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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

Factor of Adjustment

The rates for gas service under Service Classification No. 1 and 2 shall be subject each month to an increase or a decrease of 0.01035 cents per 100 cu. ft. for each 0.01 cent per 100 cu. ft. increase or decrease in the average cost of firm gas above or below the base cost of gas to the Company.

In accordance with the New York State Public Service Commission's Opinion and Order in Case No. 90-G-0673, the factor of adjustment to adjust the cost of gas for lost and unaccounted for gas will be determined in each Company rate case.

Base Cost of Gas

The base cost of gas is 30.000 cents per 100 cu. ft.

Average Cost of Gas

The average cost of gas shall be computed monthly by:

- (1) applying the rates and charges of the Company's gas suppliers which will have been in effect not less than fifteen (15) days prior to the effective date of the gas adjustment to the quantities of gas purchased from each supplier during the twelve (12) calendar months immediately preceding the computation date;
- (2) applying the average unit cost of basic liquefied petroleum feed stock and enrichment products in storage at the date of computation (or the last preceding month in which storage was maintained) to the quantities of said products used in the manufacture of gas for the Company's own customers during the twelve calendar months immediately preceding the computation date;
- (3) for new or substantially amended gas or feedstock supply contracts under which gas or feedstock has not been purchased during all of the twelve (12) calendar months immediately preceding the computation date, by applying the rates and charges of the supplier or suppliers which will have been in effect not less than fifteen (15) days prior to the effective date of the gas adjustment to the quantities estimated to be purchased under each such contract or estimated to be manufactured from such feedstock supplies; Substantially amended supply contracts as used in (3) above means amendments having the effect of increasing or decreasing either the quantities of gas or feedstock supply or the cost of that gas or feedstock supply by more than five percent;

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