

REBUTTAL TESTIMONY
OF
GAS FORECASTING PANEL
CASES 08-E-0887 & 08-G-0888

1 Q. Are you the same Glynis L. Bunt who submitted pre-filed direct testimony in
2 this proceeding?

3 A. Yes, I am.
4

5 Q. Are you the same Amy S. Patel who submitted pre-filed direct testimony in
6 this proceeding?

7 A. Yes, I am.
8

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

10 A. The purpose of our rebuttal testimony is to respond to certain portions of the
11 prepared testimony of the Staff Forecasting Panel, Staff Gas Rates Panel
12 and the Staff Accounting Panel regarding gas customers, sales and revenue
13 forecasts, proposed rate design, including the current unbundled rate
14 structure, a proposed revenue decoupling mechanism ("RDM"), the proposed
15 treatment of profit derived from interruptible service and service to electric
16 generators and the estimated finance charges included in other operating
17 revenue. Copies of all information responses provided by Staff and
18 referenced in his testimony are provided in Rebuttal Exhibit__(GFP-1).
19

20 Q. Are there any general comments you would like to make regarding the Staff
21 Forecasting Panel's review of the gas customer and sales forecasts
22 submitted by the Company?

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1 A. In its testimony on page 5, lines 18 through 20, the Staff Forecasting Panel
2 stated that it found the structure of the forecasting models utilized by the
3 Company acceptable, further indicating on page 6, lines 2 through 7, that the
4 changes it made to the Company's forecast equations "amount to minor
5 adjustments to the models," and concluding on page 6, lines 13 through 16,
6 that "any large forecast differences are ultimately due to changes in Rate
7 Year values of forecast drivers." In fact, the Staff Forecasting Panel
8 recommended on page 15, lines 17 through 20, that "the Company's
9 customer forecasts for both gas and electricity be adopted," and further
10 indicated that it "incorporated the Company's [customer] numbers to produce
11 [its] sales forecasts" as presented on Exhibit __(FP-6) and Exhibit __(FP-7).
12 Finally, it should be noted that, as confirmed by the Staff Forecasting Panel's
13 response to Information Request No. 97, the lost sales adjustments
14 associated with the Energy Efficiency Portfolio Standard that we proposed in
15 our pre-filed direct testimony have been reflected in Staff's sales forecasts at
16 the levels we proposed.

17

18 Q. Has the Staff Forecasting Panel proposed any adjustments to the gas sales
19 forecast?

20 A. Yes. The Staff Forecasting Panel proposed to modify the Company's
21 forecasts of heating degree-days ("HDD") to reflect the latest thirty-year
22 average, in contrast to the linear trend forecast of HDD proposed by the

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1 Company.

2

3 Q. Do you agree with this adjustment proposed by the Staff Forecasting Panel?

4 A. No. We continue to believe that “continuing the status quo use of a most
5 recent 30-year average as a projection for normal climate conditions,” as
6 recommended by the Staff Forecasting Panel in its testimony on page 13,
7 lines 17 through 19, ignores the implications of actual data, recent research
8 and regulatory activity.

9

10 Q. Please detail your position regarding your disagreement with Staff’s
11 recommendation to use a thirty-year average to define normal weather.

12 A. While the Staff Forecasting Panel provided both quantitative and qualitative
13 data purporting to support its recommendation for the use of a thirty-year
14 average, this data fails to conclusively support its proposal. The Staff
15 Forecasting Panel’s reliance on its quantitative support, in the form of
16 statistical analyses of the Company’s weather estimates, which is
17 interspersed through its testimony beginning on page 9, line 16 and
18 continuing through page 15, line 7, to reject the Company’s trend estimate,
19 actually confirms the presence of a trend, but ignores this finding. A warming
20 trend, as exhibited by decreasing HDD levels, is readily apparent when
21 visually reviewing the historical HDD data for Central Hudson presented in
22 Rebuttal Exhibit ____(GFP-2), and is in fact being captured in the thirty-year

