Received: 07/25/2014

July 25, 2014

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

Dear Commissioners:

Re: Revisions to Schedule for Electric Service – P.S.C. No. 15 - Electricity

The amended tariff leaves set forth below are filed by Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") on July 25, 2014 to become effective August 24, 2014. Pursuant to the Order dated June 26, 2013 in Case 12-M-0192, the Company's current rate plan extends until June 30, 2015. As such, the Company's expectation is that the Commission will issue appropriate orders suspending the effective date of the leaves so that the proposed rates may become effective no sooner than July 1, 2015.

P.S.C. No. 15 – Electricity

3rd Revised Leaf No. 94
16th Revised Leaf No. 104
8th Revised Leaf No. 135
7th Revised Leaf No. 163.3
8th Revised Leaf No. 163.5.2
11th Revised Leaf No. 163.5.4
1st Revised Leaf No. 163.5.4.1
5th Revised Leaf No. 163.5.5
12th Revised Leaf No. 165
15th Revised Leaf No. 169
12th Revised Leaf No. 185
14th Revised Leaf No. 205
12th Revised Leaf No. 205.1
6th Revised Leaf No. 205.2
17th Revised Leaf No. 210
12th Revised Leaf No. 217
14th Revised Leaf No. 218
11th Revised Leaf No. 218.1
7th Revised Leaf No. 218.2
11th Revised Leaf No. 219
13th Revised Leaf No. 220
11th Revised Leaf No. 221
13th Revised Leaf No. 222
13th Revised Leaf No. 226
8th Revised Leaf No. 231
13th Revised Leaf No. 246
15th Revised Leaf No. 246.1

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 25, 2014. The letter accompanying the Company's filing, excluding attachments, is attached as Appendix A.

The Company will file, pursuant to Commission Order, a new Merchant Function Charge Statement and Electric Bill Credit 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 6th, 13th, 20th, and 27th, 2014 issues of the Putnam County Courier, the Catskill Daily Mail, the Daily Freeman, the Times Herald Record and the Poughkeepsie Journal.

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Questions related to this filing should be directed to Darlene Clay at (845) 486-5466 or dclay@cenhud.com.

Very truly yours,

Michael L. Mosher
Vice President - Regulatory Affairs

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Appendix A

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July 25, 2014

Honorable Kathleen Burgess, Secretary
New York State Public Service Commission
3 Empire State Plaza, 19th Floor
Albany, New York 12223-1350

Dear Secretary Burgess:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "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.

Tariffs

The tariff leaves listed on Attachment A are issued as of July 25, 2014 with an effective date of August 24, 2014, and are being filed electronically via the Commission's tariff system. However, since the Company's current electric and gas rate plans extend until June 30, 2015, the Company anticipates that the Commission will issue appropriate orders suspending the effective date of the leaves so that the proposed rates may become effective no earlier than July 1, 2015. 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, 2014. The Company has also submitted projected operating results for the forecast rate year ending June 30, 2016 (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, 2017 and 2018, as shown in the separate Attachment B entitled "Additional Information."

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Requested Revenue Increases

The purpose of this filing is to align the charges to our customers with our Rate Year costs of providing electric and gas delivery service. As the Commission is aware, Central Hudson's rates are currently frozen through June 30, 2015. During this period, the Company has continued to make capital investments in both its electric and gas delivery systems, and costs of operations have continued to increase, due in major part to externally imposed costs such as property taxes and other costs beyond the ability of the Company to control. As a result, Central Hudson's costs to serve have increased even though these increased costs are not being reflected currently in charges to our customers.

The tariffs filed herewith have been developed to produce the revenues necessary to reflect the costs of providing electric and gas delivery service in the Rate Year. The tariffs would produce electric and gas delivery rate revenue increases of $40.1 million and $5.9 million, respectively, compared to the revenues produced by application of the current rates to the forecast Rate Year billing determinants.

Mitigation of Rate Increase

Central Hudson has mitigated the requested increases through incorporation of cost reductions we expect to achieve in the Rate Year into our cost of service analyses, including recognition of $1.85 million of synergies achieved as a result of the acquisition by Fortis. Central Hudson is also proposing a reduction in the allowed rate of return on the Company's common equity investment from the currently authorized 10.0% to 9.0%, which represents an additional $8.8 million in mitigation of the required rate increase. In addition, with respect to gas delivery service, as a result of actions by the Company to expand its gas operations consistent with the Commission's policies favoring gas expansion, growth in forecast use of gas during the Rate Year has mitigated the otherwise required rate increase by $7.2 million. For electric delivery service, contractions in forecast Rate Year use of electric delivery service attributed to energy efficiency, implementation of sources of distributed generation (primarily solar), and lack

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of customer growth, have the effect of increasing the required rate increase by $9.8 million.

