Received: 8/1/2000

..DID: 12581
..TXT:

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

August 1, 2000

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

Dear Commissioners:

Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") hereby submits for filing revisions to its Schedule for Electric Service, PSC No. 15-Electricity and Schedule for Gas Service, PSC No. 12-Gas.

The tariff leaves, which are set forth on Appendix A, are issued as of August 1, 2000 with an effective date of September 1, 2000. The Company's expectation is that the Commission will issue appropriate orders suspending the effective date of the leaves through June 30, 2001 so that the proposed rates may become effective July 1, 2001.

Filing Background

This filing is the next step in implementing the Commission's competitive vision for electric and gas utilities. As a result of this filing, Central Hudson will restructure its electric rates to reflect the divestiture of its electric generating plants and Central Hudson's new mission as a delivery company. Unbundling of the Company's gas rates is also being proposed. These new tariffs will allow Central Hudson's delivery customers to purchase energy (electric or gas) from either Central Hudson or from other energy services providers in the market. Our customers' ongoing interests in better satisfaction, through improved reliability and customer service experiences with Central Hudson have led the Company to propose innovative, new programs and associated financial incentives.

The electric portion of the filing was required by the Company's Competitive Opportunities Settlement Agreement. The gas portion of the filing implements several recent Commission orders addressing competitive natural gas markets and seeks a modest increase in revenues related to cost increases since the last time the Company's gas rates changed in 1991. When the filing becomes effective, all of Central Hudson's electric and gas customers will have the opportunity to purchase electricity or gas from a supplier of their choice.

Received: 8/1/2000

Electric

In this transition filing Central Hudson is proposing dramatic structural changes to its electric tariff rates, which are the first change to base rates since 1993. These changes are directly related to Central Hudson changing from a full service vertically integrated utility to a transmission and distribution delivery utility.

Retail Access

When this filing becomes effective all Central Hudson electric customers' will have the opportunity to purchase electricity from a supplier of their choice. This is the ultimate goal of the transition to competition - retail access for all.

Structure

Central Hudson's tariff rates have been restructured as delivery service rates applicable to all customers whether they purchase their electricity from Central Hudson or another supplier. This is in contrast to the existing tariffs that are for a bundled service, which includes the costs of Central Hudson's generating facilities.

Purchased Power Clause

Central Hudson proposes to establish a purchased power cost recovery mechanism to recover the cost of purchasing electricity in the wholesale market for those customers that want Central Hudson to provide them with this service. The cost and quantity of such purchases are difficult to predict. The wholesale price of electricity in the competitive market operated by the New York Independent System Operator has been very volatile since its inception. In addition the number and type of customers that elect to buy electricity from Central Hudson is unknown.

Revenue Allocation

The Company has established the revenue requirement needed for delivery service. The revenue requirement for Nine Mile Point 2 was identified separately. An embedded cost-of-service study exclusive of all fossil and nuclear production plant was completed to establish rates of return for customer classes. Based on the cost of service study rates of return the individual customer classes were targeted to be within plus or minus 15 percent of the system rate of return. The incremental revenue required to meet the revenue requirement was then allocated to customer classes based on delivery revenues. Increases to individual classes were limited to no greater than 1.25 times the overall change and not less than 0.5 time the overall change.

Rate Design

Delivery service rates for customer classes were designed to meet the class revenue requirements. The Company proposes to eliminate both the residential and commercial time-of-use options so those existing classes were combined with their corresponding non-time differentiated rate classes. S.C. No. 6 was combined with S.C. No. 1 and S.C. No. 12 was combined with S.C. No. 2. Customer charges were increased significantly for all classes in an attempt to bring them closer to both embedded and marginal costs. After designing the customer charge, energy

Received: 8/1/2000

delivery rates were maintained at the current levels of our existing optional retail access rates. Any shortfall in revenues, was allocated to the demand rates.

The S.C. No. 2 heating discount provision was eliminated. In Service Classification Nos. 3 and 13 - Large Power - Primary and Large Power Substation and Transmission Service respectively, the on- and off-peak pricing for energy was eliminated and replaced with a flat energy rate. The peak period demand charge was also eliminated. All revenue shortfalls were allocated to the monthly basic demand charge. The Company established a monthly basic demand charge for S. C. No. 13 Transmission Service. The S.C. No. 3 and 13 - Growth Incentive Discount provision was eliminated because it was originally designed to address the Company's underutilized generation capacity. The S.C. No. 13 Energy Value Option will also be eliminated because this filing makes full retail access available to all customers.