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1 moving average. However, as we noted in the Company Electric Forecasting
2 B. Panel's pre-filed direct testimony on page 20, line 15 through page 21, line 1,
3 utilizing a thirty-year average as an estimate for future weather may
4 introduce error into the forecast as "[a] time average will generally
5 approximate a monotonically changing normal best near the mid-point of the
6 averaging interval with error increasing towards the beginning and end of the
7 interval."¹ Moreover, the Staff Forecasting Panel failed to provide any
8 empirical evidence refuting recent research conclusions regarding climate
9 change, which have been addressed by various regulatory bodies, including
10 the New York State Public Service Commission (for example in Cases 03-E-
11 0188 and 07-M-0548).

12 Finally, while the Staff Forecasting Panel has focused on attempting to
13 provide evidence to reject the Company's linear trend definition of weather, it
14 has failed to provide any quantitative evidence to prove that its thirty-year
15 definition is appropriate and mathematically superior for forecasting
16 purposes. As a result, it has simply recommended continuation of the "status
17 quo."

18
19 Q. Are there any comments you would like to make regarding the revenue
20 adjustment proposed by the Staff Gas Rates Panel, presented on Schedule 1

1 Livezey, Robert E., Climate Services Division, Office of Climate, Water, and Weather Services/NWS/NOAA, et. al., Estimation and Extrapolation of Climate Normals and Climatic Trends, Second Revision, June 29, 2007, p. 2.

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1 of Exhibit__(AP-2), which was made in conjunction with the aforementioned
2 sales adjustments?

3 A. Yes. We would like to address three items. First, the Staff Gas Rates
4 Panel's proposed revenue adjustment incorporates its own forecast of gas
5 customers and sales, disregarding the forecast recommended by the Staff
6 Forecasting Panel presented in Exhibit ____(FP-6). This is particularly
7 confounding in light of the fact that the Staff Gas Rates Panel and the Staff
8 Forecasting Panel share a common member. The following table provides
9 the difference, in terms of sales and customers, of the two forecasts utilized
10 by Staff.

11

	Staff Forecasting Panel		Staff Gas Rates Panel		Difference	
	<u>Mcf Sales</u>	<u>Customers</u>	<u>Mcf Sales</u>	<u>Customers</u>	<u>Mcf Sales</u>	<u>Customers</u>
Res Heat	5,124,612	55,325	5,155,923	55,622	31,312	297
Res Non-Heat	192,908	9,344	192,927	9,349	20	4
Com Heat	3,991,505	8,456	4,011,905	8,500	20,400	44
Com Non-Heat	610,633	1,139	626,547	1,168	15,914	30
OPA	815,462	724	821,599	728	6,137	4
Industrial	439,561	266	450,843	272	11,282	6

12

13 Secondly, the proposed revenue adjustment also reflects a revised bill
14 distribution methodology, based on a curve fitting process, proposed by the
15 Staff Gas Rates Panel. Finally, it should be noted that, in response to
16 Information Request No. CH-99, the Staff Gas Rates Panel provided a
17 revised revenue adjustment, decreasing the revenue adjustment from \$1.688
18 million per Schedule 1 of Exhibit__(AP-2) to \$1.617 million.

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Q. Has the impact on the revenue adjustment resulting from the Staff Gas Rates Panel's utilization of its customer and sales forecast rather than the forecast recommended by the Staff Forecasting Panel been determined?

A. In response to Information Request No. CH-116 submitted by the Company on December 3, 2008, the Staff Gas Rates Panel indicated, on December 18, 2008, that their positions regarding forecasted revenue, revenue allocation and rate design required modification to reflect the gas sales forecast recommended by the Staff Forecasting Panel. Further, the Staff Gas Rates Panel indicated that such modification would increase the Rate Year Revenue requirement by \$148,000.