Central Hudson also advises the Commission that the Company forecasts the availability at the start of the Rate Year of net balance sheet items amounting to $46.0 million (electric) and $5.1 (gas), which could be employed in a number of alternative manners to further moderate the effects on customers' bills of the requested increases. Experience indicates that various parties will have proposals for accomplishing the additional moderation, and that some of the proposals will likely conflict. Accordingly, the Company believes that developing the most desirable moderation will be a significant topic of discussion among the parties during the proceeding. The Company has proposed in its filing to utilize a portion of the these balance sheet moderators as a bill credit to offset half of the Company's requested rate increases.

Principal Drivers of the Requested Rate Increases

The single largest factor requiring the current filing is increases in our property tax expense. The forecast Rate Year property taxes are $18.8 million higher than the level currently reflected in rates and represent over 40% of the total $46.0 million in combined gas and electric delivery revenue increases being requested in this filing. The Commission should also be aware that property taxes are forecast to make up nearly 15% of the Company's entire costs to serve in the Rate Year, heading towards levels formerly thought only to exist only in the New York City area.

As described in the testimony included in this filing, the remainder of the requested increases are due to increases in a number of operating expenses (a significant portion of which has been offset by forecast reductions in other operating expense items), and an increase in rate base, due to the delays in recognizing capital investments being made by the Company during the rate freeze period to meet the Commission's net plant target requirements. The rate base growth is being offset, however, by the reduction in the allowed cost of common equity, which has reduced Central Hudson's capital costs.

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Implications of the REV Case

The Commission's April 25, 2014 Order in Case 14-M-0101, Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision (REV), sets forth an ambitious agenda for potentially major changes to the business of New York utilities and to how they are regulated. In light of the potential for these changes to entail significant increases in risk and for the changes to occur during the Commission's consideration of this filing, the Company is reserving the right to revise its requested rate of return on common equity.

As of the time of this filing, however, the REV Case is in its early stages. Although no actionable requirements are expected from the REV Case for several months, Central Hudson has included in this filing conceptual proposals for a Community Solar Program, for acquiring area-specific Demand Response resources and for an area-specific micro-grid. Also, Central Hudson has recently filed with the Commission a tariff that would, upon approval by the Commission, permit customers to opt-out of the use of ERT meters. Similarly, Central Hudson has included a proposal for a Smart meter opt-in program. The costs of implementing these proposals have not, however, been reflected in the filing. The Company is committed to working with Staff and interested parties to further develop these proposals during the pendency of the case, in a manner that is consistent with developments and policy outcomes in the REV proceeding.

Consistent with the fact that the Commission's April 25, 2014 Order in the REV Case, and the Staff Proposal that was attached to that Order, make frequent references to the potential for significant future changes some time in 2015 to how New York utilities will be regulated, the Company is not proposing at this time to make material structural changes to its tariffs, or to its revenue allocation or rate design methodologies, as supported by the Company's cost of service studies. The Company is similarly not proposing any structural changes to its electric or natural gas tariffs or rate structures, whether customers purchase their commodity supply from Central Hudson or another

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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 and natural gas commodity and supply related cost supply recovery mechanisms (Energy Cost Adjustment Mechanism or ECAM, and Gas Cost Adjustment or GCA, respectively). The Company is proposing a continuation of the revenue per class and revenue per customer revenue decoupling mechanisms (RDMs) previously approved by the Commission for electric and gas delivery service revenues, respectively. The Company is also proposing increases to customer reconnection charges.

Embedded cost of service studies for 2012, 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 to more closely reflect the costs to serve. In this filing, the Company is proposing to continue the current Electric Reliability, Gas Safety, and Customer Service Quality performance mechanisms, but is proposing to modify the Electric Reliability interruption frequency target (SAIFI), and all of the Gas Safety Damage Prevention targets (Total Damages, Mismarks, and Company/Company Contractor Damages) to recognize and reflect interruption frequency improvements achieved, and the near doubling of the scope of effort for the replacement program for cast iron and steel pipe that Central Hudson is proposing. In addition, the Company is proposing a change to the Leak Backlog target.

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Calculated Delivery Bill Increases

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 $4.78 or 4.4%, based on June 2014 market supply costs, and current surcharge factors. Typical annual gas bills (commodity and delivery) for residential customers are projected to increase by $12.52 or 0.8% based on June 2014 gas supply costs, and current surcharge factors.

Procedural Matters

An electronic copy and fifteen hard 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 16NYCRR §§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,

M.L. Mosher

Michael L. Mosher
VP- Regulatory Affairs

cc: Commissioner Audrey Zibelman, Chair
Commissioner Patricia L. Acampora
Commissioner Gregg C. Sayre
Commissioner Garry A. Brown
Commissioner Diane X. Burman

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Copies: Active Parties to Cases 09-E-0588, 09-G-0589 and 12-M-0192
Brian T. FitzGerald – Cullen & Dykman LLP

Attachment A – Tariff Leaves – PSC No. 15 Electricity and PSC No. 12 Gas
Attachment B – Additional Information

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