

Central Hudson Gas & Electric Corporation
Electric Operations Income Statement and Rate of Return Calculation
For the Rate Year Ended June 30, 2010
(\$000)

	Per RD	Adj. No.	Commission Adjustments	As Adjusted	Rate Increase	As Adjusted Rate Year Revenue Requirement
Operating Revenues						
Own Territory Delivery Revenues	\$217,148	1	\$470	\$217,618	\$39,597	\$257,215
ECAM Revenues	0			0		0
SBC Surcharge Revenues	0			0		0
Deferred Revenues	0			0		0
Subtotal- Delivery Rates	<u>\$217,148</u>		<u>\$470</u>	<u>\$217,618</u>	<u>\$39,597</u>	<u>\$257,215</u>
Resale Revenues	0			0		0
Other Operating Revenues	6,743			6,743	582	7,325
Total Operating Revenues	<u>\$223,891</u>		<u>\$470</u>	<u>\$224,361</u>	<u>\$40,179</u>	<u>\$264,540</u>
Operating Expenses						
Production Maintenance	\$516			\$516		\$516
Right of Way Maintenance-Transmission	1,592			1,592		1,592
Right of Way Maintenance-Distribution	9,792	2	471	10,263		10,263
Labor	43,893	3	2,352	46,245		46,245
Research and Development	1,927			1,927		1,927
Expenses Projected Based on Inflation	9,419	4	(86)	9,333		9,333
Miscellaneous General Expenses	2,926	5	(20)	2,906		2,906
Transportation Depreciation	1,736			1,736		1,736
Transportation Fuel	958	6	(330)	628		628
Fringe Benefits	5,670	7	(224)	5,446		5,446
Other Post Employee Benefits	3,713	8	1,952	5,665		5,665
Pension Plan	8,666	9	15,755	24,421		24,421
Contract Rents	1,885			1,885		1,885
Uncollectible Accounts	1,255	10	552	1,807	\$325	2,132
Regulatory Commission Expenses	11,978	11	(9,999)	1,979		1,979
Information Technology Expense	2,006			2,006		2,006
Other Operating Insurance	1,247	12	(342)	905		905
Telephone	1,877	13	(17)	1,860		1,860
Legal Services	2,140	14	(22)	2,118		2,118
Special Services	1,251	15	(11)	1,240		1,240
Injuries and Damages	2,000	16	97	2,097		2,097
Storm Restoration	4,603	17	415	5,018		5,018
Environmental	364			364		364
Enhanced Powerful Opportunities Program	1,530			1,530		1,530
Expenses Allocated to Affiliates	(674)			(674)		(674)
Stray Voltage Testing	1,967			1,967		1,967
MGP Remediation Cost Recovery	2,399			2,399		2,399
Bill Print & Mail to Customer	538			538		538
Informational & Institutional Advertising	502	18	0	502	\$28	530
Energy Efficiency Program	0			0		0
Transmission Enhanced Infrastructure Maintenance	700			700		700
Transmission Sag Mitigation	0			0		0
Economic Development	0			0		0
Competition Education Program	0			0		0
Productivity	(652)	19	(201)	(853)		(853)
Economic Austerity Imputation	0	20	(2,400)	(2,400)		(2,400)
Total Operating Expenses	<u>\$127,724</u>		<u>\$7,943</u>	<u>\$135,667</u>	<u>\$353</u>	<u>\$136,019</u>
Other Deductions						
Property Taxes	\$20,649	21	\$489	\$21,138		\$21,138
Revenue Taxes	3,419	22	12	3,431	\$984	4,415
Payroll Taxes	3,241	23	238	3,479		3,479
Other Taxes	1,403	24	118	1,521		1,521
Depreciation T&D	26,443	25	196	26,639		26,639
Total Other Deductions	<u>\$55,155</u>		<u>\$1,053</u>	<u>\$56,208</u>	<u>\$984</u>	<u>\$57,192</u>
State Income Taxes	\$1,040	26	(\$367)	\$672	\$2,758	\$3,430
Federal Income Taxes	7,852	27	(1,683)	6,169	12,629	18,799
Total Income Taxes	<u>\$8,892</u>		<u>(\$2,050)</u>	<u>\$6,841</u>	<u>\$15,387</u>	<u>\$22,229</u>
Total Operating Revenue Deductions	<u>\$191,771</u>		<u>\$6,945</u>	<u>\$198,715</u>	<u>\$16,724</u>	<u>\$215,440</u>
Net Operating Income	<u>\$32,120</u>		<u>(\$6,475)</u>	<u>\$25,646</u>	<u>\$23,455</u>	<u>\$49,100</u>
Rate Base	<u>\$671,462</u>		<u>\$2,995</u>	<u>\$674,457</u>		<u>\$674,457</u>
Rate of Return	4.78%			3.80%		7.28%

