

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589
November 2009

Exhibit__ (RRP-18)

Referred to in the Prepared
Testimony of the

Staff Rate of Return Panel

Audrey L. Capers
Principal Utility Financial
Analyst

Paul Del Vecchio
Senior Utility Financial Analyst

Office of Accounting & Finance
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589

Central Hudson's Response to
Staff IR DPS-13

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Supplemental Response to Staff Information Request No. 13

From: A. Capers
Requested of: Dr. Morin
Date of Request: 8/24/2009

Capers: For Central Hudson Witness Dr. Morin:

13) In the recent Consolidated Edison Electric Case No. 09-E-0428, in response to Consumer Protection Board's Motion concerning Dr. Morin's Pre-filed Testimony, the ALJs ruled that in the future Dr. Morin's presentations would benefit by containing disclosures that identify all known departures from the established practice and should clearly explain why any previously rejected position is being presented for a second or third time.

- a. Are such disclosures and explanations included in the pre-filed initial testimony of Dr. Morin in this case? If yes, please identify the page number. If not, please provide such disclosures and explanations.

Response:

Dr. Morin has provided explanations for his recommendations and the basis for his recommendations throughout his testimony. Dr. Morin has also identified a number of aspects of the current practice and has expressed his disagreements with them. For example, reference should be made to page 16, where he states:

"First, more than two decades have passed since the Generic Financing Case ("GFC"). Reliance on analytical methods developed some twenty years ago, without reviewing their validity under current industry circumstances and current capital market conditions, is problematic. Second, it is my understanding that the Commission has never applied the three methods approach developed by Staff and the other parties in that proceeding whereby a utility's ROE would be calculated by assigning equal weight to the DCF, CAPM, and Comparable Earnings methodologies. Alternative methodologies, including the Arbitrage Pricing and Fama-French models, that were supposed to be investigated were ignored. Furthermore, the Commission has never issued a formal Order in the Generic Financing case, formally adopting an ROE methodology. Third, in recent cases, Staff has departed from the GFC methodology in an attempt to adapt/improve the model to altered capital market conditions since the financial crisis began in 2008."

These statements express Dr. Morin's assessment of the GFC method that was agreed to by Staff, utilities and other parties, subsequently addressed in a Recommended Decision that proposed alternations, but, as noted by Dr. Morin, the Commission never issued a formal order.

In addition, at 16-17, Dr. Morin explains why his analytical approach is preferable under current economic conditions:

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“This is not only because stock prices are extremely volatile at this time, but also utility company historical data have become less meaningful for an industry experiencing unprecedented volatility. Past earnings and dividend trends may simply not be indicative of the future. For example, historical growth rates of earnings and dividends have been depressed by eroding margins due to a variety of factors including the sluggish economy, restructuring, and the transition to a more competitive environment. Moreover, historical growth rates may not be representative of future trends for several utilities involved in mergers and acquisitions, as these companies going forward are not the same companies for which historical data are available.”

Reference should be made to the table that appears below in this response.

Dr. Morin provides the following additional information at this time:

In Dr. Morin’s vast experience in regulatory proceedings, there is nothing unusual about regulators changing course and adopting previously rejected positions. Capital markets are fluid, evolve rapidly, and continuously reflect changing investor expectations and risk attitudes. The New York Public Service Commission (Commission) itself has departed from the generic finance methodology in view of altered capital market circumstances. For example, in the last Con Edison electric rate case, the Commission modified the generic finance methodology due to turmoil in the financial markets and argued that DCF and CAPM estimates should rely on more recent data rather than the most recent six months of data required by the generic finance methodology.¹

Dr. Morin has argued in past NY cases that the Commission’s continued application of the generic finance methodology, with its resulting inadequate rates of return, threatens credit ratings.² As a matter of fact, following the 2009 Con Edison Electric Rate Order, both S&P and Fitch did downgrade Con Edison’s credit rating, while Moody’s placed Con Edison on negative outlook on the grounds that the ROEs awarded by the Commission were inadequate. Dr. Morin did address the repercussions of Moody’s downgrade of Con Edison in his rebuttal testimony.

In the most recent Con Edison electric rate case, the ALJ’s RD recommended modifications to the generic finance methodology so as to provide for three month, instead of six month, updates as described above, and also concluded that various other modifications to the generic finance methodology were appropriate. Specifically, regarding the DCF calculation, the RD recommended that the Commission use quarterly rather than annual dividends (p. 221), and modified the growth calculation (p. 222). More important, the RD concluded that the DCF and CAPM results should be

¹ Case 08-E-0539, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, Order Setting Electric Rates (issued April 24, 2009) (“2009 Electric Rate Order”)(p. 125).

² See, for example, Con Edison’s Initial Brief (p. 291) in Case 08-E-0539.

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accorded equal weight (p. 226). While the Commission ultimately decided not to adopt these recommendations, the fact that the RD contained these recommendations supports Dr. Morin's testimony.

Reflections on GFC Methodology

The Public Service Commission Staff uses a specific methodology which is tied to the Generic Financing Case (GFC) dating back to the mid-1990's. Staff has used a particular version of the ALJ's Recommended Decision that uses only the discounted cash flow (DCF) and capital asset pricing model (CAPM), ignoring the comparable earnings approach. In addition, the original recommendation to further study the Fama French and Arbitrage Pricing Models was dropped in the ALJ decision and has never been implemented. In fact the entire GFC decision was never finalized by the Commission.

What is left of the GFC methodology is a mechanistic approach which has led to allowed returns which have consistently been among the lowest in the country.

Results

The GFC methodology, which has, for the most part, been uncritically accepted by the Commission, has, for the past several years, produced allowed ROEs that are the lowest in the nation, with the relative position of New York utilities deteriorating over time, as evidenced by recent credit rating downgrades and lower than industry average market to book ratios.

Methodological Problems

Both the DCF and CAPM models are widely used for determination of required ROE. However, they both suffer from shortcomings.

CAPM

The CAPM model relies on three variables, the risk-free rate (Treasury bond rate), beta (a measure of the co-variance of individual stock returns with the general market S&P 500), and the market risk premium (the required rate of return of the equity market above the risk-free rate).

The risk-free rate used should be that of the longest duration Treasury securities available, as it is used in the calculation of the required return for equities, which have a long duration. The Staff uses an average of 20 and 30-year securities, rather than 30-year securities alone. While this has not had a significant effect with a flat yield curve, with a steeper yield curve this could lead to an understatement of required return.

Beta is based on historical return correlations. One concern is that beta may not capture the full extent of risk. For example, because the betas employed in the CAPM

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analysis are estimated over five-year historical periods, the impact of the ongoing financial crisis is not yet fully captured in the five-year historical betas.

Further Information Developed by Central Hudson:

The following table addresses the extent to which there is an established practice and departures from it.

	Generic Finance Case (Agreement & Appendices)	2005 Central Hudson Decision	2009 Central Hudson Decision	Morin Direct Testimony July 2009
Methodologies and Weightings	1/3: DCF 1/3: CAPM 1/3: Comparable Earnings (Agreement, Pg. 5)	2/3: Proxy Group DCF 1/3: Proxy Group CAPM	2/3: Proxy Group DCF 1/3: Proxy Group CAPM	Average of: (i) CAPM (ii) Risk Premium (iii) DCF
Proxy Group(s)	Electric or combination electric and gas distribution companies whose senior debt Moody's and S&P rate in the "A" category; determined every time the cost of equity calculation is performed. (Agreement, Pg. 6)	(i) Regulated and integrated transmission and distribution utilities as identified by S&P (ii) A/AA senior debt credit ratings from S&P and Moody's (iii) Evaluated by Value Line (iv) Regulated revenues that contributed to a minimum of 70% of total revenues (Staff Testimony, Pg. 10 & 11)	(i) Electric and Gas utility companies tracked by Value Line (ii) Investment grade, senior debt credit ratings from S&P's of BBB- and higher and/or from Moody's of Baa3 or higher (iii) Derive at least 70% of revenues from regulated utility operations (iv) Pay dividends (v) Have no current/pending mergers (Staff Testimony, Pg 21-22)	Two Proxy Groups: (i) Value Line w/50% regulated revenues and less than \$500 million market capitalization (ii) Average S&P Electric Utility Index (Morin Testimony, Pg. 42-43)

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	Generic Finance Case (Agreement & Appendices)	2005 Central Hudson Decision	2009 Central Hudson Decision	Morin Direct Testimony July 2009
Traditional CAPM Model (TCAPM)				
TCAPM Risk-Free Rate	Average of 10-year and 30-year Treasury yields over a six-month historical period. (Appendix A, Pg. 12)	Average of 10-year and 20-year Treasury yields over a six-month historical period. (Staff Testimony, Pg. 17)	Average of 10-year and 30-year Treasury yields over a <i>three-month</i> historical period. (Order, Pg. 43)	Current Level of 30-year Treasury bonds. (Morin Testimony, Pg. 18)
TCAPM Beta	Average beta for the respective proxy group published in the most current Value Line issue. (Appendix A, Pg. 12)	Average beta for proxy group as listed in most recent Value Line; in accordance with GFC (Staff Testimony, Pg. 17)	Average beta for proxy group as listed in most recent Value Line; in accordance with GFC (Staff Testimony, Pg. 32)	Average beta of two proxy groups mentioned above as listed by Value Line. (Morin Testimony, Pg. 22)
TCAPM Market Risk Premium	Two approaches: (i) Average of geo and arithmetic means of historical spreads between market returns on common stock and long-term bonds published in Ibbotson Associates' Stock, Bonds, Bills and Inflation. (ii) "Reverse" CAPM based on allowed returns across the country. (Appendix A, Pg. 13)	S&P 500 required return for the S&P 500 listed in Merrill Lynch's Quantitative Profiles. (Staff Testimony, Pg. 17)	S&P 500 required return for the S&P 500 listed in Merrill Lynch's Quantitative Profiles. (Staff Testimony, Pg. 31)	Two Estimates: (i) Historic based on Morningstar, and (ii) Forward-looking, based on HMMO Article. (Morin Testimony, Pg. 23)
Empirical (Zero Beta) CAPM Model				
Empirical CAPM Model	Same as Traditional CAPM (Appendix A, Pg. 10)	Same as Traditional CAPM (Staff Testimony, Pg.	Same as Traditional CAPM	Same as Traditional CAPM (Morin Testimony, Pg. 28-

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	Generic Finance Case (Agreement & Appendices)	2005 Central Hudson Decision	2009 Central Hudson Decision	Morin Direct Testimony July 2009
Risk-Free Rate		18)	(Order, Pg. 43)	29)
Empirical CAPM Model Beta	Weights the individual firm's beta 75% and weights the market beta 25% (Appendix A, Pg. 11)	Original testimony: Weights Proxy Group beta 75% and S&P 25%. (Staff Testimony, Pg. 18) Joint Proposal: Weights Proxy Group beta 50% and S&P beta 50%. (Order, Pg. 45)	Weights the proxy group beta 75% and weights the market beta 25% (Staff Testimony, Pg. 32 & 33)	Weights the proxy group beta 75% and weights the market beta 25% (Morin Testimony, Pg. 28-29)
Risk Premium Analysis				
Using Bond Yields				
Long-term utility bond yields	N/A	N/A	N/A	Current yield on A-Rated utility bonds (Morin Testimony, Pg. 31-32)
Average Risk Premium	N/A	N/A	N/A	S&P Utility Index average risk premium from 1931-2007 (Morin Testimony, Pg. 31-32)

