

GENERAL INFORMATION

19. INCREASE IN RATES APPLICABLE IN MUNICIPALITY WHERE SERVICE IS SUPPLIED

(A) General

The rates and charges for service under all Service Classifications of this Rate Schedule shall be increased to reflect the taxes imposed on the Company in the municipality where service is supplied pursuant to Section 186-a (Gross Receipts Tax) and Sections 209-b and 186-c (Metropolitan Transportation Authority Business Tax Surcharge) of the New York State Tax Law, Section 20-b of the General City Law, and Section 5-530 of the Village Law. The rates and charges shall also be subject to a surcharge factor to reconcile the State Income Tax expense as described in Section B below.

The taxes imposed on the Company under the tax laws set forth above shall be recovered through surcharge factors. The surcharge factor is 1 minus the tax rate for the appropriate municipality.

(B) New York State Tax Law Section 209 (State Income Tax)

The surcharge factors shall reflect the amount determined by the Department of Public Service necessary to reconcile the Company's tax expense for any previous period through October 2003 pursuant to the Order of the Commission issued June 28, 2001 in Case No. 00-M-1556 and the Joint Proposal in Case No. 03-E-0797 approved by the Commission in its Order dated October 23, 2003.

The State Income Tax surcharge factors shall be applied to the Customer Charge, Delivery Charge, and, where applicable, the Peak Activated Delivery Charge of the applicable Service Classification.

(C) New York State Tax Law Sections 209-b and 186-c (Metropolitan Transportation Authority Business Tax Surcharge)

The rates and charges under all Service Classifications applicable in the counties of Orange and Rockland shall be increased to recover the tax expense imposed by the temporary Metropolitan Transportation Authority Business Tax Surcharge.

A revised Statement of Increase in Rates and Charges described in Section E below will be filed for each year the Metropolitan Transportation Authority Business Tax Surcharge is applicable. The actual business tax surcharge expense shall be reconciled with the revenues produced during each twelve-month period and an adjustment will be made, if necessary, in the last two months of each twelve-month period.

GENERAL INFORMATION

19. INCREASE IN RATES APPLICABLE IN MUNICIPALITY WHERE SERVICE IS SUPPLIED (Continued)

- (D) New York State Tax Law Section 186-a (Gross Receipts Tax), Section 20-b of the General City Law, and Section 5-530 of the Village Law

For the purpose of this provision, the following definitions apply: the term “commodity rates and charges” shall mean the “Market Supply Charge” as set forth in General Information Section No. 14 and the various special charges set forth in the General Information Section(s) of this Rate Schedule; the term “delivery rates and charges” shall mean all other rates and charges of this Rate Schedule.

The tax expense shall be recovered through separate residential and non-residential surcharge factors applicable to the delivery rates and charges and surcharge factors applicable to the commodity rates and charges. The commodity and delivery rates and charges shall be divided by the applicable surcharge factors for the appropriate municipality.

- (E) Statement of Increase in Rates and Charges

The applicable tax surcharge factors shall be set forth on the “Statement of Increase in Rates and Charges” (the “Statement”) filed with the Commission. Whenever there is a change in a rate of tax imposed on the Company or the amount to be collected or reconciled, the Company shall file with the Commission a new Statement reflecting such new surcharge factors. Such Statement shall be filed not less than fifteen (15) business days before the date on which the Statement is proposed to be effective, which shall be no sooner than the date of the tax enactment to which the Statement responds, and no sooner than the date when the tax enactment is filed with the Secretary of State. Such new surcharge factors shall apply to bills rendered on and after the effective date of the Statement. Such Statement shall be canceled not more than five (5) business days after the tax enactment either ceases to be effective or is modified so as to reduce the tax rate. Such Statement will be available to the public at Company offices at which application for service may be made.