

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
POUGHKEEPSIE, N.Y. 12601-4879

ARTHUR R. UPRIGHT
ASSISTANT VICE PRESIDENT
COST AND RATE
AND FINANCIAL PLANNING

June 19, 1998

Honorable John C. Crary, Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Crary:

Re: Case 96-E-0909
FERC Open Access Transmission Tariff Draft Waiver Filing

Under the terms of Central Hudson Gas & Electric Corporation's Settlement Agreement in Case 96-E-0909, the Company will file with the Federal Energy Regulatory Commission a waiver of its Open Access Transmission Tariff for the Central Hudson Retail Access Program. The Settlement requires that such filing be made within 10 days of the Public Service Commission's Order approving the Retail Access filing in Case 96-E-0909. In order to meet the Company's Retail Access Program implementation date of September 1, 1998, the Company hereby files an advance OATT waiver in draft form for PSC approval. The Company has been advised by PSC Staff that our Retail Access tariff filing will be reviewed by the PSC at the June 30, 1998 session. In order to file a final OATT waiver with the FERC, any changes adopted by the PSC regarding our Retail Access filing at the June 30 PSC session will have to be incorporated into Central Hudson's FERC waiver.

Very truly yours,

Arthur R. Upright

ARU/scd

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July xx, 1998

Honorable John C. Crary
Secretary
State of New York Public
Service Commission
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Crary:

Re: Case 96-E-0909 Central Hudson Gas & Electric Corporation (CHG&E)
Rate/Restructuring Proceeding - Retail Access Tariff Filing

On _____, the New York Public Service Commission issued its Order Concerning Tariff Amendments to Establish A Retail Access Program in this proceeding. In the _____ Order, the Commission directed Central Hudson Gas & Electric Corporation ("CHG&E" or the "Company") to file a list of the waivers of the provisions CHG&E's Open Access Transmission Tariff ("OATT") that CHG&E anticipated seeking from the Federal Energy Regulatory Commission ("FERC") in order to implement CHG&E's New York State retail access program. The Company invites the support of the New York Commission for the FERC filing and encloses a draft of the filing as a courtesy. Please be advised this draft may go through additional revisions prior to filing with FERC. Also note that CHG&E does not believe that the New York Commission has jurisdiction over the matters contained in the FERC filing.

The OATT modifications detailed in the draft filing for which CHG&E plans to seek FERC's approval are as follows:

- ◆ Waiver of the requirements in the OATT that a deposit accompany an application for services;
- ◆ Revisions to the energy imbalances provisions of the OATT.
- ◆ Revisions to OATT billing provisions relating to billing procedures and permitting CHG&E to assess retail customers a single bill reflecting OATT and state-jurisdictional charges; and
- ◆ Specification that OATT service for which customers are eligible pursuant to the state's retail access program may be used solely in connection with CHG&E's retail markets identified in the application for service.

You will find enclosed 25 copies of this letter and the attachments. Please feel free to contact me with any questions.

Central Hudson Gas & Electric Corporation) Docket No. _____
)

Pursuant to Section 205 of the Federal Power Act (“FPA”) and Part 35 of the Federal Energy Regulatory Commission (“FERC” or “Commission”) regulations, Central Hudson Gas & Electric Corporation (“CHG&E”) respectfully requests Commission approval of the addenda to the Form of Service Agreement (“Agreement”) under CHG&E’S Open Access Transmission Tariff (“OATT”) and other revisions to the OATT applicable to all CHG&E customers who take service under retail access. The Agreement and the coordinated modifications of certain provisions of the OATT clarify the rights and responsibilities of the parties for purposes of retail access, and are necessary for CHG&E to implement retail access. The requested revisions have the support of the New York Public Service Commission.

On _____, the New York Public Service Commission (“NYPSC”) approved the terms of a Rate and Restructuring Agreement (the “Restructuring Agreement”) filed

by CHG&E and the parties to NYPSC Case No. 96-E-0909 (_____) pursuant to which CHG&E will provide retail access under a three year phase in implementation schedule and reorganize its business in order to advance competition in its electric market. The Restructuring Agreement provides for a sound regulatory framework, for its competitors and its customers in the transition to fully competitive generation and energy service markets. Under the terms of the Settlement Agreement, Central Hudson: a) will divest its fossil generation assets through an auction process by no later than June 30, 2001, b) received authorization to form a holding company, c) offer full retail access by July 1, 2001, d) provide annual customer benefits of \$10 million and e) assure price cap for retail customers through June 30, 2001.

On March 20, 1998, CHG&E filed Tariffs with the NYPSC implementing retail access, as required by the Order Adopting Terms of Settlement Subject to Notification and Conditions issued and effective February 19, 1998. In an order issued on _____, the NYPSC approved those tariffs, subject to certain revisions and the requirement that CHG&E file with the NYPSC a list and explanation of the modifications of the OATT needed in order to implement retail access. CHG&E made that filing on _____ and received an order of the NYPSC endorsing those changes on _____. That Order is appended hereto as Attachment A. Through this Order, the modifications of the OATT sought herein are supported by the New York Commission.

