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October 27, 2016

Honorable Kathleen H. Burgess, Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Central Hudson Gas & Electric Corporation: LED Street and Area Lighting

Dear Secretary Burgess:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") hereby files the following proposed tariff amendments on October 27, 2016 to become effective February 1, 2017.

P.S.C. No. 15 – Electricity

16th Revised Leaf No. 205
14th Revised Leaf No. 205.1
Original Leaf No. 206.3
17th Revised Leaf No. 217
Original Leaf No. 217.1
6th Revised Leaf No. 223

The purpose of this filing is to revise certain provisions under Rate A (Company owned and maintained) of Service Classification ("SC") No. 8 – Public Street and Highway Lighting to reflect the transition from LED fixtures with a listed correlation color temperature ("CCT") configuration of 4000 Kelvin ("K") to 3000 K, address barriers to mass replacement of non-LED with LED and establish a default standard, as well as propose the extension of LED options to Service Classification No. 5 – Area Lighting Service, all as more fully presented below.

Background

On February 26, 2015, Central Hudson filed tariff amendments to propose the addition of four LED fixtures to its SC No. 8 Rate A street light offerings¹, with each having a CCT of 4000 K. In anticipation of customers requesting the mass replacement of existing useful fixtures by new LEDs, the Company identified five alternative methods for addressing the undepreciated book value that would result from such replacement. In its Order Adopting the Addition of LED Lighting Options with Modification², issued and effective August 13, 2015, the Commission approved the proposed LED options stating that "[g]iven the new, stringent IDA criteria; the

¹ Case 15-E-0126, Tariff Filing by Central Hudson Gas and Electric Corporation to Update Service Classification No. 8 – Public Street and Highway Lighting to Reflect LED Lighting Options Contained in P.S.C. No. 15 – Electricity (filed 2/26/2015).

² Case 15-E-0126, Order Adopting the Addition of LED Lighting Options with Modification (issued 8/13/2015).

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Company's compliance with RP-8; and the economic efficacy of the Company's proposed LED fixtures, we conclude that the proposed LED options are adequate and viable options to be included in Central Hudson's tariff."³ Additionally, the Commission concluded that customers requesting LED mass replacement should bear the responsibility for paying the undepreciated book value associated with the non-LED light fixture being replaced.

Proposed Amendments

4000 K to 3000 K

In order to proactively address inventory, cost and service issues as discussed more fully below in the *LED Default Standard* proposal section, Central Hudson offered municipalities a maintenance option to replace all non-working non-LED street lights with an LED equivalent fixture. As a result, approximately ninety percent of existing non-LED fixtures are now covered by this maintenance option, with the remaining ten percent refusing this maintenance option due to objections to the 4000 K specification of the LED fixtures available and the harsher, bluer light produced. Additionally, residents of several municipalities that have selected the maintenance option have complained about the light output of replacement LEDs when compared to the "warmer" light produced by adjacent non-LED lights. As a result, Central Hudson plans to transition current LED offerings from 4000 K to 3000 K, utilizing remaining 4000 K inventory first, unless a mass replacement requires utilization of all 3000 K lights to maintain light consistency between adjacent fixtures.

To date, the Company is unaware of any municipal or customer objections to a 3000 K option. In fact, the International Dark-Sky Association "recommends using lighting that has a color temperature of no more than 3000 K,"⁴ and the American Medical Association "encourages proper attention to optimal design and engineering features...that minimize detrimental health effects and environmental effects"⁵ including limiting the CCT of outdoor lighting to 3000 K or lower. Additionally, the efficiency of 3000 K options as compared to 4000 K options has improved, with the degradation in efficiency narrowing to approximately 3% to 5% depending on manufacturer. The improvement in 3000 K efficiency will also increase volumetric savings to customers as the current 70 watt high pressure sodium ("HPS") equivalent LED is 39 watts, with the Company's proposed transition to a 3000 K option lowering this to 25 watts. The Company is not recommending any changes to the annual fixture charge as costs for the 3000 K options are similar to costs for the current 4000 K options.

Mass Replacement Issues

The implementation of a customer fee for the undepreciated book value associated with non-LED light fixtures being replaced through a mass replacement has created a barrier to such replacement, with no municipalities electing to participate. Since most municipalities have only elected the maintenance option, wherein the customer is

³ Id., p. 9.

