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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 1
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27. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd)

Average Cost of Gas (Cont'd)

- (13) increasing the commodity component by the replacement cost of fuel paid to non-core customers for gas supplies which were diverted to meet the needs of core customers, as described in General Information Section 31;
- (14) reducing the demand component by the storage costs collected from Retail Suppliers resulting from delivery imbalances to Service Classification No. 9 customers;
- (15) dividing the remainder by the quantity of gas purchased for firm sales customers.

Statement of Gas Cost Adjustment

The gas cost adjustment charge, computed as herein provided, will be applied to total measured quantities included in bills for which meters are read on and after the effective date of the gas adjustment. The average of the current gas adjustment and the prior month's gas adjustment shall be applied to bimonthly bills.

Not less than three (3) days prior to any change in the gas cost adjustment resulting from this provision for an adjustment of rates according to changes in the cost of gas, a statement showing the Base Cost of Gas, the present Average Cost of Gas, the date at which and the period for which the average was determined, the amount of adjustment per 100 cu. ft. and the period such rate adjustment per 100 cu. ft. will remain in effect, will be duly filed with the Public Service Commission apart from this rate schedule. Such statement will be available to the public at Company offices at which applications for service may be made.

Refund Provision

In the event that the rates and charges of a gas supplier are retroactively reduced and the Company receives a refund of excess charges paid to the supplier during the period to which the retroactive reduction is applicable, the Company will allocate the refund, including interest, to Firm service classifications, Company use and Electric Generation, based on the relative volumes purchased during the months that the supplier rates subject to refund were in effect. The demand portion of the refund will be allocated to the Firm service classifications while the commodity portion will be allocated to Firm service classifications, Company use and Electric Generation.

Any refund \$10,000 or more shall be returned to customers over a succeeding twelve month period. The rate of refund will be determined by dividing the total refund received by the quantity of gas estimated to be sold during the refund period. A lump sum distribution of the refund allocations will be made to Company use and Electric Generation.

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