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	Generic Finance Case (Agreement & Appendices)	2005 Central Hudson Decision	2009 Central Hudson Decision	Morin Direct Testimony July 2009
DCF Method				
DCF Growth Estimate	<p>Two stage growth:</p> <p>(i) Value Line dividend forecast for years 1-5.</p> <p>(ii) Sustainable growth rate based on Value Line projections and calculated using $(b \cdot r) + (S \cdot V)$</p> <p>Where:</p> <p>b = retention ratio</p> <p>r = projected return</p> <p>S = projected issuance of CE</p> <p>V = value of new share issues reflected in the market-to-book ratio.</p> <p>(Appendix 1, Pg. 5-6)</p>	<p>In accordance with GFC</p> <p>(Staff Testimony, Pg. 14-15)</p>	<p>In accordance with GFC</p> <p>(Staff Testimony, Pg. 28)</p>	<p>(i) Value Line average and Zacks consensus forecast for combination utilities group</p> <p>(ii) Value Line forecasts for S&P Utility Index Group (Morin Testimony, Pg. 36)</p>
Adjustments				
Credit Quality Adjustment	<p>Reflects the five-year average monthly spread between yields of the proxy group's average rating and the yields of the individual company's credit rating. The spreads are increased in a proportionate manner to reflect the cost of equity. (Agreement, Pg. 11-13)</p>	<p>N/A</p>	<p>Ratio of proxy group's implied bond yield (Mergent Bond Record) to cost of equity multiplied by CHGE's implied bond yield. (Staff Testimony, Pg. 34-35)</p>	<p>N/A</p>

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	Generic Finance Case (Agreement & Appendices)	2005 Central Hudson Decision	2009 Central Hudson Decision	Morin Direct Testimony July 2009
RDM Adjustment	N/A	N/A	10 bps adjustment based on Case 07-G-0141 Staff Testimony, Pg 36-37)	N/A
Flotation Costs	Divide the total issuance expense by the average common equity balance. (Agreement, Pg. 12)	N/A	N/A	Flotation costs of 30 bps should be added according to empirical finance literature. (Morin Testimony, Pg. 47)

Date of Response: 10/28/2009
Response by: Morin & Joseph Hally

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**Central Hudson's Response to
Staff IR DPS-14**

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 14

From: A. Capers
Requested of: M. Mosher
Date of Request: 8/24/2009

Capers: For Central Hudson Witness Mosher:

14) On page 4 of your testimony, lines 5 through 13, you indicate that the Company based rates on the 10% allowed return on common equity established by the Commission in the June 22 Order because the Company believes that it represents the best current estimate of the allowed rate of return on common equity as of the date of the filing, which was July 31, 2009. You also indicate that the Company submitted testimony by Professor Roger Morin that shows his analysis of the cost of common equity. Finally, you indicate that the Company's position should be understood as reserving the Company's right to increase the requested allowed rate of return should it perceive that current economic conditions have changed, and not as limiting its requested allowed return on equity to 10% under all circumstances.

Further, the Company's witness Dr. Morin states on page 4 of his pre-filed testimony that the purpose of his testimony is to present an independent appraisal of the fair and reasonable rate of return on common equity capital (ROE) invested in Central Hudson Gas & Electric Corporation. On pages 49 through 53 of his pre-filed testimony, Dr. Morin summarizes his cost of equity analyses and recommended cost of equity for the Company. Specifically, he proposed that Central Hudson's cost of common equity capital lies in a range of 11.0% to 11.5% and he recommends that the allowed return on equity be set on the basis of the midpoint of the range, 11.25%.

Based on your testimony, please respond to the following:

- a. Specify the conditions under which the Company would perceive a change in current economic conditions. Include specific indicators, the magnitude of those indicators as of the date of the filing, and the change in magnitude that would warrant an increase in the Company's requested allowed rate of return.
- b. If more than one indicator is specified in part a, explain the specific combination of indicators that will determine if there is a need for an increase in the Company's requested allowed rate of return?
- c. If economic indicators change which in accordance with your explanations warrant an increase in the Company's requested allowed rate of return, fully

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describe how the increase will be determined. (Include the specifics of all methodologies).

- d. Regarding your response to part a and b, provide a quantitative example of a situation wherein the Company perceives that an increase in the allowed rate of return given changes in economic conditions would be requested. Begin with the requested allowed return on equity/ allowed rate of return per the Company's pre-filed testimony, end with the increased requested allowed return on equity/ allowed rate of return, and show all steps required to attain the increased requested allowed return on equity/ allowed rate of return.
- e. Are there any conditions under which the Company would perceive a change in current economic conditions to warrant a decrease in its requested allowed rate of return?
 1. If so, specify the indicators of such change, the magnitude of those indicators as of the date of the filing, and the change in magnitude that would warrant a decrease in the Company's requested allowed rate of return.

Response:

- a. As is stated by Staff in its question, the testimony "should be understood as reserving the Company's right to increase the requested allowed rate of return should it perceive that current economic conditions have changed, and not as limiting its requested allowed return on equity to 10% under all circumstances." This involves a comparison of future conditions that are not known today to present conditions. The testimony expresses the idea that the Company will make that comparison in the future and did not identify any economic conditions or any individual market indicators as aspects that the Company will rely on, nor did the Company specify a particular formula. It is possible that one particular indicator or metric may predominate and it is also possible that a combination of several may be important. The Company intends to consider all conditions in the future that it finds relevant. The Company considers its reservation of the right to analyze this subject in the future as equivalent to the changes in Staff's position that were submitted by Staff in its briefs after the hearings in the 08 cases.
- b. See response to part a.
- c. See response to part a.
- d. See response to part a.
- e. No, not under the existing ratemaking practices of the Commission, which contain significant implicit risks ("earnings drags") affecting the Company's ability

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to achieve any allowed ROE. The allowed return on equity of 10.0% is the Company's minimum request.

Date of Response: 9/1/2009
Response by: M. Mosher

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**Central Hudson's Response to
Staff IR DPS-87**

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 87

From: A. Capers
Requested of: Mr. Stacey Renner
Date of Request: 9/09/2009

87) Please provide data from the Blue Chip Financial Forecasts that supports your estimated debt costs in Exhibit_(SAR-4), as stated on page 9 of your testimony.

Response:

The estimated debt costs of 2.08%, 3.36%, and 4.21% for the 1999 NYSERDA Series B, C, and D Variable Rate Notes in Exhibit (SAR-4), Schedules B-1 through B-3 reflect the one-month Commercial Paper rates published in the June 1, 2009 and July 1, 2009 Blue Chip Financial Forecasts. They are calculated by solving for the after-tax Commercial Paper rate, assuming a 35% tax rate, for the rate years ending June 30, 2011, 2012 and 2013, then multiplying these values by 175% to reflect the maximum interest rate paid when the auctions for these securities fail as they have since February 2008. Please refer to the chart below for the calculation of the aforementioned interest rates used in Exhibit_(SAR-4).

Blue Chip Forecast - Consensus w/ 35% Tax

	Twelve Months Ending		
	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>
Commercial Paper ^{a b}	1.83%	2.95%	3.70%
Tax Exempt Rate ^c	1.19%	1.92%	2.41%
Tax Exempt Rate x 175%	2.08%	3.36%	4.21%

Source:

a) 2011-2013 values from Blue Chip Financial Forecasts - June 1, 2009

b) 2010 values from Blue Chip Financial Forecasts - July 1, 2009

c) 35% Tax Rate

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Response to Staff Information Request No. 87**

The estimated debt costs of 7.20%, 7.40%, 7.80% and 8.10% for new MTN issuances listed in Exhibit (SAR-4), Schedules B-1 through B-3 reflect an average of the ten and thirty-year projected treasury rates from the June 1, 2009 and July 1, 2009 Blue Chip Financial Forecasts plus a 273 basis point credit spread. As stated in testimony and shown in Exhibit (SAR-3), Schedule C, the credit spread is the average of twenty-six ten-year and thirty-year A-rated utility bond issuances during the first six months of 2009. Please see the chart below for the calculation of the debt costs for new MTN Issuances.

Blue Chip Forecast - Consensus				
	Year Ending December 31			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
10-Year Treasury Yield ^{a b}	4.13%	4.50%	4.90%	5.20%
30-Year Treasury Yield ^{a b}	4.78%	4.90%	5.30%	5.50%
Average	4.45%	4.70%	5.10%	5.35%
Credit Spread ^c	2.73%	2.73%	2.73%	2.73%
New MTN Coupon Rate	7.20%	7.40%	7.80%	8.10%

Source:

- a) 2011-2013 values from Blue Chip Financial Forecasts - June 1, 2009
- b) 2010 values from Blue Chip Financial Forecasts - July 1, 2009
- c) As shown in Exhibit (SAR-3) Schedule C

Date of Response: 9/18/2009
Response by: S. Renner

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Central Hudson's Response to
Staff IR DPS-88

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 88

From: A. Capers
Requested of: Mr. Stacey Renner
Date of Request: 9/09/2009

88) As reflected in Exhibit_(SAR-4), Schedules B-1 through B-3, please provide the details of the total cost of debt (including the amortization of debt discount and expense and the amortization of premium).

Response:

The most significant component of our cost of debt is the interest paid on our outstanding debt. As shown in Exhibit_(SAR-4), Schedules B-1 through B-3, interest expense is calculated by multiplying the outstanding principal amount for each individual issuance by the number of months outstanding in a given year, then dividing by twelve to arrive at the average amount outstanding. This value is then multiplied by the corresponding interest rate to calculate the interest expense; these are then summed to arrive at the total interest expense for all outstanding debt in the rate year.

The amortization of debt expense represents all of the costs that correspond with the issuing of long-term debt, including legal expenses and broker fees that are amortized over the life of the debt. Please refer to Attachment IR 88 titled 'Central Hudson Gas & Electric Corporation Cost of Long-Term Debt Forecast' for the schedule that displays the annual amortization, unamortized debt expense and debt discount for the calendar years 2009-2013 and 12-month periods ending June 30, 2011, 2012 and 2013.

