

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Central Hudson Gas & Electric Corporation

Case 08-E-0887 & 08-G-0888

November 2008

Prepared Exhibits (AP-36) through
(AP- 48) of:
Accounting Panel

Michael Summa
Public Utility Auditor II

Debbie Evans
Public Utility Auditor II

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 Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 185

From: Rowe
Requested of: Thomas
Date of Request: 8/29/2008

Rowe: For Central Hudson's Witness Thomas:

- 185) Please provide supporting documentation and calculations for all state and federal income tax M-1 Adjustments ("Additional Income and Unallowable Deductions" and "Additional Deduction and Nontaxable Income" as well as related deferred taxes) for the historic year through the rate years, including the second and third rate years.

Response: Attached are all workpapers and documents employed by witness Thomas.

Date of Response: 9/11/2008
Response by: Christopher D. Thomas

6/8/05

Deferred Tax Balances**Rate Case Projections**

August 1, 2008 Rate Case Filing

Avoided Interest - Electric**Account 190.01**

	<u>Beginning</u> <u>Balance</u>	<u>Deferred</u>	<u>Amortized</u>	<u>Ending</u> <u>Balance</u>	<u>Sch M</u> <u>Adjustment</u>
Balance 1/1/2008	1,151,100				
2007 FIT Return Adjustment	(20,900)				
Adjusted Balance 1/1/2008	1,130,200				
Year 2008		25,700	(57,700)	1,098,200	896,600
Year 2009		28,300	(58,600)	1,067,900	847,300
Year 2010		29,000	(59,500)	1,037,400	865,200
Year 2011		29,600	(60,500)	1,006,500	875,100
Year 2012		31,500	(61,500)	976,500	943,300
Rate Year 7/1/2009 to 6/30/2010	1,083,100	28,700	(59,100)	1,052,700	856,300
Rate Year 7/1/2010 to 6/30/2011		29,300	(60,000)	1,022,000	870,200
Rate Year 7/1/2011 to 6/30/2012		30,600	(61,000)	991,600	909,200

Avoided Interest - Gas**Account 190.02**

	<u>Beginning</u> <u>Balance</u>	<u>Deferred</u>	<u>Amortized</u>	<u>Ending</u> <u>Balance</u>	
Balance 1/1/2008	288,000				
2007 FIT Return Adjustment	7,800				
Adjusted Balance 1/1/2008	295,800				
Year 2008		10,200	(16,000)	290,000	84,400
Year 2009		11,800	(16,300)	285,300	84,700
Year 2010		13,000	(16,700)	281,600	92,800
Year 2011		12,300	(17,100)	276,800	87,900
Year 2012		12,000	(17,500)	271,300	86,700
Rate Year 7/1/2009 to 6/30/2010	287,700	12,300	(16,500)	283,500	88,800
Rate Year 7/1/2010 to 6/30/2011		12,700	(16,900)	279,300	90,400
Rate Year 7/1/2011 to 6/30/2012		12,200	(17,300)	274,200	87,300

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Avoided Cost Interest
Electric
Amortization Schedule
by Vintage Year

Deferred Tax
Avoided Interest Capitalized-Electric
A/C 190.01

Vintage Year ==>	2007	2008	2009	2010	2011	2012	Total Amort.	Total Deferred	Balance	Taxable Year
Amount Deferred GENCO share included above Amt Def excl GENCO	7,100	25,700	28,300	29,000	29,600	31,500				
<u>Amortization Year</u>										
1987								35,500	35,500	1987
1988							(1,200)	48,500	82,800	1988
1989							(2,800)	60,900	140,900	1989
1990							(4,800)	87,600	223,700	1990
1991							(7,700)	95,000	311,000	1991
1992							(10,900)	125,100	425,200	1992
1993							(15,100)	87,200	497,300	1993
1994							(18,000)	109,900	589,200	1994
1995							(21,700)	99,800	667,300	1995
1996							(25,000)	132,200	774,500	1996
1997							(29,400)	102,000	847,100	1997
1998							(32,800)	131,100	945,400	1998
1999							(37,200)	43,900	952,100	1999
2000							(38,700)	47,700	961,100	2000
2001							(40,300)	79,500	1,000,300	2001
2002							(43,000)	122,100	1,079,400	2002
2003							(47,100)	122,200	1,154,500	2003
2004							(51,200)	101,800	1,205,100	2004
2005							(54,600)	36,200	1,186,700	2005
2006							(55,800)	49,700	1,180,600	2006
2007							(57,500)	7,100	1,130,200	2007
2008	(200)						(57,700)	25,700	1,098,200	2008
2009	(200)	(900)					(58,600)	28,300	1,057,900	2009
2010	(200)	(900)	(900)				(59,500)	29,000	1,037,400	2010
2011	(200)	(900)	(900)	(1,000)			(60,500)	29,600	1,006,500	2011
2012	(200)	(900)	(900)	(1,000)	(1,000)		(61,500)	31,500	976,500	2012

Vintage Year →	<u>Avoided Cost Interest</u> <u>Gas</u> <u>Amortization Schedule</u> <u>by Vintage Year</u>						<u>Deferred Tax</u> <u>Avoided Interest Capitalized-Gas</u> <u>A/C 190.02</u>			Taxable Year
	2007	2008	2009	2010	2011	2012	Total Amort.	Total Deferred	Balance	
Amount Deferred	16,800	10,200	11,600	13,000	12,300	12,000				
Amortization Year										
1987								9,200	9,200	1987
1988							(300)	11,000	19,900	1988
1989							(700)	22,000	41,200	1989
1990							(1,400)	20,500	60,300	1990
1991							(2,100)	38,400	96,600	1991
1992							(3,400)	54,200	147,400	1992
1993							(5,200)	40,200	182,400	1993
1994							(6,500)	53,000	228,900	1994
1995							(8,300)	37,400	258,000	1995
1996							(9,500)	25,600	274,100	1996
1997							(10,400)	26,300	290,000	1997
1998							(11,300)	10,800	289,500	1998
1999							(11,700)	8,500	286,300	1999
2000							(12,000)	6,000	280,300	2000
2001							(12,200)	10,900	279,000	2001
2002							(12,600)	23,500	289,900	2002
2003							(13,400)	21,600	298,100	2003
2004							(14,100)	11,100	295,100	2004
2005							(14,500)	10,400	291,000	2005
2006							(14,800)	18,200	294,400	2006
2007							(15,400)	16,800	295,800	2007
2008	(600)						(16,000)	10,200	290,000	2008
2009	(600)	(300)					(16,300)	11,600	285,300	2009
2010	(600)	(300)	(400)				(16,700)	13,000	281,600	2010
2011	(600)	(300)	(400)	(400)			(17,100)	12,300	276,800	2011
2012	(600)	(300)	(400)	(400)	(400)		(17,500)	12,000	271,300	2012

2008 Avoided Cost Interest - Rate Case

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	698,000	43,000	100,000	841,000
Non-AFC Projects	105,000	31,000	4,000	140,000
Total Avoided Interest	803,000	74,000	104,000	981,000
Alloc. Common 90/10	93,600	10,400	(104,000)	0
Total Avoided Interest	896,600	84,400	0	981,000
AFDC Interest				
Projects with AFC	698,000	43,000	100,000	841,000
Central Hudson	90,000	10,000	(100,000)	0
Alloc. Common 90/10				
Total	788,000	53,000	0	841,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	15,330,739	1,031,128		16,361,867
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	823,261	55,372		878,633
Deferred Fit				
Total Avoided Interest	896,600	84,400		981,000
Less: Flow Thru	823,261	55,372		878,633
Net	73,339	29,028		102,367
Tax Rate	35%	35%		
Def. FIT	25,669	10,160		35,829

2009 Avoided Cost Interest - Rate Case

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	731,000	49,000	3,000	783,000
Non-AFC Projects	110,000	35,000	4,000	149,000
Total Avoided Interest	841,000	84,000	7,000	932,000
Alloc. Common 90/10	6,300	700	(7,000)	0
Total Avoided Interest	847,300	84,700	0	932,000
AFDC Interest				
Projects with AFC	731,000	49,000	3,000	783,000
Central Hudson				
Alloc. Common 90/10	2,700	300	(3,000)	0
Total	733,700	49,300	0	783,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,274,319	959,144		15,233,463
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	766,531	51,506		818,037
Deferred Fit				
Total Avoided Interest	847,300	84,700		932,000
Less: Flow Thru	766,531	51,506		818,037
Net	80,769	33,194		113,963
Tax Rate	35%	35%		
Def. FIT	28,269	11,618		39,887

