

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Central Hudson Gas & Electric Corporation

Cases 09-E-0588 & 09-G-0589

November 2009

Prepared Exhibits (AP-3) through
(AP-12):
Accounting Panel

Michael Summa
Public Utility Auditor II

George Abraham
Senior Auditor

Dave Shahbazian
Senior Auditor

Office of Accounting & Finance
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Central Hudson Gas & Electric 2009 Rate Case
09-E-0588 & 09-G-0589
DPS Accounting Panel Proposed Forecast
Accounting Panel Exhibit # _____

O&M Expense Line: Labor

Purpose of Exhibit: To demonstrate the Company's three year historical headcount average

Source of Company Data: Company response to Staff IR #s 48 (from Case 08-E-0887 & 08-G-0888) and Staff IR # 4 from the current case

2005														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Average 2005
Foremen	32	33	33	33	33	33	34	35	34	33	33	32	32	33.08
Local 320	523	521	516	513	518	518	517	515	515	518	522	520	520	518.00
Part-time 320	27	27	27	27	26	27	28	26	26	25	22	21	21	25.75
Semi-Monthly	245	246	247	246	249	247	249	248	248	248	248	248	248	247.42
Executive	11	11	11	11	11	13	13	13	13	13	13	13	13	12.17
	838	838	834	830	837	839	842	836	835	837	837	834	834	836.42

2006														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Average 2006
Foremen	32	33	33	33	33	33	33	32	32	32	32	32	32	32.42
Local 320	516	524	526	531	532	530	526	526	528	526	527	527	527	526.42
Part-time 320	24	26	25	27	26	27	26	27	28	29	28	28	28	26.92
Semi-Monthly	252	253	254	255	252	253	255	257	260	260	259	259	259	255.75
Executive	13	13	13	13	13	13	13	13	13	14	14	14	14	13.25
	837	849	851	859	858	856	852	855	859	861	860	860	860	854.75

HYE 3/31/07 -HYE 3/31/09	
Foremen	33.25
Local 320	510.36
Part-time 320	27.89
Semi-Monthly	257.39
Executive	12.67
	841.36

2007														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Average 2007
Foremen	33	33	33	33	33	33	33	33	33	33	33	34	34	33.08
Local 320	523	520	517	515	518	515	513	508	508	506	506	503	503	512.67
Part-time 320	28	28	29	29	29	29	27	28	27	27	27	28	28	28.00
Semi-Monthly	258	259	259	257	256	260	258	262	261	257	257	257	257	258.42
Executive	13	13	13	14	13	13	13	13	13	13	13	13	13	13.08
	855	853	851	848	849	850	844	844	842	836	836	835	835	845.25

Calendar Year 2006 - 2008	
Foremen	33.03
Local 320	512.47
Part-time 320	27.61
Semi-Monthly	256.69
Executive	12.76
	842.58

2008														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Average 2008
Foremen	32	33	33	35	34	34	34	34	34	34	33	33	33	33.58
Local 320	504	501	500	495	499	498	498	498	499	496	496	496	496	498.33
Part-time 320	24	28	29	28	25	29	29	29	30	29	28	27	27	27.92
Semi-Monthly	255	254	256	255	258	257	257	256	254	256	256	257	257	255.92
Executive	12	12	12	12	12	12	12	12	12	12	12	12	12	12.00
	827	828	830	825	828	830	830	829	829	827	825	825	825	827.75

RY Period 7.1.06 - 6.30.09	
Foremen	33.50
Local 320	509.06
Part-time 320	27.47
Semi-Monthly	258.61
Executive	12.58
	841.22

2009														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Average
Foremen	35	35	36	36	36	36	36	36	36	36	36	36	36	36
Local 320	492	494	504	513	516	517	518	518	518	518	518	518	518	518
Part-time 320	27	25	26	23	25	26	27	27	27	27	27	27	27	27
Semi-Monthly	261	261	262	265	267	272	270	270	270	270	270	270	270	270
Executive	11	12	12	12	12	12	12	12	12	12	12	12	12	12
	826	827	840	849	856	863	863	0	0	0	0	0	0	0

highest of the 3 different 3 year averages = 842.58
average of the 3 different 3 year averages = 841.72
lowest of the 3 different 3 year averages = 841.22

average of the 3 different averages = 841.72

	05 Rate Case		Headcount		variance
			<u>Actual</u>	<u>Allowance</u>	
July 1, 2006 - June 30, 2007	RY1 avg headcount	Foremen	32.50		
		Local 320	522.17		
		Part-time 320	28.17		
		Semi-Monthly	258.25		
		Executive	<u>13.33</u>		
			854.42	854	855
					1
July 1, 2007 - June 30, 2008	RY2 avg headcount	Foremen	33.33		
		Local 320	503.42		
		Part-time 320	27.25		
		Semi-Monthly	257.25		
		Executive	<u>12.50</u>		
			833.75	834	855
					21
July 1, 2008 - June 30, 2009	RY3 avg headcount	Foremen	34.67		
		Local 320	501.58		
		Part-time 320	27.00		
		Semi-Monthly	260.33		
		Executive	<u>11.92</u>		
			835.50	836	855
					19

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to MI Information Request No. 27

From: Jay Goodman
Requested of: Revenue Requirements Panel
Date of Request: 9/16/2009

- 27) With respect to the testimony starting on page 11, line 22, and concluding on page 12, line 3, identify and explain each productivity gain achieved by Central Hudson and reflected in the development of the revenue requirement. Include in your response the dollar value of each identified productivity gain.

