.	Leak Prone Services	84
G.	Community Gas Emergency Response Drill Program.....	84
1.	Reporting Requirements	85
H.	Gas Safety Total PRA / NRA Basis Points Allocation Per Year	85
I.	Continuation	86
XVIII.	Customer Service	86
A.	Customer Service Performance Indicators	86
1.	PSC Complaint Rate	87
2.	Residential Customer Satisfaction Survey.....	87
3.	Percent of Calls Answered by a Representative Within 30 Seconds.....	87
4.	Appointments Kept	87
5.	Residential Service Terminations/Uncollectibles Incentive Mechanism	87
6.	Events Outside of the Company’s Control	88
B.	Call Center Legislation Reporting.....	88
C.	Language Access.....	88
D.	Short-Term Payment Agreements	89
E.	Voluntary Protections During Extreme Weather	90
1.	Cold Weather Protections	90
2.	Extreme Heat Protections	91
XIX.	Outreach and Education	91
XX.	Other Programs and Initiatives.....	92
A.	Residential Methane Detector Program	92
B.	First Responder Training Program.....	92
C.	Pipeline Safety Management System.....	92
XXI.	Earnings Adjustment Mechanisms.....	92
XXII.	Climate and Energy Leadership Issues	94
XXIII.	Gas Reliability and Supply Issues.....	95
A.	PA Consulting Incremental Expense.....	95
B.	Differentiated Gas	96
C.	Non-Pipes Alternatives Outreach.....	97
D.	Natural Gas Service Agreement.....	98

XXIV. Gas Capacity Release 99

 A. Pipeline Capacity for Sales and Transportation Customers 99

 B. Collaborative Process 99

XXV. Miscellaneous Provisions 100

CONCLUSION 101

HISTORICAL AND FORECAST GREENHOUSE GAS EMISSIONS Attachment A

REVENUE REQUIREMENT DRIVERS Attachment B

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

Case 24-E-0461 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service.

Case 24-G-0461 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Gas Service.

STAFF STATEMENT IN SUPPORT OF THE JOINT PROPOSAL

INTRODUCTION

On May 13, 2025, Central Hudson Gas & Electric Corporation (the Company or Central Hudson), the New York State Department of Public Service Staff (Staff), Multiple Intervenors (MI), and Walmart (collectively, the Signatory Parties)¹ submitted a Joint Proposal recommending a comprehensive resolution of all issues in the above-captioned proceedings.² By this Statement in Support of the Joint Proposal (Initial Statement), Staff recommends that the New York State Public Service Commission (Commission) adopt the provisions of the Joint Proposal and establish a three-year electric and gas rate plan to begin as of July 1, 2025.³

PROCEDURAL HISTORY

On August 1, 2024, the Company filed tariff leaves, direct testimony, and exhibits in support of its request to increase electric and gas delivery rates to become effective July 1, 2025, for the rate year ending June 30, 2026, referred to in the context of the proposed three-year

¹ The Utility Intervention Unit, Division of Consumer Protection, Department of State (UIU), the Public Utility Law Project of New York, Inc. (PULP), Dutchess County, and the Town of Olive Conservation Advisory Council, while not signatories to this Joint Proposal, have stated they will not oppose it.

² Cases 24-E-0461, et al., Central Hudson – Rates, Joint Proposal (filed May 13, 2025) (Joint Proposal).

³ In order to allow for settlement negotiations and various procedural steps, the Company consented to extensions of the maximum suspension period for a major rate filing provided in Public Service Law (PSL) §66(12)(f). As explained in the Joint Proposal and at various points herein, the Joint Proposal provides for a “make whole,” placing the Company and its customers in the same position they would have been in absent the extension.

rate plan as RY1. The Company requested base delivery revenue increases before rate moderation of \$69.4 million and \$27.0 million for electric and gas, respectively.

On September 4, 2024, Administrative Law Judges (ALJs) Leah Soule Amyot and Erika Bergen presided over a procedural conference and technical conference in these proceedings. Thereafter, the ALJs issued a ruling providing a procedural schedule for these proceedings.⁴ The ruling provided that: Staff and intervenors would file direct testimony and exhibits on November 22, 2024; all parties would file rebuttal testimony on December 18, 2024; and the evidentiary hearing would commence on January 7, 2025.

On November 22, 2024, Staff filed direct testimony and exhibits and proposed a RY1 electric delivery increase of \$38.2 million (a decrease of \$31.3 million from the Company's position) and a RY1 gas delivery increase of \$15.5 million (a decrease of \$11.5 million from the Company's position). On or around November 22, 2024, the following intervenors also filed direct testimony and exhibits: Communities for Local Power; Dutchess County; PULP; Walmart; Office of Assemblymember Sarahana Shrestha; UIU; and MI. The Company, Staff, and MI filed rebuttal testimony on December 18, 2024. In its rebuttal filing, Central Hudson updated its requested base delivery revenue increases before moderation to \$79.6 million and \$27.9 million for electric and gas, respectively.

Consistent with the Commission's Settlement Guidelines and Title 16 of the New York Codes, Rules and Regulations Section 3.9, on December 10, 2024, the Company filed and served on all parties a Notice of Impending Settlement Negotiations. Settlement negotiations began on December 20, 2024.

On December 20, 2024, the Company filed a letter requesting to postpone the evidentiary hearing and further consented to an extension of the suspension period through and including August 31, 2025, subject to a make whole provision. On December 30, 2024, the ALJs issued a ruling postponing the evidentiary hearing to March 4, 2025, in light of the parties' settlement efforts. On February 20, 2025, the Company requested continued postponement of the evidentiary hearing and consented to a further extension of the suspension period through and including September 30, 2025. On February 25, 2025, the ALJs issued a ruling further

⁴ Cases 24-E-0461, et al., Central Hudson – Rates, Procedural Ruling (issued September 5, 2024).

postponing the evidentiary hearing to April 28, 2025. The February 25, 2025, ruling further stated that parties were to update the ALJs on the status of the Joint Proposal by April 3, 2025, provide a Joint Proposal no later than April 11, 2025, and that if further settlement discussions were needed, an additional extension of the suspension period would be required.

On March 4, 2025, Chief ALJ Dakin Lecakes appointed ALJ Ashley Moreno as settlement judge to oversee settlement in these proceedings.

On March 24, 2025, the Commission issued a Notice of Public Statement Hearings, inviting public participation and comment through in-person public statement hearings. Three in-person public statement hearings were held on April 29, 2025, and April 30, 2025.

On April 11, 2025, the Company filed a letter requesting to further postpone the evidentiary hearing and consenting to further extend the suspension period through and including October 31, 2025, subject to a make whole provision. On April 23, 2025, the ALJs issued a ruling further postponing the evidentiary hearing to May 19, 2025. On May 5, 2025, Staff filed a letter noting that the parties required additional time to finalize and submit a joint proposal, and accordingly requested that the ALJs postpone the dates set forth in the April 23, 2025, ruling. On May 6, 2025, the ALJs issued a ruling further postponing the evidentiary hearing to June 16, 2025, and established additional hearing procedures. On behalf of the Signatory Parties, Central Hudson filed the Joint Proposal, appendices and a summary on May 13, 2025. The following day, the ALJs issued a ruling setting due dates for initial statements on the Joint Proposal and reply statements for May 23, 2025, and June 6, 2025, respectively.

OVERVIEW OF THE JOINT PROPOSAL

As discussed in greater detail below, and in the various sections of this Initial Statement, the Joint Proposal contains a number of provisions designed to protect and benefit customers' interests, maintain and improve the Company's ability to provide safe, adequate and reliable service, incorporate capital expenditures and changes in operation and maintenance (O&M) expenses since the Commission last set base rates for the Company,⁵ and provide a resolution to other issues raised by Staff and intervenors including, but not limited to,

⁵ Cases 23-E-0418 and 23-G-0419, Central Hudson – Rates, Order Establishing Rates for Electric and Gas Service (issued July 18, 2024) (2024 Rate Plan).

improvements in cybersecurity and customer service and furthering the goals of the Climate Leadership and Community Protection Act (CLCPA).⁶ Section I offers an introduction to the Joint Proposal. Section II of the Joint Proposal provides the procedural history for these proceedings. Section III provides the term and effective dates of the three-year rate plan (Rate Plan), and defines RY1, Rate Year 2, which is the period beginning July 1, 2026 and ending June 30, 2027 (RY2), and Rate Year 3, which is the period beginning July 1, 2027 and ending June 30, 2028 (RY3) (collectively, Rate Years).

Turning to the provisions of Section IV, regarding revenue requirements, Subsection A provides an overview of the Company's revenue requirements. Subsection B sets forth delivery revenue increases. Subsection C describes electric bill credits. Subsection D describes gas bill credits. Subsection E explains delivery revenue and total bill increases after moderation. Subsection F contains the make whole provision.

Regarding the accounting matters in Section V, Subsection A summarizes net plant targets, reconciliation, deferral accounting and reporting requirements. Subsection B further describes deferral accounting. Subsection C contains provisions relating to deferral extension/continuation. Subsection D recognizes the ability of the Company and other parties to petition the Commission for deferral authority or modification of rates based on extraordinary occurrences. Subsection E describes cost recovery mechanisms in generic proceedings. Subsection F summarizes projected net deferred regulatory credits. Subsection G contains revenue matched rate allowances. Subsection H provides the Fortis overhead allocation methodology. Finally, Subsection I describes depreciation.

Section VI includes provisions regarding capital structure and rate of return, including Subsection A on capital structure and return on equity and Subsection B on the cost of long-term debt and the customer deposit rate.

Section VII summarizes the earnings sharing mechanism, including Subsection A on thresholds and Subsection B on the reporting and calculation of actual regulatory earnings.

⁶ The CLCPA is a comprehensive climate policy legislation enacted as Chapter 106 of the laws of 2019. The CLCPA sets targets to reduce greenhouse gas emissions (GHG) by at least 40 percent from 1990 levels by 2030 and by at least 85 percent from 1990 levels by 2050. Also, the CLCPA established targets that would require electric utilities, by 2030, to procure at least 70 percent of the State's electric load from renewable energy resources, and by 2040 to have an electrical demand system that is zero emission.

Turning to Section VIII, pertaining to new, modified, and continuing reporting requirements, the Initial Statement discusses non-major storm reporting, distribution right-of-way maintenance reporting, and discontinued reporting requirements.

Section IX discusses forecasts of sales and customers, including treatment of Danskammer revenues.

Section X addresses cost of service, revenue allocation and rate design, with subsections further broken out into revenue allocation and rate design for both the electric and gas businesses.

Section XI contains provisions for low-income customers. Subsection A summarizes changes to the Energy Affordability Program (EAP). Subsection B discusses EAP outreach. Subsection C describes an EAP audit to be conducted by the Company. Subsection D addresses EAP reporting.

Section XII concerns tariff-related matters, including the electric revenue decoupling mechanism (RDM), the gas RDM, the electric factor of adjustment, the billing services credit, energy efficiency credits for Recharge NY, reconnection charges, interruptible imputation, the merchant function charge and lost revenue, application for service, the incremental monthly charge, housekeeping changes, and conforming tariffs.

Section XIII summarizes economic development initiatives, including the Workforce Clean Energy Program and related reporting requirements.

Section XIV describes the Energy Efficiency Program and Heat Pump Program costs.

Section XV explains the Rate Adjustment Mechanism.

Section XVI addresses electric reliability.

Section XVII contains provisions regarding gas safety metrics. Subsections cover emergency response time, leak management, damage prevention, gas safety violations performance measures, leak-prone pipe (LPP), leak-prone services (LPS), the Community Emergency Response Drill Program, the gas safety total positive revenue adjustment (PRA) and negative revenue adjustment (NRA) basis point allocation per year, and continuation of provisions.

Section XVIII discusses customer service. Subsection A considers Customer Service Performance Indicators (CSPIs), including the PSC Complaint Rate, the Residential

Customer Satisfaction Survey, the Percent of Calls Answered by a Representative Within 30 Sections, Appointments Kept, the Residential Service Terminations/Uncollectibles Incentive Mechanism, and Events Outside the Company's Control. Subsection B concerns call center legislation reporting. Subsection C discusses language access. Subsection D addresses short-term payment agreements. Subsection E explains voluntary protections during extreme weather, including cold weather protection and extreme heat protections.

Section XIX outlines outreach and education initiatives.

Regarding other programs and initiatives, Section XX addresses the Residential Methane Detector Program, First Responder Training, and the Pipeline Safety Management System.

Section XXI summarizes the Earnings Adjustment Mechanisms (EAM). It describes how the Joint Proposal implements five electric EAM metrics and four scorecard metrics.

Section XXII concerns climate and energy leadership issues.

Section XXIII discusses gas reliability and supply issues, with subsections regarding the PA Consulting incremental expense, differentiated gas, non-pipes alternatives (NPA) outreach, and the Company's natural gas service agreement.

Section XXIV contains provisions regarding gas capacity release, including a discussion of pipeline capacity for sales and transportation customers and a collaborative process to evaluate the capacity available for release under the Company's Retail Access Program.

Finally, Section XXV contains miscellaneous provisions, including a statement that the provisions of the Joint Proposal generally continue beyond RY3 until the Commission modifies them, the Company's agreement not to propose changes in its rates to be effective prior to July 1, 2028, administrative issues, and standard provisions common to many joint proposals.

THE JOINT PROPOSAL IS IN THE PUBLIC INTEREST

I. Benefits of the Joint Proposal

The Joint Proposal provides various benefits to ratepayers by cementing and continuing the resolution of issues from the Commission's rate order in the litigated 2023 rate

proceedings for Central Hudson.⁷ First, the plan provides for rate stability over its duration. The proposed combined gas and electric RY1 increase of \$65.3 million is significantly lower than the \$107.5 million requested by the Company in its testimony. The overall revenue requirement increases reflect a reasonable compromise between the Company's, Staff's, and other parties' litigation positions. Additionally, the Joint Proposal mitigates the impact of the revenue requirement increases on customers through the use of existing regulatory liabilities to offset revenue increases. Specifically, rate moderation includes the use of electric net regulatory credits available at the beginning of RY1 and a portion of an electric rate base credit that originated from the Company's sale of its generating plants. The measured, multi-year rates set forth in the Joint Proposal would not be achievable in a litigated outcome.

Additionally, the Joint Proposal provides multiple non-monetary benefits while advancing important Commission and State priorities. First, it continues to ensure that the Company is capable of providing safe and adequate service by funding necessary programs related to vegetation management⁸ and storm response⁹ for electric service, and residential methane detection,¹⁰ LPP removal,¹¹ and first responder training¹² for gas service. The Joint Proposal recommends continuation of customer service metrics, including CSPIs, and gas safety metrics, along with associated NRAs.

Regarding consumer protection, the Joint Proposal requires the Company to implement improvements for its Limited English Proficient (LEP) populations by monitoring these populations, improving communications in languages other than English and Spanish, and coding previously uncoded residential customer accounts as LEP when a customer self-identifies as such during the collections process and providing that customer a 15-day extension before the Company would proceed with a service termination for non-payment.¹³ The Joint Proposal also requires the Company to develop an implementation plan by the end of RY1 to waive finance

⁷ 2024 Rate Plan, *supra*.

⁸ Joint Proposal, p. 19.

⁹ *Id.*, pp. 16-17.

¹⁰ *Id.*, p. 54.

¹¹ *Id.*, p. 45.

¹² *Id.*, p. 54.

¹³ *Id.*, p. 51.

charges for customers with short-term payment agreements.¹⁴ Finally, the Joint Proposal continues cold weather and extreme heat protections.¹⁵

If adopted, the Joint Proposal would also further the State's environmental goals through initiatives such as continuing CLCPA Phase 1 electric projects,¹⁶ providing support for electric vehicle (EV) residential charging and adoption,¹⁷ continuing limited purchases of differentiated gas through a pilot program,¹⁸ removing gas incentives by phasing out gas declining block rates and the high-volume discount for Service Class (or SC) No. 6 customers,¹⁹ completing removal of LPP,²⁰ and modifying the gas customer application process to ensure applicants are aware of electrification options and the Clean Heat Program.²¹ The Joint Proposal also supports decarbonization efforts by encouraging participation in NPA projects and electrification.

II. Standard of Review

The Commission's Settlement Guidelines state that all decisions, including those to adopt the terms of settlement agreements (joint proposals) must be just and reasonable and in the public interest.²² In addition to compliance with proper procedures, determining whether the terms of a joint proposal are in the public interest involves substantive consideration of the following:

1. consistency with the law and regulatory economic, social, and environmental State and Commission policies;

¹⁴ Id., p. 52.

¹⁵ Id., pp. 52-53.

¹⁶ Id., p. 56.

¹⁷ Id., p. 54.

¹⁸ Id., p. 56.

¹⁹ Id., pp. 30, 56.

²⁰ Id., pp. 45, 56.

²¹ Id., pp. 57, 60-61.

²² Cases 90-M-0225 and 92-M-0138, In the Matter of Settlement Procedures, Opinion, Order and Resolution Adopting Settlement Procedures and Guidelines (issued March 24, 1992) (Settlement Guidelines), p. 30.

2. whether the terms of the joint proposal compare favorably with the likely result of a fully litigated case and produce a result within the range of reasonable outcomes;
3. whether the joint proposal fairly balances the interests of ratepayers, investors and the long-term soundness of the utility; and
4. whether the joint proposal provides a rational basis for the Commission's decision.²³

III. The Joint Proposal Comports with the Commission's Settlement Guidelines

The Joint Proposal entered into in these cases resolves all outstanding issues presented in testimony and settlement negotiations. In doing so, it fully comports with the Commission's Settlement Guidelines. The fact that multiple intervening parties are signatories to the Joint Proposal in addition to the Company and Staff shows that the document balances the parties' interests while ensuring the Company's continued ability to deliver safe, adequate, and reliable electric and gas service at just and reasonable rates. In addition to the parties that signed the Joint Proposal, Staff notes that UIU, PULP, Dutchess County, and the Town of Olive Conservation Advisory Council have stated that they will not oppose the Joint Proposal.

A. The Joint Proposal is Consistent with State Policies

The Joint Proposal recommends outcomes that are consistent with the State's and Commission's policies. The recommended outcomes ensure that the Company will continue to provide safe and adequate service at just and reasonable rates. Specifically, the terms of the Joint Proposal will continue the Company's efforts to retire LPP in its service territory, enhancing the safety of the communities the Company serves. Additionally, the rate shaping recommended in the Joint Proposal helps shield customers from significant rate increases during RY1, RY2, and RY3. Regarding environmental matters, the Joint Proposal is consistent with the CLCPA and the Commission's energy efficiency policies as set forth in Case 18-M-0084.²⁴

²³ Id., p. 31.

²⁴ Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative (EE/BE Proceeding). Commission Orders issued in this proceeding establish or evolve Commission policies related to energy efficiency and building electrification.

B. The Joint Proposal Furthers the Goals of the CLCPA

Among its provisions, the CLCPA enacted Article 75 of the New York Environmental Conservation Law (ECL). ECL §75-0107 sets statewide greenhouse gas (GHG) emissions limits of 60 percent of 1990 emissions levels by 2030 and 15 percent of 1990 emissions levels by 2050. Further, that provision requires the New York State Department of Environmental Conservation (DEC) to promulgate rules and regulations setting the GHG emissions limits in terms of carbon dioxide equivalents. Additionally, CLCPA §7(2) provides that state agencies must “consider whether [their] decisions are inconsistent with or will interfere with the attainment of the statewide greenhouse gas emissions limits established in [ECL §75-0107].” Where a decision is found to be inconsistent with the GHG emissions limits, an agency must “provide a detailed statement of justification as to why such limits/criteria may not be met, and identify alternatives or greenhouse gas mitigation measures to be required where such project is located.”²⁵ Moreover, CLCPA §7(3) provides that, in considering and issuing decisions, state agencies “shall not disproportionately burden disadvantaged communities.” Complete CLCPA regulations have not yet been promulgated.

In December 2022, as directed by the CLCPA, the New York State Climate Action Council released its final Scoping Plan detailing recommendations on regulatory measures and other state actions that will ensure the attainment of the statewide GHG emissions limits established by the CLCPA.²⁶ ECL §75-0103 provides that the final Scoping Plan “shall inform the state energy planning board’s adoption of a state energy plan in accordance with [S]ection 6–104 of the energy law.” Pursuant to ECL §75-0109, the DEC will “promulgate rules and regulations to ensure compliance with the statewide emissions reduction limits” that “[r]eflect, in substantial part, the findings of the scoping plan.” The Climate Action Council’s December 2022 Final Scoping Plan states that the achievement of the CLCPA’s emission limits will entail a substantial reduction of natural gas usage with a corresponding downsizing and decarbonization of the natural gas infrastructure.²⁷ The Final Scoping Plan also recognizes, however, that investments in traditional gas infrastructure will remain necessary during the

²⁵ CLCPA §7(2).

²⁶ See ECL §75-0103(13).

²⁷ Final Scoping Plan, pp. 350-351.

transition to decarbonized systems to maintain system reliability and safety.²⁸ The DEC continues to develop rules and regulations concerning ECL §75-0109.

The Commission commenced two statewide proceedings that provide guidance regarding CLCPA compliance in rate cases. First, on May 12, 2022, the Commission initiated a proceeding to track progress made toward meeting the requirements and targets of the CLCPA and provide policy guidance, as necessary, for additional actions needed to fulfill the objectives of the CLCPA.²⁹ The CLCPA Implementation Order directed the investor-owned utilities, including Central Hudson, to work with Staff to develop a proposal for a GHG Emissions Reduction Pathways Study that analyzes the scale, timing, costs, risks, uncertainties, and customer bill impacts of achieving significant and quantifiable reductions in GHG emissions from the use of gas delivered by the utilities.³⁰ Additionally, the CLCPA Implementation Order required that, in their major rate filings, gas utilities provide an assessment of the impacts the utility's specific investments, capital expenditures, programs, and initiatives included in their rate filing will have on the GHG emissions from its gas network, and to specify the potential emissions impacts of each.³¹ Second, the Commission established a proceeding to review long-term plans for gas utilities, as discussed in the Commission's May 12, 2022, Order Adopting Gas System Planning Process in Case 20-G-0131.³² Pursuant to the process adopted in the Order Adopting Gas System Planning Process, issued May 12, 2022 in Case 20-G-0131 (Gas Planning Order), Central Hudson filed its initial gas system long-term plan on February 7, 2024, which is presently under review in Case 23-G-0676.³³

²⁸ Final Scoping Plan, p. 351.

²⁹ Case 22-M-0149, In the Matter of Assessing Implementation of and Compliance with the Requirements and Targets of the Climate Leadership and Community Protection Act, Order on Implementation of the Climate Leadership and Community Protection Act (issued May 12, 2022) (CLCPA Implementation Order).

³⁰ Id., pp. 26-27. The investor-owned utilities filed a GHG Emissions Reduction Pathways Study Proposal on March 31, 2023, but no action has yet been taken regarding the filing.

³¹ Id., pp. 47-48.

³² Case 20-G-0131, Proceeding on Motion of the Commission in Regard to Gas Planning Procedures, Order Adopting Gas System Planning Process (issued May 12, 2022).

³³ Case 23-G-0676, In the Matter of a Review of the Long-Term Gas System Plans of Central Hudson Gas & Electric Corporation.

These processes initiated by the Commission, as well as regulations forthcoming from DEC, will enable a more comprehensive evaluation of utility rate filings in future rate cases with respect to consistency with the GHG emission reduction targets of the CLCPA. In the interim, Staff is guided by prior orders in which the Commission has previously applied CLCPA §7(2) and §7(3) when setting utilities' rates.

First, in 2021, the Commission issued an order approving a joint proposal, in Cases 19-G-0309 and 19-G-0310, establishing rate plans for The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY) and KeySpan Gas East Corp. d/b/a National Grid (KEDLI).³⁴ In that order, the Commission specifically found that CLCPA §7(2) applies to rate cases, which are “other administrative approvals” under the statute. Concerning the substance of the joint proposal in those cases, the Commission determined that the requirements of the CLCPA do not exist in a vacuum and must be interpreted consistently with the Commission’s core statutory responsibility to ensure that the Companies’ systems can provide safe, adequate, reliable service to customers.³⁵ In this context, the Commission found the joint proposal to be consistent with the CLCPA even though some proposed capital projects would meet increased peak customer demand for gas because these projects were needed to ensure continued safe, reliable, and adequate service to ratepayers.³⁶

In a recent Order approving rates for New York State Electric & Gas Corporation (NYSEG) and Rochester Electric and Gas Corporation (RG&E), the Commission considered the directive of CLCPA §7(2) and arguments from third parties who alleged that the Joint Proposal in those cases failed “to address CLCPA §7(3)’s provisions regarding disadvantaged communities.”³⁷ In that Order the Commission found that the “parties rely on the alleged disproportionate economic burden the [joint proposal’s] rate increases place on [disadvantaged communities] rather than on a GHG emissions burden.” The Commission again explained that

³⁴ Cases 19-G-0309 et al., KEDNY and KEDLI – Rates, Order Approving Joint Proposal, as Modified, and Imposing Additional Requirements (issued August 12, 2021) (KEDNY/KEDLI 2021 Order).

³⁵ KEDNY/KEDLI 2021 Order, pp. 73-74; PSL §65(1).

³⁶ KEDNY/KEDLI 2021 Order, p. 74.

