Received: 07/31/2023

Joseph Hally
Vice President

July 31, 2023

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

Re: Revisions to Schedule for Gas Service – P.S.C. No. 12 - Gas

Dear Secretary Phillips:

The amended tariff leaves set forth below are filed by Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") on July 31, 2023 to become effective September 3, 2023. Pursuant to the Order dated November 18, 2021 in Case 20-G-0429, the Company's current rate plan extends until June 30, 2024. As such, the Company's expectation is that the Commission will issue appropriate orders suspending the effective date of the leaves so that the proposed rates may become effective no sooner than July 1, 2024.

P.S.C. No. 12 – Gas

6th Revised Leaf No. 25
7th Revised Leaf No. 113
15th Revised Leaf No. 121
24th Revised Leaf No. 126.1
12th Revised Leaf No. 126.2
13th Revised Leaf No. 129
9th Revised Leaf No. 129.1
10th Revised Leaf No. 129.2
Original Leaf No. 129.2.1
3rd Revised Leaf No. 129.3
1st Revised Leaf No. 129.3.1
10th Revised Leaf No. 137
26th Revised Leaf No. 149
19th Revised Leaf No. 151
22nd Revised Leaf No. 152
20th Revised Leaf No. 153
22nd Revised Leaf No. 158
23rd Revised Leaf No. 181
13th Revised Leaf No. 181.1
26th Revised Leaf No. 186
23rd Revised Leaf No. 188
26th Revised Leaf No. 191

284 South Avenue
Poughkeepsie, NY 12601

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23rd Revised Leaf No. 193
18th Revised Leaf No. 195

The purpose of these revised tariff leaves is to effectuate the changes proposed by the Company's rate filing and supported by the testimony and exhibits filed with the Commission on July 31, 2023. The language filed herein shall serve as a placeholder pending final outcomes. The letter accompanying the Company's filing, excluding attachments, is attached as Appendix A.

The Company will file, pursuant to Commission Order, a new Merchant Function Charge Statement, Low Income Bill Discount Statement and Gas Bill Credit Statement to become effective coincident with new base delivery rates as approved by the Commission.

The Company is arranging to comply with the requirements of 66(12)(b) of the Public Service Law by publishing notices of the rate changes proposed herein in the August 9th, 16th, 23rd, and 30th, 2023 issues of the Catskill Daily Mail, the Daily Freeman, the Times Herald Record and the Poughkeepsie Journal and in the August 8th, 15th, 22nd, 29th, 2023 issues of the Putnam County Courier.

Questions related to this filing should be directed to Taylor Alonso at (845)-486-5554 or talonso@cenhud.com.

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Sincerely,

Joseph Hally

LETT568

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Appendix A

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Joseph J. Hally
Vice President
Regulatory Affairs

People. Power. Possibilities.
Central Hudson
A FORTIS COMPANY

July 31, 2023

Via Electronic Filing

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
3 Empire State Plaza, 19th Floor
Albany, New York 12223-1350

Dear Secretary Phillips:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "Company") hereby submits for filing revisions to its Schedule for Electric Service, PSC No. 15-Electricity and its Schedule for Gas Service, PSC No. 12-Gas.

Tariffs

The tariff leaves listed in Attachment A with an effective date of September 3, 2023 are being filed electronically via the New York State Public Service Commission's ("Commission") tariff system. The Company anticipates that the Commission will suspend the effective dates of the tariff leaves so that the proposed rates will become effective July 1, 2024, since the Company's current electric and gas rate plans extend through June 30, 2024.

The Company has prepared this rate filing using the operating results, with normalization adjustments where appropriate, for the historical year ending March 31, 2023. The Company is submitting projected operating results for the forecast rate year ending June 30, 2025 ("Rate Year"), with data linking the historical test year and the Rate Year. The Company has developed additional forecasted financial information for the 12-month periods ending June 30, 2026 and 2027, as shown in the separate Attachment B entitled "Additional Information" for use only in the event of future multi-year settlement discussions.

Central Hudson's Rate Filing and Major Initiatives

The purpose of this filing is to align the rates we charge our customers with the Rate Year costs of providing safe, efficient, and reliable electric and gas delivery service. The rate filing aims to balance the cost to customers with the value provided through preserving the safety and reliability of our electric and gas distribution systems through replacing and investing in infrastructure; facilitating and supporting the achievement of New York State's critical environmental mandates under the Climate Leadership and Community Protection Act ("CLCPA"); continuing to respond to major storms and extreme weather events; and maintaining the Company's customer assistance programs.

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1) Infrastructure Replacement

The Company's filing includes capital investment that is focused on the replacement of aging and obsolete electric and gas infrastructure to continue to provide safe, efficient, and reliable gas and electric delivery service.

At the time of this filing, approximately 20% of the Company's existing electric infrastructure is beyond its useful life. The investment in modern electric infrastructure within the proposed rate plan will serve to maintain system reliability, improve system resilience, and allow for greater interconnection of local renewable resources. Through these investments, Central Hudson's hosting capacity will increase by 547 Megawatts and allow for significantly greater interconnection of local solar generation, electric vehicles, and heat pumps within the service territory.

