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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 0
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35. RETAIL ACCESS PROGRAM (Cont'd)

O. CREDITWORTHINESS (Cont'd)

(c) Credit Exposure/Security Calculation

If the Retail Supplier meets the credit requirements in Section (b), or a Direct Customer receives a waiver as set forth in Section (e) below, no security will be required. If the Retail Supplier does not meet the credit requirements in Section (b), or the requirements of Section (e) cannot be met for Direct Customers, security in an amount equal to the credit exposure must be provided in a form as set forth in Section (d) below.

The maximum security amounts identified below are associated with the risk of the failure of a Retail Supplier, delivering a single bill for delivery and commodity service to the retail customer, to pay Central Hudson (Paragraph 1 below) and, the failure of a Retail Supplier to pay Central Hudson for underdeliveries when that Retail Supplier has underdelivered by up to 100% of its customers' needs (Paragraphs 2 and 3 below).

1. Delivery

The maximum security associated with the electric delivery risk, where the Retail Supplier bills customers for both delivery and commodity services, will be no more than 60 days of a Retail Supplier's projected peak period energy requirements over the coming twelve (12) months priced at Central Hudson's applicable delivery tariff rate, including relevant competitive transition and customer charges.

2. Electric Imbalances

The maximum security associated with the electric imbalance risk of Central Hudson may be no more than as determined by:
(a) the maximum daily quantity (kWh) of a Retail Supplier's customers' projected aggregate consumption (or Direct Customer's projected consumption) over the coming 12 months;
(b) priced at the highest month's average daily spot market price, for the area in which the Retail Supplier's customers (or the Direct Customer) are located, during the previous 12 months; and (c) times 30 days. If an average daily spot market price is not available for the previous 12 months, the average will be for the period in which such data does exist. If the ISO has not been established, the spot price will be the real time price or buy back rate as specified by the Company's tariff.

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