³⁷ Cases 22-E-0317, et al., NYSEG and RG&E - Rates, Order Adopting Joint Proposal (issued October 12, 2023), p. 55.

the requirements of the CLCPA do not exist in a vacuum and that application of the CLCPA must be balanced against the requirements of the PSL requiring “safe and reliable service at just and reasonable rates.”³⁸ Additionally, the Commission stated:

the question posed by the CLCPA is not whether gas utilities are reducing gas transmission and distribution, but whether an agency’s action is consistent with the CLCPA greenhouse gas emission goals and, if inconsistent, has the agency adequately justified its action.³⁹

More recently, the Commission considered another rate plan for KEDNY and KEDLI. In its KEDNY/KEDLI 2024 Order, which adopted a joint proposal, the Commission found that “the CLCPA does not preclude further investment in the gas system to ensure that the public continues to have safe, adequate, and reliable gas service”⁴⁰ and the joint proposal was consistent with the CLCPA even though some proposed capital projects would meet increased peak customer demand for gas because these projects were needed to ensure continued safe, reliable, and adequate service to ratepayers. The Commission explained that the joint proposal in those cases appropriately promoted the CLCPA’s electrification and GHG emission reduction goals by putting forward programs designed to achieve emissions reductions that – collectively – support a finding that the Joint Proposal is consistent with the CLCPA.⁴¹ The Commission noted that continuation of previously approved NPA mechanisms would advance the potential for successful NPA implementation, and that the elements intended to improve the utilities’ NPA implementation process align well with the CLCPA’s emission reduction, decarbonization, and electrification objectives.⁴² In addition, the Commission also found that the rate plan’s CLCPA and disadvantaged community-related provisions were consistent with the CLCPA section 7(3).⁴³ Specifically, in the KEDNY/KEDLI 2024 Order, the Commission found that joint proposal recognized the potential impacts of utility operations on disadvantaged communities

³⁸ Id.

³⁹ Cases 22-E-0317 et al., supra, Order Adopting Joint Proposal (issued October 12, 2023), p. 56.

⁴⁰ Cases 23-G-0225, et al., KEDNY and KEDLI – Rates, Order Approving Terms of Joint Proposal and Establishing Gas Rate Plans, with Minor Modification and Corrections (issued August 15, 2024) (KEDNY/KEDLI 2024 Order), p. 73.

⁴¹ KEDNY/KEDLI 2024 Order, p. 99.

⁴² KEDNY/KEDLI 2024 Order, pp. 102-103.

⁴³ Id., p. 99.

and attempted to mitigate and address such impacts, did not result in any disproportionate burden on disadvantaged communities, and that the record supported finding an overall positive impact on such communities.⁴⁴

Lastly, in the most recent rate proceedings regarding Central Hudson, the Commission set rates based on a litigated record. In the 2024 Rate Plan, the Commission applied CLCPA §7(2) and found that adopting the rate plan in that proceeding would contribute toward achievement of CLCPA goals by advancing decarbonization efforts.⁴⁵ The Commission agreed with the recommended decision issued in those cases and explained that adopting the 2024 Rate Plan will not interfere with and is not inconsistent with the attainment of the statewide greenhouse gas emission limits established in Article 75 of the ECL and “appropriately balance the interests in reliability, public safety, and reasonable rates with emissions reduction and clean energy objectives.”⁴⁶

Under this framework, and as explained below in greater detail adopting the Joint Proposal in these cases would not be inconsistent with or interfere with the attainment of the CLCPA’s statewide GHG emissions limits. The implementation of the Joint Proposal will further the goals of the CLCPA by continuing gradual emissions reductions efforts without disproportionately burdening disadvantaged communities.

In its initial testimony, the Company outlined how its proposals would impact GHG emissions. The Company estimated that its proposals would achieve cumulative greenhouse gas emissions reductions of 2.71 million metric tons of CO₂ equivalent, or MMT CO₂e, by 2030. At the same time, Central Hudson projected that, during RY1, the total emissions from its gas network would be approximately 53.44 percent higher than its level of emissions in 1990. The Company calculated the emissions reductions using various methodologies applicable to individual initiatives, including emissions factors established by the New York State Energy Research and Development Authority (NYSERDA) in its Report 22-23, and the Environmental Protection Agency (EPA) in its Mandatory Greenhouse Reporting Rule - Subpart W calculations and methodologies.

⁴⁴ Id., p. 123.

⁴⁵ 2024 Rate Plan, p. 63.

⁴⁶ 2024 Rate Plan, p. 63; Cases 23-E-0418 and 23-G-0419, supra, Recommended Decision (issued May 1, 2024), p. 231.

In testimony, Staff reviewed the Company's emissions reduction estimates and applied emissions impacts related to Staff's adjustments to capital projects and other projects. First, Staff noted that, while the Commission's CLCPA Implementation Order only requires a full emissions accounting for the gas system,⁴⁷ the majority of the Company's claimed greenhouse gas emissions reductions were related to its electric system. Staff explained that the rate plan recommended in Staff's testimony, reflecting specific investments, capital expenditures, programs, and initiatives would reduce the emissions from the Company's system by 20,749 MT CO₂e in RY1 compared to the Company's fiscal year 2023 emissions.⁴⁸ Additionally, based on its recommended rate plan, Staff estimated that RY1 emissions from end-user combustion would decrease by 99,333 MT CO₂e compared to fiscal year 2023.⁴⁹ At the same time, Staff recognized that, during RY1, emissions from the Company's gas network would increase by 53.44 percent from its 1990 levels.⁵⁰ Staff's analysis of the Company's GHG emissions in these proceedings identified that the NYSERDA and EPA emissions factors are not technically CLCPA-compliant; however, until the Commission adopts a CLCPA-compliant alternative in Case 22-M-0149, the use of these emissions factors is reasonable as it will illustrate emissions reduction and/or increase trends, provided that the same factors are used consistently throughout the calculation of each analyzed component.

Here, the Joint Proposal does not specifically prescribe any greenhouse gas emissions targets; however, the two graphs in Attachment A to this Statement convey the projected emissions impacts of the Joint Proposal over the three years of the Rate Plan. Graph one and graph two, both show annual historical, and forecasted, greenhouse gas emissions levels from the Company's gas business, with the first graph focused on the years from 2020 through RY3 and the second graph showing emissions from 1990 through RY3. The results are similar to those presented in the Company's and Staff's testimony. The first graph showing that the Rate Plan recommended in the Joint Proposal results in an approximately nine percent decrease from peak emission levels in calendar year 2022. The second graph shows that even with these recent

⁴⁷ CLCPA Implementation Order, p. 16.

⁴⁸ Direct Testimony of Staff CLCPA Panel, pp. 22-23.

⁴⁹ Id., p. 23.

⁵⁰ Id., p. 24.

reductions, Staff expects that during the term of the Rate Plan the Company's GHG emissions will be approximately 51 percent higher than 1990 levels. Thus, it is evident that the Rate Plan is designed to make meaningful progression towards reducing Central Hudson's GHG emissions, however there is still significant progress yet to be made.

Although as an electric and gas utility the Company must by law provide service to eligible applicants, the Joint Proposal commits Central Hudson to continue reducing the environmental impact of the utility service it provides to customers. As detailed further below, the Company will pursue policies designed to reduce expansion of gas heating while ensuring the safety and reliability of the existing gas distribution infrastructure.⁵¹ The Company will also provide educational materials to applicants for gas service and current customers informing them of alternatives to gas heating, such as heat pumps, and highlight existing incentives for electrification.⁵² Regarding electric service, the Company will work to expand electrification and energy efficiency.⁵³ The initiatives and programs included in this Joint Proposal related to energy efficiency, electrification, and pipe remediation and replacement are similar to those that the Commission has previously considered when assessing consistency and alignment with CLCPA goals. Taken as a whole, the Joint Proposal will contribute to the emission reduction goals of the CLCPA while satisfying the Company's obligations under the PSL to ensure that Central Hudson can continue to provide safe and adequate service to its customers.

Accordingly, Staff concludes that the Commission should find that adopting the Joint Proposal would be consistent with, or would not interfere with, attainment of the CLCPA's statewide GHG emissions limits. As the Commission has noted, in considering rate plans under CLCPA §7(2), the Commission does not consider the CLCPA's GHG emissions limits in a vacuum, but in the context of the need to ensure the Company can continue to provide safe and adequate service to customers. In this context, adopting the Joint Proposal does not interfere with the GHG emissions limits of the CLCPA. First, the CLCPA's emissions limits are statewide and economywide, they do not apply to Central Hudson in isolation. Second, as discussed above, prior Commission decisions have found prior joint proposals to be consistent

⁵¹ Joint Proposal, pp. 42-47.

⁵² Id., pp. 59-61.

⁵³ Id., p. 40.

under CLCPA §7(2) so long as adopting the Rate Plan will collectively reduce emissions, as they do here, furthering the state’s decarbonization and electrification efforts. Alternatively, if the Commission were to find that adopting the Joint Proposal would be inconsistent with the attainment of the CLCPA’s statewide GHG emissions limits, adopting the Joint Proposal would be justified because it is necessary to ensure the continued provision of safe and adequate service to the Company’s customers at this time.

Turning to the analysis of the impact on disadvantaged communities pursuant to CLCPA §7(3), Staff notes that the Company developed an assessment to evaluate the impacts of its projects on disadvantaged communities.⁵⁴ The assessment consisted first of an identification of “place-based” projects, defined as “investments designed to serve specific individuals, households, business types or communities” that are located in a disadvantaged community and have a direct impact to customers within disadvantaged communities.⁵⁵ Next, the assessment conducted a comprehensive review of six sample projects, chosen to represent the Company’s capital investment portfolio, to determine the qualitative positive and negative impacts on the disadvantaged communities they are located within.⁵⁶ The assessment ultimately concluded that the Company’s projects will result in significant long-term benefits and relatively minor and short-term burdens to customers within disadvantaged communities.⁵⁷

Staff reviewed the Company’s 69 electric projects that are partially or fully located within a disadvantaged community. Staff found that these projects primarily replace, upgrade, or augment infrastructure necessary to maintain reliability in the disadvantaged community and, further, that these projects will not have other significant long-term negative impacts.⁵⁸ Staff likewise reviewed the 78 gas projects partially or fully located within a disadvantaged community. Staff concluded that, while these projects may impact disadvantaged communities negatively in the short-term in ways related to the construction itself, the long-term

⁵⁴ Direct Testimony of Central Hudson Climate Leadership and Sustainability Panel, p. 12.

⁵⁵ Id., pp. 12-13.

⁵⁶ Id., pp. 13-14.

⁵⁷ Central Hudson Exhibit __ (CLSP-2).

⁵⁸ Direct Testimony of Staff CLCPA Panel, pp. 29-31.

benefits include fewer GHG emissions, increased public safety and reliability for the communities in which the work occurs, and increased economic activity.⁵⁹

The Company's and Staff's respective analyses conducted earlier in these proceedings apply to the Joint Proposal as well. Adopting the Joint Proposal does not disproportionately burden disadvantaged communities, as the capital investment projects supported by the Joint Proposal only negatively impact certain disadvantaged communities in the short term, while significantly benefitting those communities in the long term.

C. The Joint Proposal Compares Favorably to the Litigation Positions of the Parties to this Proceeding

The terms of the Joint Proposal are favorable to ratepayers compared to the litigation positions of the parties to these proceedings, and the Joint Proposal produces a result within the range that could be expected in litigation.⁶⁰ The total percent revenue increases after rate moderation are three percent for electric and below six percent for gas for each of the Rate Years of the Rate Plan. In addition, the Joint Proposal's recommended pre-moderation revenue requirement increases for RY1 of \$46.4 million and \$19.0 million for electric and gas, respectively, are significantly lower than the analogous \$79.6 million and \$28.0 million requested by the Company.⁶¹

The Joint Proposal's recommended allowed ROE of 9.50 percent is a fair compromise between the Company's and Staff's filed positions of 10.0 percent and 9.2 percent, respectively. The 9.50 percent ROE is comparable to the ROE allowed for other major utilities operating under recent Commission-approved multi-year rate plans.⁶² Additionally, the recently filed joint proposal for Niagara Mohawk Power Corporation d/b/a National Grid also

⁵⁹ Id., pp. 31-34.

⁶⁰ The parties' testimonies and briefs are referenced herein only as examples of potential litigated outcomes.

⁶¹ Central Hudson Exhibit__ (RRP-1R), Schedule A.

⁶² See Case 23-G-0627, National Fuel Gas Distribution Corporation – Rates, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plan with Minor Modifications (issued and effective December 19, 2024) (establishing a 9.70 percent ROE); Cases 24-E-0060 et al., Orange and Rockland Utilities, Inc. – Rates, Order Adopting Terms of a Joint Proposal and Establishing Electric and Gas Rate Plans (issued and effective March 20, 2025) (establishing a 9.75 percent ROE).

recommended an ROE of 9.5 percent, as did the joint proposal for Corning Natural Gas Corporation.⁶³ Furthermore, the proposed ROE accounts for the increased business and financial risks inherent in setting rates over a multi-year period, as opposed to a single rate year.⁶⁴ Given these considerations, the 9.50 percent ROE for a multi-year rate plan is a reasonable outcome.

Further, the Joint Proposal contains various provisions that place a strong emphasis on the Company managing its costs and includes provisions to ensure that the Company provides safe and adequate service (e.g., the net plant reconciliation, electric reliability performance mechanism, gas safety performance metrics, and CSPIs). At the same time, the Company will receive sufficient additional revenues enabling it to implement new programs, modify existing programs to improve customer service, and maintain its electric and gas systems to ensure the continued provision of safe, adequate, and reliable service. Moreover, the Joint Proposal continues reconciliation mechanisms and reporting requirements characteristic of prior Commission-adopted rate plans.

D. The Joint Proposal Appropriately Balances the Interests of Stakeholders

These proceedings have seen the participation of parties representing multiple interests, including large industrial customers, consumer advocates, environmental advocates, municipal entities, and elected officials. Seven parties in addition to the Company and Staff submitted testimony. Many parties actively participated in settlement negotiations. As a result of this participation and regardless of whether parties ultimately signed the Joint Proposal, it accommodates the interests of the various parties.

This balancing can be seen in the levelized annual rate increases, which will mitigate the impact of rate increases for ratepayers, especially those on a fixed income, while still ensuring that the Company will have sufficient funds to provide safe and adequate service.

⁶³ Cases 24-E-0322 et al., Niagara Mohawk Power Corporation d/b/a National Grid – Rates, Joint Proposal (filed April 25, 2025), Case 24-G-0447, Corning Natural Gas Corporation – Rates, Joint Proposal (filed March 17, 2025).

⁶⁴ Case 23-G-0627, National Fuel Gas Distribution Corporation – Rates, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plan with Minor Modifications (issued December 19, 2024), p. 31; Cases 24-E-0060 et al., Orange and Rockland Utilities, Inc. – Rates, Order Adopting Terms of a Joint Proposal and Establishing Electric and Gas Rate Plans (issued March 20, 2025), p. 27.

The treatment of gas service and infrastructure also shows the efforts taken to balance parties' interests in the Joint Proposal. While the Company must continue the work of enhancing safety and reducing gas loss through the removal of LPP, it will explore NPAs to avoid replacing those segments of pipe where possible.⁶⁵ For example, the Company could convince customers served by a segment of LPP to convert to electric heating and appliances, thereby enabling the Company to abandon that segment of LPP rather than replace it.⁶⁶ This initiative will be further enhanced by NPA outreach materials, as detailed in the Joint Proposal.⁶⁷

In addition, the Joint Proposal incorporates the testimonial positions of other parties. This includes increased focused on and accountability for the Company's EAP⁶⁸ and improvements for the Company's LEP customers,⁶⁹ waiving finance charges for customers enrolled in short-term payment agreements,⁷⁰ and continuing extreme weather protections.⁷¹

E. The Commission has a Rational Basis on which to Adopt the Terms of the Joint Proposal

As discussed above, the parties to these proceedings have had the opportunity to file multiple rounds of testimony and exhibits, and seven parties other than the Company and Staff did so. This pre-filed testimony thoroughly identifies the basis for the parties' litigation positions in these cases. Accordingly, these cases present the Commission with a practically complete litigation record. The Joint Proposal provides for the resolution of all of the issues raised in these cases in a reasonable manner, reflecting parties' positions in litigation and compromises between those positions. All parties to these cases had the opportunity to participate in the settlement negotiations and many parties actively participated in the settlement negotiation process. Moreover, the parties have the opportunity to explain their positions with regard to the Joint Proposal in their Initial and Reply Statements. Accordingly, there is an ample

⁶⁵ Joint Proposal, Section XVII.E, p. 45.

⁶⁶ Direct Testimony of Staff Gas System Planning and Reliability Panel, pp. 18-19.

⁶⁷ Joint Proposal, Section XXIII.C, pp. 58-60.

⁶⁸ Id., Section XI, pp. 31-34.

⁶⁹ Id., Section XVIII.C, pp. 50-52.

⁷⁰ Id., Section XVIII.D, p. 52.

⁷¹ Id., Section XVIII.E, pp. 52-53.

record with sufficient support for the Commission to have a rational basis on which to adopt the terms of the Joint Proposal.

In sum, the Joint Proposal should be adopted because it satisfies the criteria the Commission has established, pursuant to the PSL, for judging the reasonableness of proposed settlements, namely that they set forth terms that enable the continued provision of safe and adequate service at just and reasonable rates. Furthermore, the Joint Proposal fairly balances parties' interests on the issues presented in these cases and produces results that may not have been attainable except through a joint proposal.

Additionally, as part of the Joint Proposal, the Company agreed to submit various reports and convene meetings with Staff and other interested parties on a variety of issues, such as initiating collaborative processes to evaluate rate design alternatives for electric S.C. Nos. 3 and 13,⁷² as well as evaluate the release of pipeline capacity under the Company's gas Retail Access Program.⁷³ These reports and meetings will enable parties to engage with the Company during the term of the proposed Rate Plan and in advance of their next base rate filing. The Signatory Parties recognize the importance of an open exchange of ideas and information with respect to these topics. These collaborative processes ensure that the Company, Staff, and other interested parties will have the opportunity to work together to develop mutually beneficial projects and ideas.

The Joint Proposal provides details regarding the costs and revenues underlying the proposed base rates and mechanisms provided for in the Joint Proposal. These costs and revenues, along with the other terms of the Joint Proposal, provide a sound, equitable, and rational evidentiary basis on which to determine that the provisions of the Joint Proposal are reasonable and, therefore, should be adopted.

When considering whether the Joint Proposal is in the public interest, the document should be considered as a whole, with each individual provision providing support and balance to the others. Staff is aware that the Commission may accept, reject, or modify, in whole or in part, any recommendation or term of the Joint Proposal; however, it is Staff's belief that the Joint Proposal fairly resolves the ratemaking and policy initiatives of the Commission, thereby

⁷² Id., Section X.A.1.3, pp. 28-29.

⁷³ Id., Section XXIV.B, pp. 61-62.

providing improved service at an equitable and well-reasoned cost. The Joint Proposal meets the public interest standard and, thus, should be adopted.

The record is more than adequate to support the terms of the Joint Proposal, which are consistent with both law and policy, have a rational basis, balance the interests of customers and the Company, and compare favorably with the outcome of litigation. For these reasons, the Joint Proposal should be adopted.

ELEMENTS OF THE JOINT PROPOSAL⁷⁴

I. Introduction

This section identifies the signatory parties and those who have stated they will not oppose the Joint Proposal. It does not contain any recommendations for Commission action.

II. Procedural History

This section summarizes the procedural history of these cases, as also detailed in the Procedural History section above. It does not contain any recommendations for Commission action.

III. Term and Effective Date of Rate Changes

The Joint Proposal outlines the terms of RY1, RY2, and RY3, and states that the provisions of RY3 will, unless otherwise specified, remain in effect until superseding rates or terms become effective. Additionally, this section states that the Company will not initiate rate changes to become effective prior to July 1, 2028, subject to certain exceptions in Section XXV.A, but that the Company may file a new general electric or gas rate case prior to the end of RY3 for rates to be effective on or after July 1, 2028. This language is standard to joint proposals recommending rate plans and provides the Company's agreement not to seek new rates during the term of the rate plan. Accordingly, the Commission should adopt it.

⁷⁴ To orient the reader's comparison of the actual provisions of the Joint Proposal with the descriptions included in this Initial Statement, the headings in this section generally correspond to the headings in the Joint Proposal.

IV. Revenue Requirements

A. Revenue Requirements

In its rebuttal testimony, the Company requested an electric revenue requirement increase, prior to any rate moderation, of \$79.6 million.⁷⁵ As set forth in testimony and exhibits, Staff recommended an electric revenue requirement increase, prior to any rate moderation, of \$38.2 million.⁷⁶ Staff premised its recommendation on a 9.20 percent ROE and a 6.83 percent overall after-tax rate of return.⁷⁷ The Joint Proposal recommends a pre-moderation electric delivery revenue increase of \$46.4 million, only \$8.2 million higher than Staff's testimonial recommendation but \$33.2 million lower than the Company's request. The difference from Staff's testimonial recommendation is primarily due to adjustments to cost of capital, net plant and depreciation expense, other rate base, property taxes, Company corrections to research and development expense, and information technology. These upward adjustments are partially offset by updates to pension and other post-employment benefits, the low-income program, and environmental site investigation and remediation (SIR). Additionally, the Joint Proposal reflects pre-moderation electric delivery increases for RY2 and RY3 of \$30.7 million and \$21.7 million, respectively.

In its rebuttal testimony, the Company requested a gas revenue requirement increase, prior to any rate moderation, of \$27.9 million.⁷⁸ As set forth in testimony and exhibits, Staff recommended an electric revenue requirement increase, prior to any rate moderation, of \$15.5 million.⁷⁹ The Joint Proposal recommends a pre-moderation gas delivery revenue increase of \$18.9 million, only \$3.4 million higher than Staff's testimonial recommendation but \$9.0 million lower than the Company's request. The difference from Staff's testimonial recommendation is primarily due to upward adjustments to cost of capital, net plant, property taxes, and information technology, offset by decreases to pension and other post-employment benefits, depreciation, income taxes, and SIR. Additionally, the Joint Proposal reflects pre-

⁷⁵ Central Hudson Exhibit __ (RRP-1R), Schedule A.

⁷⁶ Staff Exhibit __ (SAP-2), Schedule 1.

⁷⁷ Id., Schedule 10.

⁷⁸ Central Hudson Exhibit __ (RRP-2R), Schedule A.

⁷⁹ Staff Exhibit __ (SAP-3), Schedule 1.

moderation gas delivery increases for RY2 and RY3 of \$13.9 million and \$16.9 million, respectively.

Income statements, containing projected revenues, operating expenses and other deductions for the three electric and gas Rate Years, are set forth in Appendix A to the Joint Proposal. By limiting the Company's request, the Joint Proposal reflects revenue requirement increases that allow Central Hudson to reasonably recover the costs enabling it to continue providing safe and adequate service to customers.

B. Delivery Revenue Increases

The Company's base delivery increases, described in the prior section, are illustrated in the table shown in subsection E.

C. Electric Bill Credits

The Joint Proposal applies electric bill credits of \$16.7 million in RY1, \$15.8 million in RY2, and \$3.0 in RY3. The bill credits are derived from the netting of regulatory deferrals and an electric rate base credit from the sale of generation assets. The bill credits are allocated to each service class in proportion to class responsibility through the Electric Bill Credit Mechanism. These credits act as rate moderators that mitigate the bill impacts of the Company's delivery rate increases and provides timely use of monies owed to customers from regulatory liabilities. The use of these credits benefits customers by moderating and levelizing the impact of the revenue increases and thus should be adopted.

D. Gas Bill Credits

The Joint Proposal applies gas bill credits of \$4.5 million in RY1, \$2.5 million in RY2, and \$1.9 in RY3. The bill credits are derived from the netting of regulatory deferrals and act as rate moderators on the Company's delivery rate increases to mitigate customer bill impacts. The use of the bill credits during the term of the Rate Plan provides timely usage of monies owed to customers. The bill credits are allocated to each service class in proportion to class responsibility through the Gas Bill Credit Mechanism. The use of these credits benefits customers by moderating and levelizing the impact of the revenue increases and thus should be adopted.

E. Delivery Revenue and Total Bill Increases after Moderation

(\$000,000)	ELECTRIC			GAS		
	RY1	RY2	RY3	RY1	RY2	RY3
Revenue Requirement Increases	\$46.4	\$30.7	\$21.7	\$19.0	\$13.9	\$16.9
% on Delivery Revenues	8.6%	5.1%	3.4%	11.5%	7.6%	8.7%
% on Total Revenues	4.5%	2.8%	1.9%	7.1%	4.9%	5.6%
Use of Rate Moderation	\$(16.7)	\$(15.8)	\$(3.0)	\$(4.5)	\$(2.5)	\$(1.9)
Prior Year Moderation Reversal	-	\$16.7	\$15.8	-	\$4.5	\$2.5
Revenue Requirement Increases After Moderation	\$29.7	\$31.6	\$34.5	\$14.5	\$15.9	\$17.5
% on Delivery Revenues After Moderation	5.5%	5.3%	5.3%	8.8%	8.7%	9.0%
% on Total Revenues After Moderation	2.9%	2.9%	3.0%	5.4%	5.6%	5.8%

The Joint Proposal applies rate moderators to Central Hudson’s delivery rate increases, as shown in the above table. The rate moderators are reflected as electric and gas bill credits in a manner that uniformly shapes the revenue increases over the term of the Rate Plan to mitigate the bill impacts on customers.

F. Make Whole Provision

The Joint Proposal acknowledges that Commission action on the Proposal could occur after July 1, 2025, the beginning of RY1. To facilitate the orderly resolution of this case, Central Hudson consented to extend the maximum suspension period through September 30, 2025, conditioned on the Company and customers being placed in the same position as if the rates and terms adopted by the Commission went into effect on July 1, 2025.⁸⁰ Consistent with that request, the Joint Proposal recommends allowing Central Hudson to recover the revenue shortfall resulting from the extension of the suspension period beyond July 1, 2025, through a make whole provision.

⁸⁰ Cases 24-E-0461 *et al.*, *supra*, Request to Further Postpone Evidentiary Hearing and Extend Suspension Period (filed April 11, 2025). The Commission has not yet acted on the consent to extend the maximum suspension period or request for the make whole.

To accomplish this, the Joint Proposal allows Central Hudson to reconcile the difference between the revenues the Company would have received during the period from July 1, 2025, through the date new rates become effective and the actual revenues received during that period. The revenue adjustment will include all applicable surcharges, carrying charges, and will be consistent with all applicable reconciliation mechanisms. The rate adjustment will be collected or refunded through the Company's Miscellaneous rate surcharge over the remainder of RY1 and RY2, measured from the dates new rates are effective. Adoption of the make whole provision restores the Company to the same financial position it would have been in, absent the extensions required to allow the Signatory Parties the opportunity to reach an agreement in these proceedings. Additionally, recovery of the make whole revenues over the first two years of the Rate Plan helps minimize the impact on ratepayers' bills.

