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27. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd)

Energy Business Tax Surcharge

Effective October 1, 1991 the gas cost adjustment will include a surcharge designed to recover the expense of the Energy Business Tax incurred for the months of July and August 1991, imposed under Section 301-i of the N.Y.S. Tax Law. The surcharge will remain in effect for a twelve month period. Following the surcharge period, the Company will reconcile the Energy Business Tax Surcharge paid by the customers with the actual expense incurred. Any over or under collection greater than 0.5%, will be included in a one-time adjustment on the month succeeding the calculation date. This surcharge shall not apply to sales to exempt customers as defined in Section 301-i (d) of the Tax Law.

Transition Surcharge

Effective April 1, 1999 the Gas Cost Adjustment applicable to core sales customers will include a surcharge designed to collect the cost of the upstream pipeline capacity under contract to the Company but no longer used to serve customers as a result of third party capacity being used to serve firm transportation customers. This surcharge will also be included in the Transportation Demand Adjustment and applied to post-aggregation transportation customers operating under Service Classification Nos. 6, 12 and 13. The formula used to derive the Transition Surcharge is as follows:

$$\text{\$cap} = (\text{tcap} / \text{ucap}) \times \text{ucap}\$$$

Where

tcap=	amount of capacity associated with customers using third party capacity (dth)
ucap=	total utility upstream pipeline capacity (dth)
ucap\$=	utility upstream capacity costs (\$)

The revenues the Company is able to achieve by releasing the underutilized upstream capacity to third party buyers will be used to reduce the amount to be collected through the Transition Surcharge.

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