With the exception of the requested waivers, CHG&E plans to provide all transmission service associated with retail access in conformity with its Open Access Transmission Tariff ("OATT") on file with the Federal Regulatory Commission ("FERC" or "the Commission").

CHG&E's Plan for Retail Access Implementation

Beginning September 1, 1998, pursuant to the first phase of the retail access program detailed under the Restructuring Agreement, residential, commercial and small industrial customers will be permitted to choose their energy suppliers. Participation in the retail access program is limited to 8% of the customer class sales or annual lost net revenue from the retail access program of \$3.5 million. Large industrial customers are also eligible to select retail access subject to customer specific revenue funding levels. Central Hudson's three year phase-in program is subject to the penetration levels and timetable set forth below:

	Percent Load Penetration Level <u>Residential Classes</u>	Percent Load Penetration Level Commercial & Small <u>Industrial Classes</u>
September 1, 1998 to December 1, 1998	8	8
January 1, 1999 to December 31, 1999	16	16
January 1, 2000 to December 31, 2000	24	24
January 1, 2001 to June 30, 2001	28	28

Retail access will be made available to all of CHG&E's customers as of July 1, 2001.

The retail access program specifies that rates to be charged for retail access service will reflect CHG&E's bundled delivery service rates plus a competitive transition charge set at 50% of the non-fuel embedded production costs.

In addition to these features, the retail access program contains various provisions regarding ESCO eligibility, billing, creditworthiness, energy balancing, customer education and data gathering. In order to participate in the retail access program, retail customers with load of one MW or greater are eligible to take OATT service directly. Customers with smaller loads, or large customers (greater than 1 MW) not electing to take OATT service directly, will take service through participating

ESCOs entering into OATT service agreements on behalf of their retail customers. All features of the retail access program are reflected in the tariffs CHG&E has filed with the NYPSC pursuant to the February 19, 1998 Order and the NYPSC's Order considering and modifying CHG&E's tariff filings. CHG&E's retail access filings are appended as Attachment B.

Request for Approval of Form of Service Agreement and Waivers

In order to coordinate the requirements of the OATT with the retail tariffs approved in New York, CHG&E requests approval of certain changes in the OATT requirements as applied to retail transmission service. These changes are detailed on Attachment C as addenda to the OATT Point-to-Point and Network service agreements applicable to OATT service taken in connection with retail access service. The requested changes are as follows:

1. Customer Deposits

CHG&E seeks waiver of the requirement that a deposit accompany an application for services, reflecting the concern that requiring a deposit may discourage customers from participating in retail access. Accordingly, CHG&E does not believe a deposit should be required in connection with unbundled retail service. The Commission has previously approved similar requests.

2. Energy Imbalances

Several features of the retail access energy imbalances provision differ from those specified in Section 3.4 and Schedule 4 of the OATT. The effect of these alterations is to make balancing more manageable for retail customers than would strict application of the OATT.

These provisions are as follows:

- a. Retail access requires a penalty for energy imbalances that fall outside of a bandwidth specified to be 5%, with a minimum of 2 MW. Schedule 4 of CHG&E's OATT would otherwise specify a penalty for deviating by more than 1.5%, with a minimum of 2 MW, from the scheduled transaction. The 5% bandwidth is much less stringent than the 1.5% bandwidth of the OATT, and will make it less likely that a retail customer will experience a penalty.
- b. Under retail access, the penalty charge for under-delivery outside of the deviation band will be priced at 135% of the Central Hudson daily market clearing price. Central Hudson's daily market clearing price is defined as the daily price per barrel of No. 6 oil with a 1.3% maximum sulfur content. This price is representative of the oil burned at the Company's Roseton Generating Station, as interpolated from the Platt's Oilgram U.S. Markets and posted prices for 1.0% and 2.2% sulfur oil, a heat rate of 11,000 BTU per kwh and shall include a fixed allowance for operations and maintenance expense. The OATT specifies a penalty of the greater of 100 mils/kWh or 110% for under delivery. In view of the fact greater bandwidth provided under retail access, and the fact that 100 mils/kWh is larger than 135% in most cases, the retail access penalty is less stringent than the OATT for under-delivery, and is much less likely to be applied. The penalty charge for over-delivery outside of the deviation band will be priced at 65% of the Central Hudson daily market clearing price as compared with 90% decremental cost for over-delivery now specified in CHG&E's OATT.
- c. The retail access program specifies a monetary payback for any energy

imbalances that fall within the specified bandwidth, as opposed to in-kind energy payments as specified in the OATT. CHG&E believes that monetary payback will be easier for retail customers to manage than would payback in kind.