G. Major Provisions Incorporated into Development of the Revenue Requirements

This section and the subsections below do not align with the Joint Proposal but were added to address the major cost drivers of the Company's revenue requirements, as identified in Attachment B to this Initial Statement, and areas of contention that are otherwise not addressed in this Initial Statement.

1. Labor

Central Hudson's initial filing included a labor headcount of 1,344 full time employees (FTEs) for RY1, an increase of 24 FTEs over what was allowed in the Company's 2024 Rate Plan.⁸¹ The requested FTEs included 20 cybersecurity positions, one customer service representative, one gas foreman/forewoman, one lineman/linewoman, and one splicer.

Staff's testimony recommended several adjustments, including: reductions to the Company's proposed incremental FTE salaries to reflect the differences between actual and budgeted; a reflection of the latest-known union wage escalators in lieu of unknown future wage increases; a reduction of the wage escalation factor for the Company's executive and non-executive management employees using the latest salary budget forecast from WorldatWork; a revised labor distribution based on a three-year historic average (2021-2023) to capture

⁸¹ Direct Testimony of Central Hudson Revenue Requirements Panel, p. 13.

variations that occurred during that time; and removal of five of the requested cybersecurity FTEs as a balance between prioritizing the Company's efforts to implement a cybersecurity operations center while considering the Company's ability to rapidly increase staffing.⁸² The testimony of both William D. Yates, CPA for PULP⁸³ and Assemblymember Sarahana Shrestha⁸⁴ expressed concern with the number of incremental FTEs proposed by the Company.

Central Hudson's rebuttal testimony disputed Staff's position. The Company stated that labor distribution based on a three-year average does not properly reflect both its current workforce and the effect of its incremental employees.⁸⁵ The Company disagreed with the removal of cybersecurity FTEs, stating that Staff did not rely on any benchmarks or standards for its concerns regarding the Company's headcount and disallowing the FTEs is counterproductive to the Company achieving its cybersecurity goals and applying industry best practices.⁸⁶ Lastly, the Company disagreed with Staff's recommended reductions to reflect anticipated actual salaries for the incremental FTEs, stating that Staff's calculation was flawed as it excluded union positions and that said positions are governed by a collective bargaining agreement that allows progression to the Company's projected salaries.⁸⁷

The Joint Proposal reflects all of Staff's recommendations, including a headcount of 1,339 FTEs in all three Rate Years after the removal of five cybersecurity positions from the Company's initial proposed headcount of 1,344 FTEs, continuation of the Company's latest-known wage escalators and a three-year average labor distribution. This provides Central Hudson with a reasonable level of employees to support its overall operations and increase operating efficiency during the term of the Rate Plan. Specifically, of the 19 allowed FTEs, 15 cybersecurity positions will allow Central Hudson to improve its efforts to implement a cybersecurity operations center, and to support its operating and customer service needs. The other four positions (one customer service representative, one gas foreman/forewoman, one

⁸² Direct Testimony of Staff Accounting Panel, p. 20-29, and Staff Security Panel, p. 8.

⁸³ Direct Testimony of William D. Yates, CPA, p. 35.

⁸⁴ Direct Testimony of Sarahana Shrestha, pp. 8-9.

⁸⁵ Rebuttal Testimony of Central Hudson Revenue Requirements Panel, pp. 6-7.

⁸⁶ Rebuttal Testimony of Central Hudson Technology Capital and Operations Panel, pp. 17-20.

⁸⁷ Rebuttal Testimony of Central Hudson Workforce, Compensation and Benefits Panel, pp. 4-5.

lineman/linewoman, and one splicer) focus on needs in specific operations at the Company. The Joint Proposal's forecast of labor expense is reasonable because it reflects supported wage increases and uses a specified forecast methodology.

2. Uncollectible Accounts

Central Hudson has experienced significant growth in customer arrears, resulting from the impacts of the COVID-19 moratorium and delays in resuming collection activities stemming from the Company's billing system issues. Central Hudson based its uncollectible forecast on historic test year⁸⁸ bad debt factors of 2.90 percent for electric and 3.52 percent for gas.⁸⁹ The Company also proposed the continuation of the uncollectible true-up mechanism to capture net write-offs and collection agency fees over or under the amounts included in rates for deferral and future recovery/pass-back.⁹⁰

In testimony, Staff recommended reducing the Company's bad debt factors to 1.58 percent for electric and 2.02 percent based on a revised calculation methodology but agreed with the continuation of Central Hudson's true-up mechanism.⁹¹ The testimony of both Communities for Local Power⁹² and Assemblymember Sarahana Shrestha⁹³ disagreed with the Company's forecast due to the Company's billing issues and customer mistrust in arrears and recommended no allowance for uncollectibles in rates. Dutchess County took issue with the Company's lack of commitment towards stabilizing customer arrears and did not support the Company's forecast.⁹⁴

The Joint Proposal reflects a forecast of uncollectible expense based on bad debt factors of 1.62 percent for electric and 1.90 percent for gas and the continuation of the uncollectible true-up mechanism. The 25 percent reduction in bad debt factors provides a realistic forecast and mitigates customer bill impacts, while a true-up mechanism acknowledges

⁸⁸ The historic test year is the 12-month period ended March 31, 2024.

⁸⁹ Rebuttal Testimony of Central Hudson Revenue Requirements Panel, p. 38.

⁹⁰ Direct Testimony of Central Hudson Revenue Requirements Panel, p. 39.

⁹¹ Direct Testimony of Staff Accounting Panel, pp. 65-67.

⁹² Direct Testimony of Jessica Mullen, pp. 6-14.

⁹³ Direct Testimony of Sarahana Shrestha, pp. 5-8.

⁹⁴ Direct Testimony of Allen R. Page, pp. 23-24.

the risk and uncertainty surrounding the stabilization of customer arrears, which is reasonable and should be adopted.

3. Distribution Repairs and Maintenance

The Company's forecast of distribution repairs and maintenance consisted of inflationary increases to historic test year costs, and additional costs to reflect escalations for prevailing wages on non-capital distribution improvement work imposed by New York's Roadway Excavation Quality Assurance Act and union contractor rates associated with distribution trimming dispatch orders.⁹⁵ Staff did not dispute the forecast in its testimony. The distribution repairs and maintenance forecast included in the revenue requirements of the Joint Proposal should be approved, as the forecast is limited to inflation and the Company's compliance with contractor costs outside its control.

4. Incentive Compensation

Central Hudson proposed to recover its non-executive incentive compensation, which was benchmarked against management compensation levels at similarly situated companies as a component of the revenue requirement.⁹⁶ Staff recommended allowing recovery of the non-executive incentive compensation because the Company demonstrated its total non-executive compensation levels were reasonable and the incentive targets aligned with customer interests.⁹⁷ This is reflected in the Joint Proposal's revenue requirements.

Central Hudson also proposed to recover a portion of its executive short-term incentive compensation as a component of a total executive compensation package, which was benchmarked against executive compensation levels at similarly situated companies by a third-party consultant.⁹⁸ Staff recommended disallowing recovery of executive incentive compensation, explaining that the Company had yet to complete the recommendation from its most recent management and operations audit in Case 21-M-0541, which required Central Hudson to implement necessary improvements to its executive incentive compensation

⁹⁵ Direct Testimony of Central Hudson Revenue Requirements Panel, pp. 28-29.

⁹⁶ Direct Testimony of Central Hudson Workforce, Compensation and Benefits Panel, pp. 31-32.

⁹⁷ Direct Testimony of Staff Accounting Panel, p. 36.

⁹⁸ Direct Testimony of Central Hudson Workforce, Compensation and Benefits Panel, p. 34.

program.⁹⁹ In its rebuttal testimony, the Company stated that the management audit recommendation would be fully implemented by the start of RY1 and disallowing executive incentive compensation would negatively impact its ability to retain and attract quality executives.¹⁰⁰

The Joint Proposal reflects no allowance for executive incentive compensation costs in RY1. Instead, the Joint Proposal provides deferral accounting treatment in recognition of the timing issue pending Staff's acceptance of the Company's completion of the management and operations audit recommendation. The Joint Proposal reflects an allowance for RY2 and RY3, with deferral treatment in the event the recommendation is not complete, as further discussed in Section V.B. of this Initial Statement. This treatment is reasonable because it allows both cost protections for customers and/or cost recovery for the Company based on when the Company fully implements the recommendation.

5. Information Technology

The Company's forecasted increase in RY1 information technology (IT) expenses reflected inflationary increases to historic test year costs, an eight percent escalation on vendor contracts for strategic software and licensing, and tracking expenses related to the Company's IT capital plan.¹⁰¹ Staff agreed with the Company's forecast, but made tracking adjustments tied to Staff's proposed IT capital forecast.¹⁰² In its rebuttal testimony, the Company disputed Staff's tracking adjustments and also reflected revisions to its forecasts for a third-party Co-Sourcing engagement and the Company's Cyber Security Operations Center.¹⁰³

The Joint Proposal limits the forecast of IT expenses to inflationary increases for all three Rate Years and reflects tracking adjustments tied to capital-related project costs. The Joint Proposal provides for enhancements to the Company's IT systems, including additions of capital and O&M expenditures necessary to modernize its systems, reduce risk, and meet

⁹⁹ Direct Testimony of Staff Accounting Panel, pp. 40-43.

¹⁰⁰ Rebuttal Testimony of Central Hudson Workforce, Compensation and Benefits Panel, pp. 10-12.

¹⁰¹ Direct Testimony of Central Hudson Revenue Requirements Panel, p. 42.

¹⁰² Direct Testimony of Staff Accounting Panel, pp. 69-70.

¹⁰³ Rebuttal Testimony of Central Hudson Revenue Requirements Panel, pp. 16-17.

increasing customer, regulatory, and business demands. The Co-Sourcing engagement will bolster the Company's IT systems with additional safeguards and efficiencies to aid in providing secure and reliable customer service. The cybersecurity proposals are reasonable because they prioritize the Company implementing its Cyber Security Operations Center to increase protection of Company networks while also levelling spending across all three Rate Years.

6. Environmental SIR

Central Hudson's initial filing included a forward-looking projection of its spending for environmental SIR.¹⁰⁴ Of Central Hudson's sites,¹⁰⁵ the North Water Street site still requires significant remediation work, and the Newburgh Office site needs further investigation to determine if more work is required.¹⁰⁶ Staff agreed with Central Hudson's projected expense amounts for RY1.¹⁰⁷

The Joint Proposal recommends an environmental SIR rate allowance based on a slightly modified calculation of the projected spending by using quarterly data, which more accurately aligns projected expenses with the Rate Years. The rate allowances reflect the use of environmental SIR regulatory liability balances to offset the environmental SIR expense in each rate year. Using these regulatory liability balances entirely offset the expenses in RY1 and RY2. The Joint Proposal is reasonable because it more accurately reflects the costs projected to occur, and the use of regulatory liabilities, or money owed to customers, to offset these necessary expenses, which benefits customers.

7. Pension and OPEBs

Central Hudson's initial filing forecast negative expenses for employee pension and OPEB costs, based on forecasts determined by the Company and its actuary, as accounted for in the same manner as in the 2024 Rate Plan and in compliance with the Commission's

¹⁰⁴ Direct Testimony of Central Hudson Revenue Requirements Panel, pp. 41.

¹⁰⁵ The Company's SIR program expenses relate to the costs of assessing, monitoring, cleanup, and restoration of seven sites containing environmental contamination for which the Company has been found to be wholly or partially responsible pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and which the Company is obligated to perform.

¹⁰⁶ Direct Testimony of Central Hudson Site Investigation and Remediation Panel, pp. 13-14.

¹⁰⁷ Direct Testimony of Staff Site Investigation and Remediation Panel, pp. 20-21.

Pension/OPEB Policy Statement issued on September 7, 1993, in Case 91-M-0890.¹⁰⁸ Central Hudson proposed that these costs be updated during these proceedings after it received the latest actuarial accrual in January 2025. Staff agreed with the pension and OPEB costs with an update to the costs, but made a tracking adjustment relating to the distribution of labor.¹⁰⁹

The Joint Proposal recommends using the updated forecast provided by the Company and its actuary, which reflects negative expenses for both pension and OPEBs in all three Rate Years. The Joint Proposal is a reasonable outcome because it includes the latest actuarial forecast information for pension and OPEB expenses.

V. Accounting Matters

A. Net Plant Targets, Reconciliation, Deferral Accounting and Reporting Requirements

1. Components of Net Plant

The components of net plant set by the Joint Proposal are reflected in Appendix C, Schedule 1 to the Joint Proposal.

2. Electric and Gas Net Plant Targets

The Joint Proposal and Appendix C, Schedule 2 to the Joint Proposal fully describe the use of electric and gas net plant targets and the resulting effect on the revenue requirement. The net plant targets are based on and reflect the agreed on total electric, gas, and common capital expenditures during the Rate Plan and are presented in Appendix E to the Joint Proposal.

a. Electric Capital Expenditures

Central Hudson proposed total electric capital expenditures of \$165.3 million in 2025, \$166.7 million in 2026, \$173.4 million in 2027, and \$178.3 million in 2028, for a total electric capital budget of \$683.7 million over that entire four-year period.¹¹⁰ Approximately 78 percent of the Company's request was associated with replacing equipment based on asset condition; many of these projects are CLCPA Phase 1 projects that also address bottlenecks or

¹⁰⁸ Direct Testimony of Central Hudson Accounting and Tax Panel, pp. 25-26.

¹⁰⁹ Direct Testimony of Staff Accounting Panel, p. 55.

¹¹⁰ Central Hudson Exhibit ___ (ECOP-1), Sheet 1.

constraints that limit renewable energy delivery or increase the capacity to host additional Distributed Energy Resources (DERs).¹¹¹

Staff recommended total electric capital expenditures of \$147.4 million in 2025, \$151.7 million in 2026, \$144.7 million in 2027, and \$145.1 million in 2028, for a total electric capital budget of \$588.8 million over the four-year period.¹¹² Staff's recommended budget reflected reductions to the Company's proposals for the Distribution Improvements, Transmission, Substation, New Business, and Transformers categories.

Appendix E, Schedule A of the Joint Proposal presents an electric capital expenditure budget of \$154.4 million in 2025, \$156.8 million in 2026, \$155.6 million in 2027, and \$158.1 million in 2028, with a total electric capital budget of \$625.0 million over the four-year period. The annual budgets, broken down by electric project, can be found in Appendix E, Schedule B of the Joint Proposal. This equates to a \$58.8 million downward adjustment over the four-year period compared to the Company's initial filing. The largest drivers of this decrease are the adjustments made to the Distribution Improvements, Transmission, and Transformers categories of \$29.5 million, \$19.7 million, and \$6.1 million, respectively. These categories are discussed in further detail below.

The major downward adjustments within the Distribution Improvements category, compared to the Company's proposal, include the removal of \$12.4 million in the Distribution Improvements Blankets Program and \$8.6 million in the Storm Hardening Program. The Distribution Improvement Blankets Program is a non-discretionary program that requires the Company to replace defective poles and emergent needs to support daily operations. The Company projected higher pole replacement numbers compared to the historical averages due to inspection findings in the Poughkeepsie district.¹¹³ The budget reflected in the Joint Proposal is reasonable as it will allow the Company to maintain reliability on the system based on Central Hudson's recent inspection findings within the Poughkeepsie district.

The Storm Hardening Program targets specific circuits on which the Company upgrades infrastructure so that it meets current-day standards in service areas that have

¹¹¹ Direct Testimony of Central Hudson Electric Capital and Operations Panel, p. 20.

¹¹² Staff Exhibit __ (SECOP-2), p. 1; Staff Exhibit __ (SERRVMP-2), p. 1.

¹¹³ Staff Exhibit __ (SECOP-1).

experienced lower levels of reliability performance due to severe weather events. In Staff's initial review of these projects, only one project fit the criteria of experiencing lower-level reliability. The Joint Proposal's budget for the Storm Hardening Program includes additional circuits that better fit the established criteria, which accounts for the Joint Proposal's budget being higher than Staff's testimonial position. Additionally, the Joint Proposal spreads the budget over four years. The Joint Proposal's treatment of the Storm Hardening Proposal is reasonable since it allows the Company to upgrade poor performing circuits, which should help increase their reliability, while moderating the impact of the program's cost.

The Transmission category in the Joint Proposal reflects projects for which recent years have seen significant increases in material costs impacted overall capital expenditures.¹¹⁴ These substantial increases in material costs affected the Q line project and the High Priority Replacements Program. Although costly, the projects in this category are necessary. In the face of these increases in material costs affecting the Transmission category, the Joint Proposal limits the impacts and makes downward adjustments to the budget in this category compared to the Company's testimonial position. These include a downward adjustment of \$15.7 million to the Q line project and \$3.8 million to the High Priority Replacements program.

The Q line was originally constructed in the 1950s and, based on results from Central Hudson's inspections, approximately 65 percent of the structures need replacement, with numerous others exhibiting an array of minor defects.¹¹⁵ To accommodate the need to replace these structures and accommodate load growth in the area, Central Hudson plans to rebuild this 69kV line as a 115kV line. The Joint Proposal's downward adjustment for the Q line project reflects delaying the start date of the project by one-year to better align with the timeline of the Company to secure the required permits. The budget in the Joint Proposal is reasonable because it gives Central Hudson adequate time to secure permits for the Q line project and address asset condition problems while enabling opportunities for future growth.

The High Priority Replacements Program includes ongoing infrastructure replacement work associated with the Company's routine five-year comprehensive inspection program. These inspections have repair timeframes defined by the Commission and the

¹¹⁴ Direct Testimony of Central Hudson Electric Capital and Operations Panel, p. 21.

¹¹⁵ Id., p. 31.

forecasted expenditures of this program are based on the anticipated number of findings and associated replacements and/or repairs.¹¹⁶ The budget in the Joint Proposal is reasonable for High Priority Replacements because it allows Central Hudson to make replacements and/or repairs in line with historical experience.

Finally, the Joint Proposal reflects downward adjustments to the Transformers category¹¹⁷ of \$2.2 million in 2025, \$2.3 million in 2026, \$3.0 million in 2027, and \$3.8 million in 2028 as compared to the Company's testimonial position. The adjustments reflect an overall reduction to the category, rather than adjustments to individual projects. The budget in the Joint Proposal is reasonable because it reflects the significant increase in material costs and allowing the Company the ability to purchase these equipment based on a historical experience.

b. Gas Capital Expenditures

Regarding the Company's gas net plant targets, Central Hudson proposed total gas capital expenditures of \$88.409 million in 2025, \$87.302 million in 2026, \$83.811 million in 2027, and \$88.963 million in 2028, for a total gas capital budget of \$348.485 million over the entire four-year period.¹¹⁸ Approximately 89 percent of the Company's request relates to replacing aging or obsolete equipment, with a significant portion dedicated to the LPP main replacement program for which the Company proposed a budget of \$168.7 million from 2025 to 2029 and had most recently committed to eliminating at least 15 miles of LPP a year in the 2024 Rate Plan.¹¹⁹ In addition to the non-discretionary LPP replacement program, the Company also proposed other gas capital projects to replace, repair, or perform maintenance on gas transmission and distribution pipes, meters, and regulator stations. One such project is the TP Line Replacement transmission project, with a proposed cost of \$10.3 million from 2025 to 2029, which will replace portions of the Company's transmission line to ensure compliance with the federal maximum allowable operating pressure reconfirmation requirements for onshore steel

¹¹⁶ Id., p. 34.

¹¹⁷ The Transformers category includes the Special Meter Installations, Instrument Transformers, Electric Meters, and AMI Pilot Programs.

¹¹⁸ Central Hudson Exhibit __ (ECOP-1), Sheet 1.

¹¹⁹ Direct Testimony of Central Hudson Gas Capital and Operations Panel, pg. 30.

transmission pipelines set forth in 49 CFR §192.624.¹²⁰ The Company also proposed projects like the LPS distribution program, with a proposed cost of \$9.03 million from 2025 to 2028, which would replace services made of leak-prone materials that would not otherwise be replaced through the LPP replacement program.¹²¹

Staff recommended total gas capital expenditures of \$74.733 million in 2025, \$76.621 million in 2026, \$70.674 million in 2027, and \$72.968 million in 2028, for a total gas capital budget of \$294.998 million over the four-year period.¹²² This recommended budget more appropriately accounted for the costs of replacing equipment and valves on its transmission lines as well as the installation cost per gas service.¹²³ Although Staff recommended no adjustments to the LPP replacement program or the TP Line Replacement project, Staff did recommend reductions to many other transmission and distribution projects, including the LPS distribution program, as well as a \$31.8 million overall reduction to service replacement blanket distribution projects.¹²⁴

Appendix E, Schedule A of the Joint Proposal presents a gas capital expenditure budget of \$81.311 million in 2025, \$84.480 million in 2026, \$76.516 million in 2027, and \$77.982 million in 2028, with a total gas capital budget of \$320.288 million over the four-year period. The annual budgets per gas project can be found in Appendix E, Schedule C. This budget incorporates many of Staff's recommended reductions to the transmission, distribution and meters gas capital projects, while still allowing the Company's sufficient funds for important projects as the LPP replacement program and the TP Line Replacement program. The Joint Proposal also includes a budget level for the service replacement blanket distribution projects that aligns more accurately with the Company's requirements during the Rate Years. Therefore, the budget presented in the Joint Proposal is reasonable as it allows Central Hudson the budget to perform repairs, replacements and maintenance through such projects as the LPP replacement program and the TP Line Replacement program in order to continue to provide safe and reliable service while protecting ratepayers from unnecessary costs.

¹²⁰ Id., p. 17.

¹²¹ Staff Exhibit __ (SNPGIP-2).

¹²² Id.

¹²³ Direct Testimony of Staff Net Plan and Gas Infrastructure Panel, pp. 16-17, 26-27.

¹²⁴ Staff Exhibit __ (SNPGIP-2).

c. Common Capital Expenditures

i. Common (IT) Capital Expenditures

Regarding the Company's IT net plant targets, Central Hudson proposed total IT capital expenditures of \$56.129 million in year 2025, \$60.658 million in year 2026, \$37.396 million in year 2027, and \$41.927 million in year 2028, for a total IT capital budget of \$196.11 million over the entire four-year period.¹²⁵ The main drivers of the Company's IT expenditures were investments regarding Customer Experience, Grid Modernization, Communications, and Technology Lifecycle Management.¹²⁶

Staff recommended total IT expenditures of \$49.328 million in 2025, \$45.974 million in 2026, \$40.191 million in 2027, and \$27.761 million in 2028, for a total IT capital budget of \$163.254 million over the entire four-year period.¹²⁷ Staff agreed with the majority of the IT investments as necessary to migrate away from obsolete and aging systems to improve overall system safety and reliability. However, Staff's recommended budget reflected reductions to the Company's proposals for software improvements and upgrades in the Customer Experience and Technology Lifecycle Management categories. Staff recommend a downward adjustment of \$3.182 million in RY1 to the discretionary portions of the Enterprise Work and Asset Management and Enterprise Resource Planning projects as they do not address the upgrade or replacement of needed software or perform integral work necessary to the long-term goals of system consolidation.¹²⁸ Staff also recommended a \$1.5 million reduction to the Interactive Voice Response Modernization Program proposal due to lack of confidence the Company could demonstrate the need for additional funds or additional time to implement the system.¹²⁹

Appendix E, Schedule E of the Joint Proposal provides for an IT common capital expenditure budget of \$52.893 million in 2025, \$48.640 million in 2026, \$43.407 million in 2027, and \$27.345 million in 2028, with a total IT common capital budget of \$172.285 million over the four-year period. The annual budgets broken out by project can also be found in Appendix E, Schedule E. The Joint Proposal's IT common capital budget reflects the IT

¹²⁵ Central Hudson Exhibit __ (ECOP-1).

¹²⁶ Central Hudson Exhibit __ (TCOP-1); Direct Testimony of Central Hudson Technology Capital and Operations Panel, p. 6.

¹²⁷ Staff Exhibit __ (SCCP-2).

¹²⁸ Direct Testimony of Staff Common Capital Panel, pp. 14-16.

¹²⁹ Direct Testimony of Staff Consumer Services Panel, pp. 57-59.

investments that are needed to migrate away from obsolete and aging systems in order to improve overall system safety and reliability. The Joint Proposal's budget does reflect a reduction of most of what Staff identified in testimony as discretionary expenditures under the Enterprise Resource Planning and Enterprise Work and Asset Management programs. Where the Joint Proposal differs from Staff's testimonial position, the Joint Proposal reflects updates provided in the Company's rebuttal testimony, justifying that some items Staff had considered discretionary were, in fact, needed.¹³⁰ Additionally, the Joint Proposal reflects that the Company will move forward with the Interactive Voice Response program expenditures but delays those expenditures until the later rate years to better reflect the expected completion schedule. The budget presented in the Joint Proposal is reasonable because it provides Central Hudson with a budget enabling it to improve or replace systems needed to maintain current operations, ensuring safe and reliable service while protecting customers from excessive discretionary costs.

ii. Common (Non-IT) Capital Expenditures

The common non-IT capital expenditure categories include Lands and Buildings, Office Equipment, Tools, and Transportation. Central Hudson proposed total non-IT common capital expenditure levels of \$34.666 million in 2025, \$47.425 million in 2026, \$35.378 million in 2027, and \$41.995 million in 2028, with a total non-IT common capital budget of \$159.464 million over the four-year period.¹³¹ Staff recommended total non-IT common capital expenditure levels of \$29.939 million in 2025, \$40.373 million in 2026, \$30.810 million in 2027, and \$36.364 million in 2028, with a total non-IT common capital budget of \$137.487 million over the four-year period.¹³² The main projects under common non-IT category are \$20.9 million for a Training Academy-Annex (indoor) space for the hands-on training and development of FTEs in various departments, including learning how to install, repair and maintain equipment, and \$24.9 million for a Training Academy-Academy project to provide classroom and meeting spaces for employee training, development, and meetings, as well as for community partners and first responders.¹³³ Staff recommended adjustments to both projects by

¹³⁰ Rebuttal Testimony of Central Hudson Technology Capital and Operations Panel, pp. 3-8.

