



Paul A. Colbert
Associate General Counsel
Regulatory Affairs

March 20, 2020

Hon. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Docket No. ER20-715-00_, Rate Schedule for Highway System Deliverability Upgrades Under Schedule 12 of the NYISO OATT; Central Hudson Gas & Electric Corporation's Response to Deficiency Letter dated February 25, 2020.

Dear Secretary Bose,

Central Hudson Gas & Electric Corporation ("Central Hudson") is in receipt of the deficiency letter dated February 25, 2020 in the above referenced docket.¹ The deficiency letter raises two issues, the first associated with Abandoned Plant and the second associated with the Return on Equity ("ROE") Advanced Technology Adder. Central Hudson will address each issue.²

1. Abandoned Plant

The deficiency letter is concerned that Central Hudson is seeking cost recovery of abandoned plant costs because the words "abandoned plant" appear on Application

¹ In accordance with the requirements of the February 25, 2020 deficiency letter, attached hereto as Attachment I are the proposed revisions to the NYISO OATT that were originally set forth in Attachment 6 of Central Hudson's December 31, 2019 filing in this proceeding. Central Hudson requests an effective date immediately following the end of the sixty (60) day notice period. Other than the revised effective date, the proposed revisions set forth in Attachment I to this response are unchanged from the revisions submitted as part of the December 31, 2019 filing.

² The New York Independent System Operator, Inc. ("NYISO") submits this filing on Central Hudson's behalf solely in its role as the tariff administrator for the NYISO Open Access Transmission Tariff ("OATT"). The burden of demonstrating that the proposed revisions to the NYISO OATT are just and reasonable rests with the Central Hudson, the sponsoring party. The NYISO takes no position on any substantive aspect of this filing at this time.

284 South Avenue
Poughkeepsie, NY 12601

(845) 452-2000
Direct: (845) 486-5831 Cell: (614) 296-4779
Email: pcolbert@cenhud.com
www.CentralHudson.com

Attachment 1 at lines 29, 49 and 101, Application Attachment 3 at lines 154 and 155, and Application Attachment 1 at Attachment 10³ Workpapers at lines 3a-3x and 4. This concern is unfounded.

Central Hudson Application Attachment 1 represents a formula rate template that is substantially similar to formula rate templates that have been accepted by the Federal Energy Regulatory Commission (“Commission”) for use by certain other transmission developers recovering costs pursuant to the NYISO OATT.⁴ Certain of the previously approved templates have contained lines for abandoned plant cost recovery (if applicable and approved by FERC). Although Central Hudson included these lines within its proposed formula rate template, Central Hudson is not seeking recovery of abandoned plant costs for its Hurley Avenue System Deliverability Upgrade project.

As such, Central Hudson did not complete any of the lines marked “abandoned plant” within Application Attachment 1 nor elsewhere in Central Hudson’s request for a rate schedule to recover costs. The deficiency letter also cited page two of Central Hudson’s rate request, which merely quoted language that is set forth in Section 6.12.1.2 of the NYISO OATT. This language provides a general overview of the scope of costs that may, subject to FERC review and approval, be recoverable under Rate Schedule 12 of the NYISO OATT. Reference to this general language was not intended to represent a request by Central Hudson to seek recovery of abandoned plant costs.

Central Hudson is not seeking recovery of abandoned plant costs. Therefore, this should not be listed as a deficiency in this docket.

2. ROE Advanced Technology Adder

The deficiency letter asked that Central Hudson explain how the “request for an ROE incentive adder satisfies the Commission’s nexus test. The nexus test is set forth in 18 CFR 35.35(d). 18 CFR 35.35 states that:

The Commission *will authorize* any incentive-based rate treatment, as discussed in this paragraph (d), *for transmission infrastructure investment*, provided that the proposed incentive-based rate treatment is just and reasonable and not unduly discriminatory or preferential. A public utility's request for one or more incentive-based rate

³ The deficiency letter references Attachment 9. The correct citation is Application Attachment 1 at Attachment 10 Workpapers at lines 3a-3x and 4.

