

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission
Regarding Expedited Implementation of Mandatory
Hourly Pricing for Commodity Service**

Case 03-E-0641

**REPORT ON OUTREACH AND EDUCATION
FOR
LARGE ELECTRIC CUSTOMERS**

Dated: November 22, 2005

**CENTRAL HUDSON GAS & ELECTRIC CORPORATION
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Background

On April 30, 2003, the Commission instituted this proceeding (“Order Instituting Proceeding”) and issued a Notice Requesting Comments to evaluate the need for changes to the existing, voluntary real-time pricing (“RTP”) programs offered by five of the six major electric utilities operating in New York, “including consideration of mandatory RTP for certain customer classes, in order to improve the effectiveness of such rates and to advance the public interest in demand shifts and usage reductions during peak periods.” (Order Instituting Proceeding at 3) Upon reviewing the comments and reply comments of the various parties, the Commission, in an Order issued and effective October 30, 2003 (“RTP Order”), concluded “that the utilities should place increased emphasis on improving and promoting their voluntary RTP programs, and that expanded mandatory RTP programs will not be imposed at this time.” (RTP Order at 2)

However, in the wake of significant increases in energy prices, the Commission, in an Order issued and effective September 23, 2005, expedited the implementation of RTP pricing for the utilities’ largest electric customers. As Central Hudson Gas & Electric Corporation (“Central Hudson” or “the Company”), has already implemented RTP, as discussed below, the Company was excused from filing additional draft tariffs but was required to submit an outreach and education filing setting forth plans for making any enhancements to existing outreach efforts. This document is provided in response to that requirement.

Central Hudson’s Hourly Pricing Provision

On June 14, 2004, the Commission issued an Order in Cases 00-E-1273 and 00-G-1274 adopting the terms of a Joint Proposal for Rate Plan Modification (“JP”) for Central Hudson. One of the items included in the JP was the establishment of a Retail Access Collaborative (“the Collaborative”) to discuss potential tariff and procedure revisions in order to increase electric and gas retail access migration. The Collaborative has met on a regular basis since June 2004. Among the many issues agreed to during these meetings were changes to the Company’s Hourly Pricing Provision (“HPP”) available to customers taking service under Service Classification (“S.C.”) Nos. 2, 3 and 13 (General Service, Large Power Primary Service and Large Power Substation and Transmission Service, respectively).

Prior to May 1, 2005, electric customers taking full service (commodity and delivery) under the Company’s S.C. Nos. 2, 3 and 13 were able to choose, on a monthly basis, to purchase their total energy requirements under the Company’s HPP in lieu of the Company’s standard pricing of the Market Price Charge/Market Price Adjustment (“MPC/MPA”). The HPP applies the hourly Day-Ahead Locational Based Market Price for Zone G, as set by the New York Independent System Operator (“NYISO”), and as adjusted by the Company’s Factor of Adjustment and to reflect other energy and non-energy components of electric supply, to the customer’s hourly load.

As a result of the Collaborative, Central Hudson filed proposed tariff revisions on November 1, 2004 to eliminate the MPC/MPA pricing option for S.C. Nos. 3 and 13 customers who continue to purchase their electricity requirements from Central Hudson, requiring that effective April 1, 2005 these customers purchase their requirements from the Company under the

HPP or choose an alternate supplier under the Company's Retail Access Program. While the proposed tariffs included revisions to the overall HPP, they did not propose to eliminate the voluntary HPP option for S.C. No. 2 customers.

Additionally, as part of the Collaborative, and also in response to the competitive metering initiative item addressed in the JP, the Company reviewed and selected software, to be provided to all S.C. Nos. 3 and 13 customers free of charge for two years, which would allow customers to monitor historic energy consumption and hourly prices, for commodity supply decisions as well as price responsive demand reduction participation. Energy Manager software developed by Enerwise Global Technologies was selected for implementation through a competitive bid process.

As detailed in the Company's May 2, 2005 filing of its "Outreach and Education Plan for Service Classification Nos. 3 and 13" in Case 00-E-1273, the Company maintained direct contact with S.C. Nos. 3 and 13 customers to inform customers of the pending changes and to provide education regarding the changes and other options available. This outreach effort included:

- December 2004 – letter informing customers of the HPP filing and provision of education seminars.
- January 2005 – three educational seminars were conducted to explain the HPP changes and the overall wholesale electricity market, as administered by the NYISO.
- February 2005 – follow-up letter to inform customers that the effective date of the HPP revisions was postponed to May 1, 2005.
- March 2005 – invitation to attend a specialized market expo, including a demonstration of the Energy Manager software and opportunity to meet with retail suppliers.
- April 2005 – specialized market expo conducted. Three customers, unable to attend market expo, attend a meeting at Company office to review tariffs and receive Energy Manager demonstration.
- April 2005 – May 2005 – Company representatives meet individually with customers unable to attend market expo to provide training on tariff revisions and Energy Manager software.

