

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

July 31, 2009

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

Dear Commissioners:

**Re: Revisions to Schedule for Gas Service – P.S.C. No. 12 - Gas**

The amended tariff leaves set forth below are filed by Central Hudson Gas & Electric Corporation (“Central Hudson” or the “Company”) on July 31, 2009 to become effective August 30, 2009. The Company’s expectation is that the Commission will issue appropriate orders suspending the effective date of the leaves through June 30, 2010 so that the proposed rates may become effective July 1, 2010.

**P.S.C No. 12 – Gas**

6 <sup>th</sup> Revised Leaf No. 121	10 <sup>th</sup> Revised Leaf No. 181
10 <sup>th</sup> Revised Leaf No. 126.1	13 <sup>th</sup> Revised Leaf No. 186
13 <sup>th</sup> Revised Leaf No. 149	12 <sup>th</sup> Revised Leaf No. 188
8 <sup>th</sup> Revised Leaf No. 151	13 <sup>th</sup> Revised Leaf No. 191
9 <sup>th</sup> Revised Leaf No. 152	10 <sup>th</sup> Revised Leaf No. 193
8 <sup>th</sup> Revised Leaf No. 153	6 <sup>th</sup> Revised Leaf No. 195
9 <sup>th</sup> Revised Leaf No. 158	

The purpose of these revised tariff leaves is to effectuate the changes proposed by the Company’s rate filing and supported by the testimony and exhibits filed with the Commission on July 31, 2009. The letter accompanying the Company’s filing is attached as Appendix A.

The Company will file, pursuant to Commission Order, a new Merchant Function Charge Statement to become effective coincident with new base delivery rates as approved by the Commission.

The Company is arranging to comply with the requirements of 66(12)(b) of the Public Service Law by publishing notices of the rate changes proposed herein in the August 12, 19, 26 and September 2, 2009 issues of the Catskill Daily Mail, the Kingston Freeman, the Times Herald Record and the Poughkeepsie Journal.

Questions related to this filing should be directed to Amy Dittmar at (845) 486-5433.

Yours very truly,

Michael L. Mosher  
Vice President - Regulatory Affairs

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## **Attachment A**



July 31, 2009

NYS Public Service Commission  
Agency Building 3  
Empire State Plaza  
Albany, New York 12223-1350

Dear Commissioners:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") hereby submits for filing revisions to its Schedule for Electric Service, PSC No. 15-Electricity and its Schedule for Gas Service, PSC No. 12-Gas.

The tariff leaves listed on Attachment A are issued as of July 31, 2009 with an effective date of August 30, 2009, and are being filed electronically. The Company anticipates the Commission will issue multiple orders suspending the effective date of the leaves through June 30, 2010 so that the proposed rates may be reviewed and become effective July 1, 2010. The tariffs are supported by the testimony and exhibits being filed herewith.

The Company has prepared this rate filing using the operating results, with normalization adjustments where appropriate, for the historical year ending March 31, 2009. The Company has also submitted projected operating results for the forecast rate year ending June 30, 2011 (Rate Year), with data linking the historical period and the Rate Year. Also, as recommended by the Commission Policy Statement on Test Periods in Major Rate Proceedings, the Company has developed additional forecast financial information for the 12-month periods ending June 30, 2012 and 2013, as shown in the separate volume entitled "Additional Information."

The purpose of the present filing is to increase delivery rates to produce revenues that properly reflect the costs of providing delivery services to customers beyond June 30, 2010. The electric and gas delivery rate increases recently approved by the Commission in its recent Order Adopting Recommended Decision with Modifications (Rate Order) are projected to be insufficient for the Company to recover the ongoing costs of providing electric and gas delivery service in the Rate Year.

The filing and related tariffs seeks to increase electric delivery rates by \$15.207 million and natural gas delivery rates by \$3.997 million. Central Hudson's costs are projected to increase as a result of a number of factors. Mandates and externally

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imposed costs, and reductions in sales volumes due both to economic conditions and increased focus on energy efficiency account for approximately 60% of the requested rate increases. The Company expects to begin remediation at the Newburgh MGP site later in 2009 and anticipates significant cash expenditure requirements in both the current rate year ending June 2010 and the new Rate Year ending June 2011 (and beyond). Additionally, increases in the total cost of capital reflecting increased borrowing costs on debt, is responsible for nearly 10% of the requested total rate increase and a proposed increase in the equity ratio employed for ratemaking purposes, from 47% to 48%, for 4.5% of the requested increase. Despite the current recession, the Company's service obligations require additional capital investments in the Rate Year to serve new customers and replace, upgrade, and modernize its delivery systems, requiring a return on the incremental capital and additional depreciation expense. Lastly, inflationary pressures on operations and maintenance expense, plus increased employee costs contribute to the need for future rate relief.