2010 Avoided Cost Interest - Rate Case

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	746,000	53,000	3,000	802,000
Non-AFC Projects	112,000	39,000	5,000	156,000
Total Avoided Interest	858,000	92,000	8,000	958,000
Alloc. Common 90/10	7,200	800	(8,000)	0
Total Avoided Interest	865,200	92,800	0	958,000
AFDC Interest				
Projects with AFC	746,000	53,000	3,000	802,000
Central Hudson				
Alloc. Common 90/10	2,700	300	(3,000)	0
Total	748,700	53,300	0	802,000
+ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,566,148	1,036,965		15,603,113
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	782,202	55,685		837,887
Deferred Fit				
Total Avoided Interest	865,200	92,800		958,000
Less: Flow Thru	782,202	55,685		837,887
Net	82,998	37,115		120,113
Tax Rate	35%	35%		
Def. FIT	29,049	12,990		42,039

2011 Avoided Cost Interest - Rate Case

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	753,000	50,000	4,000	807,000
Non-AFC Projects	114,000	37,000	5,000	156,000
Total Avoided Interest	867,000	87,000	9,000	963,000
Aloc. Common 90/10	8,100	900	(9,000)	0
Total Avoided Interest	875,100	87,900	0	963,000
AFDC Interest				
Projects with AFC	753,000	50,000	4,000	807,000
Central Hudson	3,600	400	(4,000)	0
Aloc. Common 90/10				
Total	756,600	50,400	0	807,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,719,844	980,545		15,700,389
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	790,456	52,655		843,111
Deferred Fit				
Total Avoided Interest	875,100	87,900		963,000
Less: Flow Thru	790,456	52,655		843,111
Net	84,644	35,245		119,889
Tax Rate	35%	35%		
Def. FIT	29,625	12,336		41,961

2012 Avoided Cost Interest - Rate Case

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	814,000	50,000	3,000	867,000
Non-AFC Projects	123,000	36,000	4,000	163,000
Total Avoided Interest	937,000	86,000	7,000	1,030,000
Alloc. Common 90/10	6,300	700	(7,000)	0
Total Avoided Interest	943,300	86,700	0	1,030,000
AFDC Interest				
Projects with AFC	814,000	50,000	3,000	867,000
Central Hudson	2,700	300	(3,000)	0
Alloc. Common 90/10				
Total	816,700	50,300	0	867,000
+ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	15,889,105	978,599		16,867,704
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	853,245	52,551		905,796
Deferred Fit				
Total Avoided Interest	943,300	86,700		1,030,000
Less: Flow Thru	853,245	52,551		905,796
Net	90,055	34,149		124,204
Tax Rate	35%	35%		
Def. FIT	31,519	11,952		43,471

6/8/05

Deferred Tax Balances
Rate Case Projections

August 1, 2008 Rate Case Filing

Avoided Interest - Electric - NYS
Account 192.01

	<u>Beginning</u> <u>Balance</u>	<u>Deferred</u>	<u>Amortized</u>	<u>Ending</u> <u>Balance</u>	<u>Sch M</u> <u>Adjustment</u>
Balance 1/1/2008	69,700				
2007 FIT Return Adjustment	(2,800)				
Adjusted Balance 1/1/2008	66,900				
Year 2008		3,400	(2,700)	67,600	896,600
Year 2009		3,700	(1,600)	69,700	847,300
Year 2010		3,800	(600)	72,900	865,200
Year 2011		3,900	(700)	76,100	875,100
Year 2012		4,200	(800)	79,500	943,300
Rate Year 7/1/2009 to 6/30/2010	68,700	3,800	(1,100)	71,400	856,300
Rate Year 7/1/2010 to 6/30/2011		3,900	(700)	74,600	870,200
Rate Year 7/1/2011 to 6/30/2012		4,100	(800)	77,900	909,200

Avoided Interest - Gas - NYS
Account 192.02

	<u>Beginning</u> <u>Balance</u>	<u>Deferred</u>	<u>Amortized</u>	<u>Ending</u> <u>Balance</u>	
Balance 1/1/2008	13,500				
2007 FIT Return Adjustment	1,000				
Adjusted Balance 1/1/2008	14,500				
Year 2008		1,300	(600)	15,200	84,400
Year 2009		1,500	(600)	16,100	84,700
Year 2010		1,700	(300)	17,500	92,800
Year 2011		1,600	(400)	18,700	87,900
Year 2012		1,600	(500)	19,800	86,700
Rate Year 7/1/2009 to 6/30/2010	15,700	1,600	(500)	16,800	88,800
Rate Year 7/1/2010 to 6/30/2011		1,700	(400)	18,100	90,400
Rate Year 7/1/2011 to 6/30/2012		1,600	(500)	19,200	87,300

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Deferred Tax - NYSTATE
 Avoided Interest Capitalized-Electric
 A/C 192.01

Vintage Year →	2006	2007	2008	2009	2010	2011	2012	Total Amort.	Total Deferred	Balance	Taxable Year
Amount Deferred GENCO share included above Amt Def excl GENCO	6,900	900	3,400	3,700	3,800	3,900	4,200				
Amortization Year											
2000								0	5,200	5,200	2000
2001								(200)	12,000	17,000	2001
2002								(600)	17,000	33,400	2002
2003								(1,200)	17,000	49,200	2003
2004								(1,800)	14,200	61,800	2004
2005								(2,300)	5,000	64,300	2005
2006								(2,500)	6,900	68,700	2006
2007	(200)							(2,700)	900	66,900	2007
2008	(200)	0						(2,700)	3,400	67,600	2008
2009	(200)	0	(100)					(1,600)	3,700	69,700	2009
2010	(200)	0	(100)	(100)				(600)	3,800	72,900	2010
2011	(200)	0	(100)	(100)	(100)			(700)	3,900	76,100	2011
2012	(200)	0	(100)	(100)	(100)	(100)		(800)	4,200	79,500	2012

Vintage Year →	2006	2007	2008	2009	2010	2011	2012	Total Amort.	Total Deferred	Balance	Taxable Year
Amount Deferred	2,500	2,200	1,300	1,500	1,700	1,600	1,600				
Amortization Year											
2000								0	900	900	2000
2001								0	1,600	2,500	2001
2002								(100)	3,300	5,700	2002
2003								(200)	3,000	8,500	2003
2004								(300)	1,500	9,700	2004
2005								(400)	1,400	10,700	2005
2006								(400)	2,500	12,800	2006
2007	(100)							(500)	2,200	14,500	2007
2008	(100)	(100)						(600)	1,300	15,200	2008
2009	(100)	(100)	0					(600)	1,500	16,100	2009
2010	(100)	(100)	0	(100)				(300)	1,700	17,500	2010
2011	(100)	(100)	0	(100)	(100)			(400)	1,600	18,700	2011
2012	(100)	(100)	0	(100)	(100)	(100)		(500)	1,600	19,800	2012

2008 Avoided Cost Interest - Budget - New York State

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	698,000	43,000	100,000	841,000
Non-AFC Projects	105,000	31,000	4,000	140,000
Total Avoided Interest	803,000	74,000	104,000	981,000
Alloc. Common 90/10	93,600	10,400	(104,000)	0
Total Avoided Interest	896,600	84,400	0	981,000
AFDC Interest				
Projects with AFC	698,000	43,000	100,000	841,000
Central Hudson	90,000	10,000	(100,000)	0
Alloc. Common 90/10				
Total	788,000	53,000	0	841,000
+ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	15,330,739	1,031,128		16,361,867
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	823,261	55,372		878,633
Deferred Sit				
Total Avoided Interest	896,600	84,400		981,000
Less: Flow Thru	823,261	55,372		878,633
Net	73,339	29,028		102,367
Tax Rate	4.615%	4.615%		
Def. SIT	3,385	1,340		4,725

