

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

September 1, 2004

Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Ancillary Reimbursement

Dear Commissioners:

The amended tariff leaves set forth below are filed by Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") on September 1, 2004 to become effective December 1, 2004.

P.S.C. No. 15 - Electricity
2nd Revised Leaf No. 132
Original Leaf No. 132.1

The purpose of this filing is to revise the ancillary reimbursement procedures applicable to Retail Suppliers/Direct Customers participating in Central Hudson's Retail Access Program. Specifically, the Company proposes to revise the reimbursement rate for ancillary services purchased from the New York Independent System Operator ("NYISO") to reflect the rate per kWh incurred by Central Hudson. Currently, the reimbursement rate per kWh can differ among Retail Suppliers as it is based on each Retail Supplier's total NYISO invoice for all load served in the state and, therefore, reflects an average rate across all applicable NYISO transmission zones.

In addition, for ancillary services purchased from a supplier other than the NYISO, the Company proposes to limit the reimbursement rate per kWh to the lesser of the actual invoice amount or one-hundred ten percent (110%) of the rate incurred by Central Hudson for the same NYISO provided ancillary service. Since all ancillary service charges, including those incurred by Central Hudson on behalf of full service customers and those incurred for retail access customers and reimbursed by Central Hudson, are collected on all deliveries through the Miscellaneous Charge factor of the Energy Cost Adjustment Mechanism, the Company believes that the proposed revisions will eliminate any cross zonal subsidies and limit purchases that are substantially above market.

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 changes proposed herein in the September 9, 16, 23 and 30, 2004 issues of the Catskill Daily Mail, the Kingston Freeman, the Times Herald Record and the Poughkeepsie Journal. In addition, the Company will forward a copy of this filing to all Retail Suppliers participating in Central Hudson's Retail Access Program.

Questions related to this filing should be directed to Jeffrey M. Praino at 845-486-5479.

Yours Very Truly,

Arthur R. Upright

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