The lighting class rates are designed for delivery service. Initially revenues were targeted to meet non-production revenue requirements. Existing prices for lights were then adjusted to remove energy costs. Revenue shortfalls were allocated across all light types and sizes in an attempt to meet the delivery service revenue requirement..

The Company is proposing to close Service Classification No. 9 - Traffic Signals, to new customers. In the future, all new customers taking service for traffic signals, service will be required to take service under S.C. No. 2 - General Service.

The Nine Mile Point 2 (NMP2) competitive transition charge was developed to recover the revenue requirements associated with NMP2 after deducting the fossil divestiture proceeds in excess of book value.

The Company also proposes to remove from base rates the costs associated with the System Benefit Charge (SBC) and instead collect these costs from all customers through a separate (SBC) charge identified on customer bills. The surcharge will be applied to all delivery energy sales.

The Company has proposed to increase reconnection charges for both gas and electric from $10.00 to $20.00 for reconnections that occur during normal business hours. The charges for all other hours has been increased from $25.00 to $40.00. We have also proposed a charge for reconnection of $100.00 and $140.00 for reconnections that require electric line or gas mechanic crews during normal business hours, and all other hours respectively.

Gas

In this filing Central Hudson is proposing to unbundle its tariff structure to show the total gas costs and delivery service charges separately. To accomplish this, we have removed the base cost of gas and the factor of adjustment from Service Classification Nos. 1 and 2. The gas costs that were previously collected through our base rates will be collected through the Gas Cost Adjustment. Effective with this change the rates for Service Classification No. 1 - Residence Delivery Service will be identical to the rates for Service Classification No. 12 - Aggregated Firm Transportation - Residence. In addition, the rates for Service Classification No. 2 - Commercial /Industrial Delivery Service will be identical to the rates for Service Classification No. 6 - low volume- Firm Transport Commercial/Industrial and Service Classification No. 13 -

Received: 8/1/2000

Aggregated Firm Transportation - Commercial/Industrial.

Received: 8/1/2000

Revenue Impact

Own territory operating revenue must be increased by $3,571,000 in the Rate Year to meet the Company's projected cost of providing service. Of that amount $147,000 represents state and local revenue taxes that would be billed pursuant to the tax surcharge provision of the Company's tariff. The balance of $3,424,000 is to be obtained from Service Classification Nos. 1, 2, 6, 12 and 13 rates. Currently both our tariff rates and adjustment factors include credits derived from the net of fuel revenues received from interruptible sales and sales to the generating facilities. Our existing tariff rates include a imputation credit $1,900,000 received from interruptible sales and our gas cost adjustment and our transportation demand adjustment factors include a flowback credit of 90% of the balance of the net fuel interruptible revenue and 100% of the net of fuel revenue received from sales to the generating facilities. The remaining 10% of net of fuel interruptible revenue is retained by the Company. In this filing we are proposing to change our sharing method to a full 90/10 split of both the interruptible sales and generating facility net of fuel revenue. Accordingly, the revenue increase of $3,424,000 will be offset by a decrease in the gas cost adjustment and transportation demand adjustment factors equal to 90% of the $1,900,000 imputation credit that we currently include in our tariff rates. Therefore, the net increase requested by this filing will be $1,714,000.

If the requested increase is approved a typical annual bill for a residential delivery heating customer consuming 1,100 Ccf would increase by $37.26 or 3.72%. An annual bill for a commercial delivery heating customer consuming 5,300 Ccf would increase by $31.19 or 0.85%.

Revenue Allocation

The Company historically has sought to bring the rate of return of Service Classification Nos. 1 and 2 to within 15% of the system average rate of return. The Company proposes to continue to set this band using average rate of return of 6.60% as developed in the Company's Proforma Cost of Service Study. In addition, the Commission has followed a policy in the Company's past cases that restricted the maximum increase allocated to any service classification to 1.5 times the overall increase and the minimum increase allocated to any service classification to 0.5 times the overall increase. The Company is proposing to comply with these restrictions. However, in this filing, to mitigate the overall impacts on the residential class, the minimum increase allocated to the commercial class was increased from 0.5 times to 0.7 times the overall increase.