2009 Avoided Cost Interest - Rate Case New York State

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	731,000	49,000	3,000	783,000
Non-AFC Projects	110,000	35,000	4,000	149,000
Total Avoided Interest	841,000	84,000	7,000	932,000
Alloc. Common 90/10	6,300	700	(7,000)	0
Total Avoided Interest	847,300	84,700	0	932,000
AFDC Interest				
Projects with AFC	731,000	49,000	3,000	783,000
Central Hudson	2,700	300	(3,000)	0
Alloc. Common 90/10				
Total	733,700	49,300	0	783,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,274,319	959,144		15,233,463
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	766,531	51,506		818,037
Deferred Sit				
Total Avoided Interest	847,300	84,700		932,000
Less: Flow Thru	766,531	51,506		818,037
Net	80,769	33,194		113,963
Tax Rate	4.615%	4.615%		
Def. SIT	3,727	1,532		5,259

2010 Avoided Cost Interest - Rate Case - New York State

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	746,000	53,000	3,000	802,000
Non-AFC Projects	112,000	39,000	5,000	156,000
Total Avoided Interest	858,000	92,000	8,000	958,000
Alloc. Common 90/10	7,200	800	(8,000)	0
Total Avoided Interest	865,200	92,800	0	958,000
AFDC Interest				
Projects with AFC				
Central Hudson	746,000	53,000	3,000	802,000
Alloc. Common 90/10	2,700	300	(3,000)	0
Total	748,700	53,300	0	802,000
+ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,566,148	1,036,965		15,603,113
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	782,202	55,685		837,887
Deferred Sit				
Total Avoided Interest	865,200	92,800		958,000
Less: Flow Thru	782,202	55,685		837,887
Net	82,998	37,115		120,113
Tax Rate	4.615%	4.615%		
Def. SIT	3,830	1,713		5,543

2011 Avoided Cost Interest - Rate Case - New York State

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	753,000	50,000	4,000	807,000
Non-AFC Projects	114,000	37,000	5,000	156,000
Total Avoided Interest	867,000	87,000	9,000	963,000
Alloc. Common 90/10	8,100	900	(9,000)	0
Total Avoided Interest	875,100	87,900	0	963,000
AFDC Interest				
Projects with AFC	753,000	50,000	4,000	807,000
Central Hudson	3,600	400	(4,000)	0
Alloc. Common 90/10				
Total	756,600	50,400	0	807,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud.	14,719,844	980,545		15,700,389
X AFC LT & STD Rate	5.37%	5.37%		
Flow Thru	790,456	52,655		843,111
Deferred Sit				
Total Avoided Interest	875,100	87,900		963,000
Less: Flow Thru	790,456	52,655		843,111
Net	84,644	35,245		119,889
Tax Rate	4.615%	4.615%		
Def. SIT	3,906	1,627		5,533

2012 Avoided Cost Interest - Rate Case - New York State

	Electric	Gas	Common	Total
Avoided Interest Estimated				
Projects with AFC	814,000	50,000	3,000	867,000
Non-AFC Projects	123,000	36,000	4,000	163,000
Total Avoided Interest	937,000	86,000	7,000	1,030,000
Alloc. Common 90/10	6,300	700	(7,000)	0
Total Avoided Interest	943,300	86,700	0	1,030,000
AFDC Interest				
Projects with AFC				
Central Hudson	814,000	50,000	3,000	867,000
Alloc. Common 90/10	2,700	300	(3,000)	0
Total	816,700	50,300	0	867,000
÷ Debt Rate	5.140%	5.14000%		
Ave. IBCWIP-Central Hud. X AFC LT & STD Rate	15,889,105 5.37%	978,599 5.37%		16,867,704
Flow Thru	853,245	52,551		905,796
Deferred Sit				
Total Avoided Interest	943,300	86,700		1,030,000
Less: Flow Thru	853,245	52,551		905,796
Net	90,055	34,149		124,204
Tax Rate	4.615%	4.615%		
Def. SIT	4,156	1,576		5,732

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 466

From: Evans
Requested of: Thomas
Date of Request: 9/26/2008

Evans: For Central Hudson's Witness Thomas:

466) Please refer to the Company's response to Information Request DPS-185, file "Avoided Interest." When reflecting the avoided cost of interest expense within the FIT and SIT calculation, why was the tax effect on capitalized interest not deferred for FIT & SIT purposes? ("Flow Thru" 2009 and 2010 amounts of \$766,531 and \$782,202 for Electric and \$51,506 and \$55,685 for gas)

Response: As provided in the Order in Case 29465, page 34, "Therefore we conclude that utilities should normalize the income tax expense for the additional interest required to be capitalized for tax purposes. Our intent is to align the interest expense deduction for tax purposes with the interest expense for financial accounting and ratemaking purposes. This result is achieved by deferring the difference between interest capitalized on the tax return and the debt component of AFC times the AFC base (excluding grandfathered projects). The resulting deferred tax (predominantly a rate base addition) should be amortized over the life of the plant once it is placed into service."

Date of Response: 10/2/2008
Response by: Christopher D. Thomas

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 181

From: Rowe
Requested of: Revenue Requirement Panel (Brideau & Smith)
Date of Request: 8/29/2008

Rowe: For Central Hudson Revenue Requirement Panel (Brideau & Smith):

- 181) Please provide copies of the other operating insurance premiums, which were relied upon in the filing and projections, and copies of any more recently acquired insurance policies.

Response: Please refer to the attached documents in response to the question:

- | | |
|---------------|---|
| Attachment 1: | Directors & Officers Liability Policy,
CHUBB |
| Attachment 2: | Directors & Officers Liability Policy,
AEGIS Associated Electric & Gas Insurance |
| Attachment 3: | Directors & Officers Liability Policy,
Energy Insurance Mutual (EIM) |
| Attachment 4: | Directors & Officers Liability Policy,
Houston Casualty Company |
| Attachment 5: | Directors & Officers Liability Policy,
U.S. Specialty Insurance Company |
| Attachment 6: | All Risk Property Liability Policy,
AIG |
| Attachment 7: | Fiduciary (Pension Trust) Liability Policy,
CHUBB |
| Attachment 8: | Employment Practices Liability Policy,
CHUBB |

**Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 181**

- Attachment 9: Employed Lawyers Professional Liability
Policy, Executive Risk Specialty Insurance
Company**
- Attachment 10: Crime Liability Policy,
Zurich American Insurance Company**
- Attachment 11: Advertising (Media) Liability Policy,
Axis Insurance Company**

**Date of Response: 9/11/2008
Response by: Revenue Requirement Panel (Brideau and Smith)**

ATTACHMENT 1

DIRECTORS AND OFFICERS LIABILITY POLICY:

CHUBB



Executive Protection Policy

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DECLARATIONS

EXECUTIVE LIABILITY AND INDEMNIFICATION COVERAGE SECTION

Item 1. **Parent Organization:**
CH Energy Group, Inc.

Item 2. **Limits of Liability:**

(A) Each Loss	\$15,000,000.00	✓
(B) Each Policy Period	\$15,000,000.00	

Note that the limits of liability and any deductible or retention are reduced or exhausted by **Defense Costs**.

Item 3. **Coinurance Percent:** 0% ✓

Item 4. **Deductible Amount:**

Insuring Clause 2 \$1,000,000.00 ✓

Item 5. **Insured Organization:**

CH Energy Group, Inc. and its Subsidiaries.

Item 6. **Insured Persons:**

Any past, present or future director, officer of the Insured Organization.

Item 7. **Extended Reporting Period:**

(A) Additional Premium:	\$ 341,250.00
(B) Additional Period:	1 year

Item 8. **Pending or Prior Date:** N/A

Item 9. **Continuity Date:** December 31, 1979

The Limits of Liability and Deductible Amount shall be reduced, and may be completely exhausted, by Defense Costs. The Company shall not be liable for Defense Costs and any judgment or settlement after exhaustion of the Limit of Liability.

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**Executive Liability
and Indemnification
Coverage Section**

In consideration of payment of the premium and subject to the Declarations, General Terms and Conditions, and the Limitations, conditions, provisions and other terms of this coverage section, the Company agrees as follows:

Insuring Clauses

**Executive
Liability Coverage
Insuring Clause 1**

1. The Company shall pay on behalf of each of the Insured Persons all Loss for which the Insured Person is not indemnified by the Insured Organization and which the Insured Person becomes legally obligated to pay on account of any Claim first made against him, individually or otherwise, during the Policy Period or, if exercised, during the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted by such Insured Person before or during the Policy Period.

**Executive
Indemnification
Coverage
Insuring Clause 2**

2. The Company shall pay on behalf of the Insured Organization all Loss for which the Insured Organization grants indemnification to each Insured Person, as permitted or required by law, which the Insured Person has become legally obligated to pay on account of any Claim first made against him, individually or otherwise, during the Policy Period or, if exercised, during the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted by such Insured Person before or during the Policy Period.

