

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

July 21, 2011

Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Cases 09-E-0588 & 09-M-0311: Proposal for Change in Revenue Decoupling Mechanism and New York State Assessment Surcharge Methodologies

Dear Commissioners:

The amended tariff leaves and statements set forth below are filed by Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company") on July 21, 2011 to become effective November 1, 2011:

P.S.C. No. 15 – Electricity

2nd Revised Leaf No. 163.5.3

5th Revised Leaf No. 163.5.4

Statement of Revenue Decoupling Mechanism Adjustment RDM-4
Statement of New York State Assessment NYSA-6

The purpose of this filing is to consolidate Service Classification Nos. 1 – Residential and 6 – Residential Time-of-Use for purposes of the revenue decoupling mechanism ("RDM") and New York Statement Assessment ("NYSA") as more fully discussed below.

Background

Revenue Decoupling Mechanism

In its Order Adopting Recommended Decision with Modifications issued and effective June 22, 2009 in Case 08-E-0887¹, the Commission adopted a revenue decoupling mechanism ("RDM") for the electric operations of Central Hudson Gas & Electric Corporation ("Central Hudson" or "the Company"). The RDM was subsequently continued, with minor revisions, in accordance with the Commission's Order Establishing Rate Plan issued and effective June 18, 2010 in Case 09-E-0588. The RDM is a revenue per class model applicable to the following classes and sub-classes:

Service Classification No. 1 – Residential Service
Service Classification No. 2 – General Service Non-Demand
Service Classification No. 2 – General Service Primary Demand
Service Classification No. 2 – General Service Secondary Demand
Service Classification No. 6 – Residential Time-of-Use Service
Service Classification No. 14 – Standby Service (for those customers whose parent service classification would be SC No. 1, 2 or 6)

¹ Case 08-E-0887, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service*

Pursuant to the RDM, actual delivery revenue by service class or sub-class for RDM eligible classes is compared, on a monthly basis, to a delivery revenue target.² If the monthly actual delivery revenue exceeds the delivery revenue target, the delivery revenue excess is accrued for refund to customers at the end of the annual RDM period (12 months ending June). Likewise, if the monthly actual delivery revenue is less than the delivery revenue target, the delivery revenue shortfall is accrued for recovery from customers at the end of the annual RDM period.

At the end of an annual RDM period, total delivery revenue excess/shortfalls are refunded/surcharged to customers through service class or sub-class specific RDM adjustments applicable during a corresponding RDM adjustment period (12 months beginning August 1 immediately following the annual RDM period). However, if at any time during an annual RDM period the total of the cumulative delivery revenue excess/shortfalls for all service classes and sub-classes subject to the RDM exceeds \$4 million, the Company is required to implement interim RDM adjustments. RDM adjustments are determined by dividing the amount to be refunded/surcharged to customers in each respective RDM eligible service class or sub-class by the estimated kWh deliveries to the customers in the respective service class or sub-class over the RDM adjustment period.

New York State Assessment

In compliance with the Commission's Order issued and effective June 19, 2009 in Case 09-M-0311, the Company implemented a surcharge, the New York State Assessment ("NYSA"), to recover the Temporary State Energy and Utility Service Conservation Assessment pursuant to Public Service Law ("PSL") §18-a(6) as implemented by Chapter 59 of the Laws of 2009. As authorized by the Commission, for each twelve month period commencing July 1, the surcharge collects the amount assessed to the Company under PSL §18-a(6) in excess of the amount reflected in base rates for the State Fiscal year (April 1 – March 31), including an allowance for uncollectibles.

The NYSA is determined by voltage level, as applicable, within each service classification ("level") for Service Classification Nos. ("SC") 1, 2, 3, 5, 6, 8, 9 and 13. The NYSA applicable to customers taking service under Service Classification No. 14, Standby Service, is the NYSA applicable to their parent service classification (the service classification that the customer would otherwise qualify for based on the customer's usage characteristics). The assessment amount in excess of the amount reflected in base rates is allocated to each level based on the level's contribution to the Company's total electric revenues as included in the determination of the assessment. The NYSA rate for each level is then determined by dividing the allocated assessment for the level by the forecasted units (kWh or kW) for the level for the period July 1 through June 30. A reconciliation of NYSA recoveries with the allocated assessment is performed by level for each twelve month period ending June 30.