¹³¹ Central Hudson Exhibit __ (ECOP-1), Sheet 1.

¹³² Staff Exhibit __ (SCCP-2), p. 4.

¹³³ Direct Testimony of Central Hudson Common Capital and Operations Panel, p. 11.

applying a different contingency percent and arrived at proposed expenditures of \$19.7 million for Annex and \$22.7 million for the Academy.¹³⁴

Appendix E, Schedule D of the Joint Proposal provides for a non-IT common capital expenditure budget of \$29.436 million in 2025, \$39.941 million in 2026, \$34.559 million in 2027, and \$36.548 million in 2028, with a total non-IT common capital budget of \$140.485 million over the four-year period. The annual budgets broken out by project can also be found in Appendix E, Schedule D. Notably, the Joint Proposal reflects expenditures of \$20.5 million for the Annex and \$22.7 million for Academy. These amounts allow the Company to finish building these major projects based on current cost estimates with a reduction to the contingency amounts the Company initially requested. The budget presented in the Joint Proposal is reasonable as it allows Central Hudson the budget to maintain, repair and update its infrastructure, training facilities, equipment and fleet in order to continue to provide safe and reliable service while protecting ratepayers from unnecessary costs.

3. Net Plant Target Reconciliations

Central Hudson claimed that a non-fully symmetrical net plant reconciliation mechanism was not appropriate for a one-year litigated rate case due to external influences on the Company's capital budget such as weather, supply chain issues, and operational problems.¹³⁵ However, the Company stated that these influences would be manageable over a multi-year rate plan.¹³⁶

Staff recommended the implementation of a downward-only net plant reconciliation mechanism. This reconciliation would protect ratepayers from paying for a revenue requirement based on excess capital spending if the Company did not spend the entirety of its approved capital budget.¹³⁷

The Joint Proposal provides that, for both electric and gas, Central Hudson's actual net plant balance will be reconciled on an annual basis to the agreed-upon targets. Any revenue requirement impact will be carried forward and, at the end of the Rate Plan, a

¹³⁴ Direct Testimony of Staff Common Capital Panel, pp. 28-31.

¹³⁵ Rebuttal Testimony of Central Hudson Accounting and Tax Panel, p. 12.

¹³⁶ Id.

¹³⁷ Direct Testimony of Staff Net Plant and Gas Infrastructure Panel, p. 48.

cumulative downward deferral will be in place to benefit ratepayers if the Company does not spend its rate allowances over the term of the Rate Plan. Appendix C, Schedule 2 to the Joint Proposal presents an example calculation.

The net plant reconciliation mechanism presented in the Joint Proposal is reasonable, as it is downward-only, which protects ratepayers from potential paying rates based on higher than actual levels of net plant. Additionally, this mechanism is cumulative over the multi-year Rate Plan, which allows Central Hudson to adjust and account for external factors to its capital budget.

4. Deferral for the Benefit of Ratepayers

The Joint Proposal requires the Company to defer, for ratepayer benefit, the revenue requirement difference of the actual net plant balance and depreciation expense to that of the established target values. As further described in Section V.A.3, the net plant downward-only reconciliation mechanism protects customers and ensures that the Company will not benefit from spending less capital than the forecast used to develop rates.

5. Capital Expenditures Reporting Requirements

The Joint Proposal provides for the continuation of quarterly and annual reporting requirements regarding electric actual and forecasted capital expenditures, as detailed in Appendix M. In addition, the Company will prepare and present its capital budget by project or program category rather than as a single total expenditure amount, as illustrated in Appendix D. Overall, this provision of the Joint Proposal continues the existing reporting requirements for electric and requires a more detailed presentation of the Company's electric, common, and gas capital budgets. This will allow the Commission and Staff to better track the Company's projects and the amount being allocated to each project or program category to better understand the capital project needs of the Company's electric and gas systems.

B. Deferral Accounting

1. Effective Deferrals

The Joint Proposal continues the use of deferral accounting for several expense elements currently effective, whether due to a Commission Order or policy of general applicability or due to a Commission determination specific to Central Hudson. The Joint

Proposal also modifies some existing deferral mechanisms and includes new deferral mechanisms. A comprehensive list of deferrals is contained in Appendix F of the Joint Proposal. Some of the new, modified, or noteworthy deferrals are discussed below.

d. Call Center Legislation

Chapter 107 of the Laws of 2025 amends PSL §65(13), effective June 19, 2025, to generally require gas and electric corporations to have customer service calls answered within the utility's service territory and New York State. As Central Hudson has relied on call centers outside of its service territory and New York State, complying with this law can be expected to impact the Company's call center staffing location and operations.

The Signatory Parties recognized that Central Hudson will likely incur incremental costs to comply with this law, although those costs are not certain at this time. In light of this uncertainty, the revenue requirements in the Joint Proposal do not include any costs for complying with this new law. However, the Joint Proposal allows the Company to defer, on a rate year basis, incremental costs incurred to comply with the call center legislation, based on the following structure: (1) 100 percent deferral of incremental expenditures associated with the hiring of internal or external resources, including but not limited to labor, training, equipment, and office space up to \$7.5 million; (2) 50 percent deferral of incremental expenditures between \$7.5 million and \$8.5 million; and (3) a limit on the deferral of incremental expenditures set at \$8.5 million per rate year. Additionally, the Joint Proposal recommends a reporting requirement to ensure that Staff is able to track any incremental costs. This reporting requirement is discussed in greater detail in Section XVIII.B, below.

This provision of the Joint Proposal is reasonable because it provides deferral treatment for the Company's uncertain costs of up to \$7.5 million per year and only partial recovery of expenses beyond \$7.5 million, which will encourage the Company to limit expenses that exceed \$7.5 million.

ff. Executive Short Term Incentive Compensation

As discussed above in Section IV.G. of this Initial Statement, the Joint Proposal authorizes the Company to defer the cost of its incentive compensation for executive employees for RY1. The Company's ability to defer this cost is contingent upon Staff's acceptance of the Company's implementation of Recommendation 2.7 from its most recent comprehensive

management and operations audit in Case 21-M-0541, which required necessary improvements to its executive incentive compensation program. The revenue requirement includes executive incentive compensation for RY2 and RY3; however, if Staff has not accepted the Company's implementation of Recommendation 2.7 as completed by the end of each respective rate year, the Company will defer the rate allowance for future return to customers.

This provision of the Joint Proposal is reasonable because it makes the Company's ability to defer and recover the costs of its executive incentive compensation program contingent on the Company's successful implementation of Recommendation 2.7 from the audit conducted in Case 21-M-0541. This ensures that ratepayers only fund this program once the necessary improvements are implemented.

mm. Gas Planning Proceeding – Gas Long-Term Plan

The Joint Proposal authorizes the Company to defer up to \$665,000 in RY3 related to preparing its next gas long-term plan, as required by Case 20-G-0131. The Gas Planning Order set forth a gas system planning process that included the gas utilities, including Central Hudson, filing long-term gas system plans approximately every three years.¹³⁸ Central Hudson filed its first long-term plan in Case 23-G-0676, which remains pending before the Commission. Based on the Commission's orders addressing other utilities' long-term plans,¹³⁹ the Signatory Parties expect that Central Hudson will be required to file its next long-term plan during or shortly after RY3; however, this is not certain. Central Hudson incurred expenses from a consultant related to preparing the long-term plan it submitted in Case 23-G-0676, and will likely do so again in preparing its next long-term plan. Recognizing the uncertain costs that Central Hudson would incur in preparing its next long-term plan, the revenue requirements presented in the Joint Proposal do not include any such costs. However, also recognizing that the

¹³⁸ Case 20-G-0131, supra, Order Adopting Gas System Planning Process (issued May 12, 2022), p. 10.

¹³⁹ Case 22-G-0610, National Fuel Gas Distribution Corporation – Long-Term Plan, Order Implementing Long-Term Natural Gas Plan With Modifications (issued December 14, 2023); Case 23-G-0147, Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. – Long-Term Plan, Order Regarding Long-Term Natural Gas Plan and Requiring Further Actions (issued September 20, 2024); Case 23-G-0437, NYSEG and RG&E – Long-Term Plan, Order Regarding Long-Term Natural Gas Plan and Directing Further Actions (issued January 23, 2025).

Company is likely to incur these costs during RY3, the Joint Proposal would allow the Company to defer the costs it incurs if it hires a consultant to prepare its next long-term plan, with a limit based on the costs the Company incurred preparing its plan for Case 23-G-0676. This provision is reasonable as it recognizes a likely but uncertain cost, and will enable the preparation of a fully developed long-term plan for Commission, Staff, and stakeholder review.

nn. Gas Long-Term Plan Proceeding – PA Consulting

The Joint Proposal states that the Company's deferral of costs associated with PA Consulting's services regarding the Company's gas long-term plan in Case 23-G-0676 is subject to the limitation set forth in Section XXIII.A of the Joint Proposal. This provision is discussed in further detail in the corresponding section of this Statement in Support below.

oo. Governmental, Legislative and Other Regulatory Actions

The Company is authorized to defer the revenue requirement effect of any governmental, legislative, accounting, regulatory, tax or applicable tax rates, fees, government-mandated action or other regulatory actions in a rate year whose impact in aggregate is greater than 10 basis points for either the gas department or the electric department, with carrying charges at the pre-tax rate of return. This deferral protects both the Company and customers from the material impacts of these types of actions, which are beyond the Company's control. Such provisions are normally included in multi-year rate plans and should be adopted.

aaa. Non-Major Storm Expense

While no party in these proceedings proposed a Non-Major Storm deferral in their testimony, the Signatory Parties agreed to include this clause in the Joint Proposal. The Joint Proposal's recommended revenue requirements reflect an increase in the rate allowance for Non-Major Storm Expense of \$7.5 million in RY1, \$7.7 million in RY2, and \$7.9 million in RY3, based on recent historical experience for this expense. This provision requires the Company to reconcile Non-Major Storm expense cumulatively over the three Rate Years and defer any underspending for customer benefit. The Company would not be allowed to defer any overspending. This allows the Company the funding needed to cover storm expenses not covered in the major storm reserve, while protecting customers by requiring the Company to

defer any underspending. In addition, the Joint Proposal includes provisions for reporting on this account to ensure further transparency for these expenses.

hhh. PermaLock Tapping Tee Assemblies

In its initial testimony, the Company requested deferral authority to account for any future inspection and remediation related to any PermaLock Tapping Tee Assembly found in its system.¹⁴⁰ The National Safety Board had identified potential problems with the PermaLock Tapping Tees, including improper installation issues regarding the locking sleeves and bolts, as well as degradation and fracturing of saddle bolts and O-rings that could lead to leaks or other incidents impacting public safety.¹⁴¹ On March 16, 2023, the Commission issued its Order Initiating New Procedure in Case 23-G-0082, wherein the Commission initiated a new proceeding to provide a systematic and methodical means for gas utility companies to review, examine, and report on their use of tapping tees, as well as to potentially remediate tees that may have been improperly installed.¹⁴² In testimony, Staff recommended that the Commission require the Company to continue tracking and identifying its tapping tees and agreed with the Company's requested deferral.¹⁴³ The Joint Proposal permits the Company to defer the revenue requirement effect of incremental costs incurred to comply with inspection and/or remediation of PermaLock Tapping Tee Assemblies not otherwise addressed in another Commission proceeding.

vvv. Right of Way Maintenance – Distribution

The Company did not propose any deferrals to its Vegetation Management Program in its initial testimony. Staff recommended in its direct testimony that the Company reinstitute a downward-only reconciliation.¹⁴⁴ In its rebuttal testimony, the Company stated that

¹⁴⁰ Direct Testimony of Central Hudson Gas Safety Panel, p. 50.

¹⁴¹ Case 23-G-0083, Proceeding on Motion of the Commission Regarding an Examination by Gas Distribution Utilities Concerning the Installation of PermaLock Tapping Tee Assemblies, Order Initiating New Proceeding (issued March 16, 2023), pp. 1-2.

¹⁴² Id., p. 1.

¹⁴³ Direct Testimony of Staff Pipeline Safety Panel, pp. 71-72.

¹⁴⁴ Direct Testimony of Staff Electric Resilience, Reliability, and Vegetation Management Panel, p. 65.

a downward-only reconciliation mechanism is not appropriate in the context of a one-year case and the Company intends to spend its full budget.¹⁴⁵

The Joint Proposal reflects a continuation of the Company's current budget for the Right of Way Maintenance – Distribution account at \$26.3 million for all three Rate Years, with a cumulative downward-only reconciliation. This allows the Company the funding needed to cover distribution vegetation management activities, with any underspending to be deferred to customers in the future. In addition, the Joint Proposal includes provisions for reporting on this account to ensure further transparency for these expenses.

xxx. Solar on Company Facilities

In its filing, the Company proposed a capital project to install solar photovoltaic (PV) panels on Company facilities at a cost of \$1.1 million in RY1 and \$3.2 million overall.¹⁴⁶ The proposal provided for \$0.174 million in 2025, \$1.951 million in 2026, \$0.642 million in 2027, and \$0.183 million in 2028.¹⁴⁷ Other parties did not address this proposal in testimony. The Signatory Parties decided that the Company would not proceed with this project during the term of the Rate Plan. However, the project is reflected in the net plant target. This provision requires the Company to defer the revenue requirement effect of this project for later return to ratepayers to reflect that the Company will not be proceeding with this project.

aaaa. Supplemental AMI Gas Study

In its testimony, the Company proposed a supplemental study to evaluate the deployment of gas-only AMI endpoints and remote methane detectors in areas where Central Hudson has only the gas franchise and another utility has the electric franchise. This occurs in limited southern portions of the Company's gas service territory. The Company also requested deferral of up to \$100,000 to perform this study.¹⁴⁸ Staff had no objections to the Company's proposal as remote methane detectors utilizing AMI endpoints would promote safety for

¹⁴⁵ Rebuttal Testimony of Central Hudson's Electric Capital and Operations Panel, p. 44.

¹⁴⁶ Direct Testimony of the Common Capital and Operations Panel, p. 20.

¹⁴⁷ Central Hudson Exhibit __ (SCCP-2), p. 4.

¹⁴⁸ Direct Testimony of Central Hudson Gas Safety Panel, pp. 42-43.

customers and is worthy of studying. Thus, the Joint Proposal provides for this deferral so the Company can continue to study the potential for such a deployment.

dddd. Uncollectible Reserve Deferral

This provision allows the Company to record a deferral to offset the uncollectible reserve on its balance sheet. The deferral does not impact the revenue requirement and is strictly an accounting change to offset the Company's estimate of future uncollectible write-offs recorded to the balance sheet in accordance with the United States Generally Accepted Accounting Principles.

2. Expiring Deferrals

As discussed in the Joint Proposal, revenues, expenses, and costs associated with five existing deferrals shall expire on the effective date of a Commission order in these proceedings. As these were not disputed in testimony in these proceedings, they are not discussed in detail here. Discontinuing these deferrals is appropriate as they are not applicable to the Company during the term reflected by the Joint Proposal.

C. Deferral Extension/Continuation

The Joint Proposal clarifies that all effective deferrals authorized by the Joint Proposal shall continue beyond the term of the Rate Plan to ensure proper accounting for any Company cost recoveries or customer pass-backs.

D. Right to Petition

The Joint Proposal acknowledges the Company's ability to seek authorization to defer any extraordinary costs or revenues not explicitly addressed by the Joint Proposal. This allows Central Hudson to timely address any material impacts resulting from new regulatory, legislative, and other changes. The Joint Proposal further recognizes that all Signatory Parties may take any position regarding such a Company petition. Finally, this provision recognizes that unforeseen events could materially affect the Company's revenues or costs, and acknowledges that any party may petition the Commission in such an event. This provision only recognizes the ability of parties to file petitions and take positions regarding such petitions. It does not purport to require any particular Commission action in response to such a petition.

E. Cost Recovery Mechanisms in Generic Proceedings

In its initial testimony, Central Hudson proposed three new deferrals to recover any incremental costs associated with the Commission proceedings in Cases 20-E-0197, 24-E-0165, and 25-M-0051.¹⁴⁹ Staff's testimony disagreed with adding deferrals for Cases 20-E-0197¹⁵⁰ and 24-E-0165,¹⁵¹ stating that any Commission directives regarding cost recovery would be determined within each respective proceeding. Staff also disagreed with the deferral treatment associated with Case 25-M-0051,¹⁵² citing uncertainty surrounding additional costs and the Company having sufficient time to develop reasonable funding estimates.

The Joint Proposal states that recovery of any incremental costs associated with these proceedings are not reflected in the revenue requirements for the Rate Plan. Given that such costs are currently undetermined, the Joint Proposal recognizes the Company may request cost recovery mechanisms in the proceedings. This provision appropriately recognizes that the Company can request cost recovery mechanisms if it incurs incremental costs related to these proceedings without presuming to allow such recovery separate and apart from those active Commission proceedings.

F. Projected Net Deferred Regulatory Credits

The projected net regulatory deferral balance made available for moderation will be offset by the actual balances as of July 1, 2025. This ensures that the remaining balance will be deferred and made available for future use. Additionally, beginning in RY2, the Joint Proposal reflects the use for moderation of an electric rate base credit from the sale of generation

¹⁴⁹ Direct Testimony of Central Hudson Accounting and Tax Panel, pp. 31-32 (referring to: Case 20-E-0197, Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act; Case 24-E-0165, Proceeding on Motion of the Commission Regarding the Grid of the Future; and Case 25-M-0051, Proceeding on Motion of the Commission to Establish Rules and Regulations to Require, the Trimming of Vines on Utility Poles Throughout the State Pursuant to PSL §119-d).

¹⁵⁰ Direct Testimony of Staff Electric Capital and Operations Panel, p. 65.

¹⁵¹ Direct Testimony of Staff Energy Sustainability and EAM Panel, pp. 15-16.

¹⁵² Direct Testimony of Staff Electric Resilience, Reliability, and Vegetation Management Panel, pp. 63-64.

assets. The Company will utilize 50 percent of this credit, with the remaining balance to be deferred and reflected as a regulatory liability for future customer rate relief.

G. Revenue Matched Rate Allowances

Appendix J of the Joint Proposal identifies the Joint Proposal's rate allowances and forecasted sales in appropriate service classes for research and development costs, pension, and OPEBs. The resulting revenue matching factors, in dollars per kWh or dollars per Mcf, are simply an identification of the agreed-upon components of the factors. The factors are necessary for Central Hudson's accounting for these true-up costs due to differences between forecasted sales and actual sales during the term of the Rate Plan.

H. Fortis Overhead Allocation Methodology

The Joint Proposal acknowledges Central Hudson's reporting requirements for any allocation methodology changes related to its Fortis overhead costs, as detailed in Appendix M of the Joint Proposal. This is reasonable because it requires that the Company provide timely notice to the Commission and maintains compliance with the cost allocation requirements set forth in the Commission's Order authorizing the acquisition of Central Hudson by Fortis, in Case 12-M-0192.¹⁵³

I. Depreciation

Central Hudson did not propose any changes to the depreciation factors or the depreciation reserve amortization, as the depreciation factors reflected in the 2024 Rate Plan are reasonable and balance cost recovery and customer bill impacts.¹⁵⁴ Similarly, Staff used the currently effective depreciation factors in the development of its recommended revenue requirement and did not recommend any changes.¹⁵⁵ Staff stated that those factors are appropriate and still relevant, as they are based on the Company's most recent depreciation study, which was performed in 2022.¹⁵⁶

¹⁵³ Case 12-M-0192, Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions, Order Authorizing Acquisition Subject to Conditions (issued June 26, 2013).

¹⁵⁴ Direct Testimony of Central Hudson Accounting and Tax Panel, p. 13.

¹⁵⁵ Direct Testimony of Staff Net Plant and Gas Infrastructure Panel, p. 44.

¹⁵⁶ Id.

The depreciation rates in the Joint Proposal, which are presented in Appendix K to the Joint Proposal, are the same as those approved by the Commission in the 2024 Rate Plan. No parties proposed changes to these depreciation rates. Furthermore, these rates are reasonable, appropriate, and still relevant, as they are based on the Company's most recent depreciation study.

VI. Capital Structure and Rate of Return

A. Capital Structure and Return on Equity

In its direct testimony, the Company requested an after-tax cost of capital of 7.25 percent for a one-year rate plan ending June 30, 2026, which reflected a cost of equity of 10.0 percent and a cost of debt of 4.71 percent with a common equity ratio of 48.0 percent.¹⁵⁷ Staff recommended that the Company implement an after-tax cost of capital of 6.83 percent for a one-year rate plan, predicated on an ROE of 9.20 percent, a common equity ratio of 48.0 percent, and a long-term debt cost of 4.65 percent.¹⁵⁸

The Joint Proposal recommends a cost of capital that is consistent with the methodology utilized for decades by Staff regarding ROE, reflects the methodology proposed in Staff's testimony, and also accounts for changes in the financial markets since Staff's initial testimony and the additional business and financial risks inherent in a multi-year agreement. Specifically, the Joint Proposal recommends: (1) an overall after-tax cost of capital of 6.97 percent and a cost of debt of 4.65 percent in RY1; (2) an overall after-tax cost of capital of 7.09 percent and a cost of debt of 4.87 percent in RY2; and (3) an overall after-tax cost of capital of 7.16 percent and a cost of debt of 5.01 percent in RY3. As proposed, each of the rate years would incorporate a ROE of 9.5 percent, a common equity ratio of 48.0 percent, and a long-term debt ratio of 51.80 percent.

The terms of the Joint Proposal reflect current economic conditions and adequately recognize the increased financial and business risks inherent in setting rates over a multi-year period. In the Joint Proposal, the Signatory Parties recommend an ROE that is lower than those adopted by the Commission in the March 2025 rate order regarding Orange and

¹⁵⁷ Direct Testimony of Central Hudson Finance Panel, p. 55.

¹⁵⁸ Direct Testimony of Staff Finance Panel, pp. 8-9, 27-28.

Rockland Utilities, Inc. and the December 2024 rate order regarding National Fuel Gas Distribution Corporation,¹⁵⁹ and identical to the ROE in the pending joint proposals for Corning Natural Gas Corporation and Niagara Mohawk Power Corporation d/b/a National Grid.¹⁶⁰

In addition, both the Company and Staff agreed in initial testimony that a 48 percent equity ratio would be sufficient to allow the Company to continue to access the capital markets at reasonable rates by avoiding future rating downgrades.¹⁶¹ This benefits customers because equity is more expensive than debt, and a 48 percent equity ratio is also consistent with the allowed equity ratios of most of the other major investor-owned utilities in New York.

B. Cost of Long-Term Debt

The Company initially requested an embedded cost rate for long-term debt of 4.71 percent for RY1, 4.87 percent for RY2, and 5.00 percent for RY3.¹⁶² In initial testimony, Staff recommended an overall cost of debt for RY1 for the Company of 4.65 percent, with no recommendation for RY2 or RY3.¹⁶³

The Joint Proposal recommends an average cost of long-term debt of 4.65 percent for RY1, 4.87 percent for RY2, and 5.01 percent for RY3. The changes in the overall cost of long-term debt for the Company for each rate year are reasonable, as they reflect changes in the rates of the underlying U.S. Treasury benchmark rates, changes in the debt markets reflecting differing spread requirements for investors for utility debt, and compromise between the Staff and the Company testimonial positions regarding forecasted interest rate assumptions.

¹⁵⁹ Cases 24-E-0060, et al., Orange and Rockland Utilities, Inc. – Rates, Order Adopting Terms of a Joint Proposal and Establishing Electric and Rate Gas Plans (issued March 20, 2025); Case 23-G-0627, National Fuel Gas Distribution Corporation – Rates, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plan with Minor Modifications (issued December 19, 2024).

¹⁶⁰ Case 24-G-0447, Corning Natural Gas Corporation – Rates, Joint Proposal & Appendices (filed March 17, 2025); Cases 24-E-0322, et al., Niagara Mohawk Power Corporation d/b/a National Grid – Rates, Joint Proposal (filed April 25, 2025).

¹⁶¹ Direct Testimony of Central Hudson Finance Panel, pp. 40-41; Direct Testimony of Staff Finance Panel, p. 27

¹⁶² Central Hudson Exhibit __ (FP-4).

¹⁶³ Direct Testimony of Staff Finance Panel, p. 51.

The previous two multi-year rate plans for the Company included a true-up mechanism for its remaining variable rate long-term debt issuance to address the uncertainty of successful future debt auctions and future short-term rates.¹⁶⁴ As the resulting cost rates of the auction rate debt were beyond the Company's control, this mechanism protected both the Company and customers from the uncertainty of the interest rates on these bonds. The Company refinanced that remaining variable rate issuance to fixed rate debt in October 2024. Therefore, the Joint Proposal appropriately does not provide for a true-up mechanism for Central Hudson's long-term debt.

In addition to its existing debt portfolio, a component of the long-term debt cost rate is the interest rate associated with future fixed-rate long-term debt issuances. The Joint Proposal assumes that Central Hudson will issue an aggregate total of \$490 million of debt during the period between the date of the rate case filing and the beginning of RY1, and RY1 through RY3. This debt will be used to reduce short-term debt, fund capital expenditure programs, redeem maturing long-term debt, and maintain a capital structure consisting of a 48 percent common equity ratio.

VII. Earnings Sharing Mechanism

Cognizant that the Company's earnings could supersede the Company's authorized ROE, the Joint Proposal recommends an earnings sharing mechanism to provide the Company with a financial incentive to control its costs, while also ensuring that customers have an opportunity to share in any resulting increased earnings. The Joint Proposal sets tiered earnings sharing thresholds that allow the Company to keep all over earnings up to 50 basis points above the allowed 9.50 percent ROE, and then shares earnings above that level with customers, with larger percentages going to customers as earnings increase.

¹⁶⁴ Cases 17-E-0459 *et al.*, Central Hudson – Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan (issued June 14, 2018), Attachment 1 (Joint Proposal), pp. 12-13; and Cases 20-E-0428, *et al.*, Central Hudson – Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan (issued November 18, 2021) (2021 Rate Order), Attachment 1 (Joint Proposal), pp. 14-15.