**Estates and Legal
Representatives**

3. Subject otherwise to the General Terms and Conditions and the Limitations, conditions, provisions and other terms of this coverage section, coverage shall extend to Claims for the Wrongful Acts of Insured Persons made against the estates, heirs, legal representatives or assigns of Insured Persons who are deceased or against the legal representatives or assigns of Insured Persons who are incompetent, insolvent or bankrupt.

**Extended
Reporting Period**

4. If the Company terminates or refuses to renew this coverage section other than for nonpayment of premium, the Parent Organization and the Insured Persons shall have the right, upon payment of the additional premium set forth in Item 7(A) of the Declarations for this coverage section, to an extension of the coverage granted by this coverage section for the period set forth in Item 7(B) of the Declarations for this coverage section (Extended Reporting Period) following the effective date of termination or nonrenewal, but only for any Wrongful Act committed, attempted, or allegedly committed or attempted, prior to the effective date of termination or nonrenewal. This right of extension shall lapse unless written notice of such election, together with payment of the additional premium due, is received by the Company within 30 days following the effective date of termination or nonrenewal. Any Claim made during the Extended Reporting Period shall be deemed to have been made during the immediately preceding Policy Period.

If the Parent Organization terminates or declines to accept renewal, the Company may, if requested, at its sole option, grant an Extended Reporting Period. The offer of renewal terms and conditions or premiums different from those in effect prior to renewal shall not constitute refusal to renew.

Executive Protection Policy**Exclusions****Exclusions Applicable
to Insuring
Clauses 1 and 2**

5. The Company shall not be liable for Loss on account of any Claim made against any Insured Person:
- (a) based upon, arising from, or in consequence of any circumstance if written notice of such circumstance has been given under any policy or coverage section of which this coverage section is a renewal or replacement and if such prior policy or coverage section affords coverage (or would afford such coverage except for the exhaustion of its limits of liability) for such Loss, in whole or in part, as a result of such notice;
 - (b) based upon, arising from, or in consequence of any demand, suit or other proceeding pending, or order, decree or judgment entered against any Insured on or prior to the Pending or Prior Date set forth in Item 8 of the Declarations for this coverage section, or the same or any substantially similar fact, circumstance or situation underlying or alleged therein;
 - (c) brought or maintained by or on behalf of any Insured except:
 - (i) a Claim that is a derivative action brought or maintained on behalf of an Insured Organization by one or more persons who are not Insured Persons and who bring and maintain the Claim without the solicitation, assistance or participation of any Insured;
 - (ii) a Claim brought or maintained by an Insured Person for the actual or alleged wrongful termination of the Insured Person, or
 - (iii) a Claim brought or maintained by an Insured Person for contribution or indemnity, if the Claim directly results from another Claim covered under this coverage section;
 - (d) for an actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974 and amendments thereto or similar provisions of any federal, state or local statutory law or common law upon fiduciaries of any pension, profit sharing, health and welfare or other employee benefit plan or trust established or maintained for the purpose of providing benefits to employees of an Insured Organization;
 - (e) for bodily injury, mental or emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof; or
 - (f) based upon, arising from, or in consequence of (i) the actual, alleged or threatened discharge, release, escape or disposal of Pollutants into or on real or personal property, water or the atmosphere; or (ii) any direction or request that the Insured test for, monitor, clean up, remove, contain, treat, detoxify or neutralize Pollutants, or any voluntary decision to do so; including but not limited to any Claim for financial loss to the Insured Organization, its security holders or its creditors based upon, arising from, or in consequence of the matters described in (i) or (ii) of this exclusion.



Executive Protection Policy

General Terms and Conditions

Territory

1. Coverage shall extend anywhere in the world.

Terms and Conditions

2. Except for the General Terms and Conditions or unless stated to the contrary in any coverage section, the terms and conditions of each coverage section of this policy apply only to that section and shall not be construed to apply to any other coverage section of this policy.

Limits of Liability and Deductible Amounts

3. Unless stated to the contrary in any coverage section, the limits of liability and deductible amounts shown for each coverage section of this policy are separate limits of liability and separate deductible amounts pertaining to the coverage section for which they are shown; the application of a deductible amount to a loss under one coverage section of this policy shall not reduce the deductible amount under any other coverage section of this policy.

Notice

4. Notice to the Company under this policy shall be given in writing addressed to:

Notice of Claim:

National Claims Department
Chubb & Son
A division of Federal Insurance Company
Manager
15 Mountain View Road
Warren, New Jersey 07061-1615

All Other Notices:

Executive Protection Department
Chubb & Son
A division of Federal Insurance Company
Manager
15 Mountain View Road
Warren, New Jersey 07061-1615

Such notice shall be effective on the date of receipt by the Company at such address.

Investigation and Settlement

5. The Company may make any investigation it deems necessary and may, with the written consent of the Insured, make any settlement of a claim it deems expedient. If the Insured withholds consent to such settlement, the Company's liability for all loss on account of such claim shall not exceed the amount for which the Company could have settled such claim plus costs, charges and expenses accrued as of the date such settlement was proposed in writing by the Company to the Insured.

**General Terms and
Conditions**
(continued)

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| <i>Valuation and Foreign
Currency</i> | 6. | All premiums, limits, retentions, loss and other amounts under this policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in any coverage section, if judgment is rendered, settlement is denominated or another element of loss under this coverage section is stated in a currency other than United States of America dollars, payment under this policy shall be made in United States dollars at the rate of exchange published in the <u>Wall Street Journal</u> on the date the final judgment is reached, the amount of the settlement is agreed upon or the other element of loss is due, respectively. |
| <i>Subrogation</i> | 7. | In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery, and the Insured shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit in the name of the Insured. |
| <i>Action Against
Company</i> | 8. | No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy. No person or organization shall have any right under this policy to join the Company as a party to any action against the Insured to determine the Insured's liability nor shall the Company be impleaded by the Insured or his legal representatives. Bankruptcy or insolvency of an Insured or of the estate of an Insured shall not relieve the Company of its obligations nor deprive the Company of its rights under this policy. |
| <i>Authorization Clause</i> | 9. | By acceptance of this policy, the Parent Organization agrees to act on behalf of all Insureds with respect to the giving and receiving of notice of claim or termination, the payment of premiums and the receiving of any return premiums that may become due under this policy, the negotiation, agreement to and acceptance of endorsements, and the giving or receiving of any notice provided for in this policy (except the giving of notice to apply for the Extended Reporting Period), and the Insureds agree that the Parent Organization shall act on their behalf. |
| <i>Alteration and Assignment</i> | 10. | No change in, modification of, or assignment of interest under this policy shall be effective except when made by a written endorsement to this policy which is signed by an authorized representative of the Company. |



Executive Protection Policy

General Terms and Conditions (continued)

Termination of Policy or Coverage Section

11. This policy or any coverage section shall terminate at the earliest of the following times:
- (A) sixty days after the receipt by the Parent Organization of a written notice of termination from the Company,
 - (B) upon the receipt by the Company of written notice of termination from the Parent Organization,
 - (C) upon expiration of the Policy Period as set forth in Item 2 of the Declarations of this policy, or
 - (D) at such other time as may be agreed upon by the Company and the Parent Organization.

The Company shall refund the unearned premium computed pro-rata rates if the policy or any coverage section is terminated by the Parent Organization.

Termination of Prior Bonds or Policies

12. Any bonds or policies issued by the Company or its affiliates and specified in Item 4 of the Declarations of this policy shall terminate, if not already terminated, as of the inception date of this policy. Such prior bonds or policies shall not cover any loss under the Crime or Kidnap/Ransom & Extortion coverage sections not discovered and notified to the Company prior to the inception date of this policy.

Definitions

13. When used in this policy:

Parent Organization means the organization designated in Item 1 of the Declarations of this policy.

Policy Period means the period of time specified in Item 2 of the Declarations of this policy, subject to prior termination in accordance with subsection 11 above. If this period is less than or greater than one year, then the Limits of Liability specified in the Declarations for each coverage section shall be the Company's maximum limit of liability under such coverage section for the entire period.


