

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES,
CHARGES, RULES AND REGULATIONS OF CENTRAL HUDSON GAS &
ELECTRIC CORPORATION FOR ELECTRIC SERVICE AND GAS SERVICE

CASE NO. 23-E-0418

AND

CASE NO. 23-G-0419

DIRECT TESTIMONY OF SARAHANA SHRESTHA

NEW YORK STATE ASSEMBLYMEMBER, DISTRICT 103

NOVEMBER 21, 2023

324 WASHINGTON AVE., SUITE 1

KINGSTON, NY 12401

Table of Contents

I. Introduction and Overview..... 3

II. Qualifications & Background..... 3

III. Purpose of Testimony..... 6

**IV. Central Hudson’s Proposed Rate Increase is Not in the Public’s Interest
During the Ongoing Customer Information System (“CIS”) Crisis..... 8**

**V. Central Hudson Prioritizes Expanding Its Rate Base Over Infrastructure
Investments that Would Provide Just and Reasonable Rates..... 13**

**VI. Central Hudson prioritizes expanding its rate base over following the
Spirit of the Climate Leadership and Community Protection Act (CLCPA) 22**

**VII. Fortis, Central Hudson’s Parent Company, Can Absorb Profits Below
Their Expectations to Ensure Just and Reasonable Rates..... 33**

VIII. Conclusions..... 36

1 I. Introduction and Overview

2 **Q. Please state your name and business address.**

3 A. My name is Sarahana Shrestha. My business address is 324 Washington
4 Ave., Suite 1 Kingston, NY 12401. I am presenting testimony in this
5 proceeding as a New York State Assemblymember who represents the 103rd
6 District (“AD103”), registered in this rate case as the Office of
7 Assemblymember Sarahana Shrestha.

8

9 II. Qualifications & Background

10 **Q. Please highlight your professional experience.**

11 A. In the New York State Assembly I serve on multiple committees including
12 the Standing Committee on Energy. One of my primary focuses as a legislator
13 and as a climate organizer prior to serving in public office has been on
14 democratizing our energy sector, protecting affected workers, and ensuring
15 that our state appropriately responds to the demands of the climate crisis
16 through a just transition. As an organizer, I helped to conduct orientations on
17 the issue of Energy Democracy, and as a legislator I worked with my
18 colleagues in the legislature to help pass the Build Public Renewables Act,
19 which authorizes and mandates the publicly-owned New York Power
20 Authority to build an amount of renewable energy that is necessary to meet

1 our climate goals. I am also the lead sponsor of A7537, the Consumer Utility
2 Protections During Investigations (CUPDI) Act, which protects ratepayers
3 during active investigations by suspending late fees and non-payment shut
4 offs, prohibiting the cost of such lost revenues from being passed onto
5 ratepayers, ensuring customers are notified when such investigations
6 commence, and entitling them to treble damages for improper shut offs and
7 late fees.

8

9 **Q. Have you previously testified before the New York State Public Service**
10 **Commission?**

11 **A.** No, this is my first term serving as a member of the New York State
12 Assembly, and my first time providing Initial Testimony before the Public
13 Service Commission (“PSC” or “Commission”) in a rate case. Energy is a
14 priority issue for our office.

15

16 **Q. Why is a State legislator’s participation relevant to the rate case?**

17 The office of a State legislator offers two advantages relevant to the rate case:
18 (i) being in regular contact with constituents and having an insight into their
19 life as more than just ratepayers and (ii) having the ability to write and pass
20 laws that improve the regulation of investor-owned utilities. Regular contact
21 with constituents under various circumstances gives us a deeper insight into

1 the extent to which people’s lives are impacted by their energy utility,
2 especially in the context of how their lives are also impacted by every other
3 form of economic pressure. We have found that even when someone has an
4 issue with a Central Hudson bill, they may consider it too minor to register a
5 complaint. Likewise, even when someone thinks the rate increase request is
6 too high, they may choose not to make a public comment. As such, we are
7 exposed to concerns that exist but are not visible and accessible to other
8 parties. Additionally, many of our senior constituents don’t speak of their
9 energy bill in isolation, they may speak of it in the context of other increasing
10 bills, including medical ones, and the diminishing value of their fixed
11 incomes. Younger constituents may speak of it in the context of housing costs
12 and job insecurity. Our office’s familiarity with utility bills as a policy issue is
13 in the context of familiarity with other policy issues that simultaneously affect
14 a ratepayer. As such, our office is able to advocate for our constituents not just
15 as ratepayers but as whole human beings. Secondly, being involved in the rate
16 case allows us to experience firsthand in what ways the legislature can act to
17 protect ratepayers while enabling necessary investments for a just transition
18 and reliable service.
19

1 **III. Purpose of Testimony**

2 **Q. What is the purpose of your testimony?**

3 **A.** I am offering policy testimony on the question of whether Central Hudson
4 Gas and Electric’s (hereafter “Central Hudson” or “the Company”) proposed
5 rate increase is in the public interest due to (i) the Company’s ongoing
6 Customer Information System crisis, (ii) the Company’s prioritizing the
7 expansion of its rate base over providing just and reasonable rates, (iii) the
8 Company’s prioritization of expanding its rate base over following the spirit
9 of the Climate Leadership and Community Protection Act, and (iv) Central
10 Hudson’s parent company’s (Fortis) ability to absorb profits below their
11 expectations and even losses that are commensurate with just and reasonable
12 rates.