Response:

Central Hudson experienced a significant revenue shortfall due to the dramatic decrease in sales during the historic period that required many austerity measures that resulted in reductions in spending levels compared to prior periods. These reduced spending levels are reflected in the historic or test period and in many cases served as the basis to project the rate year for the elements of costs identified in the income statements sponsored by the Revenue Requirements Panel. A number of the major items have been described in the prior case. However, the Company cannot identify and explain each productivity gain achieved.

Date of Response: 9/30/2009
Response by: Revenue Requirements Panel (Brideau, Smith & Kardas)

Central Hudson Gas & Electric 2009 Rate Case
09-E-0588 & 09-G-0589
DPS Exhibit - Productivity for Electric and Natural Gas Industry
Accounting Panel Exhibit # _____

reference: U.S. Department of Labor website (www.dol.gov), then Bureau of Labor Statistics, and Industry Productivity and Costs Data Tables - use edit find to search for electric and natural gas data link to detail data <ftp://ftp.bls.gov/pub/special.requests/opt/dipts/pr.aain.txt>

Electric power generation, transmission and distribution						average productivity over a 20 year span
Y	(actual % change)	(approximation) Log(Y)	Difference in Logs = productivity growth	%	Time	
1987	65.576		4.183209775		1	
1988	68.914	0.050902769	4.23285935	4.9649575%	2	
1989	69.668	0.010941173	4.243741102	1.0881751%	3	
1990	71.084	0.02032497	4.263862276	2.0121174%	4	
1991	73.739	0.037350177	4.300531832	3.6669555%	5	
1992	74.465	0.009845536	4.310329216	0.9797385%	6	
1993	78.418	0.053085342	4.362053493	5.1724277%	7	
1994	83.083	0.059488893	4.419840108	5.7786615%	8	
1995	88.529	0.065548909	4.483330182	6.3490074%	9	
1996	95.207	0.075432909	4.556053469	7.2723287%	10	
1997	100	0.050342937	4.605170186	4.9116717%	11	
1998	103.742	0.03742	4.641907048	3.6736862%	12	
1999	103.485	-0.002477299	4.639426675	-0.2480373%	13	
2000	106.962	0.033599072	4.672473631	3.3046957%	14	
2001	106.428	-0.004992427	4.6674687	-0.5004931%	15	
2002	102.913	-0.033027023	4.633883971	-3.3584729%	16	
2003	105.111	0.021357846	4.655016935	2.1132964%	17	
2004	107.467	0.0224144	4.677183824	2.2166889%	18	
2005	114.317	0.063740497	4.738975291	6.1791467%	19	
2006	115.373	0.009237471	4.748170358	0.9195067%	20	
2007	113.301	-0.017959141	4.730047994	-1.8122364%	21	
		0.028128851		2.7341911%		
				2.734% = average productivity growth		
check						
	1.727781505		2.8 = arithmetic mean			
	1.027719131		2.77 = compounded annual growth in productivity			
	113.301					

Natural Gas Distribution					
Y	(actual % change)	(approximation) Log(Y)	Difference in Logs = productivity growth	%	Time
1987	67.799		4.216547446		1
1988	72.771	0.073334415	4.287317524	7.0770079%	2
1989	73.944	0.016119058	4.30330805	1.5990526%	3
1990	71.394	-0.034485557	4.268213832	-3.5094218%	4
1991	72.809	0.019819593	4.287839574	1.9625742%	5
1992	76.138	0.045722369	4.332547483	4.4707909%	6
1993	79.642	0.046021697	4.377541592	4.4994109%	7
1994	82.277	0.033085558	4.410091603	3.2550011%	8
1995	89.002	0.081736087	4.488658841	7.8567238%	9
1996	95.96	0.078178018	4.563931438	7.5272597%	10
1997	100	0.042100875	4.605170186	4.1238748%	11
1998	99.001	-0.00999	4.595129951	-1.0040235%	12
1999	102.662	0.036979424	4.631442039	3.6312088%	13
2000	113.209	0.102735189	4.729235668	9.7793629%	14
2001	110.074	-0.027692145	4.701152867	-2.8082801%	15
2002	115.443	0.048776278	4.748776902	4.7624035%	16
2003	114.124	-0.011425552	4.737285577	-1.1491325%	17
2004	118.327	0.036828362	4.773451978	3.6166402%	18
2005	122.187	0.032621464	4.805552658	3.2100680%	19
2006	119.084	-0.0253955	4.779829126	-2.5723532%	20
2007	119.663	0.004862114	4.784679459	0.4850332%	21
		0.029496587		2.8406601%	
				2.841% = average productivity growth	
check					
	1.764967035		2.9 = arithmetic mean		
	1.028813916		2.88 = compounded annual growth in productivity		
	119.663				

