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

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

June 12, 1998

ORIG-FILES
C96-E-0900
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Honorable John C. Crary
New York State
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Dear Secretary Crary:

Re: Case 96-E-0909
In the Matter of Central Hudson Gas & Electric Corporation's
Plan for Electric Rate Restructuring Pursuant to Opinion No. 97-5
Response to Staff Issues

On February 26, 1998, Central Hudson Gas & Electric Corporation (Central Hudson or the Company) filed amended tariff leaves pursuant to Ordering Paragraph No. 4 of the Commission's Order Adopting Terms of Settlement Subject to Modifications and Conditions (issued and effective February 19, 1998) in the above captioned proceeding. These amendments were designed to effectuate the rate reductions contemplated by the revised Settlement Agreement, as adopted, as well as the requirements of Opinion No. 97-5. On March 20, 1998, the Company filed amended tariff leaves designed to implement the Retail Access Program pursuant to the Commission's Order issued and effective February 19, 1998. On June 9, 1998, representatives from Central Hudson met with staff of the Department of Public Service (Staff) to discuss the issues of concern to Staff regarding the Company's retail access tariffs. With this letter, Central Hudson hereby exercises its opportunity to respond in writing to the issues raised by Staff.

Issue 1 - Retail Supplier Operating Agreement

Staff has proposed that the Retail Supplier Operating Agreement (operating agreement) contain a dispute resolution clause and that the operating agreement be removed from the Company's tariff. The Company agrees that a dispute resolution clause should be added to the operating agreement, but excepts to the proposal that the operating agreement should be removed from the tariff. Inclusion of the operating agreement in the tariff provides uniformity and ensures that changes will not be made arbitrarily. Additionally, Central Hudson has noted that retail suppliers have expressed a preference for having a standard agreement applicable to all retail suppliers.

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Staff has also proposed that the supplier handbook currently being developed by Central Hudson should contain a dispute resolution clause and, to the extent that this handbook contains additional requirements or rules beyond the tariff, the Company should permit interested parties to comment on those requirements. In developing the handbook, the Company intends to create a tool for retail suppliers which will clarify its policies and procedures and provide ancillary information in one source. As such, the contents of the handbook are not intended to go beyond the tariff requirements and will in no way include additional terms or conditions. Therefore, a process for seeking comments from interested parties is unnecessary. It should be noted that while still in development, this handbook does contain a description of the dispute resolution process contained in the tariff, which will also be added to the operating agreement.

Issue 2 - Metering

Staff, eschewing the settlement provision, proposes a statewide approach to metering that when applied to Central Hudson would require that balancing and settlement transactions between Central Hudson and a retail supplier (or ESCO) be handled differently for residential and commercial customers who elect to install hourly metering than for those same classes of customers who do not have hourly metering. One may recall that the Commission decided that the lack of telemeters should not delay the transition to retail access and that utilities were directed to develop load profiles from load research for the purpose of scheduling and balancing transactions between the Company and retail suppliers, not for billing customers.

Central Hudson developed and has been using load profiles for scheduling and balancing deliveries from retail suppliers in the Dairylea pilot program combined with normal customer meter readings to compute delivery service charges to the customer without complaint from either the supplier or the customer. Although the Company has no problem with a customer installing a telemeter at his own cost for the benefit of an ESCO, the Company objects to the additional expense of having to mix telemetered data with load profile data for the simple purpose of balancing transactions with an ESCO.

While the initial cost of the meter may be borne by the customer, Staff fails to note the additional expenses by Central Hudson to communicate with that meter, maintain its clock and process its data separately and distinctly from the bulk of the profiled customers with no tangible benefit to any customer nor to Central Hudson. The Company's balancing and settlement procedures anticipated under the ISO will continue to be between hourly ESCO "deliveries" and profiled "actual usage" by the ESCO's customers. There is no direct evidence that a mix of profiled and telemetered data will improve the balancing and settlement process. While intuitively it may be so, the Company is concerned that as retail access penetration increases, the additional expenses that telemetered data requires to process are not covered in current rates.