13

14 **Q. Are you sponsoring any exhibits?**

15 **A.** Yes. I am sponsoring the following exhibits:

- 16 ● Exhibit__(SS-01): The Company’s response to Information Request
17 AD103-003
- 18 ● Exhibit__(SS-02): The Company’s response to Information Request
19 AD103-010
- 20 ● Exhibit__(SS-03): The Company’s response to Information Request
21 AD103-001

CASES 23-E-0418 et al. SARAHANA SHRESTHA

- 1 ● Exhibit__(SS-04): The Company's response to Information Request
2 AD103-002
- 3 ● Exhibit__(SS-05): The Company's response to Information Request
4 AD103-004
- 5 ● Exhibit__(SS-06): The Company's response to Information Request
6 AD103-006
- 7 ● Exhibit__(SS-07): The Company's response to Information Request
8 DPS-029 Attachment 1, pg. 408
- 9 ● Exhibit__(SS-08): The Company's response to Information Request
10 AD103-053
- 11 ● Exhibit__(SS-09): The Company's response to Information Request
12 AD103-041
- 13 ● Exhibit__(SS-10): The Company's response to Information Request
14 AD103-37
- 15 ● Exhibit__(SS-11): The Company's response to Information Request
16 AD103-38
- 17 ● Exhibit__(SS-12): The Company's response to Information Request
18 AD103-052
- 19 ● Exhibit__(SS-13): The Company's response to Information Request
20 AD103-47

- 1 ● Exhibit__(SS-14): The Company’s response to Information Request
- 2 AD103-50
- 3 ● Exhibit__(SS-15): The Company’s response to Information Request
- 4 AD103-65
- 5 ● Exhibit__(SS-16): The Company’s response to Information Request
- 6 CLP-020
- 7 ● Exhibit__(SS-17): The Company’s response to Information Request
- 8 CLP-009
- 9 ● Exhibit__(SS-18): The Company’s response to Information Request
- 10 AD103-46

11

12 **IV. Central Hudson’s Proposed Rate Increase is Not**
13 **in the Public’s Interest During the Ongoing**
14 **Customer Information System (“CIS”) Crisis**

15 **Q. What is the Company’s ongoing CIS crisis?**

16 **A.** Since the Company went live with a new CIS system on September 1,
17 2021, customers have experienced a large number of billing errors. The
18 Department of Public Service (“DPS”) started investigating the issues in 2022
19 and published a report on December 15, 2022 that found the Company guilty
20 of many wrongdoings, including management negligence despite warnings

1 from employees during the rollout of the new CIS.¹ As the Public Utility Law
2 Project (“PULP”) notes in their Motion to Deny, “Billing problems persist,
3 resolution is ongoing, no final orders from the Commission have been issued
4 that confirm that the system is accurate, nor confirmation that all existing
5 billing issues have been rectified, and that new bills being generated are in
6 fact accurate.”²

7

8 **Q. Why is a rate case inappropriate during the crisis?**

9 **A.** At the current stage of the CIS crisis, it is not possible for the rate case
10 proceedings to determine which costs are prudential and to what extent needs
11 assessed by Central Hudson for this rate case, particularly in regards to the
12 increase in the return on equity rate and customer service staffing, are affected
13 by the billing issues. In the absence of a complete investigation and prudence
14 proceeding, we also have concern if the entire cost estimated by Central
15 Hudson to implement monthly meter readings should be borne by ratepayers..

16

17 Furthermore, Central Hudson’s inability to provide satisfactory customer
18 service to ratepayers who have been stuck with large scale billing issues, and
19 the public’s lack of confidence in the Company’s future attempts to remedy

21 ¹ Case 22-M-0645, Proceeding on Motion of the Commission Concerning Central Hudson Gas &
22 Electric Corporation’s Development and Deployment of Modifications to its Customer
23 Information and Billing System and Resulting Impacts on Billing Accuracy, Timeliness, and
24 Errors.

20 ² Case 23-E-0418, PULP Motion to Deny Central Hudson Gas & Electric’s Rate Case Filings

1 this, greatly changes what we would find to be just and reasonable under these
2 circumstances. Our office hears from our constituents daily looking for
3 answers they were not able to get from Central Hudson, often not having
4 heard back from the company at all. Until Central Hudson can stabilize its
5 operations and regain the public's trust, a rate case should not move forward.
6 For these reasons, I filed a motion in support of PULP's motion to deny the
7 rate case filings.³

8

9 **Q. What is the impact of the crisis on your constituents?**

10 **A.** The most common call my office receives from constituents is that the
11 ratepayer is concerned with the accuracy of their bill and they are unable to
12 pay it. Of the 222 constituent cases my office has opened since I took office in
13 January 2023, 99 of them have been about a utility issue (44.6%).

14

15 Since 2019, the average arrears for residential customers in my district have at
16 least doubled in each municipality, with a high of 4.9 times in the Village of
17 Red Hood (Exhibit__(SS-01)). From September 2021 through September
18 2023, ratepayers in my district have received 120,668 adjusted bills
19 (Exhibit__(SS-02)). That's more adjusted bills than the 61,042 residential
20 (Exhibit__(SS-03)) and 11,636 commercial electric and gas customers
21 (Exhibit__(SS-04)) combined.

22 ³ Case 23-E-0418, PULP Motion to Deny Central Hudson Gas & Electric's Rate Case Filings

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Furthermore, the trend in adjusted bills does not support the Company’s claim that they have fully resolved the billing issues. There were 77,180 adjusted bills in 2022, and 27,944 adjusted bills in 2023 through September (Exhibit__(SS-02)).

Q. What methods have you used to understand the impact of the crisis on your constituents?

A. Our office’s constituent services staff are in regular contact with Central Hudson in order to flag potential billing issues. To address constituent concerns about their bills, we sent out a mailer in March of 2023, encouraging them to contact our office if they have any billing issues. We held mobile office hours where constituents brought their Central Hudson bills. As of this fall, we have been conducting small biweekly canvases and phonebanks to ask constituents we have not heard from otherwise if they have any billing issues. We hosted seven Energy Democracy town halls in different locations that almost 350 residents attended, where we talked about the rate case and the fact that the supply costs are not associated with Central Hudson. Our office also attended the entirety of the in-person public hearing that took place in our district, in Kingston.

