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CENTRAL HUDSON GAS & ELECTRIC CORPORATION
284 SOUTH AVENUE
POUGHKEEPSIE, NEW YORK 12601

February 1, 2002

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

Re: Central Hudson Gas & Electric Corporation
Curtailable Electric Service Option

Dear Commissioners:

Central Hudson Gas & Electric Corporation filed a Curtailable Electric Service option on February 14, 2001 in response to a Public Service Commission Order in Case 00-E-2054 issued and effective December 20, 2000. In this filing, Central Hudson proposes to eliminate the Curtailable Service option for reasons described below. The following tariffs are filed February 1, 2002 to become effective May 1, 2002.

P.S.C. No. 15 - ELECTRICITY

3rd Revised Leaf No. 173	3rd Revised Leaf No. 191
4th Revised Leaf No. 174	3rd Revised Leaf No. 192
3rd Revised Leaf No. 175	6th Revised Leaf No. 254
3rd Revised Leaf No. 176	6th Revised Leaf No. 255
3rd Revised Leaf No. 189	7th Revised Leaf No. 256
4th Revised Leaf No. 190	4th Revised Leaf No. 257

In its February 14, 2001 filing, the Company was responding to the PSC's directive to institute programs that would include making available to customers voluntary real time (hourly) pricing tariffs and tariffs to facilitate the increased participation by full service utility customers in the emergency load curtailment programs developed by the New York Independent System Operation (NYISO). The NYISO's emergency load curtailment programs were not completed as of February 14, 2001 so tariff filings to institute the NYISO Emergency Demand Response Program (EDRP) and the NYISO Day Ahead Demand Response Program (DADRP) were made by Central Hudson on April 30, 2001 and May 23, 2001, respectively.

Central Hudson's Curtailable Service Option and Hourly Pricing Option as well as the NYIOS EDRP and DADRP programs were available to customers for summer 2001. Based on Central Hudson's experience in 2001 with the Curtailable Service Option and EDRP, we believe that eliminating the Curtailable Service Option will minimize the customer confusion that results from the existence of two apparently similar, yet substantially different demand response programs. On the surface,

the programs appear to have many similar characteristics including a Customer Baseline Load, notices to curtail load, credits for successfully curtailing load, and interval metering requirements. In practice and administration, there are significant differences. Central Hudson's curtailable program was designed to operate as a price responsive program, while the NYISO designed the EDRP with the intent of maintaining the reliability of the bulk power system.

Curtailable Program Vs EDRP

Central Hudson's curtailment program includes penalties for customer non-performance. The EDRP program is a voluntary program in which customers are credited whenever energy use is curtailed compared to a customer specific Customer Baseline Load (CBL). Under the EDRP, penalties are not assessed for increased usage relative to the CBL. Central Hudson curtailment payments are based on the maximum load curtailed during a billing period, crediting customers with a payment based on a single curtailment. Customers participating in the EDRP program are credited for each emergency called during which they curtailed load.

Other Concerns

When the demand response programs were instituted last year, customers were encouraged to participate in multiple load curtailment programs but were only to be reimbursed for the greatest credit achieved under any single curtailment in cases where curtailments under multiple programs were called simultaneously. However, given that customers can work with a Curtailable Service Provider(CSP) for NYISO programs, it is not possible for Central Hudson to prevent multiple credits and payments from flowing through to customers using a CSP. Central Hudson credits customers on a monthly basis for its curtailment program. Customer load data is provided by LSEs and CSPs to the NYISO for their EDRP customers. When the NYISO determines its EDRP credits, payments are made either to the LSE or directly to the CSP. This practice can result in a customer receiving multiple payments for a single curtailment.

Central Hudson currently has eight customers enrolled in the EDRP, including four customers enrolled in the Curtailable Program. The elimination of the Curtailable Program would not prevent customers from participating in demand response programs.

As noted above, the Curtailable Program was designed to operate as a price responsive program. Central Hudson's Hourly Pricing Program gives customers the greatest opportunity to participate in a price responsive program. Since the implementation of the 2001 demand response programs and effective November 1, 2001 Central Hudson has restructured its electric rates. Included in this restructuring was the development of an Energy Cost Adjustment Mechanism which included class specific Market Price Charges for customers buying energy from Central Hudson. The mechanism also includes a Purchase Power Adjustment (PPA) factor applicable to all customers. Through the PPA, all benefits resulting from the long-term purchase power agreements that have been negotiated between Central Hudson and the new owners of its former power plants are returned to customers. By separating PPA costs from the Market Price Charge, customers are able to respond to market prices on an hourly basis throughout the month, providing them with far greater opportunities than those currently available under the Curtailable Service Option. Prior to November 1, all purchase power benefits were included in the Energy Supply Charge, creating an artificial price

signal. These reduced charges didn't allow customers to achieve any significant economic benefits by participating in an hourly pricing program. This is no longer true. As of November 2001, Central Hudson customers are billed market prices for energy and receive PPA benefits in a separate charge. Now that customers are provided this price information, they have shown a greater interest in the Hourly Pricing Program. We expect that several customers will enroll in this program within the next few months.

Central Hudson requests that the newspaper notice requirement be waived because copies of this filing will be provided to the three customers taking service under the Company's Curtailable Service option.

Questions related to this filing should be directed to Maida J. Lewis who can be reached at 845-486-5375.

Yours Very Truly,

Arthur R. Upright

