

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

INITIAL EFFECTIVE DATE: July 1, 2012

LEAF: 216
REVISION: 1
SUPERSEDING REVISION: 0

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

GENERAL INFORMATION**15. MARKET SUPPLY CHARGE ("MSC") (Continued)****15.1 FORECAST MSC COMPONENT (Continued)****(C) Capacity**

For each capacity group (as defined below) the capacity component, in cents per kWh, shall be determined for each NYISO capability period by dividing the product of (a) the total full service customer and retail access customer capacity obligations and (b) the pre-capability period strip auction price paid by the Company for the capacity it purchases from the NYISO for Zone G prior to the start of each summer and winter capability period by (c) the total projected full service customer and retail access customer kWh deliveries for the capability period. Capacity obligations are based on the peak loads from the prior year at the time of the New York Control Area peak. Each customer's peak load is adjusted to include the Unforced Capacity Requirement of the NYISO and the applicable class-specific demand loss factor. The capacity component is set for each of the following seven categories:

Group A: SC Nos. 1 and 19;

Group B: SC No. 2 - Secondary, SC No. 20, SC No. 25, Rate 1 customers exempt from Mandatory DAHP;

Group C: SC No. 2 - Primary, SC No. 3, SC No. 21, SC No. 25, Rate 2, and customers from the following classes who are exempt from Mandatory DAHP: SC No. 9 - Primary, SC No. 22 - Primary, and SC No. 25, Rates 3 and 4 - Primary;

Group D: Customers from the following classes who are exempt from Mandatory DAHP: SC No. 9 - Substation, SC No. 22 - Substation, and SC No. 25, Rates 3 and 4 - Substation;

Group E: Customers from the following classes who are exempt from Mandatory DAHP: SC No. 9 - Transmission, SC No. 22 - Transmission, and SC No. 25, Rates 3 and 4 - Transmission;

Group F: SC Nos. 4, 6, and 16; and

Group G: SC No. 5

(D) Hedging Adjustment

The Hedging Adjustment will be based on the estimated costs or benefits associated with hedging instruments for the billing month. The Hedging Adjustment will be determined by dividing the estimated hedging gains/losses for the billing month by the billing month forecast of kWh sales for customers subject to the MSC.

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