

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Show Cause Order

)

Docket No. EL18-77-000

**CENTRAL HUDSON GAS & ELECTRIC CORPORATION'S RESPONSE TO SHOW
CAUSE ORDER**

INTRODUCTION

Central Hudson Gas & Electric Corporation ("Central Hudson"), pursuant to the Federal Energy Regulatory Commission's ("Commission") Order to Show Cause issued March 15, 2018 ("Order") files this response to the Order. Central Hudson is an electric and gas distribution utility. Central Hudson serves approximately 300,000 electric and 79,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley, delivering natural gas and electricity in a 2,600-square-mile service territory that extends north from the suburbs of metropolitan New York City to the Capital District around Albany.

Central Hudson provides electric transmission service with transmission rates set through Attachment H to the New York Independent System Operator ("NYISO") Open Access Transmission Tariff ("OATT").¹ Central Hudson does not have formula rates under a transmission owner tariff. Central Hudson does maintain tariffs with contractually agreed upon rates.

The Order requires Central Hudson:

¹ The New York Independent System Operator, Inc. ("NYISO") is submitting this filing on behalf of Central Hudson solely in its role as Tariff Administrator. The burden of demonstrating that the proposed tariff amendments are just and reasonable rests with Central Hudson, the sponsoring party. The NYISO takes no position on any substantive aspect of this filing at this time.

- (1) to propose revisions to its stated transmission rates under its open access transmission tariff or transmission owner tariff on file with the Commission to reflect the recent change in the federal corporate income tax rate and describe the methodology used for making those revisions, or (2) to show cause why it should not be required to do so.²

DISCUSSION

I. Show Cause Order

Central Hudson has proposed to NYISO and the Commission, set forth as Exhibits 1 and 2, an adjustment to its transmission revenue requirement utilized in the determination of the Transmission Service Charge under the NYISO OATT that reflects the new corporate tax rates associated with the Tax Cut and Jobs Act of 2017.³ Central Hudson utilized the electric system revenue requirement determination, specifically the income statement, approved by the New York State Public Service Commission in Case 92-E-1055 (“approved revenue requirement”), the rate case preceding the submission of the aforementioned transmission revenue requirement for inclusion in the NYISO OATT. The approved revenue requirement, which reflected a federal corporate income rate on current taxable income of 35%, was restated to reflect the new corporate income rate on current taxable income of 21%. The resulting decrease in the electric system revenue requirement of 1.54% was applied to the currently effective transmission revenue requirement of \$16,375,919, yielding a revised transmission revenue requirement of \$16,123,730 as shown in the proposed tariff amendments set forth in Exhibits 1 and 2.

² Docket EL18-77-000, *Show Cause Order* at 2 (issued March 15, 2018).

³ Exhibit 1 contains a clean version Central Hudson’s proposed revision to its annual transmission revenue requirement as set forth in Table 1 in Section 14.1.4 of Attachment H of the NYISO OATT. Exhibit 2 is a blacklined version of Central Hudson’s proposed revisions to the NYISO OATT.

Central Hudson does not have a transmission owner tariff on file with the Commission because it does not have formula rates so an adjustment to a transmission owner tariff is inapplicable. Similarly, Central Hudson has a number of tariffs with contractual rates that either contain an adjustment mechanism that will result in rate adjustments that account for the new federal corporate tax rates or that contain no adjustment mechanism and the fixed rate is sufficient to cover corporate tax rates even though it may be insufficient to cover facilities, energy or other contract costs. In either case the tariffs with contractual rates are also inapplicable to this Order.

CONCLUSION

NYISO will submit on Central Hudson's behalf, changes to the NYISO OATT amending Central Hudson's transmission rates to take into account the Tax Cut and Jobs Act of 2017. Central Hudson is committed to ensuring that the benefits associated with the Tax Cut and Jobs Act are provided to its customers. It has already agreed to provide those benefits to customers through its New York State Public Service Commission rates and its proposed adjustment to the NYISO OATT allows those benefits to be provided to NYISO customers.

Respectfully Submitted,



Paul A. Colbert, Associate General Counsel-
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On Behalf of:

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