Exclusions
 (continued)

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| Exclusions Applicable to Insuring Clause 1 Only | <p>6. The Company shall not be liable under Insuring Clause 1 for Loss on account of any Claim made against any Insured Person:</p> <p>(a) for an accounting of profits made from the purchase or sale by such Insured Person of securities of the Insured Organization within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law or common law;</p> <p>(b) based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such Insured Person, if a judgment or other final adjudication adverse to the Insured Person establishes such a deliberately fraudulent act or omission or willful violation; or</p> <p>(c) based upon, arising from, or in consequence of such Insured Person having gained in fact any personal profit, remuneration or advantage to which such Insured Person was not legally entitled.</p> |
| Severability of Exclusions | <p>7. With respect to the Exclusions in Subsections 5 and 6 of this coverage section, no fact pertaining to or knowledge possessed by any Insured Person shall be imputed to any other Insured Person to determine if coverage is available.</p> |
| Limit of Liability, Deductible and Coinsurance | <p>8. For the purposes of this coverage section, all Loss arising out of the same Wrongful Act and all Interrelated Wrongful Acts of any Insured Person shall be deemed one Loss, and such Loss shall be deemed to have originated in the earliest Policy Period in which a Claim is first made against any Insured Person alleging any such Wrongful Act or Interrelated Wrongful Acts.</p> <p>The Company's maximum liability for each Loss, whether covered under Insuring Clause 1 or Insuring Clause 2 or both, shall be the Limit of Liability for each Loss set forth in Item 2(A) of the Declarations for this coverage section. The Company's maximum aggregate liability for all Loss on account of all Claims first made during the same Policy Period, whether covered under Insuring Clause 1 or Insuring Clause 2 or both, shall be the Limit of Liability for each Policy Period set forth in Item 2(B) of the Declarations for this coverage section.</p> <p>The Company's liability under Insuring Clause 2 shall apply only to that part of each Loss which is excess of the Deductible Amount set forth in Item 4 of the Declarations for this coverage section and such Deductible Amount shall be borne by the Insureds uninsured and at their own risk.</p> <p>If a single Loss is covered in part under Insuring Clause 1 and in part under Insuring Clause 2, the Deductible Amount applicable to the Loss shall be the Insuring Clause 2 deductible set forth in Item 4 of the Declarations for this coverage section.</p> <p>With respect to all Loss (excess of the applicable Deductible Amount) originating in any one Policy Period, the Insureds shall bear uninsured and at their own risk that percent of all such Loss specified as the Coinsurance Percent in Item 3 of the Declarations for this coverage section, and the Company's liability hereunder shall apply only to the remaining percent of all such Loss.</p> |

Executive Protection Policy

**Limit of Liability,
Deductible and
Coinsurance
(continued)**

Any Loss covered in whole or in part by this coverage section and the Employment Practices Liability coverage section of this policy (if purchased) shall be subject to the limits of liability, deductible and coinsurance percent applicable to such other coverage section; provided, however, if any limit of liability applicable to such other coverage section is exhausted with respect to such Loss, any remaining portion of such Loss otherwise covered by this coverage section shall be subject to the Limits of Liability and Coinsurance Percent applicable to this coverage section, as reduced by the amount of such Loss otherwise covered by this coverage section which is paid by the Company pursuant to such other coverage section.

For purposes of this Subsection 8 only, the Extended Reporting Period, if exercised, shall be part of and not in addition to the immediately preceding Policy Period.

**Presumptive
Indemnification**

9. If the Insured Organization:

- (a) fails or refuses, other than for reason of Financial Impairment, to indemnify the Insured Person for Loss; and
- (b) is permitted or required to indemnify the Insured Person for such Loss pursuant to:
 - (i) the by-laws or certificate of incorporation of the Insured Organization in effect at the inception of this coverage section, or
 - (ii) any subsequently amended or superseding by-laws or certificate of incorporation of the Insured Organization provided, however, that such amended or superseding by-laws or certificate of incorporation expand or broaden, and do not restrict or in any way limit, the Insured Organization's ability to indemnify the Insured Person;

then, notwithstanding any other conditions, provisions or terms of this coverage section to the contrary, any payment by the Company of such Loss shall be subject to (i) the Insuring Clause 2 Deductible Amount set forth in Item 4 of the Declarations for this coverage section, and (ii) all of the Exclusions set forth in Subsections 5 and 6 of this coverage section.

For purposes of this Subsection 9, the shareholder and board of director resolutions of the Insured Organization shall be deemed to provide indemnification for such Loss to the fullest extent permitted by such by-laws or certificate of incorporation.



**Reporting
and Notice**

10. The Insureds shall, as a condition precedent to exercising their rights under this coverage section, give to the Company written notice as soon as practicable of any Claim made against any of them for a Wrongful Act.

If during the Policy Period or Extended Reporting Period (if exercised) an Insured becomes aware of circumstances which could give rise to a Claim and gives written notice of such circumstance(s) to the Company, then any Claims subsequently arising from such circumstances shall be considered to have been made during the Policy Period or the Extended Reporting Period in which the circumstances were first reported to the Company.

The Insureds shall, as a condition precedent to exercising their rights under this coverage section, give to the Company such information and cooperation as it may reasonably require, including but not limited to a description of the Claim or circumstances, the nature of the alleged Wrongful Act, the nature of the alleged or potential damage, the names of actual or potential claimants, and the manner in which the Insured first became aware of the Claim or circumstances.

**Defense and
Settlement**

11. Subject to this Subsection, it shall be the duty of the Insured Persons and not the duty of the Company to defend Claims made against the Insured Persons.

The Insureds agree not to settle any Claim, incur any Defense Costs or otherwise assume any contractual obligation or admit any liability with respect to any Claim without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, Defense Costs, assumed obligation or admission to which it has not consented.

The Company shall have the right and shall be given the opportunity to effectively associate with the Insureds in the investigation, defense and settlement, including but not limited to the negotiation of a settlement, of any Claim that appears reasonably likely to be covered in whole or in part by this coverage section.

The Insureds agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agree that in the event of a Claim the Insureds will do nothing that may prejudice the Company's position or its potential or actual rights of recovery.

Defense Costs are part of and not in addition to the Limits of Liability set forth in Item 2 of the Declarations for this coverage section, and the payment by the Company of Defense Costs reduces such Limits of Liability.

Allocation

12. If both Loss covered by this coverage section and loss not covered by this coverage section are incurred, either because a Claim against the Insured Persons includes both covered and uncovered matters or because a Claim is made against both an Insured Person and others, including the Insured Organization, the Insureds and the Company shall use their best efforts to agree upon a fair and proper allocation of such amount between covered Loss and uncovered loss.

Executive Protection Policy

Allocation
(continued)

If the Insureds and the Company agree on allocation of Defense Costs, the Company shall advance on a current basis Defense Costs allocated to the covered Loss. If the Insureds and the Company cannot agree on an allocation:

- (a) no presumption as to allocation shall exist in any arbitration, suit or other proceeding;
- (b) the Company shall advance on a current basis Defense Costs which the Company believes to be covered under this coverage section until a different allocation is negotiated, arbitrated or judicially determined; and
- (c) the Company, if requested by the Insureds, shall submit the dispute to binding arbitration. The rules of the American Arbitration Association shall apply except with respect to the selection of the arbitration panel, which shall consist of one arbitrator selected by the Insureds, one arbitrator selected by the Company, and a third independent arbitrator selected by the first two arbitrators.

Any negotiated, arbitrated or judicially determined allocation of Defense Costs on account of a Claim shall be applied retroactively to all Defense Costs on account of such Claim, notwithstanding any prior advancement to the contrary. Any allocation or advancement of Defense Costs on account of a Claim shall not apply to or create any presumption with respect to the allocation of other Loss on account of such Claim.

Other Insurance

- 13. If any Loss arising from any Claim made against any Insured Persons is insured under any other valid policy(ies), prior or current, then this coverage section shall cover such Loss, subject to its limitations, conditions, provisions and other terms, only to the extent that the amount of such Loss is in excess of the amount of payment from such other insurance whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limits of Liability provided in this coverage section.

Changes In Exposure

**Acquisition or
Creation of
Another Organization**

- 14. If the Insured Organization (I) acquires securities or voting rights in another organization or creates another organization, which as a result of such acquisition or creation becomes a Subsidiary, or (II) acquires any organization by merger into or consolidation with an Insured Organization, such organization and its Insured Persons shall be insureds under this coverage section but only with respect to Wrongful Acts committed, attempted, or allegedly committed or attempted, after such acquisition or creation unless the Company agrees, after presentation of a complete application and all appropriate information, to provide coverage by endorsement for Wrongful Acts committed, attempted, or allegedly committed or attempted, by such Insured Persons prior to such acquisition or creation.

