Attachment B

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Central Hudson Gas and Electric Corporation Docket No. ER23-___-000

DIRECT TESTIMONY OF DR. PAUL A. DUMAIS

On Behalf of Central Hudson Gas and Electric Corporation

July 28, 2023

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I. INTRODUCTION

Q. Please state your name, position, and business address.

A. My name is Dr. Paul A. Dumais. I am the CEO of Dumais Consulting LLC, with an address of 38578 Kilgore Court, Waterford, Virginia, 20197.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Central Hudson Gas and Electric Corporation ("Central Hudson").

Q. Describe your professional and educational background.

A. I have over 40 years of experience in the electric and natural gas industries in the areas of regulatory strategy, regulatory policy, and ratemaking, including revenue requirements (cost of service), cost allocation and rate design. Through Dumais Consulting LLC, I provide Federal Energy Regulatory Commission ("FERC" or "Commission") related ratemaking services, including electric transmission formula rates, ancillary services revenue requirements (including reactive power) and natural gas and electricity cost of service, cost allocation and rate design. I have recently assisted a FERC-jurisdictional transmission owner in moving from a stated transmission rate to a transmission formula rate, including developing the formula rate and protocols, and provided testimony to the Commission in support of the proposed formula rate and protocols, which were accepted by the Commission. I consult regularly with several other transmission owners on their formula rates and FERC accounting issues, including income tax considerations. I have substantial experience in New

York transmission ratemaking through my involvement both with New York Transco, LLC in the past and with a large transmission owner currently. Prior to forming Dumais Consulting in September 2018, I was employed by Avangrid Networks and its predecessor companies in the northeast United States in senior level positions. In this capacity, I focused on asset management and capital budgeting, large customer service and state and federal regulatory and ratemaking matters, including FERC regulatory strategy and policy, transmission formula rates, interconnections, and regional transmission organization stakeholder participation. I was Vice President of Regulatory for New York Transco while serving as Avangrid's representative to this New York transmission owner joint venture. I received a Bachelor of Science Degree in Business Administration with an emphasis in Accounting from the University of Maine in Augusta in 1982. I received a Master of Science Degree in Business Administration from the University of Southern Maine in 1986. Lastly, I was awarded a Doctorate Degree in Strategic Leadership from Regent University in 2013.

Q. Have you submitted expert testimony in the past to FERC or to any other regulatory bodies?

A. Yes, I have. I provide my FERC and state testimony experience as part of my resume contained in Exhibit No. CH-002.

II. PURPOSE AND SCOPE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present a transmission formula rate and protocols by which Central Hudson will recover the costs, under the New York Independent System Operator, Inc. ("NYISO") Open Access Transmission Tariff ("OATT"), of local transmission upgrades determined by the New York State Public Service Commission ("NYPSC") to be necessary to meet New York State climate and renewable energy goals as required by New York State law and recoverable pursuant to Rate Schedule 19 of the NYISO OATT (referred to as "CLCPA Eligible Projects", "Approved Local Transmission Upgrades" or "Schedule 19 Projects").

Q. Are you sponsoring any exhibits in addition to this testimony?

A. Yes. I am sponsoring the following exhibits:

Exhibit No. CH-001 – Direct Testimony of Dr. Paul A. Dumais

Exhibit No. CH-002 – Resume of Dr. Paul A. Dumais

Exhibit No. CH-003 – Transmission Formula Rate Template

Exhibit No. CH-004 – Transmission Formula Rate Protocols

Q. Please describe Central Hudson.

A. Central Hudson is a corporation created and organized under the laws of New York, with its principal offices in Poughkeepsie, New York. Central Hudson is a natural gas and electric utility engaged in, among other things, the businesses of: (i) distributing natural gas for residential, commercial, and industrial use;

and (ii) transmitting and distributing electric power to wholesale and retail customers and transmitting electric power on behalf of third parties. Central Hudson's transmission of electric power in interstate commerce is regulated by the Commission. Central Hudson is a wholly owned subsidiary of CH Energy Group, Inc. an indirect subsidiary of Fortis Inc., a Canadian company located in St. John's, Newfoundland and publicly traded on the Toronto stock exchange. Central Hudson is a participant in the NYISO's electricity markets and holds market-based rate tariff authority under the Federal Power Act.[1]

Q. How is your testimony organized?

A. I first present background information that forms the context of this filing. I then present the formula rate template ("Formula Rate Template") by which Central Hudson proposes to recover the revenue requirements for Approved Local Transmission Upgrades. Lastly, I present the formula rate implementation protocols ("Formula Rate Implementation Protocols") by which stakeholders can engage and review the annual formula rate informational filings and annual updates to be made by Central Hudson. The Formula Rate Template and the Formula Rate Implementation Protocols are collectively referred to herein as the "Formula Rate."

[1] In this filing, Central Hudson is not proposing changes to its existing, stated transmission rate in Attachment H of the NYISO OATT as it relates to Central Hudson's wholesale transmission service charge or Attachment O in Central Hudson's OATT. Neither is Central Hudson proposing any changes to its Attachment 1 of Rate Schedule 12 (Section 6.12.5) of the NYISO OATT that establishes a Highway Facilities Charge for the Hurley System Deliverability Upgrade.

III. BACKGROUND INFORMATION

Q. Describe the law or laws that were enacted in New York concerning renewable energy requirements that will result in Approved Local Transmission Upgrades.

