

The time is right for natural gas heat

Changing energy market causes more customers to consider natural gas

Central Hudson's Marketing division is targeting households who have natural gas service but do not use it for heating. These residential customers already have gas lines connected to their home for use with stoves or hot water heaters but are not aware of the advantages of a natural gas furnace.

With winter right around the corner, this is a great time for these customers to take greater advantage of a valuable resource that is readily available. Converting to natural gas is also an excellent alternative in light of the volatile heating oil market and the availability of high-efficiency natural gas heating equipment.

Natural gas heat customers appreciate its cleanliness, efficiency and dependability. Natural gas burns cleanly, and unlike oil burners,

natural gas furnaces require no on-site storage tanks. There is no worry about keeping a tank filled or paying for fuel before it is used. The right amount of natural gas is always there when you need it.

Contractors can help customers zero in on a growing selection of high-efficiency natural gas boilers and

furnaces by looking for the blue Energy Star label, which means that product has met federal energy-efficiency and quality guidelines without sacrificing performance. Energy Star qualified natural gas furnaces have an annual fuel utilization efficiency (AFUE) rating of 90 percent or greater, making them about 15 percent more efficient than standard models. If a homeowner's furnace is older than about 15 years, they can be assured that converting to a new natural gas heating system with an Energy Star rated furnace will save money in the long run.

Customers have another incentive to switch to natural gas: Central Hudson rebates of \$250 for qualified customers who convert to gas heat. The utility will also arrange to have a contractor pump out the remaining oil in the customer's tank at no charge.

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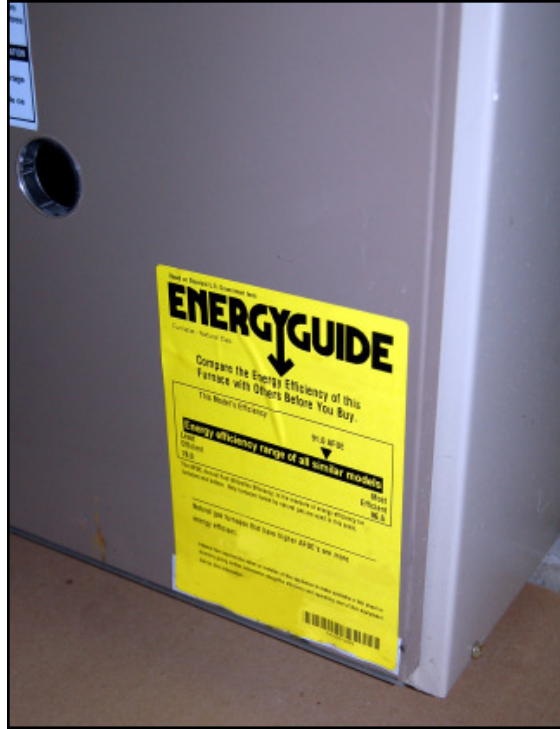


Trade Allies can have coupons included with Central Hudson's marketing materials distributed to customers who express interest in natural gas heat. To have a coupon designed for your business, call (845) 486-5550.

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In addition to informing potential customers about rebates, Central Hudson sends interested customers packets that make it easy to convert to natural gas heat. These informational mailings include coupons from 17 different heating contractors that offer additional rebates, discounts or extended warranties. These coupons are also available online at www.CentralHudson.com under the heading “Products and Services.”

To add a coupon to Central Hudson’s marketing materials, contact Energy Marketing Specialist Kelly Devens at (845) 486-5550.



Replacing a central forced air-furnace that is 15 or more years old with a new energy-efficient model like this one can save up to 20 percent on household heating costs. Consumers are paying more attention to the EnergyGuide, which lists the furnace’s efficiency in terms of a percentage and estimates energy consumption on a scale showing a range for similar models.

Important changes for those who excavate near gas lines

Standard changed for trench clearance and sand padding

In its continuous effort to find ways to improve its natural gas distribution system, Central Hudson revised its gas trench design standards based upon the requirements of regulators and industry standard organizations. The most recent changes involve trench clearance and sand pad material.

The previous trench designs specify that there must be at least 12 inches of clearance between a gas main or service and any other buried facility. The new standards are designed to make

this requirement easier to follow. (The revised standard is shown on the facing page.) In most instances this has increased the depth and/or width of the trench. Exceptions can be made on a case-by-case basis when existing facilities must be taken into account. However, in these situations, other arrangements will need to be made to provide additional protection to the gas pipe.