Q. Do you concur with this adjustment?

A. No. Based on the work papers supplied in response to Information Request No. CH-116, it appears that although the Staff Gas Rates Panel intended to modify its revenue calculation to reflect the gas sales forecast recommended by the Staff Forecasting Panel, it actually modified its revenue calculation to reflect only the correct sales forecasts for the residential heat and non-heat classes, failing to reflect the correct sales forecasts recommended by the Staff Forecasting Panel for the commercial heat, commercial non-heat, OPA and industrial classes, and failing to reflect the correct customer forecast in the development of customer charge revenue due to the "hard coding" of

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1 customer and sales levels in its work paper.

2

3 Q. Have you estimated the revenue impact resulting from the Staff Gas Rates
4 Panel's utilization of its customer and sales forecast rather than the forecast
5 recommended by the Staff Forecasting Panel?

6 A. Yes. We estimate that utilization of the customer and sales forecast
7 recommended by the Staff Forecasting Panel would decrease the revenue
8 adjustment, and thereby increase the revenue requirement, by approximately
9 \$341,000. However, it should be noted that our approximation is an
10 estimate. We are unsure as to whether the recalculation of base delivery
11 revenue would be impacted by the Staff Gas Rates Panel's revised bill
12 distribution since the aforementioned "hard coding" of sales, when corrected,
13 results in revised sales per customer (that correspond to the levels
14 recommended by the Staff Forecasting Panel), which would require a revised
15 bill distribution in accordance with the Staff Gas Rates Panel's testimony on
16 page 11, lines 4 through 10.

17

18 Q. Have you accepted the revised bill distribution proposed by the Staff Gas
19 Rates Panel?

20 A. No. We have been unable to review the Staff Gas Rates Panel's bill
21 distribution calculations as a result of its refusal to provide the associated
22 work papers in response to Information Request No. CH-157.

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2 Q. Do you have any additional comments to make regarding the topic of sales
3 forecasts?

4 A. Yes. The Company's Gas Forecasting Panel ("Company GFP") stated in its
5 pre-filed direct testimony on page 12, "[t]o the extent that activity in our
6 service territory, in terms of the level of customers, changes dramatically, or
7 customers change their consumption habits in response to changes in
8 economic/price conditions, these changes should be reflected in the final
9 Rate Year forecasts utilized to determine the revenue requirement and rate
10 design."

11

12 Q. Does Staff generally agree with the concept of updates to the forecasts?

13 A. Yes. In its testimony on page 16, lines 21 through 23, the Staff Forecasting
14 Panel indicated its intention "to revise its forecasts to reflect latest available
15 data." This was affirmed by the Staff Forecasting Panel in its response to
16 Information Request No. CH-164.

17

18 Q. Have there been any changes in the data or assumptions utilized by the
19 Company in the development of the gas customer, sales and revenue
20 forecasts that accompanied the Company GFP's pre-filed direct testimony?

21 A. Yes. The original forecasts generally utilized actual customer and sales data
22 available through March 2008 and utilized economic projections based on

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1 the April 2008 forecast provided by Moody's Economy.com to the New York
2 Independent System Operator. The Company received a new forecast from
3 Moody's Economy.com on November 18, 2008, which was provided to Staff
4 as a supplemental response to Staff Information Request Nos. 2, 27 and 37a
5 on November 19, 2008. Staff acknowledged receipt of this information in its
6 response to Information Request No. CH-164, indicating that it anticipated
7 that the Company would present an updated forecast in rebuttal testimony,
8 which it would subsequently review to determine if revisions were required to
9 its forecast.

10

11 Q. Have you prepared revised gas customer, sales and revenue forecasts
12 incorporating this new data?

13 A. Yes. These forecasts are presented in Rebuttal Exhibit ____(GFP-3).

14

15 Q. Please summarize the changes made to the forecasts originally submitted by
16 the Company GFP with its pre-filed direct testimony.

17 A. All customer and sales models were updated with actual data through
18 November 2008. In addition, all forecasts which utilized econometric models
19 were updated with the new economic forecast from Moody's Economy.com
20 and all forecasts which utilized price reflect an updated price forecast.

