

Rebuttal Exhibits of
Accounting Panel

EXHIBIT __ (AP-1R)

EXHIBIT __ (AP-2R)

EXHIBIT __ (AP-3R)

EXHIBIT __ (AP-4R)

Rebuttal Testimony of Accounting Panel**Account 376 Distribution Mains**

	Book Retirements	Net Salvage	% Net Salvage
2007	\$ 65,190	\$ 312,734	-479.7%
2008	\$ 46,794	\$ 209,501	-447.7%
2009	\$ 370,931	\$ 1,102,710	-297.3%
3 year total	\$ 482,915	\$ 1,624,945	-336.5%
3 year average	\$ 160,972	\$ 541,648	-336.5%
	x60%		
Allowed to post to reserve	\$ 96,583	\$ 96,583	
		Expense \$ 445,065	

Account 380 Services

	Book Retirements	Net Salvage	% Net Salvage
2007	\$ 150,848	\$ 470,514	-311.9%
2008	\$ 241,112	\$ 611,125	-253.5%
2009	\$ 259,492	\$ 435,644	-167.9%
3 year total	\$ 651,452	\$ 1,517,283	-232.9%
3 year average	\$ 217,151	\$ 505,761	-232.9%
	x60%		
Allowed to post to reserve	\$ 130,290	\$ 130,290	
		Expense \$ 375,471	

Total O&M Expense Level

Mains	\$ 445,065
Services	\$ 375,471
TOTAL	\$ 820,536

IFRS Implementation Timeline

IFRS Project Milestone	Expected Date of Completion
Review and rank IFRS standards, including conceptual Framework review.	March 31, 2010
Assign Research and Create Sub-Working Groups, as needed.	March 31, 2010
Core Working Group IFRS Research and Recommendations.	September 30, 2010
Recommendations Reviewed and Approved by Officers	December 31, 2010
Recommendations Provided to our External Auditor, PwC, for their Approval.	December 31, 2010
Prepare strategy for implementation and generating F/S post conversion.	December 31, 2010
Finalize IT plan for any system changes.	December 31, 2010
First interim comparative financial statements prepared under IFRS.	March 31, 2012
First annual comparative financial statements prepared under IFRS.	December 31, 2012

Central Hudson Gas & Electric Corporation
Case Nos. 09-E-0588 & 09-G-0589
Response to Staff Information Request No. 352

From: Summa

Requested of: Revenue Requirements Panel

Date of Request: 10/21/2009

Summa: For Central Hudson Revenue Requirements Panel:

352) Page 22 of your testimony states that the Company included a provision in the rate year for anticipated additional services related to the review of compliance with the new International Reporting Financial Standards (IFRS).

- a. Confirm that the United States Securities and Exchange Commission (SEC) does not currently require US companies to provide financial statements that comply with IFRS and has not set a specific date that US companies' financial statements must be in compliance with IFRS.
- b. Given the current state of the economy and the austerity measures called for by the Commission in the Central Hudson's last rate case, why does the company feel now is the time to transition to IFRS?
- c. Fully describe the company's plan for transitioning to IFRS, including a timetable with when the company will be in full compliance with IFRS.
- d. Does the company plan to continue to prepare financial statements that comply with US Generally Accepted Accounting Principles (GAAP) after it fully transitions to IFRS?

Response:

- a. The statement above in 352a is correct. The SEC has publicly announced its support of a transition to IFRS and its most recent proposal is for IFRS to be effective January 1, 2014
- b. The most recent proposal by the SEC is for IFRS to be effective January 1, 2014. Under current SEC regulations the Company is required to file two years of comparative income statements, resulting in the need to be accounting for its transactions under

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IFRS effective January 1, 2012. The transition to IFRS requires a review and analysis of all IFRS standards and all of the Company's transactions to determine the changes necessary to change to accounting under IFRS. Given the fact that this is an entirely new set of standards and any changes to the Company's current accounting policies and changes to its internal controls will need to be reviewed by its internal and external auditors, it is necessary to begin the work in 2009. Additionally, the changes may require changes to the Company's IT infrastructure which must be identified in a timely manner in order to determine the appropriate resolution, implement and test such solution.