1 **Q. How does the CIS crisis affect Central Hudson’s proposal for monthly**
2 **meter reading expenditure as part of this rate case?**

3 **A.** Central Hudson estimates the additional revenue requirements to do
4 monthly meter readings to be \$4.4 million annually. It is not appropriate to
5 consider this expenditure in this rate case, recognizing the need to do monthly
6 meter readings emerged from the issue of the CIS errors, for which there is a
7 pending investigation and a request to do a prudence proceeding, and that
8 even actual meter readings are being disputed by some of our constituents.
9 One of our constituents was told by a Central Hudson representative that a
10 drive-by reading may pick up an incorrect average as actual reading. The
11 method for getting actual readings needs further evaluation. Considerations
12 must also be made to whether Central Hudson plans to install Electric AMI
13 meters for the majority of the customers, and if that would result in
14 longer-term savings for the ratepayers and increased accuracy. Customers
15 should have the ability to opt-out of Electric AMI meters, but the Company
16 states in discovery that there are only 1,161 residential customers
17 (Exhibit__(SS-10)) with such meters installed as of 10/19/2023, 0.43% of the
18 residential population in its service territory (Exhibit__(SS-11)). Con Edison
19 boasts of having already installed 5 million of such meters.⁴ Any plan to

20 ⁴ ConEdison. “Smart Meters.” Accessed Nov. 18, 2023.

21 <https://www.coned.com/en/our-energy-future/our-energy-vision/where-we-are-going/smart-meters>

1 approve a recurring expense should take into account a long-term plan around
2 meter type.

3

4 **V. Central Hudson Prioritizes Expanding Its Rate**
5 **Base Over Infrastructure Investments that Would**
6 **Provide Just and Reasonable Rates**

7 **Q. What is Central Hudson’s obligation to provide just and reasonable**
8 **rates?**

9 **A.** The Public Service Law requires that all charges be just and reasonable.⁵
10 The Commission’s task is to approve just and reasonable rates that allow for
11 safe and reliable service. Under normal circumstances, utilities can expect
12 rates to be approved that allow for the development of required capital
13 upgrades and a guaranteed return on equity.

14

15 **Q. What would be just and reasonable rates considering the affordability**
16 **crisis many ratepayers are facing?**

17 **A.** The exceptional inability or reluctance of ratepayers to pay their bills is
18 reflected in the fact that from February of 2020 through June 30, 2023,

19 ⁵ PBS §65(1).

1 Central Hudson’s residential arrears balances greater than 60 days grew by
2 1,044% to \$96 million, and non-residential by 1,971% to \$29 million.⁶

3

4 As such, what constitutes public interest must be informed by the following
5 conditions: (i) reliance on “natural” gas and the failure from the private sector
6 to build new and affordable renewable energy is driving up the supply costs,
7 (ii) seniors must make ends meet on fixed incomes despite rising costs they
8 are subjected to on multiple fronts, (iii) inflation has outpaced wages for
9 years,⁷ and (iv) housing costs have skyrocketed.⁸ While we have come in
10 contact with some constituents who are not paying their bill because they are
11 unsure of its accuracy, we have come across many more who are not paying
12 because they simply can’t.

13

14 Evidenced by the exceptional increase in arrears, what constitutes just and
15 reasonable rates must strongly consider (i) what share of the cost burden
16 should be shifted to Fortis shareholders and executive salaries, (ii) how the
17 spending can be prioritized to benefit ratepayers most immediately, and (iii)
18 what initiatives are necessary and can only be undertaken by Central Hudson

25 ⁶ Case 23-E-0418, Customer Experience Panel Testimony

22 ⁷ Foster, Sarah. “Wages are finally rising faster than inflation. Will Americans ever feel like it.”
23 Bankrate. Sept. 7, 2023.

24 <https://www.bankrate.com/banking/federal-reserve/wage-to-inflation-index/>

19 ⁸ Chang, Alvin. “How Finding a Home in America Became so Absurdly Expensive.” The
20 Guardian. May 10, 2023.

21 <https://www.theguardian.com/us-news/2023/may/10/us-housing-market-prices-increasing>

1 vs. what can be undertaken by other parties, including state agencies, so as to
2 not pass costs to ratepayers.

3

4 In our Assembly District, the 103rd, the average Central Hudson utility arrears
5 for residential customers has almost doubled since 2022 in ten of the eighteen
6 municipalities, and has more than doubled in eight of them

7 (Exhibit__(SS-01)). The number of residential customers enrolled in the

8 Company's Budget Billing program has increased in sixteen of the

9 municipalities since 2022 (Exhibit__(SS-05)), whereas those enrolled in the

10 Bill Discount Program generally trends higher than 2019 levels

11 (Exhibit__(SS-06)).

12

13 If rates are increased, we may see a further increase in arrears, or we may
14 even see a movement towards a ratepayer strike, which our constituents have
15 brought up in our town halls. The numbers show an exceptional need to keep
16 rates as low as possible. As such, a rate decrease would be just and
17 reasonable.

18

19 **Q. What would be just and reasonable rates considering the worker**
20 **retention challenges Central Hudson is facing?**

1 A. In addition to considering the needs of the ratepayer, just and reasonable
2 rates must also consider workers needs, especially as it relates to worker
3 retention, which ultimately affects the Company’s capability to provide safe
4 and reliable service at the most affordable costs.

5

6 “Unprecedented rates of attrition,” as Central Hudson put it, is inefficient,
7 leading to increased hiring and training costs.⁹ Wages undoubtedly have to be
8 attractive enough to positively impact whether or not a worker chooses to
9 remain employed at the Company, which makes it all the more necessary to
10 ensure worker wages are adequate and all other expenditures affecting the
11 rates are thoroughly scrutinized to keep rates as low as possible while
12 providing a safe and reliable service.