CHG&E points out that the final bill for energy imbalance service will be performed within 90 days after services have been provided. For each hour of the month being settled, aggregated customer usage is calculated using the best data available at the time. The best available data consists of a mix of actual interval meter reads, historical hourly usage combined with monthly meter reads, and historical hourly usage combined with estimates of monthly reads. Recalculations are performed in the two subsequent months as actual meter reads become available. This process is in the spirit of the Energy Imbalance provision of the OATT, which specifies that the parties should attempt to eliminate any imbalances within a reasonable period of time as is generally accepted in the region.

The Commission has accepted similar deviations from the OATT's energy imbalance provisions in Niagara Mohawk's, Rochester Gas & Electric's and New York State Electric & Gas' Retail Access Filings.

3. Billing

Consistent with the FERC's decision in Niagara Mohawk Power Corporation, 81 FERC ¶61,180 at p. 61,777 (1997), CHG&E proposes to render a single bill for retail access service that incorporates charges under the OATT and state-jurisdictional charges. The attached Form of Service Agreements presents the OATT rate applicable to retail access by customer service classification. That rate was derived, consistent with Niagara Mohawk, *supra*, and Montaup Electric Company 80 FERC ¶61,288, at p. 62,025 (1977), by employing a load ratio share calculation for CHG&E's retail class,

divided by retail billing determinants, in order to derive service classification specific transmission charges. For energy only service classifications, the transmission revenue requirement was allocated on service class sales to arrive at a charge per kwh. For demand rate service classes the transmission revenue requirement was allocated to service classes based on the classes' average monthly peak. A worksheet showing this calculation is included as Attachment D. Consistent with the FERC's decision in *Portland General Electric Company*, 78 FERC ¶61,219, at p. 61,951 (1997) and *Niagara Mohawk Power Corporation*, supra, at p. 61,76, state-jurisdictional charges are calculated as the difference between existing bundled retail rates and the OATT rate, less the state-determined market-based energy charge and incentive component, described above. Ancillary Services are not part of the bundled retail bill and will be charged separately under the OATT and billed to the ESCO.

Billing procedures under the retail access program differ from the OATT in two respects. First, while Section 7.1 of the OATT specifies that a customer has 20 days from receipt of a bill to make payment, the retail access program specifies a more liberal period of 23 days, consistent with practice on the state level. Also consistent with practice on the state level, interest on unpaid balances is specified to be 1.5% per month, as opposed to Section 7.2 of the OATT. Since the Commission has permitted utilities in CHG&E's circumstance to bundle state-related and OATT charges for retail access, billing procedures for both sets of charges must be consistent. The NYPSC's approval of CHG&E's billing procedures and the reflection in these procedures of a billing period more generous to the transmission customer than the OATT, argue for approval of the state-approved billing procedure.

4. Specification of Services for Retail Purposes

The Form of Service Agreements stipulate that transmission service taken in conjunction with retail access service may be employed solely in connection with the

retail service specified in the customer's service application. This provision is essential since the retail access program permits ESCO's to take service for use in providing retail access service. Permitting ESCOs to use their transmission capacity other than for the retail market for which the service is initially intended may leave CHG&E without transmission capacity necessary to serve its retail market (whether via retail access or bundled sales). Under retail access, CHG&E must still provide services as the "Provider of Last Resort" and as such must be able to supply a retail customer who is either dropped by an ESCO, or who chooses to return to CHG&E as a combination supply and delivery customer. If ESCO's are not required to devote their stated capacity to CHG&E's retail market, circumstances may arise in which an ESCO's relationship to retail customers for whom service is initially intended is severed and the ESCO is able to divert transmission capacity for other purposes, leaving CHG&E unable to continue to fulfill its transmission or sales retail service obligations.

CHG&E emphasizes that nothing will prohibit ESCO's from engaging OATT service independent of the retail access program and employing such capacity for any purpose permitted under the OATT. By contrast, restricting use of the capacity employed in connection with the retail access program is consistent with the Commission's indication in Order No. 888 that a utility must be permitted to reserve sufficient capacity in order to serve its native load.

Independent System Operator

In the event a state-wide Independent System Operator ("ISO") commences operations pursuant to a FERC-filed ISO tariff and agreement, the retail access program may be superseded by the ISO's tariff in whole or in part. CHG&E may seek to revise the terms and conditions of retail access and the Agreement as necessary to comply with the requirements of the ISO.

Effective Date

CHG&E respectfully requests an effective date of September 1, 1998 for the retail access program.