- c. The Company is in the early stages of the transition process. The timeline attached as Exhibit A is the Company's best estimate as to the necessary work requirements and timing; however, as work progresses the timeline will likely change.
- d. The Company will maintain its books and records in a manner necessary to comply with the regulations it operates under. If regulators other than the SEC require that the Company submit reports under rules that differ from IFRS the Company will need to keep sufficient records in order to comply. This would require keeping multiple sets of accounting records.

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

CENTRAL HUDSON ENERGY GROUP
IFRS CORE WORKING GROUP
TIMELINE



Task or Objective	2009				2010				2011				2012				2013				2014				2015							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Plan																																
Actual																																
Prioritization																																
Plan																																
Actual																																
Detailed Review																																
Plan																																
Actual																																
Recommendations																																
Plan																																
Actual																																
Approvals																																
Action Plans																																
Plan																																
Actual																																
Implementation																																
Plan																																
Actual																																
Changes as Needed																																
Plan																																
Actual																																

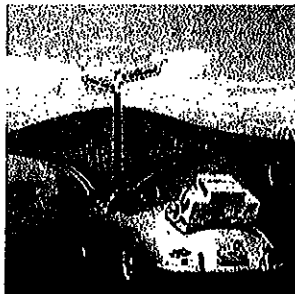
OS IA PwC

Legend
 IA Internal Audit
 OS Oversight Committee
 PwC PricewaterhouseCoopers

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IFRS Roadmap

Planning a Safe,
Economical Trip

BY NICK DIFAZIO AND D.J. GANNON
> PHOTO ILLUSTRATION BY
MATT LENNERT

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IFRS

Roadmap

Planning a Safe, Economical Trip



BY NICK DIFAZIO AND D.J. GANNON > PHOTO ILLUSTRATION BY MATT LENNERT

Many U.S. executives don't have fond memories of the effort required to address the year 2000 issue or implement the Sarbanes-Oxley Act. For many, a significant expenditure of time and capital was necessary to deal with those issues. Today, with the conversion to International Financial Reporting Standards underway in many countries and pending in others, some executives are wondering if a déjà vu experience is in the offing.

Fortunately, IFRS conversion efforts need not follow the Y2K or SOX pathway. Those arduous routes can be avoided in favor of an IFRS journey that may not only be comparatively safe and economical, but may also yield some tangible benefits along the way.

But planning is paramount, and procrastination and passivity, likely counterproductive. Experiences in the dozens of countries that have completed the conversion process suggest unforeseen obstacles that can disrupt an IFRS journey in various ways:

- **Expense:** For many companies, IFRS conversion resulted in a major capital outlay and significant budget overruns.
- **Scope:** Unprepared organizations learned that conversion involved much more than shuffling the chart of accounts and ensnared many more functions than finance.
- **Inefficiency:** Companies that delayed conversion until the deadline was upon them often resorted to a "fire-drill" approach, which often led to inefficiency, complexity, distraction and redundancy.

In short, now may be the window of opportunity to get your IFRS roadmap drawn, before the pressures of mandatory conversion dates dictate a less advantageous path to compliance. Consider creating the itinerary now, take care of some maintenance issues, and then tuck away your roadmap in the glovebox until you are ready to embark, secure in the knowledge that your route has been planned.

UNCERTAINTY

While much of the world has converted, or soon will, uncertainty exists in the United States as of mid-2009. The changing of the White House guard in January also ushered in a new chairman of the U.S. Securities and Exchange Commission, Mary L. Schapiro. And the IFRS conversion milestones established by her predecessor are now uncertain.¹ Yet it should be noted that Ms. Schapiro's well-publicized concerns focused primarily on the implementation timetable, not on the overall suitability of IFRS as a reporting standard for U.S. exchange-listed companies. Indeed, the chairman has expressed her support for a high-quality set of international financial reporting standards.²

According to a recent Deloitte* IFRS Pulse Survey of more than 150 finance professionals from a cross-section of industries, 75 percent support or strongly support the movement toward a single set of high-quality global accounting standards such as IFRS.³

Meanwhile, while regulatory uncertainty may have slowed the preparation of finance departments across the United States, the rest of the world has moved inexorably toward IFRS. More than 100 countries across the globe, including those in Europe, currently require or permit IFRS reporting. Chile officially adopts the standard this year; Brazil in 2010; Argentina, Canada, India and Korea in 2011; Mexico has instituted and Japan is weighing mandatory use by 2012.⁴

Where does this leave U.S. companies? Stuck in neutral perhaps, a position many executives would rather avoid. According to the aforementioned Deloitte survey, 62 percent of respondents agreed or strongly agreed with the statement that, "The SEC should soon establish a 'date certain' for when IFRS would be required for U.S. issuers, as opposed to a timeline based on interim conditions and milestones."⁵

Despite the calendar uncertainty, it may be time to plan your trip.

