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CENTRAL HUDSON GAS & ELECTRIC CORPORATION
284 SOUTH AVENUE
POUGHKEEPSIE, NEW YORK 12601

June 7, 2000

Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Dear Commissioners:

Attached for filing electronically with the Commission are the following tariff leaves, issued by Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company"), to become effective on September 1, 2000.

Gas - P.S.C. No. 12

1st Revised Leaf No. 70
Original Leaf No. 175.1

The purpose of this filing is to establish a monthly balancing provision for the Company's Service Classification No. 9 - Interruptible Transportation / Standby Sales Service.

Under the current provisions contained in our Service Classification No. 9 tariff, Retail Suppliers deliver customer-owned gas to our service territory, including 3.5 percent to cover line losses. The Company compares each customer's usage with the gas supplies that were available to them at month-end. If an over-delivery occurs, the Company purchases the gas from the customer at a price that is equivalent to the lowest price paid for Company-owned supplies during the month. If an under-delivery occurs, we supply the customer with volumes equivalent to the shortfall at a price that is 10 percent greater than the price we charged for interruptible sales service.

During the past two heating seasons the over and under delivery imbalances on our system have become troublesome. During the 1998-1999 heating season we supplied 12,713 Mcf to the interruptible transport customers and purchased 41,344 Mcf from them. During the 1999-2000 heating season we supplied 203,226 Mcf and purchased 45,150 Mcf. Consequently, during the 1999-2000 heating season we supplied 15.6 percent of the interruptible customers' requirements and our system had to absorb 45,150 Mcf during a season that was 8 percent warmer than normal when our own gas supply contracts were more than sufficient to meet our firm customers' requirements. The delivery imbalances that occur each month are not uniform and cannot be included in our monthly gas supply planning process. Therefore, we must rely on our firm storage contracts and periodically our generating plants to manage the over-deliveries that our system cannot absorb. When under-deliveries occur we must rely on system supply, storage contracts and our ability to purchase gas on the open market to meet the unexpected needs of the interruptible transport customers. In the past we have managed the imbalances using our current resources and have not imposed any restrictions on the Retail Suppliers. However, as the process of deregulation

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continues, we will not have our generating plants to aid us in balancing our system and the retention of LDCs current upstream pipeline assets is an issue under review statewide by the PSC in restructuring proceedings. Without these assets the Company is concerned that we may not be able to manage the delivery imbalances and are proposing this balancing provision to safeguard our distribution system.

The proposed balancing provision would maintain that the total volume of customer-owned gas delivered to Central Hudson's system each month, less 3.5 percent for line losses, must be within five (5) percent of the total natural gas consumed by the customers being served by the Retail Supplier. Retail Suppliers will need to monitor their customers' consumption and increase or decrease their deliveries accordingly. To avoid Retail Suppliers "dumping" gas into our system trying to avoid imbalances, we have also included the provision that the Retail Supplier's daily deliveries are not allowed to exceed the sum of their customers' MDQ, as included in the customers' transportation contracts. The monthly imbalances will not be customer specific but instead will be for the entire customer group being served by the Retail Supplier. We will continue to provide standby service and to purchase the over deliveries from the customers.

The Company believes that this balancing provision is not overly burdensome because all of the large transportation customers have installed remote meters and the Retail Suppliers have access to these customers' daily consumption data. The customers on our system that do not have remote meters are smaller customers and should not affect the accuracy of the Retail Suppliers monthly deliveries. While the Retail Suppliers know which of their customers have remote meters very few take advantage of this information. In fact, our largest supplier had an over-delivery imbalance of 58,000 Mcf during December 1999 and all of the customers served by this Retail Supplier had remote meters. The Company will install remote metering equipment, at the customers expense, for any customer that would like to have the equipment. However, installation of remote meters is not a requirement to be eligible for interruptible transportation service.

To enforce the proposed balancing provision the Company will establish a penalty per CCF for all imbalances greater than the five (5) percent tolerance band. Since we rely on our upstream pipeline storage contracts to manage the monthly imbalances, the proposed penalty for imbalances will be equal to 150 percent of the actual cost to maintain our upstream pipeline storage contracts. The storage costs for the twelve months ended March 31, 2000 were $5,562,788 or $0.060 per CCF for our firm customers. The 50 percent premium would increase this monthly rate to $0.090 per CCF. The Company is proposing to pass back to the firm customers the storage costs collected through this penalty and retain the premium portion of the rate. We would calculate the penalty rate each month and include it on the Company's monthly GTR statement. All penalty charges will be billed directly to the Retail Supplier.

Central Hudson requests a waiver of the requirements of 66((12)b) of the Public Service Law as to newspaper publication and instead will send a copy of this filing to all Retail Suppliers who are serving interruptible transportation customers in our territory.

Very truly yours,

Arthur R. Upright