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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 3
INITIAL EFFECTIVE DATE: 11/01/01 SUPERSEDING REVISION: 1
STAMPS: Issued in Compliance with Order in C.00-G-1274 dated October 25, 2001
RECEIVED: 10/31/01 STATUS: Effective EFFECTIVE: 11/01/01

27. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd)

Fixed Gas Cost Adjustment Factor (Cont'd)

Customers choosing the Fixed Gas Supply Charge option are required to remain on that service through October 31 of each year. The Fixed Gas Supply Charge Factor will be computed annually and will reflect:

- (1) the commodity rates and charges of a predetermined winter supply contract(s), a proportionate share of the Company's storage supplies, and the applicable summer gas supply requirements;
- (2) the weighted average cost of the pipeline demand charges currently in effect;
- (3) the credits resulting from the annual estimate of the net revenues expected to be received from customers taking service under Service Classification Nos. 8, 9 and 14;
- (4) the credits resulting from 85% of the credits expected to be received from upstream pipelines as a result of upstream pipeline capacity assignments and streaming transactions;
- (5) the Company's annual surcharge or refund factor;
- (6) the applicable Gas Supplier Take or Pay Surcharge, Gas Supplier Transition Cost Surcharge, and any other applicable refunds or surcharges.

The gas expense incurred and collected from the customers taking the Fixed Gas Supply Charge option will be included in the Company's annual surcharge or refund calculation.

Gas Supplier Take or Pay Charges

Commencing January 3, 1996, the gas cost adjustment applicable to Service Classification Nos. 1 and 2 shall reflect a surcharge calculated in accordance with the New York State Public Service Commission's Order issued November 30, 1995, in Case 88-G-062 concerning the collection of take or pay costs. The surcharge is designed to collect over a forty-eight (48) month period the remaining uncollected balance of the take or pay costs incurred by the Company. The Take or Pay Surcharge will be shown on the monthly filed statement of Gas Cost Adjustment. The Take or Pay Surcharge will be reconciled for the twelve-month period ended December 31 of each year.

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