



Proposal to Increase Rates Under Consideration

Central Hudson is considering a request to raise its delivery rates for electricity and natural gas. If the proposal is approved, new rates would not be in effect until the summer of 2006.

“No one likes to learn that the cost of anything, especially things as essential as the electricity and natural gas we rely on every day, may increase. Central Hudson understands that,” said Denise D. VanBuren, Vice President of Corporate Communications and Community Relations. “But when you consider how long it has been since rates were last increased, we hope customers might realize that the time may have to come to address issues that have had a significant impact on our operations.”

The last time Central Hudson received approval from the New York Public Service Commission (PSC) to increase rates for electricity was in December 1993. For natural gas, it has been even longer, in July 1991. Despite a 39-percent growth in the Consumer Price Index during the last 12 years, Central Hudson’s electric utility bills have been among the lowest in the Northeast, and natural gas bills have been below the state average.



Consumer prices have risen nearly 40 percent since the last time Central Hudson’s delivery rates were increased. For example, high voltage wire prices have increased by 62 percent since the early 1990s.

“This request comes after a thorough and comprehensive study of present and future costs of providing and improving service,” VanBuren explained. “It also comes after years of productivity improvements and service enhancements. But in the 12-plus years since rates were last increased, much has changed.”

In terms of utility bills specifically, they have been “unbundled,” or broken down into two main components – “supply” and “delivery” – to reflect the effects of deregulation.

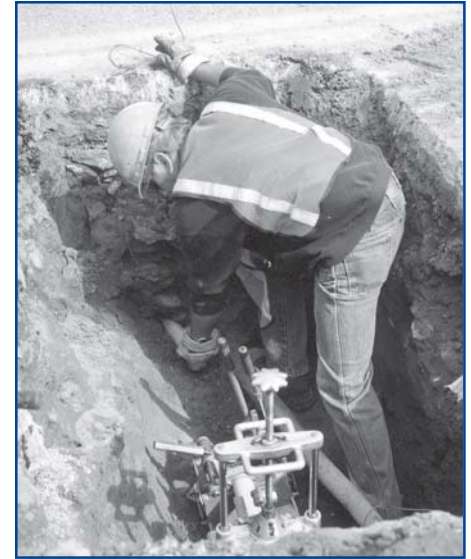
The supply charge is for the natural gas and/or electricity purchased on behalf of Central Hudson’s customers in the open energy marketplace, or by an alternative supplier of the customer’s choice. This part of the bill is not regulated, and it fluctuates with various market conditions.

The delivery charge is the fixed, regulated portion of the bill, collected by Central Hudson to cover the costs of a) transporting the energy to homes and businesses through powerlines and pipelines, and b) providing a broad array of customer services, including repairs, infrastructure work, and investments to improve reliability. This is the portion Central Hudson may seek to increase – for the first time in more than a decade.

In the years since Central Hudson’s delivery rates were last raised, the price paid for virtually everything else has increased steadily. First class postage, for example, increased by 28 percent, a one-pound loaf of bread by 80 percent, and a pound of coffee by more than 40 percent.

“The price of materials used to maintain and grow the delivery infrastructure has increased since the early 1990s. The cost of utility poles, for instance, has increased by 60 percent, high voltage wire by 62 percent, natural gas main pipe up to 44 percent, and the cost of gasoline and diesel fuel have almost doubled,” VanBuren reported. “Property taxes, too, which Central Hudson pays on our delivery infrastructure, increased overall by about 28 percent.”

If a decision is made to proceed with the rate increase request, Central Hudson will provide copies and supporting documents to the PSC later this summer. These documents will outline future and



Since 1990 the cost of utility poles has increased by 60 percent and the pipe used for natural gas mains has risen 44 percent.

present costs of providing electric and natural gas service, and the proposed amount of the increase in delivery rates. The PSC will assign a judge to hear the case, and will provide a timeline for all interested parties to submit their comments. The PSC will hold public hearings, and will publicize the meeting schedules so that residents may provide comments on the rate filing.

A final decision by the PSC would be expected in the spring of 2006. The PSC may decide to approve, modify or reject any or all of the requested changes. The new rates, if approved, will likely become effective in the beginning of the summer 2006.

Of course, the financial impact that a rate increase will have on customers is always considered. “Central Hudson fully appreciates the concerns customers and businesses have for increased energy prices, and is committed to minimizing the size and impact of rate increases by managing costs and passing those savings on to those we serve,” said VanBuren. “We’re equally committed to meeting the needs of our customers by assuring that they receive reliable electric and natural gas service now and in the future.”

Customers are encouraged to visit the Central Hudson’s Web site, www.CHEnergyGroup.com, for information on this rate proposal.