13

14 In addition to wages, worker retention is also affected by how much personal
15 satisfaction the worker is getting out of the job. Personal satisfaction includes
16 a sense of purpose, work-life balance, a sense of discovery and growth, and a
17 work culture that feels supportive and not unnecessarily cumbersome and
18 frustrating to navigate. In this regard, an egregious style of management as
19 revealed by the DPS’s December 2022 billing errors investigation report has
20 ramifications for the stress and dissatisfaction levels experienced by an
21 employee on average, as does the deterioration of the Company’s credibility in

22 ⁹ Case 23-E-0418, Workforce, Compensation, and Benefits Panel Testimony

1 the public eye.¹⁰ This is especially true for those working at call centers,
2 where interactions with ratepayers who are upset with high or incorrect bills
3 are likely to be demoralizing. Acknowledging a generational shift in how
4 people relate to their job, Central Hudson should aspire to become a
5 well-respected anchor institution that invests in the community it is anchored
6 to. It should create a supportive and fulfilling work culture by prioritizing a
7 work ethic of public service, community, and work-life balance. The
8 Company should also be intentional about making knowledge and skill
9 sharing a part of the day to day work style so that new leaders are
10 continuously developed. These recommendations are relevant to the rate case
11 because high attrition directly affects the revenue required and the subsequent
12 rates.

13

14 Furthermore, the Company should reallocate sums of money to direct or
15 indirect worker benefits from the salaries of the executive positions that are
16 paid and from shareholder funds that are currently spent on lobbying and
17 political contributions. The decisions for how shareholder funds are utilized
18 towards worker retention is relevant to the rate case because high attrition
19 directly affects the revenue required.

20

21 ¹⁰ Case 22-M-0645, New York State Department of Public Service Investigation Report

1 Despite the difficult job, the low end of what union Central Hudson
2 employees made was just \$50,600 per year in 2022 (Exhibit __ (SS-07)) while
3 then Executive Vice President Christopher Capone made \$1.4 million, 28
4 times some entry level employees.¹¹ Ratepayers paid \$707,000 of that salary,
5 or 49.8%.

6

7 Considering the worker retention challenges, just and reasonable rates require
8 a rate decrease that would help rebuild community trust, enabled by a shift in
9 management style and work culture, and prioritization of worker benefits over
10 shareholder benefits.

11

12 **Q. Why does Central Hudson have a drive to expand its rate base?**

13 **A.** In rate cases, PSC-regulated utilities are guaranteed a return on equity,
14 which is a metric for profit as a percentage of their rate base. The rate base is a
15 utility's approved capital investments minus depreciation. Thus, the size of the
16 rate base is a critical driver of the amount of profit a utility can expect to earn,
17 and there is a motive for utilities to invest in expensive approvable capital
18 expenditures even if the benefits to ratepayers are negligible. For example,
19 Warren Buffet's NV Energy tried to spend a billion dollars to build a natural

20 ¹¹ Matter Master 10-0166, April 28, 2023 CENHUD, pages 104-105. Christopher Capone's
21 deferred compensation has not been netted out of his total compensation for this calculation.

1 gas plant even though there was more than enough capacity on the grid
2 because of the perverse incentives in the return on equity model.¹²

3

4 **Q. What is the conflict between Central Hudson’s obligation to provide
5 just and reasonable rates and its drive to expand its rate base?**

6 **A.** For investor-owned utilities, there is such a thing as smart financial
7 investment even if it does little to improve the safety or reliability of the
8 system. For-profit companies have a fiduciary duty to maximize profits for
9 their shareholders, and any capital spending will increase the rate base and
10 subsequently profits. Therefore, if a utility can get capital spending approved,
11 it is financially smart to do so, but that doesn’t mean it will be in the best
12 interest of ratepayers. Smart but unwise financial investments lead to unjust
13 and unreasonable rates.

14

15 **Q. What is the role of a rate case and the Commission in addressing this
16 contradiction?**

17 **A.** One of the PSC’s obligations is to use the rate case to interrogate the
18 proposed capital expenditures to ensure that any approved capital
19 expenditures are the most affordable way to meet the goals of safety and
20 reliability as well as a just transition to renewable energy. Another critical

21 ¹² Pociask, Steve. “Can Utilities Profit from Bad Investments?” *Forbes*. September 30, 2015.
22 [https://www.forbes.com/sites/stevepociask/2015/09/30/can-utilities-profit-from-bad-investments/?](https://www.forbes.com/sites/stevepociask/2015/09/30/can-utilities-profit-from-bad-investments/?sh=2c4943e81e5b)
23 [sh=2c4943e81e5b](https://www.forbes.com/sites/stevepociask/2015/09/30/can-utilities-profit-from-bad-investments/?sh=2c4943e81e5b)

1 lever is changing the return on equity. A lower approved return on equity
2 leads to lower rates because the utility will be entitled to less profit. It is
3 important for the PSC to address this contradiction to its best ability because
4 the precedents it creates in one rate case has continued implication in future
5 ones.

6

7 **Q. Is the Company’s approach to Grid-Enhancing Technologies an**
8 **example of this contradiction?**

9 **A.** Grid-Enhancing Technologies (GETs), such as Dynamic Line Rating and
10 Power Flow Controllers, would address interconnection needs and lead to
11 curtailment savings without significantly increasing the rate base. GETs can
12 reduce transmission congestion by 40% or more and often pay for themselves
13 in less than a year.¹³ GETs have seen fast adoption around the world,
14 especially in countries that have performance-based incentives, like the United
15 Kingdom and Australia.¹⁴ In contrast, the return on equity model that is
16 dominant in the United States and New York incentivizes expensive
17 investments even if those investments aren’t the most affordable way to

20 ¹³ The Brattle Group and WATT Coalition. “Building a Better Grid: how Grid Enhancing
21 Technologies Complement Transmission Buildouts.” April 20, 2023.
22 [https://watt-transmission.org/watt-coalition-releases-report-on-synergy-between-grid-enhancing-te
23 chnologies-and-new-transmission-lines/](https://watt-transmission.org/watt-coalition-releases-report-on-synergy-between-grid-enhancing-technologies-and-new-transmission-lines/)
18 ¹⁴ WATT Coalition. Frequently Asked Questions about Grid Enhancing Technologies. Accessed on
19 november 15, 2023. <https://watt-transmission.org/resources-2/faq/>

1 deliver safe and reliable utility service.¹⁵ While Central Hudson has made
2 some efforts to explore GETs (Exhibit __ (SS-08)), they are largely absent from
3 the Electric Capital and Operations Panel.¹⁶ As an investor-owned utility,
4 Central Hudson has a fiduciary duty to increase the rate base and deliver
5 higher profits to their shareholders. This contradicts their obligation to provide
6 just and reasonable rates by introducing technology that would reduce the rate
7 base over time. It is the PSC’s obligation to ensure utilities like Central
8 Hudson prioritize just and reasonable rates over maximizing profits. When
9 utilities propose unnecessarily expensive investments, it leads to unjust and
10 unreasonable rates.