21 With respect to model specifications, the majority of the models
22 remained unchanged, with the exception of minor refinements to the

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1 residential heat and commercial non-heat customer models. These
2 modifications are detailed on Rebuttal Exhibit__(GFP-4).

3

4 Q. Please summarize the resulting impacts, as compared to the forecasts
5 originally submitted by the Company GFP with its pre-filed direct testimony.

6 A. As shown on Rebuttal Exhibit__(GFP-5), Rate Year own territory sales
7 (excluding unbilled) are 14,829 MMcf, or 35 MMcf higher, as compared to
8 14,794 MMcf as shown on Exhibit__(GFP-2) Schedule F, of our pre-filed
9 direct testimony. We believe the sales increase is attributable to two major
10 factors: (1) the updated economic forecast obtained from Moody's
11 Economy.com, and (2) the update to the price forecast. The new economic
12 forecast resulted in an overall decrease in own territory sales. This decrease
13 in sales was offset, however, by an increase in use per customer resulting
14 from lower commodity prices reflected in the updated price forecast.

15

16 Q. Has the Company GFP revised its revenue allocation and rate design
17 positions to reflect the forecast changes it has presented herein?

18 A. No. As previously stated, we continue to maintain that to the extent that the
19 assumptions regarding economic activity, prices and/or consumption patterns
20 incorporated in the sales forecasts sponsored by the Company GFP change,
21 these changes, as well as any other changes associated with revenue
22 requirement, should be reflected in the final Rate Year forecasts utilized to

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1 determine the revenue requirement and rate design. As a result, we believe
2 that any required revenue allocation and rate design changes should be
3 made at a later stage in this proceeding.

4

5 Q. Are there any comments you would like to make regarding the revenue
6 allocation proposal made by the Staff Gas Rates Panel?

7 A. Yes. The revenue allocation proposed by the Staff Gas Rates Panel relies
8 on information contained in its modified embedded cost of service ("ECOS")
9 study, which the Company rejects as discussed in the rebuttal testimony of
10 Company Witness Arvidson.

11

12 Q. Are there any comments that you would like to make regarding the rate
13 design proposed by Staff?

14 A. Yes. Similar to its revenue allocation proposal, the Staff Gas Rates Panel
15 also relied on its modified ECOS study in guiding its rate design proposal
16 regarding monthly customer charge rates. As a result, the target customer
17 charge rates in its ECOS are substantially lower than those supported by
18 Company Witness Arvidson, resulting in much smaller increases to all
19 customer charges, as compared to the Company GFP's proposal. So while
20 the Staff Gas Rates Panel has proposed increases of 21% and 25% to S.C.
21 Nos. 1 and 12 and S.C. Nos. 2, 6 and 13, respectively, the base revenue
22 projected to be collected through the monthly customer charge for these

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1 classes increases only slightly by approximately 4% and 2%, respectively.
2 As a result, despite the opportunity presented here to move closer to a more
3 optimal rate design, wherein fixed costs are collected through fixed customer
4 charges and variable costs are collected through variable charges, the Staff
5 Gas Rates Panel's proposal makes only a meek attempt to move in the right
6 direction. This may be the result of the Staff Gas Rates Panel's
7 consideration of, what it terms in testimony, on page 21, lines 12 through 13,
8 "the rate impacts on customers," despite the fact that, as it indicated in
9 response to Information Request No. CH-56, "[q]uantitative thresholds were
10 not established prior to developing overall bill impacts."

11

12 Q. Has Staff made any other proposals regarding the gas rate structure?

13 A. Yes. The Gas Rates Panel in its testimony, on page 28, lines 15 through 21,
14 proposes that the commodity supply portion of Merchant Function Charge
15 ("MFC") lost revenue, which is currently recovered through the MFC supply
16 charge and applicable to only sales customers (those customers continuing
17 to purchase commodity supply from the Company), be collected from "sales
18 and delivery customers alike through the Transition Adjustment.