A few other considerations:

- *IFRS will impact many areas:* There's simply no avoiding it. A successful IFRS conversion project will likely involve not only technical accounting and financial reporting, but also issues around internal processes and controls; regulatory, statutory and management reporting; technology infrastructure; tax; treasury; legal and contracts; compensation and human resources; and communication.

* As used in this article, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

- *Some companies will underestimate the challenge:* The European experience, which involved a wholesale conversion within a compressed timeframe, overwhelmed many companies with the scope and complexity of the project.⁶

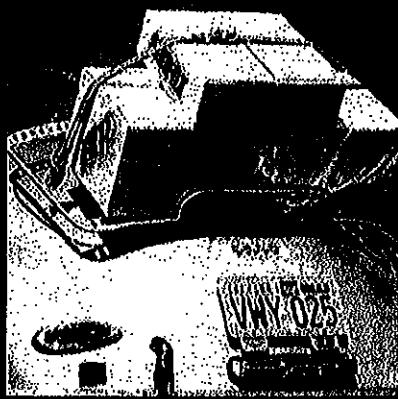
- *The disruption can be successfully minimized if not eliminated:* A key lies in taking full advantage of the runway in front of you: don't try to land this jumbo jet on the last 50 yards of tarmac. A conversion effort that is sane (in the sense of avoiding the fire-drill atmosphere that characterized SOX and Y2K), successful (able to withstand the scrutiny of regulators, analysts and your independent auditor), and economical (remaining within a reasonable budget) will likely require a long-term approach. The American Institute of Certified Public Accountants considers a three to five year timeline to be reasonable for transition to IFRS. Other organizations, including Deloitte, have made similar comments. Greater benefits and fewer disruptions will likely result from adopting the longer timeframe.

THE EUROPEAN EXPERIENCE

When the European Union converted to IFRS in 2005, it was, for many companies, an unpleasant trip driven by the tight timelines imposed by the European regulators. Without the luxury of time to convert on a staggered basis, many companies were forced to rush through the process, leading to inefficiencies and ineffectiveness. Among the lessons learned were the following:

- *The magnitude of the project was underestimated:* Some companies began the process with the misconception that conversion was primarily an accounting issue. That notion was replaced with a dawning realization of the true scope and complexity of the project.
- *Some projects were too narrowly focused:* Due to the tendency cited in the bullet above, some companies didn't pay proper attention to the nonfinancial impacts of conversion, including the effect on information technology, human resources, legal and tax.
- *Procrastination and delays were sometimes costly:* Some companies paid a price for waiting until the (already tight) deadline was imminent, in terms of higher costs and greater diversion of resources.
- *Manual processes were relied upon:* Some companies relied upon manual changes and spreadsheets, which led to errors, costly rework, and other unintended consequences.
- *The information systems implications were often underestimated:* Due to exhaustive disclosure requirements under IFRS, significant upgrades to software

THE ADDED COMPLEXITIES OF SOX



The systems of internal control over financial reporting that companies enhanced in response to the Sarbanes-Oxley Act of 2002 may be impacted by a conversion to IFRS.

Currently, most U.S. exchange-listed companies attest to the effectiveness of internal controls that are designed to support reporting under U.S. Generally Accepted Accounting

Principles (GAAP). But a conversion to IFRS will create different information needs, which will require different processes to support them and thus, potentially, entail a different control configuration to facilitate accurate reporting.

To guard against falling out of SOX compliance during the IFRS conversion process, consider factoring this potential issue into planning from the start. Talk to your external auditor about the implications of an IFRS conversion on your system of internal controls over financial reporting.

applications were required to capture the additional information. Upfront planning to carry this out was not always implemented on a timely basis.

- *Some companies resorted to extraordinary measures:* These companies did not achieve “business as usual” state for IFRS reporting because they weren’t able to fully integrate IFRS into their systems and processes. Instead, the first-year financials were produced using extraordinary, labor intensive and unsustainable measures.
- *Potential benefits were deferred:* In some cases, due to these cited factors, the first-year effort focused primarily on “getting it done.” Potential benefits in terms of reducing complexity, increasing efficiency, decreasing costs, and improving transparency had to be delayed. Several years in, some companies are only now starting to realize benefits from IFRS implementation.