⁴ An unpopulated version of Central Hudson’s proposed formula rate template is also set forth in proposed Section 6.12.5.2.1 of NYISO OATT (proposed Attachment 1 to Rate Schedule 12 of the NYISO OATT).

treatments, to be made in a filing pursuant to section 205 of the Federal Power Act, or in a petition for a declaratory order that precedes a filing pursuant to section 205, must include a detailed explanation of how the proposed rate treatment complies with the requirements of section 219 of the Federal Power Act and a demonstration that the proposed rate treatment is just, reasonable, and not unduly discriminatory or preferential. The applicant must demonstrate that the facilities for which it seeks incentives *either ensure reliability or reduce the cost of delivered power by reducing transmission congestion consistent with the requirements of section 219, that the total package of incentives is tailored to address the demonstrable risks or challenges faced by the applicant in undertaking the project, and that resulting rates are just and reasonable.* For purposes of this paragraph (d), incentive-based rate treatment means any of the following:

(1) For purposes of this paragraph (d), incentive-based rate treatment means any of the following:

- (i) A rate of return on equity sufficient to attract new investment in transmission facilities;
- (ii) 100 percent of prudently incurred Construction Work in Progress (CWIP) in rate base;
- (iii) Recovery of prudently incurred pre-commercial operations costs;
- (iv) Hypothetical capital structure;
- (v) Accelerated depreciation used for rate recovery;
- (vi) Recovery of 100 percent of prudently incurred costs of transmission facilities that are cancelled or abandoned due to factors beyond the control of the public utility;
- (vii) Deferred cost recovery; and
- (viii) Any other incentives approved by the Commission, pursuant to the requirements of this paragraph, that are determined to be just and reasonable and not unduly discriminatory or preferential.⁵

Central Hudson's request does meet the requirements of the nexus test. The totality of the 10.6% ROE requested herein is just and reasonable. At page 40 of HC-

⁵ 18 CFR 35.35(d) (emphasis added).

Hurley Application Attachment 3, Mr. Nowak testified regarding the technology incentive that “Central Hudson’s requested ROE, inclusive of incentives, is 10.6 percent, which is within the range of reasonableness.” Thus, Central Hudson’s request meets the totality portion of the nexus test because the total rate requested, including the technology incentive, is just and reasonable.

Central Hudson has been working with Smart Wires since 2015 to develop this project based on this new technology to help manage its transmission system. The variable solid state power electronic flow control technology is being installed in lieu of traditional fixed series compensation. This technology will allow Central Hudson to improve system stability, load balance among parallel lines, voltage control, lower impedance, and avoid sub synchronous resonance issues often associated with the installation of traditional series compensation. In other words it is intended to provide Central Hudson and the NYISO the ability to more efficiently manage the New York transmission system.

In addition, the solid state power electronic flow control technology achieves these benefits at a lower cost than the traditional series compensation approach, primarily due to the avoidance of extensive system protection upgrades, issues associated with sub synchronous resonance and other system issues. This allows Central Hudson to complete this project at a lower cost to customers.

Finally, Central Hudson has put considerable effort into making this new technology usable. In fact, this project has been delayed as issues with the technology are resolved. Central Hudson has spent many working hours working with Smart Wires to ensure the reliability of the technology, prior to the full deployment of the equipment. Absent this new technology incentive, Central Hudson would have no reason to develop this, or any other new technology approach, and would simply utilize the tried and true technology at a higher cost to customers and with no incremental efficiency benefits. The new technology meets the nexus test and FERC should allow a reasonable incentive as part of Central Hudson’s rate request.

3. Documents Submitted

Together with this filing, Central Hudson submits the following attachment:

- 1) A clean version of the previously proposed revisions to Rate Schedule 12 of the NYISO OATT ("Attachment I").⁶

4. Service

Central Hudson has served a copy of this filing electronically on the New York Transmission Owners (i.e., Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., New York Power Authority, Niagara Mohawk d/b/a/ National Grid, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Long Island Lighting Company d/b/a Power Supply Long Island, and Long Island Power Authority), New York State Public Service Commission and the NYISO. The NYISO has agreed to send a notice of this filing on behalf of Central Hudson to designated representatives of all NYISO customers. This will ensure that all New York Load Serving Entities receive notice of this filing.

Please contact the undersigned at (845)486-5831 or pcolbert@cenhud.com with any questions regarding this matter.

Respectfully submitted,



Paul A. Colbert
Associate General Counsel
Regulatory Affairs

On behalf of Central Hudson Gas &
Electric Corporation

⁶ As previously indicated, the proposed revisions attached hereto are unchanged from the proposed tariff revisions that were originally set forth in Attachment 6 of Central Hudson's December 31, 2019 filing in this proceeding.