Further, the Company excepts based on the fact that the load profiles developed by the Company, through extensive load research and formulation effort, are not dynamic. Allowing certain customer's accounts to be balanced and settled according to something other than the class load profile, in the absence of dynamic load profiling, results in a load profile that is no longer "true" to the class and is inherently unfair and inaccurate for the remaining customers billed according to that particular class load profile.

Central Hudson notes that hourly metering is currently used for all Large Power Primary, Substation and Transmission customers, which represent approximately 30% of total load. Customers within these classes who elect to take retail access will be balanced and settled according to their customer specific load profiles. There is a strong likelihood that the total cost, including installation, of hourly metering for customers outside these service classifications is greater than any annual savings these customers will achieve from retail access.

Finally, although Staff interprets the "intent" of Opinion No. 97-13 to require the Company to allow all customers access to hourly metering for retail access, Central Hudson believes, after review of the Order and Settlement Agreement, that the Commission did not draw this same conclusion.

Issue 3 - Changes in Supplier

Staff has proposed that customers be informed that after receiving the confirmation letter (switch of service provider) they have 10 business days to respond, and if a response is not received within that time, the switch in service provider will be processed as scheduled. Central Hudson agrees and will include this provision in its direct mail communications to customers.

Staff disagrees with the Company's proposal that, after a 15 day notice period from the retail supplier, a change in supplier will become effective on the date of the customer's next scheduled meter reading. Instead, Staff proposes that customers should be allowed to read their own meters on the non-read months to expedite the switch. Central Hudson excepts noting that meter readings performed by customers and provided to the Company via post card are not always accurate. Further, the Company's current Voice Response Unit is not designed to accept off-cycle reads. It should be noted that a customer's enrollment date will not be compromised based on a meter read date as evidenced by the confirming notice which provides an estimated start date. Moreover, the Company's proposed tariff provides for a meter read on a day other than normally scheduled at a fee, to the retail supplier, of $22. Apparently, this issue has been of little concern to customers participating in the Dairylea pilot program as evidenced by the fact that of the nearly 300 participating accounts, the majority of which are billed bi-monthly, only three customers have requested an off-cycle meter read. Additionally, no other party identified, in written comments, this issue as a concern in implementing retail access.

Staff also proposes that Central Hudson retain both written authorizations from retail suppliers for customer enrollment and written authorizations from customers for changes in retail suppliers for a period of six years. The Company agrees and will amend its tariff accordingly. For clarification purposes the Company notes that it will retain the forms for authorizing the release of billing history for a period of three years.

Issue 4 - Billing

Staff has indicated that Central Hudson's proposal to provide up to 24 months of historical billing determinants (kWh, kW, etc.) should be expanded to include the historical amount of the customers' bills for the same period. Central Hudson does not believe this should be required.

Currently, the Company is providing only billing determinants to Dairylea participants and to firm gas transportation participants. Since the inception of both of these programs, Central Hudson has not received a single request from a potential marketer for the historical billed amounts.

Historical billed amounts contain varying cost adjustment factors, varying tax levels and rate changes, which may or may not appear in the future. Central Hudson believes that providing historical billed amounts has the potential to create confusion since it is not these amounts but rather, future billed amounts that are important.

Issue 5- Fuel Adjustment Clause - EVOP Alternative Energy

Staff has proposed that Central Hudson include a mechanism in its tariff, similar to the one employed by Orange & Rockland for its PowerPick program, that would provide for the refund of the lagged fuel adjustment to customers choosing an alternate supplier under the EVOP. Central Hudson excepts to this proposal for a number of reasons.

