

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

April 16, 2012

Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Increase in Rates Applicable in Municipality Where Service is Supplied

The amended tariff leaf and statement set forth below are filed by Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") on April 16, 2012 to become effective August 1, 2012.

P.S.C. No. 15 – Electricity

10th Revised Leaf No. 109
RTS-41 – Statement of Effective Revenue Tax Surcharge

The tariff leaf and statement listed above are being filed to include the Metropolitan Commuter Transportation Mobility Tax in the revenue tax recovery mechanism currently included in the tariff.

Background

Chapter 25 of the Laws of 2009 added Article 23 to the Tax Law which established the Metropolitan Commuter Transportation Mobility Tax ("MTA Payroll Tax"). This tax, imposed on Central Hudson effective March 1, 2009, is imposed on payroll expense within the MTA Region.

In the Company's initial testimony filed in Cases 09-E-0588 and 09-G-0589, the Revenue Requirements Panel stated "[t]he Metropolitan Commuter Transportation Mobility Tax on payrolls within the MTA region is being deferred and collected through the existing MTA tax surcharge mechanisms and as such, no allowance for this tax is included in the payroll tax rate allowance". As such, this item was intentionally excluded from the revenue requirement request, and thus excluded from base rates. In making its compliance filing in the aforementioned cases, however, the Company inadvertently failed to include this item in the existing tax surcharge mechanism. While the Company has continued to defer the MTA Payroll Tax, this tax is not currently being collected through the existing tax surcharge due to its omission from the tariff.

Proposed Recovery

As briefly discussed with Staff via conference call on March 22, the Company is making this filing to correct its previous omission. The tariff revision included herein proposes for recovery of the MTA Payroll Tax through the existing MTA tax surcharge mechanism effective August 1, 2012. Central Hudson is currently recovering other MTA taxes imposed on the Company for tax liability year 2011 over the period April 2012 – March 2013. In order to stay current with the recovery of the prior year's tax liability, as well as minimize bill impacts, the Company proposes to recover 1) the 2011 MTA Payroll Tax liability, and 2) the 2009 MTA Payroll Tax liability over the period August 1, 2012 – March 31, 2013. This proposal would impact customers' bills by an increase of approximately 0.07%. The Company then proposes to recover the 2012 MTA Payroll Tax liability, along with the 2010 MTA Payroll Tax liability, over the period April 1, 2013 – March 31, 2014. Similar to the existing MTA surcharge liabilities, the payroll tax

liability will continue to be recovered over the subsequent April – March period for each year the Metropolitan Commuter Transportation Mobility Tax is imposed on the Company.

Given that the Revenue Tax Surcharge factors typically change from time to time each calendar year, resulting in minor increases or decreases to a typical customer's bill, and that the proposed change has a minimal impact on customers' bills, the Company requests that the requirements of Section 66(12)(b) of the Public Service Law as to newspaper publication for the amendments listed herein be waived.

Work papers will be provided to DPS Staff under separate cover. Questions related to this filing should be directed to Stacy Powers at (845) 486-5815 or spowers@cenhud.com.

Yours very truly,

Michael L. Mosher
Vice President - Regulatory Affairs

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