11

12 **Q. Is the Company’s approach to customer service technology an example**
13 **of this contradiction?**

14 **A.** Central Hudson has explained that it needs to raise rates to spend “\$1.7
15 million within the Rate Year and \$3 million by the end of 2025”¹⁷ in order to
16 “improve the customer experience” by “modernizing the Interactive Voice
17 Response (‘IVR’) system.”¹⁸

18

22 ¹⁵ WATT Coalition. Frequently Asked Questions about Grid Enhancing Technologies. Accessed on
23 november 15, 2023. <https://watt-transmission.org/resources-2/faq/>

21 ¹⁶ Case 23-E-0418, Electric Capital and Operations Panel

20 ¹⁷ Case 23-E-0418, Customer Experience Panel

19 ¹⁸ Case 23-E-0418, Central Hudson 2023 Rate Case Filing - Cover Letter

1 Most companies develop robotic IVR systems to reduce call center costs even
2 though they know that customers hate them.¹⁹ While a cost-saving reason
3 would have helped to lower rates, the Company explicitly stated in discovery
4 that, “The Company does not expect the investment to pay for itself. The
5 primary benefit of the IVR is an improved customer experience”
6 (Exhibit__(SS-09)).

7

8 Customers hate talking to robots instead of actual customer service
9 representatives. One of the main reasons why constituents call our office is
10 because they know they can reach a person who is going to try to help them
11 fix their problem. Central Hudson ratepayers will not appreciate the Company
12 trying to get an IVR expense added to their monthly bill and approved as a
13 customer experience benefit. This is an unwise investment and would lead to
14 unreasonable and unjust rates. The PSC should reject Central Hudson’s IVR
15 investment request and encourage the company to remove its IVR system
16 entirely.

17

18 ¹⁹ McKinsey & Company. “Getting the best customer service from your IVR: Fresh eyes on an old
19 problem.”

20 <https://www.mckinsey.com/capabilities/operations/our-insights/getting-the-best-customer-service-f>
21 [rom-your-ivr-fresh-eyes-on-an-old-problem](https://www.mckinsey.com/capabilities/operations/our-insights/getting-the-best-customer-service-f)

1 VI. Central Hudson prioritizes expanding its rate
2 base over following the Spirit of the Climate
3 Leadership and Community Protection Act
4 (CLCPA)

5

6 **Q. What does it mean to follow the spirit of the CLCPA?**

7 **A.** The CLCPA is, by intention and design, not limited to being purely a
8 decarbonization goal. By ensuring that 40% of the law’s benefits are realized
9 in New York’s disadvantaged communities, the CLCPA is specifically a
10 climate justice goal, of which equity is a central component. Therefore,
11 following the spirit of the CLCPA means including steps towards equity—and
12 the scope of equity included in the law must be seen as a starting point, not the
13 ceiling. Additionally, the CLCPA commits to a timeline that is both necessary
14 and urgent. Therefore, following the spirit of the CLCPA means also
15 demonstrating urgency.

16

17 **Q. How does Central Hudson’s Clean Hydrogen Feasibility Study go**
18 **against the spirit of the CLCPA?**

19 **A.** The major decarbonization goals of the CLCPA are to ensure that New
20 York’s electricity sector becomes at least 70% renewable by 2030, that the

1 electricity sector is free of greenhouse gas emission by 2040, and that there is
2 a reduction of at least 80% in all anthropogenic greenhouse gas emissions in
3 the state by 2050.²⁰ Additionally, Central Hudson is required to achieve a 40%
4 reduction in energy-related emissions coming from its service territory by
5 2030, which the Company says it is on a path to exceed by 39%²¹ and which it
6 seeks to contribute toward with hydrogen blending. Central Hudson’s Clean
7 Hydrogen Feasibility Study goes against the spirit of the CLCPA because it (i)
8 prioritizes a short-term minimal emission reduction goal at the cost of the
9 more ambitious 2030 and 2040 emission-free electricity goals, (ii) does not
10 involve a phase-out of gas infrastructure and therefore does not demonstrate
11 urgency towards the 2050 goal, and (iii) seeks to invest in an unvetted
12 technology that has known problems and can exacerbate inequity.

13

14 First, in order to meet the 2030 and 2040 electricity goals, the electricity
15 sector needs to grow rapidly, increasingly relying on renewables. The study
16 prioritizes a short-term minimal emission reduction goal at the cost of the
17 2030 and 2040 electricity goals because the production of green hydrogen
18 requires the input energy sources to be renewable, and Central Hudson’s green
19 hydrogen projects would take the limited amount of renewable energy
20 available away from the electricity sector to the gas sector. The Company

22 ²⁰ NY Environmental Conservation Law, Article 75

21 ²¹ Case 23-E-0418, Climate Leadership and Sustainability Panel Exhibits

1 states in discovery, “The study could also recommend utilizing electricity
2 delivered through the grid, or a combination of electricity generated onsite and
3 delivered through the grid” (Exhibit__(SS-18)). The use of hydrogen, green or
4 otherwise, for the purpose of blending with gas would lead to energy addition,
5 not energy transition.