Central Hudson Gas & Electric Corporation
 Electric Operations Federal Income Tax
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>	Rate <u>Increase</u>	<u>As Adjusted</u>
Income Before Federal Income Tax Excluding Interest Charges	\$41,012		(\$8,525)	\$32,487	\$38,842	\$71,329
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	\$45,053		\$196	\$45,249		\$45,249
Total Additional Deductions and Nontaxable Income	\$79,944		(\$3,155)	\$76,790		\$76,790
Taxable Income before State Income Tax Deduction	\$6,120		(\$5,174)	\$946	\$38,842	\$39,788
Taxable Income after State Income Tax Deduction	\$5,942		(\$4,807)	\$1,135	\$36,084	\$37,220
Dividend Credit on Preferred Stock	(\$95)		\$0	(\$95)	\$0	(\$95)
Adjusted Taxable Income	<u>\$5,847</u>		<u>(\$4,807)</u>	<u>\$1,040</u>	<u>\$36,084</u>	<u>\$37,125</u>
Federal Income Tax						
Current Period Accrual	\$2,047		(\$1,683)	\$364	\$12,629	\$12,994
Additional Accrual	1			1		1
Total	<u>\$2,048</u>		<u>(\$1,683)</u>	<u>\$365</u>	<u>\$12,629</u>	<u>\$12,995</u>
Total Provision for Deferred Income Tax Accounts 410.1 & 411.1	<u>\$5,804</u>		<u>\$0</u>	<u>\$5,804</u>		<u>\$5,804</u>
Total Federal Income Taxes	<u>\$7,852</u>		<u>(\$1,683)</u>	<u>\$6,169</u>	<u>\$12,629</u>	<u>\$18,799</u>

Central Hudson Gas & Electric Corporation
 Electric Operations Additional Income and Unallowable Deductions and
 Electric Operations Additional Deductions and Nontaxable Income
 For the Rate Year Ended June 30, 2010
 (\$000)

<u>Reconciling Items</u>	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
Additional Income and Unallowable Deductions:				
Depreciation - Central Hudson	\$26,486		\$196	\$26,682
Transportation Depreciation	2,952			2,952
Officers Life Insurance Policy Premium	47			47
50 Percent Meal Disallowance	180			180
Avoided Cost Interest Capitalized	856			856
Contribution in Aid of Construction	1,409			1,409
Mortgage Bond Redempt Prem.	241			241
MGP SIR Costs & Recovery	0			0
OPEB Expense-Not Funded	4,035			4,035
Medicare Act Subsidy over/under collection	1			1
Officers Pension Expense FAS 87	1,127			1,127
Pension Expense-Not Deductible	7,719			7,719
Total	\$45,053		\$196	\$45,249

<u>Reconciling Items</u>			
Additional Deductions and Nontaxable Income:			
Interest Expense	\$19,942	(\$3,351)	\$16,592
Depreciation - Central Hudson	45,144	196	45,340
Property Tax Accrued-Central Hudson	204		204
Vacation Accrual- Additional Tax Deduction	11		11
Officers Life Insurance Policy-Buildup CSV	34		34
Cost of Removal-Tax Basis	4,640		4,640
Repair Allowance	1,000		1,000
MGP SIR Costs & Recovery	0		0
OPEB Expense-Not Funded	2,050		2,050
OPEB Expense Medicare Act Subsidy	322		322
Deferred OPEB Over/Under Collected	1		1
Officers Pension Expense FAS 87	445		445
Pension Expense-Not Deductible	6,150		6,150
Deferred Pension Expense Over/Under Collected	1		1
Total	\$79,944	(\$3,155)	\$76,790

Central Hudson Gas & Electric Corporation
 Electric Operations Federal Income Tax Deferred Items
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
FIT - Current Benefits Deferred:				
Depreciation-Central Hudson	\$7,536			\$7,536
Avoided Cost Interest Capitalized	(240)			(240)
Cost of Removal-Tax Basis	536			536
Repair Allowance	(47)			(47)
Contribution in Aid of Construction	(295)			(295)
Mortgage Bond Redemption Premium	(84)			(84)
MGP Site Removal Costs	0			0
OPEB Expense-Not Funded	(695)			(695)
Officers Pension Expense FAS 87	(239)			(239)
Pension Expense-Not Deductible	(549)			(549)
Amort. Deferred FIT Construction Charges	(109)			(109)
Amort. 81-82 ACRS Method Change	(10)			(10)
	<hr/>		<hr/>	
FIT - Current Benefits Deferred	<u>\$5,804</u>		<u>\$0</u>	<u>\$5,804</u>