A. The State of New York has enacted climate legislation in the Climate Leadership and Community Protection Act ("CLCPA"). Among other things, the CLCPA requires 70 percent of all of New York's electricity to come from renewable sources by 2030, a 100 percent reduction in greenhouse gas emissions from the electricity sector by 2040, and 9,000 MW of offshore wind generation ("OSW") by 2035. The state also has enacted the Accelerated Renewable Energy Growth and Community Benefit Act ("Accelerated Renewables Act") recognizing that the utilities'[2] local transmission and distribution systems play a key role in the CLCPA-mandated renewable energy transition. The Accelerated Renewables Act requires the NYPSC to establish distribution and local transmission capital plans for each utility in whose service territory distribution upgrades and local transmission upgrades are necessary or

[2] The utilities subject to local transmission and distribution mandates under the Accelerated Renewables Act include Central Hudson Gas & Electric Corporation ("Central Hudson"), Con Edison, Long Island Power Authority ("LIPA"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), Orange and Rockland Utilities, Inc. ("O&R"), and Rochester Gas and Electric Corporation ("RG&E"). These utilities are sometimes referred to herein as "New York Transmission Owners" or "NYTOs".

appropriate to achieve New York's climate mandates and for the utilities to implement the local transmission upgrades consistent with those plans, in accordance with a schedule approved by the NYPSC or, in the case of LIPA, the LIPA Board of Trustees.[3]

Q. Has the NYPSC established these distribution and local transmission capital plans for each utility?

A. The NYPSC is in the process of doing this. To date, the NYPSC has identified areas on the transmission and distribution networks in New York that may be in critical need of local investment because existing renewable generation in these areas is being curtailed today or because renewable generation developer interest in those areas exceeds the capability of the local transmission system. The NYPSC directed some of the NYTOs (including Central Hudson, NYSEG, National Grid and RG&E) to submit solutions to address these areas and, on February 16, 2023, approved the development of these projects.[4] Central

[3] The utilities subject to local transmission and distribution mandates under the Accelerated Renewables Act include Central Hudson, Consolidated Edison of New York, Inc. ("Con Edison"), Long Island Power Authority ("LIPA"), New York Electric and Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), Orange and Rockland Utilities, Inc. ("O&R"), and Rochester Gas and Electric Corporation ("RG&E"). Because the New York Power Authority ("NYPA") does not own any local transmission or distribution facilities that serve a service territory, the NYPSC will not be approving any local transmission upgrades for NYPA for cost recovery under Rate Schedule 19 of the NYISO OATT.

[4] State of New York Public Service Commission, 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*, Order Approving Phase 2 Areas of Concern Transmission Upgrades (February 16, 2023).

Hudson will recover the related revenue requirements for such NYPSC-approved projects pursuant to Rate Schedule 19 of the NYISO OATT using the Formula Rate proposed in this proceeding and addressed herein. Any additional, Central Hudson local transmission investments approved by the NYPSC to satisfy CLCPA requirements would also be included in the proposed Formula Rate.

Q. Please describe how the revenue requirements of these Schedule 19 Projects/Approved Local Transmission Upgrades are to be recovered from customers.

A. By Order dated September 9, 2021,[5] the NYSPC requested that Central Hudson, Con Edison, National Grid, NYSEG, O&R and RG&E (each, an "Eligible Transmission Owner") develop and propose for its review, prior to submission to FERC, a mechanism under the NYISO OATT to allocate and recover from all beneficiaries across the state the costs of CLCPA Eligible Projects. On January 7, 2022, the Eligible Transmission Owners, having consulted with LIPA, the NYISO and the NYPSC staff, proposed the use of a voluntary participant funding agreement among the NYTOs to be accepted by the NYPSC prior to submission to FERC. They further proposed that the costs be funded by the Eligible Transmission Owners and LIPA and allocated

[5] State of New York Public Service Commission, Case 20-E-0197, Order dated September 9, 2021, P 48-49.

statewide based on load-ratio share, consistent with how the costs of the renewable energy supplies required under the CLCPA are allocated. Because both the renewable energy supplies required by state law and the CLCPA Eligible Projects that integrate and deliver them have the same statewide beneficiaries, it follows that they should have the same statewide cost allocation. Upon review, the NYPSC held this approach to be appropriate, and by Order dated May 12, 2022, accepted the proposed participant funding agreement (called the "Cost Sharing and Recovery Agreement" or "CSRA") and cost allocation mechanism (described in new Rate Schedule 19 [Section 6.19] of the NYISO OATT).

Q. Has the Commission accepted the CSRA and Rate Schedule 19 under Section 205 of the Federal Power Act?

A. Yes. On August 19, 2022, the Commission issued an "Order Accepting Proposed Cost Sharing and Recovery Agreement, Rate Schedule, Tariff Revisions and Certificates of Concurrence" accepting the CSRA, Rate Schedule 19 and certain conforming amendments to the NYISO OATT.[6]

Q. Describe Rate Schedule 19.

A. Rate Schedule 19 of the NYISO OATT establishes a CLCPA Facilities Charge ("CFC Charge") and a LIPA CFC Charge as part of the NYISO billing

[6] *See Consolidated Edison Co. of New York, Inc., et al*., 180 FERC ¶ 61,106 (2022).

and settlement process and provides for the recovery of costs of each transmission project eligible for cost recovery under the CSRA. Rate Schedule 19 establishes that the costs of each eligible project shall be allocated on a load ratio share basis, calculated volumetrically based upon Actual Energy Withdrawals by Load Serving Entities, excluding Withdrawal Billing Units for Exports and Wheel Through. It establishes that the NYISO will calculate the CFC Charge for CLCPA Eligible Projects of each NYTO by starting with each NYTO's applicable annual transmission revenue requirement ("ATRR") and adjusting for settlements related to any Incremental Transmission Congestion Contracts ("Incremental TCCs") associated with the CLCPA Eligible Projects, including any outage charges for the Incremental TCCs. It will allocate the result on a load ratio share basis to LSEs in New York.