6

7 Second, in order to meet the 2050 goal, there would need to be a total
8 phase-out of gas infrastructure. Central Hudson pursues the study to “support
9 decarbonization, particularly within sectors of the economy that are hard to
10 electrify.”²² It states that the study “will focus on large industrial customers
11 where generation and blending of hydrogen can be completed on site”²³ and
12 says in discovery (Exhibit__(SS-12)) that it will “also identify portions of the
13 gas distribution system that would be ideal to test natural gas blended with
14 hydrogen,” in which case all types of gas customers connected to that portion
15 of the system could be potential matches for hydrogen blending. None of
16 these potential projects would contribute towards the 2030 and 2040
17 electricity goals, and given that they depend on gas infrastructure, they also
18 would not contribute toward the 2050 goal.

19

21 ²² Case 23-E-0418, Climate Leadership and Sustainability Panel

20 ²³ Case 23-E-0418, Climate Leadership and Sustainability Panel

1 Third, through the feasibility study, Central Hudson seeks to invest in an
2 unvetted technology that has known problems and can potentially exacerbate
3 inequity. As addressed in the direct testimony of Jessica Azulay in Case
4 22-E-0319, studies show that low blends of hydrogen with natural gas achieve
5 little reduction in GHG emissions while increasing NOx pollution, and that
6 hydrogen burns hotter than methane and generates up to six times the NOx
7 emissions as compared to methane.²⁴ The think tank Energy Innovation
8 recently analyzed the issue of hydrogen blending and went so far as to say,
9 “research shows these projects would increase consumer costs, exacerbate air
10 pollution, and cause safety risks while minimally reducing greenhouse
11 gases.”²⁵ If the locations the study finds to be feasible are in disadvantaged
12 communities, the intention of the study would further undermine equity goals
13 of the CLCPA.

14
15 For these reasons, the Clean Hydrogen Feasibility Study goes against the spirit
16 of the CLCPA.

17

23 ²⁴ Case 22-E-0319, AGREE Jessica Azulay Direct Testimony NYSEG RGE

18 ²⁵ Energy Innovation Policy and Technology LLC. “Assessing The Viability Of Hydrogen
19 Proposals: Considerations For State Utility Regulators And Policymakers.” March 28,
20 2022.

21 <https://energyinnovation.org/publication/assessing-the-viability-of-hydrogen-proposals-c>
22 [onsiderations-for-state-utility-regulators-and-policymakers/](https://energyinnovation.org/publication/assessing-the-viability-of-hydrogen-proposals-c)

1 **Q. Is the Company’s plan to conduct a Clean Hydrogen Feasibility Study**
2 **primarily a drive to protect and expand its rate base?**

3 **A.** Yes. Central Hudson states that by conducting the study, it “will gain
4 experience with hydrogen technology while identifying barriers to
5 implementation, market readiness, customer interest, while leveraging the
6 existing pipeline infrastructure within our unique service territory and
7 contributing to the State’s GHG emissions reductions goals.”²⁶ Despite a
8 passing reference to cutting emissions, the gist of the reasoning reflects the
9 Company’s desire to be ready for a new market in hydrogen, which would
10 expand the rate base and protect its gas assets.

11
12 The study’s estimated cost of \$250,000 (Exhibit__(SS-13)) may not be a
13 significant portion of the rate increase request, but an increase, however small,
14 must still be just and reasonable. More importantly, Central Hudson does not
15 yet know the cost for potential future hydrogen projects and does not yet have
16 a proposal for a structure for cost recovery associated with such projects
17 (Exhibit__(SS-14)), raising questions about what new burdens ratepayers will
18 be expected to carry in the near future should the study come back with
19 matches for feasibility. Given that the Clean Hydrogen Feasibility Study is not
20 in the spirit of the CLCPA, it serves primarily as a step to expand and protect
21 the Company’s rate base.

22 ²⁶ Case 23-E-0418, Climate Leadership and Sustainability Panel

1

2 **Q. Is Central Hudson’s Clean Hydrogen Feasibility Study premature?**

3 A. Yes, testing of hydrogen feasibility has not yet been completed in even
4 some of the more promising instances of green hydrogen use for large
5 industrial purposes, such as the production of steel.²⁷ Central Hudson admits
6 that the path of hydrogen is uncertain: “Central Hudson will gain valuable
7 expertise in this area and allow for quicker adoption of the technology in the
8 future if the pathway proves out.”²⁸

9

10 **Q. Given this assessment, what is your recommendation?**

11 A. The PSC should reject the study. In order to meet its share of the required
12 40% reduction in statewide GHG emissions from 1990 levels by 2030
13 resulting from energy-related emissions within its service territory—a goal the
14 Company states is on a path to exceed by 39%²⁹—Central Hudson should
15 prioritize low rates, renewable electrification, and a phase-out of its gas
16 infrastructure.

17

18 **Q. How does Central Hudson’s gas capital plan go against the spirit of the**
19 **CLCPA?**

22 ²⁷ Crownhart, Casey. “How green steel made with electricity could clean up a dirty industry.” *MIT*
23 *Technology Review*. June 28, 2022.

24 <https://www.technologyreview.com/2022/06/28/1055027/green-steel-electricity-boston-metal/>

21 ²⁸ Case 23-E-0418, Climate Leadership and Sustainability Panel

20 ²⁹ Case 23-E-0418, Climate Leadership and Sustainability Panel Exhibits

1 A. New York’s Public Service Law requires utilities to supply gas to any
2 ratepayer who requests it. Central Hudson’s spending of \$3,940,177 on new
3 gas hook-ups in existing or new buildings in 2023 is not a significant
4 downward trend from \$4,847,678 in 2021, and is an increase from \$3,627,054
5 in 2019 (Exhibit__ (SS-15)). The state’s new law that phases in a prohibition
6 on gas hook-ups in new buildings starting 2026 is expected to lower this
7 amount, but so long as any building remains dependent on a gas hook-up, that
8 portion of the gas infrastructure needs to exist and be regularly maintained,
9 which goes against the spirit of the CLCPA.

