Received: 12/7/2006

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

December 7, 2006

Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: CHG&E Proposed Change to Gas Retail Access Program - Capacity Release

Dear Commissioners:

Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") hereby submits proposed tariff amendments, as listed below, to become effective April 1, 2007.

P.S.C. No. 12 - Gas

5th Revised Leaf No. 112
5th Revised Leaf No. 116
3rd Revised Leaf No. 119
Original Leaf No. 125.1
10th Revised Leaf No. 159
8th Revised Leaf No. 186
7th Revised Leaf No. 187
8th Revised Leaf No. 191
8th Revised Leaf No. 192

The purpose of these amendments is to revise the manner in which upstream pipeline capacity is released to retail suppliers who select to take assignment of the Company's primary delivery point capacity under the Company's Retail Access Program, which is applicable to Service Classification Nos 6, 12 and 13.

Background

Under Central Hudson's Retail Access Program, retail suppliers serving firm customers are provided the opportunity to either obtain upstream pipeline capacity from the Company or document that they have purchased their own capacity in order to satisfy the requirement that these retail suppliers have firm, primary delivery point capacity for the months of November through March. When a retail supplier selects to take assignment of Central Hudson's upstream capacity, the Company determines the specific upstream capacity to be released to the retail supplier, and releases that capacity at the applicable upstream

Received: 12/7/2006

pipeline's maximum tariff rate. Central Hudson reimburses the retail supplier the cost of the upstream pipeline capacity in an amount equal to the credit the Company receives from the upstream pipeline related to the capacity release transaction. The cost of the upstream pipeline capacity is then charged to the retail supplier at the Company's system weighted average cost of capacity ("WACOC"). As a result, retail suppliers are provided access to pipeline capacity at the Company's WACOC, such that retail suppliers pay for capacity released by the Company on a basis comparable to the costs customers pay for capacity as full service customers. However, pipeline paths among retail suppliers taking capacity assignment are not uniform.

Proposed Revision

With the tariff amendments filed herein, the Company proposes to effectuate capacity assignment by releasing a pro rata "slice" of applicable firm pipeline capacity in the Company's portfolio. Ideally, this capacity assignment would be implemented by the Company through the release of a pro rata portion, or "slice," of all firm pipeline capacity in the Company's portfolio at each pipeline's maximum tariff rate. However, operational, administrative, contractual and/or reliability considerations restrict the availability of certain capacity for assignment. With this "partial slice of system" approach, the retail suppliers would pay the applicable pipelines directly, and the reimbursement and billing processes currently followed by Central Hudson would be eliminated.

In order to avoid the provision of any subsidies to retail suppliers who take assignment of capacity at prices below the WACOC paid by full service customers, the Company proposes to include an adjustment, called the Capacity Assignment Adjustment, for the difference between the WACOC and the weighted average cost of capacity associated with the pipeline capacity released through the Retail Access Program, in the Transportation Demand Adjustment ("TDA"). The TDA is an existing price adjustment mechanism utilized to collect from or refund to firm transportation customers certain items that are included in the Gas Supply Charge for full service customers (for example, the GRI surcharge and interruptible sales credit or surcharge). The Company proposes to set the Capacity Assignment Adjustment annually, effective April 1, based on the Company's estimate of its system WACOC for the applicable annual period, the current pipeline rates for the pipelines upon which the Company releases capacity, and the estimated deliveries to Service Classification No. 6, 12 and 13 customers. Any difference between the amount surcharged or credited to these customers through the Capacity Assignment Adjustment and the actual difference between the pipeline rates and the Company's system WACOC will be reconciled annually and reflected in the Capacity Assignment Adjustment. The Company proposes to apply this adjustment, whether a surcharge or credit, to all firm transportation customers since capacity assignment is available to all retail suppliers on an equal basis.

Impact of Proposed Revision

Revising capacity assignment to a "partial slice of system" method will ensure the consistent allocation of pipeline assets to participating retail suppliers. In addition, this method will allow the Company's capacity release program to comply with a recent Federal Energy Regulatory Commission ("FERC") order, in Docket Nos. RP 04-92-001 and RP 04-92-002 involving the Atlanta Gas

Received: 12/7/2006

Light Company ("AGL"), which addressed the release of pipeline capacity to retail suppliers. In this order, the FERC directed AGL to clarify that retail suppliers are charged no more than the pipelines' maximum FERC tariff rates. FERC was satisfied that this condition was met provided that end use customers, rather than the retail suppliers, were charged the difference between the maximum price of the capacity released by AGL and the capacity rate charged to retail suppliers by AGL.

Based on current pipeline rates, and an estimate of deliveries to Service Classification Nos. 6, 12 and 13 customers, the Company estimates that the Capacity Assignment Adjustment would be a surcharge of $0.007 per Ccf.

Administrative

While the tariff amendments proposed herein are filed with a proposed effective date of April 1, 2007, the Company requests that this filing be addressed on the Commission's February 14, 2007 agenda. A sufficient amount of time prior to April 1, 2007 is required in order to make necessary programming changes to accommodate the revisions, and so that these revisions are implemented coincident with the implementation of changes approved by the Commission in its Order, issued and effective July 24, 2006, in Case 05-G-0935.

Central Hudson has provided a schedule detailing the calculations of the weighted average costs of capacity referenced above to Mr. Steven Blow, the Records Access Officer for the Department of Public Service, and has requested confidential treatment of this schedule as it contains trade secret information as defined in §6-4.3 of the Public Service Law Rules of Procedure.

The Company is arranging to comply with the requirements of §66((12)(b)) of the Public Service Law as to newspaper publication by publishing notices of the proposed changes contained herein in the December 20 and 27, 2006 and January 3 and 10, 2007 issues of the Catskill Daily Mail, Kingston Daily Freeman, Times Herald Record and Poughkeepsie Journal.

Questions related to this filing should be directed to Stacy Powers at 845-486-5815.

Yours very truly,

Michael L. Mosher

lett103