Q. What additional approvals are needed from FERC for Central Hudson to recover costs under Rate Schedule 19?

A. Under Rate Schedule 19 of the NYISO OATT, the CFC Charge is a cost-of-service charge derived from formula rates. The purpose of this filing is to receive FERC's acceptance under Section 205 of the Formula Rate and related implementation protocols that Central Hudson will use to determine its ATRR to be used by the NYISO to determine Central Hudson's CFC Charges under Rate Schedule 19. Central Hudson's Formula Rate and related

implementation protocols are proposed to be added as Attachment 4 to Rate Schedule 19 (Section 6.19.9) of the NYISO OATT.

Q. What is the status of the Central Hudson Schedule 19 Projects approved by the NYPSC in its February 16, 2023 Order?

A. Central Hudson has begun project development work and has ramped up such efforts given the recent NYPSC order.

Q. Did the February 16th Order from the NYPSC contain a specified return on equity and capital structure for Central Hudson to use in the proposed Formula Rate?

A. It referred to the CSRA, which obligates Central Hudson to utilize the NYPSC authorized return on equity and capital structure in its Formula Rate. I discuss how the Formula Rate accommodates the NYPSC return on equity and capital structure later in my testimony.

IV. TRANSMISSION FORMULA RATE TEMPLATE

Q. Does Central Hudson currently have a formula rate that has been approved by the Commission?

A. Yes, it does. On December 31, 2019, in Docket No. ER20-715, Central Hudson requested approval from the Commission of Attachment 1 to Rate Schedule 12 (Section 6.12.5) of the NYISO OATT to establish a Highway Facilities Charge for the Hurley Avenue System Deliverability Upgrade ("Hurley-FC"), which allows Central Hudson to recover costs related to common Highway System

Deliverability Upgrades which Central Hudson is installing on its transmission system. These upgrades are required to provide four, large generation facility developers with Capacity Resource Interconnection Service, which they had requested from the NYISO. The Hurley-FC is to be determined via a formula rate. By Order dated October 4, 2021, the Commission approved a settlement, dated March 23, 2021, implementing the Hurley-FC formula rate. The approved formula rate related to the Hurley-FC is included in in Section 6.12.5.2.1 of Attachment 1 to Rate Schedule 12 of the NYISO OATT.

Q. Are you proposing changes to Central Hudson's existing formula rate?

A. No, I am not. I am proposing an additional formula rate for Central Hudson that would be contained in the NYISO OATT in Section 6.19.9.2.2 of Attachment 4 to Rate Schedule 19 and operate independently of the Hurley-FC formula rate that is set forth in Attachment 1 to Rate Schedule 12. In other words, Central Hudson will continue to use the formula rate in Attachment 1 to Rate Schedule 12 of the NYISO OATT to determine the Hurley FC, while it will use the formula rate being proposed here to determine its Schedule 19 Projects annual transmission revenue requirement for recoveries pursuant to Rate Schedule 19 of the NYISO OATT.

Q. Will there be any duplicate charges between Schedule 12 and Schedule 19 for Central Hudson?

A. No, there will be no duplicative charges between the two rate schedules. Each independently determines the revenue requirement of the respective facilities

as each use either direct assigned values or allocated values using specific allocation factors for Schedule 19 Projects or projects recovered pursuant to Rate Schedule 12 of the NYISO OATT.

Q. Please present the Rate Schedule 19 formula rate.

A. I present the proposed Rate Schedule 19 formula rate in Exhibit CH-003. The proposed Formula Rate Template determines an ATRR using projected data for a calendar year rate year, with an annual true-up adjustment to reconcile actual revenue for the rate year to the actual ATRR for that same rate year. The proposed Formula Rate is consistent with transmission formula rates approved by FERC and in use throughout the United States. The unpopulated Formula Rate Template will be included in Section 6.19.9.2.2 of Attachment 4 to Rate Schedule 19 of the NYISO OATT.

Q. Describe Exhibit No. CH-003.

A. Exhibit No. CH-003 contains the proposed Formula Rate Template, populated with proxy data to enable its ease of use, consisting of several worksheets necessary to determine and publish the ATRR for Central Hudson's Schedule 19 Projects.[7] The Index to the Formula Rate Template is a list of the worksheets contained in the Formula Rate Template. Projected input data will come from

[7] I have included proxy data in all data input cells for ease of use. The unpopulated formula rate is proposed to be included in Section 6.19.9.2.2 of Attachment 4 to Rate Schedule 19 of the NYISO OATT.

Central Hudson's internal budgeting process, while actual input data will come from Central Hudson's FERC Form No. 1. The populated Formula Rate Template will be provided in Excel to stakeholders well in advance of the ATRR or annual true-up adjustment implementation, with ample opportunity to review, question and provide feedback in accordance with the protocols described in the next section.

Q. How does Central Hudson recover the costs of its transmission assets today?

A. Under NYPSC ratemaking, Central Hudson includes both its transmission and distribution assets in its NYPSC jurisdictional rates. Central Hudson has a FERC stated transmission rate in Attachment H to the NYISO OATT, which is used in very limited circumstances for assessing wholesale Transmission Service Charges under the NYISO OATT. Revenue received under Attachment H is credited to the NYPSC jurisdictional revenue requirement. In addition, Central Hudson has a FERC transmission formula rate by which it recovers under Attachment 1 to Rate Schedule 12 (Section 6.12.5) of the NYISO OATT a Highway Facilities Charge for the Hurley System Deliverability Upgrade. Recoveries under the Highway Facilities Charge began in June 2023. Central Hudson will exclude the Hurley System Deliverability Upgrade revenue requirement from NYPSC jurisdictional rates.

Q. With the advent of formula rate recovering Schedule 19 Projects under the NYISO OATT, how will Central Hudson ensure that its Schedule 19 Projects ATRR are not also recovered in NYPSC jurisdictional rates?

