

Central Hudson Gas & Electric Corporation  
 Gas 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
<b>Operating Revenues</b>						
Own Territory Delivery Revenues	\$52,411	1	\$445	\$52,856	\$13,828	\$66,684
GSC Revenues	0			0		0
Subtotal- Delivery Rates	<u>\$52,411</u>		<u>\$445</u>	<u>\$52,856</u>	<u>\$13,828</u>	<u>\$66,684</u>
Resale Revenues	0			0		0
Interruptible Services	1,950			1,950		1,950
Other Operating Revenues	1,063			1,063	270	1,333
Total Operating Revenues	<u>\$55,424</u>		<u>\$445</u>	<u>\$55,869</u>	<u>\$14,097</u>	<u>\$69,966</u>
<b>Operating Expenses</b>						
Labor	\$10,463	2	\$561	\$11,024		\$11,024
Research and Development	359			359		359
Expenses Projected Based on Inflation	3,170	3	(29)	3,141		3,141
Miscellaneous General Expenses	577	4	(3)	574		574
Transportation Depreciation	347			347		347
Transportation Fuel	197	5	(68)	129		129
Fringe Benefits	1,250	6	(51)	1,199		1,199
Other Post Employee Benefits	835	7	439	1,274		1,274
Pension Plan	1,903	8	3,543	5,446		5,446
Environmental	46			46		46
Contract Rents	131			131		131
Uncollectible Accounts	626	9	205	831	\$212	1,043
Regulatory Commission Expenses	2,737	10	(2,285)	452		452
Information Technology Expense	358			358		358
Other Operating Insurance	189	11	(60)	129		129
Telephone	289	12	(2)	287		287
Legal Services	606	13	(9)	597		597
Special Services	356	14	(3)	353		353
Injuries and Damages	417	15	12	429		429
Enhanced Powerful Opportunities Program	270			270		270
Expenses Allocated to Affiliates	(119)			(119)		(119)
MGP Remediation Cost Recovery	416			416		416
Informational & Institutional Advertising	72			72	\$6	78
Bill Print & Mail to Customer	95			95		95
Excess Cost of Removal	286	16	83	369		369
Gas Leak Repairs - Distribution Main	1,502			1,502		1,502
Energy Efficiency Program	0			0		0
Economic Development	0			0		0
Competition Education Program	0			0		0
Recovery of Net Regulatory Assets	4,224	17	330	4,554		4,554
Productivity	(152)	18	(45)	(197)		(197)
Economic Austerity Imputation	0	19	(600)	(600)		(600)
Total Operating Expenses	<u>\$31,450</u>		<u>\$2,018</u>	<u>\$33,468</u>	<u>\$218</u>	<u>\$33,685</u>
<b>Other Deductions</b>						
Property Taxes	\$5,596	20	\$160	\$5,756		\$5,756
Revenue Taxes	989	21	13	1,002	\$412	1,414
Payroll Taxes	729	22	53	782		782
Other Taxes	237	23	(37)	200		200
Depreciation T&D	7,184	24	155	7,339		7,339
Total Other Deductions	<u>\$14,735</u>		<u>\$344</u>	<u>\$15,079</u>	<u>\$412</u>	<u>\$15,491</u>
State Income Taxes	\$347	25	(\$70)	\$277	\$956	\$1,233
Federal Income Taxes	2,161	26	(323)	1,839	4,379	6,218
Total Income Taxes	<u>\$2,508</u>		<u>(\$393)</u>	<u>\$2,116</u>	<u>\$5,335</u>	<u>\$7,451</u>
Total Operating Revenue Deductions	<u>\$48,693</u>		<u>\$1,969</u>	<u>\$50,663</u>	<u>\$5,964</u>	<u>\$56,627</u>
<b>Net Operating Income</b>	<u>\$6,731</u>		<u>(\$1,524)</u>	<u>\$5,206</u>	<u>\$8,133</u>	<u>\$13,339</u>
<b>Rate Base</b>	<u>\$182,884</u>		<u>\$345</u>	<u>\$183,229</u>		<u>\$183,229</u>
<b>Rate of Return</b>	3.68%			2.84%		7.28%