First, the EVOP and PowerPick, although similar with respect to being energy only programs, differ in that only large industrial customers (Service Classification No. 13) are eligible for EVOP and, those customers electing to participate in EVOP remain partial requirements customers of Central Hudson based on the maximum participation restriction of the EVOP. Thus, based on a customer's partial requirements status only a portion of the fuel adjustment would remain unrefunded for one month, since S.C. No. 13 customers are billed monthly. Second, the fuel adjustment applicable to S.C. No. 13 customers, those eligible for EVOP, has been relatively flat over the past two and one-half years, averaging ($0.00379). Third, the fuel adjustment mechanism at its best continues to be imperfect. Upon reviewing these three reasons together, it appears that the amounts that might be in question would not justify the administrative cost of developing a mechanism to remedy the situation. In addition, if there is any potential gain to Central Hudson, the Settlement Agreement includes a ratemaking mechanism to capture any excess earnings for use as a future customer benefit. Moreover, the fact that participating EVOP customers may elect to not take EVOP service in a given month would also add another layer of complexity and increase the cost of developing a revised mechanism. Finally, no party has proposed to exclude billing any new customer the effective EFA factor (credit) on their initial bill.

Issue 6 - Rate Design

Central Hudson accepts the suggested rate modifications to the CTC and delivery service charges for the Company's time-of-use Service Classification Nos. 16, 19, 20 and 21 as proposed by Staff and presented on Attachment A. As a result of accepting these rate modifications, Central Hudson proposes to amend the service classification specific transmission rates for Service Classification Nos. 16, 19, 20 and 21 filed with the PSC on March 20, 1998 as presented on Attachment B.

Issue 7 - Partial Requirements

Staff has proposed that the Company expand its tariff to explain the relationships a retail access customer may have with multiple providers and the various options available to retail access customers. Central Hudson agrees and proposes to modify the eligibility requirement to permit one Retail Supplier at a time per meter, excluding meters through which a Power for Jobs (PFJ) allocation is received. A customer receiving a PFJ allocation through a given meter may choose to purchase energy and capacity from a single retail supplier to meet the remainder of its load. Additionally, the Company proposes to modify its tariff to make available to retail access customers in Service Classification Nos. 19 and 20 the Economic Revitalization and Business Retention discounts as special provisions. Further, the tariff should be amended to clearly state that the Growth Incentive discount is not available to retail access customers and that in lieu of a 5% rate reduction on bundled service, Service Classification No. 13 customers may choose a single retail supplier for the retail access equivalent of the 5% rate reduction.

Very truly yours,

Arthur R Upright

cc: All Active Parties

Attachment A

Central Hudson Gas & Electric Corporation
Retail Access Programs
Rate Modifications to CTC and Delivery Service Charges

	As Filed		As Modified	
	On-Peak	Off-Peak	On-Peak	Off-Peak
Service Classification No. 16				
Energy Charges per kWh				
Competitive Transition Charge	$0.02050	$0.00683	$0.02166	$0.00722
Delivery Service Charge	$0.07071	$0.02357	$0.06840	$0.02280
Service Classification No. 19				
Energy Charges per kWh				
Non-Demand				
Competitive Transition Charge	$0.02428	$0.01214	$0.02297	$0.01148
Delivery Service Charge	$0.04071	$0.02035	$0.04334	$0.02167
Secondary Demand				
Competitive Transition Charge	$0.01274	$0.00849	$0.01263	$0.00842
Delivery Service Charge	$0.00800	$0.00533	$0.00822	$0.00548
Primary Demand				
Competitive Transition Charge	$0.01281	$0.00854	no change	
Delivery Service Charge	$0.00287	$0.00191	no change	
Service Classification No. 20				
Energy Charges per kWh				
Competitive Transition Charge	$0.01356	$0.00897	$0.01365	$0.00902
Delivery Service Charge	$0.00319	$0.00211	$0.00302	$0.00199
Service Classification No. 21				
Energy Charges per kWh				
Substation				
Competitive Transition Charge	$0.02584	$0.01734	$0.02670	$0.01790
Delivery Service Charge	$0.00267	$0.00179	$0.00182	$0.00122
Transmission				
Competitive Transition Charge	$0.02298	$0.01554	$0.02358	$0.01595
Delivery Service Charge	$0.00378	$0.00256	$0.00318	$0.00215

Attachment B
Revised June 12, 1998

Central Hudson Gas & Electric Corporation
Retail Access Programs
Transmission Service Charge

	Energy Charges per kWh			Demand Charges per kW	
	All Energy	On-Peak	Off-Peak	Basic	Peak Period
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