A. Central Hudson will either exclude its Rate Schedule 19 revenue requirement from its NYPSC approved rates or provide an appropriate credit to its NYPSC jurisdictional rates for recoveries of costs under Rate Schedule 19. Thus, Central Hudson will ensure that the ATRR for Schedule 19 Projects is not included in NYPSC jurisdictional rates.

Q. What is Appendix A of Exhibit No. CH-003?

A. Appendix A of the Formula Rate Template is the worksheet that computes the non-levelized ATRR. The allocation factors and ATRR for Schedule 19 Projects are contained in Columns 4 and 5, respectively. Appendix A contains rate base, operations and maintenance expense, depreciation and amortization expense, taxes other than income taxes, income taxes, return and revenue credits. It also contains adjustments to the ATRR for prior period corrections and the annual true-up adjustment.

Q. Describe the rate base section of Appendix A.

A. Rate base consists of gross plant in service, accumulated depreciation, net plant in service, construction work in progress ("CWIP"), abandoned plant, accumulated deferred income taxes, land held for future use, and other rate base items. Other base items include cash working capital, materials and supplies, prepayments, and unfunded liabilities. All items are 13-month average

balances except accumulated deferred income taxes which are beginning of year/end of year averages or a value that reflects Internal Revenue Service-required proration. Column 3 contains total Central Hudson data, where needed, while Column 5 contains data related to the Schedule 19 Projects. Column 4 contains the allocation method used to derive the Schedule 19 Project amounts.

Q. Describe how the Formula Rate derives gross plant in service, accumulated depreciation, and net plant in service.

A. Gross plant in service and accumulated depreciation amounts are contained in Workpaper 1-RB Items. Workpaper 1-RB Items contains gross plant in service and accumulated depreciation by function. The Schedule 19 Project gross plant in service and accumulated depreciation will be based upon Central Hudson tracking these assets in its fixed asset system, and the actual amounts will be included on appropriate FERC Form No. 1 pages via footnotes. Net plant in service equals gross plant in service less accumulated depreciation.

Q. How do you determine the portion of electric general, electric intangible and common gross plant in service and the applicable accumulated depreciation to allocate to the Schedule 19 Projects?

A. Consistent with the construct of most formula rates accepted by the Commission for transmission cost of service, the proposed Formula Rate allocates to Schedule 19 Projects electric general gross plant and electric intangible gross plant in service and the applicable accumulated depreciation

using a wage and salary allocator based upon estimated transmission wages for the Schedule 19 Projects. The Formula Rate derives this allocator on Line 94 of Appendix A. The Formula Rate allocates common gross plant in service[8] and the applicable accumulated depreciation using the product of both a common plant allocator to determine the electric transmission portion (derived on Line 97 of Appendix A) and the same wage and salary allocator as used for electric general and electric intangible items.

Q. Describe CWIP on Line 23 of Appendix A.

A. If Central Hudson requests, after approval by the NYPSC, and FERC grants recovery of CWIP for any Schedule 19 Project, the 13-month average rate year amount would be included both on Workpaper 1-RB Items and in rate base on Line 23 of Appendix A.

Q. Describe Abandoned Plant on Line 24 of Appendix A.

A. If Central Hudson requests and FERC grants recovery of any abandoned plant costs for a Schedule 19 Project, the 13-month average rate year amount would be included both on Workpaper 1-RB Items and in rate base on Line 24 of Appendix A.

Q. Describe how the Formula Rate determines accumulated deferred income taxes included on Line 25.

[8] Common plant is used for both electric and natural gas business functions.

A. The Formula Rate derives accumulated deferred income taxes on Workpaper 2a-ADIT Current Year, Workpaper 2b-ADIT Prior Year, Workpaper 2c-ADIT Proration Projected and Workpaper 2d-ADIT Proration Actual. Only direct assigned accumulated deferred income taxes are included, such as those related to accelerated depreciation attributable to the Schedule 19 Projects. Workpaper 2a-ADIT Current Year contains both the current year and prior year values for Accounts 190 and 283 and the prorated value for Account 282. The prior year values come from Workpaper 2b-ADIT Prior Year. The prorated values come from Workpaper 2c-ADIT Proration Projected, which is used when the Formula Rate is populated with projected data, or Workpaper 2d-ADIT Proration Actual, which is used when the Formula Rate is populated with actual data. Both the proration workpapers determine values consistent with Treasury Regulation Section 1.167(l)-1(h)(6) and reflect methodologies accepted by the Commission and in use in many transmission formula rates today.

Q. Line 26 of Appendix A contains Excess Accumulated Deferred Income Taxes. Please explain why this Worksheet is needed.

A. Per FERC Order No. 864, the Commission requires that all transmission formula rates provide for the ability, should income tax rates change, to remeasure accumulated deferred income taxes, to determine the excess or deficient accumulated deferred income taxes and to include such amount in rate base. Workpaper 3-EDIT provides for the potential remeasurement for direct assigned accumulated deferred income taxes related to Schedule 19 Projects.

Q. Describe land held for future use.

A. Central Hudson would include here any land held for future use related to approved Schedule 19 Projects. In other words, if Central Hudson has purchased land and that land will be used for an approved Schedule 19 Project, Central Hudson would include, prior to the project going in service, such amounts on both Workpaper 1-RB Items and on Line 28, Column 5 of Appendix A. This approach is consistent with FERC precedent on the rate base treatment of land held for future use.

Q. Describe how the Formula Rate determines cash working capital on Line 29.

A. Cash working capital is equal to one-eighth of operations and maintenance expenses (including administrative and general expenses) contained on Line 50, consistent with FERC precedent.