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

	<u>Per RD</u>	Adj. No.	Commission Adjustments	<u>As Adjusted</u>	Rate Increase	<u>As Adjusted</u>
Income Before Federal Income Tax Excluding Interest Charges	\$9,239		(\$1,917)	\$7,322	\$13,468	\$20,790
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	\$15,050		\$155	\$15,205		\$15,205
Total Additional Deductions and Nontaxable Income	20,412		(769)	19,642		19,642
Taxable Income before State Income Tax Deduction	<u>\$3,877</u>		(\$993)	\$2,885	\$13,468	\$16,353
Taxable Income after State Income Tax Deduction	\$3,616		(\$923)	\$2,694	\$12,512	\$15,206
Dividend Credit on Preferred Stock	(\$32)		\$0	(\$32)	\$0	(\$32)
Adjusted Taxable Income	<u>\$3,584</u>		(\$923)	\$2,662	\$12,512	\$15,174
Federal Income Tax						
Current Period Accrual	\$1,254		(\$323)	\$932	\$4,379	\$5,311
Total	<u>\$1,254</u>		(\$323)	\$932	\$4,379	\$5,311
Total Provision for Deferred						
Income Tax Accounts 410.1 & 411.1	<u>\$907</u>		\$0	\$907		\$907
Total Federal Income Taxes	<u>\$2,161</u>		(\$323)	\$1,839	\$4,379	\$6,218

Central Hudson Gas & Electric Corporation  
 Gas Operations Additional Income and Unallowable Deductions  
 Gas 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>
<b>Additional Income and Unallowable Deductions:</b>				
Depreciation - Central Hudson	\$7,184		\$155	\$7,339
Transportation Depreciation	521			521
Residual Gas Deferred Balance	4,205			4,205
Officers Life Ins Policy Premium	8			8
50 Percent Meal Disallowance	32			32
Avoided Cost Interest Capitalized	89			89
Contribution in Aid of Construction	88			88
Mortgage Bond Redempt Prem.	81			81
MGP SIR Costs & Recovery	0			0
OPEB Expense-Not Funded	907			907
Officers Pension Expense FAS87	199			199
Pension Expense-Not Deductible	1,736			1,736
Total	<u>\$15,050</u>		<u>\$155</u>	<u>\$15,205</u>

<u>Reconciling Items</u>			
<b>Additional Deductions and Nontaxable Income:</b>			
Interest Expense	\$5,432	(\$924)	\$4,507
Depreciation - Central Hudson	12,393	155	12,548
Property Tax Accrued-Central Hudson	33		33
Vacation Accrual- Additional Tax Deduction	2		2
Officers Life Ins Policy - Buildup CSV	6		6
Cost of Removal-Tax Basis	594		594
MGP SIR Costs & Recovery	0		0
OPEB Expense-Not Funded	450		450
OPEB Expense-Medicare Act Subsidy	72		72
Deferred OPEB Over/Under collected	1		1
Officers Pension Expense FAS87	79		79
Pension Expense-Not Deductible	1,350		1,350
Total	<u>\$20,412</u>	<u>(\$769)</u>	<u>\$19,642</u>

Central Hudson Gas & Electric Corporation  
 Gas 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	\$2,713			\$2,713
Residual Gas Deferred Balance	(\$1,472)			(\$1,472)
Avoided Cost Interest Capitalized	(15)			(15)
Cost of Removal-Tax Basis	13			13
Contribution in Aid of Construction	35			35
Mortgage Bond Redemption Premium	(28)			(28)
MGP SIR Costs & Recovery	0			0
OPEB Expense-Not Funded	(160)			(160)
Officers Pension Expense FAS87	(42)			(42)
Pension Expense-Not Deductible	(135)			(135)
Amort 81-82 ACRS Method Change	(2)			(2)
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FIT - Current Benefits Deferred	\$907		\$0	\$907

Central Hudson Gas & Electric Corporation  
 Gas 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	\$9,239		(\$1,917)	\$7,322	\$13,468	\$20,790
Reconciling Amounts:						
Total Additional Income and Unallowable Deductions	\$15,050		\$155	\$15,205		\$15,205
Total Additional Deductions and Nontaxable Income	<u>20,412</u>		<u>(769)</u>	<u>19,642</u>		<u>19,642</u>
Taxable Income before State Income Tax Deduction	<u>\$3,877</u>		<u>(\$993)</u>	<u>\$2,885</u>	<u>\$13,468</u>	<u>\$16,353</u>
NYS Adjustments to Federal Taxable Income:						
Additions:						
Federal Depreciation Deduction Transition Property	<u>\$3,379</u>			<u>\$3,379</u>		<u>\$3,379</u>
Total Additions	<u>\$3,379</u>		<u>\$0</u>	<u>\$3,379</u>	<u>\$0</u>	<u>\$3,379</u>
Subtractions:						
NYS Depreciation Deduction Transition Property	\$3,541			\$3,541		\$3,541
Amortization - Regulatory Asset	<u>34</u>			<u>34</u>		<u>34</u>
Total Subtractions	<u>\$3,575</u>		<u>\$0</u>	<u>\$3,575</u>	<u>\$0</u>	<u>\$3,575</u>
NYS Taxable Income	\$3,681		(\$993)	\$2,689	\$13,468	\$16,157
State Income Tax						
Accrual For Current Period	<u>\$261</u>		<u>(\$70)</u>	<u>\$191</u>	<u>\$956</u>	<u>\$1,147</u>
Total	<u>\$261</u>		<u>(\$70)</u>	<u>\$191</u>	<u>\$956</u>	<u>\$1,147</u>
Current Benefits Deferred	<u>\$86</u>		<u>\$0</u>	<u>\$86</u>		<u>\$86</u>
Total State Income Taxes	<u>\$347</u>		<u>(\$70)</u>	<u>\$277</u>	<u>\$956</u>	<u>\$1,233</u>