NAICS 2211 - Electric power generation, transmission and distribution

Year	Labor productivity (1997=100)	Output per worker (1997=100)	Output (1997=100)	Worker hours (1997=100)	All workers (1997=100)	Unit labor costs (1997=100)	Labor compensation (1997=100)
1987	65.576	64.625	78.349	119.478	121.238	105.920	82.988
1988	68.914	68.151	82.185	119.257	120.592	102.390	84.149
1989	69.668	69.383	84.381	121.118	121.616	102.903	86.830
1990	71.084	70.368	86.190	121.252	122.484	106.758	92.015
1991	73.739	72.735	88.134	119.522	121.171	108.172	95.337
1992	74.465	73.620	87.961	118.123	119.479	113.207	99.578
1993	78.418	78.876	91.852	117.133	116.451	110.154	101.179
1994	83.083	83.570	93.840	112.947	112.289	109.068	102.349
1995	88.529	89.229	96.539	109.048	108.192	104.139	100.535
1996	95.207	95.470	98.658	103.624	103.339	101.784	100.418
1997	100.000	100.000	100.000	100.000	100.000	100.000	100.000
1998	103.742	103.783	102.535	98.837	98.798	100.351	102.895
1999	103.485	104.104	101.601	98.180	97.596	103.690	105.351
2000	106.962	107.493	103.951	97.185	96.705	108.903	113.206
2001	106.428	105.408	101.795	95.646	96.572	116.807	118.903
2002	102.913	99.452	96.043	93.324	96.572	132.426	127.185
2003	105.111	101.460	94.390	89.801	93.032	138.886	131.094
2004	107.467	103.280	93.945	87.418	90.962	152.986	143.723
2005	114.317	110.745	98.936	86.545	89.337	140.208	138.716
2006	115.373	112.566	99.260	86.034	88.179	138.783	137.756
2007	113.301	113.281	100.268	88.497	88.513	146.510	146.903

NAICS 2212 - Natural gas distribution

Year	Labor productivity (1997=100)	Output per worker (1997=100)	Output (1997=100)	Worker hours (1997=100)	All workers (1997=100)	Unit labor costs (1997=100)	Labor compensation (1997=100)
1987	67.799	65.618	77.093	113.708	117.487	90.389	69.683
1988	72.771	70.655	81.833	112.453	115.821	84.603	69.233
1989	73.944	72.898	85.315	115.377	117.033	83.335	71.097
1990	71.394	70.403	82.661	115.781	117.411	91.284	75.456
1991	72.809	72.067	85.323	117.188	118.395	95.926	81.848
1992	76.138	75.303	87.787	115.300	116.578	102.182	89.702
1993	79.642	79.799	91.519	114.912	114.686	101.172	92.591
1994	82.277	82.541	92.476	112.397	112.036	101.705	94.053
1995	89.002	88.798	95.385	107.172	107.419	98.790	94.232
1996	95.960	95.674	98.860	103.022	103.331	97.887	96.771
1997	100.000	100.000	100.000	100.000	100.000	100.000	100.000
1998	99.001	98.585	95.973	96.942	97.350	104.077	99.886
1999	102.662	102.615	97.643	95.111	95.155	104.023	101.571
2000	113.209	111.550	101.924	90.031	91.370	108.469	110.555
2001	110.074	108.410	96.920	88.050	89.402	116.492	112.904
2002	115.443	115.482	100.184	86.782	86.752	115.553	115.765
2003	114.124	115.601	98.449	86.265	85.163	116.704	114.894
2004	118.327	119.028	98.394	83.154	82.665	131.688	129.573
2005	122.187	118.566	96.396	78.893	81.302	130.529	125.826
2006	119.084	116.203	93.508	78.523	80.469	139.235	130.196
2007	119.663	122.612	99.593	83.228	81.226	137.753	137.192

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 36

From: Abraham
Requested of: Central Hudson
Date of Request: 8/31/2009

Abraham: For Central Hudson:

36. Please provide the 2008 actuarial reports and the actuarial reports, if different, to support the rate year projections for the electric and gas pension and OPEBs expenses.

