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COMPANY: CENTRAL HUDSON GAS & ELECTRIC CORPORATION REVISION: 6
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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 1.0437 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, also referred to as the Purchased Power Recovery mechanism in the Joint Proposal in Case 00-E-1273, as approved by the Public Service Commission in its Order issued and effective October 25, 2001, is designed to recover the market 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, 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.

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