

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

April 1, 2010

Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Case 09-E-0310 Compliance:
Central Hudson's Surcharge Recovery Mechanism Proposal

Dear Commissioners:

On October 27, 2009 the United States Department of Energy ("DOE") notified the New York Independent System Operator ("NYISO") of its selection for the award of federal stimulus funds to support two projects: a statewide capacitor bank installation and a statewide phasor measurement network, both to be completed with the collaboration of the major New York State electric utilities. The Commission provided preliminary approval of these two projects in its July 27, 2009 Order ("Order") in the above referenced case, wherein the Commission, in Ordering Paragraph No. 9, directed each utility to file tariff amendments for a surcharge recovery mechanism within 30 days of the DOE's determination on its application. On November 3, 2009, the Secretary granted an extension until 30 days after the final project award for such surcharge recovery mechanism proposals. On January 21, 2010 the Secretary granted a further extension until March 1, 2010 for such filings. Subsequently, on February 26, 2010, a further extension until April 1, 2010 was granted.

In compliance with Ordering Paragraph No. 9 of the Commission's Order Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") hereby files the tariff amendments listed below to become effective on August 1, 2010.

P.S.C. No. 15 – Electricity

Original Leaf No. 163.5.6
Original Leaf No. 163.5.7

The purpose of this filing is to implement an Electricity Delivery and Energy Reliability ("EDER") surcharge to recover the revenue requirement associated with electricity delivery and energy reliability projects as authorized by the Commission's

Order that are determined to be eligible for recovery and are not being recovered through the Company's base rates.

The aforementioned tariff amendments reflect implementation of an EDER surcharge, based on an estimated, prospective revenue requirement, when an eligible project is placed into service. The EDER surcharge will be revised for additional eligible projects placed into service, reconciliation of over/under recoveries compared to the EDER revenue requirement intended to be recovered and true-up for the difference between the estimated revenue requirement collected and the actual revenue requirement reflecting actual plant balances and costs. Additionally, the EDER surcharge will be adjusted to remove all costs that have been included in base rates as a result of a final Order issued by the Commission in an electric rate proceeding.

Based on the purposes of the two aforementioned projects, to enhance the reliability of the bulk electricity grid and provide a foundation for further development of the smart grid infrastructure in the State, both of which benefit the entire system, the Company is proposing that the EDER surcharge be applicable to the energy (kWh) deliveries on the bills of all full service and delivery service customers at a uniform rate.

As reflected in the Order, Central Hudson was preliminarily identified as a collaborator with respect to both NYISO projects. A summary of Central Hudson's portion of these projects, as reflected in the Order, is provided in Attachment A. While the Company's participation in the statewide phasor measurement network project will not be determined until a siting study is completed, the locations and sizes of the capacitors have been finalized and correspond to those reflected in the Order. However, work will not begin until the NYISO receives the final award from the DOE and the NYISO-Transmission Owner sub-award agreement is executed, which will extend both the project start and in-service dates, as reflected in Attachment A, which were originally determined based on a sub-award execution date of January 4, 2010.

The preliminary data included on Attachment A for the capacitor projects has been utilized to develop an example EDER surcharge rate which is presented on Attachment B. This EDER example is based on the assumption that each of the individual capacitor projects is in-service and develops the revenue requirement in a manner comparable to base rate inclusion. As a result, the example utilizes book and tax life rates that tend to moderate the calculated EDER surcharge rate of \$0.00005 per kWh. At this rate, the impact of the EDER surcharge on the average residential non-heat customer utilizing 625 kWh per month would be approximately \$0.03 per month, or about \$0.36 annually. Attachment C provides a monthly bill calculation for a full service customer based on rates in effect April 1, 2010. As indicated, the EDER surcharge would account for 0.03% of the total billed charges, while the SBC/RPS and 18-a assessment (NYSA) account for approximately 4.50% of the total billed charges.

Based on the minimal customer impact noted above, and the uncertainty regarding the actual timing of implementation of the EDER surcharge, the Company respectfully requests a waiver of the publishing requirements of §66(12)(b) of the Public Service Law.

Questions related to this filing should be directed to Glynis Bunt at (845) 486-5420 or gbunt@cenhud.com.

Yours very truly,

Michael L. Mosher
Vice President - Regulatory Affairs

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**Central Hudson Gas & Electric Corporation
Electricity Delivery and Energy Reliability (EDER) Surcharge**

ARRA Projects					
Project	Location	Preliminary Start	Preliminary In-Service	Preliminary Budget *	Project Description
3 MVar Capacitor	Lawrenceville 69/34.5 kV	3Q-2010	4Q-2011	\$ 703,110	These projects are part of the statewide capacitor project resulting from a NYISO study (Case 08-E-0751) for deployment of additional reactive resources to improve the efficient operation of the bulk electric system.
12 MVar Capacitor	Catskill 115 kV	1Q-2010	1Q-2011	\$ 1,007,290	
2 - 5 MVar Capacitors	Reynolds Hill 14.4 kV	2Q-2010	2Q-2011	\$ 593,437	
2 - 5 MVar Capacitors	W.Balmville 14.4 kV	3Q-2010	3Q-2011	\$ 796,163	
Subtotal				\$ 3,100,000	
1 PMU/PDC	Roseton or ECC/AECC	1Q-2010	4Q-2011	\$ 130,000	This project is part of the statewide PMU deployment collaborative with NYISO. A siting study is required to finalize locations.
PMU Software				\$ 55,000	
Subtotal				\$ 185,000	
Total				\$ 3,285,000	