Discussion

Based on the Company's roughly two years of experience with both the RDM and NYSA, the Company believes that customer migration from SC 6 – Residential Time-of-Use Service to SC 1 – Residential Service is resulting in significantly lower sales in SC 6. This, in turn, is contributing to RDM and NYSA under collections. With respect to the RDM, lower SC 6 customer and sales levels results in under collection of delivery revenue that must be recovered through the RDM adjustment. This is further compounded by the fact that the delivery revenue under collection must be recovered over lower sales volumes. Similarly, since the SC 6 NYSA allocation for recovery beginning July 1 is based on the ratio of SC 6 revenue to total revenue for the prior calendar year, declining SC 6 sales volumes result in an under collection of the NYSA which must then be recovered through reconciliation the following year through ever decreasing sales.

As shown on Appendix A, the number of customers taking service under SC 6 has decreased by 9.3% with a corresponding decrease in sales of 7.2% since the RDM and NYSA were implemented July 1,

² Monthly revenue targets for July 2010 through June 2013 were adopted pursuant to the Commission's June 18, 2010 Order in Case 09-E-0588.

2009. Additionally, the average number of customers for the twelve months ended June 30, 2011, Rate Year 1 under the current Rate Plan established in Case 09-E-0588, is 10.8% lower than the Rate Plan level, with sales for the same period 11.7% lower than the Rate Plan level. Based on the recent migration of customers from SC 6 to SC 1 and the same Rate Plan levels for Rate Years 2 and 3, as shown on Appendix A, it appears that these differences will continue, if not increase. This will continue to result in RDM and NYSA under collections, which will in turn result in significantly larger RDM adjustments and NYSA reconciliation components for SC 6 customers. Conversely, the benefit of the migration to SC 1 from SC 6 is basically masked by the sheer size of SC 1 as compared to SC 6. For the twelve months ended June 30, 2011 the average number of customers taking service under SC 1 was 253,642, with volume of 2,148,236 MWh. For this period SC 6 represented only 0.6% of combined SC 1 and SC 6 customers, and 1.2% of combined MWh.

Proposal

The Company proposes to consolidate SC 6 with SC 1 for both RDM and NYSA purposes. This consolidation will serve to minimize the detrimental bill impacts associated with the RDM and NYSA for remaining SC 6 customers resulting from the migration of SC 6 to SC 1. Further, this consolidation will reflect a more proper RDM design that is intended to address decreasing sales volumes related to promotion of energy efficiency initiatives, as addressed by the Commission in its Order Requiring Proposals for Revenue Decoupling Mechanisms, issued and effective April 20, 2007,³ rather than customer migration between classes. This proposal also comports with the Commission's requirement, as reflected in its Order Requiring Proposals for Revenue Decoupling Mechanisms, issued and effective April 20, 2007, wherein the Commission stated that "[t]he filings shall include proposals for limiting customer bill impacts and price impacts, to the extent practical."⁴

Appendix B provides an analysis of the impact of this proposal on the RDM adjustments by comparing the recently filed RDM adjustments under the current methodology to become effective August 1, 2011 to the RDM adjustments that would have been developed if SC 1 and SC 6 were combined. As indicated, the consolidation has a significant impact on SC 6, with a much smaller offsetting impact on SC 1. Appendix C provides the same type of comparison for currently effective NYSA factors, with similar results. Appendix D provides the consolidation of SC 1 and SC 6 monthly RDM revenue targets, as approved in Case 09-E-0588, for Rate Years 2 and 3.

