

PSC NO: 15 ELECTRICITY LEAF: 104
COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 8
INITIAL EFFECTIVE DATE: 08/01/06 SUPERSEDING REVISION: 6
Issued in Compliance with Order in C.05-E-0934 dated July 24, 2006

29. ENERGY COST ADJUSTMENT MECHANISM

The charges for electric energy delivered and/or supplied under all Service Classifications shall be adjusted each month upward or downward by the components of the Energy Cost Adjustment Mechanism, as appropriate, all as defined below.

Factor of Adjustment

The factor of adjustment is used to adjust certain costs for lost and unaccounted for kilowatthours. The factor of adjustment shall be set at 1.0420 and will be determined in each Company rate case. To the extent that the components of the Energy Cost Adjustment Mechanism, as defined below, are determined based on sales rather than output, this factor shall not be applied to these components.

Market Price Charge (MPC)

The MPC is designed to recover the cost of providing electric power supply to full service delivery customers.

The MPC includes, but is not limited to, the cost of all commodity related purchases, including energy, installed capacity, risk management and fees and charges assessed by the New York State Independent System Operator (NYISO), as well as all ancillary charges incurred prior to February 1, 2002, and on and after July 1, 2007, made by the Company on behalf of its full service customers. Energy and installed capacity provided from the Company's own generation and/or purchased from Independent Power Producers (IPP) and retained for load modification purposes, and/or purchased under either the Transition Power Agreement or the Purchased Power Agreement (Agreements), including such purchases under these Agreements that are transacted through financial arrangements, will be included in the MPC at the cost the Company would have incurred if this energy and installed capacity were purchased solely from the NYISO market, as calculated on a load-weighted average market price based on available NYISO billing data at the end of each month. An allowance for bad debts and working capital costs will also be included in the MPC.

Effective August 1, 2006 three MPC Groups will be implemented: (1) Service Classification Nos. 1, 2 and 9; (2) Service Classification No. 6; and (3) Service Classification Nos. 5 and 8. The total actual MPC, as determined above, will be allocated to the MPC Groups based on each MPC Group's average load shape, as expressed as the average ratio of total NYISO hourly Day-Ahead Locational Based Market Price (DAM) costs to MWh for each MPC Group. Each MPC Group's ratio will be multiplied by an estimate of the MPC Group's allocation of full service sales, as a percentage of all MPC Group full service sales, for the collection period. The resulting product for each MPC Group will be multiplied by the total actual MPC, as determined above. The sum of the products for each MPC Group will determine the total Base MPC. The total Base MPC to be collected will be adjusted to reflect the total actual MPC by allocating the difference between the Base MPC and the total actual MPC based on the ratio of each MPC Group's current contribution to the total Base MPC.

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