19

20 Q. What is the basis for Staff's proposal?

21 A. In its response to Information Request No. CH-58, the Staff Gas Rates Panel
22 states that the Commission's rationale "for charging a portion of lost

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1 revenues due to retail access migration to all delivery customers was
2 because some of the lost revenues are associated with the utility's provider
3 of last resort responsibilities." It further postulates that the remainder of lost
4 revenues was to be collected from full-service customers based on the
5 expectation that some of the commodity-related costs would eventually be
6 avoided. However, the Staff Gas Rates Panel further states that it believes
7 "it would take a significant amount of migration to permit the Company to be
8 in a position to avoid these costs and in fact may never be able to avoid
9 these costs as long as Central Hudson remains the provider of last resort."
10

11 Q. Do you agree with Staff's proposal?

12 A. We agree with the Staff Gas Rate Panel with respect to the continued
13 recovery of retail access lost revenue as most recently addressed by the
14 Commission in its October 27, 2008 Order in Case 07-M-0458. However, we
15 are somewhat puzzled by the continued need to identify and unbundle costs
16 that would be recovered from "sales and transportation customers alike." We
17 believe that the recommendation to recover unbundled costs from all
18 customers basically amounts to a rebundling of previously unbundled rates,
19 inconsistent with the Commission's intent with respect to unbundling.
20

21 Q. Moving on to the topic of revenue decoupling mechanisms ("RDM"), what
22 were the results of Staff's review of the Company GFP's proposed unit per

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1 customer (“UPC”) RDM?

2 A. In its testimony on page 36, lines 2 through 8, the Staff Gas Rates Panel
3 states that it supports a UPC mechanism for natural gas companies, and, as
4 stated on page 33, line 19 continuing through page 34, line 12, that it further
5 agrees with the service classes recommended by the Company for inclusion
6 and exclusion from the RDM.

7

8 Q. Did Staff express any concerns or propose any changes to the gas delivery
9 service RDM proposed by the Company?

10 A. Yes. The Gas Rates Panel has expressed concern regarding the accurate
11 accounting of customers within each service class or RDM categorized
12 group. Further, despite its explicit support for a UPC RDM, the Staff Gas
13 Rates Panel, on page 38, lines 21 through 24 of its testimony, alters its
14 proposal to recommend a revenue per customer (“RPC”) RDM wherein
15 targets are calculated by dividing delivery service base revenue by average
16 number of customers. The Staff Gas Rates Panel has also proposed to
17 measure the RDM on an annual basis in contrast to the monthly
18 measurement proposed by the Company, and has proposed the
19 implementation of a weather normalization clause in conjunction with a RDM.
20 Company Witness Mosher has provided a summary of the gas RDM
21 proposed by the Staff Gas Rates Panel, including a brief overview of the
22 differences between Staff’s proposed RDM and the gas RDM proposed by

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1 the Company as well as a brief overview of the differences between the
2 electric and gas RDMs proposed by Staff.

3

4 Q. What is the basis for Staff's concerns and proposals?

5 A. With respect to the issue of number of customers, the Staff Gas Rates Panel
6 has proposed the implementation of a customer tracking system to ensure
7 accurate customer counts and has also recommended that the Company
8 verify the categorization of heat and non-heat customers for use in a future
9 RDM to eliminate the need for the single class targets that it has proposed.
10 The Staff Gas Rates Panel bases its proposal for the implementation of a
11 separate weather normalization clause, on its stated preference, on page 40,
12 line 19 through page 41, line 1, "to correct for delivery service revenue
13 deficiencies or excesses associated with variations from normal weather
14 when the variation is actually experienced because customer rate impacts
15 associated with delivery service would be mitigated at the appropriate time,"
16 (emphasis added) rather than include the weather measurement within the
17 RDM as proposed by the Company since this would entail at least a 3 month
18 delay. In stark contrast, the Staff Gas Rates Panel proposes in testimony on
19 page 38, lines 6 through 18, RDM measurement on an annual basis based
20 on the premise that the revenue requirement and rates are developed on an
21 annual basis and the presumption that "an annual target eliminates some
22 variability that could result in the monthly forecast RDM targets."