Date of Response: 9/21/2009
Response by: S. Renner

**Attachment IR 88
Central Hudson Gas & Electric Corporation
Cost of Long-Term Debt Forecast**

	2009	2010	2011	2012	2013
<u>Issuances Prior to January 1, 2009</u>					
Unamortized Debt Expense at January 1	10,438,917	9,485,616	8,613,387	7,765,137	6,959,419
Scheduled Amortization	(953,301)	(872,229)	(848,250)	(805,718)	(774,214)
Unamortized Debt Expense at December 31	<u>9,485,616</u>	<u>8,613,387</u>	<u>7,765,137</u>	<u>6,959,419</u>	<u>6,185,205</u>
<u>Issuances after January 1, 2009</u>					
Unamortized Debt Expense at January 1	-	285,187	850,354	1,057,729	1,607,443
Issuance Expense to be Amortized	292,500	592,500	262,500	636,250	340,000
Scheduled Amortization	(7,313)	(27,333)	(55,125)	(86,536)	(106,188)
Unamortized Debt Expense at December 31	<u>285,187</u>	<u>850,354</u>	<u>1,057,729</u>	<u>1,607,443</u>	<u>1,841,255</u>
<u>Total Annual Amortization</u>	<u>(960,614)</u>	<u>(899,562)</u>	<u>(903,375)</u>	<u>(892,254)</u>	<u>(880,402)</u>
<u>Debt Discount</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>Issuances Prior to January 1, 2009</u>					
Unamortized Debt Expense at July 1	9,042,711	8,189,262	7,201,111	6,212,262	5,225,312
Scheduled Amortization	(853,449)	(833,474)	(833,474)	(833,474)	(833,474)
Unamortized Debt Expense at June 30	<u>8,189,262</u>	<u>7,355,788</u>	<u>6,367,637</u>	<u>5,378,788</u>	<u>4,391,838</u>
<u>Issuances after January 1, 2009</u>					
Unamortized Debt Expense at July 1	840,916	635,667	430,417	225,218	20,000
Issuance Expense to be Amortized	680,000	726,250	726,250	726,250	340,000
Scheduled Amortization	(44,333)	(70,630)	(70,630)	(70,630)	(97,688)
Unamortized Debt Expense at June 30	<u>635,667</u>	<u>1,291,287</u>	<u>1,091,037</u>	<u>891,258</u>	<u>152,312</u>
<u>Total Annual Amortization (Rate Year) ^a</u>	<u>(897,782)</u>	<u>(904,104)</u>	<u>(904,104)</u>	<u>(904,104)</u>	<u>(886,142)</u>
<u>Debt Discount ^a</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

Note:
a) Shown in Exhibit_(SAR-4), Schedules B1 through B3

Attachment IR 88
Central Hudson Gas & Electric Corporation
Cost of Long-Term Debt Forecast

	2009	2010	2011	2012	2013
<u>Issuances Prior to January 1, 2009</u>					
Unamortized Debt Expense at January 1	10,438,917	9,485,616	8,613,387	7,765,137	6,959,419
Scheduled Amortization	(953,301)	(872,229)	(848,250)	(805,718)	(774,214)
Unamortized Debt Expense at December 31	<u>9,485,616</u>	<u>8,613,387</u>	<u>7,765,137</u>	<u>6,959,419</u>	<u>6,185,205</u>
<u>Issuances after January 1, 2009</u>					
Unamortized Debt Expense at January 1	-	285,187	850,354	1,057,729	1,607,443
Issuance Expense to be Amortized	292,500	592,500	262,500	636,250	340,000
Scheduled Amortization	(7,313)	(27,333)	(55,125)	(86,536)	(106,188)
Unamortized Debt Expense at December 31	<u>285,187</u>	<u>850,354</u>	<u>1,057,729</u>	<u>1,607,443</u>	<u>1,841,255</u>
<u>Total Annual Amortization</u>	<u>(960,614)</u>	<u>(899,562)</u>	<u>(903,375)</u>	<u>(892,254)</u>	<u>(880,402)</u>
<u>Debt Discount</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>Issuances Prior to January 1, 2009</u>					
Unamortized Debt Expense at July 1			9,042,711	8,189,262	7,355,788
Scheduled Amortization			(853,449)	(833,474)	(788,454)
Unamortized Debt Expense at June 30			<u>8,189,262</u>	<u>7,355,788</u>	<u>6,567,334</u>
<u>Issuances after January 1, 2009</u>					
Unamortized Debt Expense at July 1			840,916	635,667	1,291,287
Issuance Expense to be Amortized			680,000	726,250	340,000
Scheduled Amortization			(44,333)	(70,630)	(97,688)
Unamortized Debt Expense at June 30			<u>635,667</u>	<u>1,291,287</u>	<u>1,533,599</u>
<u>Total Annual Amortization (Rate Year) ^a</u>			<u>(897,782)</u>	<u>(904,104)</u>	<u>(886,142)</u>
<u>Debt Discount ^a</u>			<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

Note:

a) Shown in Exhibit_(SAR-4), Schedules B1 through B3

Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589

Central Hudson's Response to
Staff IR DPS-90

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 90

From: A. Capers
Requested of: Mr. Stacey Renner
Date of Request: 9/09/2009

- 90) Per your testimony on page 11, line 9 through page 12, line 8 please provide the following:
- The name and a description of the index of tax-exempt short-term debt yields employed when the auctions for the company's three series of tax-exempt bonds fail;
 - The name and description of any alternate index of tax-exempt short-term debt yields employed when the auctions for the company's three series of tax-exempt bonds fail;
 - Details of the Company's auction failures experienced since January 2009 (include the resulting bond rate); and
 - The details of the interest rate cap that the Company entered into on April 1, 2009. Include the costs and an example of how the cap would be applied.

Response:

- When the auctions for the three series of Central Hudson's tax-exempt bonds fail, the maximum rate is determined by taking the higher of the net of tax 30-day non-financial commercial paper rate reported by the U.S. Federal Reserve or the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. This SIFMA index, calculated on a weekly basis and produced by Municipal Market Data (MMD), is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDOs) from MMD's database. Issues that qualify for inclusion in the index are on a weekly reset effective on Wednesday, not subject to Alternative Minimum Tax, have an outstanding amount of \$10 million or more, have the highest short-term rating and pay interest on a monthly basis.
- See above
- Please see Attachment IR 90 - 1 titled 'Deutsche Bank – Auction Rate Securities' for a complete listing of failed auctions and resulting bond rates. Note that in the 'Benchmark' column, 'AGIND' indicates the use of the SIFMA Municipal Swap Index to determine the maximum rate, and '30INV' indicates the use of the net of tax 30-day non-financial commercial paper rate as reported by the U.S. Federal Reserve.
- Central Hudson purchased interest rate caps, effective April 1, 2009, for the 1999 NYSEDA tax-exempt bonds, Series B, C, and D at a cost of \$23,737.00, \$28,985.00, and \$28,878.00, respectively. For each Series, the cap rate is set at 4.375% per annum, with a floating rate option based on the SIFMA Weighted Average multiplied by 175%. The SIFMA multiplier is intended to approximate the effective interest rate for the auction rate bonds and to limit that effective interest rate to 4.375%. Please see attached documents for details regarding the three rate cap agreements with Key Bank.