A. Thresholds

As proposed for RY1, the earnings sharing threshold is set 50 basis points above the recommended ROE of 9.50 percent, at 10.00 percent. The Company would retain earnings below this threshold, and would not share them with customers. Earnings above the 10.00 percent threshold will be presumed “shared earnings.” Earnings above the 10.00 percent threshold but less than 10.50 percent will be shared equally (50 percent/50 percent) between customers and the Company. Earnings equal or in excess of 10.50 percent but less than 11.00 percent will be shared 75 percent/25 percent between customers and the Company. Lastly, earnings equal to or in excess of 11.00 percent will be shared 90 percent/10 percent between the customers and the Company.

This earnings sharing mechanism structure is reasonable because it provides a significant safeguard against the potential for excess earnings by the Company. This earnings sharing mechanism also provides the Company with a financial incentive to control its costs while simultaneously ensuring customers have an opportunity to share in those efficiency gains.

B. Reporting and Calculation of Actual Regulatory Earnings

The Joint Proposal provides that the Company will report its actual earnings calculation to the Commission by September 30 after each rate year. The Company’s calculation will be on a “per books” basis, with adjustments made for regulatory performance mechanisms, accruals, and out-of-period charges. This provision reflects a reasonable earnings calculation that is consistent with current practice and requires timely reporting and transparency of the Company’s earnings.

VIII. New, Modified, and Continuing Reporting Requirements

The full list of reporting requirements is set forth in Appendix M of the Joint Proposal and ensures that Central Hudson maintains the transparency necessary for Staff to review the Company’s operations. The recommended reporting requirements reflect Staff’s interest in monitoring changes to the Company’s finances, including deferrals as discussed in Section V and VII, as well as tracking progress toward attaining certain goals or milestones as part of the Company’s performance-based metrics associated with customer service, gas safety, and electric reliability, as discussed in Sections XVI, XVII, and XVIII, respectively. The Joint Proposal’s other noteworthy reporting requirements are discussed below.

A. Non-Major Storm Reporting

While no party in these proceedings proposed a Non-Major Storm reporting requirement in their testimony, the Signatory Parties agreed to include such a clause in the Joint Proposal. This provision requires the Company to track expenses in Non-Major Storm Reporting on a quarterly basis and file those expenses with the Secretary to the Commission. For events that the Company can specifically track, which at a minimum includes Class 1 weather events or greater, the event and cost details will follow the event level template as provided in Appendix M, Schedule A of the Joint Proposal. Appendix G of the Joint Proposal provides additional details on these reporting requirements, which include segregating expenses into two categories (proactive and reactive). Proactive storm expenses include expenses incurred under circumstances where the Company forecasted the need for advanced preparation of crews and support personnel (e.g., contact center staffing) and captured data related to the adverse weather and restoration preparation efforts. Reactive storm expenses include expenses from circumstances where the forecast did not warrant formal advanced preparation efforts, but interruptions nevertheless occurred, and restoration efforts were required due to adverse weather conditions. The tracking of these expenses will allow for greater transparency into the costs associated with storms that do not develop into major storms and help delineate outages that would otherwise be a part of the Company's normal course of business.

B. Distribution Right-of-Way Maintenance Reporting

The Company did not propose any changes to its Distribution Vegetation Management Program reporting in its initial testimony. Staff recommended in its direct testimony that the Company provide quarterly reports on the Distribution Vegetation Management Program, detailing on road, off road, flagging, danger tree, and hazard tree work by month.¹⁶⁵ The Joint Proposal further defines these quarterly reports, through which the Company will track spending and progress for its Distribution Vegetation Management Program.

¹⁶⁵ Direct Testimony of Staff Electric Resilience, Reliability and Vegetation Management Panel, pp. 64-65.

C. Discontinued Reporting Requirements

Based on a review of ongoing reporting requirements pursuant to which the Company regularly makes filings, the Signatory Parties recommend discontinuing the following select reporting requirements from prior Commission orders:

- (1) Monthly Emergency Demand Response Reporting established by the Commission's March 22, 2002, Order Regarding Major Electric Utilities Report in Case 00-E-2054¹⁶⁶;
- (2) Monthly Gas Weather Normalization Adjustment (WNA) Reporting established by the Commission's March 30, 2010, Order Approving Tariff on a Permanent Basis and Mandating Compliance in Case 08-G-0888,¹⁶⁷ provided that the Company will continue to file an annual statement and associated WNA workpapers when it resets the WNA factors; and
- (3) Annual and Quarterly Enterprise Resource Planning - Phase III Project Reporting established by the Commission's 2021 Rate Order.¹⁶⁸

The monthly reporting requirements found in Cases 00-E-2054 and 08-G-0888 listed above are outdated and Staff no longer relies upon the information that would be provided in such reports. Additionally, in the case of the WNA filings, monthly reports are unnecessary as the information contained therein can be found in the Company's annual filings. Similarly, Staff no longer requires detailed quarterly updates to Phase III Projects as had been required in the 2021 Rate Order. Discontinuing these reporting requirements will not substantially impact Staff's ability to review the Company's operations, and doing so will increase administrative efficiency for both the Company and Staff.

IX. Forecasts of Sales and Customers

The Signatory Parties' agreed-upon electric and gas forecasts for sales volumes and numbers of customers are set forth in Appendix N to the Joint Proposal.

¹⁶⁶ Case 00-E-2054, In the Matter of a Status Report on the Demand/Supply Component of the Department's Electric Price and Reliability Task Force Including Recommendations for Specific Utility Actions on the Demand-Side, Order Regarding Major Electric Utilities Report (issued March 22, 2002).

¹⁶⁷ Case 08-G-0888, Central Hudson – Gas Rates, Order Approving Tariff on a Permanent Basis and Mandating Compliance (issued March 30, 2010).

¹⁶⁸ Cases 20-E-0428, et al., supra, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan (issued November 18, 2021).

1. Electric Forecast

The Company employed econometric models to forecast electric customer counts and sales across various service classes for RY1. The Company's forecast anticipated a moderate 1.9 percent compounded annual growth rate in electric sales for RY1, compared to the historic year ending March 31, 2024, primarily due to the uptake of electric vehicles (EVs) and heat pumps.¹⁶⁹ The Company also employed the use of Statistically Adjusted End-Use (SAE) variables that combined Company-specific data along with demographic and economic data from other sources to produce the variables.¹⁷⁰ The Company incorporated post-model adjustments to the sales forecast related to the incremental sales attributable to the increased adoption of EVs, incremental lost sales due to the increased penetration of PV net metering, and changes in incremental usage attributable to the increased adoption of heat pumps.¹⁷¹

Staff reviewed the Company's electric forecasts and raised concerns with the Company's use of composite SAE variables in its models.¹⁷² The SAE variables aggregated numerous underlying variables, including weather, energy prices, and other economic and demographic data. Staff contended that use of these aggregated variables made the Company's models non-transparent and prevented the evaluation of the impact of the individual underlying variables, which is important for evaluating the model for reasonableness. Staff also raised concerns that the SAE variables assumed fixed relationships between variables that were not separately included in the models. Considering these concerns, Staff developed and utilized its own econometric time series models to forecast Central Hudson's customers and sales.¹⁷³ Staff forecasted aggregated residential heat, residential non-heat, commercial demand, commercial non-demand, other-public authority (OPA) demand, and OPA non-demand rate groups for electricity. Staff used updated historical data through August 2024, and directly used the underlying, unmodified economic and demographic data as explanatory variables. Staff also

¹⁶⁹ Central Hudson Exhibit __ (FRP-2), Schedule A, Sheet 1 of 3.

¹⁷⁰ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 18.

¹⁷¹ Id., p. 17.

¹⁷² Direct Testimony of Staff Sales Forecasting Panel, p. 18.

¹⁷³ Id., p. 34.

applied the underlying individual SAE variable such as the commercial non-demand building square footage as an explanatory variable.¹⁷⁴

The forecast set forth in Appendix N of the Joint Proposal is reasonable as it is based on Staff's recommended modelling improvements to the majority of the electric service class forecasts that were based on econometric modelling. The econometric forecasts are also reasonably adjusted for the incremental impacts of electric vehicles EVs, solar PV, and heat pumps.¹⁷⁵ Further, the Appendix N forecast also reflects up-to-date information in instances where non-econometric modelling related data is required. The electric forecasts set forth in the Appendix N of the Joint Proposal depict reasonable forecasts for the Rate Plan that represent consensus forecasts between the Company and Staff.¹⁷⁶

2. Gas Sales Forecast

Central Hudson developed econometric forecasting models for gas customers and gas sales per customer. The Company estimated its models using historical monthly data up to December 2023.¹⁷⁷ The forecasts from the models were subsequently adjusted to reflect anticipated heat pump adoption above what was incorporated in the historical data trends that were modelled.

Staff developed its own econometric gas forecasting models using the Company's historical data.¹⁷⁸ However, Staff's models use historical data through August 2024.¹⁷⁹ Further, given the concerns with the Company's use of SAE variables, as described above, Staff's models separated out the underlying components of the Company's composite end-use saturation and efficiency variables and more transparently included them as distinct explanatory variables.¹⁸⁰

¹⁷⁴ Id., pp. 18, 34.

¹⁷⁵ Id., p. 14.

¹⁷⁶ Joint Proposal, Appendix N.

¹⁷⁷ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 12.

¹⁷⁸ Direct Testimony of Staff Sales Forecasting Panel, pp. 35, 41.

¹⁷⁹ Id., p. 41.

¹⁸⁰ Id., p. 43.

Staff also relied upon the Company's non-econometrically produced forecasts of customers in the OPA and Industrial rate groups.¹⁸¹

The Joint Proposal adopts Staff's forecast, which reflects Staff's econometric gas sales modeling and the Company's post-model adjustments. The gas sales forecasts and associated revenues for the Rate Plan are detailed in Appendix N of the Joint Proposal. The gas forecasts and associated price-outs set forth in the Joint Proposal and accompanying appendices reflect Staff's modeling improvements, account for the impact of heat pump adoption, and represent consensus gas forecasts between the Signatory Parties. They are, therefore, reasonable forecasts for the Rate Plan.

A. Treatment of Danskammer Revenues

Danskammer is a gas-powered generating station. Due to the historically consistent reduction in firm supply and the uncertainty surrounding Danskammer's repowering plans, S.C. No. 11 delivery revenues associated with Danskammer as a gas customer of Central Hudson have been excluded from the revenue forecast. The Company proposed to continue to use the same approach utilized in the 2024 Rate Plan and impute the \$1.0 million of Danskammer revenues during revenue allocation in proportion to each class's responsibility for the overall delivery increase.¹⁸² Staff agreed with Central Hudson's proposal. Consistent with these litigation positions, the Joint Proposal reflects that \$1.0 million of S.C. No. 11 gas delivery revenues from Danskammer will be imputed in the base delivery revenue utilized to determine the base delivery revenue increases. Using the Danskammer revenue to lower base rates directly lowers customers' bills and is in the public interest.

X. Cost of Service, Revenue Allocation and Rate Design

A. Cost of Service

The cost of service provisions within the Joint Proposal reflect input from settlement participants, are within the range of litigated outcomes, and provide significant public benefit. In this proceeding, the Company proposed using the Embedded Cost of Service (ECOS) studies utilized in the 2024 Rate Plan. As the 2024 Rate Plan resulted from administrative

¹⁸¹ *Id.*, p. 41.

¹⁸² Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 37.

litigation and the Company filed these proceedings shortly thereafter, the Company lacked the time necessary to update the historical ECOS studies.¹⁸³

In testimony, Staff recommended five changes to the gas and electric pro-forma ECOS: (1) the inclusion of post-forecast billing determinants within the ECOS; (2) the removal of reducing scalars on meter read counts; (3) the reduction of pole attachment revenues commensurate with the approved pole attachment rate; (4) the development of the “Other Sales” electric pro-forma allocator utilizing forecasted revenues; and (5) the modification of future gas ECOS methodologies to separately parse S.C. Nos. 2, 6, and 13.¹⁸⁴ UIU recommended reclassifying Federal Energy Regulatory Commission accounts 364, 365, 366, 367, 368, and 376, as 100 percent demand-related.¹⁸⁵ MI recommended that system control, load dispatching, and other power supply expenses be functionalized and classified in the same manner as they were in the 2024 Rate Plan.¹⁸⁶ In rebuttal testimony, the Company agreed with the recommendation by MI and the first four Staff recommendations and incorporated these corrections in the ECOS studies. The ECOS underlying the Joint Proposal directly incorporates the first four changes proposed by Staff and change number five is separately addressed in the Joint Proposal.

1. Next Rate Filing

The Joint Proposal contains additional beneficial elements related to future ECOS filings and addresses Staff’s fifth ECOS recommendation. Sections X.A.1 and X.A.2 obligate the Company to provide additional public filings, including a detailed narrative of key technical parameters and underlying data sources, in support of the ECOS studies. These additional filings will provide stakeholders, ratepayers, and other interested parties a more comprehensive and holistic understanding of large, highly technical studies in publicly accessible form. By eliminating access requirements and technical barriers, the Joint Proposal makes significant and meaningful improvements to the dissemination of key information that directly impacts all ratepayers.

¹⁸³ Direct Testimony of Central Hudson Cost of Service Panel, p. 5.

¹⁸⁴ Direct Testimony of Staff Rates Panel, pp. 25-34.

¹⁸⁵ Direct Testimony of Dustin M. J. Madsen, pp. 10-11.

¹⁸⁶ Direct Testimony of Jonathan Ly, p. 7.

Section X.A.1.3 obligates the Company to conduct analysis on the impacts of parsing the electric S.C. No. 13 customers and their associated usage into standard and high-load factor groupings, and further obligates the Company to initiate a collaborative process to evaluate rate design alternatives for electric S.C. Nos. 3 and 13. By requiring that the Company conduct additional analysis and initiate a collaborative process with interested parties, the Joint Proposal seeks to ensure fair rate structures that accurately represent the cost to service the rate classes.

Similarly, Section X.A.1.4 obligates the Company to conduct analysis on the impacts of parsing the gas S.C. No. 6 customers separately from S.C. Nos. 2 and 13. The Joint Proposal also commits the Company to provide a load factor analysis for all non-residential gas customers taking service under gas S.C.s 2, 6 and 13 and, if indicated by the analysis, a proposal to modify the structure of non-residential service classes as necessary to ensure accurate apportionment of system costs. These analyses recognize that the ever-increasing technical capabilities may warrant reexamination or refinement of existing rate structures and cost allocations. The cost of service provisions within the Joint Proposal address concerns raised by parties in testimony, are within the range of litigated outcomes, and provide significant public benefit.

B. Revenue Allocation

In its initial testimony, the Company proposed to allocate revenues to each service class with the same revenue allocation methodology utilized in previous proceedings. This methodology applies a revenue allocation factor of 0.75, 1.0, or 1.25 to each service class, based on that service class's rate of return relative to the system average rate of return as established by the historical and pro-forma ECOS studies. The methodology applies a revenue allocation factor of 0.75 only if both the historic and pro-forma relative rates of return are above 115 percent of the system average rate of return, and applies a revenue allocation factor of 1.25 only if both the historic and pro-forma relative rates of return are below 85 percent of the system average rate of return.¹⁸⁷

¹⁸⁷ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 42.

In direct testimony, Staff agreed with the revenue allocation methodology proposed by the Company.¹⁸⁸ MI recommended utilizing only the pro-forma ECOS and discarding the application of the historical ECOS in revenue allocation.¹⁸⁹ UIU proposed averaging the historical and pro-forma relative rates of return together and utilizing the average value to allocate revenues to each service class.¹⁹⁰

The Joint Proposal reflects the revenue allocation methodologies proposed by the Company for RY1, and applies a revenue allocation factor of 1.0 to each service class for RY2 and RY3. The utilization of both historic and pro-forma ECOS studies in revenue allocation reduces rate instability, thereby providing a key public benefit, by necessitating alignment between past and future earnings when adjusting revenues. This outcome is also reasonable because it is within the range of expected litigated outcomes.

C. Rate Design

1. Electric Rate Design

The Company proposed to increase the customer charges for mass market customers in S.C. Nos. 1, 2, and 6 by \$2.00: from \$21.50 to 23.50 for S.C. No. 1, which primarily serves residential customers; from \$32.50 to \$34.50 for S.C. No. 2 Non-Demand, which primarily serves small commercial customers; and from \$24.50 to \$26.50 for S.C. No. 6, the residential standby class.¹⁹¹ The Company also proposed increasing S.C. No. 2 Secondary by \$20.00, from \$140 to \$160, and S.C. No. 2 Primary by \$40.00, from \$530 to \$570.¹⁹² The Company initially sought to increase the customer charges for S.C. No. 3 Large Power Primary by \$100, from \$2,600 to \$2,700; S.C. No. 13 Substation by \$1,000, from \$8,500 to \$9,500; and S.C. No. 13 Transmission by \$1,000, from \$13,500 to \$14,500.¹⁹³ The customer charges

¹⁸⁸ Direct Testimony of Staff Rates Panel, p. 41.

¹⁸⁹ Direct Testimony of Jonathan Ly, pp. 6-15.

¹⁹⁰ Direct Testimony of Dustin M. J. Madsen, p. 39.

¹⁹¹ Central Hudson Exhibit __ (FRP-12), Schedules C, D, and G.

¹⁹² Id., Schedule D.

¹⁹³ Id., Schedules E and J.

proposed by the Company all progressed towards the customer charge indicated in the ECOS studies.¹⁹⁴

Staff generally agreed with the customer charges proposed by the Company; however, Staff recommended increasing the customer charge for S.C. No. 13 Transmission by an additional \$500 dollars, from \$13,500 to \$15,000, which the Company agreed to in rebuttal testimony.¹⁹⁵ UIU proposed applying no increases to the customer charges for S.C. No. 1 customers.¹⁹⁶ MI proposed increasing the customer charges for the following: S.C. No. 3 Primary by \$1,100, from \$2,600 to \$3,500; S.C. No. 13 Substation by \$2,500, from \$8,500 to \$11,000; and S.C. No. 13 Transmission by \$7,000, from \$13,500 to \$20,500.¹⁹⁷ Walmart proposed that the non-customer charge revenue increases be allocated entirely to demand and none to energy for S.C. No. 2 Primary, S.C. No. 2 Secondary, S.C. No. 3 Primary, and S.C. No. 13 Transmission.¹⁹⁸

The Joint Proposal applies increases to customer charges for mass market customers of \$1.00 in RY1, \$1.50 in RY2, and \$2.00 in RY3. For S.C. No. 1, this results in customer charges of \$22.50, \$24.00, and \$26.00 for RY1, RY2, and RY3, respectively. Similarly, the charges for the residential standby class, S.C. No. 6, will increase by \$1.00 in RY1, \$1.50 in RY2, and \$2.00 in RY3, to \$25.50, \$27.00, and \$29.00, respectively. Likewise, charges for S.C. No. 2 Non-Demand will increase \$1.00 in RY1, \$1.50 in RY2, and \$2.00 in RY3, to \$33.50, \$35.00, and \$37.00, respectively. Charges for S.C. No. 3 Primary will increase by \$150 in RY1 (from \$2,600 to \$2,750), by \$200 in RY2 (from \$2,750 to \$2,900), and by \$250 in RY3 (from \$2,900 to \$3,200). S.C. No. 13 Substation charges will increase by \$1,200 in RY1 (from \$8,500 to \$9,700), by \$1,350 in RY2 (from \$9,700 to \$11,050), and by \$1,450 in RY3 (from \$11,050 to \$12,500). S.C. No. 13 Substation will increase by \$2,000 in RY 1 (from \$13,500 to \$15,500), by \$2,500 in RY2 (from \$15,500 to \$18,000), and by \$3,000 in RY3 (from \$18,000 to \$21,000). The Joint Proposal further provides for allocating non-customer charge

¹⁹⁴ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 56.

¹⁹⁵ Direct Testimony of Staff Rates Panel, pp. 45-46; Rebuttal Testimony of Central Hudson Forecasting and Rates Panel, p. 13.

¹⁹⁶ Direct Testimony of Dustin M. J. Madsen, p. 48.

¹⁹⁷ Jonathan Ly Exhibit __ (JL-9).

¹⁹⁸ Direct Testimony of Lisa V. Perry, pp. 29-34.

revenue increases 100 percent to demand and zero percent to energy for S.C. No. 2 Primary, S.C. No. 2 Secondary, S.C. No. 3 Primary, and S.C. No. 13 Transmission.

The Joint Proposal's increases to the customer charges are reasonable because the Company's 2021 ECOS study shows that current customer charges are below the current customer-related costs in each of these service classes. Customer-related costs means costs that the Company incurs regardless of the customer's level of usage. Ideally, the customer charge for a service class would equal the amount of customer-related costs the utility incurs in serving an average customer in that class. If the customer charge does not recover the customer-related costs, the costs would be recovered through the volumetric charges, thereby causing a potential subsidization of low-usage customers by high-usage customers. The Joint Proposal's recommendations reflect consideration of parties' testimonial concerns related to customer charges by MI for S.C. No. 3 and S.C. No. 13, by UIU for mass market customers, and by Walmart that the non-customer charge revenue increases be allocated entirely to demand and none to energy for S.C. No. 2 Primary, S.C. No. 2 Secondary, S.C. No. 3 Primary, and S.C. No. 13 Transmission. The Joint Proposal's recommended electric rate design accommodates multiple parties' testimonial positions and presents customer charges within the range of expected litigated outcomes. The Joint Proposal also moves customer charges closer to actual customer costs while recognizing the impact such movement has on customers' bills. Thus, the recommended customer charges are consistent with the development of cost-based rates and charges. For these reasons, the Joint Proposal's recommended customer charges are reasonable and should be adopted.

2. Gas Rate Design

The Company proposed increasing customer charges by \$2.00 for mass market customers in residential S.C.s Nos. 1 and 12 (from \$26.25 to \$28.50) as well as the primarily commercial customers in S.C. Nos. 2, 6, and 13 (from \$41.00 to \$43.00).¹⁹⁹ Additionally, the Company proposed the following decreases: decreasing the S.C. No. 11 Transmission customer charge by \$1,300, from \$4,000 to \$2,700; decreasing the S.C. No. 11 Distribution customer charge by \$200, from \$2,400 to \$2,200; and decreasing the S.C. No. 11 Distribution – Large

¹⁹⁹ Central Hudson Exhibit __ (FRP-12), Schedule B.

Mains customer charge by \$1,500, from \$7,100 to \$5,600.²⁰⁰ The customer charges proposed by the Company all progressed towards the customer charge indicated in the ECOS studies.²⁰¹ Staff generally agreed with the changes to customer charges that the Company proposed.²⁰² UIU proposed applying no increases to the customer charges for residential customers.²⁰³

The Joint Proposal reflects yearly increases to customer charges for mass market customers of \$1.00 in RY1, \$1.50 in RY2, and \$2.00 in RY3. For S.C. Nos. 1 and 12, this results in customer charges of \$27.25, \$28.75, and \$30.75 for RY1, RY2, and RY3, respectively. For S.C. Nos. 2, 6, and 13, this results in customer charges of \$42.00, \$43.50, and \$45.50 for RY1, RY2, and RY3, respectively. The Joint Proposal also includes the Company's proposed decreases to the customer charges for the S.C. No. 11 sub-classes in RY1; thereafter, the customer charge remains constant for RY2 and RY3. The S.C. No. 11 Transmission customer charge decreases by \$1,300 (from \$4,000 to \$2,700), the S.C. No. 11 Distribution customer charge decreases by \$200, from \$2,400 to \$2,200; and the S.C. No. 11 Distribution – Large Mains customer charge decreases by \$1,500, from \$7,100 to \$5,600.

Similar to electric customer charges, the Joint Proposal provides for gas customer charges within the range of potential litigated outcomes. The Joint Proposal reflects gradual increase of the customer charge over the three-year Rate Plan to accommodate UIU's testimonial concerns regarding customer charge increases for mass market customers. The Joint Proposal similarly moves gas customer charges towards the ECOS-indicated values and is therefore consistent with the development of cost-based rates and charges.

XI. Provisions for Low-Income Customers

A. Energy Affordability Program

The Company proposed to continue its EAP, which provides a monthly credit on enrolled customers' bills and allows customers to have reconnection fees waived after service termination.²⁰⁴ The Company further proposed to establish new bill discounts, continue targeted

²⁰⁰ Id.

²⁰¹ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 56.

²⁰² Direct Testimony of Staff Rates Panel, p. 49.

²⁰³ Direct Testimony of Dustin M. J. Madsen, pp. 49-50.

²⁰⁴ Direct Testimony of Central Hudson Customer Experience Panel, p. 17.

outreach efforts to bolster eligible customer participation in the EAP, and support the Joint Utilities in establishing appropriate data fields to be captured on the Home Energy Assistance Program (HEAP) application and used during the Office of Temporary and Disability Assistance (OTDA) file share with the other utilities.²⁰⁵ Additionally, the Company proposed to set the annual EAP rate allowance for the bill discounts and reconnection fee waivers at \$12.7 million and \$3.5 million for electric and natural gas, respectively, and to continue the symmetrical reconciliation mechanism for deferring over or under expenditures.²⁰⁶

In initial testimony, Staff expressed concerns with the Company's EAP enrollment numbers and the Company's proposed EAP rate allowance.²⁰⁷ Staff recommended that the Commission require the Company to conduct an audit in RY1 to verify enrollment records and participant eligibility and to audit the processes and frequency of its automated file-matching process with OTDA.²⁰⁸

PULP proposed that the Company conduct direct EAP outreach to increase enrollment, particularly in zip codes where EAP participation is less than the overall percentage rate for the service area.²⁰⁹ PULP also suggested that Central Hudson use customer collections, payment, and assistance data to identify potentially eligible customers within such zip codes, and facilitate enrollment through self-certification or interactions with Company representatives.²¹⁰ PULP also recommended the adoption of a customer service quality metric that tracks EAP self-certifications and manual enrollments by the Company and that the Company file quarterly reports in the rate proceedings and Case 14-M-0565 tracking the monthly activity for each category.²¹¹

The Joint Proposal continues the Company's current EAP, which consists of monthly bill discounts and reconnection fee waivers for low-income customers. The Joint Proposal also establishes an annual rate allowance for the EAP of \$11.0 million for electric and

²⁰⁵ Id., p. 18.