Yet it should not be implied that the conversion experience in the EU was uniformly negative. Many companies made great strides and derived tangible benefits from the conversion, and some best practices can be gleaned from their experiences. For example, many organizations perceived a weakness in terms of in-house knowledge of IFRS and therefore prioritized staff training early in the process to facilitate readiness by the transition date. Other companies made a concerted effort to reach out to investors to discuss potential impacts during the transition, focusing on some key measures such as operating income, net cash/debt, and other financial metrics that may be impacted by the conversion. And other organizations benefited from extensive, ongoing communications with their independent auditors as the process unfolded, particularly in terms of dealing with numerous options and alternative accounting treatments.

One significant lesson: It's never too early to start planning your transition.



SUPERHIGHWAY OR SCENIC ROUTE?

The destination is clear, but the arrival date is murky. Given these conditions, what is the best route?

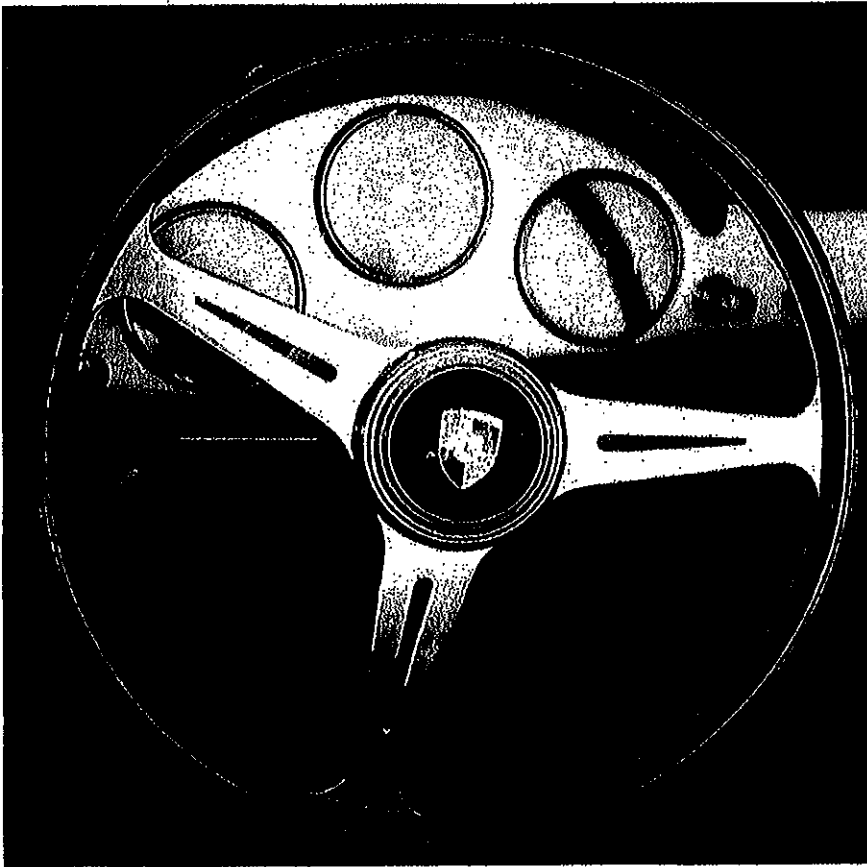
The choice between a rapid conversion — the superhighway — and a more leisurely pace — the scenic route — will hinge on many factors, including your business size and footprint, strategy and plans, risk appetite, and corporate culture, along with regulatory measures and your competitors' actions. Both routes will get you there, albeit with the high speeds of the superhighway potentially impacting the efficiency and safety of the journey.

Global companies with aggressive competitors may wish to accelerate as quickly as regulations allow. Conversely, domestic organizations with a conservative philosophy may be content with a leisurely pace, bypassing any optional adoption dates to wait for a mandatory deadline.

Generally speaking, a superhighway approach is characterized by a relatively short timeframe, simultaneous conversion of all reporting entities, dedicated project teams, and commitment of significant resources. Conversely, a scenic route approach is conducted over a more extended period, with phased conversion of

reporting entities, with at least some personnel retaining their “day job” duties, and with a spreading out of project costs.

