

P.S.C. NO. 3 ELECTRICITY**ORANGE AND ROCKLAND UTILITIES, INC.**

INITIAL EFFECTIVE DATE: July 1, 2012

SUPERSEDING REVISION:

LEAF: 217

REVISION: 1

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Issued in compliance with Order in Case 11-E-0408 dated 06/15/2012.

GENERAL INFORMATION**15. MARKET SUPPLY CHARGE ("MSC") (Continued)****15.2 MSC ADJUSTMENT**

The MSC Adjustment will be determined monthly by subtracting the Company's Actual Monthly Total MSC Cost, including costs associated with both voluntary and mandatory day-ahead hourly pricing customers, and the reconciliation of supply costs and revenues from two months prior, from total MSC revenue recovered through the Forecast MSC Component, MSC Adjustment, and both voluntary and mandatory day-ahead hourly pricing charges, and dividing the result by the Company's billing month forecast of kWh sales for customers subject to the MSC. The MSC Adjustment will be developed on a two-month lag and will be assessed on an equal cents per kWh basis for all customer classes subject to the MSC with the following exception. The costs/benefits associated with hedging instruments shall not be included in the MSC Adjustment applicable to Service Classification No. 9, Service Classification No. 22, and Service Classification No. 25, Rates 3 and 4 customers.

Actual Monthly Total MSC Costs

The Actual Monthly Total MSC Cost will include all costs associated with purchasing energy, capacity, and ancillary services incurred by the Company in providing electric power supply including costs associated with Non-Utility Generator ("NUG") contracts and costs/benefits associated with hedging instruments. The Actual Monthly Total MSC cost will also include the lost delivery service revenue associated with Rider K and Rider M. The Actual Monthly Total MSC Cost shall be reduced by any penalty amounts received from customers under Rider K, in excess of penalty amounts paid by the Company to the NYISO under the NYISO's Day Ahead Demand Reduction Program.

15.3 MANDATORY DAY-AHEAD HOURLY PRICING ("DAHP")**(A) Applicability**

Mandatory DAHP is applicable to customers receiving power supply from the Company under Service Classifications Nos. 9, 22, and 25 (Rates 3 and 4).

Issued By: William Longhi, President, Pearl River, New York