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2 Q. Do you agree with Staff's gas RDM proposals?

3 A. No. With respect to the issue of number of customers, the Company
4 proposed that RDM UPC targets be established utilizing the customer and
5 sales forecasts incorporated in the Commission approved rates in the instant
6 proceeding. Since the actual customer and sales data utilized by the
7 Company GFP for forecasting purposes in this proceeding and provided to
8 Staff reflect actual billed customer months and sales, we believe that the
9 same data should continue to be used to determine the RDM reconciliations.
10 While the Staff Gas Rates Panel has proposed the implementation of a
11 customer tracking system to verify customer counts it has failed to
12 adequately clarify how this additional work product would be utilized,
13 particularly in a situation where the tracking system produced a result
14 different from the billing system, as evidenced by its response to Information
15 Request No. CH-61. The Staff Gas Rates Panel has also failed to illustrate
16 the methodology that would need to be followed to verify the categorization
17 of heat and non-heat customers.

18 With respect to the issues of weather measurement and timing of
19 RDM measurement, the Staff Gas Rates Panel attempts to justify
20 implementation of a separate weather normalization clause based on its
21 preference for recognizing variations when they occur, but blatantly ignores
22 this same justification for non-weather related variations, proposing an

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1 annual RDM reconciliation. It further attempts to justify an annual RDM
2 reconciliation based on its presumption that an annual RDM may be less
3 volatile than a monthly RDM. However, the Staff Gas Rates Panel provided
4 no empirical evidence with its testimony to support this conclusion, and when
5 requested to do so by means of information requests (Information Request
6 Nos. CH-62 and 63), provided an example that failed to employ the
7 methodology it proposed, specifically by refusing to address the
8 implementation of a separate weather normalization clause. As a result, we
9 continue to believe that the measurement of weather should be included
10 within the RDM, and RDM impacts should be measured monthly.

11

12 Q. Has Staff made any other RDM-related proposals?

13 A. Yes. The Staff Gas Rates Panel has proposed that RDM revenue
14 shortfalls/excesses accrue carrying charges at the other customer capital
15 rate, in contrast to the Company's proposal to utilize the authorized pre-tax
16 rate of return and in contrast to other carrying charge applications as
17 discussed by Company Witness Mosher in his rebuttal testimony.

18

19 Q. What is the basis for Staff's proposal?

20 A. As stated in the response to Information Request No. CH-66, Staff "typically
21 takes timing of the recovery/refund into consideration" when "determining
22 which rate to use when applying carrying charges," recommending a longer-

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1 term rate, such as the authorized pre-tax rate of return, for longer term
2 refund/recovery items, and a short term rate, such as the other customer
3 capital rate, for shorter term refund/recovery items. Based on this criteria,
4 and Staff's conclusion that refund/recovery is guaranteed, Staff indicated that
5 "a lower rate is appropriate."
6

7 Q. Does Staff's RDM entail a shorter refund/recovery period?

8 A. No. If Staff's gas RDM is implemented for the Rate Year, the RDM
9 measurement would not be made until completion of the Rate Year and filed
10 with the Commission 45 days after the end of the Rate Year (August 14),
11 with refund/recovery rates set for a twelve-month period, effective two and
12 one-half months after the filing (November 1). As a result, refund/recovery
13 for the Rate Year will not be complete until twenty-eight months after the start
14 of the Rate Year, assuming there is no under/over refund/recovery of the
15 RDM amounts. Based on this extended refund/recovery period, we continue
16 to believe that the authorized pre-tax rate of return is the appropriate rate for
17 RDM-related carrying charges.
18

19 Q. In your pre-filed direct testimony did the Company propose to change the
20 sharing method applied to net of fuel revenue derived from interruptible
21 service and service to electric generators (S.C. Nos. 8, 9 and 14)?