²⁰⁶ Id., p. 19.

²⁰⁷ Direct Testimony of Staff Consumer Services Panel, pp. 51-53.

²⁰⁸ Id., pp. 52-53.

²⁰⁹ Direct Testimony of William D. Yates, CPA, p. 12.

²¹⁰ Id.

²¹¹ Id.

\$3.4 million for gas, subject to the symmetrical deferral. The Joint Proposal also recommends that the Company begin reporting the number of manual and self-enrollments in the EAP on a monthly basis. Additionally, the Joint Proposal addresses the concerns with recent enrollment data raised by Staff and PULP in testimony in provisions discussed in the immediately following sections.

These provisions are reasonable because they expand important utility bill assistance to low-income customers who need assistance with monthly bills, while ensuring the Company is in compliance with the Commission's Energy Affordability Policy set forth in Case 14-M-0565.²¹² In addition, by providing updated EAP rate allowances based on the most recent data filed by the Company, the Joint Proposal ensures that the Company has an accurate budget based on current participation. Additionally, the symmetrical reconciliation method allows the Company to reconcile any over or under expenditures that may result in participation varying from the data used to calculate these budgets. Finally, the monthly data reporting provision will help to demonstrate the effectiveness of the Company's outreach efforts to identify and encourage enrollment in the EAP.

B. EAP Outreach

The Company proposed to continue its traditional EAP outreach, including community workshops, and additionally sought to continue in-person visits at food pantries and other agencies within the Company's service territory to educate customers regarding availability of the EAP.²¹³ The Company further proposed to include an EAP enrollment form and program information in its Powering Connections outreach publication.²¹⁴

The Joint Proposal stipulates that the Company will target potential participants by analyzing non-EAP account histories who have received assistance in the past or have previously been enrolled in EAP for review for potential current eligibility for enrollment, in consideration of PULP's proposal that the Company conduct this analysis.²¹⁵ Additionally, the

²¹² Case 14-M-0565, Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers, Order Adopting Low Income Program Modifications and Directing Utility Filings (issued May 20, 2016).

²¹³ Direct Testimony of Central Hudson Customer Experience Panel, p. 18.

²¹⁴ Id., pp. 18-19.

²¹⁵ Direct Testimony of William D. Yates, CPA, pp. 33-34.

Company will target zip codes in its service territory with enrollment that is lower than the service territory's overall participation average for outreach, as recommended by PULP.²¹⁶ The Joint Proposal also stipulates that the Company will endeavor to achieve enrollment of 15,500 EAP participants in RY1, which approximates the highest recorded EAP enrollment in the Company's service territory (dating to the second quarter of 2021). The Company will endeavor to maintain that level of EAP participant enrollment in RY2 and RY3. If enrollment falls below 15,500 in any month during RY2 and RY3, the Company will waive any late fees that it would otherwise charge for the current month for any new self-certifying EAP enrollee.

These provisions in the Joint Proposal are reasonable because they increase the Company's focus on targeting potentially eligible customers for enrollment in EAP and provide some financial relief in the form of a waived late payment charge if a customer self-enrolls during a period in RY2 and RY3 in which the Company is not currently maintaining its target of 15,500 EAP participants. These provisions notably incorporate areas of concern raised by PULP in its testimony and thus reflect a fair accommodation between multiple parties.

C. EAP Audit

Staff proposed that, in addition to the Company's proposed EAP initiatives, the Commission should require that the Company conduct an audit of its EAP within RY1 to verify enrollment records and participant eligibility, as well as audit the processes and frequency of its automated file matching process with OTDA. Staff also recommended that the Commission require the Company to file the results of that audit with the Secretary to the Commission, both in these proceedings and in Case 14-M-0565. The Company subsequently agreed to complete the proposed audit.²¹⁷

The Joint Proposal provides that the Company will perform an internal audit of EAP enrollment records from September 2021 through December 2024 and file the audit results and a detailed cover letter with the Secretary to the Commission by June 30, 2027. The Joint Proposal also states that, if the audit identifies any errors or issues, the Company will file two additional reports by December 31, 2027, and June 30, 2028, detailing the implementation of the audit recommendations.

²¹⁶ Id.

²¹⁷ Rebuttal Testimony of Central Hudson Customer Experience Panel, p. 24.

This provision of the Joint Proposal is reasonable as it will provide a detailed record that verifies the accuracy of the historic enrollment data from September 2021 through December 2024 and will ensure that all data is reported accurately moving forward. This is important because the accuracy of this data is relied upon to set the rate allowance for EAP bill credits and to determine the efficacy of outreach efforts.

D. EAP Reporting

The EAP reporting provisions contained in the Joint Proposal are discussed in Section XI.A, above.

XII. Tariff-Related Matters

A. Generally

Except as may be clarified or altered below, existing tariff provisions and related rate provisions will generally be continued.

B. Electric Revenue Decoupling Mechanism

An RDM is a ratemaking approach designed to eliminate or substantially reduce the linkage between sales and utility revenues. This removes a potential disincentive for utilities to aggressively pursue energy efficiency measures, as such measures would tend to decrease sales volumes. The Commission required utilities to propose RDMs in a 2007 order.²¹⁸ The current electric RDM reconciles actual billed delivery service revenues for the RDM reconciliation period, to annual target revenues for reconciliation service classes. The Joint Proposal will continue the Electric RDM per class for S.C. Nos. 1, 2, 3, 5, 6, 8, 13 and 14. The RDM is not applicable to S.C. 9. Pursuant to the RDM, actual delivery revenue by service class or sub-class for RDM eligible classes is compared, on monthly basis, to a delivery revenue target. If the monthly actual delivery revenue exceeds the delivery revenue target, the delivery revenue excess is accrued for refund to customer at the end of the semi-annual RDM period. Likewise, if the monthly actual delivery revenue is less than the delivery revenue target, the

²¹⁸ Case 03-E-0640, Energy Efficiency – Disincentives, Order Requiring Proposals for Revenue Decoupling Mechanisms (issued April 20, 2007).

delivery revenue shortfall is accrued for recovery from customers at the end of the semi-annual RDM period.²¹⁹

C. Gas RDM

Similar to the electric RDM, the gas RDM unlinks gas sales and utility revenues. The RDM provides for a monthly comparison of actual delivery revenue to delivery revenue targets, with any revenue excess or shortfall refunded to or recovered from customers over an annual RDM adjustment period (the 12 months beginning August 1) pursuant to the 2024 Rate Plan. Effective July 1, 2021, pursuant to the 2021 Rate Order, the Company's gas RDM operates on a revenue per class model. The RDM is applicable to S.C. Nos. 1 and 12 combined and S.C. Nos. 2, 6 and 13 combined. The RDM is also applicable to S.C. No. 11, subject to certain deadbands and thresholds as described in Appendix O to the Joint Proposal adopted by the 2021 Rate Order. Central Hudson did not propose any changes to the current gas RDM.²²⁰

The Joint Proposal will continue the Gas RDM per class for S.C. Nos. 1 and 2 combined and S.C. Nos. 2, 6, and 13 combined. The Gas RDM will also continue to include S.C. No. 11 (transmission, distribution, and distribution large mains), subject to certain deadbands and thresholds as described in Appendix O to the Joint Proposal adopted by the 2021 Rate Order. An example is set forth in Appendix R to this Joint Proposal. The RDM is not applicable to S.C. Nos. 8, 9, 11 (electric generators), and 14. The Gas RDM proposed in the Joint Proposal is reasonable because it complies with the terms of the Commission's April 20, 2007, Order Requiring Proposals for Revenue Decoupling Mechanisms in Cases 03-E-0640 and 06-G-0746.

D. Electric Factor of Adjustment

Electric losses are determined as the difference between the total electricity received into the system and the total metered electricity delivered to customers divided by the total electricity received. The electric loss factor is utilized to determine the factor of adjustment. It is based on the most recent actual 36-month system average based on data

²¹⁹ Direct Testimony of Central Hudson Forecasting and Rates Panel, pp. 73-74.

²²⁰ Id., p. 76.

available at the time of compliance and will continue to be differentiated by service classes. This provision is reasonable and was not opposed by any party.

E. Billing Services Credit

The Company's Billing Services Credit applies to customers who participate in the Company's Retail Access Program and choose to receive a consolidated bill. The Joint Proposal recommends updating this credit to reflect the Company's most recent cost of service results.

F. Energy Efficiency Credits for Recharge NY

Customers taking service under Recharge New York Power Program may be exempt from Energy Efficiency Tracker Surcharge on the portion of their load served under this program. Exempt customers will receive a monthly credit which will be included in the demand delivery line item on customer bill. The Company's energy efficiency credit is being updated consistent with the Company's update to base rates. This provision is rational, supported by the record, and was not opposed by any party.

G. Reconnection Charges

The reconnection charge is the fee associated with restoring power for customers whose service has been discontinued for nonpayment. The Company last updated the reconnection charge in Cases 17-E-0459 and 17-G-0460. The current reconnection charges on Leaf 94 of the electric tariff are as following: \$60 for normal business hours; \$220 for normal business hours with a gas mechanic crew; \$120 for other hours; and \$310 for other hours with a gas mechanic crew. The Joint Proposal reflects new reconnection charges that were designed to reflect hours of work required for reconnection at appropriate labor costs for collectors, commercial representatives, line crews, and gas crews. The Company also included call center and dispatch labor costs as well as vehicle and material costs related to travel and performing reconnection. Therefore, the following charges are reasonable and should be adopted: \$70 for normal business hours; \$260 for normal business hours with a gas mechanic crew; \$130 for other hours; and \$350 for other hours with a gas mechanic crew.

H. Interruptible Imputation

The revenue requirement reflects an imputation of revenues from interruptible customers that benefits firm gas customers. The Company proposed to reduce the current imputation from \$3.2 million to \$2.8 million for interruptible S.C. Nos. 8, 9, and 14 because: (1) the Company expects to transfer one large interruptible customer from interruptible service to firm service; and (2) the Company expects to retire a gas combustion turbine during RY1.²²¹ Staff did not take issues with the Company's testimony. No other parties addressed this issue.

The Joint Proposal is reasonable because it considers the downward trend of historical revenues from the combined interruptible classes and accounts for the two factors noted above. The Joint Proposal recommends continuing the current sharing mechanism in place to refund additional dollars over the imputed amount to customers. Pursuant to the sharing mechanism, the Company retains 10 percent of net revenue in excess to the imputed \$2.8 million. The additional 90 percent will be credited to ratepayers via the Gas Adjustment Clause.

I. Merchant Function Charge and Lost Revenue

The current Gas MFC includes two components: MFC Admin and MFC Supply. MFC Admin includes commodity-related credit and collections costs and 50 percent of Commodity-Related Call Center costs, plus any associated administrative and general expense. MFC Supply includes commodity procurement, 50 percent of Commodity-Related Call Center Costs, plus any associated administrative and general costs. The Company proposed no changes to the current MFC methodology.²²² No other parties contested this issue. The Joint Proposal continues the existing MFC mechanism but updates the targets to reflect the costs shown in the ECOS studies.

J. Application for Service

To support the goal of zero on-site GHG emissions and help achieve the State's clean energy and climate agenda, Part RR, Chapter 56 of the Laws of 2023 amended Energy Law §11-104 and Executive Law §378 to require the adoption of a State energy conservation construction code and New York State uniform fire prevention and building code prohibiting the

²²¹ *Id.*, p. 39.

²²² Direct Testimony of Central Hudson Cost of Service Panel, p. 20.

installation of fossil fuel equipment and building systems in new buildings not more than seven stories in height on or after December 31, 2025, and in almost all new buildings after December 31, 2028, with certain exceptions. The Joint Proposal provides that the Company will update the Application for Service section of its gas tariff to reflect this change in the law to indicate that the Company is not obligated to provide service to applicants for buildings ineligible to have such equipment and building systems installed.

K. Incremental Monthly Charge

The incremental monthly charge is the cost to provide customers with an interval meter that has telecommunication capability. Initially only customers who took service under the Hourly Pricing Provision of the Company's tariff were subject to this incremental charge but this has since been expanded to include any complex billing that requires interval readings. The incremental charge was developed using a net present value analysis. This analysis considers the cost of the meter, and the incremental costs associated with the increased meter cost, including insurance and property taxes. For Hourly Pricing Provision customers, the incremental metering charge also includes the costs associated with providing Energy Manager, enabling these customers to better manage their energy usage.²²³ For the Hourly Pricing Provision section of S.C. No. 2, the Joint Proposal updates the incremental charge from \$30 to \$33 and clarifies that the amount is inclusive of a \$20 fee to allow access to interval data. In addition, Joint Proposal updates the incremental metering charge in S.C. Nos. 3 and 13, and on tariff leaves 187 and 248. The Joint Proposal removes the incremental monthly charge from tariff language for other special programs that require interval metering, including the Emergency Demand Response Program and Day-Ahead Demand Response Program sections of S.C. No. 2, on tariff leaves 184.3 and 184.5, the Phase One Net Energy Metering Program on tariff leaf 163.9.2, and the Value Stack Program on tariff leaf 163.9.7. These changes are reasonable because customers enrolled in these complex billing programs would not be assessed the incremental charge, as that could otherwise be seen as an unnecessary burden, undermining participation in these programs.

²²³ Direct Testimony of Central Hudson Forecasting and Rates Panel, p. 62.

L. Housekeeping Changes

In its direct testimony, the Company proposed several tariff modifications, primarily consisting of housekeeping tariff revisions that are immaterial or non-controversial and were not discussed further in its testimony.²²⁴ Staff did not address these modifications in its testimony for the same reason. The Joint Proposal adopts housekeeping tariff modifications to the Company's tariff to allow clarifying changes such as: (1) clarifying the costs that are included within the Market Price Charge; (2) clarifying that incentives related to the active residential managed charging program are recovered via the Miscellaneous II/Non Wire Alternative surcharge; (3) clarifying costs included in the Electric Vehicle Make Ready surcharge; and (4) clarifying language regarding how the Purchase of Receivables discount is calculated.

M. Conforming Tariffs

This provision of the Joint Proposal recognizes that the Company will file electric and gas tariffs that will reflect the provisions set forth in Joint Proposal if and as adopted by the Commission.

XIII. Economic Development

The Company currently offers three economic development grant programs focused on the manufacturing sector in its service territory that it proposed to continue. Additionally, the Company proposed to create a fourth grant program called the Workforce Clean Energy Program which would provide grants of up to \$0.2 million to educational institutions to create or expand curriculum in the clean energy workforce.²²⁵ Further details on these programs are included below.

A. Economic Development Programs

The Company proposed to continue its three current economic development grant programs: (1) the Infrastructure for Manufacturers Program; (2) the Manufacturing Productivity Program; and (3) the Expansion and Retention for Manufacturers Program.²²⁶ The Company

²²⁴ Id., pp. 76-77.

²²⁵ Direct Testimony of Central Hudson Customer Experience Panel, p. 26.

²²⁶ Id., pp. 24-25.

proposed to fund these programs with the existing program criteria with a budget of \$0.193 million for RY1.²²⁷ Staff agreed that these programs should be continued with the Company's proposed budget of \$0.193 million for RY1.

The Joint Proposal further recommends that the Company's budget for economic development grant programs be set at \$0.4 million annually. This funding amount is reasonable given the three current programs summarized above and the newly created program described below.

1. Workforce Clean Energy Program

The Company proposed to create a Workforce Clean Energy Program, which would provide grants of up to \$0.2 million to educational institutions to create or expand curriculum in developing a skilled workforce in the clean energy sector.²²⁸ Staff supported the Company's proposal and proposed enhanced reporting requirements to ensure that the program's efficacy can be properly analyzed in the future.²²⁹ Communities for Local Power opposed the creation of the Workforce Clean Energy Program based on the Company's lack of experience in administering a program that would partner with educational institutions to grow the workforce in the clean energy sector.²³⁰

The Joint Proposal recommends that the Company implement the Workforce Clean Energy Program with enhanced reporting requirements. The enhanced reporting requirements include, among other things, information regarding how the Company determined the individual grant award amount, the intended result of the awarded grant, the number of participants in the education/training program, the method by which the Company will track the participant outcomes, and details of other assistance that the educational institution has or will receive. This provision of the Joint Proposal is reasonable because a skilled workforce in the clean energy sector is critical for the future of the State's changing energy landscape and the enhanced reporting requirements will allow Staff and interested stakeholders to closely monitor the progress and success of the newly created program.

²²⁷ *Id.*, p. 29.

²²⁸ *Id.*, p. 26.

²²⁹ Direct Testimony of Staff Customer Service Panel, pp. 95-97.

²³⁰ Direct Testimony of Jessica Mullen, pp. 16-25.

B. Reporting Requirements

The Joint Proposal recommends the continuation of the current annual economic development reporting obligation, including the enhanced reporting for the Workforce Clean Energy Program as described above. This provision is reasonable because the reports provide an in-depth description of how the economic development budget is being dispersed and details the successes achieved by the awarded grants.

XIV. Energy Efficiency Program and Heat Pump Program Costs

The Company initially proposed to continue recovering energy efficiency and building electrification (EE and BE, respectively) costs within its revenue requirement and calculated the proposed costs based upon Commission-approved 2025 budgets²³¹ and in alignment with those proposed by the Company²³² for Commission consideration from 2026 forward in the EE/BE Proceeding.²³³ Staff supported the Company's proposals to continue to collect EE/BE funding within the revenue requirement and noted its agreement with the Company that final EE/BE costs reflected in the revenue requirement would align with the Commission-authorized EE/BE budgets and those proposed by the Company from 2026 forward. In its rebuttal, the Company proposed to reduce the revenue requirement through an updated balance of available liabilities, primarily consisting of projected Clean Energy Fund carrying charge.²³⁴

The final EE/BE balances reflected in the revenue requirements in this Joint Proposal are in alignment with the Commission orders effective at the time the Joint Proposal

²³¹ Case 18-M-0084, supra, Order Authorizing Utility Energy Efficiency and Building Electrification Portfolios through 2025 (issued January 16, 2020), Order Approving Funding for Clean Heat Program (issued June 23, 2023), and Order Directing Energy Efficiency and Building Electrification Proposals (issued July 20, 2023).

²³² Case 18-M-0084, supra, CHGE Energy Efficiency and Building Electrification Portfolio Proposal (filed November 1, 2023) and Central Hudson EE/BE Supplemental Information (filed January 12, 2024).

²³³ Direct Testimony of Central Hudson Revenue Requirements Panel, pp. 58-60.

²³⁴ Rebuttal Testimony of Central Hudson Revenue Requirements Panel, pp. 4-5.

was filed and are consistent with the testimonial positions taken by Staff and the Company.²³⁵ On May 15, 2025, the Commission issued two orders establishing specific low- to moderate-income and non-low- to moderate-income EE/BE budgets and targets and modifying the EE/BE portfolios for the 2026-2030 period.²³⁶ As those orders were issued after the filing of this Joint Proposal, those final numbers have not been reflected within this Joint Proposal. The EE/BE provisions of the Joint Proposal explicitly acknowledge that Commission action taken within the EE/BE Proceeding may affect the level of EE/BE spending and recovery methods described within the Joint Proposal. The EE/BE provisions of the Joint Proposal are reasonable and should be adopted as they allow for the implementation of the Commission's EE/BE policies established in the separate EE/BE generic proceedings.

XV. Rate Adjustment Mechanism

The Company proposed to reinstate the Rate Adjustment Mechanism (RAM) that was discontinued in the single-year 2024 Rate Plan adopted following administrative litigation. The Company's proposal also increased the maximum recovery thresholds in relation to the final revenue requirements and augmented the list of RAM-eligible deferrals to include three regulatory assets currently amortized through O&M expense: major storm reserve; energy efficiency costs; and the excess deferred federal income taxes resulting from the Tax Cuts and Jobs Act.²³⁷ Staff recommended disallowing the RAM in the context of a one-year litigated rate case.²³⁸

The Joint Proposal reinstates the RAM, with minor modifications, for both the electric and gas businesses, with updated eligible deferrals and increased thresholds in relation to

²³⁵ The Joint Proposal also continues the 2024 Rate Plan's ten-year amortization of an \$18.8 million regulatory asset resulting from EE and BE spending in the current rate plan that exceeded the cost recovery authorized under the rate plan established in the 2021 Rate Order.

²³⁶ Cases 25-M-0249 et al., In the Matter of the 2026-2030 Low- to Moderate-Income Energy Efficiency and Building Electrification Portfolios, Order Authorizing Low- to Moderate-Income Energy Efficiency and Building Electrification Portfolios (issued May 15, 2025); Cases 25-M-0248 et al., In the Matter of the 2026-2030 Non-Low- to Moderate-Income Energy Efficiency and Building Electrification Portfolios, Order Authorizing Non-Low- to Moderate-Income Energy Efficiency and Building Electrification Portfolios (issued May 15, 2025).

²³⁷ Central Hudson Exhibit __ (ATP-12).

²³⁸ Direct Testimony of Staff Accounting Panel, pp. 94-96.

the final revenue requirements. The RAM allows Central Hudson to collect or return the net balances of specific RAM-eligible deferrals, PRAs, and unencumbered NRAs, as defined in Appendix H to the Joint Proposal. All RAM revenues and deferrals are subject to reconciliation.

While Staff opposed reinstating the RAM in the context of a rate plan covering a single rate year, reinstating the RAM within the context of a multi-year rate plan will reduce deferred regulatory asset and liability balances that would otherwise need to be addressed in future rate proceedings. The RAM also improves the Company's financial condition as it reduces the volatility of its cash flows and can help to mitigate the creation of large amount of regulatory assets and liabilities that can exacerbate bill impacts resulting from future rate proceedings.

XVI. Electric Reliability

In its initial testimony, Central Hudson proposed to include additional exclusions to its existing electric reliability performance mechanisms (RPMs), which consist of System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) performance targets and associated NRAs for failure to meet the targets. Staff proposed no changes to the Company's current RPMs and did not agree with the Company's proposed automatic exclusions. Under the terms of the Joint Proposal, the SAIFI and CAIDI performance targets remain at 1.30 customer interruptions and 2.50 hours, respectively, with an NRA of 30 basis points per target should Central Hudson fail to meet that target on a calendar year basis. Continuing the current SAIFI and CAIDI targets is reasonable since it aligns with the Company's average performance over the last five years²³⁹ and the NRA is consistent with other major electric utilities in New York State. The RPMs will be measured on a calendar year basis and an annual report on the Company's performance under the reliability mechanism will be filed with the Secretary to the Commission by March 31 of each year.

²³⁹ Case 24-E-0140, In the Matter of 2023 Electric Reliability Performance in New York State, 2023 Electric Reliability Performance Report (issued June 20, 2024), p. 26.

XVII. Gas Safety Metrics

In testimony, the Company proposed to discontinue the performance measures and targets if the cases resulted in a rate plan covering a single rate year.²⁴⁰ Staff proposed to continue those performance measures and targets, even if the Commission adopted a single-year rate plan.²⁴¹

The Joint Proposal reestablishes pipeline safety performance metrics in the areas of emergency response time, leak management, damage prevention, compliance with various safety regulations and procedures, and LPP removals. In total, under the terms of the Joint Proposal, the Company is subject to maximum annual potential NRAs of 150 basis points for failing to meet the minimum levels of pipeline performance standards. Conversely, the Company can earn a maximum of 18 basis points in PRAs annually for exceeding the targeted levels. These levels are reasonable considering the Company's historical performance and are needed to ensure and improve compliance with Commission regulations. The Company's historical performance is documented in the most recent Gas Safety Performance Measure Report, filed in Case 24-G-0145.²⁴² The Company's recent historical performance has been above the State local distribution company performance average in damage prevention, with a five-year average of 1.41 for calendar years 2019 through 2023, compared to the State average damage rate performance of 1.73.²⁴³ The Company earned a PRA of 10 basis points in each of calendar years 2019, 2020, 2021, and 2023 and four basis points in calendar year 2022.²⁴⁴ For leak management, the Company's five-year leak backlog average for calendar years 2019 through 2023 was 65 leaks.²⁴⁵ In addition, for 2022 and 2023, while the Company would have

²⁴⁰ Direct Testimony of Central Hudson Gas Safety Panel, pp. 11-12.

²⁴¹ Direct Testimony of Staff Pipeline Safety Panel, pp. 14-15.

²⁴² Case 24-G-0145, In the Matter of Staff's Analysis of Local Distribution Company (LDC) Performance Related to the Pipeline Safety Measures, 2023 Pipeline Safety Performance Measures Report (filed June 20, 2024).

²⁴³ Case 23-G-0224, In the Matter of Staff's Analysis of Local Distribution Company (LDC) Performance Related to the Pipeline Safety Measures, 2022 Pipeline Safety Performance Measures Report (filed June 22, 2023); Case 24-G-0145, In the Matter of Staff's Analysis of Local Distribution Company (LDC) Performance Related to the Pipeline Safety Measures, 2023 Pipeline Safety Performance Measures Report (filed June 20, 2024).

²⁴⁴ Staff Exhibit __ (SPSP-1).

²⁴⁵ Direct Testimony of Staff Pipeline Safety Panel, p. 20.

incurred an NRA if it had more than 86 leaks in its year-end backlog, but the Company's average during that time was 50 leaks.²⁴⁶ The Company also earned a total PRA of 12 basis points over a four-year period from 2020 through 2023 in leak management performance. Finally, for the emergency response metric, the Company earned a total PRA of six basis points from 2019 through 2021.²⁴⁷

The Joint Proposal encourages improvement in these areas by maintaining or enhancing both the targets and the potential associated PRAs and NRAs, respectively. Encouraging the Company to improve its performance in these areas benefits customers and the public in general by enhancing public safety. The metrics, associated targets, and revenue adjustments provided in the Joint Proposal are therefore in the public interest and should be adopted.