Date of Response: 9/21/2009
Response by: S. Renner

Attachment IR 90 - 1
Deutsche Bank - Auction Rate Securities

CUSIP	Security Name	Auction Date	Settlement Date	Winning Rate	Status	Benchmark	Base Rate	% of Base	Dividend per Share	Next Auction	Period	Next Payment
649845EW0	Central Hudson Gas and Elec. 1999B	8/20/2009	8/21/2009	0.74%	Failed	AGIND	0.42%	175.00%	\$35.73	9/24/2009	35	9/25/2009
649845EW0	Central Hudson Gas and Elec. 1999B	7/16/2009	7/17/2009	0.56%	Failed	AGIND	0.32%	175.00%	\$27.22	8/20/2009	35	8/21/2009
649845EW0	Central Hudson Gas and Elec. 1999B	6/11/2009	6/12/2009	0.63%	Failed	AGIND	0.36%	175.00%	\$30.63	7/16/2009	35	7/17/2009
649845EW0	Central Hudson Gas and Elec. 1999B	5/7/2009	5/8/2009	0.82%	Failed	AGIND	0.47%	175.11%	\$40.01	6/11/2009	35	6/12/2009
649845EW0	Central Hudson Gas and Elec. 1999B	4/2/2009	4/3/2009	0.84%	Failed	AGIND	0.48%	175.07%	\$40.83	5/7/2009	35	5/8/2009
649845EW0	Central Hudson Gas and Elec. 1999B	2/26/2009	2/27/2009	1.17%	Failed	AGIND	0.67%	175.07%	\$57.02	4/2/2009	35	4/2/2009
649845EW0	Central Hudson Gas and Elec. 1999B	1/22/2009	1/23/2009	0.89%	Failed	AGIND	0.51%	175.10%	\$43.41	2/26/2009	35	2/27/2009
649845EW0	Central Hudson Gas and Elec. 1999B	12/18/2008	12/19/2008	1.89%	Failed	AGIND	1.08%	175.00%	\$91.88	1/22/2009	35	1/23/2009
649845EW0	Central Hudson Gas and Elec. 1999B	11/13/2008	11/14/2008	2.00%	Failed	AGIND	1.14%	175.00%	\$96.98	1/22/2009	35	1/23/2009
649845EW0	Central Hudson Gas and Elec. 1999B	10/9/2008	10/10/2008	8.44%	Failed	AGIND	4.82%	175.00%	\$410.03	11/13/2008	35	11/14/2008
649845EW0	Central Hudson Gas and Elec. 1999B	9/4/2008	9/5/2008	2.85%	Failed	AGIND	1.63%	175.03%	\$138.69	10/9/2008	35	10/10/2008
649845EW0	Central Hudson Gas and Elec. 1999B	7/31/2008	8/1/2008	3.92%	Failed	AGIND	2.24%	175.00%	\$190.56	9/4/2008	35	9/5/2008
649845EW0	Central Hudson Gas and Elec. 1999B	6/26/2008	6/27/2008	2.71%	Failed	AGIND	1.55%	175.03%	\$131.88	7/31/2008	35	8/1/2008
649845EW0	Central Hudson Gas and Elec. 1999B	5/22/2008	5/23/2008	2.98%	Failed	AGIND	1.70%	175.00%	\$144.62	6/26/2008	35	6/27/2008
649845EW0	Central Hudson Gas and Elec. 1999B	4/17/2008	4/18/2008	3.68%	Failed	AGIND	2.10%	175.00%	\$178.65	5/22/2008	35	5/23/2008
649845EW0	Central Hudson Gas and Elec. 1999B	3/13/2008	3/14/2008	4.81%	Failed	AGIND	2.75%	175.02%	\$233.97	4/17/2008	35	4/18/2008
649845EX8	Central Hudson Gas and Elec 1999C	8/27/2009	8/28/2009	0.68%	Failed	AGIND	0.39%	175.13%	\$33.20	10/1/2009	35	10/2/2009
649845EX8	Central Hudson Gas and Elec 1999C	7/23/2009	7/24/2009	0.65%	Failed	AGIND	0.37%	175.14%	\$31.50	8/27/2009	35	8/28/2009
649845EX8	Central Hudson Gas and Elec 1999C	6/18/2009	6/19/2009	0.63%	Failed	AGIND	0.36%	175.00%	\$30.63	7/23/2009	35	7/24/2009
649845EX8	Central Hudson Gas and Elec 1999C	5/14/2009	5/15/2009	0.77%	Failed	AGIND	0.44%	175.00%	\$37.43	6/18/2009	35	6/19/2009
649845EX8	Central Hudson Gas and Elec 1999C	4/9/2009	4/13/2009	0.89%	Failed	AGIND	0.51%	175.10%	\$39.69	5/14/2009	32	5/15/2009
649845EX8	Central Hudson Gas and Elec 1999C	3/5/2009	3/6/2009	0.96%	Failed	AGIND	0.55%	175.09%	\$50.83	4/9/2009	38	4/13/2009
649845EX8	Central Hudson Gas and Elec 1999C	1/28/2009	1/30/2009	0.93%	Failed	AGIND	0.53%	175.09%	\$45.11	3/5/2009	35	3/6/2009
649845EX8	Central Hudson Gas and Elec 1999C	12/26/2008	12/29/2008	2.19%	Failed	AGIND	1.25%	175.04%	\$97.24	1/29/2009	32	1/30/2009
649845EX8	Central Hudson Gas and Elec 1999C	11/20/2008	11/21/2008	1.96%	Failed	AGIND	1.12%	175.00%	\$103.44	12/26/2008	38	12/29/2008
649845EX8	Central Hudson Gas and Elec 1999C	10/18/2008	10/17/2008	6.04%	Failed	AGIND	3.45%	175.02%	\$293.51	11/20/2008	35	11/21/2008
649845EX8	Central Hudson Gas and Elec 1999C	9/11/2008	9/12/2008	3.13%	Failed	AGIND	1.79%	175.03%	\$152.30	10/16/2008	35	10/17/2008
649845EX8	Central Hudson Gas and Elec 1999C	8/7/2008	8/8/2008	3.15%	Failed	AGIND	1.80%	175.00%	\$153.13	9/11/2008	35	9/12/2008
649845EX8	Central Hudson Gas and Elec 1999C	7/3/2008	7/7/2008	2.62%	Failed	30INV	1.50%	175.03%	\$116.53	8/7/2008	32	8/8/2008
649845EX8	Central Hudson Gas and Elec 1999C	5/29/2008	5/30/2008	2.84%	Failed	AGIND	1.62%	175.00%	\$149.63	7/3/2008	38	7/7/2008
649845EX8	Central Hudson Gas and Elec 1999C	4/24/2008	4/25/2008	4.25%	Failed	AGIND	2.43%	175.02%	\$206.74	5/29/2008	35	5/30/2008
649845EX8	Central Hudson Gas and Elec 1999C	3/20/2008	3/24/2008	4.08%	Failed	AGIND	2.33%	175.02%	\$181.24	4/24/2008	32	4/25/2008
649845EX8	Central Hudson Gas and Elec 1999C	2/14/2008	2/15/2008	3.43%	Failed	30INV	1.96%	175.03%	\$181.24	3/20/2008	38	3/24/2008
649845EY6	Central Hudson Gas and Electric 99D	9/3/2009	9/4/2009	0.49%	Failed	AGIND	0.28%	175.00%	\$23.82	10/8/2009	35	10/9/2009
649845EY6	Central Hudson Gas and Electric 99D	7/30/2009	7/31/2009	0.72%	Failed	AGIND	0.41%	175.12%	\$34.90	9/3/2009	35	9/4/2009
649845EY6	Central Hudson Gas and Electric 99D	6/25/2009	6/26/2009	0.61%	Failed	AGIND	0.35%	175.14%	\$29.80	7/30/2009	35	7/31/2009
649845EY6	Central Hudson Gas and Electric 99D	5/21/2009	5/22/2009	0.74%	Failed	AGIND	0.42%	175.00%	\$35.73	6/25/2009	35	6/26/2009
649845EY6	Central Hudson Gas and Electric 99D	4/16/2009	4/17/2009	0.93%	Failed	AGIND	0.53%	175.09%	\$45.11	5/21/2009	35	5/22/2009
649845EY6	Central Hudson Gas and Electric 99D	3/12/2009	3/13/2009	1.02%	Failed	AGIND	0.58%	175.00%	\$49.34	4/16/2009	35	4/17/2009
649845EY6	Central Hudson Gas and Electric 99D	2/5/2009	2/6/2009	0.84%	Failed	AGIND	0.48%	175.00%	\$40.83	3/12/2009	35	3/13/2009
649845EY6	Central Hudson Gas and Electric 99D	1/2/2009	1/5/2009	1.58%	Failed	AGIND	0.90%	175.00%	\$70.00	2/5/2009	32	2/6/2009
649845EY6	Central Hudson Gas and Electric 99D	11/26/2008	12/1/2008	1.80%	Failed	AGIND	1.03%	175.05%	\$87.65	1/2/2009	35	1/5/2009
649845EY6	Central Hudson Gas and Electric 99D	10/23/2008	10/24/2008	3.99%	Failed	AGIND	2.28%	175.00%	\$210.58	11/28/2008	38	12/1/2008
649845EY6	Central Hudson Gas and Electric 99D	9/18/2008	9/19/2008	9.01%	Failed	AGIND	5.15%	175.01%	\$438.13	10/23/2008	35	10/24/2008
649845EY6	Central Hudson Gas and Electric 99D	8/14/2008	8/15/2008	2.91%	Failed	AGIND	1.66%	175.00%	\$141.22	9/18/2008	35	9/19/2008
649845EY6	Central Hudson Gas and Electric 99D	7/10/2008	7/11/2008	2.76%	Failed	30INV	1.58%	175.00%	\$134.07	8/14/2008	35	8/15/2008
649845EY6	Central Hudson Gas and Electric 99D	6/5/2008	6/6/2008	2.84%	Failed	30INV	1.51%	174.98%	\$128.53	7/10/2008	35	7/11/2008
649845EY6	Central Hudson Gas and Electric 99D	5/1/2008	5/2/2008	4.67%	Failed	30INV	2.67%	175.02%	\$227.16	6/5/2008	35	6/6/2008
649845EY6	Central Hudson Gas and Electric 99D	3/27/2008	3/28/2008	3.87%	Failed	AGIND	2.21%	175.02%	\$188.03	5/1/2008	35	5/2/2008
649845EY6	Central Hudson Gas and Electric 99D	2/21/2008	2/22/2008	4.15%	Failed	30INV	2.37%	175.02%	\$201.64	3/27/2008	35	3/28/2008

Average 2.42%

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
Our Ref: 231576/231576

Notional Amount: \$41,000,000.00 USD

Trade Date: 25-Mar-09

Effective Date: 01-Apr-09

Termination Date: 01-Apr-10

Fixed Amounts

Fixed Rate Payer: CENTRAL HUDSON GAS & ELECTRIC CORPORATION

**Fixed Rate Payer
Payment Date:** 01-Apr-09

Fixed Amount: \$28,878.00

Floating Amounts

Floating Rate Payer: KEYBANK NATIONAL ASSOCIATION

Cap Rate: 4.375 percent per annum

**Floating Rate Payer
Payment Dates:** Commencing 01-May-09 and monthly thereafter on the 1st calendar day of the month up to and including the Termination Date, subject to adjustment in accordance with Modified Following Business Day Convention.

Period End Dates: Monthly on the 1st commencing 01- May-09 subject to No Adjustment.

Floating Rate Option: USD-SIFMA Weighted Average, Multiplied by 175%.

Spread: None

**Floating Rate Day
Count Fraction:** Act/Act ISDA Unadjusted

Reset Dates: Resetting weekly on Thursdays, effective Thursday, averaged and paid monthly.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
 Our Ref: 231574/231574

Notional Amount: \$41,150,000.00 USD

Trade Date: 25-Mar-09

Effective Date: 01-Apr-09

Termination Date: 01-Apr-10

Fixed Amounts

Fixed Rate Payer: CENTRAL HUDSON GAS & ELECTRIC CORPORATION

Fixed Rate Payer
 Payment Date: 01-Apr-09

Fixed Amount: \$28,985.00

Floating Amounts

Floating Rate Payer: KEYBANK NATIONAL ASSOCIATION

Cap Rate: 4.375 percent per annum

Floating Rate Payer
 Payment Dates: Commencing 01-May-09 and monthly thereafter on the 1st calendar day of the month up to and including the Termination Date, subject to adjustment in accordance with Modified Following Business Day Convention.

Period End Dates: Monthly on the 1st commencing 01-May-09 subject to No Adjustment.

Floating Rate Option: USD-SIFMA Weighted Average, Multiplied by 175%.

Spread: None

Floating Rate Day
 Count Fraction: Act/Act ISDA Unadjusted

Reset Dates: Resetting weekly on Thursdays, averaged and paid monthly.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION
Our Ref: 231577/231577

Notional Amount: \$33,700,000.00 USD

Trade Date: 25-Mar-09

Effective Date: 01-Apr-09

Termination Date: 01-Apr-10

Fixed Amounts

Fixed Rate Payer: CENTRAL HUDSON GAS & ELECTRIC CORPORATION

**Fixed Rate Payer
 Payment Date:** 01-Apr-09

Fixed Amount: \$23,737.00

Floating Amounts

Floating Rate Payer: KEYBANK NATIONAL ASSOCIATION

Cap Rate: 4.375 percent per annum

**Floating Rate Payer
 Payment Dates:** Commencing 01-May-09 and monthly thereafter on the 1st calendar day of the month up to and including the Termination Date, subject to adjustment in accordance with Modified Following Business Day Convention.

Period End Dates: Monthly on the 1st commencing 01-May-09 subject to No Adjustment.

Floating Rate Option: USD-SIFMA Weighted Average, Multiplied by 175%.

Spread: None

**Floating Rate Day
 Count Fraction:** Act/Act ISDA Unadjusted

Reset Dates: Resetting weekly on Thursdays, effective Thursday averaged and paid monthly.

**Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589**

**Central Hudson's Response to
Staff IR DPS-233**

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 233

From: P. Del Vecchio
Requested of: Mr. Stacey Renner
Date of Request: 9/30/2009

233) On page 9, lines 8-13, you describe that debt costs in Exhibit_(SAR-4) reflect projected treasury rates from Blue Chip Financial Forecasts plus a 273 bps credit spread that is the average of twenty six ten-year and thirty-year A-rated utility bond issuances during the first six months of 2009 (as shown in Schedule C of Exhibit_(SAR-3)).

- a) Using the same methodology and selection criterion, what would the average credit spread be for the most recent 3 months of ten-year and thirty-year A-rated utility bond issuances?

Response:

- a) In Attachment 233A and the corresponding spreadsheet, I have added 3 months of data to the data provided in Staff Information Request No. 56.

In Attachment 233B and the corresponding spreadsheet, I have updated Schedule C of Exhibit__(SAR-3), using the selection criteria described in the response to Staff Information Request No. 56, to include data through September 30, 2009. As the Attachment shows, the average credit spread for January 1, 2009 through June 30, 2009 is 273 basis points, the average credit spread for January 1, 2009 through September 30, 2009 is 253 basis points, and the average credit spread for the period July 1, 2009 through September 30, 2009 is 152 basis points. Central Hudson's recent bond offering is excluded from the averages.

Central Hudson issued \$24 million of 30-year bonds on September 30, 2009 at a credit spread of 170 basis points over the 30-year treasury yield, for a coupon of 5.80%. In its previous offering in November 2008, Central Hudson issued \$30 million of 5-year notes at a credit spread of 450 basis points over the 5-year treasury yield, for a coupon of 6.85%. The data in the Attachments and Central Hudson's recent experience continue to reflect large and unpredictable variations in credit spreads and coupons.