Similarly, gas capital investments are driven by replacing obsolete infrastructure, the majority of which are dedicated toward continued elimination of leak prone pipe ("LPP") at a level of 15 miles per year.

2) Clean Energy Initiatives

The CLCPA mandates substantial reductions in greenhouse gas ("GHG") emissions across all sectors of the State's economy and the accelerated deployment of clean energy technologies. To support and align with New York's CLCPA targets and regulations, Central Hudson plays a vital role in reducing fossil fuel dependence and advancing the clean energy transition for the benefit of our customers and the environment.

The Company's rate filing reflects continued offering of Central Hudson's full suite of energy efficiency incentives and services, which not only support CLCPA objectives but also promote electric vehicles ("EVs") and the adoption of clean heating and cooling technologies. Energy Efficiency and Clean Heat programs are instrumental in reducing GHG emissions and lowering energy use; this rate filing reflects that timely recovery of these costs is necessary to prevent further deterioration of Central Hudson's financial integrity and credit metrics.

The Company's filing also includes proposals to purchase Responsibly Sourced Gas and assess potential sites for on-site clean hydrogen production to support reducing GHG emissions and decarbonizing economic sectors that are not viable for electrification. The Company has also incorporated Onsite Solar generation investments to allow Central Hudson to offset its own electricity use at Company-owned facilities and provide a positive example for customers considering similar projects for their home or business.

The Company's EV proposals include outreach and education initiatives to help educate community members on the benefits of transportation electrification and availability of incentives and an EV charging Site Assessment Service program for multi-unit dwellings to provide low-cost EV charging access to residents at or near home. In alignment with the energy conservation and GHG emissions reduction goals of the CLCPA, the Company's filing proposes to continue moving towards fully eliminating gas declining block rates as well as eliminating discounted gas delivery rates for certain customers.

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3) Preparing for and Responding to Severe Weather

Central Hudson's filing reflects the need for increased action to combat climate change and effectively respond to major storms and extreme weather events. Storms impacting the Mid-Hudson region have become more frequent and severe. The Company's filing includes a continued focus on preparing for major weather events through increased spending on vegetation management and tree trimming to help mitigate the primary cause of electric service interruptions. The Company's filing also includes grid modernization investments that identify and restore power outages more quickly and provide real-time intelligence on grid operations.

In order to improve the Company's financial integrity, the filing includes the timely recovery of the cost to respond to major storms. The filing reflects an increase to the major storm reserve as well as a proposal to recover storm costs already incurred and not yet collected over a ten-year period.

4) Customer Service Initiatives

The Company's filing reflects proposals to upgrade technologies that improve the customer experience when interacting with Central Hudson including modernizing the Interactive Voice Response ("IVR") system and optimizing web and mobile resources for customers. The Company's plan includes ongoing preparations to transition from bimonthly to monthly meter readings, thereby eliminating alternate month bill estimates, as well as preparations to support new and evolving complex billing requirements to meet the State's policy goals.

Continuation of assistance programs such as bill discounts for qualified low-income households are reflected in the Company's request which reflects reaching an increasing number of families in need as well as offering increased electric low-income bill discounts available through the Energy Affordability Program.

The Company is also proposing to offer a Low Power Attachment Program to provide a streamlined, customer-friendly option to meet increasing municipal customer requests to attach small, low-powered devices to existing poles without the need for metering, which may have been cost prohibitive.

5) Workforce Growth

The Company's filing reflects continued growth in the over 1,000 Mid-Hudson Valley residents that comprise the Company's employee base. The Company's workforce needs are two-pronged. First, the COVID-19 Pandemic has led to changes in the job market, resulting in higher rates of employee turnover and thus increased costs associated with recruiting, hiring, and training new employees. Second, Central Hudson anticipates growing its employee base to support the other initiatives included in this filing such as supporting CLCPA initiatives, implementing the capital program, and improving customer experience. With the continuing evolution and transformation of the utility industry, it is crucial that Central Hudson continue to hire new talent and skilled labor to provide the necessary capacity and expertise to serve our customers effectively both now and into the future.

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SAP Customer Information System Transition

The Company's filing reflects completion of the Customer Information System stabilization and transition prior to the start of the Rate Year. As noted in the July 27, 2023 Department of Public Service press release regarding the Commission's Order to Show Cause in Case 22-M-0645, "…the Company has corrected many of the problems that led to the billing system errors, and our independent monitor will verify that these corrective actions are working and will be sustained." As such, the development of Rate Year revenue requirements in this filing excludes approximately $9 million of incremental O&M that was incurred in the historic test year related to the SAP CIS transition.