The delivery rate increases included in the filing produce typical monthly electric bills (commodity and delivery) for residential customers that are projected to increase by \$3.46 or 3.7%, based on June 2009 market supply costs. Similarly, typical monthly gas bills (commodity and delivery) for residential customers are projected to increase by \$3.97 or 3.5%, based on June 2009 gas supply costs.

The Company is not proposing any structural changes to its electric or natural gas tariffs, whether customers purchase their commodity supply from Central Hudson or another supplier. Central Hudson's electric and gas rates are separated into fully unbundled delivery and commodity components to facilitate retail supply choice, which is fully available for all of Central Hudson's customers. The filing includes proposed increases to the Merchant Function Charge (MFC) Administration and MFC Supply Charges, and proposes no changes to the Company's electric Energy Cost Adjustment Mechanism (ECAM) and natural gas Gas Cost Adjustment (GCA) commodity and supply related cost supply recovery mechanisms. Additionally, the Company is not proposing any modifications to any customer service fees, such as reconnection charges. The Company is also proposing a continuation of the revenue per class and revenue per customer revenue decoupling mechanisms recently approved by the Commission for electric and gas delivery service revenues, respectively.

Embedded cost of service studies for calendar year 2007, as well as for the forecast rate year were conducted for electric and gas operations to establish rates of return for individual customer classes. Based on the indicated class rates of return, the individual customer classes were targeted to be within plus or minus 15 percent of the system average rate of return. The incremental revenue required to meet the full revenue requirement was then allocated to customer classes based on delivery revenues. For both gas and electric classes, increases to individual classes were limited to no greater than 1.25 times the system average and not less than 0.75 times the system average. Customer charges were increased by modest amounts to be more

in line with, although still significantly below, embedded costs, and energy and demand delivery rates increased accordingly. As required by the Rate Order, the Company is presenting an electric delivery-only embedded historic cost of service study. Similarly, the Company has not been able to complete a gas marginal cost of service (MCOS) study, and has proposed a schedule for completion of the gas MCOS by December 1<sup>st</sup>.

In this filing, the Company is not proposing any changes to the current Electric Reliability, Gas Safety, or Customer Service Quality performance mechanisms.

In light of the issuance of the Commission's Order in Case 09-E-0310 on July 27, 2009, the Company is reviewing that Order to determine the extent to which supplementation of the present filing may be appropriate. The Company will provide any such further information as may be appropriate by August 27, 2009.

#### Procedural Matters

Fifteen copies of the prepared written testimony and exhibits, which comprise the Company's direct case in support of this filing, are also submitted herewith.

Notices of this filing will be published in newspapers in accordance with 16 NYCRR 720-8.1 and 270.70 and proof of publication will be submitted upon completion. In addition, the Company will issue appropriate bill inserts in accordance with 16 NYCRR 720-9.1 and 270.80.

Acknowledgment of the receipt of this letter is requested and a triplicate copy together with a return envelope is enclosed for that purpose.

Very truly yours,

A handwritten signature in black ink, appearing to read "M. L. Mosher", with a long horizontal flourish extending to the right.

Michael L. Mosher  
Vice President –  
Regulatory Affairs

cc: Active Parties to 05-E-0934, and 05-G-0935, 08-E-0887 and 08-E-0888  
Robert J. Glasser – Thompson Hine LLP

## Attachment A

### **PSC No. 15 – Electricity**

11<sup>th</sup> Revised Leaf No. 104  
6<sup>th</sup> Revised Leaf No. 163.5.2  
10<sup>th</sup> Revised Leaf No. 165  
11<sup>th</sup> Revised Leaf No. 169  
5<sup>th</sup> Revised Leaf No. 179  
10<sup>th</sup> Revised Leaf No. 184.2.1  
10<sup>th</sup> Revised Leaf No. 185  
5<sup>th</sup> Revised Leaf No. 196  
11<sup>th</sup> Revised Leaf No. 205  
9<sup>th</sup> Revised Leaf No. 205.1  
3<sup>rd</sup> Revised Leaf No. 205.2  
13<sup>th</sup> Revised Leaf No. 210  
10<sup>th</sup> Revised Leaf No. 217  
11<sup>th</sup> Revised Leaf No. 218  
8<sup>th</sup> Revised Leaf No. 218.1  
5<sup>th</sup> Revised Leaf No. 218.2  
9<sup>th</sup> Revised Leaf No. 219  
11<sup>th</sup> Revised Leaf No. 220  
8<sup>th</sup> Revised Leaf No. 221  
10<sup>th</sup> Revised Leaf No. 222  
10<sup>th</sup> Revised Leaf No. 226  
6<sup>th</sup> Revised Leaf No. 231  
11<sup>th</sup> Revised Leaf No. 246  
12<sup>th</sup> Revised Leaf No. 246.1  
7<sup>th</sup> Revised Leaf No. 262

## Attachment A

### **PSC No. 12 -- Gas**

6<sup>th</sup> Revised Leaf No. 121  
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