

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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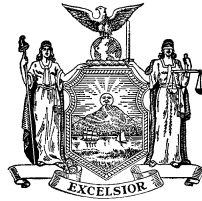
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April 2, 2009

Paul Haering
Vice President Engineering & Environmental Services
Central Hudson Gas & Electric Corp.
284 South Ave.
Poughkeepsie, NY 12601

Re: U.S. Department of Energy – Electricity Delivery and Energy Reliability Program

Dear Mr. Haering:

The American Recovery and Reinvestment Act of 2009 (ARRA) includes a U.S. Department of Energy (DOE) administered program for Electricity Delivery and Energy Reliability (EDER). The sum of \$4.5 billion is appropriated by ARRA for the EDER program, to be dispersed by DOE through a competitive grant process.

DOE may provide grants to successful applicants of the EDER program that are not more than 50 percent of the costs of qualifying investments. Consequently, successful applicants will need to find other sources to cover the remaining costs of the investments. Based on our informal discussions with DOE officials, we anticipate that applications filed under the EDER program will have a greater likelihood of success if the applicant has already secured the non-federal funding sources for its projects.

Such funding sources may include ratepayer funds; however, recovery of these costs from New York ratepayers will require a determination by the Public Service Commission (Commission) that such costs are reasonable. Utilities planning on applying to DOE under the EDER program are urged to file their plans with the Secretary to the Commission as soon as practicable due to the added advantage applicants may have by securing non-federal funding sources. Such filings should provide to the Commission all known and relevant detail regarding the projects that the utility may include in its DOE applications for the EDER program. While utilities may file

applications with DOE for other programs (e.g. the innovative technology loan guarantee program), this Commission filing only concerns projects that will be submitted to DOE for the EDER program.

This filing should include a list of all projects under consideration that require funding by ratepayers, in a summary format, in priority order. The format of the summary should be the same as the spreadsheet format that we have been using to facilitate discussions about potential projects. In addition, for each project you should include:

- A detailed project description, including location, equipment list, and associated supporting facilities;
- A project milestone schedule, including an assessment of the readiness for undertaking the project and when any construction could begin;
- The number of jobs created by the project;
- Detailed cost estimates, including a breakdown for various phases where applicable;
- The rationale/justification for the project, given all known and anticipated criteria for project selection, including but not limited to the FERC-NARUC smart grid criteria, the smart grid criteria from the Energy Independence and Security Act of 2007 (Title XIII, Sec. 1301), and the smart grid criteria of the policy statement from the Federal Energy Regulatory Commission or the industry standard for smart grid).; and
- A statement as to the availability of EDER funds, any non-ratepayer, non-federal funds that may be applied, an estimate of the net costs that must be recovered from ratepayers, and a proposed method for recovering those costs.

This filing should be made on or before April 17, 2009, as it is imperative that the regulatory process is begun as soon as possible. To the extent that any projects included in the April 17 filing was already provided to the Commission pursuant to the Commission's February 13, 2009 Advanced Metering Initiative (AMI) Order in Case 09-M-0074, please either provide a cross reference for the project or resubmit the project. We expect that the AMI filing will include projects that may be included in an application to DOE for the EDER program, and thus, any other projects proposed for EDER funding can be considered on the same footing with the AMI plans. Moreover, we fully acknowledge that any of these filings, the April 17 (EDER) and April 14 (AMI), may be amended as necessary to comport with DOE's formal guidelines for the EDER program, when issued.

In closing, please be aware that any requests for trade secret treatment of any portion of the filing should be sent to Steve Blow, the Department's Record Access Officer.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Corso", with a stylized flourish at the end.

Michael Corso
Director of Industry and
Government Relations