The other trench design revision involves the sand pad material. Central Hudson now requires that the sand pad material be imported and of a different color and/or consistency than the native material. Stone dust or

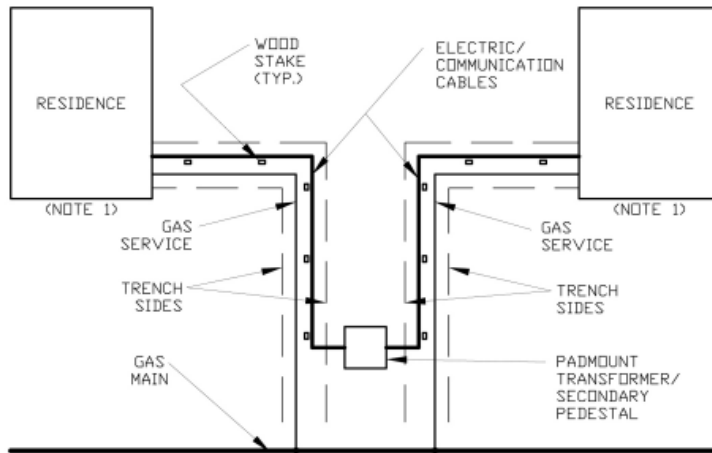
concrete sand are the preferred choices. Sifted or processed soil that has been removed from the trench is not acceptable. The reasoning behind this change is to provide an additional warning to future excavators that they are working in an area where intentional changes have been made to the soil.

Central Hudson has also initiated a construction inspection program where inspectors are sent out randomly to monitor the sand pad and backfill process to ensure that all existing and new standards are followed.

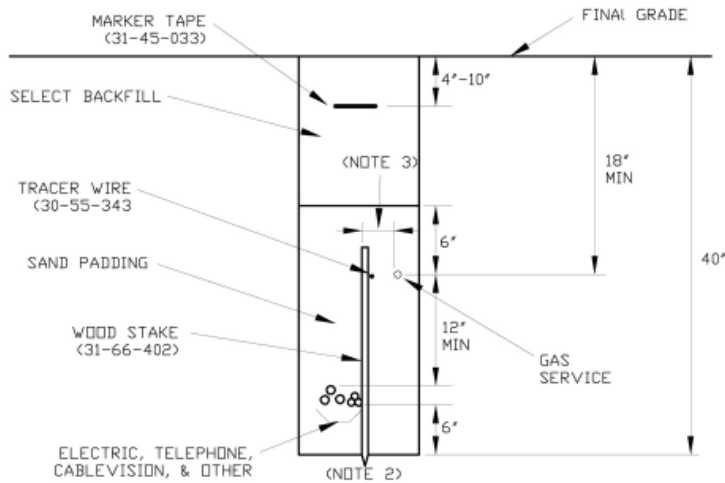
EQUIVALENT TO ELECTRIC STANDARD E 05-06-001.3

G 01 03 005.3

SHEET 1 OF 1



PLAN



PROFILE

NOTES:

1. SEE GAS CONSTRUCTION STANDARD G 03 01 001.0 FOR LOCATION OF THE GAS METER SET.
2. TRENCH WIDTH SHALL BE A MINIMUM 24".
3. LOCATE PLASTIC PIPE A SUFFICIENT DISTANCE FROM WOODEN STAKE TO MINIMIZE TRACER WIRE TO PIPE CONTACT.

GAS STANDARDS	CENTRAL HUDSON GAS & ELECTRIC CORP.	DATE 2/06
DRAWN. <u>JML</u>	UNDERGROUND RESIDENTIAL DISTRIBUTION (URD) ELECTRIC & GAS SERVICE INSTALLATION WITH OTHER UTILITIES	ISSUE 1
CLEAR <u>JEC/LRC</u>		APP. JJB
ENGR. <u>LRC</u>		APP. JPL
APP. <u>HWS</u>		



It just doesn't get any more energy efficient than this.

Ground source heat pumps use the latest advances in geothermal technology to tap into the constant temperature deep down underground, and provide the most efficient, total comfort-conditioning available anywhere today. This dramatically reduces the cost of providing heat, hot water, and central cooling for new homes—or buildings of any kind.

Looking for the most perfect, plentiful source of renewable energy on Earth? You're standing on it. Join the "underground movement," and build a geothermal heat pump into your new building.

