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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 0  
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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)

- (4) reducing the commodity cost of gas so computed by the surcharge revenues, excluding the related revenue taxes, resulting during the preceding twelve (12) months from incremental pricing pursuant to General Information, Section 33;
- (5) if any supply contract with a term of twelve months or more is included in the average cost computation in accordance with (3) above, the related supply shall be excluded from the computation beginning the first month after deliveries cease. If any supply contract with a term of less than twelve (12) months is included in the average cost computation in accordance with (3) above, the related supply shall be excluded from the computation after twelve (12) months;
- (6) adding at zero cost the quantities received for but not delivered to transportation customers;
- (7) reducing the total cost of gas by the commodity cost of gas assignable, to the quantities purchased for interruptible sales, and the Company owned electric generating facilities;
- (8) reducing the total cost of gas by 90% of the net revenues in excess of \$1,900,000, received from interruptible sales and interruptible transportation customers, and 100% of the net revenues received from sales to the Company's electric generating facilities.
- (9) reducing the total cost of gas by the revenue produced from the standby sales adjustment collected from firm transportation customers;
- (10) reducing the total cost of gas by the revenue produced from delivery penalties billed to the Retail Suppliers of end-user transportation customers;
- (11) reducing the demand component by the weighted average cost of the capacity, peaking service, and storage services assigned to core transportation customers;
- (12) reducing the total cost of gas by eighty five percent (85%) of the annual credits received from upstream pipelines resulting from upstream capacity assignments and streaming transactions;

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