Rate Design

In designing rates for the residential customers the fundamental goal was to shift as much of the cost as possible to the lower billing blocks, while not placing an excessive burden on the smaller customers. This will reduce the subsidization of the small customers by the larger customers. To accomplish this we increased the minimum charge from the present net of fuel level of $5.53 to $8.30 per month, restricted the increase to the tail block of 0.5 times the overall class increase and assigned the balance of the proposed to the second billing block.

In designing rates for the commercial customers the primary goal was to maintain a minimum amount of increase in the tail block. This will help the Company retain the large dual fuel customers and promote the use of natural gas for

Received: 8/1/2000

cooling. We have maintained the same minimum charge for commercial service as for residential service, increased the second billing block to 1.5 times the class increase , restricted the increase in the tail block to 0.5 times the class increase and assigned the remaining portion of the proposed increase to the third billing block.

Currently, customers operating under Service Classification No.6- High Volume are charged the tail block of our commercial rate for all gas consumed and are not charged a customer charge. We have maintained the tail block rate design but are proposing to add a commercial customer charge to rate design for these customers.

Gas Cost Adjustment

The Company is proposing to modify our gas cost adjustment calculation to follow the format outlined in the Commission's Notice of Proposed Rulemaking issued April 7, 1998 in Case 97-G-1178.

In addition, as a result of our unbundling the gas costs from our tariff rate, we are proposing to include a factor designed to collect the cost of uncollectible accounts associated with commodity and upstream pipeline demand costs in the gas cost adjustment and the transportation demand adjustment factors. We are also proposing to include a carrying charge component related to storage inventory and the deferred gas balance.

For purposes of this filing, the Company has used the 1.035 adjustment factor established by the Commission in Case 95-G-1034 and has proposed to maintain that level of loss allowance.

Other Proposals

In this filing, Central Hudson proposes to establish a reliability enhancement program which is expected to increase the overall reliability of the electric system by 25%. Central Hudson also proposes to create a Quality Service Program of performance measures, including electric reliability, which are designed to penalize the Company if its performance decreases and reward the Company if its performance improves above current levels.

The Company is prepared to discuss a mechanism that recognizes the Company's delivery service price performance.

Support for These Proposed Tariffs

The accompanying testimony and exhibits sets forth and documents the support for these proposed tariffs. In addition, two additional years of cost data is also provided and could serve as a foundation for a multi-year rate plan. The Company has not articulated a definitive plan because there are significant events that will transpire after this filing that have the potential to dramatically alter the required revenues.

Fossil and Nuclear Divestiture

Because the auction processes for the divestiture of the Roseton, Danskammer and Nine Mile Point Unit 2 generating plants are currently underway as of the date this filing is being made, certain assumptions have necessarily been made concerning the costs of these facilities and the potential outcome of the sales

Received: 8/1/2000

processes. These assumptions are intended to be competitively neutral so as to have no effect on the pending sales processes. Central Hudson currently anticipates that the sales could close during the first quarter of 2001, following Commission decisions in the required Public Service Law §70 applications that will be made subsequent to selection of the winning bidders. Central Hudson expects to provide supplemental information to the parties to this proceeding after the §70 filings are made with the Commission.

Procedural Matters

Fifteen copies of the prepared written testimony and exhibits, which comprise the Company's direct case in support of this filing, are also submitted herewith.

Included with this filing is the General Filing Information Form. Notices of this filing will be published in accordance with 16 NYCRR136.70 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 NYCRR136.80 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,

Arthur R. Upright

U:\COSTRATE\COMMON\ELECTRIC\LETT07.WPD

cc: All Active Parties in Case 96-E-0909
Mr. Robert J. Glasser - Gould & Wilkie
Mr. Thomas P. Riozzi - Gould & Wilkie