Response: The following documents, prepared by our actuary, support the development of pension and OPEB expenses in this case:

- a. October 1, 2008 Actuarial Report
- b. Pension FAS 87 2009 Expense
- c. Nonqualified Retirement Plans – 2009 Pension Exp
- d. OPEB 2009 Expense

The documents “Pension FAS 87 2009 Expense” and “OPEB 2009 Expense” can be found in Exhibits 169 and 170, respectively, from Cases 08-E-0887 & 08-G-0888.

The CONFIDENTIAL documents “Nonqualified Retirement Plans – 2009 Pension Expense and “October 1, 2008 Actuarial Report” are attached.

Please note that the date on the Nonqualified Retirement Plan document as it was received from Mercer should be January 26, 2009 not January 26, 2008.

These documents are being provided to the requesting party only.

Date of Response: 9/15/2009
Response by: Revenue Requirements Panel (Brideau, Smith & Kardas)

PSC IR 36 Confidential Attachment – Pages (2 – 5) of 5 REDACTED

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Supplemental Response to Staff Information Request No. 125

From: Summa
Requested of: Revenue Requirement Panel
Date of Request: 9/14/2009

Summa: For Central Hudson's Revenue Requirement Panel:

125) For the Electric & Gas Operations, please provide an explanation and documentation to support the other operating insurance projections for June 30, 2012 and June 30, 2013 contained in the workpaper labeled "Other Operating Insurance".

Response:

Policies contained in the workpaper labeled "Other Operating Insurance" include D & O Liability Insurance, All Risk Property Insurance and Miscellaneous Other Insurance.

The Company purchases \$100 million of D & O Liability insurance coverage. These policies renew in June of each year. The Company has five separate carriers for its D & O Liability insurance coverage. In the event of a claim, the first \$20 million of coverage is provided by CHUBB, the next \$25 million of coverage is provided by AEGIS, the next \$20 million of coverage is provided by Energy Insurance Mutual (EIM), the next \$10 million of coverage is provided by U. S. Specialty Insurance Company and the next \$10 million of coverage is provided by Travelers. In addition to the \$85 million of D&O insurance obtained to insure the directors, officers and the organization, CH Energy Group purchases a separate \$15 million policy from Houston Casualty Company, which insures only the directors and officers. AEGIS and EIM are mutual companies and the others are commercial insurance companies. A mutual company is owned and operated by and for its insureds. The premiums for the commercial insurance companies reflect the actual June 2009 renewal premiums received by the Company increased by the anticipated rate of inflation for the June 2010 renewal and all subsequent renewal periods. For the purposes of developing the rate year projection the Company increased the actual June 2009 premium charges from AEGIS and EIM by 5% for the June 2010 and 2011 renewals and by the anticipated rate of inflation for all subsequent renewal periods. The 2010 and 2011 rate of increases represent the Company's best estimate of the increases we can expect based on the mutual carrier's current financial situation and the actual premium renewal we received in June 2009. In June 2009 the cost of the D & O liability insurance purchased from AEGIS included \$187,119 of continuity credits but for the forecast periods all continuity credits have been excluded because AEGIS has announced their intention to curtail distributing credits to their members until their financial situation improves.

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Supplemental Response to Staff Information Request No. 125

The rate increase for periods after 2011 represents our expectation of improvement of the financial health of AEGIS and EIM.

The All Risk Property Insurance policy is purchased from AIG and renews in October of each year. The total policy limit of liability is \$100 million with a \$500,000 deductible. The All Risk Property policy reflects a 5% anticipated increase for the October 2010 renewal and increases at the anticipated rate of inflation for all subsequent periods. The 2010 rate of increase represents the Company's best estimate of the increase we can expect based on the carrier's current financial situation. The rate increase for periods after 2010 represents our expectation of improvement of the financial health of AIG.

Policies under the Miscellaneous Other Insurance renew in June of each year and are comprised of:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Carrier</u>
Pension Fiduciary	\$20 million	Chubb
Employment Practices	\$20 million	Chubb
Media	\$1 million	Axis Insurance Co.
Employed Lawyer	\$1 million	Executive Risk
Crime	\$10 million	Zurich

The Pension Fiduciary and Employment Practices policies reflect a 5% anticipated increase for the June 2010 renewal and increases at the anticipated rate of inflation for all subsequent periods. The June 2010 increase for Pension Fiduciary anticipates a tightening of the market as a result of increasing default rates that increase the number of claims related to frozen / under funded pension plans and declining values in 401k plans and have an adverse impact on the cost of this type of insurance. The June 2010 increase for Employment Practices anticipates a similar market tightening due to corporate layoffs that increase the number of Employment Practices claims and have an adverse impact on the cost of this type of insurance.

The media premiums reflect the actual June 2009 renewal premiums received by the Company increased by the anticipated rate of inflation. The Employed Lawyer policy cost was increased by 20% in June 2010 to reflect the anticipated changes in the number of our in-house lawyers and then by the anticipated rate of inflation for all subsequent periods. The Crime policy does not renew again until 2012 and the Company included a 5% rate increase for the first renewal

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Supplemental Response to Staff Information Request No. 125

period and increases reflecting the anticipated rate of inflation for all subsequent periods.