Supporting Documents

The following documents are submitted herewith:

1. Attachment A - NYPSC Order approving CHG&E's OATT modifications.
2. Attachment C - Addenda to the Form of Service Agreement
3. Attachment B - CHG&E's General Retail Access Tariff
4. Attachment D - Worksheets showing calculation of the Montaup Pricing Method
5. Attachment C - Form of Notice
6. Service List

Provisions for Customer Choice - General Retail Access Program
Addendum 1 to Service Agreement For Firm Point-to-Point Transmission Service

A. Description of Service

The service pursuant to this Addendum to the Firm Point-to-Point Transmission Service Agreement may be used solely by Transmission Customers in serving retail customers within the CHG&E franchise area under CHG&E's New York Public Service Commission - approved retail access program. See CHG&E's Customer Choice Program as set forth in Central Hudson's Amended and Restated Settlement Agreement, "adopted in the "Order Adopting Terms of Settlement Subject to Modifications and Conditions in Case 96-E-0909891 et. al.", issued February 19, 1998, as the same may be revised, modified, amended, clarified, supplemented or superseded.

B. Eligibility

Beginning September 1, 1998, retail access will be made available to certain customers as fully described in CHG&E's retail tariff Section 35.

C. Independent System Operator

In the event a state-wide Independent System Operator ("ISO") commences operations pursuant to a FERC-filed ISO tariff and agreement, the Tariff may be superseded by the ISO's tariff in whole or in part. The Transmission Customer understands and agrees that CHG&E may seek to revise the terms and conditions of the Customer Choice - General Retail Access

Program, the Tariff, and this Agreement (including any pricing terms) as necessary to comply with the requirements of the ISO.

D. Billing

1. Transmission and Delivery Services - CHG&E shall render to each retail customer a single bill that includes charges for transmission and delivery services rendered under CHG&E's tariff PSC No. 14 - Electricity filed with the New York State Public Service Commission. Payment is due within 23 days.

2. Energy Imbalance Service - CHG&E shall provide and bill the Transmission Customer for the provision of Energy Imbalance Service in accordance with the terms specified herein.

The energy imbalance deviation band established for the Customer Choice - General Retail Access Program is +/- 5% (with a minimum of 2 MW) of the scheduled transaction. Parties should attempt to schedule accurately and thereby eliminate energy imbalances. On an hourly basis, the aggregated load for the Transmission Customer will be compared to the Transmission Customer's schedule. This will determine whether there was an over- or under-supply of energy to cover the needs of the Transmission Customer's actual load. The daily Central Hudson market clearing price will be assigned to the power purchased or sold for over- or under-supply for that hour. CHG&E will sum the daily monetary values at the end of the month. The Transmission Customer shall pay any balance from the reconciliation within 23 days. If the monthly reconciliation indicates that CHG&E owes the Transmission Customer for the over-supply of power (within the bandwidth), a credit in that amount will be applied to the Transmission Customer's bill.

Penalty charges for under-supply outside the bandwidth will be priced at Central Hudson's daily market clearing price. Central Hudson's daily market clearing price is defined as the daily price per barrel of No. 6 oil with a 1.3% maximum sulfur content. This price is representative of the oil burned at the Company's Roseton Generating Station, as interpolated from the Platt's Oilgram U.S. Markets and posted prices for 1.0% and 2.2% sulfur oil, a heating rate of 11,000 BTU per kwh and shall include a fixed allowance for operations and maintenance expense. For over-supply outside the bandwidth, the penalty charges will be priced at the daily Central Hudson market clearing price less 35%. Penalty charges are also due within 23 days.

E. Transmission Service Rates

The service classification specific rates for transmission Service under CHG&E's Customer Choice - General Retail Access Program shall be as follows:

Central Hudson Gas & Electric
Retail Access Programs
Transmission Service Charge

	Energy Charges per kWh			Demand Charges per kW	
	<u>All Energy</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Basic</u>	<u>Peak Period</u>
Service Classification No. 15 Residential Service	\$0.00438	N/A	N/A	N/A	N/A
Service Classification No. 16 Residential Time-of-Use Service	N/A	\$0.00500	\$0.00167	N/A	N/A
Service Classification No. 18 General Service					
Non-Demand	\$0.00592	N/A	N/A	N/A	N/A
Secondary Service	N/A	N/A	N/A	\$1.11	N/A
Primary Service	N/A	N/A	N/A	\$1.41	N/A
Service Classification No. 19 General Time-of-Use Service					
Non-Demand	N/A	\$0.00746	\$0.00373	N/A	N/A
Secondary Demand	N/A	N/A	N/A	\$1.11	N/A
Primary Demand	N/A	N/A	N/A	\$1.41	N/A

Service Classification No. 20						
Large Power Primary Service	N/A	N/A	N/A	\$0.85	\$1.54	
Service Classification No. 21						
Large Power Substation and Transmission Service						
Substation	N/A	N/A	N/A	\$0.53	\$1.90	
Transmission	N/A	N/A	N/A	N/A	\$2.09	

F. Security Deposit

A security deposit for transmission service pursuant to this Addendum is not required. The Transmission Customer shall be responsible to meet the security deposit requirements of CHG&E's retail tariff - PSC No. 14 - Section E-4.