While this proposal has a significant impact on the factors applicable to SC 6, the magnitude of the factors themselves in relation to overall rates is small. As a result, and based on the need to avoid customer confusion, and in light of the fact that the rates are subject to change pursuant to approved tariff provisions, the Company respectfully requests that the requirements of §66(12)(b) of the Public Service Law as to newspaper publication of the amendments listed herein be waived.

Questions related to this filing should be directed to Glynis Bunt at (845) 486-5420 (gbunt@cenhud.com) or Linda VanEtten at (845) 486-5554 (lvanetten@cenhud.com).

Yours very truly,

Michael L. Mosher
Vice President - Regulatory Affairs

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³ Order Requiring Proposals for Revenue Decoupling Mechanisms, issued April 20, 2007 in Case 03-E-0640 Case 06-G-0746.

⁴ Ibid, p.15.

Appendix A

Central Hudson Gas & Electric Corporation
Service Classification No. 6 - Residential Time-Of-Use
Rolling Twelve Month Customers & Sales

	<u>Average Customers</u>	<u>Sales (MWh)</u>
Jul-09	1,549	27,603.24
Aug-09	1,543	27,235.89
Sep-09	1,534	27,036.15
Oct-09	1,530	26,991.36
Nov-09	1,520	26,815.60
Dec-09	1,516	26,513.40
Jan-10	1,508	26,212.59
Feb-10	1,497	25,716.15
Mar-10	1,496	25,511.71
Apr-10	1,488	25,099.07
May-10	1,481	24,958.14
Jun-10	1,475	24,819.46
Jul-10	1,468	25,113.17
Aug-10	1,464	25,386.90
Sep-10	1,458	25,461.10
Oct-10	1,451	25,354.36
Nov-10	1,446	25,230.54
Dec-10	1,437	25,141.36
Jan-11	1,432	25,157.39
Feb-11	1,432	25,391.51
Mar-11	1,422	25,416.93
Apr-11	1,417	25,793.19
May-11	1,409	25,645.38
Jun-11	1,404	25,617.25
Change:		
Jun-11 vs. Jul-09	-9.3%	-7.2%
Case 09-E-0588 Rate Plan:		
Rate Year 1	1,575	29,000.00
Rate Year 2	1,575	29,000.00
Rate Year 3	1,575	29,000.00
Change:		
Jun-11 vs. Rate Plan Rate Year 1	-10.8%	-11.7%

Central Hudson Gas & Electric Corporation
Electric RDM Adjustment Factor
Effective August 1, 2011

Current:

<u>S.C. Nos.</u>	Reconciliation of Over/(Under) Collection for RDM 1 (10/1/2009 - 9/30/2010)	Over/(Under) Collection for 09-E-0588 RY1 (7/1/2010 - 6/30/2011)	09-E-0588 RY1 Carrying Charges	Total to be (Collected)/Refunded through RDM 3 (8/1/2011 - 7/31/2012)	Estimated Sales (MWh) August 1, 2011 - July 31, 2012	RDM Adjustment Factor August 1, 2011 - July 31, 2012
1	\$ (304,763.41)	\$ 4,046,309.63	\$ 46,535.09	\$ 3,788,081.31	2,021,973	\$ (0.00187)
2 ND	\$ (6,035.36)	\$ (39,475.63)	\$ (338.90)	\$ (45,849.89)	155,929	\$ 0.00029
2 PD	\$ (2,621.10)	\$ (318,626.19)	\$ (2,920.41)	\$ (324,167.70)	232,928	\$ 0.00139
2 SD	\$ (29,414.65)	\$ (1,684,164.28)	\$ (14,215.09)	\$ (1,727,794.02)	1,406,814	\$ 0.00123
6	\$ (17,838.82)	\$ (201,906.81)	\$ (1,734.36)	\$ (221,479.99)	23,990	\$ 0.00923
Total	<u>\$ (360,673.33)</u>	<u>\$ 1,802,136.72</u>	<u>\$ 27,326.33</u>	<u>\$ 1,468,789.71</u>	<u>3,841,634</u>	

