

**Cases 08-E-0887 & 08-G-0888- Central Hudson Rates**Staff Response to Interrogatory/Document Request

Request No.: CH-79  
Date of Request: 11/26/08  
Reply Date: 12/04/08  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q. 79) Referring to Staff Depreciation Panel Testimony at Page 29, line 18 through Page 31, line 3. Please provide the amounts of the adjustments that Staff agrees should be made in accordance with that testimony.

A. Staff believes that it is the responsibility of the Company to insure the accuracy of its filed presentation. However, any changes or corrections requested by the Company must also be determined to be allowed under the Commission's long standing Statement of Policy on Test periods in Major Rate Proceedings issued November 23, 1977. In this specific instance, Staff believes that the forecast results of the Company's originally filed workpaper titled "Netplant RY 1 Ending 06.30.2010.xls" are not consistent with the filed electric and gas income statements presented in the case.

Based on those workpapers, the following inconsistencies would need to be corrected before the Staff recommended adjustments are applied:

- Rate year electric depreciation expense should be increased by \$279,000.
- Rate year gas depreciation expense should be increased by \$113,000.
- Rate year electric net plant should be decreased by \$48,000.
- Rate year gas net plant should be decreased by \$50,000.

**Cases 08-E-0887 & 08-G-0888- Central Hudson Rates**

Staff Response to Interrogatory/Document Request

Request No.: CH- 205  
Date of Request: December 10, 2008  
Reply Date: December 18, 2008  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q. 205) Please refer to the Depreciation Panel's testimony on page 17, lines 1-5 regarding the Panel not objecting to the Company's gas depreciation proposals (except for Account 380, gas services).

a. Please confirm that the Panel's agreement encompasses the corrections to the Company's filing identified in the Company's response to Staff Information Request No.244 and the accompanying revised Exhibit \_\_\_ (AP-8), Schedule C.

A. The Depreciation Panel's testimony on page 17, lines 3-5 indicates specifically, "We do not oppose the proposed changes to individual gas account accrual rates, except for Account 380, gas services. The corrections identified in the Company's response to Staff Information Request No.244 and the accompanying revised Exhibit \_\_\_ (AP-8), Schedule C. only identified a correction to annual depreciation accruals and not the associated decrease to rate year net plant. Absent a supported on the record presentation by the Company of both the annual accrual rate correction and the associated net plant reduction, the Panel cannot confirm agreement with the corrections in the response to the information request.

b. If not, please explain why the Company's corrected gas depreciation proposal was not accepted by the Panel.

A. See the Panel's response to part a, above.

Central Hudson Gas & Electric Corporation  
Case Nos. 08-E-0887 & 08-G-0888  
Response to Staff Information Request No. 244

From: Mostek  
Requested of: AP  
Date of Request: 9/5/2008

**Mostek: For Central Hudson Witness AP:**

244) Referring to Exhibit\_\_ (AP-8), Schedule C, please provide an explanation of the basis for a proposed net salvage percentage for account 367 Transmission Mains that differs from the proposed net salvage percentage for account 367.50 Iroquois Transmission Mains.

**Response:**

As noted in the response to DPS IR 222 the Company carries its plant investment in connection with the interconnection of the Company's gas transmission system and the Iroquois Gas Transmission System in Account 367.50 Main- Iroquois as a sub account of Account 367 (Gas Transmission Mains). The proposed net salvage percentage for Account 367 of -30% should also of been used for Account 367-50. This was an omission in the Company filing and the attached Exhibit (AP-8), Schedule C has been updated to reflect this change. The attached Schedule C also breaks out the components of each of the Iroquois Transmission accounts (Accounts 365-50-2, 366-50-2, 367-50-2, 369-51-2, and 369-52-2) to both update and clarify the calculation of the Annual Accrual amount and Theoretical Requirement. The changes to reflect the proper depreciation requirements for these accounts results in an increase of the Annual Accrual amount of \$59,358 and a reduction of the excess book to theoretical reserve of a net \$363,702.