**Acquisition or
Creation of
Another Organization**
(continued)

If the fair value of all cash, securities, assumed indebtedness and other consideration paid by the Insured Organization for any such acquisition or creation exceeds 10% of the total assets of the Parent Organization as reflected in the Parent Organization's most recent audited consolidated financial statements, the Parent Organization shall give written notice of such acquisition or creation to the Company as soon as practicable together with such information as the Company may require and shall pay any reasonable additional premium required by the Company.



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| <i>Acquisition of Parent Organization by Another Organization</i> | <p>16. If (I) the Parent Organization merges into or consolidates with another organization, or (II) another organization or person or group of organizations and/or persons acting in concert acquires securities or voting rights which result in ownership or voting control by the other organization(s) or person(s) of more than 50% of the outstanding securities representing the present right to vote for the election of directors of the Parent Organization, coverage under this coverage section shall continue until termination of this coverage section, but only with respect to Claims for Wrongful Acts committed, attempted, or allegedly committed or attempted, by Insured Persons prior to such merger, consolidation or acquisition. The Parent Organization shall give written notice of such merger, consolidation or acquisition to the Company as soon as practicable together with such information as the Company may require.</p> |
| <i>Cessation of Subsidiaries</i> | <p>16. In the event an organization ceases to be a Subsidiary before or after the Inception Date of this coverage section, coverage with respect to such Subsidiary and its Insured Persons shall continue until termination of this coverage section but only with respect to Claims for Wrongful Acts committed, attempted or allegedly committed or attempted prior to the date such organization ceased to be a Subsidiary.</p> |
| <i>Representations and Severability</i> | <p>17. In granting coverage to any one of the Insureds, the Company has relied upon the declarations and statements in the written application for this coverage section and upon any declarations and statements in the original written application submitted to another insurer in respect of the prior coverage incepting as of the Continuity Date set forth in Item 9 of the Declarations for this coverage section. All such declarations and statements are the basis of such coverage and shall be considered as incorporated in and constituting part of this coverage section.</p> <p>Such written application(s) for coverage shall be construed as a separate application for coverage by each of the Insured Persons. With respect to the declarations and statements contained in such written application(s) for coverage, no statement in the application or knowledge possessed by any Insured Person shall be imputed to any other Insured Person for the purpose of determining if coverage is available.</p> |
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Executive Protection Policy

Definitions

18. When used in this coverage section:

Claim means:

- (i) a written demand for monetary damages,
- (ii) a civil proceeding commenced by the service of a complaint or similar pleading,
- (iii) a criminal proceeding commenced by a return of an indictment, or
- (iv) a formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document, against any Insured Person for a Wrongful Act, including any appeal therefrom.

Defense Costs means that part of Loss consisting of reasonable costs, charges, fees (including but not limited to attorneys' fees and experts' fees) and expenses (other than regular or overtime wages, salaries or fees of the directors, officers or employees of the Insured Organization) incurred in defending or investigating Claims and the premium for appeal, attachment or similar bonds.

Financial Impairment means the status of the Insured Organization resulting from (i) the appointment by any state or federal official, agency or court of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate the Insured Organization, or (ii) the Insured Organization becoming a debtor in possession.

Insured, either in the singular or plural, means the Insured Organization and any Insured Person.

Insured Capacity means the position or capacity designated in Item 6 of the Declarations for this coverage section held by any Insured Person but shall not include any position or capacity in any organization other than the Insured Organization, even if the Insured Organization directed or requested the Insured Person to serve in such other position or capacity.

Insured Organization means, collectively, those organizations designated in Item 5 of the Declarations for this coverage section.

Insured Person, either in the singular or plural, means any one or more of those persons designated in Item 6 of the Declarations for this coverage section.

Interrelated Wrongful Acts means all causally connected Wrongful Acts.

**Definitions**
(continued)

Loss means the total amount which any Insured Person becomes legally obligated to pay on account of each Claim and for all Claims in each Policy Period and the Extended Reporting Period, if exercised, made against them for Wrongful Acts for which coverage applies, including, but not limited to, damages, judgments, settlements, costs and Defense Costs. Loss does not include (i) any amount not indemnified by the Insured Organization for which the Insured Person is absolved from payment by reason of any covenant, agreement or court order, (ii) any amount incurred by the Insured Organization (including its board of directors or any committee of the board of directors) in connection with the investigation or evaluation of any Claim or potential Claim by or on behalf of the Insured Organization, (iii) fines or penalties imposed by law or the multiple portion of any multiplied damage award, or (iv) matters uninsurable under the law pursuant to which this coverage section is construed.

Pollutants means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by, the United States Environmental Protection Agency or a state, county, municipality or locally counterpart thereof. Such substances shall include, without limitation, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. Pollutants shall also mean any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products.

Subsidiary, either in the singular or plural, means any organization in which more than 50% of the outstanding securities or voting rights representing the present right to vote for election of directors is owned or controlled, directly or indirectly, in any combination, by one or more Insured Organizations.

Wrongful Act means any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted, by an Insured Person, individually or otherwise, in his Insured Capacity, or any matter claimed against him solely by reason of his serving in such Insured Capacity.

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 180

From: Rowe

Requested of: Revenue Requirement Panel (Brideau & Smith)

Date of Request: 8/29/2008

Rowe: For Central Hudson Revenue Requirement Panel (Brideau & Smith):

- 180) Please provide an overview of the Company's other operating insurance policies, including carrier and coverage limits for the following: Directors & Officers Liability, All Risk Property and Miscellaneous Other Insurance.
- a. Explain how each is allocated between the company and its affiliates, and provide a basis and documentation for all allocations.

Response: CH Energy Group has four separate carriers for its Directors & Officers Liability insurance, which insures the directors, officers and the organization. In the event of a claim, the first \$15 million of coverage is provided by CHUBB, the next \$35 million of coverage is provided by AEGIS, the next \$25 million of coverage is provided by EIM and the next \$10 million of coverage is provided by U.S. Specialty Insurance Company. 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. Directors & Officers Insurance is allocated to the affiliates based on the value of the affiliate's assets. The allocation of D&O insurance to Central Hudson follows the common allocation ratio of 85% to electric and 15% to gas.

CH Energy Group purchases its property insurance from AIG. The total policy limit of liability is \$100 million with a \$500,000 deductible. The allocation of cost to the affiliates is determined by the ratio of total estimated replacement value of the properties insured under the policy. The policy covering the period 2007-2008 had a total estimated replacement value of \$625,154,120 of which 2.92 percent of the replacement values are associated with Griffith's properties. Lyonsdale's property is not covered under this policy. The allocation of property insurance to Central Hudson is based on the proportional share of electric and gas insured values.

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 180

Miscellaneous other insurance is comprised of:

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

The Pension Fiduciary, Employment Practices and the Crime policies are allocated to the affiliates based on the number of employees in each affiliate. The remaining miscellaneous policies are purchased solely for Central Hudson Gas & Electric Corp. and the cost is not allocated to the affiliates. The allocation of miscellaneous other insurance to Central Hudson follows the common allocation ratio of 85% to electric and 15% to gas.

Additional data and calculations supporting the allocations of insurance premiums is provided in the attached document bearing the caption "Staff IR 180 – Insurance Premium Allocations."

Date of Response: 9/12/2008

Response by: Revenue Requirement Panel (Brideau and Smith)

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 193

From: Shahbazian

Requested of: Revenue Requirement Panel (Brideau & Smith)

Date of Request: 8/29/2008

**Shahbazian: For Revenue Requirements Panel – Transportation Fuel
(Brideau & Smith):**

- 193) Please provide detail to support the monthly amounts purchased from Outside Vendors by month for the historic test year that amounts to the \$113,901 purchased and 35,756 gallons consumed on the "Proposed Ratemaking Treatment for Transportation Costs – Fuel" worksheet.

Response: Please refer to the attached document bearing the caption "Staff IR 193 – Historic Year Fuel Outside Vendors," which consists of 13 pages that provides the support detail requested. As the first page of the attached indicates, the fuel gallons purchased from outside vendors was not available on the Company's mainframe system. As a result, a simplifying assumption that the average price of fuel from Company Stock approximated the average price of fuel purchased from outside vendors was used in order to develop a quantity (gallons) for fuel purchased from outside vendors. Please note that the attached information was included in the work papers furnished to Staff on August 12, 2008.