Gas & Electric Corporation

284 SOUTH AVENUE, Poughkeepsie, N.Y. 12601-4879

(914) 452-2000

January 29, 1998

ORIG - Files

C96-E-0909

Copies to:

ALJ Epstein

ALJ Boschwitz

J. Grow

P. Catalano

Mr. George Trahan
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Dear George:

Re: Case 96-E-0909
Draft Provisions for Energy Value Option Plan

Enclosed please find a draft of Central Hudson's Energy Value Option Plan (EVOP) which is provided for in the Company's pending Settlement Agreement. A prior draft had been provided to Steve Keller in May 1997. This version has been updated to reflect the two bill option contained in the Settlement.

Central Hudson is available to meet with you or the appropriate PSC Staff personnel to review both this proposal and the draft tariffs related to the Economic Development and Growth Incentive rate options and the coal dock cost recovery sent to you on January 12, 1998.

Please feel free to call me at (914) 486-5375 with any comments or questions.

Very truly yours,

Maida J. Lewis

Maida J. Lewis
Manager - Costs, Rates
and Forecasts

cc: Mr. A. R. Upright
Mr. P. Teumim
Mr. S. Keller

98 JAN 30 AM 11:24

Public Service Commission
Albany - Files - C96-E-0909

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

ENERGY VALUE OPTION PLAN

D R A F T

January 29, 1998

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INTRODUCTION

The Energy Value Option Plan is designed to allow Service Classification No. 13 customers access to providers of energy other than Central Hudson. For participating customers, Central Hudson will retain the responsibility of providing adequate capacity, ensuring reliability and maintaining the Company's obligation to serve. Subscribers to the Energy Value Option Plan (EVOP) will continue to receive the benefit of a pro-rata share of the Company's low cost nuclear and hydro energy. Customers would select a qualified provider to deliver the balance of their energy needs.

At least ten business days prior to the commencement of receiving energy from an alternate supplier, the customer shall complete an Application for Service and supply the Company a copy of the signed contract or service agreement between the customer and the energy supplier. The agreement will state the hourly schedule of energy, the pricing, the source, the delivery path and the delivery point. Hourly energy scheduled for delivery must be in whole MEGAWATT amounts. If at any time during the term of the contract or service agreement any provisions are amended, the customer shall supply the Company, at least ten days prior to the effective date, a copy of such amendment, and a new copy of the Application for Service. A copy of the Application for Service is shown on Exhibit A.

Central Hudson shall have no responsibility for ensuring that a customer's bill under the Energy Value Option Plan, including amounts paid to the customer's energy supplier and others, will be less than or equal to the amount the Company would charge if all services were provided by the Company. To realize savings under EVOP, energy must be purchased at a price less than the Company's own use adjusted average fuel cost, less nuclear and hydro generation, as calculated in the Company's Monthly Statement of Fuel Cost Adjustment described in General Information Section 29 of Central Hudson's tariffs.

Central Hudson's fuel costs fluctuate monthly based on the pricing and availability of purchased power and fuels used at the Company's generating plants. The Company's adjusted average cost of fuel, less nuclear and hydro generation, for the calendar years 1996 and 1997 is shown on Exhibit B. This is provided for informational purposes only. Central Hudson can make no representations as to the future price of energy acquired for its customers. Central Hudson will provide to the customer historical and projected monthly adjusted average fuel cost for use in determining potential savings. The Company's actual adjusted average monthly cost of fuel will be shown in the customer's bill for each month.

DEFINITIONS

The following definitions apply to the Energy Value Option Plan.

Peak Hours

On peak hours are 7:00 a.m. - 11:00 p.m. weekdays and Saturdays.

Off Peak Hours

Off Peak Hours are 11:00 p.m. - 7:00 a.m. weekdays and Saturdays and all hours on Sundays.

Low Cost Hydro and Nuclear Generation

Central Hudson produces approximately 20% of its energy from the Company's hydro-electric facilities and its share of the Nine Mile 2 nuclear plant. The fuel cost of this generation is approximately 70% lower than the energy produced by fossil fuels. Customers participating in EVOP will continue to benefit from this low cost energy when it is available. In the event that the energy from nuclear and low cost hydro is unavailable, the Company will notify EVOP customers and their suppliers.

Delivery Service Charges

Delivery Service Charges are associated with the Company's operation of the transmission and distribution systems that deliver the energy. Customers will be assessed the Service Classification No. 13 charges which include demand and energy charges. The energy charges billed to EVOP participants will be the S. C. No. 13 energy rates less the Base Cost of Fuel as defined in General Information Section 29.

Maximum Eligibility Allocation

Each participating customer will be assigned a monthly Maximum Eligibility Allocation. This allocation shall not exceed the customer's average hourly energy usage between the hours of 11:00 p.m. and 7:00 a.m. for the same month in the prior year. The Maximum Eligibility Allocation will be reduced by the customer's pro-rata share of the Company's low cost hydro and nuclear generation. This represents the maximum amount of energy that can be purchased from a supplier other than Central Hudson during off peak hours.