Q. Lines 30 and 31 contain materials and supplies amounts. Describe how the Formula Rate derives these amounts.

A. There are two materials and supplies lines. One is for materials and supplies directly assigned to transmission. To determine the Schedule 19 Project portion, the Formula Rate allocates the total amount from Workpaper 1-RB Items by the Schedule 19 Project transmission plant allocator. The other line contains materials and supplies related to electric and gas construction. To determine the Schedule 19 Projects portion, the Formula Rate allocates the 100% amount from Workpaper 1-RB Items by the product of the common plant

allocator (to determine the electric portion) and the gross electric plant allocator (to determine the portion of electric that is for Schedule 19 Projects).

Q. Describe prepayments contained on Line 32.

A. This item represents prepayments for Central Hudson's gas and electric businesses. Therefore, to determine the Schedule 19 Project portion, the Formula Rate allocates the 100% amount from Workpaper 1-RB Items by the product of the common plant allocator (to determine the electric portion) and the gross electric plant allocator (to determine the portion of electric that is for Schedule 19 Projects).

Q. Describe the last rate base item – unfunded liabilities.

A. Certain cost items are accrued and expensed, but not externally funded and not paid for some time. For example, injuries and damages are determined, estimated, and expensed when the injury or damage occurs; the amount is not deposited in an external fund, and cash may not be expended for many months and sometimes years. As a result, such amounts should reduce rate base. I have analyzed accounts 228 (allowances) and 242 (current and accrued liabilities) and determined that only the allowance for injuries and damages should be considered. Therefore, the Formula Rate determines the 13-month average rate year balance of this item in Workpaper 1-RB Items, Lines 29-42 and then reduces rate base on Line 33 of Appendix A. Since this unfunded liability is related to Central Hudson's gas and electric business, the Formula Rate allocates the 100% amount from Workpaper 1-RB Items by the product of the

common plant allocator (to determine the electric portion) and the Schedule 19 Projects wage and salary allocator (to determine the Schedule 19 Project portion).

Q. Now that you have covered rate base items, describe the items that make up the ATRR.

A. The first item is Operations and Maintenance Expenses ("O&M"), which begins on Line 36 of Appendix A. The Formula Rate provides for either direct assigning transmission O&M, if Central Hudson tracks O&M expenses for the Schedule 19 Projects or allocating transmission O&M to the Schedule 19 Projects, but not both. EPRI dues are removed from transmission O&M prior to any allocation to Schedule 19 Projects. If the allocation approach is selected, the Formula Rate allocates transmission O&M to Schedule 19 Projects using a Schedule 19 Projects transmission gross plant allocator.

Q. Describe how administrative and general expenses ("A&G") are treated in the Formula Rate.

A. The Formula Rate begins with total electric A&G and deducts any EPRI dues, electric regulatory commission expenses, electric property insurance and certain electric Account 930.2 items to arrive at adjusted A&G. It then allocates adjusted A&G to Schedule 19 Projects using a Schedule 19 Projects wage and salary allocator, consistent with how A&G is treated in most transmission formula rates. It then allocates any transmission regulatory expenses not directly assigned to Schedule 19 Projects using a Schedule 19 Projects

transmission plant allocator and direct assigns any regulatory expenses incurred directly for Schedule 19 Project regulatory proceedings. Lastly, it allocates electric property insurance using a Schedule 19 Projects' gross plant allocator and then determines total O&M, as is shown on Line 49.

Q. Are EEI Dues included in the Formula Rate?

A. EEI dues that are not related to lobbying activities are included in administrative and general expenses which are included in the Formula Rate. EEI dues related to lobbying activities are charged to a "below-the-line" account, which is not included in the Formula Rate.

Q. You mentioned that Central Hudson will exclude certain items in electric Account 930.2 from A&G. What items will Central Hudson exclude?

A. As is stated in Note L of Appendix A, Central Hudson will exclude any items in Account 930.2 that exceed $1 million and are not directly or indirectly related to the provision of transmission service.

Q. How is depreciation and amortization expense determined?

A. The Formula Rate direct assigns depreciation expense related to the Schedule 19 Projects, as tracked by Central Hudson in its fixed asset system. The Formula Rate allocates general, intangible, and common electric depreciation and amortization using the Schedule 19 Projects wage and salary allocator. The Formula Rate provides for amortization of abandoned plant if Central Hudson receives FERC approval to recover any abandonment losses related to Schedule 19 Projects.

Q. What is included in taxes other than income taxes and how are these items allocated to the Schedule 19 Projects?

A. This category contains electric and gas taxes. Included in this category are payroll taxes, real estate taxes, franchise taxes and gross receipts taxes. Payroll taxes consist of FICA and unemployment, and the Formula Rate allocates them to Schedule 19 Projects using the product of the common plant allocator to determine the electric portion and the Schedule 19 Projects wage and salary allocator to determine the Schedule 19 Project portion. The Formula Rate allocates real estate taxes and franchise taxes using the product of the common plant allocator (to determine the electric portion) and the gross electric plant allocator (to determine the Schedule 19 Project portion). The Formula Rate determines the gross receipts tax based upon an estimate of the Schedule 19 Projects ATRR and includes the amount in the revenue requirement. This is done in Note N of Appendix A. As shown on Line 60, the Formula Rate provides for the addition in the future of other tax items that may arise.

Q. The next item is Income Taxes. Describe the items in this category and how the Formula Rate determines the Schedule 19 Project component.

A. Income taxes includes any amortization of investment tax credit (Line 65 and the grossed up amount on Line 69), any amortization of excess accumulated deferred income taxes (Line 66 and the grossed up amount on Line 70), the tax effect of permanent book/tax differences (line 67 and the grossed up amount on Line 71) and the income taxes on the common equity and preferred stock return

(line 68). The Formula Rate contains the composite tax rate on Line 62 which is based upon the state and federal tax rates in Note F and also contains the grossed-up tax rate (1/(1-t) – Line 63) and the income tax factor (t/(1-t)) - Line 64).