Date of Response: 10/08/08  
Response by: Accounting Panel

Central Hudson Gas & Electric Corporation  
Depreciation Factors and Rates - Gas Department

Account	Account Description	C U R R E N T							P R O P O S E D							Original filed Theoretical Reserve	Change
		Original Cost @ 12/31/07	12/31/2007 Accumulated Book Depreciation	ASL	Curve Type	Net Salv. %	Annual Rate	Annual Accrual	Theoretical Requirement	Difference Book & Theo Requirement	ASL	Curve Type	Net Salv. %	Annual Rate	Annual Accrual		
<b>PRODUCTION</b>																	
305-00-2	STRUCTURES & IMPROVEMENTS	991,122	475,758	75	R4	-10	0.014666207	14,536	237,645	238,113	60	R3	-10	0.0184	18,207	277,347	198,411
311-00-2	LIQUIFIED PETROLEUM GAS EQUIP.	4,239,097	3,049,469	60	R4	-45	0.0242	102,445	2,071,940	977,529	55	R2.5	-40	0.0255	108,012	1,967,650	1,081,819
320-10-2	OTHER PRODUCTION EQUIPMENT	7,608	(1,468)	25	S3	+0	0.0400	304	3,997	(5,465)	25	S3	+0	0.0347	264	3,998	(5,466)
	<b>PRODUCTION TOTAL</b>	5,237,827	3,523,759				0.0224	117,285	2,313,582	1,210,177				0.0241	126,483	2,248,995	1,274,764
<b>TRANSMISSION</b>																	
365-11&20-2	LAND & LAND RIGHTS	1,187,148	662,588	70	S4	0	0.0143	16,959	671,452	(8,864)	70	S4	0	0.0143	16,976	671,421	(8,833)
366-20-2	STRUCTURES & IMPROVEMENTS	266,047	123,264	45	R3	-40	0.0311	8,277	178,068	(54,804)	45	S2	-40	0.0311	8,269	173,311	(50,047)
367-00-2	MAINS	21,448,463	16,767,875	68	R4	-40	0.0206	441,586	13,931,046	2,836,829	70	R2.5	-30	0.0186	398,727	11,401,265	5,366,610
368-11-2	STATION EQUIPMENT	5,821,583	2,852,723	35	R1	-30	0.0371	216,230	2,059,294	793,429	33	R2	-25	0.0379	220,492	2,466,808	385,915
369-12-2	SUPERVISORY EQUIPMENT	425,581	202,436	18	S0.5	-20	0.0667	28,372	233,965	(31,529)	18	S0.5	-25	0.0686	29,212	243,747	(41,311)
	<b>TRANSMISSION TOTAL</b>	29,148,822	20,608,886				0.0244	711,424	17,073,825	3,535,061				0.0231	673,676	14,956,552	5,652,334
<b>DISTRIBUTION</b>																	
374-11-2	LAND & LAND RIGHTS	181,775	72,712	70	R3	0	0.014286893	2,597	70,702	2,010	70	R3	0	0.0143	2,599	70,704	2,008
375-00-2	STRUCTURES & IMPROVEMENTS	336,532	206,135	60	L2	-30	0.0217	7,292	153,081	53,054	50	R2.5	-30	0.0243	8,174	193,126	13,009
376-00-2	MAINS	101,141,536	26,393,360	85	R3	-60	0.0188	1,903,841	28,817,343	(2,423,983)	85	R2.5	-60	0.0189	1,909,552	27,391,477	(998,117)
378-11-2	STATION EQUIPMENT	8,325,539	2,583,161	35	L1	-35	0.0386	321,128	2,390,376	192,785	32	R1.5	-60	0.0500	416,178	3,232,622	(649,461)
378-12-2	SUPERVISORY EQUIPMENT	80,969	70,877	30	L0	-15	0.0383	3,104	25,189	45,688	25	L0	-60	0.0640	5,182	39,506	31,371
380-00-2	SERVICES	67,046,146	19,822,334	70	R2	-60	0.0229	1,532,483	17,914,937	1,907,397	70	R2.5	-70	0.0243	1,629,892	20,038,125	(215,791)