Natural Gas Expansion Projects Help Fuel Jobs and Development

Demand for natural gas is on the rise, as new home and business owners prefer the value, versatility and convenience of this clean energy source. So when business and residential developers in Greene and Dutchess counties recently approached Central Hudson requesting natural gas service for their projects, the utility went to work.

After careful consideration, the decision to proceed with the projects was made based on the potential for future growth in these areas. With the cooperation of municipal leaders, economic development agencies and New York State, Central Hudson will be extending its natural gas facilities to these new projects this summer and fall.

The Kalkberg Commerce Park in Greene County will soon be home to a Serta Mattress production facility, and other businesses are anticipated to follow soon. Working with the Greene County Industrial Development Agency, which owns the park, Central Hudson made an application with the New York State Public Service Commission to extend its natural gas mains to Serta and Kalkberg. This application was recently approved, and also allows Central Hudson the

opportunity to further extend its gas facilities to two adjoining business parks as development proceeds.

“This approval allows Central Hudson to provide infrastructure improvements that enhance the economic development efforts that attract new businesses and jobs to our region,” said Carl E. Meyer, President and Chief Operating Officer of Central Hudson.

New residential developments in the town of Hyde Park are also seeking natural gas for new homes and residences. A two-mile natural

homebuyers,” said Meyer.

“By working cooperatively with municipalities, developers and other parties, these projects will be moving forward, fueled by natural gas,” noted Meyer.



Above: Central Hudson employees work on a gas main extension.



Left: The Kalkberg Commerce Park includes land in the Greene County towns of Coxsackie and New Baltimore.

gas main extension is expected to begin this summer that will provide gas to three new developments, and will also give existing homeowners and other property owners along the route the opportunity to use natural gas. “Clearly, natural gas is the fuel of choice for so many prospective

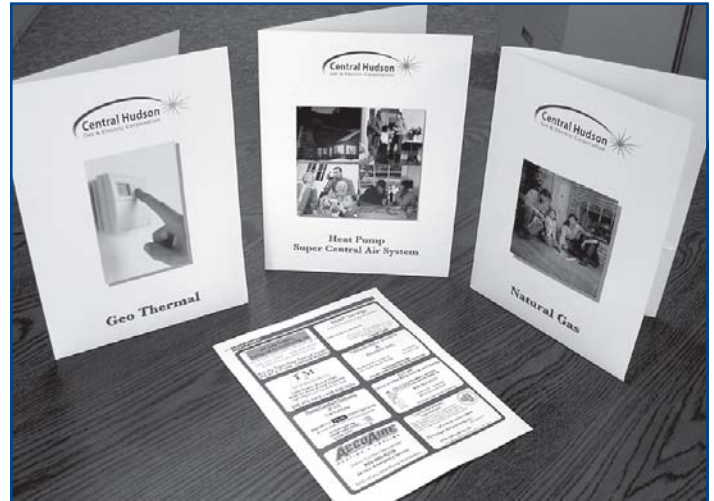
“Economic development plays a vital role in creating job opportunities for our residents, and Central Hudson is pleased to participate by working to provide the needed infrastructure improvements for our growing region,” he said.

Partner with Central Hudson to Gain Business

Central Hudson's Marketing Division distributes more than 2,500 information packets annually to customers through mailings and at fairs and trade shows throughout the Hudson Valley. Not only do these packets provide information about Central Hudson's programs, but they also feature valuable coupons and offers from trade allies like you. We can include coupons from your business in one or all of the following packets: 1) Natural Gas Heating, 2) Super Central Air Systems, and 3) Geo Thermal Heat Pumps. This is an economical opportunity for your business to get targeted advertisements into the hands of those customers interested in purchasing new central air systems, heat pumps or natural gas heating equipment.

We will update our trade ally coupons in time for the Dutchess County Fair, where we distribute hundreds of packets, with heat pumps and natural gas heating being the top interests.

If your business is interested in this marketing partnership, send us a copy of your coupon or supply us with the complete details so that we can design one for you. In order to be included, all coupons need to be received before **August 1, 2005**. To have your coupon included in any of our information packets or to get more information, please contact Energy Marketing Specialist Kelly Devens at (845) 486-5550.



Central Hudson Marketing Calendar

What's Ahead

August 1	Trade Ally Coupon Deadline
August 2 - 7	Ulster County Fair
August 23 - 28	Dutchess County Fair

Please call the *Dig Safely New York* hotline at (800) 962-7962, or register your request on-line at www.digsafelynewyork.com at least two full working days before digging. This "one-call" service will notify all private and municipal utilities (such as natural gas, electric, water, sewer, and communications companies) so they can mark out line locations.