Date of Response: 9/15/2008

Response by: Revenue Requirement Panel (Brideau and Smith)

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 595

From: Shahbazian
Requested of: Revenue Requirement Panel
Date of Request: 10/16/2008

Shahbazian: For Revenue Requirements Panel (Brideau & Smith):

595) Please provide the actual diesel and gasoline transportation fuel expenses for either the CY 2005, 2006 & 2007 or the RY Ending 6/30/05, 6/30/06 & 6/30/07.

Response: Fuel expense (diesel and gasoline) results from either inventory purchases (Fuel from Company Stock) or purchases from outside vendors first being charged to the transportation clearing account and then cleared on a monthly basis by the Accounting Department to expense or capital based on the types of activities performed by employees using Company vehicles. Please refer to the attached document captioned "Staff IR 595 – Transportation Fuel Expense," which provides a compilation of the monthly data for calendar years 2005 through 2007 for the fuel expense portion of transportation costs on the basis described above.

Date of Response: 10/28/2008
Response by: Revenue Requirement Panel

Staff IR 696 - Transportation Fuel Expense**Central Hudson Gas & Electric Corporation
Estimation of Transportation Fuel Expense
Calendar Years 2005 through 2007**

Fuel Type - Stock Code	Gas 50-09-003	Fuel From Company Stock	Fuel From Outside Vendors (1)	Total Fuel	Electric Expense	Gas Expense	Subtotal Expense	Construction & Other
Calendar Year 2005		\$ 719,311		\$ 719,311				
Calendar Year 2006		\$ 888,966		\$ 888,966				
Calendar Year 2007		\$ 842,887		\$ 842,887				
Fuel Type - Stock Code	Diesel 50-09-004							
Calendar Year 2005		\$ 523,943		\$ 523,943				
Calendar Year 2006		\$ 601,257		\$ 601,257				
Calendar Year 2007		\$ 655,804		\$ 655,804				
Total Fuel								
Calendar Year 2005		\$ 1,243,264	\$ 127,147	\$ 1,370,401	\$ 627,070	\$ 172,563	\$ 799,623	\$ 570,778
Calendar Year 2006		\$ 1,488,213	\$ 180,543	\$ 1,868,756	\$ 884,267	\$ 188,726	\$ 1,052,993	\$ 815,783
Calendar Year 2007		\$ 1,498,691	\$ 109,352	\$ 1,608,043	\$ 795,332	\$ 163,174	\$ 958,606	\$ 649,637

Transportation Clearing Allocation:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Electric Expense	45.76%	51.79%	49.46%
Gas Expense	12.58%	11.31%	10.15%
Subtotal - Expense	58.35%	63.10%	59.61%
Construction & Other	41.65%	36.90%	40.39%
Total Transportation Clearing	100.00%	100.00%	100.00%

(1) Breakdown between diesel and unleaded fuel not available.

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 596

From: Shahbazian
Requested of: Revenue Requirement Panel
Date of Request: 10/16/2008

Shahbazian: For Revenue Requirements Panel (Brideau & Smith):

596) Please provide the actual diesel and gasoline transportation fuel quantities purchased for either the CY 2005, 2006 & 2007 or the RY Ending 6/30/05, 6/30/06 & 6/30/07.

Response: Actual diesel and gasoline transportation fuel quantities **purchased** are not readily available for the periods requested. However, actual diesel and gasoline transportation fuel quantities **used** from Company stock for calendar years 2005 through 2007 have been provided to Staff in the Company's work papers provided on August 12th. In addition, please refer to the Company's response to Staff IR 193, which was provided on September 15, 2008.

Date of Response: 10/28/2008
Response by: Revenue Requirement Panel

Adjustment to Historic Year Based on Last Unit Price Paid:

	<u>% of Total</u>	<u>Quantity</u>	<u>Last Unit Price Paid</u>	<u>Company Calculation</u>	<u>Last Unit Price Paid</u>	<u>Staff Calculation</u>
Quantity of Fuel from Company Stock (Historic Year)		489,671	April 2008		October 2008	
Gas Based on Historic Volume @ Last Unit Price Paid	58.62%	287,045	\$ 3.8500	\$ 1,105,122	\$ 3.185	\$ 914,237
Diesel Based on Historic Volume @ Last Unit Price Pd	41.38%	202,626	\$ 4.4113	\$ 893,846	\$ 3.910	\$ 792,269
Total - Gas & Diesel from Company Stock	100.00%	489,671	\$ 4.0823	\$ 1,998,968	\$ 3.485	\$ 1,706,506
Outside Vendor Based on Historic Volume @ Last Unit Price Paid		35,756	\$ 4.0823	\$ 145,966	\$ 3.485	\$ 124,610
Total - Gas & Diesel from Company Stock and Outside Vendor Based on Last Unit Price				\$ 2,144,933		\$ 1,831,116
Total - Gas & Diesel from Company Stock and Outside Vendor Based on Historic Year				\$ 1,673,750		\$ 1,673,750
Adjustment to Historic Year				\$ 471,183		\$ 157,366

Net Staff Reduction Adjustment to Historic Year → \$ 313,817

Central Hudson Gas & Electric Corporation
Case Nos. 08-E-0887 & 08-G-0888
Response to Staff Information Request No. 585

From: Shahbazian
Requested of: Revenue Requirement Panel
Date of Request: 10/10/2008

Shahbazian: For Central Hudson Revenue Requirements Panel – Inflation Pool & Transportation Fuel (Brideau & Smith):

585) As a follow up/update of DPS 195, please provide copies from the "Materials Management System" for the "Latest Unit Price Paid" for both gasoline and diesel fuel purchased and delivered in the month of October.

Response: Please refer to the attached document bearing the caption "Staff IR 585 – Latest Unit Price Paid," which includes four printouts of the information requested from the Company's "Material Management System." As the attached indicates the latest unit price paid for gas in October 2008 was \$3.19 based on a total cost of \$4,140.76 for 1,300 gallons. The latest unit price paid for diesel in October 2008 was \$3.91 based on a total cost of \$1,955.46 for 500 gallons.

Date of Response: 10/17/2008
Response by: Revenue Requirement Panel

STAFF IR 585- LATEST Unit Price Paid

DATE: 2008/10/17 MATERIALS MANAGEMENT SYSTEM PAGE: 1
TIME: 07:53:27 VOUCHER DETAIL INQUIRY - REGISTRY RECORD AVI

VCHR#..... 96919 VNDR#: 23439 REMIT CD... 051 SPEC HNDL.. 0
REG TRAN...: 315 NAME. WAREX TERMINALS CORPORATION
VCHR XREF#: ADDR. 1 SOUTH WATER ST
ORD TYP...: PO PO BOX 488
ORD#.....: 23008 NEWBURGH NY 12550-4604
CHAR CHG...: 6005

DESC... MATERIALS & SUPPLIES PRE BNK: /
INV REF#...: 215761 #OF CHKS/CHK#: /
DT.....: 20081007 REG MNTH: 2008/10 DT DUE/PD.... 20081106 /
CASH CRED.: REG EMP# 06618 VCHR/HLD STAT UNPAID /
ORD OVRD...: REG DT.. 20081014 GRS AMT..... 4,140.76
DISC TRM...: 1A REG BTCH 26429 DISC/DEDCT...:
DIST DT...: 20081016 SERV PRD: FIN CHG.....:
DT OUT/IN..: 20081015 / 20081016 1ST RT.: Y NET AMT..... 4,140.76
ROUTED TO.: C DORION TX CLSS:
COMMENTS...: CHK:

FOR ADDITIONAL INFORMATION, DEPRESS 'ENTER'.

TRAN./CODE: | |
INIT. DATA: | |

Latest Unit Price Paid
for Gas in October '08:
\$ 3.19

DATE: 2008/10/17 MATERIALS MANAGEMENT SYSTEM PAGE: 2
TIME: 07:53:40 VOUCHER DETAIL INQUIRY - DISTRIBUTION RECORDS AVI

VCHR#: 96919 REG TRAN. 315 DT DUE/PD 20081106 /
DIST BTCH: 26551 DIST MNTH 2008/10 DIST DT.. 20081016
ORD#: 23008 VNDR#: 23439

TRAN CD	STK# /ITM#	U/M	CHAR CHG	QTY	FUNC/NO	TAX	DIST AMT	OVRD CD	BUY OVRD
311	5009003 GAS	GAL	6005	1300	15440-3-970		4140.76		X

#3.185

NO ADDITIONAL INFORMATION, FOR THIS VOUCHER. DEPRESS ENTER FOR NEXT VOUCHER.