Q. Describe the amortization of investment tax credit and the amortization of excess accumulated deferred income taxes.

A. The amortization of investment tax credit would be included if the Internal Revenue Code provided for an investment tax credit for the Schedule 19 Project investments, which presently, it does not. The amount would be shown on the applicable Central Hudson FERC Form No. 1 page. The amortization of excess accumulated deferred income taxes would be determined on Worksheet 3-EADIT if federal or state tax rates change in the future. Worksheet 3-EADIT is included to comply with FERC Order No. 864 which requires all transmission formula rates to provide for remeasurement of accumulated deferred income taxes and inclusion of the remeasured amount in rate base and the amortization in the ATRR.

Q. Describe what is included in permanent book/tax differences and how the amount applicable to Schedule 19 Projects will be determined.

A. The Formula Rate includes permanent book/tax differences on Worksheet 4-IT Permanent Differences. Central Hudson anticipates that the only permanent book/tax difference for Schedule 19 Projects will be AFUDC equity, which is included as part of the costs of construction on the books but not for income

taxes. Therefore, the Formula Rate includes the income taxes related to recovering the AFUDC equity portion of such book depreciation. Worksheet 4 - IT Permanent Differences includes the ability to add other items, if authorized by the Commission. AFUDC equity and any other items would be included in footnotes on the applicable FERC Form No. 1 page.

Q. Describe the income taxes related to common equity and preferred stock return.

A. Income taxes related to common equity and preferred stock return recognizes that these return items are not deductible for income taxes and, therefore, the Formula Rate provides the income taxes necessary to recover this amount, which is based upon the common equity and preferred stock return for the Schedule 19 Projects determined on Worksheet 5-Project Return and the Income Tax Factor on Line 64 of Appendix A.

Q. Describe the debt and common equity and preferred stock items on Lines 73 and 74, respectively, of Appendix A.

A. These items are a function of the Schedule 19 Project rate base (Line 36) and the cost of capital on Worksheet 6-Project Cost of Capital, which provides for a different cost of capital for each Schedule 19 Project, if there is such differentiation. Worksheet 6-Project Cost of Capital provides for using the lower of the FERC allowed return on common equity ceiling, as determined in the accompanying testimony of Adrien McKenzie, or the NYPSC determined return on common equity, consistent with the CSRA. It also provides for use

of the NYPSC approved capital structure, also as specified in the CSRA.[9] Lastly, Worksheet 6-Project Cost of Capital determines the cost rates of preferred stock and long-term debt, both used in determining the cost of capital.

Q. Describe Workpaper 5-Project Return.

A. This worksheet determines the rate base for each Schedule 19 Project or grouping of projects and applies the Schedule 19 Project cost of capital to determine the debt and common equity and preferred stock return. The Formula Rate carries the sum of these amounts forward to Appendix A.

Q. How does the Formula Rate determine the rate base for each Schedule 19 Project?

A. As can be seen on Workpaper 5-Project Return, the Formula Rate direct assigns rate base items that can be direct assigned and allocates those that cannot by using a gross plant ratio based upon Column b amounts. The Formula Rate applies the project-specific weighted average cost of capital to the applicable rate base to determine the project-specific return as well as the common equity and preferred stock return and debt return.[10] The Formula Rate carries forward to Appendix A the sum of the common equity and preferred stock returns and the sum of the debt returns.

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[9] Central Hudson would include the then effective NYPSC approved ROE and cost of capital for Schedule 19 Projects and does not anticipate a separate order by the NYPSC setting forth the ROE and capital structure for Central Hudson's Schedule 19 Projects.

[10] Workpaper 5-Project Return provides, for efficiency, the ability to group individual Schedule 19 Projects that are part of a larger project that receive the same weighted average cost of capital.

Q. Summarize the Schedule 19 Project ATRR calculations at this point.

A. Line 76 of Appendix A is the sum of operations and maintenance expense, depreciation and amortization expenses, taxes other than income taxes, income tax expense and common equity and preferred stock return and debt return. The remaining items to be included in the Formula Rate are revenue credits, prior Formula Rate corrections and the annual true-up adjustment.

Q. Please describe the "revenue credits" that will be included in the Formula Rate.

A. The Formula Rate includes and credits any revenues recorded in Rent from Electric Property (Account 454) or Other Electric Revenues (Account 456) that directly apply to the Schedule 19 Projects. Central Hudson will show any such revenue in a footnote on FERC Form No. 1 pages 300-301 and include any amounts on Lines 100 and 101, which are carried forward to Line 79 on Appendix A. The Formula Rate shows the ATRR before any corrections and the true-up adjustment on Line 78 of Appendix A.

Q. What are "prior formula rate corrections."

A. The Formula Rate provides the ability for Central Hudson to make any necessary corrections to prior actual ATRRs that are beyond being included in an annual true-up adjustment. The Formula Rate provides for these corrections in Worksheet 9-Corrections, which also includes interest at the FERC determined interest rates (18 C.F.R. Section 35.19a).

Q. Explain the "annual-true-up adjustment."

A. As explained previously, Central Hudson initially will determine the ATRR for using the Formula Rate populated with projections for the rate year. After it has completed its FERC Form No. 1 for that same rate year, Central Hudson will reconcile the revenue received, which would be based upon the projected ATRR, with the actual ATRR determined using the Formula Rate populated with actual data. The difference is the annual true-up adjustment, before including interest. The Formula Rate determines this amount on Worksheet 7, True-up Adjustment, and includes interest (using the FERC determined interest rates from 18 C.F.R. Section 35.19a) from the middle of the rate year to the middle of the period during which such true-up adjustment is included in the revenue requirement. The sum of the true-up amount plus interest is the Annual True-up Adjustment.