Date of Response: 10/9/2009
Response by: Revenue Requirements Panel

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Additional Supplemental Response to Staff Information Request No. 125

From: Summa
Requested of: Revenue Requirement Panel
Date of Request: 9/14/2009

Summa: For Central Hudson's Revenue Requirement Panel:

- 125) For the Electric & Gas Operations, please provide an explanation and documentation to support the other operating insurance projections for June 30, 2012 and June 30, 2013 contained in the workpaper labeled "Other Operating Insurance".

Response:

Please be advised that the Company is updating its response to Supplemental Response DPS IR 125 dated October 9, 2009 based on information received from AEGIS regarding D&O continuity credits.

The original supplemental response to DPS IR 125 stated "In June 2009 the cost of the D & O liability insurance purchased from AEGIS included \$187,119 of continuity credits but for the forecast periods all continuity credits have been excluded because AEGIS has announced their intention to curtail distributing credits to their members until their financial situation improves."

However, the Company had received confirmation from AEGIS that a continuity credit of \$87,834 will be reflected for the policy period June 1, 2010 through May 31, 2011. Please refer to the attached document captioned "Staff IR 125 – D&O Continuity Credit."

Date of Response: 11/4/2009
Response by: Revenue Requirements Panel

PSC IR 125-Additional Supplemental - D&O Continuity Credits

Alan J. Maguire
President and Chief Executive Officer



May 29, 2009

Mrs. Patricia M. Buck
Sr. Risk Management Administrator
CH Energy Group, Inc.
284 South Ave
Poughkeepsie, NY 12601-4838

Re: Member # 0309: CH Energy Group, Inc.

Dear Mrs. Buck,

As you know from our recent e-mail to Members and brokers, the AEGIS Board of Directors has approved the issuance of continuity credits to AEGIS Directors & Officers Liability Members for the period July 1, 2009 to June 30, 2010 at a rate of 2.5% of Directors & Officers Liability surplus.

Due to the significant decrease in total surplus in 2008, the continued adverse development in excess liability losses and ongoing investment market volatility, the Board believes it is prudent to reduce the continuity credit levels from the 5% declared for the Directors & Officers Liability line of business last year.

The total calculated credit available for distribution to all Directors and Officers Members is \$14,000,225 and the credit available to your company is \$ 87,834. Your credit is based on your Proportionate Share of Total Surplus allocated to Directors & Officers Liability at December 31, 2008. Your company is eligible to receive this Continuity Credit upon the renewal of your Directors & Officers or General Partner Liability policy with a term of at least twelve months, attaching during the period July 1, 2009 to June 30, 2010. Please see the attached information sheet for additional conditions and information.

This is the 22nd consecutive year we have returned a continuity credit to our Membership. Since 1987, we have returned more than \$900 million in total continuity credits, including more than \$547 million to Members who purchase Directors and Officers Liability coverage. The continuity credit program is just one of the ways we help you achieve the lowest overall cost of risk and it highlights the fact that you are a Member and owner of AEGIS, not simply a customer.

In these difficult times, we believe the modification of this year's continuity credit program, combined with the underwriting and investment initiatives we've put in place during the past several months, will enable us to begin to restore policyholder surplus and help us fulfill our long-term mission to you in 2009 and beyond. We will of course be reviewing the level of continuity credits with a fresh eye a year from now.

We thank you for your continued support because it is with Member support and involvement that AEGIS continues to survive and thrive. Please call if you have any questions or comments.

Sincerely,

A handwritten signature in cursive script that reads "Alan Maguire".

Alan J. Maguire

cc: Ms. Bain K. Head
McGriff Seibels & Williams of Texas, Inc.

PSC IR 125-Additional Supplemental - D&O Continuity Credits

**Associated Electric & Gas Insurance Services Limited
2009 - 2010 Directors & Officers Liability Continuity Credit Distribution**

Set forth below is information regarding AEGIS' Total Surplus at December 31, 2008, your company's Proportionate Share of Directors & Officers Liability Total Surplus at that date, and your company's 2009 - 2010 Directors & Officers Liability Continuity Credit.