On April 18, 2005 the Commission issued an order in Case 00-E-1273 approving the Company's HPP filing effective May 1, 2005.

Retail Access Migration

At the time of the Company's HPP filing on November 1, 2004, 62 customers were taking service under S.C. Nos. 3 and 13, with three of 41 S.C. No. 3 customers and four of 21 S.C. No. 13 customers participating in the Company's Retail Access Program. As of November 1, 2005, 20 of the 41 S.C. No. 3 customers and nine of the 21 S.C. No. 13 customers were participating in the Company's Retail Access Program.

Plan for Additional Outreach and Education

On January 30, 2004, in response to the Commission's Order issued and effective October 30, 2005 in the instant proceeding, Central Hudson filed an integrated education and outreach plan designed to raise the overall awareness of its largest customers to the availability of the Company's HPP, as well as the availability of various demand response programs. This plan included, among other items, the provision of information to customers via direct mail, the provision of detailed training to the Company's key account representatives and subsequent individual meetings with customers. While much of the plan was completed, the Company's mandatory HPP proposal for S.C. Nos. 3 and 13, as detailed above, necessitated restructuring of the plan, as also detailed above, to address additional features, including the provision of the Energy Manager software.

S.C. Nos. 3 & 13

The Energy Manager software allows customers to view their hourly load data on a 24-hour lag, as well as day-ahead prices utilized for billing, through a secure section of the Company's web site. The software also allows customers to perform various, customized load comparisons. Part of the original bid process entailed the completion of a telephone survey of all customers with access to the software, as well as preparation of a written report of survey findings. This survey is currently in progress and it is anticipated that results will be available in January 2006. In addition to surveying customers on the content and functionality of the software, the survey will also attempt to determine how many of the customers who purchase their energy requirements from an alternate supplier pay prices that are indexed to the NYISO day-ahead market price.

The Company feels that any additional outreach and education efforts related to the HPP and directed to S.C. Nos. 3 and 13 customers should most likely take the form of the specialized market expo that was conducted in April 2005, where customers would receive additional Energy Manager training as well as have an opportunity to again meet with retail suppliers. However, the Company believes that any such additional efforts should be tailored to address the survey results that are anticipated to be available in January 2006. As a result, the Company believes that it is premature to set forth a detailed plan for additional formal outreach and education venues, but will continue to maintain a high level of customer support.

S.C. No. 2

While the HPP continues to be a voluntary pricing option for S.C. No. 2 customers, to date there has been no participation. Unlike S.C. Nos. 3 and 13, which require interval metering, S.C. No. 2 has no such requirement. As a result, S.C. No. 2 customers would be required to install an interval meter, and phone line, for HPP participation, and would be billed a higher monthly customer charge.

As part of the original outreach in the instant proceeding during May 2004, Central Hudson sent letters to all customers with load in excess of 2 MW reminding them of the availability of the HPP as well as various demand response programs. In addition, the Company

published and distributed to municipal leaders and large customers an Energy Bulletin essentially containing the same information. In both cases, the Company reminded customers of the availability of funding from the New York State Energy Research and Development Authority (“NYSERDA”) to help offset the costs of metering equipment necessary to participate in such programs.

Central Hudson believes that the same approach should be taken to remind S.C. No. 2 customers of the availability of the HPP and demand response programs, with particular emphasis on the availability of NYSERDA funding. However, in order to reach additional customers the Company will need to lower the load threshold, and proposes to set the threshold at 500 kW, which would result in contact with approximately 125 customers. Further, the Company proposes to complete this outreach prior to May 1, 2006 so that customers electing to participate in the HPP or enrolling in a demand response program, may do so prior to the start of the summer season when demand shifts or usage reductions are more likely to produce material benefits. Finally, based on experience gained when several S.C. No. 13 customers participated in the voluntary HPP, the Company proposes to modify current tariff provisions to require S.C. No. 2 customers electing to participate in the voluntary HPP to enroll in the program for six consecutive months. The Company believes that this change is required to ensure that customers utilize the HPP as intended for shifting/reducing load and to prevent customers from using the HPP as a financial “gaming” tool.