381-00-2	METERS	11,484,139	1,624,581	32	R1.5	-10	0.0344	394,767	2,951,830	(1,327,249)	27	L1.5	-2	0.0377	433,411	3,171,597	(1,547,016)
382-00-2	METER INSTALLATIONS	11,105,967	2,889,396	40	R2	-15	0.0288	319,297	2,712,226	177,170	27	L1.5	-2	0.0377	419,139	3,105,143	(215,747)
385-00-2	INDUSTRIAL-STATION EQUIPMENT	893,795	669,860	55	R3	-30	0.0236	21,094	440,978	228,882	40	R2.5	-25	0.0312	27,903	524,346	145,514
385-10-2	INDUSTRIAL-STATION EQUIPMENT	188,844	9,955	55	R3	-30	0.0236	4,464	46,222	(36,267)	25	S2.5	-25	0.0500	9,442	96,328	(86,373)
	<b>DISTRIBUTION TOTAL</b>	200,785,242	54,342,371				0.0225	4,510,067	55,522,884	(1,180,513)				0.0242	4,861,472	57,862,974	(3,520,603)
	<b>GAS TOTAL</b>	235,171,891	78,475,016				0.0227	5,338,776	74,910,291	3,564,725				0.0241	5,661,631	75,068,521	3,406,495
<b>IROQUOIS TRANSMISSION</b>																	
365-50-2 ASL	LAND & LAND RIGHTS	7,131	1,426	70	S4	0	0.0143	102	1,579	(153)	70	S4	0	0.0143	102	1,579	(153)
365-50-2 RL	LAND & LAND RIGHTS- original cost only fully amortized 12/31/2007	147,779	147,779			0	0.0000	0	147,779	0			0	0.0000	0	147,779	0
366-50-2 ASL	STRUCTURES & IMPROVEMENTS	21,435	9,215	45	R3	-40	0.0311	667	9,954	(739)	45	S2	-40	0.0311	667	9,954	(739)
366-50-2 RL	STRUCTURES & IMPROVEMENTS- original cost only fully amortized	107,175	107,175			-40	0.0089	954	121,395	(14,220)			-40	0.0089	953	121,395	(14,220)
367-50-2 ASL	MAINS	435,508	189,526	68	R2.5	-40	0.0206	8,971	85,818	84,708	70	R2.5	-30	0.0186	8,100	88,974	91,552
367-50-2 RL	MAINS- original cost only fully amortized	10,374,897	10,374,897			-40	0.0059	61,212	11,161,300	(786,403)			-30	0.0043	44,468	11,010,069	(635,172)
369-51-2 ASL	STATION EQUIPMENT	295,437	148,924	35	R2	-30	0.0371	10,961	138,410	10,514	33	R2	-25	0.0379	11,190	133,087	15,837
369-51-2 RL	STATION EQUIPMENT- original cost only fully amortized	1,477,186	1,477,186			-30	0.0086	12,704	1,630,748	(153,562)			-25	0.0076	11,191	1,610,273	(133,087)
369-52-2 ASL	SUPERVISORY EQUIPMENT	12,573	10,964	18	S0.5	-20	0.0667	839	8,741	2,223	18	S0.5	-25	0.0695	874	9,105	1,859
369-52-2 RL	SUPERVISORY EQUIPMENT- original cost only fully amortized	62,862	62,862			-20	0.0111	698	70,450	(7,588)			-25	0.0139	873	71,967	(9,105)
	<b>IROQUOIS TRANSMISSION TOTAL</b>	12,941,983	12,520,954					97,107	13,386,174	(865,220)					78,417	13,204,182	(683,228)
		248,113,874	90,995,970					5,435,883	88,296,465	2,699,505				<b>New Total</b>	<b>5,740,048</b>	<b>88,272,703</b>	<b>2,723,267</b>
														Original Total	5,680,691	87,909,003	3,086,969
														<b>A</b>	<b>59,357</b>	<b>363,700</b>	<b>(363,702)</b>
														Increase	Increase	Decrease	

