

Central Hudson Hourly Pricing Provision

September 14 – 16, 2010



What is the Hourly Pricing Provision?



What is the Hourly Pricing Provision (HPP)?

- Real-time pricing of commodity for full service customers (those customers purchasing their electricity requirements from Central Hudson)
- Charges for electricity requirements purchased from Central Hudson are based on the hourly market price of electricity. All other delivery charges stay the same



The Evolution of HPP



History of the Hourly Pricing Provision

- The hourly pricing provision was initially implemented at Central Hudson in May 2005 as a result of the Retail Access Collaborative established pursuant to Commission Order
- Mandatory HPP was first applied to the Company's largest electric customers taking service under Service Classification Nos. 3 and 13



Hourly Pricing Provision Expansion

- Per the Commission's Order in Case 08-E-0887, Central Hudson was required to file a plan to implement the expansion of its Hourly Pricing Program
- The Order required that all customers whose demand in any two of the preceding 12 months exceeded 500 kW be subject to HPP provisions
- The Company will evaluate the demand of customers semi-annually to determine whether additional customers will become subject to the HPP provisions



Central Hudson's HPP Plan

- Central Hudson's HPP plan was approved by the Commission in February 2010
- The plan proposes that:
 - Billing under HPP will begin on October 1, 2011
 - Access to Energy Manager software, which provides the customer with hourly consumption data, would be provided free of charge during the period from final meter/phone line installation through the proposed program start date
 - Subsequent to the start date of the program, the monthly fee required for the Energy Manager software will be billed through an incremental monthly charge



Central Hudson's HPP Plan

- Seminars to provide customers with information on HPP will be held throughout the service territory
- Customers must provide a dedicated phone line for the meter
- The deadline for meter/phone line installation is October 1, 2010, in order to allow customers to have 12 months to analyze their hourly loads prior to the effective date of the billing provisions



Metering & Telecommunication Requirements

- Dedicated telecommunications to the meter
- Monthly telephone charges are customer's responsibility
- Interval meter, installed by Central Hudson
- All customers, regardless of supplier, are subject to metering and telecommunication requirements



What's to Come ?

- In the June 18, 2010 Order in Case 09-E-0588, the PSC ordered that the mandatory hourly pricing program be expanded further to include all customers with demand greater than 300 kW in two of the preceding 12 months
- On August 17, 2010, the Company filed a plan to meet the expansion requirement



Understanding the Hourly Pricing Provision (HPP)



Understanding Hourly Pricing

- Hourly Pricing is based on the Day-Ahead Market through the NYISO



What is the NYISO?

- New York Independent System Operator
- Organization responsible for the reliable coordination and operation of the NY bulk power system as well as the facilitator of the NY wholesale market

Source: New York Independent System Operator



What is market pricing?

- Generally, forecast load is scheduled to be purchased through the Day-Ahead Market
- To the extent that actual usage differs from forecast usage, the load is “balanced” through purchases or sales in the Real-Time Market