Dig up more on ground source heat pumps, geothermal technology, and the incentives now being offered, by calling our Marketing Division at **1-800-872-8781**, or at the Residential or Business Products & Services section of our Web site: **www.CentralHudson.com**



Customers plugging in more appliances

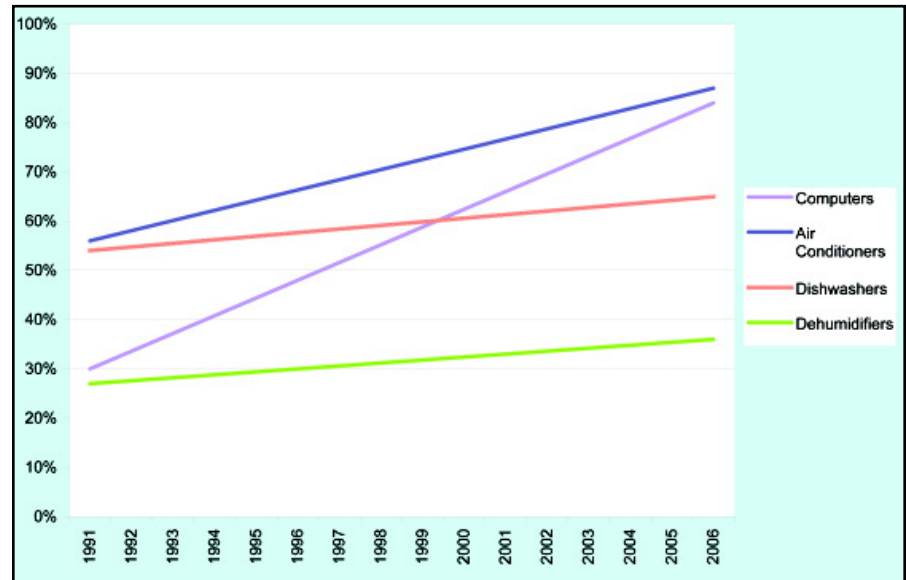
Average electric use up by 15%

Average residential electric use has increased by about 15 percent since 1990, with the use of air conditioning by households swelling from 56 percent in 1991 to 87 percent in 2006. These were among the findings of the Central Hudson Residential Appliance Saturation Survey, which is conducted periodically to measure energy use trends by Mid-Hudson Valley residents. The survey provides information to assist Central Hudson planners in meeting the region's energy needs, and gives insight into changes and patterns in household energy use.

The survey indicated that the use of other appliances increased as well, such as dishwashers (from 54 percent in 1991 to 65 percent today) and dehumidifiers (from 27 to 36 percent).

Home electronics are also a strong contributor to energy use. Fewer than 30 percent of households owned a computer in 1991; today 84 percent have computers, with about 24 percent owning two or more. Home office equipment is also on the rise, as 28 percent of homes have fax machines and 17 percent use other types of office devices.

New on this year's survey were questions concerning household energy conservation efforts. About 75 percent of respondents reported adjusting their thermostat settings during the winter, while 65 percent



While residential appliance usage is rising in all categories, the biggest increases within the past 15 years have been with air conditioners and computers.

conserved by reducing their lighting fixtures or switching to compact fluorescent bulbs. Also, respondents' interest in high efficiency heating and cooling systems, such as geothermal heat pumps, increased over previous years.



The survey shows that while the number of appliances and electric devices used by Central Hudson customers continues to rise—increasing energy use and prompting utility infrastructure improvements to

meet higher energy demands—some residents are conserving to help dampen their usage. “Air conditioning and home electronics are becoming more prevalent among households, and are increasing every year,” said Carl Meyer, President and Chief Operating Officer of Central Hudson. “At the same time, some households are taking steps to conserve energy to help manage their use of electricity and heating fuels. As residents operate more appliances and electronics, conservation strategies can help them manage their energy use.”

The 2006 survey went to 12,000 randomly selected Central Hudson residential customers in February. More than 4,100 households returned completed surveys, with a response rate of 36 percent.

How new delivery rates affect business

Answers to eight questions about understanding Central Hudson's new delivery rates

When did the new rates become official?

The New York State Public Service Commission (PSC) approved new electric and natural gas delivery rates for customers of Central Hudson on July 19. The new delivery rates are being phased in over three years beginning Aug. 1, 2006.

What determined these new rates?

The new rates will provide necessary funds to cover increased costs, and the three-year phase-in period will prevent undue impacts on customers. The contributing factors in determining these new rates include the following: 1) needed improvements to infrastructure, 2) general inflation, 3) increased pension expenses, and 4) enhancements to Central Hudson's safety, environmental and reliability improvement programs.

How will this rate increase affect trade allies?

Due to rising costs of all forms of energy, people are increasingly interested in energy conservation. Those who never concerned themselves with home heating and cooling costs are starting to seek ways to save. They are considering alternative, more efficient heating and cooling systems for new buildings and thinking seriously about converting the older systems in their current residence.

How will residential customers' electric bills be affected?

A typical residential electric customer who uses about 500 kilowatt hours of electricity per month will see an estimated increase of less than \$3.50 per month this year as a result of the new delivery rates; by the end of the three-year period, that amount would total about \$10 per month. By the end of the phase-in period in 2009, customers' total electric bills will increase by approximately 11 percent.

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What kind of a bill increase can natural gas heating customers plan for?