Combined SC 1 & SC 6 Effective November 1, 2011

<u>S.C. Nos.</u>	Reconciliation of Over/(Under) Collection for RDM 1 (10/1/2009 - 9/30/2010)	Over/(Under) Collection for 09-E-0588 RY1 (7/1/2010 - 6/30/2011)	09-E-0588 RY1 Carrying Charges	Total to be (Collected)/Refunded through RDM 3 (8/1/2011 - 7/31/2012)	Estimated Sales (MWh) August 1, 2011 - July 31, 2012	RDM Adjustment Factor
1 & 6	\$ (322,602.22)	\$ 3,844,402.82	\$ 44,800.72	\$ 3,566,601.32	2,045,963	\$ (0.00174)

Central Hudson Gas & Electric Corporation
NYSA - Temporary State Assessment Surcharge Calculation - Rate Factors

Current:

						<u>RATES EFFECTUATED ON STMT 5</u>					
<u>Service Class</u>	<u>Allocation</u>	<u>Assessment</u>	<u>Under/(Over)</u>	<u>Carrying Charges</u>	<u>Total</u>	<u>7/1/10-6/30/11 kWh</u>	<u>Effective 12/1/10 \$/kWh</u>	<u>7/1/10-6/30/11 kW</u>	<u>Effective 12/1/10 \$/kW</u>	<u>Effective 12/1/10 \$/kWh</u>	<u>Effective 12/1/10 \$/kW</u>
1	48.79%	\$ 5,900,751	\$ 716,336	\$ 238,360	\$ 6,855,447	2,059,269,000	\$ 0.00333			\$ 0.00333	
2 ND & S	29.14%	\$ 3,524,244	\$ 229,901	\$ 76,499	\$ 3,830,644	1,689,781,000	\$ 0.00227			\$ 0.00247	
2 P	3.52%	\$ 425,715	\$ 10,055	\$ 3,346	\$ 439,115	253,806,000	\$ 0.00173			\$ 0.00210	
3	3.82%	\$ 461,998	\$ 65,553	\$ 21,813	\$ 549,364			660,204	\$ 0.83		\$ 0.90
5	0.32%	\$ 38,701	\$ 1,726	\$ 574	\$ 41,001	13,020,000	\$ 0.00315			\$ 0.00315	
6	0.58%	\$ 70,146	\$ 22,568	\$ 7,509	\$ 100,223	29,000,000	\$ 0.00346			\$ 0.00346	
8	0.85%	\$ 102,801	\$ 6,145	\$ 2,045	\$ 110,991	22,830,000	\$ 0.00486			\$ 0.00486	
9	0.07%	\$ 8,466	\$ 388	\$ 129	\$ 8,983	3,330,000	\$ 0.00270			\$ 0.00282	
13 T	10.67%	\$ 1,290,449	\$ 65,464	\$ 21,783	\$ 1,377,695			1,379,438	\$ 1.00		\$ 1.24
13 S	2.24%	\$ 270,910	\$ 26,132	\$ 8,695	\$ 305,737			304,705	\$ 1.00		\$ 1.04
Total	100.00%	\$ 12,094,181	\$ 1,144,267	\$ 380,753	\$ 13,619,201						
Revised Assessment		\$ 11,928,376									
Uncollectible Allowance	Case 09-E-0588	1.39%									
Total for Recovery		\$ 12,094,181									

Combined SC 1 & SC 6:

<u>Service Class</u>	<u>Allocation</u>	<u>Assessment</u>	<u>Under/(Over)</u>	<u>Carrying Charges</u>	<u>Total</u>	<u>7/1/10-6/30/11 kWh</u>	<u>Effective 12/1/10 \$/kWh</u>
1 & 6	49.37%	\$ 5,970,897	\$ 738,904	\$ 245,869	\$ 6,955,670	2,088,269,000	\$ 0.00333

Central Hudson Gas & Electric Corporation
Case 09-E-0588
Electric RDM Targets - SC 1 & SC 6

