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CH Energy Group Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Our first question is from Maurice May from Power Insights. Please go ahead.

Maurice May - Power Insights

Yes, good afternoon folks.

Steven Lant

Good afternoon.

Maurice May - Power Insights

A couple questions on Central Hudson, your core utility. You said there was slowing customer growth at Central Hudson. I recall that customers were growing at about a 2% rate before. And: what were they growing in the third quarter?

Chris Capone

Maury, you have to really split that out between electric and gas.

Maurice May - Power Insights

Okay.

Chris Capone

The 2% number really equates more to the gas side, and that is more of a historical rate. Again, actually it was about 2.25% if you go back over a five-year average. When you look at it on a year-to-date basis, it's really down to about 1.5%.

Maurice May - Power Insights

Okay.

Chris Capone

Again, down from something just a little bit over -- when you look on the electric side, we're seeing numbers that were slightly over 1% and year-to-date we're seeing numbers that are slightly less. We're literally talking fractions of a percentage difference.

Maurice May - Power Insights

Okay, okay. And second question, again, on Central Hudson, your re-absorption rate back into the utilities of cash was something on the order of \$15 million per year previously. What do you think it's going to be this year and next year?

Chris Capone

Based on our CapEx forecast and things like that, we do expect that those numbers should be right in that range, again in 2007, as well as going forward.

Maurice May - Power Insights

Okay. Despite the slowing customer growth, there's still enough utility investment opportunity there to keep it at 15?

Chris Capone

Yes, I believe there are. Again, when you look at what is driving our infrastructure investment, we're really designing to meet the peak load growth. So, when you see just a modest amount of degradation in the customer growth, that will temper that somewhat, but there's still underlying infrastructure, the maintenance, kind of the core nuts and bolts of our CapEx that will certainly continue.

Maurice May - Power Insights

Okay.

Steven Lant

Maury, this is Steve.

Maurice May - Power Insights

Yes, Steve.

Steven Lant

Let me just add to that a little bit. I guess it is kind of intuitive that a slight slowdown in customer growth would translate into a slowdown in CapEx, but as it turns out, there's been an offsetting effect, and that's the commodity costs, particularly for steel and copper. So, even though there has been some project slippage due to slightly slower growth, those projects that we are completing are costing more.

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