Regardless of which road you choose, the primary objectives should be the same as they would be for any journey: arrive safely and on time, as efficiently as possible.



MAP YOUR ROUTE

While the pace and route may vary according to a company's needs and objectives, all should consider beginning the trip with the same navigation tool firmly in hand — an implementation roadmap.

A carefully drafted roadmap may allow a company to generate value from an exercise that otherwise could be solely reactive and compliance-driven. The map may lead to reduced implementation costs, standardization and centralization of statutory reporting activities and related controls, potential tax savings in certain areas, greater consistency of accounting policy application, and, if desired, even core finance transformation.

Conduct a safety check: The following items may help lead you through a safe journey.

Designate a sponsor and a project leader. Someone needs to take charge, so identify a leader with clout to sponsor the effort, such as your chief financial officer, chief accounting officer, or other C-suite executive. Also choose a project leader who will run the day-to-day aspects of the operation and report back to the sponsor. Because the effort will require the cooperation of many, your designees will likely need sophisticated people skills to persuade when possible and demand when necessary. These leaders should be able to exert influence across the organization when there are IFRS-related changes to implement, problems to solve, and decisions to be made. This role becomes especially important in larger, matrixed organizations that may have dozens of different IFRS work streams — from accounting and tax to systems and controls — working in parallel.

Create a PMO. A project management office provides a single point of coordination that can help you leverage project benefits; facilitate the consistent application of accounting policy and changes across a global enterprise; issue important communications and consistent nomenclature; deploy standard templates; and help all parties adhere to a single, unified plan.

Determine where you are. It's hard to reach your destination if you don't know your starting point. Find answers to these preliminary questions:

- What are our current and pending IFRS reporting requirements?
- How many local GAAPs do we currently report under?
- How many of our business units already prepare IFRS financial statements?
- How many of our competitors have converted?
- Do we have a major ERP or finance transformation project in the works?
- Are we involved in or considering a major acquisition?
- What is the level of IFRS knowledge within the company, both domestically and globally? Will training or hiring be required to augment it?

Prioritize your people needs. Many U.S.-based companies face a dearth of IFRS knowledge within their organizations. While over half (54 percent) of the respondents in the Deloitte survey indicated some or sufficient knowledge of IFRS in-house, 40 percent of the respondents admitted they had no

IFRS knowledge or experience in-house.⁷ Only 27 percent of respondents indicated that the impact of IFRS on personnel has been evaluated.⁸ You may need to employ a combination of training, hiring, and transfers to bridge the gap.

Engage your independent auditor. Consider getting assistance with your effort by drawing upon a well-informed source — your independent auditor. Larger accounting firms likely have participated in numerous conversion projects; tap into that knowledge early in the process.

Get your team aligned. Gather key members of your executive team to bring everyone up to speed and get thinking aligned. Consider asking your independent auditor to make a presentation. Make sure your agenda includes an IFRS primer and a regulatory update. Discuss your current reporting status across all entities. Explore the potential impacts across departments, divisions and geographies. And end up with a Q&A session to hear and address concerns.

Budget now, even if you plan to spend later. Despite heightened interest and strong support of IFRS, 64 percent of respondents to the Deloitte Pulse survey stated they had not yet allocated budget funds for IFRS conversion.⁹ This is likely due, at least in part, to timeline uncertainty. Nonetheless, a significant number of other companies are taking action: 22 percent of survey participants have budgeted for assessment and readiness.¹⁰ And a small minority (three percent) have budgeted for all aspects of conversion.¹¹

Plan your trip: Gain a clear idea of your destination and the major milestones along the way.

Address accounting changes. Your first step is the most obvious: develop a full understanding of the accounting changes associated with a transition from U.S. GAAP to IFRS. Significant variability exists by industry; seek out guidance tailored to your sector.¹² Some multinationals can find in-house expertise in units already reporting under IFRS. Other organizations may need to develop their talent through training or hire professionals already versed in the standards.

Refresh your policies. Conversion to IFRS may facilitate a revisit of fixed asset componentization, inventories, derivatives, revenue recognition and other accounting policies. In other words, IFRS provides a refresh exercise for accounting policy implementation, with the aim of more transparent and timely financial reporting.

Forty-six percent of respondents in the Deloitte Pulse survey plan to rewrite or refresh their accounting policies as part of their conversion plan.¹³

Consider nonfinancial impacts. Expand your focus to include operational adjustments, including systems, people and process implications. Consider, for example, how an accounting change such as revenue recognition might impact the configuration of an ERP system.

