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COMPANY: CENTRAL HUDSON GAS &amp; ELECTRIC CORPORATION REVISION: 2

INITIAL EFFECTIVE DATE: 11/01/01 SUPERSEDING REVISION: 0

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)**Annual Reconciliation of Gas Expense**

Surcharges, including interest, or refunds, including interest, to recover gas cost under-collections or refund gas cost over-collections will be determined for the twelve (12) months ended August 31 of each year, filed with the Public Service Commission prior to October 15 and made effective at the beginning of the January billing cycle of each year.

The surcharge or refund applicable to Service Classification Nos. 1 and 2 will be computed by taking the sum of:

- (1) the applicable cost of gas determined by multiplying the average cost of firm gas during the period by the factor of adjustment, multiplying that result by the actual firm sales during this same period;
- (2) the previous years applicable under-collection, if any, with interest to the extent not recovered; subtracting therefrom the sum of;
- (3) the applicable base cost of gas determined by multiplying the base cost of gas times the total quantity of gas purchased, determined by multiplying actual firm sales during the period by the factor of adjustment;
- (4) the applicable gas cost adjustment revenue for the period, net of supplier refund credits and adjusted to eliminate (a) the effect of any adjustments relating to interruptible sales and sales to Company owned electric generating facilities, (b) any miscellaneous charges or credits, and © the revenue tax effect;
- (5) the previous years applicable over-collection, if any, with interest to the extent not refunded;
- (6) any over refunding or under refunding of gas supplier refunds that were finalized during the twelve months ended August 31;
- (7) eighty-five percent (85%) of the annual profit received from customers operating under Service Classification Nos. 8, 9 and 14 that is greater than \$1,900,000 but less than \$2,299,999 and eighty percent (80%) of the profit that is greater than \$2,300,000. If the annual profit received from customers operating under Service Classification Nos. 8, 9, and 14 is less than \$1,900,000, the Company will collect eighty-five percent (85%) of the revenue short-fall that is above \$1,500,000 from customers through the annual reconciliation;
- (8) divided by the quantities of gas to be sold by the Company to its firm customers during the surcharge/refund period.

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