

STATE OF NEW YORK

Public Service Commission

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NEW RATES FOR CENTRAL HUDSON CUSTOMERS

— Utility Agrees to Look for Ways to Tighten Belt in Weak Economy —

Albany, NY—06/18/09—The New York State Public Service Commission (Commission) today established a rate plan that increases annual electric and gas service delivery rates by \$38 million and \$13.6 million, respectively, for Central Hudson Gas & Electric Corporation (Central Hudson), not including an additional temporary surcharge on customer bills to recover an increase in state-mandated assessments.

“We are always concerned about the impacts on ratepayers of any rate increase,” said Commission Chairman Garry Brown. “Clearly, it is never a good time to raise rates, and this is especially true at a time when consumers are struggling financially. Nevertheless, there are certain increases in Central Hudson’s costs that have to be accounted for and recognized.”

Under the terms of the rate plan, excluding the mandated increase in assessments, the delivery portion of a typical monthly residential electric bill for a customer using 670 kilowatt hours of electricity will increase by about \$3.95 or 8.5 percent per month, after application of the Commission-approved electric bill credit. Excluding the mandated temporary surcharge increase, the delivery portion of a typical monthly bill for a residential gas heating customer using 930 Ccf of gas annually will increase by about \$10.90 or 23.5 percent per month.

The principal factors driving Central Hudson’s need for additional revenues were a decrease in sales and increase in pension costs. In fact, 71 percent of the electric rate increase and 69 percent of the gas rate increase is directly attributable to those two factors.

The rates incorporate austerity savings of \$2.4 million for electric and \$600,000 for gas service. Central Hudson is required to exercise its best efforts to achieve these savings by effectively managing its own resources. Austerity savings could reflect, in part, items proposed by the company in its austerity plan filed on June 15 in Case 09-M-0435.

The Commission continued electric reliability, customer service quality and gas safety performance standards for Central Hudson, in several cases tightening the targets that the company must meet, and increasing the negative revenue adjustments that will be assessed if it fails to do so. These mechanisms are designed to ensure that customers receive the level of safe and reliable service they pay for in rates.

The Commission also adopted targets for the company's capital expenditure programs that will ensure ratepayers are protected from cost over-runs and do not pay for work that is not completed during the rate year. The decision provides full funding to Central Hudson's low-income program and additional financial assistance for Home Energy Assistance Program Customers.

In addition to the rate increases discussed, the mandated Temporary State Energy and Utility Service Conservation Assessment will increase rates by approximately \$13.5 million for electric and \$3.1 million for gas. Such costs will be recovered through a separate surcharge. Implementation of the newly enacted temporary assessment will be handled as part of the Commission's decision in its pending generic proceeding.

Although there were several notable factors driving the rate increase, the Commission was able to mitigate their impact. Electric rates would have been higher had the Commission not instituted an electric bill credit which will offset \$20 million of the electric rate increase in the rate year, and will ultimately return \$36 million to ratepayers over three years.

Central Hudson had sought increased rates for both electric and gas service of \$66.1 million and \$20.2 million, respectively, for a total of \$86.3 million. Instead, the company is

being allowed \$38.0 million for electric service, \$13.6 million for gas service, and \$16.6 million for the temporary surcharge, for a total of \$68.2 million.

Thus, the delivery rate increases authorized by the Commission today represents a total reduction of about \$18.1 million from the company's updated request. Furthermore, when compared to bills for the recent 12 months ending March 31, 2009 — a period of relatively high electricity commodity prices — anticipated lower commodity prices in the coming rate year are expected to help offset overall bill impacts.

Central Hudson was also authorized to adopt Revenue Decoupling Mechanisms for both electric and gas service, modeled after programs recently adopted by the Commission for other utilities. The Revenue Decoupling Mechanism removes the utility's disincentive for promoting important energy efficiency programs and reduces earnings volatility.

The suspension period in this case ends June 27, 2009, with new rates scheduled to take effect July 1, 2009.

The Commission's decision, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.state.ny.us and entering Case Numbers 08-E-0887 or 08-G-0888 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).