Q. What revenue requirement amount will be provided to the NYISO for state-wide cost allocation under Rate Schedule 19?

A. The Formula Rate shows the sum of the ATRR plus corrections plus the Annual True-up Adjustment on Line 81. Central Hudson will provide this amount, effective each January 1, to the NYISO for allocation to load serving entities in New York pursuant to Rate Schedule 19 of the NYISO OATT. As described above, the NYISO will adjust this amount by any Incremental TCC settlements or outage charges for Incremental TCCs before billing such amount to load serving entities in New York, consistent with Rate Schedule 19.

Q. Are there any other comments you have on the Formula Rate?

A. Yes, there are. On lines 82 through 99 of Appendix A, the Formula Rate calculates several of the allocators used in Appendix A and in other worksheets. The Formula Rate also contains several footnotes at the bottom of Appendix A, one of which provides the definition of the acronyms used for the various allocators. Last, Worksheet 8-Depreciation Rates contains the depreciation rates to be used to determine transmission, general, intangible, and common depreciation and amortization expense included in the ATRR. These depreciation rates are those approved by the NYPSC. Central Hudson will continue to use these depreciation rates until the NYPSC orders changes and Central Hudson receives approval from FERC to use the changed depreciation rates. It is Central Hudson's intent that any changes to these depreciation rates would be implemented simultaneously for both NYPSC ratemaking and for this Formula Rate.

Q. What is the process for Central Hudson to request transmission rate incentives for any of its Schedule 19 projects?

A. Consistent with the CSRA, Central Hudson would only request the CWIP Incentive (100% CWIP in rate base) if first approved by the NYPSC. As for the Abandonment Incentive, the CSRA provides for recovery of the costs of Schedule 19 Projects abandoned for reasons beyond the control of the transmission owner. Central Hudson likely will request the Abandonment Incentive from FERC for Schedule 19 Projects that it constructs and operates.

The CSRA does not contemplate Central Hudson requesting any other transmission incentives.[11]

V. TRANSMISSION FORMULA RATE PROTOCOLS

Q. What is the purpose of formula rate protocols?

A. The Commission considers the transmission formula itself to be the rate, not the components of the formula. Therefore, periodic adjustments, typically performed on an annual basis and made in accordance with the Commission-approved formula, do not constitute changes in the rate itself and, accordingly, do not require section 205 filings. However, the Commission requires safeguards to be in place to ensure that the input data is correct and accurate, that calculations are performed consistent with the formula, that the costs to be recovered in the formula rate are reasonable and were prudently incurred, and that the resulting rates are just and reasonable. The reason for including formula rate protocols in formula rates for transmission service is to provide stakeholders specific procedures for notice and review of, and challenges to, the transmission owner's annual updates. Formula rate protocols afford adequate transparency to affected customers, state regulators and other interested parties, as well as provide mechanisms for resolving potential disputes.

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[11] *See Consolidated Edison Co. of New York, Inc., et al*., 180 FERC ¶ 61,106 (2022), CSRA, paragraph 3.3.

The Commission has determined that formula rate protocols must address three main issues: (1) the scope of participation (i.e., who can exchange information with transmission owners); (2) the transparency of the information exchange (i.e., what information is exchanged); and (3) the ability of customers to challenge transmission owners' implementation of the formula rate as a result of the information exchange (i.e., how the parties may resolve their potential disputes).[12]

Q. Do the protocols you propose for Central Hudson meet these criteria?

A. Yes, they do.

Q. Are you familiar with other transmission owner protocols?

A. Yes, I am. I am familiar with the protocols in place today for transmission owners in the Midcontinent Independent System Operator, Inc. ("MISO") which were adopted by FERC in and since 2015. I am familiar with the protocols in place for many transmission owners in PJM, having designed in 2020 the protocols for one of the PJM transmission owners. I am also familiar with the protocols in place for transmission owners in New York and in New England. I am also aware of FERC's recent effort to see protocols updated for transmission owners in the west and southeast United States.

[12] *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 at P 8.

Q. Did you consider these transmission owner protocols in developing those for Central Hudson?

A. Yes, I did.

Q. Please describe the proposed Central Hudson, Schedule 19 Project, Formula Rate Implementation Protocols.

A. The proposed protocols are contained in Exhibit No. CH-004 and are proposed to be included in Section 6.19.9.2.1 of Attachment 4 to Rate Schedule 19 of the NYISO OATT. The protocols are organized as follows:

a. Section 1 – Definitions – Contains the definition of key terms used in the protocols;

b. Section 2 – Applicability – The protocols apply to Central Hudson's calculation of its Actual Annual Transmission Revenue Requirement ("Actual ATRR") and related Annual True-up Adjustment, as well as to its Projected Annual Transmission Revenue Requirement ("Projected ATRR") for its Schedule 19 Projects;

c. Section 3 – Specific requirements related to the Projected ATRR, Actual ATRR, Annual True-up Adjustment and Annual Update;

d. Section 4 – Fundamental Predicates - Describe the basis of the data on which the Formula Rate is premised;

e. Section 5 – Specific requirements related to CWIP in rate base, if applicable;

f. Section 6 – A description of the annual review procedures, including a timeline for the formula rate cycle (Section 10 includes an example of such timeline);

g. Section 7 – Informational Filing

h. Section 8 - Challenge Procedures;

i. Section 9 - Changes to annual informational filings; and

j. Section 10 – Timeline example of formula rate cycle.

Q. Please describe Section 3 – Projected ATRR, Actual ATRR, Annual True-up Adjustment and Annual Update.

A. This section of the protocols states that the Projected ATRR will be applicable to services on and after January of each year, with the first Projected ATRR to be for the Rate Year in which Central Hudson expects one or more of its Schedule 19 Projects to be in service (or to begin construction, if CWIP in rate base is granted) or Central Hudson plans to purchase land held for future use. Central Hudson will update the Projected ATRR each January 1. Section 3 provides the dates by which both the Annual True-up Adjustment is to be posted on the NYISO website (June 15th). It also states that the Annual Update will be posted on the NYISO website by October 15th of each year, to be followed by a stakeholder meeting for interested parties.