Approved Off-Peak MW Allocation

Each customer must select an Approved Off Peak MW Allocation that does not exceed its Maximum Eligibility Allocation as defined above. Once approved, this is the maximum amount of off peak energy that can be delivered under EVOP.

Peak- to- Off Peak Energy Ratios

This represents the monthly ratio of each customer's peak period to off peak period energy usage based on the preceding year's actual monthly usage. A customer's average peak period hourly energy delivery each month cannot be less than its scheduled off peak hourly energy delivery multiplied by the Peak-to-Off Peak Energy Ratio of the applicable month.

LIMITATIONS ON ENERGY DELIVERIES

Off Peak Periods

A customer's average off peak hourly energy delivery each month must not exceed the customer's Approved Off Peak MW Allocation. Average off peak hourly energy deliveries shall be defined as the total energy delivered during the off peak period of a particular month divided by the number of off peak hours in that month. Average off peak hourly energy deliveries each month shall not be less than 80% of the customer's Approved Off Peak MW Allocation.

Peak Periods

A customer's average peak period hourly energy deliveries shall not be less than its scheduled average off peak hourly energy deliveries multiplied by the peak-to-off peak ratio from the same month of the prior year. There is no upper limit for peak period energy deliveries. Customers will continue to receive their pro-rata share of the Company's nuclear and low cost hydro. However, in the event it is determined by the Company that peak period energy deliveries are adversely impacting non-EVOP customers or causing a contingency that would adversely effect system reliability, the Company reserves the right to impose a peak period limitation.

AVAILABILITY

All Service Classification No. 13 customers with an hourly load of at least 1 MW will be eligible to participate in the program. Each customer eligible to participate shall be allocated a portion of the 50 MW off peak usage limit by dividing the customer's Maximum Eligibility Allocation by the total of the Maximum Eligibility Allocations of all customers eligible to participate, and multiplying that result by the 50 MW off peak usage limit. This allocation will be assigned on a monthly basis. If any customer chooses not to participate or selects an Approved Off-Peak MW Allocation that is less than its Maximum Eligibility Allocation, the remaining customers will be notified of any available Mws. Customers interested in obtaining additional Mws will receive an allocation in proportion to their Maximum Eligibility Allocation.

RATE TO BE PAID BY CUSTOMER

Charges for Service Supplied by Central Hudson

The following rates and charges shall be assessed for service supplied by the Company:

1) Customer Charge

The customer shall be assessed the Customer Charge of Service Classification No. 13.

2) Demand Charges

The customer will be assessed the Demand Charges of Service Classification No. 13.

3) Energy Charge (for energy supplied by the Company)

- (A) For the customer's pro-rata share of the Company's nuclear and low cost hydro generation, the customer shall be assessed the average cost of such energy as determined in the Company's Fuel Cost Adjustment calculation in effect at the time of billing.

Each calendar month, the allocation to EVOP customers will be set at 20%. In months where there is a scheduled outage at NM2, the 20% allocation will be ratcheted down by the percentage of days the unit is out of service. In the event of an unscheduled outage for a period longer than 3 days in a calendar month, the EVOP customer's bill will reflect an adjustment to the 20% allocation.

- (B) For energy supplied by the Company to the customer (excluding nuclear and low cost hydro generation referred to in (A) above), the customer shall be assessed the Company's own use adjusted average cost of fuel, less nuclear and hydro generation, as determined in the Company's Monthly Statement of Fuel Cost Adjustment in effect at the time of billing, as described in General Information Section 29 of Central Hudson's tariffs.

4) Delivery Service Charge

For all energy amounts supplied to the customer that do not exceed the customer's usage, a Delivery Service Charge shall be assessed, which represents the applicable Service Classification No. 13 energy charges less the Base Cost of Fuel as defined in General Information Section 29.

5) Adjustments to Delivery Service Charge

All non-fuel components of the Fuel Cost Adjustment, as described in General Information Section 29, shall be applied to energy amounts supplied to the customer by both the Company and a supplier that do not exceed the customer's usage. Non-fuel components of the Fuel Cost Adjustment include items such as credits from Sales for Resale revenues, line losses and other items included in the fuel cost adjustment mechanism for the purpose of passing on non-fuel costs or revenues to customers.

6) Increase in Rates and Charges

All rates and charges for services supplied by the Company under the EVOP shall be increased for revenue taxes pursuant to General Information Section 30.

Charges for Service Supplied by Providers Other than the Company

The customer will be required to pay for all energy scheduled on its behalf at the supplier's price. For deliveries in excess of the customer's usage, the customer will be credited the lower of the customer's purchase price per MWH for the delivered energy or the Company's adjusted average cost of fuel, less nuclear and hydro generation, as determined in the Fuel Cost Adjustment in effect at the time of billing.