TRAN./CODE: |
INIT. DATA: |

LATEST Unit Price Paid
for Gas in October '08:
Amount \$ 4,140.76
Quantity 1,300
Unit Price \$ 3.19

DATE: 2008/10/17 MATERIALS MANAGEMENT SYSTEM PAGE: 1
TIME: 07:54:05 VOUCHER DETAIL INQUIRY - REGISTRY RECORD AVI

VCHR#: 96920 VNDR#: 23439 REMIT CD... 051 SPEC HNDL.. 0
REG TRAN...: 315 NAME. WAREX TERMINALS CORPORATION
VCHR XREF#: ADDR. 1 SOUTH WATER ST
ORD TYP...: PO PO BOX 488
ORD#: 23014 NEWBURGH NY 12550-4604
CHAR CHG...: 6005

DESC.: MATERIALS & SUPPLIES

PRE BNK: /

INV REF#: 215833

#OF CHKS/CHK#: /

DT...: 20081008

REG MNTH: 2008/10

DT DUE/PD... 20081107 /

CASH CRED.:

REG EMP# 06618

VCHR/HLD STAT UNPAID /

ORD OVRD.:

REG DT.. 20081014

GRS AMT..... 1,955.46

DISC TRM...: 1A

REG BTCH 26429

DISC/DEDCT...:

DIST DT...: 20081016

SERV PRD:

FIN CHG.....:

DT OUT/IN.: 20081015 / 20081016 1ST RT.: Y

NET AMT..... 1,955.46

ROUTED TO.: C DORION

TX CLSS:

COMMENTS...:

CHK:

FOR ADDITIONAL INFORMATION, DEPRESS 'ENTER'.

TRAN./CODE: | |

INIT. DATA: | |

LATEST Unit Price Paid
for Diesel in October '08:
\$ 3.91

DATE: 2008/10/17 MATERIALS MANAGEMENT SYSTEM PAGE: 2
TIME: 07:54:16 VOUCHER DETAIL INQUIRY - DISTRIBUTION RECORDS AVI

VCHR#: 96920 REG TRAN. 315 DT DUE/PD 20081107 /
DIST BTCH: 26551 DIST MNTH 2008/10 DIST DT.. 20081016
ORD#: 23014 VNDR#: 23439

TRAN	STK#	CHAR	QTY	FUNC/NO	TAX	DIST AMT	OVRD BUY
CD	/ITM#	U/M	CHG				CD OVRD :
311	5009004 Diesel	GA 6005	500	15440-3-970	XX	1955.46	X
			\$3.911				

NO ADDITIONAL INFORMATION, FOR THIS VOUCHER. DEPRESS ENTER FOR NEXT VOUCHER.

TRAN./CODE: | |
INIT. DATA: | |

LATEST Unit Price Paid for
Diesel in October '08:
Amount \$1,955.46
Quantity 500
Unit Price \$3.91

Central Hudson Gas & Electric Corporation
 DPS Staff Adjustment to O&M Expense: Transportation Fuel

<u>Company Projection</u>					Amount Cleared to Expense 59.9609%	Electric Expense 82.9326%	Gas Expense 17.0674%	
<u>PSC</u> <u>ACCOUNT</u>	<u>FUNCTION</u>	<u>DESCRIPTION</u>	<u>Class of Entry</u>	<u>TOTAL</u>				
Historic Year Ended March 31, 2008:								
		Total Transportation - Fuel Costs		1,673,750	1,003,596	832,308	171,288	
		Historic Year Adjustment		<u>471,180</u>	<u>282,524</u>	<u>234,304</u>	<u>48,220</u>	
		Total Transportation - Fuel Costs as Adjusted		2,144,930	1,286,120	1,066,612	219,508	
<u>Projection Based On April 2008 Last Unit Price Paid escalate at 12% growth for: RYE 6/30/2010</u>					<u>2,773,342</u>	<u>1,662,922</u>	<u>1,379,103</u>	<u>283,819</u>
<u>DPS Staff Projection</u>					Amount Cleared to Expense 59.9609%	Electric Expense 82.9326%	Gas Expense 17.0674%	
<u>PSC</u> <u>ACCOUNT</u>	<u>FUNCTION</u>	<u>DESCRIPTION</u>	<u>Class of Entry</u>	<u>TOTAL</u>				
Historic Year Ended March 31, 2008:								
		Total Transportation - Fuel Costs		1,673,750	1,003,596	832,308	171,288	
		Historic Year Adjustment		<u>157,366</u>	<u>94,358</u>	<u>78,254</u>	<u>16,104</u>	
		Total Transportation - Fuel Costs as Adjusted		1,831,116	1,097,954	910,562	187,392	
<u>Projection Based On Last Unit Price Paid escalate at rate of Inflation: RYE 6/30/2010</u>					<u>1,926,042</u>	<u>1,154,872</u>	<u>957,766</u>	<u>197,107</u>
Net Staff Adjustment Reduction ----->				847,300	508,050	421,337	86,712	

Central Hudson Gas & Electric Corporation
 DPS Staff Adjustment to O&M Expense: Bill Print Mail

Bill Print Normalized to remove "Other" & "Postage" then Adjusted for Inflation

<u>CY</u>	<u>Bill Print Total</u>	<u>Less 11% for All Other</u>	<u>Less: Postage</u>	<u>Net Bill Print</u>	<u>Inflation Factor to bring current to 2007 \$</u>			
2003	1,575,248	173,277	875,126	526,845	1.1260	593,227		
2004	1,521,128	167,324	834,983	518,821	1.0946	567,901	-4.27%	
2005	1,603,635	176,400	890,131	537,104	1.0599	569,277	0.24%	
2006	1,726,585	189,924	952,382	584,279	1.0269	599,996	5.40%	
2007	1,832,201	201,542	992,765	637,894		637,894	<u>6.32%</u>	
4 Year Average Inflation Adjusted Growth Rate							1.92%	
3 Year Average Inflation Adjusted Cost as of CY 2007							602,389	
Inflation Factor to Grow 2007 Inflation Adjusted \$ to RYE 6/30/10							1.05596	
3 Year Average Inflation adjusted to RYE 6/30/10							636,098	
					<u>Electric</u>	<u>Gas</u>	<u>Total</u>	
Company RY End 6/30/10 Projection					601,653	106,174	707,827	
Staff Projection of Bill Print Mail -->					<u>540,684</u>	<u>95,415</u>	<u>636,098</u>	
Net Staff Adjustment Reduction -->					60,969	10,759	71,729	

Central Hudson Gas & Electric Corporation
DPS Staff Adjustment to O&M Expense: Informational Advertising

Three Year History of Informational Advertising Expense Ratio to Operating Revenues
 Data presented in Calendar Year period as filed in Annual reports filed with PSC.

<u>Electric</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>HYE 3/31/08</u>	<u>3 year (CY) average</u>
Total Operating Revenues	521,007,575	503,922,288	616,854,220	596,360,448	547,261,361
Informational Advertising Expense	355,828	366,941	406,264	407,494	376,344
Adv Exp as % of Op Revenue	0.0683%	0.0728%	0.0659%	0.0683%	0.0688%
<u>Gas</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>HYE 3/31/08</u>	<u>3 year (CY) average</u>
Total Operating Revenues	155,956,617	155,591,072	165,749,700	151,301,909	159,099,130
Informational Advertising Expense	47,666	48,575	58,977	65,106	51,739
Adv Exp as % of Op Revenue	0.0306%	0.0312%	0.0356%	0.0430%	0.0325%

GAS OPERATIONS

<u>Description</u>	Rate Year End <u>6/30/2010</u>
Delivery Revenues	52,262,560
Interruptible Imputation	1,000,000
Commodity Revenues	<u>130,000,000</u>
Total Own Territory Revenues	183,262,560
<u>Company Projection Based on .07% of Total Revenues:</u>	0.0007
Company RY end 6/30/2010 Advertising Projection	<u>128,284</u>
<u>Staff Projection Based on .04% of Total Revenues:</u>	0.0004
Company RY end 6/30/2010 Advertising Projection	<u>73,305</u>
Net Staff Adjustment Reduction -->	54,979