* Not to exceed

Central Hudson Gas & Electric Corporation
Electricity Delivery and Energy Reliability (EDER) Surcharge
Annual Calculation Example (In-Service January 1)
Estimates Only

Line No.	Description	Beginning Balance	Change	Ending Balance	Average Balance	
	<i>Plant in Service</i>					
1	Transmission Plant	\$ 1,710,400	\$ -	\$ 1,710,400	\$ 1,710,400	
2	Distribution Plant	\$ 1,389,600	\$ -	\$ 1,389,600	\$ 1,389,600	
3	Contributions in Aid of Construction (CIAC)	\$ (1,550,000)	\$ -	\$ (1,550,000)	\$ (1,550,000)	
	Subtotal	\$ 1,550,000	\$ -	\$ 1,550,000	\$ 1,550,000	
	<i>Accumulated Depreciation</i>					
4	Transmission Plant	\$ -	\$ (18,130)	\$ (18,130)	\$ (9,065)	52 year book life + 10% negative salvage
5	Distribution Plant	\$ -	\$ (15,147)	\$ (15,147)	\$ (7,574)	55 year book life + 20% negative salvage
	Subtotal	\$ -	\$ (33,277)	\$ (33,277)	\$ (16,639)	
	<i>Deferred Taxes</i>					
6	Transmission Plant - Tax Depreciation	\$ -	\$ (18,346)	\$ (18,346)	\$ (9,173)	20 year property class
7	Distribution Plant - Depreciation	\$ -	\$ (14,739)	\$ (14,739)	\$ (7,370)	20 year property class
		\$ -	\$ (33,085)	\$ (33,085)	\$ (16,543)	
8	Total Rate Base	\$ 1,550,000	\$ (66,362)	\$ 1,483,638	\$ 1,516,818	
9	ROR on Rate Base	at pre-tax ROR of	10.47%		\$ 158,811	
10	Depreciation Expense	including FIT/SIT			\$ 55,346	
11	Property Tax	at 2.3260% of Plant in Service excluding CIAC			\$ 72,106	
12	Property Insurance	at 0.2155% of Plant in Service excluding CIAC			\$ 6,681	
13	FIT/SIT Tax Depreciation Benefit				\$ (22,070)	
14	Total EDER Revenue Requirement				\$ 270,874	
15	Forecasted Energy (KWh) Deliveries				5,327,453,000	
16	EDER Surcharge per kWh				\$ 0.00005	

Central Hudson Gas & Electric Corporation
Electricity Delivery and Energy Reliability (EDER) Surcharge
Residential Typical Bill Calculation Example

	Without EDER		With EDER	
Usage	625	kWh	625	kWh
Customer Charge per month	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Delivery Svc. Charge per kWh	\$ 0.04691	\$ 29.32	\$ 0.04691	\$ 29.32
Electric Bill Credit per kWh	\$ (0.00682)	\$ (4.26)	\$ (0.00682)	\$ (4.26)
SBC/RPS per kWh	\$ 0.00423	\$ 2.64	\$ 0.00423	\$ 2.64
NYSA per kWh	\$ 0.00303	\$ 1.89	\$ 0.00303	\$ 1.89
MFC Admin Chg per kWh	\$ 0.00209	\$ 1.31	\$ 0.00209	\$ 1.31
Transition Adj. Chg per kWh	\$ 0.00012	\$ 0.08	\$ 0.00012	\$ 0.08
RDM per kWh	\$ 0.00213	\$ 1.33	\$ 0.00213	\$ 1.33
EDER per kWh	\$ -	\$ -	\$ 0.00005	\$ 0.03
Purchased Power Adj per kWh	\$ (0.00106)	\$ (0.66)	\$ (0.00106)	\$ (0.66)
Miscellaneous Charges per kWh	\$ (0.00183)	\$ (1.14)	\$ (0.00183)	\$ (1.14)
Delivery		\$ 48.51		\$ 48.54
Market Price per kWh	\$ 0.07614	\$ 47.59	\$ 0.07614	\$ 47.59
Market Price Adjustment per kWh	\$ 0.00156	\$ 0.98	\$ 0.00156	\$ 0.98
MFC Supply Chg per kWh	\$ 0.00403	\$ 2.52	\$ 0.00403	\$ 2.52
Supply		\$ 51.09		\$ 51.09
NYS & Local Taxes and Surcharges		\$ 1.08		\$ 1.08
Total Charges		\$ 100.68		\$ 100.71
Change				0.03%
EDER as a % of Total Charges				0.03%
SBC/NYSA as a % of Total Charges				4.50%