A. Emergency Response Time

In its testimony, the Company proposed to discontinue the emergency response performance metric and targets for RY1 if these cases resulted in a single-year rate plan. However, the Company stated it was willing to consider continuing the emergency response targets in effect from the 2024 Rate Plan in the context of a multi-year rate plan.²⁴⁸ Staff recommended the Company continue the emergency response performance measure in RY1 and proposed to continue the 2024 Rate Plan's targets for both response times within 45 minutes and within 60 minutes, by which the Company could incur an NRA of eight basis points for responding to less than 90 percent of emergency calls within 45 minutes and an NRA of five basis points for responding to less than 95 percent of emergency calls within 60 minutes. Regarding the emergency response within 30 minutes metric, Staff proposed that the Company incur an NRA of 12 basis points should the Company fail to respond to greater than 75 percent of the calls within 30 minutes. Staff also proposed that the Company earn a PRA of two, four, and six basis points if the Company responded to between 88 percent and less than 92 percent of

²⁴⁶ Id., pp. 20-21.

²⁴⁷ Staff Exhibit __ (SPSP-1).

²⁴⁸ Direct Testimony of Central Hudson Gas Safety Panel, p. 23.

calls within 30 minutes, between 92 percent and less than 95 percent, and 95 percent or more, respectively.²⁴⁹

The Joint Proposal continues the statewide emergency response targets for the emergency response time metric, which requires the Company to respond to 75 percent of emergency reports within 30 minutes, 90 percent within 45 minutes, and 95 percent within 60 minutes. Associated NRAs of 12, eight, and five basis points, respectively, would be applied to the Company should it fail to meet these established targets. In addition, the Company can earn PRAs of two, four, or six basis points should it respond to greater than 95 percent, 96 percent, or 98 percent of emergency reports within 30 minutes, respectively.

The emergency response time metric provides an incentive for the Company to respond quickly to emergency reports. Customers and the public benefit from faster utility response to emergency reports. The longer it takes an operator to respond, the higher the risk and the higher the potential of a serious incident or safety threat to the public. The Joint Proposal reinstated the PRA for this metric with more stringent targets for the emergency response within 30 minutes to incentivize the Company to further improve its performance. Additional progress in the Company's performance for gas emergency response will improve safety and service of the Company's gas system. This provision, therefore, is in the public interest and should be adopted.

B. Leak Management

In its testimony, the Company proposed to discontinue the emergency response performance measure and targets in RY1 if these cases resulted in a single-year rate plan. However, the Company stated it was willing to consider continuing the emergency response targets in effect from the 2024 Rate Plan in the context of a multi-year rate plan.²⁵⁰ The 2024 Rate Plan established leak management targets through which the Company would incur an NRA of 15 basis points for a leak backlog for Types 1, 2A, 2, and 3 leaks of 90 leaks or greater, and six basis points for a leak backlog of 87 to 89 leaks. The Company also sought to reinstate the PRA that was eliminated by the 2024 Rate Plan, with the Company proposing to earn two, four, and six basis points for leak backlogs of between 60 and 65 leaks, between 64 and 55 leaks,

²⁴⁹ Direct Testimony of Staff Pipeline Safety Panel, p. 34.

²⁵⁰ Direct Testimony of Central Hudson Gas Safety Panel, p. 17.

and 54 or less leaks, respectively.²⁵¹ Staff recommended that emergency response metric continue in RY1 and proposed that the Company incur a PRA of 15 basis points for a leak backlog of 60 or greater leaks, and six basis points for between 51 and 59 leaks, respectively.²⁵² Staff recommended that the Company not earn a PRA for the leak management metric.²⁵³

The Joint Proposal reestablishes the statewide leak management performance measure and targets and requires the Company to reduce its total leak backlog for Types 1, 2A, 2, and 3 leaks on a calendar year basis, as described below.

1. Gas Leak Backlog

The Joint Proposal provides that the Company can receive PRA of 15 and six basis points, respectively, for Types 1, 2A, 2, and 3 leak backlogs of 56 leaks or greater and between 50 and 55 leaks. The Joint Proposal also allows the Company to earn PRAs of two, four, and six basis points for leak backlogs of 15 to 29 leaks, six to 14 leaks, and five or fewer leaks, respectively. The Joint Proposal further includes a window of ten days at the end of the calendar year during which time the Company must be at or below its leak backlog target. Additionally, the Joint Proposal contains a requirement that leaks failing a recheck inspection be included in the backlog for the calendar year in which the leak repair occurred. Types 1, 2 and 2A leaks that fail a re-check as required by 16 NYCRR §255.819 must be added back to the Total Year-End Backlog and the Year-End Repairable Leaks Backlog metrics. Type 3 leaks that were repaired in November or December but are not re-checked or that fail a re-check will be excluded from the Total Year-End Backlog for purposes of determining an NRA.

The Joint Proposal provisions related to leak management are reasonable because they require the Company to further reduce its total leak backlog. Reducing the number of leaks results in a reduction of methane emissions released into the atmosphere, as well as reduced costs associated with leak repair and inspection. The leak management metric summarized in the Joint Proposal will therefore not only benefit customers by improving system safety, but it also will benefit the environment in the form of lower methane emissions. Thus, the Joint Proposal recommends reinstating PRA earning for this metric with more stringent targets to incentivize

²⁵¹ Central Hudson Exhibit __ (GSP-1).

²⁵² Direct Testimony of Staff Pipeline Safety Panel, pp. 19-20.

²⁵³ Direct Testimony of Staff Pipeline Safety Panel, p. 18.

the Company to reduce its year-end backlog further during the Rate Plan. Additional progress in the Company's performance in leak management will improve safety of the Company's gas system and will benefit the Company's customers and the public. These terms are in the public interest, within the range of potential litigated outcomes, and should be adopted.

C. Damage Prevention

In its testimony, the Company proposed to discontinue the damage prevention safety measures and targets.²⁵⁴ However, the Company sought to continue these targets and proposed earn a PRA of 20, ten, and five basis points if the total damage rate per 1,000 one-call notifications is 2.0 or greater, between 1.85 and less than 2.0, and between 1.65 and less than 1.85, respectively, in the context of a multi-year agreement.²⁵⁵ Staff proposed to continue the damage prevention performance measures established in the 2024 Rate Plan and proposed a PRA of 20, ten, and five basis points for damage rates per 1,000 one-call notifications of 1.65 or greater, between 1.55 and less than 1.65, and between 1.40 and less than 1.55, respectively.²⁵⁶

The Joint Proposal states that the Company would incur an NRA of 20 basis points for a damage rate of 1.70 or more. For a damage rate between 1.55 or more and less than 1.70, the Company would incur an NRA of ten basis points. Finally, for a damage rate between 1.45 or more and less than 1.55, the Company would incur an NRA of five basis points. The Joint Proposal also establishes PRAs to encourage further improvements. The Company could earn PRA of two, four, and six basis points for damage rates between 1.00 and less than 1.05, 0.95 and less than 1.00, and less than 0.95, respectively. The Total Damage Rate will include the hand excavation damages with a one-call ticket for targets established in these proceedings. Hand excavation damages without a ticket will be excluded from the Total Damage Rate.

The Joint Proposal reasonably continues robust safety performance metrics by maintaining minimum targets that are based on recent Company performance. Reducing damages to the Company's infrastructure has several benefits, including fewer costs associated with repairing damages, a reduction of resources or manpower allocated to respond to the incident, as well as reduced risk and increased of safety for Company's employees, contractors,

²⁵⁴ Direct Testimony of Central Hudson Gas Safety Panel, p. 35.

²⁵⁵ Central Hudson Exhibit __ (GSP-1).

²⁵⁶ Direct Testimony of Staff Pipeline Safety Panel, pp. 47-48.

and the public. Thus, the Joint Proposal recommends reinstating the PRA for this metric with more stringent targets to incentivize the Company to reduce its annual damage rate. Additional progress in the Company's performance in damage prevention will improve safety of the Company's gas system and will benefit the Company's customers. These terms are in the public interest, within the range of potential litigated outcomes, and should be adopted.

D. Gas Safety Violations Performance Measures

In its initial testimony, the Company proposed to discontinue the gas safety violations performance measures provided in the 2024 Rate Plan. However, the Company proposed to continue the 2024 Rate Plan with these targets in the context of a multi-year agreement.²⁵⁷ Staff recommended that the Commission continue the gas safety violations performance measure during RY1, even if these proceedings resulted in a single-year rate plan. Staff further proposed that all high-risk field audit violations would result in an NRA of one basis point. Staff proposed to lower the number of high-risk record violations at which the Company would begin to incur an NRA to ten, and the number other risk record violations at which the Company would begin to incur an NRA to 11.²⁵⁸

The Joint Proposal establishes a compliance measure procedure which is consistent with that of other local distribution companies and details, among other things, its applicability, targets, associated NRAs per audit type, the field and records audit processes, and the risk rankings of various Commission regulations. The Joint Proposal provides a financial disincentive should the Company fail to comply with the minimum pipeline safety regulations. This metric does not reduce the obligation imposed on the Company because any violation that is not captured under this measure remains subject to a potential penalty action under PSL §§25 and 25-a. This provision promotes the safety and reliable operation of the Company's gas system by providing a strong financial disincentive for non-compliance. For these reasons, this provision protects ratepayer interests, and therefore is reasonable and should be adopted.

²⁵⁷ Direct Testimony of Central Hudson Gas Safety Panel, pp. 39-40.

²⁵⁸ Direct Testimony of Staff Pipeline Safety Panel, p. 61.

E. Leak Prone Pipe

In its initial testimony, the Company proposed to discontinue the NRA associated with its LPP performance measure in the context of a single-year rate plan. However, the Company proposed to continue removing 15 miles of LPP annually in the context of a multi-year agreement.²⁵⁹ Staff recommended that the Commission continue the current LPP performance measure targets and associated NRA in RY1, even if the Commission adopted a single-year rate plan. Thus, Staff recommended that the Commission require the Company to remove a minimum of 15 LPP miles annually and place the Company at risk of incurring an NRA of 15 basis points should it fail to meet this target.²⁶⁰

The Joint Proposal requires that the Company remove a minimum of 15 miles of LPP in calendar years 2025, 2026, and 2027. If the Company fails to meet the 15 miles of annual LPP removal, it would incur an NRA of 15 basis points. In calendar year 2028, the Company will remove its remaining LPP inventory and would incur an NRA of two basis points for each mile of LPP remaining as of December 31, 2028. The Joint Proposal recognizes that the Company retains the ability to prioritize projects based on factors other than risk. While risk must remain the primary consideration, the Company can also consider factors such as grouping LPP projects that are closely located geographically but not physically connected, as well as the Company's ability to obtain required construction permits. As the Company will be addressing the very last miles of LPP on its system over the next few years, Staff expects the LPP remaining to be mostly located in busy areas, but it may consist of small portions scattered over multiple locations of the Company's gas territory. This may result in the Company targeting segments of LPP for removal based on the permitting process and location more than based strictly on the comparative risk among the remaining segments. Central Hudson will seek alternatives to the replacement of pipelines scheduled to be eliminated by eliminating double runs of pipe or pursuing NPAs with a positive benefit-cost analysis. The Joint Proposal is reasonable because it continues to focus the Company's efforts on LPP removals, which is consistent with the Commission's goal to eliminate LPP in the State. Accordingly, the LPP metric is in the public interest and should be adopted.

²⁵⁹ Direct Testimony of Central Hudson Gas Safety Panel, p. 24.

²⁶⁰ Direct Testimony of Staff Pipeline Safety Panel, pp. 28-29.

F. Leak Prone Services

In its testimony, the Company proposed an LPS program. Currently, the Company has approximately 1,055 LPS in its system.²⁶¹ This LPS program will focus on replacement of gas services that are considered LPP but are not included within the LPP elimination program.²⁶² In connection with this program, the Company proposed to earn four basis points should it replace 185 LPS or more, two basis points should it replace between 124 and 184 LPS, and no PRA should it replace less than 124 LPS.²⁶³ Staff recommended that the Company continue the existing program and supported allowing the Company to earn a PRA of four basis points if the Company removed 211 or more LPS annually.²⁶⁴

The Joint Proposal allows the Company to earn a PRA of four basis points if it removes 211 or more LPS annually. This provision is reasonable because it will help the Company reduce the number of leaks, and therefore gradually eliminate the hazards related to this type of LPS that are in proximity to residential properties. The recommended PRA of four basis points for removal of 211 or more LPS per year aligns with Staff's testimonial position and will incentivize the Company to remove LPS from its service territory within five calendar years.

G. Community Gas Emergency Response Drill Program

In its testimony, the Company proposed to continue the existing Community Gas Emergency Response Drill Program and the associated incentives allowing the Company to earn a PRA of four basis points per event with a maximum of two event per year.²⁶⁵ Staff recommended that the Commission require the Company to continue the existing program with the existing associated PRA of eight basis points.²⁶⁶

The Joint Proposal requires that the Company continue its Community Gas Emergency Response Drill program. The Company will continue conducting simulated full-scale gas emergency exercises in the community to test and enhance communication protocols

²⁶¹ Direct Testimony of Central Hudson Gas Safety Panel, p. 34.

²⁶² *Id.*, p. 25.

²⁶³ *Id.*, pp. 25-26.

²⁶⁴ Direct Testimony of Staff Pipeline Safety Panel, pp. 83-85.

²⁶⁵ Direct Testimony of Central Hudson Gas Safety Panel, pp. 48-49.

²⁶⁶ Direct Testimony of Staff Pipeline Safety Panel, p. 80.

and logistics of all responder organizations within the community. The Joint Proposal also allows the Company to earn a PRA of four basis point for each event the Company organizes, with a maximum PRA of eight basis points annually.²⁶⁷

Continual efforts to train first responders would benefit customers by reinforcing the knowledge first responders need to respond to an incident, reviewing actions first responders should take, as well as actions to avoid, and educating first responders on how to safely operate certain field devices. Thus, the Company's first responder education efforts are in the ratepayers' and the general public's interests and should be adopted.

1. Reporting Requirements

The Joint Proposal requires that the Company submit to the Secretary to the Commission a list of the entities invited to the emergency response drills, along with the schedule of activities, prior to the date of each event. The Joint Proposal also requires that the Company submit a report on the emergency drill to the Secretary to the Commission within 30 days of completing each emergency drill, including the attendance list, a detailed summary of the activities completed during the event, and the cost of the event. This provision ensures that Staff can verify the efficacy of and attendance at the Company's emergency response drill events and potentially suggest improvements in the future.

H. Gas Safety Total PRA / NRA Basis Points Allocation Per Year

The Joint Proposal allows the Company to earn a maximum annual PRAs of 30 basis points associated with various gas safety metrics and programs, as discussed above. The Company could also be subject to incurring a maximum annual NRA of 150 basis points should it fail to meet the minimum recommended targets for the gas safety metrics.²⁶⁸ The maximum annual total of 150 basis points is a standard statewide threshold and has been implemented to ensure that local distribution companies are adequately incented to achieve adequate levels of safety performance. The Joint Proposal reinstates some of the PRA targets for some of the safety performance measures that were discontinued by the 2024 Rate Plan, while setting these PRA earning targets at levels that will incentivize the Company to make considerable and needed

²⁶⁷ Joint Proposal, Appendix T.

²⁶⁸ Id.

progress to make sure its gas system is safer. These NRA and PRA targets will benefit the Company and the public by reducing cost and hazards, and therefore should be adopted.

I. Continuation

The Joint Proposal recommends that the proposed gas safety performance measures and targets with associated revenue adjustments remain in effect until changed by the Commission.

XVIII. Customer Service

The Joint Proposal continues various existing consumer protections and includes modifications and enhancements described below.

A. Customer Service Performance Indicators

The CSPI measures for Central Hudson are the PSC Complaint Rate, the Residential Customer Satisfaction Survey, and the Percent of Calls Answered by a Representative Within 30 Seconds. The Company proposed that, for a one-year rate plan, no targets or NRAs be applied.²⁶⁹ However, the Company also stated in its testimony that, to the extent that settlement negotiations address a multi-year rate plan, the Company would not oppose maintaining the current targets. Additionally, the Company proposed to exclude complaints regarding commodity pricing from the PSC Complaint Rate calculation, as it asserted commodity price-related complaints were beyond its control.²⁷⁰

Staff recommended continuing the PSC Complaint Rate, the Residential Customer Satisfaction Survey, and the Percent of Calls Answered by a Representative Within 30 Seconds CSPIs with the targets and NRAs currently in effect from the 2024 Rate Plan whether these proceedings resulted in a single- or multi-year rate plan.²⁷¹ Staff also recommended that no complaint types be excluded from the PSC Complaint Rate calculation.²⁷² The current targets and NRAs that Staff proposed to maintain are a PSC Complaint Rate of 1.0 complaints per 100,000 customers (with 15 basis points at risk), a Customer Satisfaction Survey target of 87

²⁶⁹ Direct Testimony of Central Hudson Customer Experience Panel, pp. 8-10.

²⁷⁰ Id., p. 11.

²⁷¹ Direct Testimony of Staff Consumer Services Panel, pp. 17-18.

²⁷² Id., pp. 24-25.

percent (with 15 basis points at risk), and 67 percent rate of calls answered within 30 seconds (with 12 basis points at risk). Dutchess County similarly supported the continuation of these CSPI metrics.²⁷³

The Joint Proposal recommends that the CSPI targets continue as stated above. Additionally, the Joint Proposal recommends increasing the basis points at risk for the Percent of Calls Answered by a Representative Within 30 Seconds to 13 in 2027 and to 15 in 2028, while maintaining the current NRA levels for the other metrics. Furthermore, the Joint Proposal does not provide for the exclusion of any complaint types in the PSC Complaint Rate Calculation. These terms are reasonable and should be adopted because they continue to incentivize the Company to ensure that customer service remains a priority.

1. PSC Complaint Rate

The PSC Complaint Rate metric is detailed above.

2. Residential Customer Satisfaction Survey

The Residential Customer Satisfaction Survey metric is detailed above.

3. Percent of Calls Answered by a Representative Within 30 Seconds

The Percent of Calls Answered by a Representative Within 30 Seconds metric is detailed above.

4. Appointments Kept

The Joint Proposal recommends the continuation of a bill credit of \$20 to customers for each scheduled appointment missed by the Company. This provision is reasonable as it compensates a customer that is inconvenienced by a missed appointment.

5. Residential Service Terminations/Uncollectibles Incentive Mechanism

Staff recommended that the Commission continue to pause the Residential Service Terminations/Uncollectibles Incentive Mechanism.²⁷⁴ The Joint Proposal recommends that this mechanism remain paused for the duration of the Rate Plan. This provision is

²⁷³ Direct Testimony of Allan R. Page, p. 31.

²⁷⁴ Direct Testimony of Staff Consumer Services Panel, p. 83.

reasonable because the Company had not terminated service to residential customers from June 17, 2020 through May 2024.²⁷⁵ As a result there is not adequate historical data to support targets for this incentive mechanism at this time.

6. Events Outside of the Company's Control

The Joint Proposal recognizes the Company's ability to petition the Commission for a waiver, release, or other relief related to its inability to meet its CSPI targets. This provision is reasonable as it recognizes that certain circumstances could occur that could impact CSPI numbers that are beyond the Company's ability to control and does not prejudice any such petition or claims that could be raised in such a petition.

B. Call Center Legislation Reporting

In Section V.B.1.d, above, Staff discusses a deferral mechanism related to incremental costs the Company may incur in order to comply with the recently enacted Chapter 107 of the Laws of 2025, regarding electric and gas utilities' call centers. The Joint Proposal also recommends that the Company file quarterly reports, broken down by month, on Call Center Customer Service Representative staffing levels, the status of hiring, Customer Service Representative training activity, and overall spending broken out by labor, external call center costs, training, equipment, and office space. Any costs outside these categories must be accompanied by an explanation and justification of each expense. This provision of the Joint Proposal is reasonable because locating all of the Company's call center resources within its service territory likely will require large scale hiring and training efforts, which may be accompanied by incremental costs that Staff must be able to review.

C. Language Access

PULP proposed that, in the context of a multi-year settlement, the Company undertake a comprehensive effort to expand language access for the LEP customer population in its service territory.²⁷⁶ PULP proposed that the Company begin coding all LEP non-Spanish speaking Customer Information System accounts in a functional manner similar to the coding for

²⁷⁵ Direct Testimony of Central Hudson Customer Experience Panel, p. 22.

²⁷⁶ Direct Testimony of William D. Yates, CPA, p. 13.

Spanish-speaking customer accounts.²⁷⁷ Additionally, PULP proposed that the Company take measures to ensure that all LEP customers are informed of their rights and responsibilities during all phases of the collections process.²⁷⁸ Communities for Local Power further stated that the Company was not doing enough to fulfil its obligation to provide bills in Spanish, which Communities for Local Power asserted did a disservice to Central Hudson's customers.²⁷⁹

The Joint Proposal recommends requiring that the Company provide customer bills and forms in Spanish and continue translating its website into Spanish in 2025. The Company will continue to monitor, track, and analyze LEP populations in its service territory using census data on an annual basis, and also begin coding all LEP accounts with customers' preferred languages in its Customer Information System. Regarding the collections process, the Joint Proposal stipulates that, within 90 days of the effective date of an order setting rates in these proceedings, the Company will begin including a messaging block in the top five languages other than English and Spanish to ensure that LEP customers are able to engage in all steps of the collections process. Additionally, if a customer whose account has not previously been coded as LEP contacts the Company during the collections process and identifies themselves as LEP, the Company will correctly code the customer's account with their preferred language and afford the customer a 15-day extension, during which time the Company will not pursue termination.

These provisions of the Joint Proposal are reasonable because they establish processes to enhance the tracking of LEP customers in the Company's service territory and ensure that customers not previously identified as LEP have a reasonable time to make arrangements to access language assistance from the Company or elsewhere and to take the actions necessary, such as applying for financial assistance or entering into a deferred payment agreement, to avoid termination.

D. Short-Term Payment Agreements

In addition to the deferred payment agreements the Company is required to offer customers pursuant to the Home Energy Fair Practices Act (HEFPA) and its implementing

²⁷⁷ Id.

²⁷⁸ Id., p. 14.

²⁷⁹ Direct Testimony of Jessica Mullen, pp. 25-26.

regulations,²⁸⁰ the Company also provides customers distinct short-term payment agreements. PULP proposed that the Company not charge, or waive, late payment fees for customers entering into short-term payment agreements.²⁸¹

The Joint Proposal recommends that, by the end of RY1, the Company will develop an implementation plan to waive finance charges for customers with short-term payment agreements and implement that plan by the end of RY2. This provision of the Joint Proposal is reasonable because deferred payment agreements as provided for by HEFPA and the regulations implementing it are not subject to late payment fees.²⁸² Accordingly, this provision will extend that protection to short-term payment agreements.

E. Voluntary Protections During Extreme Weather

Currently, Central Hudson affords residential customers additional protections from service terminations during extreme cold and heat weather under specified conditions. PULP proposed that the cold weather provisions adopted in the 2024 Rate Plan be continued, and that the extreme heat protections include a suspension of service terminations where the heat index is forecast to hit 90 degrees, including not terminating one calendar day before and two calendar days after 90-degree days.²⁸³ The Company disagreed with PULP's recommendation and maintained that the current 93-degree temperature threshold to trigger the extreme heat protections represents a balanced approach to collections by protecting vulnerable customers but mitigating uncollectible expense burdens for all customers.²⁸⁴

1. Cold Weather Protections

The Joint Proposal recommends that the Company continue its cold weather protections for residential customers during the cold weather period of November 1 through April 15. Those protections include: continuing service when a HEAP payment is received, regardless of payment status; offering a new minimum deferred payment agreement upon receipt of an emergency HEAP grant and referring a customer to the Department of Social Services for

²⁸⁰ PSL §37; 16 NYCRR §11.10.

²⁸¹ Direct Testimony of William D. Yates, CPA, p. 13.

²⁸² 16 NYCRR §11.15(c).

²⁸³ Direct Testimony of William D. Yates, CPA, p. 13.

²⁸⁴ Rebuttal Testimony of Central Hudson Customer Experience Panel, p. 32.

an emergency HEAP grant if a regular HEAP grant is not sufficient to prevent collections; suspending residential terminations on days where the predicted high temperature is below 32 degrees and where the “feels like” temperature is predicted to be at or below 32 degrees for two or more consecutive days; refraining from locking customers who are coded as elderly blind or disabled; and not terminating gas service for low-income and elderly blind or disabled customers due to non-payment. If a low-income or elderly blind or disabled customer is eligible for termination of electric service, the Company may still terminate non-heat related electric service from November 1 through November 30 and from March 16 through April 15 unless weather conditions described above exist. This provision of the Joint Proposal is reasonable because it continues the voluntary protections that have been put into place to protect vulnerable customers during extreme weather conditions.

2. Extreme Heat Protections

The Joint Proposal recommends continuing the current requirement that the Company suspend electric residential service terminations for non-payment if: (1) the heat index is forecasted by the National Weather Service to reach 93 degrees or higher, including on the calendar day before the day on which it is forecasted to reach 93 degrees or higher, in the Company’s service territory; or (2) the actual heat index reaches 93 degrees or higher on any given day. This provision of the Joint Proposal is reasonable because it protects vulnerable customers during extreme heat conditions.

XIX. Outreach and Education

None of the parties provided testimony regarding the Company’s Outreach and Education Plan with the exception of the EAP outreach and LEP outreach topics described above. The Joint Proposal states that the Company will continue to file with the Secretary to the Commission an outreach and education plan on April 1 of each year that is consistent with the format contained in Appendix W of the Joint Proposal. These terms are reasonable because the plan provides information regarding the Company’s communications and customer engagement activities with its customers for the upcoming planned year. The plan is also used as a benchmark for achievements from the previous year. The information highlights the major topic areas of interest to the Company and its customers and what, if any, improvements the Company can undertake for the upcoming planned year.

XX. Other Programs and Initiatives

A. Residential Methane Detector Program

The Joint Proposal recommends continuing the Company's Residential Methane Detector Program through which the Company provides detectors to customers. This existing program improves safety for customers and it should continue.

B. First Responder Training Program

This provision is discussed in the Community Gas Emergency Response Drill Program section above.