AEGIS Total Surplus ¹	\$757,973,000
Total Surplus Allocated to Directors & Officers Liability Members ¹	\$560,009,000
CH Energy Group, Inc. Proportionate Share of Surplus: Percentage (%)	.62738%
Amount (\$)	\$ 3,513,368
CH Energy Group, Inc. 2009 - 2010 Directors & Officers Continuity Credit	\$ 87,834

Continuity Credits are applied to reduce the annualized rated premium of your AEGIS Directors & Officers or General Partner Liability policy², and are subject to the limitation that such credits shall not exceed 100% of that rated premium amount. Your company is eligible to receive this Continuity Credit upon the renewal of its Directors & Officers or General Partner Liability policy² with a term of at least twelve months, attaching during the period July 1, 2009 - June 30, 2010. At your election, the amount of Continuity Credits which exceed 100% of the annual rated premium may be applied to the invoices of future additional, renewal or new rated premiums of other AEGIS policies, and will be subject to the rules in effect at the time of application. Any additional credits that have not been applied will be held by AEGIS in a non-interest bearing account.

With regard to policies that are either cancelled or converted into a Discovery or Runoff policy, AEGIS shall retain the prorated unearned portion of Continuity Credits that have been applied to that policy. Discovery, Runoff and Prior Acts policies are not eligible for Continuity Credits.

Continuity Credits will be subject to a proportionate reduction and forfeited if an expiring policy is replaced with a policy providing lower coverage limits or substantially higher retentions either during the policy period or at renewal.

¹ Total surplus supports all insurance policies issued by AEGIS regardless of type. The amount of total surplus allocated to the Directors and Officers Liability line of business is presented solely for informational purposes.

² General Partner Liability Insurance Policy ("GPL policy") for those Members whose principal policy under the D&O Liability program is a GPL policy.

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 322

From: Summa
Requested of: Revenue Requirements Panel
Date of Request: 10/16/2009

Summa: For Central Hudson Revenue Requirements Panel:

- 322) In response to Staff IR # 125 the Company indicated that for the purposes of developing the rate year projections the Company increased the actual June 2009 premiums charges from AEGIS and EIM by 5% for the June 2010 and 2011 annual renewals. Please provide any documentation that Company has received from the insurance companies to support the projected increase of 5% for the June 2010 and 2011 annual renewals.

Response:

The premium rate increases the Company has received from AEGIS for its Directors and Officers insurance for the past three renewals have ranged from 0% to 6.7%. The Company expects that the 2010 and 2011 renewals will be within the range of actual increases received and has estimated an increase of 5%. The premium rate increases the Company has received from EIM for its Directors and Officers insurance for the past three renewals have ranged from 0% to 5.3%. The Company expects that the 2010 and 2011 renewals will be within the range of actual increases received and has estimated an increase of 5%.

Because we reduced the amount of Directors and Officers insurance purchased from AEGIS and EIM during the June 2009 renewal we anticipate that our increases in 2010 and 2011 will be more than the average increases received. In June 2009 we reduced our reliance on AEGIS and EIM by shrinking the total limits purchased from these carriers from \$60 million to \$45 million. The Company replaced this capacity by increasing the amount purchased from CHUBB by \$5 million and purchased \$10 million from Travelers, who had not previously been on our program. By making these changes we reduced our dependency on the mutual carriers with sagging financial indicators and spread our risks among more carriers with stronger financial ratings while reducing the cost of insurance by \$60,000. However, as part of this restructuring we reduced EIM's attachment point, which will increase their exposure to losses and should increase the cost of the insurance we purchase from them.

In addition, please refer to the confidential attachments that the Company provided in response to DPS IR No. 323.

Date of Response: 10/23/2009
Response by: Revenue Requirements Panel

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 323

From: Summa
Requested of: Revenue Requirements Panel
Date of Request: 10/16/2009

Summa: For Central Hudson Revenue Requirements Panel:

323) In response to Staff IR # 125 the Company indicated that the increases related to AEGIS and EIM represent the Company's best estimate of the increases expected based on the insurance carriers' current financial situation and the actual premium it received in June 2009. Please provide any data or analysis used by the Company to develop/support the best estimate of the increases used in the Company's projection including any data related to the Company's insurance carriers current financial situation.

Response:

Please refer to the attached CONFIDENTIAL documents captioned "Staff IR 323 – EIM 2009 Outlook - Confidential" and Staff IR 323 – AEGIS 2009 Outlook - Confidential."

These documents were relied upon by the Company to project future premium levels for AEGIS and EIM policies.

These documents are being supplied to the requesting party only.

Date of Response: 10/20/2009
Response by: Revenue Requirements Panel

Staff IR 323 Confidential Attachments 1 & 2 – Pages (2 – 9) of 9 REDACTED

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 324

From: Summa
Requested of: Revenue Requirements Panel
Date of Request: 10/16/2009

Summa: For Central Hudson Revenue Requirements Panel:

- 324) In response to Staff IR # 125 the Company indicated that the 2010 increases related to All Risk Property Insurance purchased from AIG represent the Company's best estimate of the increases expected based on the insurance carriers' current financial situation. Please provide any data or analysis used by the Company to develop/support the best estimate of the increases used in the Company's projection including any data related to the Company's insurance carriers current financial situation.