Central Hudson Gas & Electric Corporation
Electric Operations State Income Tax
For the Rate Year Ended June 30, 2010
(\$000)

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>	<u>Rate Increase</u>	<u>As Adjusted</u>
Federal Taxable Income	\$41,012		(\$8,525)	\$32,487	\$38,842	\$71,329
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	45,053		196	45,249	0	45,249
Total Additional Deductions and Nontaxable Income	79,944		(3,155)	76,790	0	76,790
Taxable Income before State Income Tax Deduction	<u>\$6,120</u>		<u>(\$5,174)</u>	<u>\$946</u>	<u>\$38,842</u>	<u>\$39,788</u>
NYS Adjustments to Federal Taxable Income:						
Additions:						
Federal Depreciation Deduction Transition Property	<u>\$10,184</u>			<u>\$10,184</u>		<u>\$10,184</u>
Total Additions	<u>\$10,184</u>		<u>\$0</u>	<u>\$10,184</u>	<u>\$0</u>	<u>\$10,184</u>
Subtractions:						
NYS Depreciation Deduction Transition Property	\$13,696			\$13,696		\$13,696
Amortization - Regulatory Asset	103			103		103
Total Subtractions	<u>\$13,799</u>		<u>\$0</u>	<u>\$13,799</u>	<u>\$0</u>	<u>\$13,799</u>
NYS Taxable Income	\$2,505		(\$5,174)	(\$2,669)	\$38,842	\$36,173
State Income Tax						
Accrual For Current Period	<u>\$178</u>		<u>(\$367)</u>	<u>(\$190)</u>	<u>\$2,758</u>	<u>\$2,568</u>
Total	<u>\$178</u>		<u>(\$367)</u>	<u>(\$190)</u>	<u>\$2,758</u>	<u>\$2,568</u>
Current Benefits Deferred	<u>\$862</u>		<u>\$0</u>	<u>\$862</u>		<u>\$862</u>
Total State Income Taxes	<u>\$1,040</u>		<u>(\$367)</u>	<u>\$672</u>	<u>\$2,758</u>	<u>\$3,430</u>

Central Hudson Gas & Electric Corporation
 Electric Operations State Income Tax Deferred Items
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
SIT - Current Benefits Deferred:				
Depreciation-Central Hudson	\$1,060			\$1,060
Avoided Cost Interest Capitalized	(40)			(40)
Cost of Removal-Tax Basis	69			69
Repair Allowance	25			25
Contribution in Aid of Construction	(49)			(49)
Mortgage Bond Redemption Premium	(8)			(8)
MGP Site Removal Costs	0			0
OPEB Expense-Not Funded	(92)			(92)
Officers Pension Expense FAS 87	(31)			(31)
Pension Expense-Not Deductible	(72)			(72)
	<hr/>		<hr/>	<hr/>
SIT - Current Benefits Deferred	<u>\$862</u>		<u>\$0</u>	<u>\$862</u>

Central Hudson Gas & Electric Corporation
 Electric Operations Rate Base Summary
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Per RD</u>	Adj. No.	<u>Commission Adjustments</u>	<u>As Adjusted</u>
Book Cost of Utility Plant	\$1,026,574	28	\$3,033	\$1,029,607
Less: Accumulated Provision for Depreciation & Amortization	<u>(\$325,432)</u>	29	<u>\$85</u>	<u>(\$325,347)</u>
Net Plant	<u>\$701,142</u>		<u>\$3,118</u>	<u>\$704,260</u>
Noninterest-Bearing Construction Work in Progress	\$34,336	30	\$95	\$34,431
Customer Advances for Undergrounding	(\$1,434)			(\$1,434)
Deferred Charges	\$10,268		\$0	\$10,268
Accumulated Deferred Federal Taxes	(\$108,708)	31	(\$1,274)	(\$109,982)
Accumulated Deferred State Taxes	(\$5,735)		\$0	(\$5,735)
Working Capital	<u>\$34,834</u>	32	<u>\$1,056</u>	<u>\$35,890</u>
Unadjusted Rate Base	\$664,703		\$2,995	\$667,698
Capitalization Adjustment to Rate Base	\$6,759			\$6,759
Rate Base	<u><u>\$671,462</u></u>		<u><u>\$2,995</u></u>	<u><u>\$674,457</u></u>