OVER GENERATION (DUMP ENERGY)

EVOP customers' savings may be reduced by "dump" energy losses incurred by the Company due to system load falling below the minimum load requirements of Central Hudson's generation facilities, including any "must take" firm capacity and energy purchases, during off peak hours as a result of the EVOP program. In the event a dump energy situation occurs, Central Hudson will analyze the cause and if possible, take appropriate action to prevent a recurrence. Dump energy charges will be determined by the shortfall in revenue from the New York Power Pool and the actual fuel cost for the particular time that dump energy occurs.

BILLING

Central Hudson will perform billing for EVOP accounts at the customer's request. The Company will pay the supplier for energy as scheduled/delivered and the customer will continue to receive a single bill from Central Hudson. Bills will be unbundled to reflect the amount and price of the providers' energy and, the cost of Central Hudson delivery services. Participating EVOP customers agree to provide Central Hudson access on demand to any contracts or service agreements made with alternate suppliers for the purpose of verification of billing amounts and terms. All information received by Central Hudson will be treated as confidential. Central Hudson will request that any information provided to the New York Public Service Commission and its staff be treated as confidential.

Customer's may request that their supplier bill them for the supplier's energy. Customers selecting this billing option will receive a bill from their supplier for the supplier's energy and a bill from Central Hudson for delivery service and energy service (nuclear hydro & balance of energy requirements).

At least ten working days prior to the start of each customer's scheduled purchase of energy from an alternate supplier, the following information must be provided to Central Hudson by each supplier in the format as shown on Exhibit A:

- Names, Central Hudson account numbers and contact person for each customer with which the supplier has contracted.
- Hourly, daily and monthly amounts of energy scheduled during the month for each account. This schedule must conform to limitations of energy deliveries described above. Beginning and ending time and dates for each suppliers contract.
- A copy of the service agreement or contract between the supplier and the Customer.
- Monthly pricing per MWH purchased by each customer.

- Producer of the energy.
- Contracted path and point of delivery including transmission assignment number.
- Type of transmission service - firm or non-firm.
- Any special terms or conditions of the contract that may effect scheduling.

Central Hudson requires daily MWH amounts scheduled to properly bill customers for days included in the Company's billing cycles which may vary each calendar month and account for usage during weekdays versus weekends. If daily purchase amounts are the same throughout the month the supplier should so indicate.

If Central Hudson is billing for the supplier's energy, a single weighted monthly average price to be charged each customer must be provided by the supplier to Central Hudson. The Company's billing system cannot accommodate hourly or daily price changes. A supplier can charge a different price each month and provide different prices for each customer. The billing to Central Hudson by a supplier for the total monthly energy deliveries to the Central Hudson system must display the total energy scheduled/delivered under EVOP for each customer, with the customer's Central Hudson account number and the amount due for such deliveries. The supplier billing amount must be reconciled to the customer's pricing information as referenced above. The billing is to be subject to the normal terms and conditions applicable to wholesale purchased power. All existing PSC approved customer billing, collection and other protections continue to be fully applicable to EVOP customers.

Adjustments to a customer's billing for purchases from suppliers will be made by Central Hudson only if clear supporting documentation is provided by the supplier and written acceptance of the proposed adjustment is provided to Central Hudson by the customer. All requests for consideration of adjustments must be made within six months of the month requiring adjustment.

TERM

Service Classification No. 13 customers may begin participating in EVOP effective _____, 1998. Customers must commit to participation in EVOP for a minimum of one year. A customer may discontinue participating in EVOP at any time and receive their full energy supply and service from Central Hudson. However, any such customers will not be eligible for future participation in EVOP until their anniversary date of exiting the program.

DEMAND SIDE MANAGEMENT ELIGIBILITY

EVOP customers will be eligible to participate in Central Hudson's Demand Side Management

CUSTOMER SOLICITATION

Central Hudson will not provide customer names to potential energy suppliers without the customer's permission. Customers requesting information about EVOP will be provided an approved list of supplier and marketers who have indicated an interest in participation. The information provided to customers will include the name and address of the supplier/marketer, contact person and telephone number. The list provided is for the customer's convenience; no recommendation or restriction is implied. Informational material (one page limit) provided by the supplier or marketer describing the services offered will also be distributed to eligible program customers. It is the customer's responsibility to arrange for EVOP purchases with the supplier of the customer's choice. Customers may choose to deal with suppliers or marketers other than those included in the list supplied by Central Hudson; however, Central Hudson reserves the right to deny contracts or agreements with marketers or suppliers who have historically performed below acceptable standards.