10

11 Furthermore, the Public Service Law requires utilities to hook up new gas
12 customers at no cost to them if their building is within 100 feet of an existing
13 main. Legislation to end this provision has some momentum, and utilities
14 must plan with anticipation of the possibility that some version of it will pass.
15 Con Edison, an electricity utility, has expressed support, and regardless of
16 whether Central Hudson itself has not lobbied on this legislation, gas utilities
17 like National Grid that it coordinates with as Joint Utilities³⁰ have.³¹ To meet
18 the CLCPA goals, any gas capital plan Central Hudson makes must be shaped
19 by the intention to work with state legislators to make maximal efforts to get
20 people off gas. In its testimony, it states, “While the Company offers and

23 ³⁰ Case 23-G-0419, Climate Leadership and Sustainability Panel Testimony

21 ³¹ Kinniburgh, Colin. “Why You’re Still Paying for Someone Else’s Gas Line.” New York Focus.
22 April 18, 2023. <https://nysfocus.com/2023/04/18/heat-act-100-foot-rule-gas>

1 promotes alternatives such as heat pumps, providing natural gas to customers
2 is governed by tariff and is non-discretionary.”³² The Company must
3 communicate to customers that as the pool of gas customers shrink, they will
4 be left footing an ever-increasing bill for the remaining gas infrastructure. It
5 must ensure that new investments in gas infrastructure are minimized to
6 prevent ratepayers from being stuck with the costs of these stranded assets,
7 and instead, maximize investments in thermal energy networks, heat pumps,
8 and energy efficiency measures.

9

10 **Q. What are the contradictions in Central Hudson’s drive to expand its**
11 **rate base and the role it can play in being an effective partner in helping**
12 **the State meet its CLCPA goals?**

13 **A.** When requested to share the dollar amount expended by the Company
14 from July 1, 2021 through June 30, 2023 on lobbyists and political
15 contributions, the Company objected to the request “on the grounds that it
16 seeks information that is irrelevant” (Exhibit __ (SS-16)). However, even
17 decisions that do not directly affect a rate increase are relevant to the rate case
18 because they aid a better analysis of whether Central Hudson prioritizes to
19 expand its rate base over being an effective partner in helping the State to
20 meet its CLCPA goals. It is difficult to know whether an expense is prudent
21 without the entire context of Central Hudson’s spending.

22 ³² Case 23-G-0419, Gas Capital and Operations Panel Testimony

1

2 When asked to explain how the Company justifies the 24% increase in the
3 proportion of fossil “natural” gas in Central Hudson’s purchase of energy
4 supply over the past seven years, the Company stated in discovery that its
5 “electric energy fuel mix percentage is in line with New York Statewide
6 available supplies” (Exhibit__ (SS-17)). Yet, the Company lobbied against the
7 Build Public Renewables Act (“BPRA”)³³ even though the bill is designed to
8 reduce supply costs for the ratepayer while significantly increasing the share
9 of renewable energy in the state’s available supplies. When I asked CEO Chris
10 Capone and Anthony Campagiorni, Senior Vice-President of Customer
11 Services and Gas Operations, in an introductory Zoom meeting on February
12 23rd, 2023, why the Company opposed the BPRA when it would help to
13 lower bills overall, they responded that the Company hoped to be allowed to
14 generate its own energy. Given that generation undertaken by the New York
15 Power Authority, financed through its own bonds, would not cost ratepayers
16 and taxpayers, the Company showed an interest in increasing its profits to the
17 extent that it opposed an alternative that would expedite the buildout of
18 affordable renewable energy without costing ratepayers. If Central Hudson, in
19 its actions not made visible to the rate case, has not proven to be a beneficial
20 partner to the CLCPA goals, then every initiative the Company justifies in its

21 ³³ New York State Commission on Ethics and Lobbying in Government. Public Search Query for
22 A1466 in 2022. New York State Energy Coalition, Inc. lobbying on behalf of Central Hudson Gas
23 and Electric Corporation. <https://reports.ethics.ny.gov/publicquery/ViewFiling/CSA/Mzc2NDA10>

1 testimonials by citing CLCPA goals must be evaluated from the lens of
2 whether it serves to expand the Company’s rate base or to meet said goals.
3
4 Furthermore, New Yorkers for Affordable Energy (NY4AE), a front group of
5 which Central Hudson is a member, aggressively campaigned to expand
6 methane gas infrastructure in New York, opposing the All-Electric Buildings
7 Act along with the Build Public Renewables Act.³⁴ As a State legislator who
8 understands the challenge and importance of public buy-in of our climate
9 goals, I propose Central Hudson has worked against our CLCPA goals in the
10 following ways: (i) at our town halls, we heard from constituents whose
11 confidence in plans to electrify or install rooftop solar had been deteriorated
12 due to Central Hudson’s large scale billing errors affecting electricity
13 customers, and those affected by “complex billing.” (ii) many constituents
14 mistakenly oppose the State’s climate goals because they have been
15 misinformed by groups such as NY4AE and also by Central Hudson’s framing
16 in its press statements that the rate increase request is primarily due to the
17 CLCPA goals.

18
19 The Company must demonstrate itself to be an effective partner even when it
20 doesn’t increase its rate base.

21 ³⁴ Galbraith, Rob. “Fueling Obstruction: The Fossil Fuel Networks Undermining Climate Action
22 in New York State” Public Accountability Initiative. November 11, 2022.
23 <https://public-accountability.org/report/fueling-obstruction/>

1

2 **Q. Given this assessment, what is your recommendation for the**
3 **Company’s proposal to install onsite solar?**

4 A. The PSC should reject Central Hudson’s capital expenditures associated
5 with its proposal to “introduce solar generation to offset its electricity use at
6 Company-owned facilities,” the benefit of which the Company says in its
7 direct testimony is that it “strives to be a role model and leader in promoting
8 local and carbon-free technologies.”³⁵ To achieve these goals, the Company
9 should loan the rooftop space to the New York Power Authority to host solar
10 panels, which will not cost ratepayers.

