

STATE OF NEW YORK

# Public Service Commission

Garry A. Brown, Chairman

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## **ACCOUNTING FOR CENTRAL HUDSON STORM COSTS, EXPENSES — Despite Soaring Expenses, Utility Customer Rates Hold Steady —**

Albany, NY—4/14/11— The New York State Public Service Commission (Commission) voted today to soften a potentially harsh financial blow to Central Hudson Gas & Electric Corporation customers by authorizing the utility to use a federal income tax benefit it received to offset certain expenses that normally would have been paid by customers.

The tax benefit will go toward expenses the utility incurred as a result of the unprecedented back-to-back winter storms in 2010, as well as expenses from the sharply rising pool of bad customer debt facing the company.

“Typically, a utility would request to recover the expenses related to storm restoration costs and bad debt from ratepayers through future rate increases,” said Commission Chairman Garry Brown. “However, as a result of creative thinking by Central Hudson, the company will be able to use its federal income tax benefit to balance against expenses; as a result, customers will not see an increase in utility bills.”

According to the decision today, Central Hudson will be allowed to defer more than \$18.8 million of storm restoration expense and more than \$2.6 million of electric bad debt expense and offset these expenses against a newly created regulatory liability funded by a \$33.1 million federal income tax benefit. The remaining funds will be used to further offset other expenses in the future. Meanwhile, the company was denied authority to defer more than \$2.5 million of incremental electric and gas property tax expense.

Although it had the opportunity to replace more expenses with the federal income tax benefit, the Commission opted not to give all of the deferrals the company initially sought. In its original petition, Central Hudson had requested permission to defer more than \$19.7 million of storm restoration expense, and more than \$2.6 million of bad debt expense related to its electric operations, as well as more than \$2.5 million in property tax expenses.

The Commission found that the storm restoration expense and bad debt expense met all of the Commission's requirements for deferred accounting treatment. However, the portion of the request related to Central Hudson's incremental electric and gas property tax expense failed to meet the Commission's materiality requirement for deferred accounting treatment. The Commission also adopted various staff adjustments to Central Hudson's calculation of the amount of storm restoration expense eligible for deferral by \$800,000.

The back-to-back snowstorms in February 2010 were the most severe to impact the company's electrical system in its 110-year history. Restoring electric service required the effort of all of the company's employees as well as hundreds of contractors and mutual aid crews from as far away as Michigan, who worked together quickly, safely and without a single serious injury. All told, an estimated 210,000 customer interruptions occurred as a result of the 'Twin Peaks' storm, or about seven out of 10 customers.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case Number 10-M-0473 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).