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 COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 2
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27. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd)

Gas Supplier Transition Costs

Commencing May 1, 1996, the Gas Supply Charge applicable to Service Classification Nos. 1 and 2 shall reflect a surcharge calculated in accordance with the New York State Public Service Commission's Opinion and Order in Case No. 93-G-0932. The Transition Cost surcharge is designed to collect, subject to refund, the transition costs currently being billed to the Company by interstate pipeline suppliers. The Transition Cost surcharge will be reconciled for the twelve-month period ended April 30 of each year.

Energy Business Tax Surcharge

Effective October 1, 1991 the Gas Supply Charge will include a surcharge designed to recover the expense of the Energy Business Tax incurred for the months of July and August 1991, imposed under Section 301-I of the N.Y.S. Tax Law. The surcharge will remain in effect for a twelve month period. Following the surcharge period, the Company will reconcile the Energy Business Tax Surcharge paid by the customers with the actual expense incurred. Any over or under collection greater than 0.5%, will be included in a one-time adjustment on the month succeeding the calculation date. This surcharge shall not apply to sales to exempt customers as defined in Section 301-I (d) of the Tax Law.

Transition Surcharge

Effective April 1, 1999 the Gas Supply Charge applicable to core sales customers will include a surcharge designed to collect the cost of the upstream pipeline capacity under contract to the Company but no longer used to serve customers as a result of third party capacity being used to serve firm transportation customers. This surcharge will also be included in the Transportation Demand Adjustment and applied to post-aggregation transportation customers operating under Service Classification Nos. 6, 12 and 13. The formula used to derive the Transition Surcharge is as follows:

$$\text{\$cap} = (\text{tcap} / \text{ucap}) \times \text{ucap}\text{\$}$$

Where:

tcap= amount of capacity associated with customers using third party capacity (dth)
 ucap= total utility upstream pipeline capacity (dth)
 ucap\\$= utility upstream capacity costs (\\$)

The revenues the Company is able to achieve by releasing the underutilized upstream capacity to third party buyers will be used to reduce the amount to be collected through the Transition Surcharge.

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