REQUIREMENTS FOR ENERGY SUPPLIERS

Each month, a separate schedule of hourly deliveries must be submitted for each customer. Each customer schedule must comply with the Limitations on Energy Deliveries described above. Each supplier's hourly scheduled energy deliveries must be at least 1 MWH for delivery into the Company's system. Sales by energy suppliers to Central Hudson will be scheduled by Central Hudson with the New York Power Pool. All aspects of these sales will be subject to Northeast Power Coordinating Council, New York Power Pool and Central Hudson's practices and procedures. Energy Value Option Plan Transaction Rules are attached as Exhibit C. The supplier must provide at least 10 working days prior to the beginning of the scheduled agreement to purchase energy from an alternate supplier, the information as noted in the BILLING section above.

A participating customer or its agent has the responsibility to designate the point of delivery of energy into the Central Hudson system. To the extent possible, the Company will permit delivery to the customer's preferred delivery point. Deliveries of energy must be made at the same or higher voltage as the customer's service. If constraints exist at the customer's preferred delivery point, the Company can require that the energy be delivered to an alternate delivery point, providing that adequate transmission capacity is available.

Failure to comply with these operational requirements may cause the Company to limit or deny an energy supplier's participation.

SUPPLIER FAILURE TO DELIVER

Should an energy supplier fail to deliver scheduled energy for any reason, the supplier will be responsible for the higher of the actual hourly incremental cost incurred by the Company to replace the scheduled energy or the Company's system average cost. Any amounts due the Company for such replacement energy shall be deducted from suppliers' bills rendered in accordance with the "BILLING" section above.

The Company will remain responsible for providing adequate capacity and ensuring service reliability while retaining the obligation to serve all customers. In the event that a supplier is negligent in providing energy and continues to fail to meet the terms of the service agreement between the supplier and the customer, the Company reserves the right to intervene and require the customer to seek another supplier.

CENTRAL HUDSON GAS & ELECTRIC CORP.

ENERGY VALUE OPTION PLAN

Customer Application

Supplier's name _____

Telephone _____

Contact name _____ Fax _____

Customer's name _____ Telephone _____

Contact name _____ Fax _____

Central Hudson account # _____

Transmission type ____ firm ____ non-firm Transmission transaction # _____

Transmission path _____ Point of delivery _____

Producer of energy _____ Price of energy / MWH _____

Hourly schedule (hour ending) Capacity & Energy, amounts in MW/MWH

Hour beginning and ending	Capacity	Energy	Hour beginning and ending	Capacity	Energy
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_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
-------	-------	-------	-------	-------	-------

_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
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Total daily energy _____ Total monthly energy _____

Beginning and ending time for contract _____

Exhibit B

Central Hudson Gas & Electric Corporation

Adjusted Average Monthly Fuel Cost less Nuclear & Hydro

\$/MWH

	<u>1996</u>	<u>1997</u>
January	\$24.83	\$22.44
February	24.00	22.83
March	23.67	21.93
April	23.16	23.66
May	23.79	21.80
June	21.61	23.07
July	22.77	25.79
August	22.20	23.22
September	21.21	21.22
October	21.76	23.24
November	22.52	24.22
December	23.11	22.06
Average	\$22.88	\$23.00

ENERGY VALUE OPTION PLAN TRANSACTION RULES

(In effect until the establishment of an ISO.)

The increased use of wholesale electric transactions by traditional utilities, power marketers, independent power producers and other third parties may cause an over scheduling of the transmission facilities that serve as the delivery system for such energy transactions. As a result, the New York Power Pool has developed criteria to assign priority ranking to every transaction which is scheduled. This ranking determines which transactions take precedence on the transmission system and provides guidance to those who operate the system and who may need to reduce transmission flows which are causing or may cause violations of safe operating limits.

The following table establishes the priority of transactions:

<u>Priority</u>	<u>Description</u>
1	Firm capability and energy owned, purchased, sold or wheeled for at least a capability period (6 months) for which firm transmission service has been arranged.
2	Energy associated with operating capability purchased, sold, or wheeled for which firm transmission service has been arranged.
3	Interruptible firm energy or economy purchased, sold, or wheeled for which firm transmission service has been arranged.
4	Energy associated with operating capability purchased, sold, or wheeled for which interruptible transmission service has been arranged.
5	Interruptible firm energy or economy purchased, sold, or wheeled for which interruptible transmission service has been arranged.

For purposes of the EVOP program, participating customers will be treated on a comparable basis both in the allocation of available transmission for scheduling their energy and, should it become necessary, curtailing their energy due to system constraints.

For advanced scheduling, each transmission interconnection path will be allocated proportionally according to the approximate percentage of total system net load these customers represent. If it is determined the EVOP customers represent 10% of system load on average, then 10% of the rating of each transmission path will be reserved for their import.

Curtailments will be treated comparably and in accordance with the priority rankings listed above. For example, if 40 Mws is curtailed on transactions on the Sugarloaf tie and Central Hudson is importing 140 Mws, 100 Mws as a priority 1 for its full customers and 40 Mws as a priority 3 for its retail access customers, the full priority 3 transaction will be cut. However, if both transactions are priority 1, the transactions would both be curtailed in proportion to their scheduled amounts.