Investigate presentation and disclosure requirements. IFRS rules for presentation and disclosure differ significantly from U.S. GAAP and may require data and information that you don't currently capture. The differences may necessitate changes in systems, processes and controls.

Communicate frequently. Be vocal with internal and external constituents regarding the changes around IFRS. Consider creating websites, blogs and road shows to educate employees, avoid confusion, and engage the larger organization in the effort. Investors and analysts will appreciate being kept informed, and such communications may even contribute to the perception that your company is forward-thinking and ahead of the pack.

Improve efficiency: If high mileage is your goal, consider some of these activities.

Leverage existing projects. If you have started — or are about to start — an enterprise resource planning (ERP) or finance transformation project, now is the time to factor in IFRS considerations. Recent versions of major ERP systems are designed to accommodate IFRS, which can be mapped in, usually with significant cost savings. A finance transformation project, conducted hand-in-hand with an IFRS conversion, can yield efficiencies for both. Thirteen percent of respondents in the Deloitte Pulse survey plan to leverage their conversion to complete a finance transformation project.

Consider shared services centers. IFRS provides a compelling reason to establish shared services centers, with the prospect of consolidating dozens of local GAAPs down to a single reporting standard. Geographically dispersed finance offices could be drastically reduced or even eliminated in favor of a central finance function, strategically located to take advantage of tax incentives, payroll savings and facilities cost reductions. Six percent of respondents in the Deloitte Pulse survey plan to establish a shared services center as part of their IFRS conversion.¹⁴

Conduct a trial run. Implementation might be easier if you take a bite-sized approach starting with a single country or reporting entity. Use existing reporting requirements and local country IFRS requirements to your advantage. For example, subsidiaries in countries adopting IFRS over the next three years may be good candidates for a trial run. Learn from this initial conversion exercise, and apply the lessons learned to the global rollout down the road.

FACING THE INEVITABLE

IFRS is neither Y2K nor SOX.

Some might say Y2K was characterized by fear of the unknown; although the predicament was perceived well in advance, nobody knew exactly what would happen at the stroke of midnight. IFRS, in contrast, has a well-documented implementation history in dozens of countries and thousands of companies.

SOX was notable for its tight timelines; although limited delays were granted, accelerated filers were nonetheless forced to move hastily. The IFRS conversion process in the United States, on the other hand, will likely take place over an extended timeframe that could allow for a methodical approach and a measured pace.

A key for a safe and efficient IFRS journey is to take advantage of the calendar. Start soon, and there will likely be no need for decisions under duress or for frantic mobilizations. Indicators suggest the inevitability of IFRS for U.S. exchange-listed companies. Many executives will gear up now.

Nicholas Difazio is a partner with Deloitte & Touche LLP and is a national leadership partner with the firm's IFRS services.

D.J. Gannon is a partner with Deloitte & Touche LLP and is the national leader of the firm's IFRS Center of Excellence.

Endnotes

1. "SEC Nominee Pledges to Revitalize Enforcement, Has Concerns About IFRS," *Journal of Accountancy*, 16 January 2009.
2. "IFRS set to turn political as SEC unfolds its roadmap," *Financial Times*, 22 January 2009.
3. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009, www.deloitte.com/us/ifrs/results2009. Survey results are solely the thoughts and opinions of survey participants and are not necessarily representative of the total population of finance professionals.
4. <http://www.isplus.com/country/uselas.htm>.
5. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009, www.deloitte.com/us/ifrs/results2009.
6. See "Lessons Learned From Europe's IFRS Conversion," *Financial Executive*, 1 January 2009. (Registration required.)
7. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009, www.deloitte.com/us/ifrs/results2009.
8. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009. Although data was collected on this issue, these particular results were not published in the final survey.
9. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009, www.deloitte.com/us/ifrs/results2009.
10. *Ibid.*
11. *Ibid.*
12. See Deloitte's IFRS industry whitepaper series at www.deloitte.com/us/ifrs. Click on "resource library," then "industry publications." More than a dozen industries are covered, including life sciences, aerospace & defense, banking & securities, consumer products, insurance, and many more.
13. "2009 IFRS Survey Results," Deloitte Development LLC, March 2009, www.deloitte.com/us/ifrs/results2009.
14. *Ibid.*