C. Pipeline Safety Management System

In its testimony, the Company requested \$250,000 annually to continue participating on utility committees and for utilization an outside consultant to implement its Pipeline Safety Management System (PSMS).²⁸⁵ Staff did not address the Company's PSMS in its initial testimony. The Joint Proposal recommends that the Company implement the PSMS and recover the costs as a gas O&M expense. Allowing the Company to continue developing a PSMS will help the Company make its gas system, and therefore customers and the public, safer. A PSMS provides a proactive and systematic approach to risk management of complex processes across the pipeline organization to operate safely and to improve safety performance. Accordingly, the Joint Proposal's PSMS provision is in the public interest, and should be adopted.

XXI. Earnings Adjustment Mechanisms

In its initial testimony, the Company proposed five electric and zero gas EAM metrics, as well as four scorecard metrics.²⁸⁶ The Company proposed electric system metric awards that would have provided the Company with the opportunity to earn 55 basis points worth of financial incentives each year for the proposed Rate Plan.²⁸⁷ The Company proposed the following metrics: (1) DER Utilization – PV; (2) DER Utilization – Battery Energy Storage

²⁸⁵ Direct Testimony of Central Hudson Gas Safety Panel, pp. 43-45.

²⁸⁶ Direct Testimony of Central Hudson Earnings Adjustment Mechanisms Panel, p. 12.

²⁸⁷ Id.

Systems (BESS); (3) Electric Load Management; (4) Residential Managed Charging; and (5) EV Adoption. The Company also proposed to maintain its four current scorecard metrics, including three electric operations metrics (Load Factor, Residential Energy Intensity, and Commercial Energy Intensity) and one gas operations metric (Gas Peak Reduction).²⁸⁸

In its initial testimony, Staff recommended the same four scorecard metrics, and recommended that the Commission approve the DER Utilization – PV, DER Utilization – BESS, and EV Adoption EAMs with modifications to the targets and basis points.²⁸⁹ Additionally, Staff recommended that the Commission not approve the Company’s Electric Load Management and the Residential Managed Charging metrics.²⁹⁰ Staff further recommended total maximum electric EAM metric awards of 20 basis points in RY1. Staff recommended maintaining a two-sloped line of financial awards versus target levels, resulting in a lower slope between minimum and midpoint targets, and a steeper slope between midpoint and maximum targets, which is important to avoid potential diminishing returns as financial awards increase.²⁹¹

In its rebuttal testimony, the Company argued against Staff’s recommendations to reduce the total number of EAM basis points, eliminate the proposed Residential Managed Charging and Electric Load Management EAMs, modify the growth calculation and targets for both the DER Utilization – PV and DER Utilization – BESS EAMs, and modify the targets associated with the Company’s proposed EV Adoption EAM.²⁹² The Company also requested clarification regarding project eligibility for the DER Utilization EAMs.²⁹³

The Joint Proposal adopts five electric EAM metrics and four scorecard metrics. The five electric EAMs are: (1) the DER Utilization – PV metric to encourage greater penetration of solar within the Company’s service territory; (2) the DER Utilization – BESS metric to encourage greater penetration of energy storage systems within the Company’s service territory; (3) the Electric Load Management metric to encourage additional participation and

²⁸⁸ Id., p. 23.

²⁸⁹ Direct Testimony of Staff Energy Sustainability and Earnings Adjustment Mechanism Panel, p. 64.

²⁹⁰ Id., p. 65.

²⁹¹ Id., p. 44.

²⁹² Rebuttal Testimony of Central Hudson Earnings Adjustment Mechanisms Panel, pp. 1-2.

²⁹³ Id.

performance in demand response programs within the Company's service territory; (4) the Residential Managed Charging metric to encourage EV adoption and avoidance of charging during peak hours; and (5) the EV Adoption metric to encourage EV deployment critical for meeting economy-wide decarbonization goals. The Company is eligible to earn a maximum of 34 basis points associated with these EAM metrics.

The Joint Proposal specifies aggressive targets for the EAM metrics. This ensures that financial rewards are tied to the Company over-achieving the Company's share of New York's energy policy goals, where applicable, or are otherwise based on achieving significant improvements against historical program performance where specific policy goals are not defined. The Joint Proposal appropriately balances shareholder, customer, environmental, and public interests to establish incentive mechanisms that will align the Company's business activities with New York State energy and climate policy goals and support programs that will integrate clean energy technologies from emerging markets. The proposed EAMs are also within the range of outcomes advocated for in the parties' initial and rebuttal testimony, and, further, the basis point awards available to the Company for the included EAM metrics are similar to the basis point levels approved by the Commission for other utilities. For the foregoing reasons, these five electric EAMs and four scorecard metrics are reasonable, in the public interest, and should be adopted.

XXII. Climate and Energy Leadership Issues

While the Joint Proposal establishes rates for electric and gas service for Central Hudson – a utility required to provide those services to all applicants – the Joint Proposal includes provisions to align with the goals of the CLCPA and limit the environmental impact of the utility services Central Hudson provides. This section of the Joint Proposal lists some of the other provisions in the Joint Proposal that the Signatory Parties specifically identified as supporting the goals of the CLCPA. These provisions include, but are not limited to, replacement of LPP and leak-prone services (as discussed in Sections XVII.E. and XVII.F., above), NPAs designed to displace the need for traditional gas infrastructure investments (as discussed in Section XXIII.C., below), and the incorporation of Clean Heat Program information into the Company's natural gas service applications (as discussed in Section XXIII.C., below), would result in a more efficient use of existing gas infrastructure while curtailing the expansion

of gas service in favor of more environmentally friendly alternatives. Finally, Staff provides an analysis of the Joint Proposal's rate plan through the lens of CLCPA §7(2) and (3) in Section III.B, above.

XXIII. Gas Reliability and Supply Issues

A. PA Consulting Incremental Expense

As discussed earlier, the Commission established a gas system long-term planning process in Case 20-G-0131.²⁹⁴ In doing so, the Commission provided that Staff would select a consultant to analyze the utilities' long-term plans. This consultant would work at the direction of Staff, but have its costs paid by the utility.²⁹⁵ The Commission allowed the utilities to defer the costs of such a consultant.²⁹⁶ Staff selected PA Consulting to assist and provide expertise in connection with reviewing the Company's gas system Long-Term Plan in Case 23-G-0676 at a not-to-exceed level of professional fees of \$470,000.²⁹⁷ In its initial testimony, Staff explained that the Company's demand model underlying the initial and revised versions of its long-term plan contained modeling errors.²⁹⁸ After correcting the errors, the Company filed a second version of its "Revised Gas System Long-Term Plan."²⁹⁹ As a result of the corrections, PA Consulting was required to duplicate some of the work it had already conducted regarding the Company's previous filings in that case.³⁰⁰ In recognition of the need for this additional work, Staff, the Company, and PA Consulting amended the contract in Case 23-G-0676 to increase the

²⁹⁴ Case 20-G-0131, supra, Order Adopting Gas System Planning Process (issued May 12, 2022).

²⁹⁵ Id., p. 27.

²⁹⁶ Id.

²⁹⁷ Case 23-G-0676, supra, Contract Among Central Hudson Gas and Electric Corporation and PA Consulting Group, Inc. and New York State Department of Public Service (issued January 10, 2024), p. 9.

²⁹⁸ Direct Testimony of Staff Gas System Planning and Reliability Panel, pp. 13-14.

²⁹⁹ Case 23-G-0676, supra, Revised Gas System Long-Term Plan, Version 2 (filed July 26, 2024).

³⁰⁰ Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 14.

not-to-exceed level of professional fees by \$108,652 to \$578,562.³⁰¹ Staff explained that this duplicate work would likely require PA Consulting to incur costs above the not-to-exceed level of professional fees specified in the contract. Staff recommended that the Commission not allow the Company to defer costs in excess of the not-to-exceed level or recover such costs from its customers.³⁰²

In its rebuttal testimony, the Company argued against Staff's position and recommended that the Company be authorized to defer costs associated with the duplication of work due to imperfections in the Company's initial modeling.³⁰³ The Company contended that Staff's recommendation was punitive, and that the model uniquely provides incremental functionality for more effective scenario modeling.³⁰⁴

The Joint Proposal provides that the Company shall not defer the difference between the actual final billed professional fees of PA Consulting (not to exceed \$578,652) and the professional fees set in the original contract (\$470,000). This provision is reasonable and should be adopted because it ensures that the Company will not defer or ultimately recover from customers, the expenses associated with PA Consulting's additional work due to the Company's modeling errors and subsequent corrections.

B. Differentiated Gas

In its initial testimony, Staff recommended that the Commission authorize the Company to continue purchasing differentiated gas at a level not to exceed \$200,000 in incremental supply cost in RY1 and in the subsequent 12-month periods until changed by the Commission.³⁰⁵ Staff also recommended additional program requirements, including that the Company's gas purchases meet the highest certification standards available, and that the Company use a solicitation process to purchase volumes from suppliers based on a set of factors

³⁰¹ Case 23-G-0676, *supra*, Amendment No. 2 to Agreement Between Central Hudson Gas & Electric Corporation, New York State Department of Public Service and PA Consulting Group, Inc. (issued October 9, 2024), p. 1.

³⁰² Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 15.

³⁰³ Rebuttal Testimony of Central Hudson Climate Leadership and Sustainability Panel, pp. 23-24.

³⁰⁴ *Id.*

³⁰⁵ Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 29.

that include location, quantity, methane intensity, and price.³⁰⁶ Additionally, Staff recommended that the Company file monthly reporting to provide details of its differentiated gas purchases.³⁰⁷

The Joint Proposal allows the Company to continue this pilot program to procure differentiated gas but requires the Company to implement new program requirements while limiting program costs to an annual cost above traditional supplies of \$200,000 per year during the term of the Rate Plan. Costs associated with the procured differentiated gas will be recovered similarly to other natural gas purchases through the Gas Supply Charge. The Joint Proposal further requires the Company to purchase differentiated gas that meet the highest certification standards and file monthly reports providing details of its differentiated gas purchases.

This provision allows for the continuation of the differentiated gas purchase program while improving the purchasing and reporting requirements by providing higher emission certification standards to be met by competing suppliers. Additionally, the Company will provide monthly program details to evaluate the program and its benefits on its customers' behalf. Accordingly, this provision is reasonable and should be adopted.

C. Non-Pipes Alternatives Outreach

The Company initially proposed to continue the implementation of its NPA program, as established in Cases 17-E-0459 and 17-G-0460 and as continued in Cases 20-E-0428 and 20-G-0429.³⁰⁸

In response, Staff recommended that the Company evaluate the potential for NPAs to address segments on its system for which modeling identifies emerging pressure concerns under design day conditions.³⁰⁹ Staff further stated that the Company should undertake outreach efforts in the communities impacted by the anticipated pressure issues by describing alternatives to gas service.³¹⁰ Staff also recommended that the Company evaluate NPAs to

³⁰⁶ Id., pp. 29-30.

³⁰⁷ Id., p. 30.

³⁰⁸ Direct Testimony of Central Hudson Climate Leadership and Sustainability Panel, p. 28.

³⁰⁹ Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 22.

³¹⁰ Id.

forestall replacement of transmission services, or Farm Taps, and LPS.³¹¹ Finally, Staff indicated that the Company, at minimum, should be required to reach out to customers 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.³¹²

In its rebuttal testimony, the Company disagreed with Staff's recommendation for the Commission to direct the Company to undertake outreach efforts in communities impacted by anticipated pressure issues, as the Company already conducts outreach and recruitment efforts related to its Clean Heat Program.³¹³ The Company also argued that LPS replacements as well as customers within 100 feet of a gas main should continue to be excluded from NPA evaluation as it would be uneconomical to include those customers.³¹⁴

The Joint Proposal requires the Company to submit updated implementation plans for NPA programs related to Transmission Service Replacements and LPS Replacement, as well as implementation plans for each NPA associated with an Area of Pressure Concern Identified in System Modeling. Additionally, the Joint Proposal requires the Company to provide outreach materials regarding its Clean Heat Program to customers with upcoming transmission service and LPS replacements and gas applicants within 100 feet of gas main.

This provision widens the scope of the Company's NPA program and requires that the Company provide education to more customers on alternatives to natural gas service. This should improve customer NPA adoption rates, which would help to avoid incremental traditional gas capital expenditures, contribute to emission reductions, and supporting the goals of the CLCPA. For these reasons, the provision should be adopted.

D. Natural Gas Service Agreement

This item was not discussed in any party's testimony. This provision requires the Company to modify its online and PDF Natural Gas Service Agreement forms to include

³¹¹ Id.

³¹² Id., p. 27.

³¹³ Rebuttal Testimony of Central Hudson Climate Leadership and Sustainability Panel, pp. 17-18.

³¹⁴ Id., pp. 18-19.

information on the Company's Clean Heat Program. The form will include an overview of the Clean Heat Program and a link to a webpage with information regarding that program. This will ensure that the Company provides inquiring new gas customers with information related to the Company's Clean Heat Program and educates those potential gas customers of alternatives to natural gas. This increases the opportunity for customers to adopt alternatives that would reduce GHG emissions, thus contributing toward meeting the State's CLCPA emission goals.

Accordingly, this provision of the Joint Proposal both benefits customers and furthers State policy goals and should be adopted.

XXIV. Gas Capacity Release

A. Pipeline Capacity for Sales and Transportation Customers

In its initial testimony, Staff recommended that the Company either demonstrate that there is not a capacity inequity between sales customers and marketers participating in the Retail Access Program under its current approach, or propose a change to the methodology in the tariff to align the calculation for both sales and transportation customers to eliminate the cost inequity.³¹⁵

In its rebuttal testimony, the Company disagreed with Staff's position, stating that, based on its internal analysis of the weighted average cost of capacity which ESCOs pay and the restrictions placed on capacity for various pipelines, the Company did not believe the average difference constituted an inequity.³¹⁶

The Joint Proposal requires the rate at which capacity is released for the Company's gas Retail Access Program to be set equal to the corresponding rate for pipeline capacity included in the Gas Supply Charge assessed to full-service customers. This provision is reasonable because it ensures that sales and transportation customers pay the same rate for capacity and eliminates any potential cost inequity moving forward.

B. Collaborative Process

Staff recommended in initial testimony that the Company explain why there is a difference in the capacity being applied to Retail Access Program suppliers and sales customers

³¹⁵ Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 33.

³¹⁶ Rebuttal Testimony of Central Hudson Forecasting and Rates Panel, pp. 17-18.

and potential ways to eliminate the potential inequity in pipeline capacity made available to Retail Access Program suppliers and sales customers.³¹⁷

In its rebuttal testimony, the Company discussed the reasons for the discrepancy in pipeline availability between full-service and retail customers, stating that the Company uses a methodology that maximizes pipeline transportation capacity utilization, is mindful of operational flexibility needs and system reliability concerns, has to consider pipeline contract limitations, and seeks to minimize the administrative burden on both the Company and ESCOs.³¹⁸ Additionally, the Company disagreed with Staff that an inequity exists between the pipeline capacity made available to the different customer types.³¹⁹

The Joint Proposal requires the Company to initiate a collaborative process with interested parties to evaluate the capacity available for release under the Company's gas Retail Access Program. The Company will provide an analysis that identifies any potential differences between supply pipelines that are released to Retail Access Program marketers versus supply pipelines that the Company uses on behalf of firm sales customers. The final filed report will also include any resulting changes to the Company's Gas Transportation Operating Procedures Manual. This provision is reasonable because it will provide Staff and interested parties the information to understand and potentially address any differences in pipeline capacity that may be identified in the review of the Company's capacity release process.

XXV. Miscellaneous Provisions

This section contains standard provisions common to all rate proceeding joint proposals. Of note, Section XXV.A provides that, absent an express intention otherwise, the provisions of the Joint Proposal will continue after RY3, with any annual targets at the RY3 level, unless and until the Commission adopts superseding rates or terms. Additionally Section XXV.A explains that changes to the Company's base delivery service rates during the term of the Rate Plan are not permitted unless certain conditions occur. The provisions in this section also include: recognition that the Company may submit information called for by the Joint Proposal with a request for exemption from disclosure; a provision regarding dispute resolution

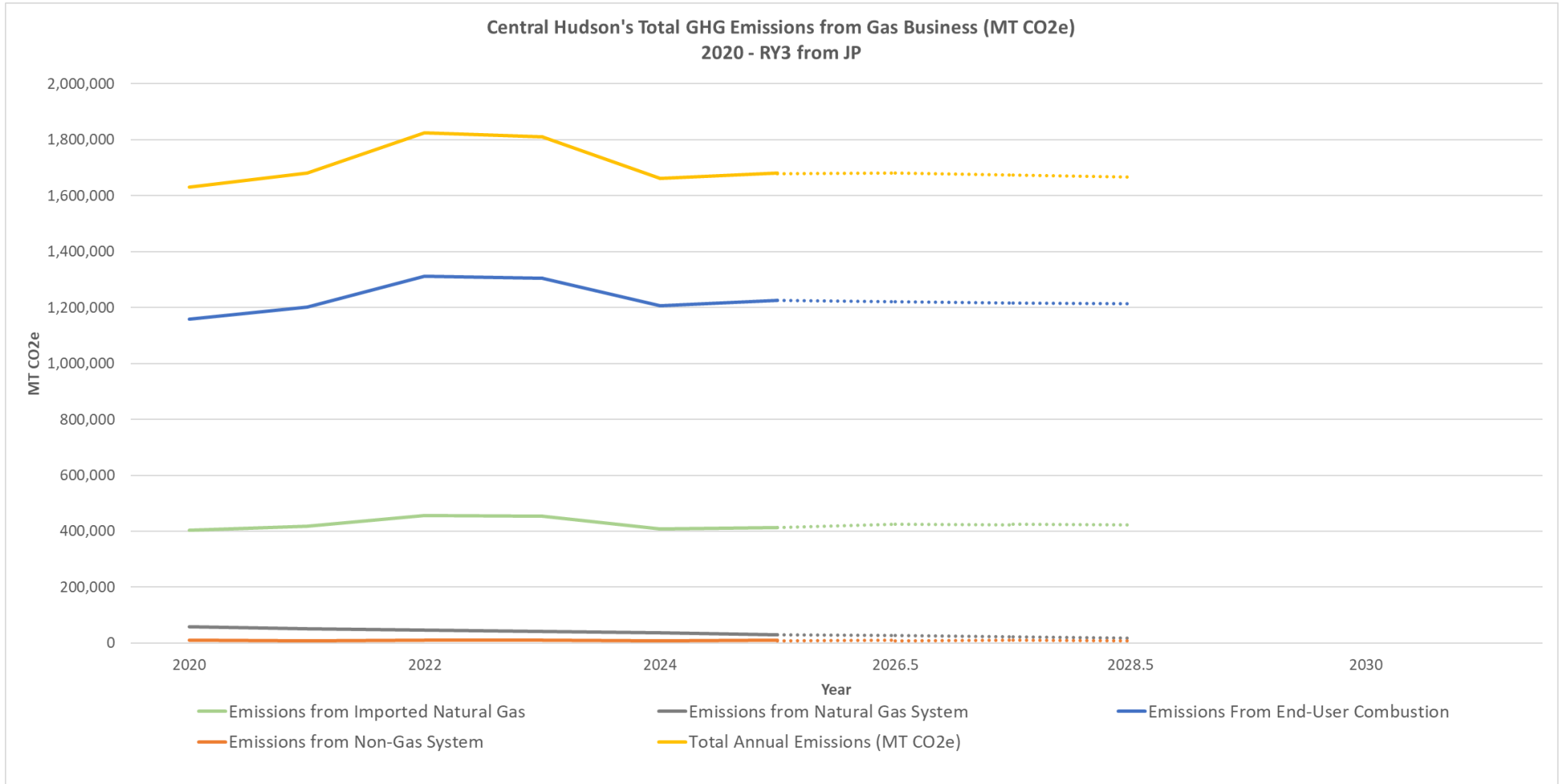
³¹⁷ Direct Testimony of Staff Gas System Planning and Reliability Panel, p. 34.

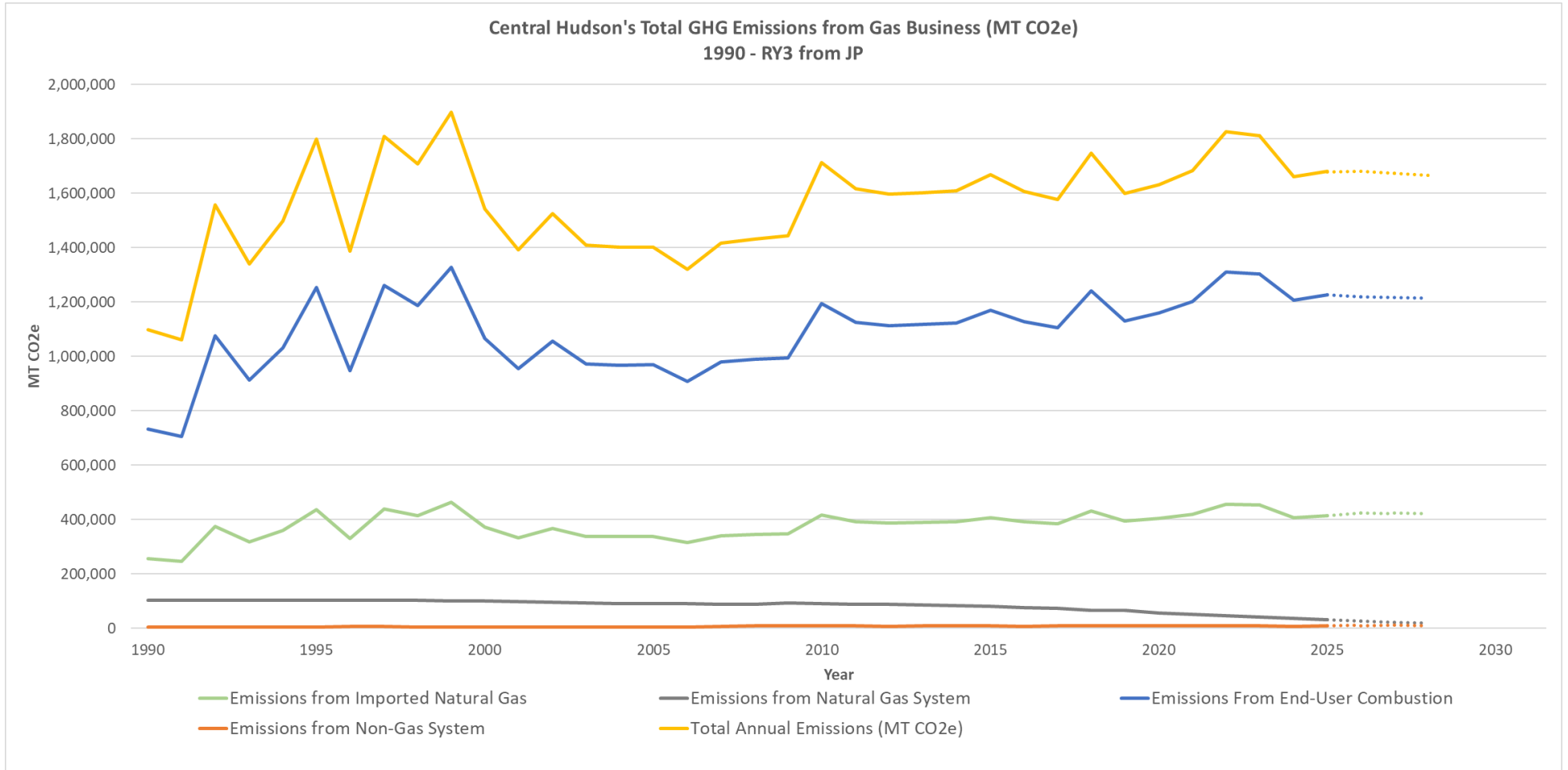
³¹⁸ Rebuttal Testimony of Central Hudson Forecasting and Rates Panel, p. 20.

³¹⁹ Id., p. 21.

Attachment A

Historical and Forecast Greenhouse Gas Emissions





Attachment B

Revenue Requirement Drivers

Central Hudson Gas & Electric Corporation - 24-E-0461 and 24-G-0462
Revenue Requirement Impact of Electric Rate Increase Drivers
(\$000)

	Existing		
	Rates to RY1	RY1 to RY2	RY2 to RY3
Total Operating Revenues	\$ (15,280)	\$ (11,649)	\$ (17,021)
Labor, Employee Benefits, Training, Payroll Taxes	10,243	4,350	4,505
Pension and OPEBs	(6,218)	1,259	1,645
Exec. Inc. Comp. and Management Variable Comp.	3,349	1,383	327
Distribution Repairs and Maintenance	3,935	1,114	861
Uncollectible Accounts	5,938	190	262
Environmental SIR	-	-	3,043
Information Technology	2,402	1,606	1,791
Major Storm Reserve	1,704	-	-
Energy Efficiency, Heat Pumps	3,298	2,863	1,081
Other O&M Expenses	2,286	3,061	2,573
Property Taxes	3,876	4,974	4,516
Depreciation Expense	8,814	8,350	7,760
Income Taxes	1,552	(1,529)	(49)
Net Plant	7,926	12,468	9,525
Other Rate Base	11,292	(536)	(1,179)
Capital Structure	1,291	2,774	2,058
Total Rate Increase	\$ 46,407	\$ 30,678	\$ 21,698

Central Hudson Gas & Electric Corporation - 24-E-0461 and 24-G-0462
Revenue Requirement Impact of Gas Rate Increase Drivers
(\$000)

	Existing Rates to RY1	RY1 to RY2	RY2 to RY3
Total Operating Revenues	\$ (892)	\$ 936	\$ 951
Labor, Employee Benefits, Training, Payroll Taxes	3,010	1,294	1,340
Pension and OPEBs	(1,791)	359	469
Exec. Inc. Comp. and Management Variable Comp.	840	347	82
Repairs and Maintenance	714	89	91
Uncollectible Accounts	2,098	(17)	(15)
Environmental SIR	-	-	3,298
Other O&M Expenses	1,435	592	957
Property Taxes	3,675	1,044	1,738
Depreciation Expense	2,319	3,073	2,990
Income Taxes	(289)	45	(66)
Net Plant	4,433	5,919	5,143
Other Rate Base	2,817	(831)	(795)
Capital Structure	596	1,038	725
Total Rate Increase	\$ 18,965	\$ 13,887	\$ 16,909