Note Updated for input error. Rate s/b .0236 and not .0289 originally noted.  
 Note Changes made to break out the RL from the ASL and make comparative to proposed calculation of annual accrual and reserve.  
 Note We had 0 net salvage in error, .0143 rate and \$6,628 annual accrual in our original submission. This schedule now notes correct numbers.  
 A Note Change in annual accrual from \$6,628 to \$8,100 on acct 367-50 noted above plus new amounts for 366.5, 367.50, 369.51, 369.52 of \$57,485  
 Note Gannett Fleming published theoretical reserves used on original schedule

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Staff Response to Interrogatory/Document Request

Request No.: CH-69  
Date of Request: 11/26/08  
Reply Date: 12/04/08  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q.69) Please refer to Staff exhibit DP-1. Please provide support for all proposed changes to the service lives and survivor curves for accounts 364 and 369-21.

A. Staff made no changes to the Company proposed service life or survivor curve for account 364. DP-1 page 2 of 2 has an error of 60 years for the service life. Staff reflected its proposed life of 55 years on page 1 of DP-1. Staff used the same life for account 369-21 as account 369, which is consistent with the current lives and the lives proposed by the Company. Staff supported its life for account 369 in Exhibit DP-2. As stated above, DP-1 page 2 of 2 has an error of 55 years rather than 60 years as shown on page 1 of DP-1. Staff reflected 60 years in its adjustments as shown on page 1.

A.

**Cases 08-E-0887 & 08-G-0888- Central Hudson Rates**

Staff Response to Interrogatory/Document Request

Request No.: CH-70  
Date of Request: 11/26/08  
Reply Date: 12/04/08  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q.70) Please refer to Staff exhibit DP-1. According to this exhibit, the net salvage percentage proposed by staff for account 354 is -30%. Please explain the difference between this proposed percentage and the -50% proposed rate, for the same account, that is presented on Staff exhibit DP-4. Please provide all related work papers.

A. Staff's exhibit DP-4 has an error of -50% it should be -30%. Staff reflected -30% in its adjustments on DP-1.

**Cases 08-E-0887 & 08-G-0888- Central Hudson Rates**

Staff Response to Interrogatory/Document Request

Request No.: CH-71  
Date of Request: 11/26/08  
Reply Date: 12/04/08  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q. 71) Please refer to “Calculation of Staff Depreciation Panel Adjustments – Gas Depreciation.pdf.” The schedule calculates a total adjustment to O&M Expense, as it relates to the expensing of excess net negative salvage for main and services, of \$35,249. Please explain how this calculation resulted in a proposed adjustment to the O&M expense of \$26,000, as stated in Staff testimony on page 24, line 15.

A. There is an error in the Depreciation Panel testimony on page 24, lines 9 through 15. The adjustment derived in the “Calculation of Staff Depreciation Panel Adjustments – Gas Depreciation.pdf.” workpaper was not correctly shown in that portion of the testimony or included correctly in the recommended Staff revenue requirement.

The correct Depreciation Panel recommended level of O&M expense related to excess cost of removal should be \$286,000. This level is the sum of the amount for distribution mains, \$53,000; shown on page 23, line 16 of the Depreciation Panel testimony, and the amount for services, \$233,000, shown on page 24, line 8 of the Depreciation Panel testimony. The resulting recommended Staff adjustment to the Company’s O&M expense level would then be approximately \$35,000, which is consistent with the adjustment derived in the “Calculation of Staff Depreciation Panel Adjustments – Gas Depreciation.pdf.” workpaper. Accordingly lines 9 through 15 on page 24 of the Depreciation Panel testimony should correctly read the following:

“ The combination of the O&M expense estimated for the two accounts in the rate year is approximately \$286,000. Therefore, we have increased the \$251,000 O&M expense placeholder, estimated by the Company in its Exhibit \_\_ (RRP-2), Schedule B and the Accounting Panel at page 21, by \$35,000 to (“be” typo omitted) \$286,000.” (Underline added to highlight the corrections)

**Cases 08-E-0887 & 08-G-0888- Central Hudson Rates**

Staff Response to Interrogatory/Document Request

Request No.: CH-112  
Date of Request: 12/03/08  
Reply Date: 12/05/08  
Responding Witness: Depreciation Panel  
Subject: Depreciation

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Q.112) Referring to Staff Exhibit \_\_ (DP-4). Please explain why the "Staff Proposed" accruals for accounts 369, 369-21, 371 and 373 differ from the accruals for those accounts shown in the "Current" section of that exhibit even though the "% rate" for each of the accounts in the "Staff Proposed" section is the same as in the "Current" section. If the "Staff Proposed" accruals are incorrect, please provide all necessary adjustments to Staff's filing to correct the

A. The proposed accruals are different for accounts 369, 369-21 and 371 because Staff proposed larger average service lives. The work papers provided show a larger service life for these accounts. Account 373 has an error in that the proposed rate reflects an average service life that Staff did not use. The proposed should be the same as the current. The error does not change Staff's proposed rates or adjustments.