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27. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS

Factor of Adjustment

The Average Cost of Gas applicable to Service Classification Nos. 1 and 2 shall be increased each month by a factor of 1.025 to reflect system line losses.

In accordance with the New York State Public Service Commission's Opinion and Order in Case No. 90-G-0673, the factor of adjustment to adjust the cost of gas for lost and unaccounted for gas will be determined in each Company rate case.

Gas Supply Charge

The Gas Supply Charge is designed to collect the gas expense incurred by the Company to serve customers taking service under Service Classification Nos. 1 and 2. The Gas Supply Charge will be applied to total measured quantities included in bills for which meters are read on and after the effective date of the Gas Supply Charge. Gas Supply Charges will be prorated based on the number of days each Gas Supply Charge is in effect during a customer’s billing period.

The Gas Supply Charge statement shall be filed not less than three days prior to the date on which it is proposed to become effective, except that a new statement may be filed on one day’s notice to become effective not more than five days after the effective date of the initial statement if the replacement of cost estimates in the initial statement with actual figures results in a change in either the Average Demand Cost of Gas or the Average Commodity Cost of Gas of more than five percent.

The Gas Supply Charge shall be equal to the sum of the Average Demand Cost of Gas and the Average Commodity Cost of Gas as computed herein, multiplied by the Factor of Adjustment and adjusted for the Annual Reconciliation of Gas Expense, Gas Supplier Refunds, the Interruptible Sales Credit, the Capacity Release Credit, the Back Out Credit Surcharge and all other adjustments as approved by the New York State Public Service Commission.

(1) The Average Demand Cost of Gas shall be computed by applying the fixed rates and charges of the transporters, storage providers, and suppliers to the billing determinants associated with pipeline capacity, and supplier reservation charges, and dividing by, the weather normalized quantities of gas taken for delivery to the Company’s own sales customers during the twelve calendar months immediately preceding the computation date. These costs will be further adjusted by reducing the demand costs by the weighted average cost of the capacity, peaking service, and storage services assigned to core transportation customers. Finally, these costs shall be increased by the allowance for bad debt related to the demand costs.

Cancelled effective 08/30/2006.