Major Drivers of the Requested Rate Increases

Electric Operations

The drivers of the electric rate increase are predominantly related to: capital investment mainly associated with the replacement of aging infrastructure (24%); increased labor expense (21%); continued and enhanced low income, energy efficiency and heat pump programs (18%); increases due to capitalization and financing costs (13%); and timely recovery of costs associated with responding to major storms and extreme weather (11%).

Gas Operations

The primary drivers of the gas rate increase include: capital investment driven by the continued elimination of leak prone pipe (34%); increased labor expense (19%); increases due to capitalization and financing costs (19%); and continued and enhanced low income and energy efficiency programs (8%).

Requested Revenue Increases

The tariffs filed herewith produce the revenues necessary to reflect the Company's costs of providing safe, efficient, and reliable electric and gas delivery service in the Rate Year. These tariffs produce electric and gas delivery revenue increases of $139.5 million and $41.5 million[1], respectively, compared to the continuation of rates approved in Rate Year 3 of the Company's current Rate Plan established in Cases 20-E-0428 and 20-G-0429 ("2021 Rate Plan").

Areas of Moderation of the Requested Rate Increase

The Company recognizes the lingering effects the COVID-19 Pandemic has had on the economy, its customers and its service territory including the high level of inflation that continues to place pressure on the cost of all goods and services. As such, the Company has taken several measures to mitigate near term customer bill impacts with the delivery rate increases requested in

[1] The calculation of the delivery revenue increases for the period July 1, 2024 through June 30, 2025 does not include the impact of the electric and gas bill credits of $21.5 million and $5.6 million, respectively, which expire on June 30, 2024. The $139.5 million electric revenue requirement increase equates to a total electric revenue increase of 13.3% and a total electric delivery revenue increase of 31.6%. The $41.5 million gas revenue requirement increase equates to a total gas revenue increase of 14.2% or a total gas delivery revenue increase of 29.8%.

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this filing. While the Company's capital program is comprised predominately of infrastructure projects to ensure system integrity and customer reliability going forward, the proposed capital program reflects a re-prioritization of capital expenditures to delay $75.5 million of expenditures over a five-year period. The Company's filing maintains the same average service lives, net salvage factors and depreciation rates included in current delivery rates despite demonstrating a change in the factors is appropriate, which would otherwise increase electric and gas delivery rates by over $12 million. In addition, the Company's filing proposes a return on equity ("ROE") approximately 50 basis points below the average ROE recommended by the Company's experts, mitigating the electric and gas delivery increases requested by $8.9 million.

The Company has also applied a 1% productivity credit (based on labor, employee benefits, including pensions and other post-employment benefit ("OPEBs"), and payroll taxes) to capture future productivity gains for the benefit of customers. Furthermore, in lieu of more immediate recovery, the Company's filing proposes to amortize recovery of $41 million related to major storm response and $19 million related to energy efficiency and heat pump costs deferred during the 2021 Rate Plan over a period of ten years which provides immediate moderation of approximately $54 million.

While not included in the Company's filing, the Company has identified additional sources of bill moderation including: projected net regulatory liability balances of $34 million, available electric rate base credits of approximately $32 million, over-funding within the Voluntary Employees' Beneficiary Association trust that could be utilized to decrease medical expense, and/or diverging from the traditional methodology for determining the revenue requirement for Environmental Site Investigation and Remediation. The Company is open to future discussion with New York State Department of Public Service Staff and other parties regarding the appropriate amount and timing of moderation to be used to lessen customer bill impacts.

<u>Proposed Increases in Electric Delivery Rates</u>

The resulting electric delivery impact for an average residential electric bill would be $30.12 per month which equates to a 16.4% total bill increase[2] for an average customer using 660 kWh per month.

<u>Proposed Increases in Gas Delivery Rates</u>

The resulting gas delivery impact for an average residential gas bill would be $30.13 per month which equates to a 19.0% total bill increase[3] for an average customer using 780 Ccf per year.

<u>Procedural Matters</u>

An electronic copy of the Company's prepared written testimony and exhibits, which comprise the Company's direct case in support of this filing, are also submitted herewith. Hard copies will be provided, as required, shortly after filing under separate cover once copying production has

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[2] The delivery charge increase, which is a component of the overall customer bill, is 31.9 percent.
[3] The delivery charge increase, which is a component of the overall customer bill, is 29.2 percent.

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concluded. Notices of this filing will be published in newspapers in accordance with 16 NYCRR Sections 720-8.1 and proof of publication will be submitted upon completion. In addition, the Company will issue appropriate bill inserts in accordance with 16 NYCRR Sections 720-9.1.

Sincerely,

Joseph J. Hally

Cc: Commissioner Rory M. Christian, Chair
Commissioner James S. Alesi
Commissioner Diane X. Burman
Commissioner Tracey A. Edwards
Commissioner John B. Howard
Commissioner John B. Maggiore
Commissioner David J. Valesky
Active Parties to Cases 20-E-0428 and 20-G-0429

Attachment A—Tariff Leaves—PSC No. 15 Electricity and PSC No. 12 Gas
Attachment B—Additional Information