A typical residential natural gas heating customer could expect to see a bill increase of about \$8 per month in 2006; the delivery rate increase would raise these bills by less than \$16 per month by the end of the three-year agreement. Total bills for natural gas customers should remain near the statewide average with the new delivery rate structure.

Why can't bill increases be predicted more precisely?

Customers often want to know how much higher their bill will be in terms of percentage of increase or dollars and cents. But because of the monthly fluctuations in the cost of the

commodity (natural gas or electric supply) it is hard to predict how the increased rates will translate into a certain bill. It becomes even more difficult to predict the price or average price of these commodities when looking a year or more into the future.

How do Central Hudson's rates compare to other utilities?

Central Hudson's customers continue to pay among the lowest delivery prices in the Northeast.

What are the highlights of the rate agreement?

- An assistance plan for low-income customers experiencing financial difficulties in paying their energy bills;
- Continued funding of programs to encourage customers to explore new opportunities available through the competitive energy supply market;
- A program to more effectively trim vegetation that could interrupt electric service;
- Funding of expenses of maintaining the overall safety of the natural gas distribution system;
- Funding for environmental programs, such as the clean up of former Manufactured Gas Plants and testing for stray voltage;
- Funding for costs associated with capital construction of new electric and natural gas facilities;
- An established return on equity of 9.6 percent with the potential to share earnings above 10.6 percent with customers.

Web site answers more questions

Customers unfamiliar with Central Hudson's Web site received personal introductions at the Dutchess County Fair in Rhinebeck last month thanks to a pair of computer workstations wired into the Central Hudson booth.

"This is the first time we have offered this at the fair, and our goal was to drive people to our Web site so they can rely less on the Call Center for conducting their day-to-day business and getting answers to questions," reported Marketing Director Bill Flynn.

Central Hudson been working in recent months to make the Web site more user-friendly for customers who want fast access to information about their account. "The new Web site is more appealing and streamlined for users, and because of the reorganized menus, customers can find what they need quickly," Flynn



During the Dutchess County Fair, Central Hudson employee John Disciglio, far left, shows a pair of customers how to access their account using www.CentralHudson.com.

added. "In addition to accessing account information, customers can report an outage, get answers to bill questions or even look for job opportunities."

The lifestyles of customers have increased in pace during the past few decades and energy plays an increasingly important role, as more people rely on computers, phones and other electronic devices for

everyday business and leisure use. A increasing number of households are using the Internet to pay bills and access all kinds of accounts.

The fair was also an opportunity for Central Hudson to promote products and services such as the natural gas heat and the area light program, and introduce customers to alternate energy systems such as geothermal heat pumps and super central air conditioning. The ductless heat pump on display drew steady interest of those visiting the Central Hudson booth. When interviewed, some of these customers reported that their home was in an area not served by natural gas and that they were seeking alternatives to heating with fuel oil or cooling with traditional air conditioners.

Quick links for business in cyberspace

Central Hudson Gas & Electric
www.CentralHudson.com

Dig Safely New York
www.digsafelynewyork.com

New York State Builders Association
www.nysba.com

Public Service Commission Consumer Site
www.AskPSC.com

New York Energy Smart
www.getenergysmart.org

EPA's Energy Star Program
www.energystar.gov

Geothermal Heat Pump Consortium
www.geoexchange.org

New York State Energy Research and Development Authority
www.NYSERDA.org

Register now for gas schools

Central Hudson's hands-on instruction in basic natural gas operations and equipment



Fill out this registration form and return with payment to:

**Central Hudson
284 South Avenue
Poughkeepsie, NY 12601
Attention: Kelly Devens**

or fax to (845) 486-5593 Attn: Kelly Devens and mail payment to the address above.

Contractor information

Name: _____

Phone number: _____

Company: _____

Fax number: _____ Email: _____

Basic Combustion School

A four-session class that offers a comprehensive introduction to natural gas properties, combustion theory, venting, codes and gas appliance troubleshooting.

Oct. 10, 12, 17 and 19

Number attending at \$125 each: ____

Names of attendees:

Controls School

A two-session class covering the operation and proper installation of system wiring, controls, thermostats, aqua stats and relays.

Nov. 14 and 16

Number attending at \$125 each: ____

Names of attendees:

- Schools are held at Central Hudson's Kingston office at 120 Route 28 in Kingston, N.Y.
- Dinner and registration is at 5:30 p.m. and classes are from 6 to 9 p.m.
- Each student registering for both schools will qualify to have the tuition discounted to \$200.
- Class size is limited so that hands-on learning can be maximized.
- Please make checks payable to Central Hudson Gas & Electric.
- Those who have questions may call Kelly Devens at (845) 486-5550.