Rate Year 2 (Twelve Months Ended June 30, 2012)

	<u>July 2011</u>	<u>August 2011</u>	<u>September 2011</u>	<u>October 2011</u>	<u>November 2011</u>	<u>December 2011</u>	<u>January 2012</u>	<u>February 2012</u>	<u>March 2012</u>	<u>April 2012</u>	<u>May 2012</u>	<u>June 2012</u>	<u>Total</u>
Service Classification No. 1													
Customer Months	253,684	258,632	253,682	257,578	257,597	261,658	254,957	258,746	255,045	259,424	254,662	259,055	3,084,720
MWh	170,342	199,583	190,753	160,497	144,419	166,447	187,498	194,925	174,400	159,623	140,317	143,866	2,032,670
Revenue	\$ 14,706,200	\$ 16,381,630	\$ 15,799,650	\$ 14,264,520	\$ 13,403,670	\$ 14,672,920	\$ 15,653,350	\$ 16,134,510	\$ 14,953,510	\$ 14,258,300	\$ 13,119,290	\$ 13,406,060	\$ 176,753,610
Service Classification No. 6													
Customer Months	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	18,900
MWh	2,180	2,480	2,180	2,000	1,860	2,570	2,840	3,360	2,750	2,840	1,940	2,000	29,000
Revenue	\$ 143,720	\$ 159,680	\$ 143,720	\$ 136,550	\$ 128,300	\$ 164,030	\$ 214,620	\$ 248,360	\$ 209,040	\$ 216,120	\$ 158,860	\$ 164,070	\$ 2,087,070
Consolidated RDM Revenue Target	\$ 14,849,920	\$ 16,541,310	\$ 15,943,370	\$ 14,401,070	\$ 13,531,970	\$ 14,836,950	\$ 15,867,970	\$ 16,382,870	\$ 15,162,550	\$ 14,474,420	\$ 13,278,150	\$ 13,570,130	\$ 178,840,680

Rate Year 3 (Twelve Months Ended June 30, 2013)

	<u>July 2012</u>	<u>August 2012</u>	<u>September 2012</u>	<u>October 2012</u>	<u>November 2012</u>	<u>December 2012</u>	<u>January 2013</u>	<u>February 2013</u>	<u>March 2013</u>	<u>April 2013</u>	<u>May 2013</u>	<u>June 2013</u>	<u>Total</u>
Service Classification No. 1													
Customer Months	254,691	259,688	254,730	258,672	258,722	262,843	256,143	260,000	256,323	260,786	256,044	260,508	3,099,150
MWh	169,030	198,606	189,855	159,311	142,752	164,366	181,315	189,117	169,130	154,682	136,122	140,294	1,994,580
Revenue	\$ 15,125,180	\$ 16,822,020	\$ 16,236,580	\$ 14,702,510	\$ 13,820,800	\$ 15,072,160	\$ 15,815,070	\$ 16,323,540	\$ 15,169,630	\$ 14,506,520	\$ 13,403,110	\$ 13,732,650	\$ 180,729,770
Service Classification No. 6													
Customer Months	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	1,545	1,605	18,900
MWh	2,180	2,480	2,180	2,000	1,860	2,570	2,840	3,360	2,750	2,840	1,940	2,000	29,000
Revenue	\$ 148,560	\$ 164,880	\$ 148,560	\$ 141,360	\$ 132,870	\$ 169,310	\$ 180,910	\$ 208,020	\$ 176,490	\$ 182,530	\$ 136,800	\$ 141,360	\$ 1,931,650
Consolidated RDM Revenue Target	\$ 15,273,740	\$ 16,986,900	\$ 16,385,140	\$ 14,843,870	\$ 13,953,670	\$ 15,241,470	\$ 15,995,980	\$ 16,531,560	\$ 15,346,120	\$ 14,689,050	\$ 13,539,910	\$ 13,874,010	\$ 182,661,420