Central Hudson Gas & Electric Corporation  
 Gas 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	\$326			\$326
Residual Gas Deferred Balance	(\$194)			(\$194)
Avoided Cost Interest Capitalized	(4)			(4)
Cost of Removal-Tax Basis	2			2
Contribution in Aid of Construction	3			3
Mortgage Bond Redemption Premium	(2)			(2)
MGP SIR Costs & Recovery	0			0
OPEB Expense-Not Funded	(21)			(21)
Officers Pension Expense FAS87	(6)			(6)
Pension Expense-Not Deductible	(18)			(18)
	<u>\$86</u>		<u>\$0</u>	<u>\$86</u>
SIT - Current Benefits Deferred				

Central Hudson Gas & Electric Corporation  
 Gas Operations Rate Base Summary  
 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>
Book Cost of Utility Plant	\$297,906	27	\$767	\$298,673
Less: Accumulated Provision for Depreciation & Amortization	(\$102,431)	28	\$30	(\$102,401)
Net Plant	<u>\$195,475</u>		<u>\$797</u>	<u>\$196,272</u>
 Noninterest-Bearing Construction Work in Progress	 \$9,114	 29	 \$24	 \$9,138
Customer Advances for Undergrounding	(\$1)			(\$1)
Deferred Charges	\$2,956		\$0	\$2,956
Accumulated Deferred Federal Taxes	(\$33,391)	30	(\$688)	(\$34,079)
Accumulated Deferred State Taxes	(\$1,357)		\$0	(\$1,357)
Working Capital	<u>\$7,953</u>	31	<u>\$212</u>	<u>\$8,165</u>
Unadjusted Rate Base	\$180,749		\$345	\$181,094
Capitalization Adjustment to Rate Base	\$2,135			\$2,135
Rate Base	<u>\$182,884</u>		<u>\$345</u>	<u>\$183,229</u>

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

## Deferred Charges:

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
MTA Tax	\$112			\$112
Unamortized Debt Expense	905			905
Unamortized Discount Long Term Debt	13			13
Executive Deferred Compensation Plan	370			370
Unamortized Loss on Reacquired Debt	1,170			1,170
Preferred Stock Costs & Redemption Premium	386			386
MGP Site Costs	0			0
Total Deferred Charges	<u>\$2,956</u>		<u>\$0</u>	<u>\$2,956</u>

## Accumulated Deferred Federal Taxes

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
Investment Tax Credit	(\$219)			(\$219)
Contributions in Aid of Construction	1,450			1,450
Unbilled Revenue	4,956			4,956
MTA Tax	(39)			(39)
Deferred Avoided Cost Interest Capitalized	296			296
Bonds Redeemed	(248)			(248)
Cost of Removal	(424)			(424)
Normalized Depreciation	(39,156)	28	(\$688)	(39,844)
ACRS Method Change	(7)			(7)
Total Deferred Taxes	<u>(\$33,391)</u>		<u>(\$688)</u>	<u>(\$34,079)</u>

## Accumulated Deferred State Income Taxes

	<u>Per RD</u>	<u>Adj. No.</u>	<u>Commission Adjustments</u>	<u>As Adjusted</u>
Normalized Depreciation	(\$1,877)			(\$1,877)
Deferred Avoided Cost Interest Capitalized	17			17
Bonds Redeemed	(27)			(27)
Cost of Removal	(56)			(56)
Contributions in Aid of Construction	171			171
Unbilled Revenue	415			415
Total Deferred Taxes	<u>(\$1,357)</u>		<u>\$0</u>	<u>(\$1,357)</u>

Central Hudson Gas & Electric Corporation  
 Gas 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	\$1,234			\$1,234
<u>Prepayments</u>				
Prepaid Property Taxes	\$1,663			\$1,663
Prepaid Insurance	190			190
Other Prepayments	320			320
Prepayments Working Capital	2,173		\$0	\$2,173
<u>Operation and Maintenance</u>				
Cash Working Capital	\$4,546		\$212	\$4,758
Total Working Capital	\$7,953		\$212	\$8,165

