



Central Hudson Gas & Electric Corporation

Proposed Electric and Gas Rate Increase

14-E-0318 & 14-G-0319

PSC Seeking Public Comment on Joint Proposal

The New York State Public Service Commission seeks public comments on the Joint Proposal regarding Central Hudson Gas & Electric's proposed rate increase.

Interested members of the public are invited to attend public statement hearings and provide their comments regarding the proposed rate increase. The hearings will be held before an Administrative Law Judge as follows:

Poughkeepsie **Tuesday, March 10, 2015**
6:00 p.m. - Hearing
Town Hall
1 Overocker Road

Kingston **Thursday, March 12, 2015**
6:00 p.m. - Hearing
Council Chambers
Kingston City Hall
420 Broadway

It is not necessary to be present at the start of the hearings, or make an appointment in advance of the hearing, or present written material in order to speak at the hearings. All comments given at the hearing will be transcribed and become part of the Commission's formal record. The hearings will adjourn no earlier than 8:00 p.m. and will remain open until everyone wishing to speak has been heard or other reasonable arrangements have been made.

Disabled persons requiring special accommodations may call the Department of Public Service (DPS) at 518-474-2520. TDD users may request a sign language interpreter by placing a call through the New York Relay Service at 711 to reach DPS at the previously mentioned number. If you have difficulty understanding English, please call the Department at 1-800-342-3377 for free language assistance services.

Background

In July 2014 Central Hudson Gas & Electric Corporation (Central Hudson) formally asked the New York State Public Service Commission (Commission or PSC) to approve increases in revenues (the total amount collected from customers through the rates they pay) for electric and gas delivery service.

On February 6, 2015 a Joint Proposal (JP) was filed by Department of Public Service (DPS) Staff, Central Hudson, Multiple Intervenors, the Retail Energy Supply Association, the Pace Energy and Climate Center, and the Sabin Center for Climate Change Law at Columbia Law School (collectively, the "Signatories"). The JP proposes a three-year rate plan to become effective July 1, 2015.

An Administrative Law Judge is presiding over the gathering of public comment and all evidence relating to the proposal. The JP and public comments will be presented to the Commission for consideration. It may adopt or reject the JP in whole or in part.

Summary of the Rate Case

As part of the ratemaking process, a utility will file a request with DPS for a rate increase. The request includes the proposed rates and supporting documentation justifying the Company's proposal.

In its initial filing, Central Hudson requested to increase its electric delivery revenues by \$40.1 million and its natural gas delivery revenues by \$5.9 million. These proposed increases would have resulted in total bill increases of 8.4% and 2.7% for an average electric and gas residential customer, respectively. Central Hudson stated that the main reasons for the requests are to offset sales reductions, fund environmental clean-up costs, and to pay for local property taxes, higher operating expenses due to inflation, and increased expenses associated with new infrastructure investment.

DPS assembled a team of experts, including lawyers, financial analysts, engineers and consumer service specialists, to analyze the filing. The investigation

involved a close examination of Central Hudson's supporting documentation and of the contrary claims put forth by other parties in the case. Following this investigation and examination, the parties developed through negotiation, the JP.

Summary of Joint Proposal

Under the JP, a set of terms and conditions were developed for a three year rate plan for the Company's electric and gas service. The three year plan is to become effective July 1, 2015 with the Rate Year 1 ending on June 30, 2016, Rate Year 2 ending on June 30, 2017 and Rate Year 3 ending June 30, 2018. As shown in the chart below, to mitigate bill impacts, the Signatories agreed to utilize available regulatory liabilities as bill credits, thereby reducing the proposed delivery rate increases:

	Rate Year 1		Rate Year 2		Rate Year 3	
	Electric	Gas	Electric	Gas	Electric	Gas
Proposed Increase	\$20.2 million	\$2.5 million	\$20.8 million	\$5.3 million	\$14.0 million	\$4.3 million
Bill Credit	\$13.0 million	\$2.5 million	\$12.0 million	\$1.7 million	\$2.0 million	\$0

The charts below show the estimated percentage bill impacts for average electric and gas customers:

Electric Service Classes	Rate Year 1	Rate Year 2	Rate Year 3
Residential (No. 1 - non-heating)	1.04%	4.68%	4.54%
Residential(No. 1 - heating)	(-1.88%)	4.06%	4.84%
General (No. 2 - non-demand)	1.23%	5.24%	5.73%

Gas Service Classes	Rate Year 1	Rate Year 2	Rate Year 3
Residential (No. 1 & 12)	(-0.14%)	1.13%	4.21%
Commercial & Industrial (No. 2,6 & 13)	(-2.19%)	1.07%	2.86%

The JP also includes:

- Modifications to the electric reliability and gas safety performance metrics that will hold the Company to higher performance measures than those currently in place;
- Stringent requirements concerning replacement of leak-prone gas pipes;
- Establishment of a Major Storm reserve for electric operations and funding for the reserve;
- Continuation of Central Hudson's revenue decoupling mechanisms (RDM) per the 2010 Rate Case Order with provisions for semi-annual RDM periods to replace annual and interim RDM periods;
- Reporting requirements for numerous topics such as the Empower program, low-income customers, security upgrades, actual earnings, capital expenditures and gas safety;
- Continued incentives for Central Hudson to provide high quality customer service;
- Requirement for the Company to transition to monthly billing for all customers; and
- Formation of a Reforming the Energy Vision (REV) Working Group to present demonstration projects for the Commission's consideration.

Methods for Commenting on the JP

Comments can be submitted at the public statement hearings held on March 10 and 12, 2015 or through the methods below:

Via the Internet or In Writing: Submit comments electronically to Kathleen H. Burgess, Secretary, at secretary@dps.ny.gov or by mail or delivery to Secretary Burgess at the Department of Public Service, Three Empire State Plaza, Albany, New York 12223-1350. Comments may also be entered directly into the case by locating the case via the home page of the Commission's website, www.dps.ny.gov, by clicking on "Search," and entering 14-E-0318 & 14-G-0319 in the "Search by Case Number" field. After clicking to open the case, enter comments in the "Post Comments" section located at the top of the page.

Toll-Free Opinion Line: Individuals may choose to submit comments by calling the Commission's toll-free Opinion Line at 1-800-335-2120. This line is set up to receive in-state calls 24-hours a day. Callers should press "1" to leave comments about "Case 14-E-0318 & 14-G-0319 Central Hudson Electric and Gas Rates Joint Proposal."

Comments submitted via these alternative means are requested by March 26, 2015. Comments received by the Department will become part of the record considered by the Commission.

Next Steps

The Commission will formally consider the case at one or more regularly scheduled public meetings. Following its discussion and deliberations at such meetings, the Commission will issue a written order