Central Hudson Gas & Electric Corporation
Electric Operations Deferred Items - Rate Base
For the Rate Year Ended June 30, 2010
(\$000)

Deferred Charges:

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>
MTA Tax	\$787			\$787
Unamortized Debt Expense	2,867			2,867
Unamortized Discount Long Term Debt	40			40
Deferred Revenues-Attachments Rents	(450)			(450)
Executive Deferred Compensation Plan	2,096			2,096
Unamortized Loss on Reacquired Debt	3,706			3,706
Preferred Stock Costs & Redemption Premium	1,222			1,222
Total Deferred Charges	<u>\$10,268</u>		<u>\$0</u>	<u>\$10,268</u>

Accumulated Deferred Federal Taxes

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>
Investment Tax Credit	(\$1,046)			(\$1,046)
Contributions in Aid of Construction	3,989			3,989
Unbilled Revenue	9,144			9,144
Construction Overheads	(566)			(566)
MTA Tax	(276)			(276)
Deferred Avoided Cost Interest Capitalized	1,202			1,202
Deferred Revenues- Attachment Rents	157			157
Bonds Redeemed	(785)			(785)
Cost of Removal	(2,285)			(2,285)
Repair allowance	(10,294)			(10,294)
Normalized Depreciation	(110,524)	32	(1,274)	(111,798)
ACRS Method Change	(18)			(18)
Use of Customer Benefit Acct-Capital Reliability Program	1,593			1,593
MACRS - Capital Reliability Program	1,001			1,001
Total Deferred Taxes	<u>(\$108,708)</u>		<u>(\$1,274)</u>	<u>(\$109,982)</u>

Accumulated Deferred State Income Taxes

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>
Normalized Depreciation	(\$6,092)			(\$6,092)
MTA Tax	(6)			(6)
Deferred Avoided Cost Interest Capitalized	90			90
Deferred Revenues- Attachment Rents	21			21
Bonds Redeemed	(84)			(84)
Cost of Removal	(302)			(302)
Repair Allowance	(855)			(855)
Contributions in Aid of Construction	422			422
Unbilled Revenue	648			648
Use of Customer Benefit Acct-Capital Reliability Program	222			222
MACRS - Capital Reliability Program	201			201
Rate Base Credit	0			0
MGP Site Costs	0			0
Total Deferred Taxes	<u>(\$5,735)</u>		<u>\$0</u>	<u>(\$5,735)</u>

Central Hudson Gas & Electric Corporation
 Electric Operations Working Capital - Rate Base
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
<u>Materials and Supplies</u>				
Other Material and Supplies	\$6,146			\$6,146
<u>Prepayments</u>				
Prepaid Property Taxes	\$6,256			\$6,256
Prepaid Insurance	1,076			1,076
Other Prepayments	1,815			1,815
Prepayments Working Capital	<u>\$9,147</u>		<u>\$0</u>	<u>\$9,147</u>
<u>Operation and Maintenance</u>				
Cash Working Capital	<u>\$19,541</u>		<u>\$1,056</u>	<u>\$20,597</u>
Total Working Capital	<u><u>\$34,834</u></u>		<u><u>\$1,056</u></u>	<u><u>\$35,890</u></u>

Central Hudson Gas & Electric Corporation
 Electric Operations Capital Structure
 For the Rate Year Ended June 30, 2010
 (\$000)

	<u>Amount</u>	Adj. <u>No.</u>	<u>%</u>	Cost <u>Rate</u>	Weighted <u>Cost</u>	<u>Pretax</u>
Long Term Debt	\$451,964		49.77%	4.86%	2.42%	2.42%
Customer Deposits	\$8,269		0.91%	4.85%	0.04%	0.04%
Preferred Stock	\$21,027		2.32%	5.05%	0.12%	0.20%
Common Equity	<u>\$426,774</u>		<u>47.00%</u>	10.00%	<u>4.70%</u>	<u>7.78%</u>
Total	<u><u>\$908,034</u></u>		<u><u>100.0%</u></u>		<u><u>7.28%</u></u>	<u><u>10.44%</u></u>

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>
Interest deduction				
Rate Base	\$671,462		\$2,995	\$674,457
Weighted cost of long term debt	<u>2.97%</u>			<u>2.46%</u>
Total interest - tax deduction	<u>\$19,942</u>		<u>(\$3,351)</u>	<u>\$16,592</u>