Date of Response: 10/07/2009
Response by: S. Renner

Attachment 233A - 2009 USD INVESTMENT GRADE ISSUANCE ACTIVITY - DOMESTIC UTILITIES

ISIN	Issuer	Entity Type	Rating	Amount	Deal	Yield	Yield	Yield	Notes
930	Alliant Energy Corp	Holding Company	Baa1/BBB	6	\$230	CLIPM	4.900%	4.977%	FMB
929	Energy Gulf States (FMB)	Electric Utility	Baa1/BBB+	18	\$300	BARC/CLY/MIZ	5.850%	5.999%	FMB
928	Pennsylvania Electric Company	Electric Utility	Baa2/BBB	10.8	\$280	BAML/CJ/PM/WFS	6.300%	6.244%	
928	Pennsylvania Electric Company	Electric Utility	Baa2/BBB	29	\$260	BAML/CJ/PM/WFS	6.150%	6.188%	
928	Central Hudson Gas & Electric Co.	Electric Utility	A3/A	30	\$24	BAML/JP/MKEY	6.900%	6.900%	
922	Allegheny Energy Supply Co. LLC	Genco	Baa3/BBB-	10	\$350	CS/GS/BNP // MS/DB	6.750%	6.794%	
922	Allegheny Energy Supply Co. LLC	Genco	Baa3/BBB-	30	\$250	CS/MS/DB // GS/BNP	6.875%	6.875%	
921	Niagara Mohawk Power Corp.	Electric Utility	A3/A-	5	\$500	CS/UPM/MUFJ	5.853%	5.853%	144A
921	Ohio Power Company	Electric Utility	Baa1/BBB	12	\$600	KEY/RBS/US	6.976%	6.923%	
917	Duke Energy Kentucky	Electric Utility	Baa1/A-	10	\$100	KEY	6.889%	6.997%	144A
916	Exelon Generation Co.	Genco	A3/BBB	10	\$900	BARC/JP/MWS // CS	6.300%	6.388%	
916	Exelon Generation Co.	Genco	A3/BBB	30	\$900	BARC/JP/MWS // GS/US	6.320%	6.399%	
916	Avista Corporation (FMB)	Electric Utility	Baa1/BBB+	12.5	\$250	JP/MWS	6.126%	6.150%	FMB
916	National Rural Utilities	Utility Cooperative	A1/A+	3	\$250	DB/RBS/US // MUFJ/MZ/Scotia	5.885%	5.977%	CTB
916	National Rural Utilities	Utility Cooperative	A1/A+	6	\$250	DB/RBS/US // MUFJ/MZ/Scotia	5.875%	5.953%	CTB
916	Puget Sound Energy (FMB)	Electric Utility	Baa1/A-	30	\$350	BAML/JP/MWS/STI	6.971%	6.787%	Fairway FMB
928	Duke Energy Corp.	Holding Company	Baa2/BBB+	5	\$500	BNY/CS/JP/MWS	5.965%	5.963%	
928	Duke Energy Corp.	Holding Company	Baa2/BBB+	10	\$500	BNY/CS/JP/MWS	6.050%	6.098%	
918	Sierra Pacific Power Company	Electric Utility	Baa3/BBB	7	\$150	BARC/BNY	6.000%	6.911%	G&RMB/Reopening
913	Cleveland Electric & Illum. Co. (FMB)	Electric Utility	Baa1/BBB+	13	\$300	GS/KEY/US	6.500%	6.563%	
916	AOL Capital Corporation	Gas Distribution	Baa1/BBB+	10	\$500	GS/STWFC	6.350%	6.378%	
916	Niagara Mohawk Power Corp.	Electric Utility	A3/A-	10	\$750	BAML/BARC/MS	6.881%	6.881%	144A
778	Korea Gas	Gas Distribution	A2/A	6	\$500	BAML/CS/JP/M	6.000%	6.197%	144A
777	Wisconsin Power & Light Co.	Electric Utility	A2/A-	10	\$250	BAML/WFC // BNY/US	6.000%	6.078%	
777	Interstate Power & Light Co.	Electric Utility	A3/BBB+	30	\$300	BAML/WFC // BOTM/RBS	6.280%	6.297%	
716	Northwest Natural Gas Co.	Gas Distribution	A2/AA-	5	\$50	US	5.850%	5.959%	FMB
711	MidAmerican Energy Holdings	Holding Company	Baa1/BBB+	3	\$250	JPM	5.100%	5.169%	144A
711	Tampa Electric	Electric Utility	Baa1/BBB	10	\$100	JP/M/STI	6.100%	6.185%	Reopening
924	Rochester Gas & Electric (FMB)	Electric Utility	Baa1/A-	10	\$150	BAML/JP/MWS	6.900%	6.829%	FMB
923	Virginia Electric & Power Co.	Electric Utility	Baa1/A-	10	\$350	BARC/CS/SCOT	6.137%	6.828%	
923	Gulf Power Company	Electric Utility	A2/A	1	\$125	MS	5.900%	5.900%	FRN
910	Dominion Resources	Holding Company	Baa2/BBB	70	\$625	BAML/CS/MS/US/WB	6.376%	6.376%	Retail Jr Sub Notes
910	CMS Energy	Holding Company	Baa1/BB+	10	\$300	BARC/DB // BAML/US/US	6.790%	6.900%	
910	Pacific Gas & Electric Co.	Electric Utility	A3/BBB+	1	\$500	CMS	5.900%	5.900%	FRN
910	Kansas Gas & Electric (FMB)	Electric Utility	Baa2/BBB	10	\$300	BNY/C/CS	6.790%	6.728%	144A FMB
928	Public Service Company of Colorado (FMB)	Electric Utility	A3/A	10	\$400	BNP/CS/SCOT	6.128%	6.186%	FMB
919	PPL Electric Utilities (FMB)	Electric Utility	A3/A-	30	\$300	BAML/CS/MS/US	6.280%	6.299%	
918	Central Maine Power Co.	Electric Utility	A3/A	10	\$160	BNY/WB	6.700%	6.713%	
914	Entergy Texas (FMB)	Electric Utility	Baa3/BBB+	30	\$150	CMS/WB	7.878%	7.878%	NC3
912	Sempra Energy	Holding Company	Baa1/BBB+	7	\$750	BNP/C/DB	6.500%	6.599%	
911	Ameren Corporation	Holding Company	Baa3/BB+	5	\$425	BNP/JP/MWS	6.878%	6.908%	
911	San Diego Gas & Electric Co. (FMB)	Electric Utility	A1/A+	30	\$300	MS/US/CLY	6.000%	6.933%	FMB
911	Southern Company	Holding Company	A3/A-	5	\$350	C/CS/US	6.150%	6.173%	
911	Black Hills Corporation	Holding Company	Baa3/BBB-	5	\$250	CS/RBS	6.000%	6.000%	
911	DTE Energy Company	Holding Company	Baa2/BBB-	5	\$300	BARC/BNP/JP/M	7.650%	7.626%	
421	Toledo Edison (FMB)	Electric Utility	Baa2/BBB	11	\$300	C/CS/UP/MWS	6.375%	7.276%	FMB
413	Portland General Electric Co. (FMB)	Electric Utility	Baa1/A-	10	\$300	DB/WB	6.100%	6.110%	FMB
41	National Fuel Gas Company	Diversified Gas	Baa1/BBB	10	\$250	BAML/JP/M	6.785%	6.784%	
328	Idaho Power Co. (FMB)	Electric Utility	A3/A-	10	\$100	BAML/JP/MWS	6.160%	6.176%	FMB
323	Consolidated Edison Co.	Electric Utility	A1/A-	5	\$275	BARC/MS/WB	6.680%	6.680%	
323	Consolidated Edison Co.	Electric Utility	A1/A-	10	\$475	BARC/MS/WB	6.580%	6.879%	
323	Northwestern Energy (FMB)	Electric Utility	Baa1/A-	10	\$250	BAML/JP/M	6.340%	6.348%	FMB
323	Atmos Energy	Gas Distribution	Baa3/BBB+	10	\$450	BAML/CS/RBS/STI	6.875%	6.829%	
320	Northwest Natural Gas Co.	Gas Distribution	A2/AA-	11	\$75	JPM	6.370%	6.370%	FMB
320	Empire District Electric Co.	Electric Utility	Baa1/BBB+	15	\$75	BAML	7.890%	7.900%	FMB, NC3
319	PECO Energy (FMB)	Electric Utility	A2/A-	5	\$250	BNP/LOOP/MS/WB	6.000%	6.924%	FMB
319	Kansas City Power & Light Co.	Electric Utility	A3/BBB+	10	\$400	BAML/BNP/JP/M	7.150%	7.188%	
318	Duke Energy Ohio (FMB)	Electric Utility	A3/A	10	\$450	BARC/DB/ST/US	6.460%	6.488%	FMB
318	Duke Energy Indiana (FMB)	Electric Utility	A3/A	30	\$450	BARC/BNP/CS/WB	6.460%	6.472%	FMB
317	Southern California Edison (FMB)	Electric Utility	A2/A	5	\$250	BAML/MS/WB/ST/US/US	6.164%	6.189%	FMB
317	Southern California Edison (FMB)	Electric Utility	A2/A	30	\$600	BAML/MS/US/US/US/US	6.060%	6.110%	FMB
316	Progress Energy, Inc.	Holding Company	Baa2/BBB	5	\$300	BAML/WB	6.000%	6.118%	
316	Progress Energy, Inc.	Holding Company	Baa2/BBB	10	\$450	BAML/WB	7.060%	7.108%	
316	Texas-New Mexico Power Co.	Electric Utility	Baa2/BBB-	10	\$282	JPM	6.915%	6.878%	144A
313	Union Electric (FMB)	Electric Utility	Baa1/BBB	30	\$350	BARC/BNY/US	6.450%	6.481%	FMB
311	Florida Power & Light Co. (FMB)	Electric Utility	Aa3/A	30	\$500	JP/M/RBS/BNY/BOTM/CLY	6.000%	6.000%	
310	South Carolina Elec. & Gas (FMB)	Electric Utility	A2/A-	30	\$175	BNY/MZ	6.000%	6.000%	Reopening; FMB
310	PG&E Corporation	Holding Company	Baa1/BBB	6	\$280	C/BNY/US	6.740%	6.878%	
310	Appalachian Power Co.	Electric Utility	Baa2/BBB	10	\$350	GS/RBS/WB	7.960%	8.018%	Long 10yr
310	MSource Inc.	Gas Distribution	Baa3/BBB-	7	\$900	C/JP/MWS	10.780%	11.008%	Coupon Step-Ups
310	Mississippi Power Co.	Electric Utility	A2/A	10	\$125	JPM	6.600%	6.642%	
310	Pacific Gas & Electric Co.	Electric Utility	A3/BBB+	30	\$450	BARC/BNP/US	6.280%	6.430%	
312	FPL Group Capital	Holding Company	A2/A-	10	\$500	BARC/BNP/CS/Scotia	6.000%	6.000%	
312	Consensus Energy (FMB)	Electric Utility	Baa1/BBB	10	\$500	BARC/JP/M/BNP/Scotia/STI	6.700%	6.784%	FMB
310	Alabama Power Co.	Electric Utility	A2/A	30	\$500	BAML/JP/MWS/Scotia	6.900%	6.914%	10.75 year
310	Nevada Power Company (G&RMB)	Electric Utility	Baa3/BBB	10	\$500	JP/M/RBS/WB	7.126%	7.194%	G&RMB
310	Arizona Public Service Co.	Electric Utility	Baa2/BBB-	10	\$500	BARC/BNY/CS	6.960%	6.788%	
310	Ogishther Power Corporation (FMB)	Utility Cooperative	A3/A	10	\$350	JPM	6.100%	6.110%	FMB
310	NSTAR Electric Co.	Holding Company	A1/A+	8.5	\$100	BAML/US	6.832%	6.809%	Reopening
219	Connecticut Light & Power (FMB)	Electric Utility	A3/BBB+	10	\$250	BARC/C	6.500%	6.533%	FMB
214	Georgia Power Co.	Electric Utility	A2/A	30	\$500	BARC/MS/ST/US	6.98%	6.977%	
1190	American Water Capital Corp.	Water Utility	Baa2/BBB+	30	\$75	EDJ	6.85%	6.850%	NC4
1127	Entergy Texas (FMB)	Electric Utility	Baa3/BBB+	10	\$500	BNP/C/MS	7.185%	7.231%	
1123	Israel Electric	Electric Utility	Baa2/BBB+	10	\$500	C/JP/M	6.976%	6.909%	144A
1122	Jersey Central Power & Light	Electric Utility	Baa2/BBB	10	\$300	MS/RBS/US/WB	7.36%	7.388%	
1121	Duke Energy Corp.	Holding Company	Baa2/BBB+	5	\$750	BAML/JP/M/MS	6.30%	6.344%	
1120	Puget Sound Energy	Electric Utility	Baa2/A-	7	\$250	BARC/Scotia/WFC	6.76%	6.76%	
1114	Metropolitan Edison Co.	Electric Utility	Baa2/BBB	10	\$300	BAML/US/Scotia	6.602%	7.70%	
1112	Indiana-Nicholas Power	Electric Utility	Baa2/BBB	10	\$475	BARC/BNP/CS	7.80%	7.894%	
110	Progress Energy Carolinas	Electric Utility	A2/A-	10	\$900	DB/US	6.30%	6.312%	FMB
110	Nevada Power Company (G&RMB)	Electric Utility	Baa3/BBB-	5	\$128	US	7.378%	7.378%	G&R Mlge Bonds
110	CarterPoint Energy Houston Electric (GMB)	Electric Utility	Baa2/BBB+	6	\$500	CS/Scotia/US	6.818%	7.008%	Gen Mlge Bonds
110	PacifiCorp (FMB)	Electric Utility	A3/A-	10	\$350	BAML/BARC/BNP/RBS	6.80%	6.817%	FMB
110	PacifiCorp (FMB)	Electric Utility	A3/A-	30	\$950	BAML/BARC/BNP/RBS	6.00%	6.069%	FMB

