

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

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10021/09-E-0588;09-G-0589

PSC SEEKS PUBLIC COMMENT ON CENTRAL HUDSON'S RATES

Albany, NY—03/05/10—The New York State Public Service Commission (Commission) seeks public comments on a proposal to set Central Hudson Gas & Electric Corporation's electric and gas delivery rates for three years. The dates and the locations of the public statement hearings are:

Kingston Thursday, March 11, 2010

3:30 p.m.

Council Chambers
Kingston City Hall
420 Broadway

-and-

Poughkeepsie Thursday, March 11, 2010

7:30 p.m.

Common Council Chambers
Municipal Building, 3rd Floor 62 Civic Center Plaza

Before each hearing, there will be approximately a 30-minute educational forum in which Department of Public Service staff will summarize key elements of the Joint Proposal and the Commission's procedures.

To speak at the hearings, it is not necessary to make an appointment in advance or present written material. Persons will be called to speak after completing a request card. All comments at the hearings will be transcribed and become part of the Commission's formal record. Each

hearing will remain open for at least one hour, and will continue until everyone wishing to speak has been heard or other reasonable arrangements are made.

At the Kingston hearing, free parking will be available behind City Hall. In Poughkeepsie, free parking will be available in the City Hall Parking Garage at 62 Civic Center for anyone attending the hearing.

Disabled persons requiring special accommodations may place a collect call to the Department of Public Service's Human Resource Management Office at 518-474-2520 and should contact that office as soon as possible.

Other Ways to Comment:

Writing: Those who cannot attend or prefer not to speak at a public statement hearing may comment by writing to Jaclyn A. Brillling, Secretary, Public Service Commission, Three Empire State Plaza, Albany, New York 12223-1350. Your comment should refer to “Cases 09-E-0588 and 09-G-0589 - Central Hudson - Rates.”

Toll-Free Opinion Line: You may comment through the Commission's Opinion Line at 1-800-335-2120. This number is set up to take comments about pending cases from in-state callers, 24 hours a day. Callers should select English or Spanish and press “1” to leave comments about the Central Hudson rate proposals.

Internet: You also may comment using the Commission Comment Form. On the homepage of the Commission's consumer website, www.askPSC.com, (1) click on “Contact Us” and then (2) click on “Comment Form.” The Comment Form also can be accessed through the Commission’s other website, www.dps.state.ny.us as follows: (1) on the homepage, click on “AskPSC.com & Consumer Assistance,” then (2) click on “we want to know what you think” under “PSC Comment Form,” then (3) click on “form.” Many libraries offer free Internet access.

All comments using these methods should be submitted, or mailed and postmarked, no later than March 17, 2010. All statements at the hearings and other comments will become part of the record, will be made available at www.dps.state.ny.us, and will be reported to the Commission for its consideration. Related documents also may be viewed at www.dps.state.ny.us. On the

homepage, click on “Electric” or “Natural Gas” and then click on “Central Hudson Electric [or Gas] Rate Case.”

Background:

In July 2009, Central Hudson asked the Commission to approve new rates for a single “rate year” starting July 1, 2010 which would increase the company’s annual revenues by \$15.2 million for electric delivery service and \$4.0 million for gas delivery service. However, now that the company has updated its application to reflect data through the end of 2009, the application purports to justify revenue increases of \$26.3 million for electric delivery service and \$7.8 million for gas delivery service. Central Hudson has stated that the main reasons for its rate request are local property taxes, declining sales, environmental clean-up work, increased cost of capital, infrastructure replacements and upgrades, higher operating expenses due to inflation, and increased labor-related costs.

Public hearings on the company’s original rate request were held on January 26, 2010. On February 3, a negotiated “Joint Proposal” was submitted to the PSC by Central Hudson and two of the parties that had been litigating against the rate request: Trial Staff of the Department of Public Service, and Multiple Intervenors (a group of Central Hudson’s large customers). The PSC is holding more hearings so that the public can address the new proposal.

Under the Joint Proposal, in Years One, Two and Three respectively (starting July 1, 2010), electric delivery revenues would increase by \$11.8 million (4.5%), \$9.3 million (3.4%), and \$9.1 million (3.2%). During the same three years, gas delivery revenues would increase by \$5.7 million (8.9%), \$2.3 million (3.4%), and \$1.6 million (2.3%).

For customers that buy not only delivery service but also their energy commodity from Central Hudson, the parties sponsoring the Joint Proposal estimate that it would allow the typical monthly residential electric bill for combined delivery and commodity service (SC1 non-heating, 630 kWh/mo) to increase by \$4.42 (4.1%), \$3.65 (3.6%), and \$2.68 (3.0%) for Years One, Two, and Three respectively. (These electric bill impacts would be caused partly by delivery rate

increases in the Joint Proposal itself, and partly by the exhaustion of “electric bill credits” set aside for customers in the Commission’s June 2009 rate decision.)

The parties also estimate that the Year One, Two, and Three increases for a typical monthly residential gas bill for commodity and delivery service combined (SC1 heating, 910 Ccf/yr) would be \$5.86 (4.7%), \$2.73 (2.1%), and \$2.02 (1.5%).

According to the sponsoring parties, Commission adoption of the Joint Proposal’s revenue allowances would give Central Hudson a reasonable chance of earning a 7.4% return on its “rate base” (mainly its investment in plant), including a 10.0% return on “common equity” (common stock), if the company operates prudently. If Central Hudson operated effectively enough to earn a return on common stock more than 10.5%, the excess would be shared between customers and shareholders.

The Joint Proposal also includes: stringent requirements concerning replacement of leak-prone gas pipes; stronger incentives for the company to effectively manage its costs; provisions to share excess company earnings, if any, with customers; expanded assistance to Central Hudson’s low-income customers; and continued incentives for Central Hudson to provide high quality customer service.

The New York State Public Service Law requires that the Commission decide the electric and gas cases by June 27, 2010. The Commission may approve, modify, or reject the company’s request or the terms of the Joint Proposal, in whole or in part.