22 A. No. The Company has proposed to continue to apply the interruptible profit

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1 mechanism approved by the Commission in Case 05-G-0935 wherein base
2 delivery rates include a profit imputation of \$1.0 million estimated to be
3 received from such sales. As a result, the Company is permitted to retain the
4 first \$1.0 million in net of fuel revenue in each rate year that it may receive
5 from interruptible service and service to generating facilities. If the net of fuel
6 revenue, or margin, is less than \$1.0 million in any rate year, the Company is
7 authorized to surcharge firm customers for 100 percent of the first \$250,000
8 of the shortfall and 90 percent of the remaining shortfall. If the margin
9 exceeds \$1.0 million in any rate year, the Company will credit to ratepayers
10 100 percent of the first \$250,000 of the excess and 90 percent of the
11 remaining excess. Any such surcharges or credits are applied through the
12 gas cost adjustment factor.

13

14 Q. Please identify the Staff position as it relates to interruptible and generating
15 facility revenue sharing and the corresponding base rate imputation.

16 A. The Staff Gas Rates Panel, in its testimony on page 13, has proposed to
17 increase the imputation from \$1.0 million to \$3.0 million. Further, as provided
18 in its response to Central Hudson Information Request No. 52, the Staff Gas
19 Rates Panel appears to be proposing to eliminate the \$250,000 dead band,
20 resulting in a straight 90/10 sharing of all amounts greater or less than \$3.0
21 million.

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1 Q. What is the basis for Staff's proposal?

2 A. The Staff Gas Rates Panel, on page 13, lines 6 through 8, of its testimony
3 proposes to increase "the level of imputation to recognize current net of fuel
4 revenues margins levels," concluding, on page 13, lines 12 through 19 of its
5 testimony, that \$3.0 million reflects the most recent three year average of net
6 of fuel revenue derived from interruptible sales and sales to generating
7 facilities.

8

9 Q. Is Staff's contention correct?

10 A. No. The actual three year average net of fuel revenue derived from
11 interruptible sales and sales to generating facilities for the period addressed
12 by the Staff Gas Rates Panel, which was the 36 months ended July 2008,
13 was \$1,950,763 million as shown on the "Three Year Average Profit" line of
14 the Staff Gas Rates Panel's Exhibit __ (GRP-5). Pursuant to the current
15 Commission-approved interruptible profit mechanism, the Company would
16 retain the first \$1.0 million, corresponding to the \$1.0 million profit imputation
17 in base rates. The remainder, or \$950,763, would be shared between firm
18 customers and the Company at the approved 90/10 sharing level, with
19 customers receiving \$855,687 and the Company retaining \$95,076.

20

21 Q. Are there any other topics that you would like to address?

22 A. Yes. In its development of finance, or late payment, charges included in the

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1 forecast of other operating revenue, the Company GFP developed a
2 separate factor, to be applied to base revenue, for each of the three finance
3 charge categories, residential, commercial and industrial, by dividing a
4 historic average of finance charges for each category by the respective
5 average base revenue for each category.

6

7 Q. Did Staff concur with the Company GFP's proposed finance charge forecast
8 methodology?

9 A. No. The Staff Accounting Panel has proposed to develop a single, weighted
10 factor, reflecting a three-year average of calendar year 2005, 2006 and 2007
11 data, to be applied to base revenue.

12

13 Q. Do you agree with the Staff Accounting Panel's approach to developing
14 finance charges?

15 A. No. We believe that the factors should continue to be developed on a
16 category-specific basis to properly align finance charges with base revenue.

17

18 Q. Would you like to make any further comments on the issue of finance
19 charges?

20 A. Yes. We concur with the Staff Accounting Panel that Rate Year finance
21 charges should reflect the final revenue requirement determination.

22

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1 Q. Does this conclude your rebuttal testimony?

2 A. Yes, it does.