

Central Hudson Gas & Electric Corp. Rate Plan Proposal Summary Cases 23-E-0418 and 23-G-0419



Topics

- **Rate Filing Overview**
- **Revenue Requirement**
- **Customer Bill Impacts**
- **Forecasting & Rate Design**
- **Financial Integrity**
- **Modernizing our Core Infrastructure**
- **Climate & Energy Leadership**
- **Electric Capital and Operations**
- **Gas Capital and Operations and Safety**
- **Customer Experience**
- **Technology**
- **Workforce**

Rate Filing Overview

Policy Panel

Central Hudson is Committed to Serving our Customers and the Environment. We will continue to deliver electricity and natural gas in a safe and reliable manner while advancing New York's climate goals within the CLCPA.

- **Align the rates we charge our customers with the costs of providing safe, efficient, and reliable electric and gas delivery service:**
 - Preserve the Safety and Reliability of our Distribution Systems
 - Facilitate the Achievement of New York's Critically Important Environmental Goals
 - Continue to Respond to Major Storms and Extreme Weather Events
 - Maintain Customer Assistance Programs
 - Building the workforce of the future

2023 Rate Filing Overview

Policy Panel

- **Current 3-year Rate Plan ends June 30, 2024**
- **Filed July 31, 2023**
 - New Rates Effective July 1, 2024;
 - Filed for a one-year case;
 - Utilizing Historic Year ending March 31, 2023
- **Provided Information for Additional 2 Rate Years**
 - RY2: July 1, 2025 – June 30, 2026
 - RY3: July 1, 2026 – June 30, 2027

Steps Already Taken to Reduce the Rate Increase

- **\$54 million delayed recovery**
 - Deferred storm, EE and heat pump costs
- **\$12.2M annual delay of updated depreciation rates**
- **\$75.5M delay and reduction of 5-year CAPEX**
- **\$1.5M or 1% productivity imputation**
- **Filing reflects ROE 50bps below expert recommendation**

Revenue Requirement Drivers

Revenue Requirements Panel

	Electric		Gas	
	Total Bill %	(\$Million)	Total Bill %	(\$Million)
Capital Investment	3.2%	\$33.6	4.9%	\$14.3
Labor and Benefits	2.8%	29.4	2.7%	7.9
Capitalization Costs	1.7%	17.8	2.7%	7.9
Storm Response	1.5%	15.7	-	-
EE & Heat Pumps	1.2%	12.6	0.3%	0.9
Low Income	1.2%	12.6	0.8%	2.3
All Other	<u>1.7%</u>	<u>17.8</u>	<u>2.8%</u>	<u>8.2</u>
Total Increase	13.3%	\$139.5	14.2%	\$41.5

Typical Residential Bill Impacts

Forecasting & Rates Panel

Electric	Average Monthly Bill Impact	% Total Bill Impact	% Delivery Bill Impact
Filed Increase	\$30.12	16.4%	31.9%

- **Typical usage of 660 kWh / Month**

Gas	Average Monthly Bill Impact	% Total Bill Impact	% Delivery Bill Impact
Filed Increase	\$30.13	19.0%	29.2%

- **Typical usage of 780 Ccf / year**

- **An individual customer bill impact will be approximately \$1/day and the percent impacts shown above may vary as a result of usage and market driven supply costs.**

Additional Potential Available Moderation

Moderation / Levelization through bill credits

- Net Regulatory Liabilities
 - Electric: Approximately \$22 million
 - Gas: Approximately \$12 million
- Electric Rate Base Credit: Approximately \$32 million

Accounting & Tax Panel

Deferral Proposals

- *Policy*
 - *Mgmt. Audit Implementation*
 - *Federal 2024 Corporate Tax Rate*
 - *CATV / Broadband Make Ready*
 - *FERC Wholesale Delivery Revenues*
- *Clean Energy Policy*
 - *Overarching CLCPA deferral*
 - *Climate Change Vulnerability Study / Resilience Plan*
- *Electric/Natural Gas*
 - *Electric & Gas New Business True Up*
 - *Gas Planning Proceeding*
 - *PermaLock Tapping Tee Assemblies*

Depreciation Expense

- Maintain existing depreciation rates; begin recovery of under reserve

Cost of Service

Cost of Service Panel

- **Historic Embedded**
- **Historic Delivery only**
- **Rate Year Proforma**
- **Marginal**
- **Allocated**
- **Other Considerations**
 - Avoided Transmission and Distribution Cost Study filed in Case 16-M-0411
 - Marginal Cost of Service proceeding ongoing in Case 19-E-0283
 - Allocated Cost of Service proceeding ongoing in Case 15-E-0751

Forecasting

Forecasting & Rates Panel

- **Customer and sales forecast methodologies generally the same as in prior cases**
 - Customers and use-per-customer forecasted separately
 - Econometric, time series or trend projections
 - SAE approach incorporates appliance saturation and efficiencies
 - Assumptions for PV, EVs and heat pumps
 - No other changes in usage assumptions related to legislative or policy changes
 - Continue to utilize 10-year normal weather

Revenue Allocation

Forecasting & Rates Panel

- **Electric**

- SC 13 substation received 75% of system average increase
- All other classes received system average increase
- Increase in legacy hydro imputation from \$2.1M to \$3.9M

- **Gas**

- SC 11 Transmission received 75% system average increase
- SC 11 Distribution received 125% system average increase
- All other classes received system average increase

- **Energy Efficiency**

- Explicit allocation of EE program costs continues
 - Gas allocation changing to: 71.4% to residential / 28.6% to non-residential