11

12 **Q. Given this assessment, what is your recommendation for the**
13 **Company’s proposal to electrify a portion of its fleet?**

14 A. Central Hudson should find non-ratepayer sources of funding for
15 electrifying a portion of its fleet, considering (i) the proposal is not necessarily
16 to replace vehicles that have reached the end of their useful life and (ii) the
17 exceptional need to keep rates as low as possible.

18

19 ³⁵ Case 23-E-0418, Climate Leadership and Sustainability Panel.

1 VII. Fortis, Central Hudson’s Parent Company, Can
2 Absorb Profits Below Their Expectations to Ensure
3 Just and Reasonable Rates

4

5 **Q. What would be just and reasonable rates for Central Hudson?**

6 **A.** To be just is to be morally right and fair, and to be reasonable is to show
7 sound judgment. At a time of an affordability crisis, volatile supply costs,
8 large scale billing errors, the need to transition off fossil fuels, and the absence
9 of a prudence preceding in regards to Central Hudson’s large scale billing
10 errors, the most just and reasonable resolution to this rate case would be a rate
11 decrease. Given that access to energy is a basic need for survival, and that
12 energy utility bills, unlike other regular bills, are not consistent, the rates must
13 be kept as low as possible while delivering safe and reliable service.

14

15 The PSC should dramatically reduce the Company’s return on equity while
16 approving appropriate parts of Central Hudson’s capital plan in order to
17 ensure necessary grid improvements and safety measures without additional
18 cost to ratepayers. Though this case seeks to address only the new rate
19 increase requests and is separate from the investigation on Central Hudson’s
20 billing issues, the lack of sound judgment the Company’s management has

1 shown since the last rate case brings to question if even the current rates are
2 justified, and if the proposals that led to those rates were informed by sound
3 decision-making.

4

5 In industries that are not characterized as a state-regulated monopoly, a
6 company with Central Hudson’s string of failures is likely to have already
7 gone bankrupt. Instead, in its direct testimonies, the Company shows its
8 tremendous revenue potential over the long run.

9

10 Instead of trying to expand its rate base by getting its foot into various
11 emerging industries in the energy transition, Central Hudson should see its
12 role as a part of the whole, where critical roles in transmission, generation,
13 education, incentives, and complementary infrastructure build-out will need to
14 be done at a large scale as public investment by all levels of government, and
15 not by one utility at a time with one pilot project at a time at the expense of
16 ratepayers. It would be in the public’s best interest if Central Hudson focused
17 on excelling at the role we need it to play—a role nobody else can play, in this
18 instance—which is to provide reliable and safe service at the most affordable
19 price possible. As such, reducing rates is possible without dramatically
20 changing the company’s long-term outlook.

21

1 **Q. Could Central Hudson’s parent company, Fortis, absorb profits below**
2 **their expectations?**

3 **A.** Yes. Fortis paid out \$1.0 billion in dividends in 2022,³⁶ has had dividend
4 increases for 49 consecutive years, and projects annual dividend growth of
5 4-6% through 2027.³⁷ While Central Hudson has been struggling, Fortis has
6 excelled, and it has the financial strength to make things right in the Hudson
7 Valley. The PSC can reduce Central Hudson’s return on equity and require the
8 company to continue providing safe and reliable service as it builds
9 infrastructure to help the grid meet the goals set in the CLCPA and keep rates
10 affordable.

11

12 VIII. Conclusions

13 **Q. Can you summarize your recommendations?**

14 **A.** The impact of Central Hudson’s billing errors on its arrears, attrition, and
15 operational needs, such customer service and meter reading requirements,
16 cannot be decoupled from the rate case until the current investigation on the
17 CIS crisis is complete. The PSC should lower the Company’s approved return
18 on equity and grant a rate decrease because there is an exceptional need for
19 low rates due to the Company’s damaged credibility and ratepayers facing an

21 ³⁶<https://www.sec.gov/Archives/edgar/data/1666175/000166617523000014/a2022annual-993mda>.
22 htm

20 ³⁷ Fortis 2023 Annual Meeting of Shareholders Slide Deck.

1 affordability crisis. There is also a need for Central Hudson to prioritize
2 worker benefits over shareholder benefits, and to holistically change its work
3 culture to act like an anchor institution that benefits the communities it is
4 anchored to. Despite the difficult job, the low end of what union Central
5 Hudson employees made in 2022 was just \$50,600 per year while then
6 Executive Vice President Christopher Capone made \$1.4 million, 28 times
7 some entry level employees, of which ratepayers paid \$707,000, or 49.8%.

8
9 Though Central Hudson has primarily framed the need for rate increases in its
10 press statements as owing to the State's climate goals, the Company has not
11 demonstrated to be a good-faith partner in achieving those goals, has played
12 both direct and indirect roles in undermining public support for such goals,
13 and prioritizes to expand its rate base over following the spirit of the CLCPA
14 through false solutions such as hydrogen and by not doing enough to ensure
15 that new investments in gas infrastructure are minimized to prevent ratepayers
16 from being stuck with the costs of these stranded assets.

17
18 To be just is to be morally right and fair, and to be reasonable is to show sound
19 judgment. While it is customary for the PSC to approve rate increases, Central
20 Hudson's negligence revealed through the CIS crisis brings to question if even
21 the current rates are justified. Investor-owned utilities have a perverse

1 incentive to increase their rate base because it is a critical driver of the amount
2 of profit a utility can expect to earn. Given the scope of the energy transition
3 ahead that needs to be just and the multiple crises that customers are facing,
4 and given that decisions of this rate case sets precedents for future ones, the
5 PSC should not reward negligence, and should to its best ability address the
6 contradiction of public well-being through just and reasonable rates, and an
7 investor-owned utility's drive to expand its rate base.

8

9 **Q. Does that conclude your testimony?**

10 **A. Yes**