Q. How do the protocols define interested party?

A. Interested parties are defined as any transmission customer under the NYISO OATT, the New York State Department of Public Service, the New York State

Department of State's Division of Consumer Protection Utility Intervention Unit, other New York consumer advocacy agencies, the New York Attorney General or any party that has standing in a Central Hudson formula rate proceeding under section 205 or 206 of the Federal Power Act.

Q. Continue to describe Section 3.

A. Section 3 defines the information Central Hudson will provide in its Annual Update.[13] It states the Formula Rate data inputs that are fixed: (i) ceiling rate of return on common equity; (ii) extraordinary property losses, and (iii) depreciation and amortization expense rates. These items may only be changed through an FPA Section 205 or 206 proceeding. It also provides that Central Hudson may make a limited Section 205 filing to change its rate of return on common equity, request recovery of extraordinary property losses, or change or add new depreciation and amortization rates, and that Central Hudson may request incentives pursuant to FPA Section 219.

Q. Please describe Section 4 of the protocols – Fundamental Predicates.

A. This section of the protocols states that the Formula Rate is premised upon data that is consistent with the FERC Uniform System of Accounts, applicable FERC Form No. 1 requirements, FERC's policies governing transmission

[13] The Annual Update includes the Projected ATRR for the upcoming Rate Year and includes any Annual True-up Adjustment for the prior Rate Year and any Corrections for prior years.

formula rates, FERC's orders establishing transmission ratemaking policies and procedures, and the accounting and cost allocation policies of Central Hudson.

Q. Please describe Section 5 of the protocols - Construction Work in Process.

A. This section applies to Central Hudson Section 19 Projects where FERC has granted Central Hudson the CWIP Incentive (greater than 50% CWIP in rate base). It states that CWIP can only be included in rate base when the Commission has approved this incentive for a transmission project or projects, and it imposes certain accounting and reporting requirements on Central Hudson, including that AFUDC will not be accrued simultaneously on projects where CWIP is included in rate base, in order to avoid the possibility of AFUDC recovery at the same time that the projects is included in rate base.

Q. What is the purpose of Section 6 – Annual Review Procedures?

A. Section 6 of the protocols sets out the procedures, process and timeline for interested parties to review the annual Informational Filing and Annual Update. It limits Interested Parties' inquiries to:

1. the extent or effect of an Accounting Change;
2. whether an Annual True-up Adjustment or Annual Update fails to include data properly recorded in accordance with the protocols and the Fundamental Predicates or includes data not properly recorded in accordance with the protocols and the Fundamental Predicates;
3. whether the costs included in an Annual Update are properly accounted for (e.g., recordable and recorded in the appropriate

accounts) under FERC's Uniform System of Accounts and otherwise consistent with Central Hudson's accounting policies, practices, or procedures;

4. whether there are errors in the current Annual Update and, if any are identified, whether the same or similar errors were made in prior Formula Rate filings with a further explanation identifying each Formula Rate filing in which such errors were made;
5. the proper application of the Formula Rate and procedures in the Protocols;
6. the accuracy of data and consistency with the Formula Rate of the calculations shown in an Annual True-up Adjustment or Annual Update;
7. the prudence of actual costs and expenditures;
8. the effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or
9. any other information that may reasonably have a substantive effect on the calculation of the ATRR pursuant to the Formula Rate.

Q. Please describe the next section of the protocols, Section 7 – Informational Filing.

A. By February 1 of each year, the close of the Review Period, Central Hudson shall submit to FERC an Informational Filing of its Annual Update and the results of the Annual Review Procedures. This Informational Filing must

include the information that is required by Section 3, must describe any changes pursuant to the Annual Review Procedures and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures.

Q. Describe Section 8 – Challenge Procedures.

A. These procedures would be invoked by an interested party if disputes with Central Hudson are not resolved. There are two levels of challenge procedures: informal and formal. Informal challenges include when the interested party and Central Hudson are continuing to work to resolve differences. If an informal challenge does not result in a resolved dispute, the interested party can make a formula challenge, which is filed at FERC.

Q. Please describe Section 9 – Changes to Informational Filings.

A. This section of the protocols states that any changes to the data inputs resulting from, for example, revisions to Central Hudson's FERC Form No. 1, the result of any FERC proceeding to consider the Formula Rate or the result of the procedures set forth in the protocols, shall be incorporated into the Formula Rate (with interest) in the Annual Update for the next effective rate year via a correction or via an Annual True-up Adjustment. This approach applies in lieu of mid-rate year adjustments, refunds or surcharges.

Q. Please describe the last section of the Formula Rate Implementation Protocols?

A. Section 10 contains an example of the timeline of the Formula Rate Implementation Protocols that begins with the calculation of the actual ATRR for the prior rate year and ends with the formal challenge process.

VI. CONCLUSION

Q. Please summarize your recommendation to the Commission.

A. I recommend that the Commission approve the Formula Rate Template and Formula Rate Implementation Protocols for Central Hudson contained herein.

Q. Does this conclude your testimony?

A. Yes, it does.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Central Hudson Gas & Electric Corporation	**)**	**Docket No. ER23-___-000**

DECLARATION OF PAUL DUMAIS

I depose and state under penalty of perjury that the foregoing testimony was prepared or assembled by me or under my direction, and that I have read the questions and answers labeled as my testimony: that if asked the same questions, my answers in response would be as shown; and that the facts contained in my answers are true to the best of my knowledge, information, and belief.

Executed on July 28, 2023

/s/ Paul Dumais
Paul Dumais