⁴ International Dark-Sky Association, Outdoor Lighting Basics.

⁵ American Medical Association, AMA Adopts Community Guidance to Reduce the Harmful Human and Environmental Effects of High Intensity Street Lighting (June 14, 2016).

not charged the fee for the undepreciated book value of the fixture being replaced, only 2,800, of approximately 25,000, Rate A fixtures have been replaced with LED. This one-for-one replacement delays the realization of customer and environmental benefits, and increases the installations costs beyond what was anticipated in the original determination of the LED rates, which were based on the assumption of economy of scale mass replacement. As a result, Central Hudson is proposing, with this filing, to eliminate the fee for the undepreciated book value of the fixture being replaced for customer initiated replacements and requesting that the unrecovered amount per fixture be deferred to a regulatory asset within PSC account 182.xx, grossed-up for associated deferred income taxes. Consistent with prior regulatory practice with regard to deferred regulatory assets and liabilities, the deferred balance could be included as part of an electric balance sheet offset for the purposes of eliminating deferred credit and debit balances by netting these balances against each other. Any such balance would be addressed in the Company's next electric rate filing. The Company believes that this approach will allow municipalities that are unable to acquire ownership of complete street lighting systems, which is the subject of Cases 15-E-0745, et al. (Tariff Filings to Effectuate Amendments to Public Service Law – New §70-a (Transfer of Street Light Systems)), to avail themselves of LED lighting, and the corresponding greenhouse gas emission reductions, under continued utility ownership and maintenance, and will help balance future cost considerations as previously noted.

LED Default Standard

As LED penetration has been increasing nationally, demand for and availability of HPS has been decreasing resulting in higher prices. Based on the continued desire to contain cost increases, improve efficiency in terms of reducing environmental impacts, provide municipal cost savings, and increase productivity through standardization of installations for service and inventory optimization, the Company proposes that HPS fixtures with an available, tariffed LED option be classified as non-standard and not replaced in kind upon failure. As a result, the default street light fixture would be the available LED option.

SC No. 5 – Area Lighting

Recognizing the environmental benefits of LED lighting, and the part it can play in helping New York State meet its clean energy goals, Central Hudson proposes to extend LED lighting offerings to SC No. 5 – Area Lighting, including the LED default standard. Such extension will also help address the cost and availability concerns identified in the LED Default Standard section above. While the rate comparison between LED and non-LED is currently not as favorable as that expected under SC No. 8 due to the non-LED rate disparity between classes, including LED fixtures in SC No. 5 will increase consistency between the classes and help address the aforementioned concern regarding the availability and pricing of HPS. A comparison of the proposed SC No. 5 LED to currently offered non-LED HPS is attached as Appendix A. Additionally, it should be noted that while this comparison indicates that only one of the proposed four LED offerings is cost beneficial until July 1, 2017 based on current volumetric rates, three of the proposed four LED offerings will show a cost benefit for customers starting July 1, 2017 based on current volumetric rates. Moreover, the Market Price Charge and Market Price Adjustment which comprise approximately 85% of the volumetric charge, and which recover the costs of electricity supply, are at their lowest point in approximately five years, and about 48% below the maximum rate over the same period, as shown on Appendix B. An increase in the volumetric charge of 8.9%, which could occur with a 10.5% increase in the costs of electricity supply, would increase the customer benefit of the one beneficial option and result in two of the four proposed LED offerings being cost neutral for customers.

Procedural

Since the company already satisfied the filing requirements of §66(12)(b) of the Public Service Law from the initial filing on February 26, 2015 for SC No. 8 customers, we would ask that an additional publication due to these tariff changes be waived. The Company believes that any SC No. 8 customers that may be interested in the fixtures within this filing would be in direct contact with the company and would be notified accordingly. However, the company is arranging to comply with the requirements of §66(12)(b) of the Public Service Law for the SC. No. 5 tariff changes, by publishing notice of change herein in the November 9, 16, 23, 30 issues of the Catskill Daily Mail, the Kingston Freeman, the Times Herald Record and the Poughkeepsie Journal and in the November 10, 17, 24, and December 1st issues of the Putnam County Courier.

Inquiries for additional information regarding this filing may be directed to Darlene Clay, Associate Cost & Rate Analyst, at 845-486-5466 or dclay@cenhud.com.

Very truly yours,

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