Rate Design

Forecasting & Rates Panel

- **GAS**

- Customer Charge
 - Customer charge for Residential (SCs 1, 12) and Non-residential (SCs 2, 6 & 13) increased by \$2.00
- Consistent with goals of CLCPA
 - Continued elimination of declining block rates initiated in Case 20-G-0429
 - Elimination of S.C. No. 6 high volume and air conditioning discounted rate options

- **ELECTRIC**

- Customer Charge
 - Customer charge for Residential (SCs 1, 6) and non-demand (SC 2 non-demand) mass market classes increased by \$2.00
 - Increases for SC 2 secondary demand, SC 2 primary demand, SC 3, SC 13 transmission, and SC 13 substation
- Unmetered service
 - New sub-classification of SC 2 non-demand for service to low power consumption devices without a meter

Revenue Decoupling Mechanisms

Forecasting & Rates Panel

- **Expand Electric RDM to Include:**
 - S.C. No. 10 – Buyback Service pursuant to Case 15-E-0751
- **Change in Structure of Gas RDM:**
 - To modify the recovery period over which the gas RDM Adjustment is collected or credited to mitigate bill impacts.

Financial Integrity

- **Maintaining Access to Capital at Reasonable Rates**
 - Access to Capital is tied to Credit Rating
 - Necessary to allow the continued provision of safe and reliable service during all market conditions

- **Necessary Stabilization of Credit Rating**
 - Timely Recovery (RAM, Storm Response, and Beneficial Customer Programs)
 - Cost of Debt reflects current credit rating and interest rate expectations
 - Capital structure of 50% Equity / 50% Debt
 - 9.8% ROE

Capital Expenditures

Rate Year Capital Additions of \$300 million - focused on replacement of aging and obsolete electric and gas infrastructure

- **Electric additions: \$136 million**
 - Approximately 20% of existing electric infrastructure is beyond its useful life
 - Investment will serve to maintain system reliability; improve system resilience; and increase hosting capacity for greater interconnection of distributed energy resources, including electric vehicles, heat pumps, and solar
- **Gas additions: \$79 million**
 - Infrastructure replacements and reinforcements that improve safety and reduce emissions
- **Common additions: \$85 million**
 - Buildings - including completion of Primary Control Center and new Tannersville office facility
 - Transportation - replacement of fleet based on mileage or machine hours, including procurement of an increased number of electric vehicles
 - Software – system enhancements and upgrades for multiple platforms

Clean Energy Initiatives

Climate Leadership and Sustainability Panel

- **CLCPA mandates substantial reductions in greenhouse gas (“GHG”) emissions across all sectors of the State’s economy**
 - Capital Plan facilitates CLCPA through significant increase in hosting capacity and grid modernization
 - Energy Efficiency and Clean Heat programs are instrumental in reducing GHG emissions and lowering energy use
 - Timely recovery of these costs is necessary to prevent further deterioration of Central Hudson’s financial integrity and credit metrics
 - Company’s filing also includes:
 - Responsibly Sourced Gas
 - Studies to assess potential sites for on-site clean hydrogen production
 - Onsite Solar generation investments
 - EV outreach and education initiatives
 - EV charging Site Assessment Service program for multi-unit dwellings
 - Eliminating gas declining block rates and eliminating discounted gas delivery rates for certain customers

Electric Capital and Operations Panel

- **Capital Program:**
 - Preserves system integrity and reliability
 - Storm Hardening Plan includes targeted funding to upgrade circuit infrastructure
 - Facilitates CLCPA through significant increase in hosting capacity and grid modernization for real-time intelligence on grid operations
- **Vegetation Management:**
 - Critical to sustaining system reliability
 - Proactive approaches to address continued risk of danger trees
- **Two-Tiered SAIFI target**

Central Hudson Proposed SAIFI Performance Targets	
Non-Storm System SAIFI	Revenue Adjustment (Basis Points)
> 1.30	- 10
> 1.34	- 20

Gas Capital and Operations & Safety Panels

Infrastructure replacement and reinforcement to improve safety and reduce emissions

15 Miles of LPP Elimination	Compression Coupling Elimination Program
Leak Prone Services Program	Transmission Line Valve Addition Program
Large Diameter Gas Welded Pipe Replacement Program	Pipeline Mega Rule and replacement of 1.8 miles of transmission lines
Transmission Services (Farm Tap) reduction	Transmission Regulator Station Coating Program

New Business – true up

Tree Canopy removal for Gas Transmission Rights of Way

Customer Service Initiatives

Customer Experience Panel

- **Transition to monthly meter reading**
- **Interactive Voice Response (“IVR”) Modernization**
- **Continue and expand bill discounts for qualified low-income households**
- **Low Power Attachment Program to meet increasing municipal customer requests to attach small, low-powered devices to existing poles without the need for metering**

SAP Customer Information System Transition

Policy Panel

- **The Company's filing reflects completion of the Customer Information System stabilization and transition prior to the start of the Rate Year**
 - Case 22-M-0645
 - Company has corrected many of the problems that led to the billing system errors
 - Independent monitor will verify that these corrective actions are working and will be sustained
 - Development of Rate Year revenue requirements in this filing excludes approximately incremental O&M that was incurred in the historic test year related to the SAP CIS transition

Workforce, Compensation & Benefits Panel

- **With the current evolution and transformation of the utility industry, it is crucial that Central Hudson continue to hire and retain talent and skilled labor to provide the necessary capacity and expertise to serve our customers effectively**
 - COVID-19 Pandemic has led to changes in the job market
 - Higher rates of employee turnover and increased costs associated with recruiting, hiring, and training new employees
 - Growth in the employee base to support the other initiatives included in this filing such as supporting CLCPA initiatives, implementing the capital program, and improving customer experience
- **Attraction and retention tools**

Contact Information

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