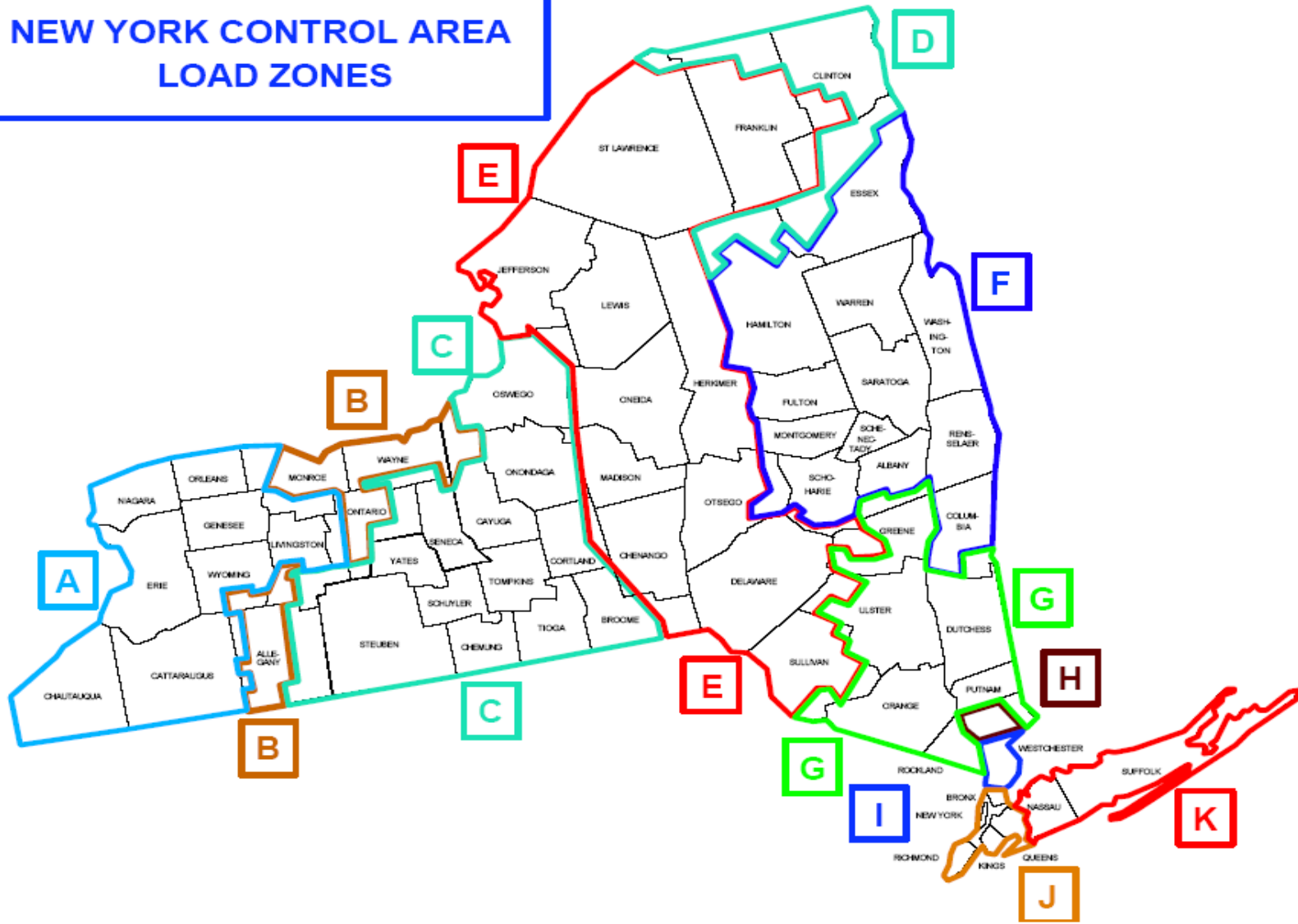
What is market pricing?

- **Are market prices uniform statewide?**
 - No. There are 11 “zones” in the New York Control Area with marginal prices that vary from one another to account for transmission constraints and losses between locations.

The majority of Central Hudson customers are located in Zone G (Hudson Valley), with a small number located in Zone E (Mohawk Valley).



**NEW YORK CONTROL AREA
LOAD ZONES**



Source: New York Independent System Operator

What is market pricing?

- **Do market prices fluctuate?**
 - Yes. Because prices in both the Day-Ahead and Real-Time Markets are influenced by supply and demand, there can be a great deal of volatility.

2009 NYISO Zone G \$/MWh

	Average	Maximum	Minimum
Day-Ahead	\$43.01	\$169.58	\$10.47



What is market pricing?

- **What market prices will be used?**
 - Hourly Day-Ahead Locational Based Market Price (“DAM prices”) as set forth by the New York Independent System Operator (“NYISO”) for Zone G – Hudson Valley.
 - The DAM prices are accessible through the NYISO web site: www.nyiso.com



What other charges are applicable?

- Existing delivery charges of appropriate service classification including
 - the monthly customer charge
 - base demand delivery charge
 - reactive demand charge
 - energy delivery charge



What other charges are applicable?

- **HPP UCAP Charge** – a per kWh charge which includes:
 - **Energy balancing** (purchases and sales in the real time market)
 - **Capacity** (energy required to serve peak load)
 - **Ancillary services** (services necessary to support the power system)
 - Allowances for working capital and bad debt, as authorized by the PSC



What other charges are applicable?

- After May 1, 2011, capacity charges will be charged through the HPP UCAP
- Calculated as customer's adjusted demand (kW) during previous NYCA peak * NYISO Spot Auction price
- Previous HPP UCAP Charge will be renamed HPP Charge and will continue to recover charges for balancing, ancillary and working capital



What other charges are applicable?

- System Benefits Charge
- New York State Assessment
- Electric Bill Credit
- Revenue Decoupling Mechanism (if applicable)
- Merchant Function Charges (if applicable)
- Purchased Power Adjustment
- Miscellaneous Charges
- NYS and local taxes and, in some cases sales tax



Are there any other pricing alternatives for electricity supply?

- Retail Access: Customers should contact other retail suppliers to inquire about service offerings such as fixed price, capped price, etc.



ESCOs shown are registered with the New York State Public Service Commission and are authorized to do business in Central Hudson's service territory

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Additional Information

- Central Hudson Market Match Website:
<https://inet.cenhud.com/CustomerServicePortal/MarketMatch/MarketMatch.aspx>
- HPP Bulletins:
<http://www.cenhud.com/business/commercial.html>



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