Received: 8/1/2000

TARIFF LEAVES

PSC No. 15 - ELECTRICITY

1st Revised Leaf No. 4	1st Revised Leaf No. 246	1st Revised Leaf No. 317
1st Revised Leaf No. 5	1st Revised Leaf No. 247	1st Revised Leaf No. 318
1st Revised Leaf No. 14	1st Revised Leaf No. 253	1st Revised Leaf No. 319
1st Revised Leaf No. 94	1st Revised Leaf No. 254	1st Revised Leaf No. 320
1st Revised Leaf No. 104	1st Revised Leaf No. 255	1st Revised Leaf No. 321
1st Revised Leaf No. 105	1st Revised Leaf No. 256	1st Revised Leaf No. 322
1st Revised Leaf No. 106	1st Revised Leaf No. 273	1st Revised Leaf No. 323
1st Revised Leaf No. 107	1st Revised Leaf No. 274	1st Revised Leaf No. 324
1st Revised Leaf No. 108	1st Revised Leaf No. 275	1st Revised Leaf No. 325
1st Revised Leaf No. 123	1st Revised Leaf No. 276	1st Revised Leaf No. 326
1st Revised Leaf No. 124	1st Revised Leaf No. 277	1st Revised Leaf No. 327
1st Revised Leaf No. 136	1st Revised Leaf No. 278	1st Revised Leaf No. 328
1st Revised Leaf No. 164	1st Revised Leaf No. 279	
1st Revised Leaf No. 165	1st Revised Leaf No. 281	
2nd Revised Leaf No. 166	1st Revised Leaf No. 282	
1st Revised Leaf No. 168	1st Revised Leaf No. 283	
1st Revised Leaf No. 169	1st Revised Leaf No. 284	
1st Revised Leaf No. 170	1st Revised Leaf No. 285	
1st Revised Leaf No. 171	1st Revised Leaf No. 286	
1st Revised Leaf No. 172	1st Revised Leaf No. 287	
1st Revised Leaf No. 185	1st Revised Leaf No. 288	
1st Revised Leaf No. 186	1st Revised Leaf No. 289	
1st Revised Leaf No. 199	1st Revised Leaf No. 290	
1st Revised Leaf No. 200	1st Revised Leaf No. 291	
1st Revised Leaf No. 204	1st Revised Leaf No. 292	
2nd Revised Leaf No. 205	1st Revised Leaf No. 293	
2nd Revised Leaf No. 206	1st Revised Leaf No. 294	
Original Leaf No. 206.1	1st Revised Leaf No. 295	
1st Revised Leaf No. 209	1st Revised Leaf No. 296	
1st Revised Leaf No. 210	1st Revised Leaf No. 297	
1st Revised Leaf No. 211	1st Revised Leaf No. 298	
2nd Revised Leaf No. 212	1st Revised Leaf No. 299	
1st Revised Leaf No. 213	1st Revised Leaf No. 300	
1st Revised Leaf No. 215	1st Revised Leaf No. 301	
2nd Revised Leaf No. 216	1st Revised Leaf No. 302	
1st Revised Leaf No. 217	1st Revised Leaf No. 303	
2nd Revised Leaf No. 218	1st Revised Leaf No. 304	
1st Revised Leaf No. 219	1st Revised Leaf No. 305	
2nd Revised Leaf No. 220	1st Revised Leaf No. 306	
1st Revised Leaf No. 225	1st Revised Leaf No. 307	
1st Revised Leaf No. 237	1st Revised Leaf No. 308	
1st Revised Leaf No. 238	1st Revised Leaf No. 309	
1st Revised Leaf No. 239	1st Revised Leaf No. 310	
1st Revised Leaf No. 240	1st Revised Leaf No. 311	
1st Revised Leaf No. 241	1st Revised Leaf No. 312	
1st Revised Leaf No. 242	1st Revised Leaf No. 313	
1st Revised Leaf No. 243	1st Revised Leaf No. 314	
1st Revised Leaf No. 244	1st Revised Leaf No. 315	
1st Revised Leaf No. 245	1st Revised Leaf No. 316	

Received: 8/1/2000

Received: 8/1/2000

PSC No. 12 - GAS

1st Revised Leaf No. 4
1st Revised Leaf No. 63
1st Revised Leaf No. 68
1st Revised Leaf No. 69
2nd Revised Leaf No. 70
1st Revised Leaf No. 71
1st Revised Leaf No. 72
2nd Revised Leaf No. 73
1st Revised Leaf No. 148
1st Revised Leaf No. 149
1st Revsied Leaf No. 150
1st Revised Leaf No. 151
1st Revised Leaf No. 152
1st Revised Leaf No. 153
1st Revised Leaf No. 154
1st Revised Leaf No. 158
4th Revised Leaf No. 159
3rd Revisef Leaf No. 186
1st Revised Leaf No. 188
3rd Revised Leaf No. 191
1st Revised Leaf No. 193