Response:

AIG has experienced financial problems since 2008 and its AM Best rating was downgraded in September 2008 from A+ to A. AIG is currently AM Best rated A negative. A negative rating indicates that a company is experiencing unfavorable financial and market trends, relative to its current rating level. Should these trends continue there is a likelihood for AIG's rating to be downgraded in the future.

In addition, it is important that the carrier maintain adequate reserves to assure that the coverage's purchased under the contract of insurance will be available as needed. These circumstances suggest that AIG will be seeking to increase its rates as a means of stabilizing its financial situation. This assumption is supported by the fact that the Company renewed its property policy with AIG on October 1, 2009 and received a 4.5% premium rate increase.

Date of Response: 10/23/2009
Response by: Revenue Requirements Panel

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 325

From: Summa
Requested of: Revenue Requirements Panel
Date of Request: 10/16/2009

Summa: For Central Hudson Revenue Requirements Panel:

325) In response to Staff IR # 125 the Company indicated the insurance premium related to Pension Fiduciary & Employment Practices Insurance reflects a 5% anticipated increase due to a tightening of the market as a result of increasing default rates. Please provide any data or analysis used by the Company to support this anticipated increase due to the tightening of the market.

Response:

Please refer to the attached document captioned "Staff IR 325 – Pension Fiduciary & Employment Practices Insurance," an excerpt from Marsh USA's "U.S. Insurance – Market Report 2009," which discusses both the Pension Fiduciary and Employment Practice insurance market.

Date of Response: 10/29/2009
Response by: Revenue Requirements Panel

Attachment: Staff IR 325 - Pension Fiduciary & Employment Practices Insurance

36 | Major Coverage Lines | Financial and Professional

Looking Ahead

The 2009 outlook for D&O liability insurance markets for financial institutions is for a continued hardening of the market, generally with some combination of higher premiums, more restrictive terms, lower limits from individual insurers, higher deductibles, and in some cases, non-renewal of participation.

In the commercial D&O space, the continued increase in securities litigation activity, increase in corporate bankruptcies, and deterioration in D&O insurers' capital positions, or some combination thereof, most likely will lead to insurers adjusting their pricing models upwards. Momentum is building for price stabilization, and this could lead to minimal rate decreases, flat renewals, or even modest increases for attractive risks in 2009, particularly as the year progresses.

Employment Practices Liability
Rates

Coverage	Segment	Rate Change Q4 2007	Rate Change Q4 2008
Employment Practices Liability	Large organizations	10% to 15% decrease	5% to 10% decrease
	Financial institutions	Flat to 10% decrease	5% to 10% decrease
	Midsized organizations	10% to 15% decrease	Flat to 8% decrease

Trends and Developments

Rates for employment practices liability insurance (EPLI) generally continued to soften in 2008, though at a diminished pace as the year progressed. The weak economy and resulting increase in corporate layoffs has raised the likelihood of EPLI claims, which could have an adverse effect on rates in 2009. For example, claims alleging failure to provide required 60-day notice under the Workers Adjustment Retraining Act tend to increase when layoffs spike upward. In turn, this causes underwriters to ask additional questions regarding:

- any planned or anticipated layoff(s), plant closings, or similar cost cutting measures; and
- the financial stability of companies.

That said, the number of insurers offering EPLI continues to grow, as evidenced by increased marketplace capacity, flexibility in coverage enhancements, competition for business, and new entrants to the marketplace. The current aggregate EPLI market capacity remains at more than US\$700 million. Despite the recent financial and ratings agency concerns surrounding some insurers, the total capacity offered remains available at this time, according to market intelligence and public announcements from those insurers.

EPLI rates continued to soften into the fourth quarter of 2008 for most clients, primarily as a consequence of increased competition and relatively manageable loss severity. Most clients saw decreases of between 5 percent and 10 percent.

Attachment: Staff IR 325 - Pension Fiduciary & Employment Practices Insurance

Major Coverage Lines | Financial and Professional | 37

Although mid- to small-market insureds typically experienced double-digit premium decreases in 2007, many of those same firms saw premiums range from flat to 8 percent decreases through late 2008 as a result of a tightening market for those risks.

Clients with significant changes in their risk profile—particularly those that experienced a surge in frequency of employment practices liability (EPL) claims, layoffs, and/or restructuring in the latter part of the third quarter and early fourth quarter 2008—likely saw an average of 15% increase in their premium.

According to various sources, wage-and-hour claims increased by 237 percent between 2001 and 2007; and 2008 marked another year of increase in such claims. As a result, a growing number of insurers, including Beazley, Monitor, Travelers, NAS, Zurich, Chubb, and Great American continue to offer sub-limited defense-only coverage for such claims, although it is generally only available for nonprofit and private companies and/or those with fewer than 2,000 employees.