Attachment 2009 2009 USD INVESTMENT GRADE ISSUANCE ACTIVITY - DOMESTIC UTILITIES

Date	Issuer	Sector	Ratings	Term	Size (\$MM)	Pricing Spread
9/25	Central Hudson Gas & Electric Co.	Electric Utility	A3/A	30	\$24	170
9/8	Puget Sound Energy (FMB)	Electric Utility	Baa1/A-	30	\$350	150
7/7	Interstate Power & Light Co.	Electric Utility	A3/BBB+	30	\$300	195
5/19	PPL Electric Utilities (FMB)	Electric Utility	A3/A-	30	\$300	210
5/11	San Diego Gas & Electric Co. (FMB)	Electric Utility	A1/A+	30	\$300	185
3/18	Duke Energy Indiana (FMB)	Electric Utility	A3/A	30	\$450	270
3/17	Southern California Edison (FMB)	Electric Utility	A2/A	30	\$500	235
3/11	Florida Power & Light Co. (FMB)	Electric Utility	Aa3/A	30	\$500	220
3/10	South Carolina Elec. & Gas (FMB)	Electric Utility	A2/A-	30	\$175	240
3/3	Pacific Gas & Electric Co.	Electric Utility	A3/BBB+	30	\$550	270
2/26	Alabama Power Co.	Electric Utility	A2/A	30	\$500	235
2/4	Georgia Power Co.	Electric Utility	A2/A	30	\$500	225
1/8	PacifiCorp (FMB)	Electric Utility	A3/A-	30	\$650	310
9/17	Duke Energy Kentucky	Electric Utility	Baa1/A-	10	\$100	130
8/3	Niagara Mohawk Power Corp.	Electric Utility	A3/A-	10	\$750	125
7/7	Wisconsin Power & Light Co.	Electric Utility	A2/A-	10	\$250	160
6/24	Rochester Gas & Electric (FMB)	Electric Utility	Baa1/A-	10	\$150	225
6/23	Virginia Electric & Power Co.	Electric Utility	Baa1/A-	10	\$350	138
6/28	Public Service Company of Colorado (FMB)	Electric Utility	A3/A	10	\$400	150
5/18	Central Maine Power Co.	Electric Utility	A3/A	10	\$150	250
4/13	Portland General Electric Co. (FMB)	Electric Utility	Baa1/A-	10	\$300	325
3/25	Idaho Power Co. (FMB)	Electric Utility	A3/A-	10	\$100	340
3/23	Consolidated Edison Co.	Electric Utility	A1/A-	10	\$475	400
3/23	Northwestern Energy (FMB)	Electric Utility	Baa1/A-	10	\$250	370
3/19	Kansas City Power & Light Co.	Electric Utility	A3/BBB+	10	\$400	460
3/18	Duke Energy Ohio (FMB)	Electric Utility	A3/A	10	\$450	250
3/3	Mississippi Power Co.	Electric Utility	A2/A	10	\$125	275
2/9	Connecticut Light & Power (FMB)	Electric Utility	A3/BBB+	10	\$250	260
1/21	Electricite de France S.A. (EDF)	Electric Utility	Aa3/A+	10	\$2,000	400
1/8	Progress Energy Carolinas	Electric Utility	A2/A-	10	\$600	285
1/5	PacifiCorp (FMB)	Electric Utility	A3/A-	10	\$350	310

Average Pricing Spreads¹:Jan 09 - Jun 09 273Jan 09 - Sept 09 253Jul 09 - Sept 09 152

Notes:

1) Central Hudson's latest issuance on 9/25/2009 not included in average pricing spreads

**Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589**

**Central Hudson's Response to
Staff IR DPS-328**

(Rate Base Summary- 12 Months Ended March 31, 2009)

PSC IR 328 - Historic Year
Summary & Details

STAFF IR 328-
HISTORIC YEAR-
SUMMARY & DETAILS

CENTRAL HUDSON GAS AND ELECTRIC CORPORATION
RATE BASE SUMMARY
(\$000)

	<u>Twelve-Month Average for the Period Ended March 31, 2009</u>		
	<u>Electric</u>	<u>Gas</u>	<u>Corporate</u>
Book Cost of Utility Plant	\$949,975	\$279,104	\$1,229,079
Less: Accumulated Provision for Depreciation and Amortization	<u>(317,337)</u>	<u>(98,907)</u>	<u>(416,244)</u>
Net Plant	632,638	180,197	812,835
Noninterest-Bearing Construction Work in Progress	41,665	9,250	50,915
Preliminary Survey & Investigation	0	0	0
Customer Advances for Undergrounding	(1,413)	(11)	(1,424)
Deferred Charges	(26,639)	4,786	(21,853)
Accumulated Deferred Federal Taxes	(83,715)	(28,945)	(112,660)
Accumulated Deferred State Taxes	(2,126)	(738)	(2,864)
Working Capital	<u>35,304</u>	<u>8,161</u>	<u>43,465</u>
Unadjusted Rate Base	595,714	172,700	768,414
Capitalization Adjustment to Rate Base	<u>(423)</u>	<u>(126)</u>	<u>(549)</u>
Rate Base	<u>\$595,291</u>	<u>\$172,574</u>	<u>\$767,865</u>

G. Smith
4/17/2009

**Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589**

**Central Hudson's Response to
Staff IR DPS-389**

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 389

From: P. DeVecchio
Requested of: Mr. Stacey Renner
Date of Request: 11/6/2009

389) Referring to your Treasury Rate forecasts for the rate period 2010-2013 using "Blue Chip Financial Forecast," you mention on pg. 9, line 9 of your testimony that they are reflected in Exhibit_(SAR-4) and you recorded their values in response to Staff IR DPS-87 on September 18, 2009, but neither SAR-4 or your response to Staff IR DPS-87 display the source of this data.

- a) Please provide copies of the "Blue Chip Financial Forecast" data you mention on Pg. 9, line 9 of your testimony and refer to in your response to Staff IR DPS-87.
- b) During what calendar period was this data from "Blue Chip Financial Forecast" surveyed (e.g. 3-Months Ended 3/31/2009, 6-Months Ended 6/30/2009, etc.)?
- c) Which calendar period will the Treasury Rate forecasts you recorded in your response to Staff IR DPS-87 (4.45%, 4.70%, 5.10% and 5.35% for the year ending December 31, 2010, 2011, 2012 and 2013, respectively) be represented at the time of the Brief on Exceptions?

Response:

- a) The source of the figures provided in Staff IR DPS-87 is shown in the footnotes to the response. Excerpts from the cited Blue Chip Financial Forecasts showing the data are provided as Attachment 389. The Blue Chip Financial Forecast is a copyrighted publication. Subscriptions may be purchased at <http://www.aspenpublishers.com/blue-chip-publications.htm>
- b) The Blue Chip Financial Forecasts are published monthly and reflect a survey of numerous economists' expectations of future interest rates conducted on a monthly basis.
- c) Should an update to the interest rate forecast be warranted for the Brief on Exceptions, we expect to use the most currently available monthly volume of the Blue Chip Financial Forecasts.