CERTIFICATE OF SERVICE

The Central Hudson Gas & Electric Corporation’s Response to Deficiency Letter dated February 25, 2020 has been served electronically upon the Parties.

Submitted

/s/Paul A. Colbert

Paul A. Colbert
 Associate General Counsel-Regulatory Affairs
 The Central Hudson Gas & Electric Corporation
 284 South Avenue
 Poughkeepsie, New York, 12601
 Telephone: 845-486-5831
 Fax: (845) 486-5782
 e-mail: pcolbert@cenhud.com

Bridget M. Woebbe Assistant Counsel New York State Department of Public Service Three Empire State Plaza Albany, New York 12223-1350 Bridget.Woebbe@dps.ny.gov	William Heinrich Manager, Policy Coordination New York State Department of Public Service Three Empire State Plaza Albany, New York 12223-1350 William.Heinrich@dps.ny.gov
New York Transmission Owners Abbey Fox, Associate Balch & Bingham LLP 1710 Sixth Avenue North • Birmingham, AL 35203-2015 t: (205) 226-3405 f: (205) 488-5856 afox@balch.com	New York Transmission Owners Lyle D. Larson, Partner, Balch & Bingham LLP 1710 Sixth Avenue North • Birmingham, AL 35203-2015 t: (205) 226-3441 f: (205) 488-5856 llarson@balch.com
New York Transmission Owners Andy Tunnell, Partner Balch & Bingham LLP 1710 Sixth Avenue North • Birmingham, AL 35203-2015 t: (205) 226-3439 f: (205) 488-5858 atunnell@balch.com	Consolidated Edison Company of New York, Inc. Susan Lofrumento 4 Irving Place – Room 1875-S New York, New York 10003 Telephone: 212-460-1137 Fax: 212-677-5850 lofrumentos@coned.com

<p>Consolidated Edison Company of New York, Inc. Orange and Rockland Utilities, Inc. 4 Irving Place – Room 1875-S New York, New York 10003 quinja@coned.com</p>	<p>Consolidated Edison Company of New York, Inc. Orange and Rockland Utilities, Inc. Joel Yu 4 Irving Place – Room 1875-S New York, New York 10003 yuj@coned.com</p>
<p>For: Consolidated Edison Company of New York, Inc. Orange and Rockland Utilities, Inc. Deidre Altobell Senior Enegy Policy Advisor 4 Irving Place – Room 1875-S New York, New York 10003 AltobellD@ConEd.com</p>	<p>Niagara Mohawk d/b/a/ National Grid David Lodemore, Senior Counsel National Grid USA 40 Sylvan Road Waltham, MA 02451 Phone: (781) 907-3704 david.lodemore@nationalgrid.com Margaret.janzen@nationalgrid.com</p>
<p>New York Power Authority Glenn D. Haake, Special Counsel 30 South Pearl Street, 10th Floor Albany, NY 12207 518-433-6720 (o) 518-410-3595 (c) Glenn.Haake@nypa.gov</p>	<p>New York Power Authority Andrew Antinori 123 Main Street White Plains, NY 10601 andrew.antinori@nypa.gov</p>
<p>New York Power Authority Andrew Neuman, Assistant General Counsel 123 Main Street White Plains, NY 10601 914-390-8028 (o) 914-708-6806 (c) andrew.neuman@nypa.gov</p>	<p>Niagara Mohawk d/b/a/ National Grid Margaret Janzen, Director, Wholesale Markets Policy Strategy & Regulation National Grid USA 40 Sylvan Road Waltham, MA 02451 516-545-3282 office Margaret.janzen@nationalgrid.com</p>
<p>New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation Justin Atkins. Counsel (207) 629-1293 justin.atkins@avangrid.com</p>	<p>New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation Nicholas Cicale, Attorney, Avangrid Service Company 180 Marsh Hill Road, Orange, CT 06477 203.499.2996 nicholas.cicale@uinet.com</p>
<p>Long Island Lighting Company d/b/a Power Supply Long Island, Long Island Power Authority Paul Ghosh-Roy, Assistant General Counsel 516-719-9891 pghosh-roy@lipower.org</p>	