There were several relevant U.S. Supreme Court decisions in the 2008-2009 term, as well as legislation such as the National Defense Authorization Act, the Genetic Information and Non-discrimination Act, and the ADA Amendments Act. We anticipate that 2009 could see an increase in claims including alleged violation of the Family Medical Leave Act, age and disability discrimination, and retaliation.

For 2007, the Equal Employment Opportunity Commission (EEOC) reported an overall 9 percent increase in charges of discrimination filed, the largest since the early 1990s, with retaliation surpassing gender discrimination for the first time as the second-most filed charge. As a result, in 2008 the EEOC stepped up implementation of its systemic initiative, the goal of which is to identify issues, criteria, and barriers that contribute to discrimination against minority groups.

As inquiries continue to grow regarding the availability of global EPLI solutions, a number of insurers recently announced offerings to address global exposure and tax concerns of EPLI clients.

Looking Ahead

The large number of mass layoffs in 2008 and into 2009 brings with it a likelihood of increased EPL litigation. This is likely to have an adverse effect on EPLI rates in 2009, particularly for clients that have been significantly affected by the economic conditions. Although rates may remain flat for some clients, it is likely that others may begin to experience increases in the range of 2 percent to 5 percent toward the end of the first quarter of 2009. To ensure competitive pricing, risk managers are advised to continue to evaluate their company's risks and exposures in order to identify special coverage needs as a result of the evolving EPL legal and business landscape. Timely submission and underwriting meetings, which provide an opportunity for the company to differentiate itself from its peers and highlight positive characteristics, remain critical factors in ensuring most favorable pricing and coverage terms.

Attachment: Staff IR 325 - Pension Fiduciary & Employment Practices Insurance

38 | Major Coverage Lines | Financial and Professional

Fiduciary Liability Insurance Rates

Coverage	Segment	Rate Change Q4 2007	Rate Change Q4 2008
Fiduciary Liability	Large organizations	5% to 15% decrease	Flat to 10% decrease
	Midsize organizations	5% to 15% decrease	Flat to 5% decrease

Trends and Developments

The economic crisis and attendant increase in global default rates have increased insurers' concerns about the potential freezing, termination of, and/or underfunding of pension plans, especially for large corporations.

Although settlements of security holder claims under the Employee Retirement Income Security Act (ERISA) declined in 2005 and 2006, filings have increased since 2007. The battleground for plaintiff attorneys is around determining and measuring damages. With former plan participants now having legal standing to sue, claims are not as easily dismissed. As a result, insurers expect that defense costs for security holder claims will increase significantly.

Since September 2006, participants in various 401(k) plans have filed more than two dozen class-action lawsuits against plan sponsors, service providers, and various other fiduciaries involved in the plan administration of Fortune 500 companies. Although several cases have been dismissed, a number are moving forward and bear watching. The litigation coincides with greater regulatory scrutiny by the Department of Labor (DOL) on fee transparency. In 2008 the DOL released proposed regulations on fees and expenses, aiming to provide plan participants appropriate information to make informed decisions. Unless the timeframe is extended, the intent is for the final regulations to apply to plan years beginning on or after January 1, 2009.

In addition to understanding the impact of plan assets invested in alternative investments such as hedge funds, private equity, and real estate (including subprime mortgages), underwriters are beginning to focus on securities lending transaction(s) in defined benefit plans where plan assets exceed \$US500 million. As a consequence of potential losses to the plan when securities lending programs are terminated, certain underwriters are interested in understanding what losses or potential losses are linked to the collateral received by a defined benefit plan in exchange for their lending of securities.

Looking Ahead

Although pricing in 2009 should generally remain stable or increase slightly, insurers will be reviewing accounts on a case-by-case basis and rating them based on their particular exposure, including pending/paid claims, significant decline in employer's securities, significant layoffs, merger and acquisition activity, and overall financial condition. Company stock in defined contribution pension plans will remain a critical rating factor and a key underwriting issue.

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 326

From: Summa
Requested of: Revenue Requirements Panel
Date of Request: 10/16/2009

Summa: For Central Hudson Revenue Requirements Panel:

326) In response to Staff IR # 125 the Company indicated that the Employed Lawyer policy cost was increased by 20% in June 2010 to reflect the anticipated changes in the number of in-house lawyers. Please provide data or analysis used by the Company to support the anticipated 20% increase.

Response:

The cost of the Company's Employed Lawyer insurance policy is currently \$9,342 and covers the services of one lawyer. The Company expects to add the services of two more lawyers and the services of one paralegal to the policy, but the exact timing of these additions is not currently known as the hiring process is underway.

Since the Company will be increasing the number of employees covered under the policy, we have projected an increase in the cost of the policy. However, until the individual employees are hired and the carrier reviews the background of each employee covered under the policy in June 2010, the exact amount of the increase is not known at this time and therefore an increase of 20% has been assumed as an estimate of the increased cost of increasing the covered population by 400%.

Date of Response: 10/23/2009
Response by: Revenue Requirements Panel