Central Hudson Gas & Electric Corporation  
 Gas 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	\$426,774		47.00%	10.00%	4.70%	7.78%
Total	<u>\$908,034</u>		<u>100.0%</u>		<u>7.28%</u>	<u>10.44%</u>

	<u>Per RD</u>	Adj. <u>No.</u>	Commission <u>Adjustments</u>	<u>As Adjusted</u>
Interest deduction Rate Base	\$182,884		\$345	\$183,229
Weighted cost of long term debt	2.97%			2.46%
Total interest - tax deduction	<u>\$5,432</u>		<u>(\$924)</u>	<u>\$4,507</u>

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

	Adj. No.			
Net Income after Rate Increase		\$13,339	\$183,229	7.28%
Net Income before Rate Increase		<u>\$5,206</u>		
Net Income Increase		8,133		
Retention Factor		<u>0.5882</u>		
Revenue Increase Required		<u>\$13,828</u>		
Revenue Increase Required(to I/S)		<u>\$13,828</u>		
Revenue Increase Required		<u>\$13,828</u>		
Uncollectibles		<u>\$212</u>		
Revenue Taxes		<u>\$412</u>		
Informational Advertising		<u>\$6</u>		
Finance Charge		<u>\$270</u>		
<u>Retention Factor</u>				
Additional Revenue Requirement		1.0000		
Less: Revenue Tax		0.0298		
Uncollectibles		0.0153		
Informational Advertising		0.0004		
Finance Charge		-0.0195		
Operating Income subject to FIT		<u>0.9740</u>		
Less: FIT		0.3409		
Less: SIT		0.0450		
Net Operating Income		<u>0.5882</u>		

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

Adj. No.	Explanation	\$	
<b>Revenues</b>			
1	Update sales forecast to reflect 10 year average	\$	445
<b>Operation &amp; Maintenance Expenses</b>			
2	Labor To reflect an employee count of 840 employees and latest known premium pay percentages	\$	561
3	Expenses Projected Based on Inflation Updated for the latest GDP factors	\$	(29)
4	Miscellaneous General Expense Updated for the latest GDP factors	\$	(3)
5	Transportation Fuel Updated for the latest known prices applied to historic year volumes escalated at latest GDP factors	\$	(68)
6	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	\$	(51)
7	Other Post Employment Benefits Update for latest known actuarial estimate	\$	439
8	Pension Expense Update for latest known actuarial estimate	\$	3,543
9	Uncollectible Accounts Update uncollectible accounts for latest known twelve months of activity	\$	205
10	Regulatory Commission Expense Update for latest known PSC assessment (Excludes new provisions to 18a Assessment)	\$	(2,285)
11	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	\$	(60)
12	Telephone Expense Updated for the latest GDP factors	\$	(2)
13	Legal Services Updated for the latest GDP factors	\$	(9)
14	Special Services Updated for the latest GDP factors	\$	(3)
15	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.	\$	12
16	Excess Cost of Removal To reflect changes to expensing the excess negative net salvage	\$	83
17	Recovery of Net Regulatory Assets Update for latest projected Gas Offset List balances to be recovered over a 5-year period	\$	330
18	Productivity To reflect changes to labor, fringe benefits, pensions, OPEBS, and payroll taxes	\$	(45)
19	Economic Austerity Imputation To reflect austerity measures	\$	(600)
<b>Other Deductions</b>			
20	Property Taxes Update for latest known assessments	\$	160
21	Revenue Taxes To track Staff's changes to operating revenues	\$	13
22	Payroll Taxes To reflect the impact of the change to the company's employee count	\$	53
23	Other Taxes To reflect latest known sales and use tax	\$	(37)
24	Depreciation T&D To reflect corrected depreciation expense	\$	155
<b>Taxes</b>			
25	State Income Taxes To track the impact of Staff's adjustments on State Income Taxes	\$	(70)
26	Federal Income Taxes To track the impact of Staff's adjustments on Federal Income Taxes	\$	(323)



<b>Adj. No.</b>	<b>Explanation</b>		
	<b>Rate Base</b>		
27	Impact of the change in capitalized Pension and OPEBs on Utility Plant	\$	767
28	Update Rate Base Depreciation Reserve to changes to Commons ASL	\$	30
29	Impact of the change in capitalized Pension and OPEBs on Non-interest-Bearing Construction Work in Progress	\$	24
30	Update average deferred FIT on Normalized Depreciation for the additional Bonus Deprecation from the 2009 ARRA	\$	(688)
31	Track impact on Rate Base Working Capital for changes to O&M	\$	212