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29.ENERGY SUPPLIER CHARGE

The Company will provide electric power supply, which includes energy and capacity, to all customers who: (1) choose to have their entire electric power supply requirement provided by the Company, or (2) are not offered Retail Access Service by a Retail Supplier, or (3) return to the Company's service after having been previously supplied by a Retail Supplier, or (4) contract for their electric power supply with a Retail Supplier that fails to deliver. The charges for electric power supplied under all Service Classifications to the above-referenced customers shall be adjusted each month upward or downward by an amount determined as the factor of adjustment multiplied by the components of the Energy Supply Charge (ESC), as appropriate, all as defined below.

Factor of Adjustment

The factor of adjustment of 1.0739 adjusts the costs defined below for lost and unaccounted for kilowatthours. The factor of adjustment will be determined in each Company rate case.

Energy Supply Charge (ESC)

The Energy Supply Charge is designed to recover all costs incurred by the Company in providing electric power supply to full service delivery customers. The ESC includes, but is not limited to, the costs, including fees and charges assessed by the New York Independent System Operator (NYISO), associated with the purchase of energy, installed capability, ancillary services and risk management made by the Company on behalf of its full service customers, as well as non-avoidable, variable energy related costs such as nuclear fuel, mandatory purchases from Independent Power Producers and combustion turbine fuel. In addition, the ESC will be adjusted to credit customers with eighty percent (80%) of the net benefit from such items such as wheeling revenues and sales to other utilities and the NYISO, including the sale of output from generation facilities retained by the Company.

Each month the ESC costs, as defined above, will be divided by the total energy purchased and generated minus the energy sold to other utilities, minus any applicable losses. The factor so determined will be stated in whole \$0.00001 amounts per kilowatthour.

The Company will reconcile ESC recoveries with actual costs and refund to or collect from customers any over or under recoveries on a monthly basis through the ESC factor. This ESC reconciliation adjustment will be developed on a three (3) month lag.

Issued by: Arthur R. Upright, Senior Vice President, Poughkeepsie, New York