Date of Response: 11/12/2009
Response by: S. Renner

Long Range Forecasts:

The table below contains results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom averages for each variable. Shown are estimates for the years 2011 through 2015 and averages for the five-year periods 2011-2015 and 2016-2020. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

Interest Rates		Average For The Year					Five-Year Averages	
		2011	2012	2013	2014	2015	2011-2015	2016-2020
1. Federal Funds Rate	CONSENSUS	2.3	3.3	3.9	4.2	4.2	3.6	4.2
	Top 10 Average	3.6	4.5	5.0	5.1	5.1	4.7	5.2
	Bottom 10 Average	0.9	1.9	2.6	3.1	3.1	2.3	3.3
2. Prime Rate	CONSENSUS	5.3	6.2	6.8	7.1	7.1	6.5	7.2
	Top 10 Average	6.6	7.5	8.0	8.1	8.1	7.7	8.2
	Bottom 10 Average	3.8	4.7	5.5	5.9	6.0	5.2	6.2
3. LIBOR, 3-Mo.	CONSENSUS	3.0	3.8	4.4	4.6	4.6	4.1	4.6
	Top 10 Average	4.7	5.0	5.4	5.6	5.5	5.2	5.6
	Bottom 10 Average	1.6	2.4	3.3	3.6	3.6	2.9	3.7
4. Commercial Paper, 1-Mo.	CONSENSUS	2.5	3.4	4.0	4.3	4.3	3.7	4.3
	Top 10 Average	3.8	4.6	5.0	5.2	5.2	4.8	5.2
	Bottom 10 Average	1.2	1.9	2.8	3.2	3.2	2.5	3.4
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	2.3	3.2	3.8	4.1	4.1	3.5	4.1
	Top 10 Average	3.6	4.5	4.9	5.0	5.0	4.6	5.0
	Bottom 10 Average	1.1	1.8	2.5	2.9	3.0	2.3	3.2
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	2.5	3.5	4.0	4.2	4.2	3.7	4.3
	Top 10 Average	3.8	4.6	5.0	5.0	5.1	4.7	5.1
	Bottom 10 Average	1.4	2.2	3.0	3.4	3.4	2.7	3.5
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	2.8	3.7	4.2	4.3	4.4	3.9	4.5
	Top 10 Average	4.0	4.8	5.1	5.1	5.2	4.8	5.3
	Bottom 10 Average	1.5	2.5	3.2	3.2	3.6	2.8	3.7
8. Treasury Note Yield, 2-Yr.	CONSENSUS	3.2	4.0	4.4	4.7	4.6	4.2	4.7
	Top 10 Average	4.3	4.9	4.0	5.4	5.4	4.8	5.5
	Bottom 10 Average	2.0	2.9	3.5	3.8	3.8	3.2	4.0
10. Treasury Note Yield, 5-Yr.	CONSENSUS	3.8	4.3	4.7	4.9	4.9	4.5	4.9
	Top 10 Average	4.6	5.2	5.5	5.7	5.8	5.4	5.8
	Bottom 10 Average	2.9	3.4	3.9	4.2	4.2	3.7	4.2
11. Treasury Note Yield, 10-Yr.	CONSENSUS	4.5	4.9	5.2	5.3	5.3	5.0	5.3
	Top 10 Average	5.2	5.7	6.0	6.0	6.1	5.8	6.1
	Bottom 10 Average	3.7	4.1	4.4	4.6	4.6	4.3	4.7
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.9	5.3	5.5	5.6	5.6	5.4	5.6
	Top 10 Average	5.7	6.0	6.2	6.4	6.4	6.1	6.4
	Bottom 10 Average	4.3	4.6	4.9	5.0	5.0	4.7	5.0
13. Corporate Aaa Bond Yield	CONSENSUS	5.9	6.2	6.4	6.6	6.6	6.4	6.6
	Top 10 Average	6.8	7.0	7.3	7.5	7.5	7.2	7.5
	Bottom 10 Average	5.2	5.4	5.6	5.7	5.7	5.5	5.8
13. Corporate Baa Bond Yield	CONSENSUS	7.4	7.5	7.7	7.8	7.8	7.6	7.8
	Top 10 Average	8.4	8.5	8.8	8.8	9.0	8.7	8.9
	Bottom 10 Average	6.5	6.7	6.8	6.8	6.7	6.7	6.9
14. State & Local Bonds Yield	CONSENSUS	5.0	5.3	5.3	5.3	5.3	5.2	5.3
	Top 10 Average	5.6	6.0	6.0	6.1	6.1	5.9	5.9
	Bottom 10 Average	4.3	4.5	4.6	4.6	4.5	4.5	4.6
15. Home Mortgage Rate	CONSENSUS	5.9	6.3	6.5	6.7	6.7	6.4	6.6
	Top 10 Average	6.6	7.1	7.3	7.5	7.5	7.2	7.5
	Bottom 10 Average	5.2	5.4	5.7	5.9	5.8	5.6	5.9
A. FRB - Major Currency Index	CONSENSUS	80.4	80.7	81.4	82.0	82.3	81.4	82.1
	Top 10 Average	86.0	87.0	88.5	89.6	90.2	88.2	90.6
	Bottom 10 Average	74.7	74.2	74.4	74.8	74.9	74.6	74.2
B. Real GDP		-Year-Over-Year, % Change-					Five-Year Averages	
	CONSENSUS	3.1	3.2	2.9	2.8	3.0	3.0	2.6
	Top 10 Average	4.0	4.0	3.6	3.4	4.1	3.8	3.0
	Bottom 10 Average	2.3	2.4	2.4	2.2	2.3	2.3	2.2
	CONSENSUS	1.9	2.0	2.2	2.3	2.3	2.1	2.4
C. GDP Chained Price Index	CONSENSUS	1.9	2.0	2.2	2.3	2.3	2.1	2.4
	Top 10 Average	2.7	2.9	3.1	3.1	3.2	3.0	3.2
	Bottom 10 Average	0.8	0.9	1.1	1.4	1.5	1.1	1.7
D. Consumer Price Index	CONSENSUS	2.1	2.3	2.5	2.6	2.6	2.4	2.6
	Top 10 Average	3.0	3.3	3.4	3.5	3.5	3.3	3.4
	Bottom 10 Average	1.1	1.3	1.6	1.8	1.9	1.5	2.0

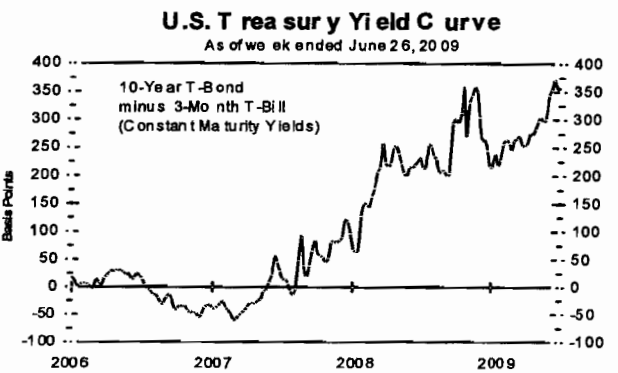
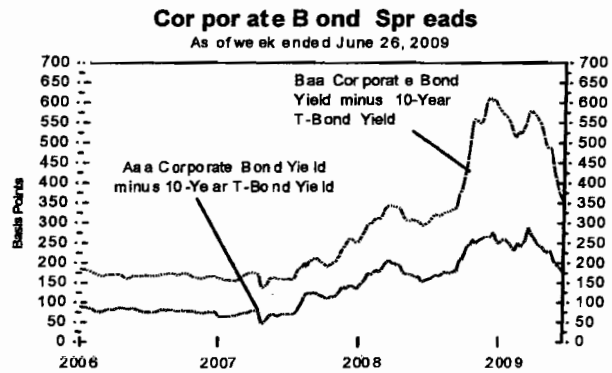
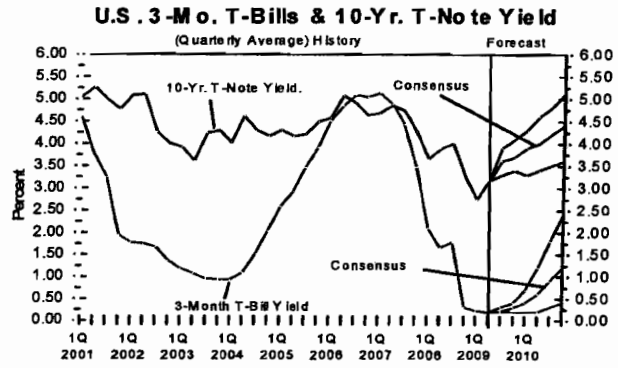
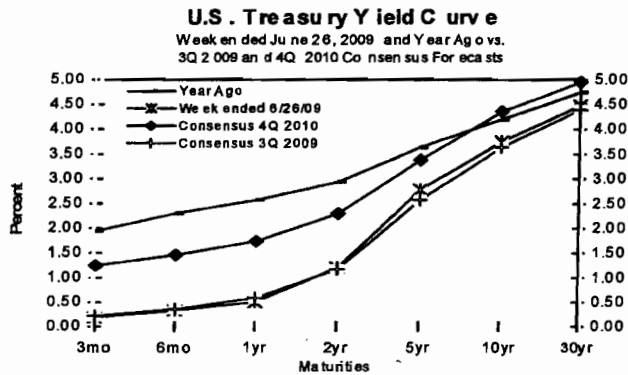
2 ■ BLUE CHIP FINANCIAL FORECASTS ■ JULY 1, 2009

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

Interest Rates	History							
	Average For Week End				Average For Month			Latest Q*
	June 26	June 19	June 12	June 5	May	Apr.	Mar.	2Q 2009
Federal Funds Rate	0.24	0.19	0.20	0.19	0.18	0.15	0.18	0.18
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
LIBOR, 3-mo.	0.61	0.61	0.64	0.64	0.82	1.12	1.26	1.00
Commercial Paper, 1-mo.	0.19	0.20	0.18	0.17	0.22	0.22	0.22	0.21
Treasury bill, 3-mo.	0.19	0.18	0.19	0.15	0.18	0.16	0.22	0.19
Treasury bill, 6-mo.	0.33	0.31	0.31	0.29	0.30	0.35	0.43	0.36
Treasury bill, 1 yr.	0.51	0.51	0.56	0.50	0.50	0.55	0.64	0.57
Treasury note, 2 yr.	1.21	1.24	1.36	1.02	0.93	0.93	0.93	1.02
Treasury note, 5 yr.	2.78	2.76	2.88	2.58	2.13	1.86	1.82	2.14
Treasury note, 10 yr.	3.75	3.75	3.89	3.70	3.29	2.93	2.82	3.17
Treasury note, 30 yr.	4.48	4.55	4.68	4.54	4.23	3.76	3.64	3.99
Corporate Aaa bond	5.51	5.61	5.80	5.68	5.54	5.39	5.50	5.51
Corporate Baa bond	7.29	7.42	7.69	7.80	8.06	8.39	8.42	8.12
State & Local bonds	4.79	4.86	4.86	4.71	4.56	4.76	4.99	4.85
Home mortgage rate	5.42	5.38	5.59	5.29	4.86	4.81	5.00	5.08

Key Assumptions	History							
	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q*
Major Currency Index	77.0	73.3	72.0	70.9	73.5	81.3	82.7	79.3
Real GDP	4.8	-0.2	0.9	2.8	-0.5	-6.3	-5.5	-1.8
GDP Price Index	1.5	2.8	2.6	1.1	3.9	0.5	2.8	0.8
Consumer Price Index	2.4	5.8	4.5	4.5	6.2	-8.3	-2.4	0.9

Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). ¹Interest rate data for 2Q 2009 based on historical data through the week ended June 26. ²Data for 2Q 2009 Major Currency Index is based on data through week ended June 19. Figures for 2Q 2009 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panelists this month (see page 14)



**Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589**

**Central Hudson's Response to
Staff IR DPS-390**

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 390

From: P. DelVecchio
Requested of: Mr. Stacey Renner
Date of Request: 11/06/2009

390) Referring to the average 273 bps spread over treasury bonds you mention on pg. 7, line 12 and pg. 9, line 11, and also provide data for in SAR-3, Sched. C of your direct testimony and again in attachments A and B of your response to Staff IR DPS-233, you give a relatively clear description of the "A-rated electric utility bond issuances from the first six months of 2009 (pg.7, line 10)" criterion applied to your universe of observations; however, you did not provide a clear description of the methodology you intend to use for modifying this data throughout the test year. Please answer the following:

- a) The "Recent High Grade Utility Bond Issuance Activity," list shown in SAR-3, Sched. C for the Six Months Ending June 2009 did not include the debt issuance for "Portland General Electric Co. (FMB)" on "4/13/2009" (for \$300M priced 325 bps above treasury rates) that was included in attachment B of your response to Staff IR DPS-233 (11th from the bottom of list) for Nine Months Ending September 2009. What methodology was applied for the inclusion of this debt issue?
- b) Was the same methodology used in the exclusion for one of the two "Electricite de France" debt issuances, both originally shown in SAR-3, Sched. C (for \$2,000 and \$1,750 priced 400 bps and 388 bps above treasury rates, respectively; for the Six Months Ending June 2009) and just one shown in attachment B of your response to Staff IR DPS-233 (for \$2,000 priced 400 bps above treasury rates for the Nine Months Ending September 2009). If not, then how was this methodology different from the methodology used to include the debt issuance for "Portland General Electric Co. (FMB)" described in the previous question?
- c) Please explain why the "Central Hudson Gas & Electric" debt issuance for \$24 M on "9/25" priced at 170 bps was left out of your 152 bps spread calculation in attachment B of your response to Staff IR DPS-233? It seems like an accurate representation of the cost rate that "Central Hudson Gas & Electric" would receive on its debt if it were to issue. Why wasn't this used instead of a list of different companies from different states with different organization and capital structures?
- d) In SAR-3, Sched. C, you include 26 debt issuance observations, 19 of which were for the 1st quarter of 2009. You also recognize this period as troubling for financial markets and economic conditions. Are you concerned about your 273 bps estimate being much more heavily weighted on observations that occurred during times of volatility as opposed to the seven and five observations made in the 2nd & 3rd quarters of 2009, respectively (most with 10 yr terms vs. the 30 yr terms seen from the 1st quarter set)?
- e) In attachment B of your response to Staff IR DPS-233, you perform calculations for the three following periods: 1) Jan-Jun 09 for 273 bps (original calculation from your testimony), 2) Jan-Sept 09 for 253 bps, and Jul 09-Sept 09 for 152 bps. What methodology did you use in selecting these particular periods to perform your calculations and why did you not select the following?
 - Jan 09 – Mar 09 (18 observations; or 19 if both Electricite de France" Issuances included)

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- April 09 – Jun 09 (6 observations; or 7 with the addition of “Portland General Electric Co. (FMB)” Issue)
 - April 09 – Sept 09 (12 observations)
- f) For which calendar period will the “Recent High Grade Utility Bond Issuance Activity,” list shown in SAR-3, Sched. C be represented by at the times of our Brief on Exceptions? Will it be the most recent 3, 6, 9 or 12 months, or not? Please explain why.

Response:

- a) This was one of the split-rated debt offerings mentioned as fitting our criteria in my response to Staff IR DPS-56. It was inadvertently excluded from Exhibit_SAR-3 Schedule C. As shown in Attachment 390, the inclusion of the \$300 million Portland General Electric Co. debt issuance results in an average pricing spread for January 2009 – June 2009 of 278 bps and January 2009 – September 2009 of 257 bps.
- b) There was no intended change in methodology from Exhibit_SAR-3 Schedule C; the \$1.750 billion Electricite de France S.A. issuance was inadvertently omitted in Attachment 233 B of the response to Staff IR DPS-233. As shown in Attachment 390, the inclusion of the \$1.750 billion Electricite de France S.A. issuance results in an average pricing spread for January 2009 – June 2009 of 278 bps and January 2009 – September 2009 of 257 bps.
- c) Exhibit_SAR-3 Schedule C was intended to estimate the premium that bondholders are requiring for utility issuers with credit ratings similar to that of Central Hudson. As the data shows, coupons and credit spreads vary from day to day with market conditions. To smooth the volatility, we have used a range of issuances of comparable credit quality over a period of several months. The purpose of the analysis in which the estimated credit spread was used is to estimate the future costs of debt to Central Hudson by inferring market conditions from the data available at the time testimony was prepared.

The additional data provided in response to Staff IR DPS-233 became available after I filed testimony. We excluded Central Hudson from the calculation of the average, which is typically done when comparing one data point to a data set.

The question contains the suggestion that a single historical data point is the best determinant of the future cost of debt. The volatility in the data provided in the original exhibit and in the update provided in Attachment 233B does not support that suggestion.

- d) At the time our Exhibits were prepared, third quarter 2009 data were not available. We used the year-to-date data available at the time, which reflected issuances priced from January 5, 2009 through July 7, 2009. For purposes of estimating a cost of debt used in setting rates, I believe an average credit spread that includes a broad range of data points to smooth volatility is warranted. I continue to believe that sufficient volatility and future uncertainties exist to warrant continuation of deferral treatment for long-term debt expense.
- e) In our response to Staff IR DPS-233, we merely expanded our original Exhibit__(SAR-3) Schedule C to include the most up-to-date data available. The original Schedule covered a six-month period; the update added three months. We showed the original period, the three added months, and the cumulative 9 months.

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- f) The purpose of such an update would be to produce a decision that represents the future as realistically as possible. Therefore, the selection of the appropriate time period is a function of the conditions that exist at the time of the update and should not be mechanically specified in isolation from the relevant financial market conditions.

Date of Response: 11/12/2009

Response by: S. Renner

PSC IR 390 - Attachment

Attachment 390 - 2009 USD INVESTMENT GRADE ISSUANCE ACTIVITY - DOMESTIC UTILITIES

Date	Issuer	Sector	Ratings	Term	Size (\$MM)	Pricing Spread
9/25	Central Hudson Gas & Electric Co.	Electric Utility	A3/A	30	\$24	170
9/8	Puget Sound Energy (FMB)	Electric Utility	Baa1/A-	30	\$350	150
7/7	Interstate Power & Light Co.	Electric Utility	A3/BBB+	30	\$300	195
5/19	PPL Electric Utilities (FMB)	Electric Utility	A3/A-	30	\$300	210
5/11	San Diego Gas & Electric Co. (FMB)	Electric Utility	A1/A+	30	\$300	185
3/18	Duke Energy Indiana (FMB)	Electric Utility	A3/A	30	\$450	270
3/17	Southern California Edison (FMB)	Electric Utility	A2/A	30	\$500	235
3/11	Florida Power & Light Co. (FMB)	Electric Utility	Aa3/A	30	\$500	220
3/10	South Carolina Elec. & Gas (FMB)	Electric Utility	A2/A-	30	\$175	240
3/3	Pacific Gas & Electric Co.	Electric Utility	A3/BBB+	30	\$550	270
2/26	Alabama Power Co.	Electric Utility	A2/A	30	\$500	235
2/4	Georgia Power Co.	Electric Utility	A2/A	30	\$500	225
1/21	Electricite de France S.A. (EDF)	Electric Utility	Aa3/A+	30	\$1,750	388
1/5	PacifiCorp (FMB)	Electric Utility	A3/A-	30	\$650	310
9/17	Duke Energy Kentucky	Electric Utility	Baa1/A-	10	\$100	130
8/3	Niagara Mohawk Power Corp.	Electric Utility	A3/A-	10	\$750	125
7/7	Wisconsin Power & Light Co.	Electric Utility	A2/A-	10	\$250	160
6/24	Rochester Gas & Electric (FMB)	Electric Utility	Baa1/A-	10	\$150	225
6/23	Virginia Electric & Power Co.	Electric Utility	Baa1/A-	10	\$350	138
5/28	Public Service Company of Colorado (FMB)	Electric Utility	A3/A	10	\$400	160
5/18	Central Maine Power Co.	Electric Utility	A3/A	10	\$150	250
4/13	Portland General Electric Co. (FMB)	Electric Utility	Baa1/A-	10	\$300	325
3/25	Idaho Power Co. (FMB)	Electric Utility	A3/A-	10	\$100	340
3/23	Consolidated Edison Co.	Electric Utility	A1/A-	10	\$475	400
3/23	Northwestern Energy (FMB)	Electric Utility	Baa1/A-	10	\$250	370
3/19	Kansas City Power & Light Co.	Electric Utility	A3/BBB+	10	\$400	460
3/18	Duke Energy Ohio (FMB)	Electric Utility	A3/A	10	\$450	250
3/3	Mississippi Power Co.	Electric Utility	A2/A	10	\$125	275
2/9	Connecticut Light & Power (FMB)	Electric Utility	A3/BBB+	10	\$250	250
1/21	Electricite de France S.A. (EDF)	Electric Utility	Aa3/A+	10	\$2,000	400
1/8	Progress Energy Carolinas	Electric Utility	A2/A-	10	\$600	285
1/5	PacifiCorp (FMB)	Electric Utility	A3/A-	10	\$350	310

Average Pricing Spreads¹:

Jan 09 - Jun 09 278

Jan 09 - Sept 09 257

Jul 09 - Sept 09 152

Notes:

1) Central Hudson's latest issuance on 9/25/2009 not included in average pricing spreads

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Central Hudson's Response to
Staff IR DPS-391

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 391

From: P. DeVecchio
Requested of: Mr. Stacey Renner
Date of Request: 11/06/2009

391) Referring to the average 158 bps A (1-Notch) rating spread from the "Mergent Bond Record, April 2009," you mention on pg. 9, line 4, and provide a graph for in SAR-3, Schedule B of your direct testimony, you do not incorporate this spread in any of the calculations shown in your testimony, does your Cost Rate of Debt methodology incorporate Mergent's A (1Notch) rating spread or will this not be used again throughout the remainder of the rate case proceeding?

Response:

The 158 bps spread between A-rated utility bonds and Baa-rated utility bonds mentioned on pg. 9, line 4 and displayed in SAR-3, Schedule B of my direct testimony was intended to show that, when debt markets are in turmoil, a company rated at the middle (A) of the investment grade rating scale can access debt at a significantly lower cost when compared to companies rated at the lower end (Baa) of the investment grade rating scale. This spread was cited to quantify this point in the discussion, based on information available at the time; the spread was not used in the development of the Company's cost of debt as presented in the Exhibits.

Date of Response: 11/12/2009
Response by: S. Renner

Central Hudson Gas & Electric Corporation
Cases 09-E-0588 and 09-G-0589

Central Hudson's Response to
Staff IR DPS-392

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 392

From: P. DeVecchio
Requested of: Mr. Stacey Renner
Date of Request: 11/06/2009

392) As per Exhibit_SAR-4, Schedule B-1, you indicated that the Company planned a debt issuance of \$39.6 million for October 2009. However, the Company subsequently issued \$24 million. Does the Company plan to issue the balance of that planned issuance during the rate year?

Response:

The variation reflects current working capital requirements, which vary over time with electric and natural gas prices and volumes. We do not currently plan to issue the balance unless required to meet increases in working capital requirements. In any case, Central Hudson plans to maintain a 48% equity ratio and manage debt and equity levels accordingly.

Date of Response: 11/12/2009
Response by: S. Renner