Central Hudson Gas & Electric Corporation
 Electric Operations Revenue Requirement Calculation
 For the Rate Year Ended June 30, 2010
 (\$000)

	Adj. No.		
Net Income after Rate Increase		\$49,100	\$674,457 7.28%
Net Income before Rate Increase		\$25,646	
Net Income Increase		23,455	
Retention Factor		0.5923	
Revenue Increase Required		\$39,597	
Revenue Increase Required(to I/S)		\$39,597	
Revenue Increase Required		\$39,597	
Uncollectibles		\$325	
Revenue Taxes		\$984	
Informational Advertising		\$28	
Finance Charge		\$582	
<u>Retention Factor</u>			
Additional Revenue Requirement		1.0000	
Less: Revenue Tax		0.02485	
Uncollectibles		0.0082	
Informational Advertising		0.0007	
Finance Charge		-0.0147	
Operating Income subject to FIT		0.9809	
Less: FIT		0.3433	
Less: SIT		0.0453	
Net Operating Income		0.5923	

Adj. No.	Explanation		
	Revenues		
1	Update sales forecast to reflect 10 year average	\$	470
	Operation & Maintenance Expenses		
2	Right of Way Maintenance To reflect updated ROW Distribution line clearing estimates	\$	471
3	Labor To reflect an employee count of 840 employees and latest known premium pay percentages	\$	2,352
4	Expenses Projected Based on Inflation Updated for the latest GDP factors	\$	(86)
5	Miscellaneous General Expense Updated for the latest GDP factors	\$	(20)
6	Transportation Fuel Updated for the latest known prices applied to historic year volumes escalated at latest GDP factors	\$	(330)
7	Fringe Benefits Update Fringe Benefits for latest twelve months actual medical premiums, claim activity & employee contributions and latest twelve months actual group life insurance premiums & employee contributions and 840 employee count	\$	(224)
8	Other Post Employment Benefits Update for latest known actuarial estimate	\$	1,952
9	Pension Expense Update for latest known actuarial estimate	\$	15,755
10	Uncollectible Accounts Update uncollectible accounts for latest known twelve months of activity	\$	552
11	Regulatory Commission Expense Update for latest known PSC assessment (Excludes new provisions to 18a Assessment)	\$	(9,999)
12	Other Operating Insurance Updated for latest twelve months actual All Risk Insurance premiums, latest twelve months of D&O Insurance premiums and latest GDP factors and allocate only 1/2 of the premium to ratepayers	\$	(342)
13	Telephone Expense Updated for the latest GDP factors	\$	(17)
14	Legal Services Updated for the latest GDP factors	\$	(22)
15	Special Services Updated for the latest GDP factors	\$	(11)
16	Injuries & Damages Updated for latest twelve months actual Workers Comp and the four-year average of claims paid, latest twelve months of Excess Liability Insurance premiums, latest twelve months of personal & property damage, and latest GDP factors.	\$	97
17	Storm Restoration Expense Updated for latest known twelve-month storm restoration expense excluding incremental expense associated with 12-11-08 ice storm in development of 4-year average	\$	415
18	Informational & Institutional Advertising Track impact on changes to total operating revenues	\$	0
19	Productivity To reflect changes to labor, fringe benefits, pensions, OPEBS, and payroll taxes	\$	(201)
20	Economic Austerity Imputation To reflect austerity measures	\$	(2,400)
	Other Deductions		
21	Property Taxes Update for latest known assessments	\$	489
22	Revenue Taxes To track Staff's changes to operating revenues	\$	12
23	Payroll Taxes To reflect the impact of the change to the company's employee count	\$	238
24	Other Taxes To reflect latest known sales and use tax	\$	118
25	Depreciation T&D To reflect corrected depreciation expense	\$	196
	Taxes		
26	State Income Taxes To track the impact of Staff's adjustments on State Income Taxes	\$	(367)
27	Federal Income Taxes To track the impact of Staff's adjustments on Federal Income Taxes	\$	(1,683)

Adj. No.	Explanation		
	Rate Base		
28	Impact of the change in capitalized Pension and OPEBs on Utility Plant	\$	3,033
29	Update Rate Base Depreciation Reserve to changes to Commons ASL	\$	85
30	Impact of the change in capitalized Pension and OPEBs on Non-interest-Bearing Construction Work in Progress	\$	95
31	Update average deferred FIT on Normalized Depreciation for the additional Bonus Deprecation from the 2009 ARRA	\$	(1,274)
32	Track impact on Rate Base Working Capital for changes to O&M	\$	1,056