

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

March 31, 2004

Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223

Re: Curtailment Penalties

Dear Commissioners:

Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") hereby files proposed tariff changes to address curtailment penalties charged under Service Classification Nos. 8, 9, and 11 and the Company's Retail Access Program. Central Hudson is issuing the attached proposed tariff leaves on March 31, 2004 to become effective on July 12, 2004.

P.S.C. No. 12 - Gas

4th Revised Leaf No. 118  
4th Revised Leaf No. 169  
6th Revised Leaf No. 175.1  
1st Revised Leaf No. 184

The purpose of this filing is to clarify the penalties Central Hudson charges, under Service Classification No. 8 - Interruptible Gas Sales, Service Classification No. 9 - Interruptible Transportation Service and to Retail Suppliers under the Balancing and Settlement provisions of Central Hudson's Retail Access Program, for all natural gas consumed during service curtailments. Central Hudson is also requesting permission to modify the penalty rate charged under Service Classification No. 11 - Firm Transportation - Core, for all gas consumed during a curtailment.

Service Classification Nos. 8 and 9

As directed by the Commission's Order in Case 00-G-0996, Central Hudson established the \$2.50 per Ccf curtailment penalty applicable to Service Classification Nos. 8 and 9 in October 2000. However, the current language in the tariff does not clearly define the penalty as the combination of the \$2.50 per Ccf fixed rate plus the cost of the gas consumed by the customer during the curtailment. Central Hudson would like to correct this potentially confusing

issue by modifying the tariff provision to clearly state that the Company will charge \$2.50 per Ccf plus the highest price of the natural gas purchased by Central Hudson during the curtailment, for all gas consumed during a curtailment.

Retail Access Program

Central Hudson's Balancing and Settlement provisions under the Company's Retail Access Program have been in effect since June 1, 1999. The provisions clearly state that if a Retail Supplier's daily deliveries are less than 98 percent of the Aggregated Daily Contract Quantity (ADCQ), the Retail Supplier will purchase from Central Hudson the incremental gas required to increase the deliveries to 98 percent of the ADCQ at a rate equal to one hundred percent of the highest weekly gas price posted in Natural Gas Week for the New York City citygate, for the applicable month plus a charge of ten (\$10) dollars per dekatherm. However, when addressing an under-delivery when an Operational Flow Order (OFO) is in effect, the tariff language states that the penalty will be twenty-five (\$25) dollars per dth but is not clear that the penalty rate is in addition to the cost of the gas. Central Hudson would like to modify the tariff language to explain that if deliveries are less than 98 percent of the Aggregated Daily Contract Quantity (ADCQ) and an OFO is in effect, the Retail Supplier will purchase from Central Hudson the incremental gas required to increase the deliveries to 98 percent of the ADCQ at a rate equal to one hundred percent of the highest weekly gas price posted in Natural Gas Week for the New York City citygate, for the applicable month plus a charge of twenty-five (\$25) dollars per dekatherm.

Service Classification No. 11

The current penalty for gas consumption during a curtailment under Service Classification No. 11 was established in Cases 93-G-0932 and 95-G-1039 and is \$5.00 per Mcf plus 110% of the weighted average cost of commodity and demand charges applicable to firm sales customers. During the month of January 2004 this penalty was equivalent to \$14.37 per Mcf. However, on January 15, 2004 while under a system curtailment Central Hudson purchased natural gas for \$50.00 per Mcf on the Iroquois system. Clearly the comparison of the allowed penalty charges and the actual price of natural gas demonstrates the need to increase the penalty provisions contained under Service Classification No. 11. Because customers operating under this service classification are similar in both size and service to the Company's interruptible customers, the Company has concluded that the penalty for consuming natural gas during a curtailment period under Service Classification No. 11 should be the same penalty as charged under Service Classification Nos. 8 and 9.

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 rate changes proposed herein in the April 7, April 14, April 21, and April 28, 2004 issues of the Catskill Daily Mail, the Kingston Freeman, the Times Herald Record and the Poughkeepsie Journal.

Questions related to this filing should be directed to Patricia M. Buck at 845-486-5244.

Yours very truly,

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Arthur R. Upright