

PSC NO. 4 GAS
ORANGE AND ROCKLAND UTILITIES, INC.
INITIAL EFFECTIVE DATE: June 1, 2007

LEAF: 73.1
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION

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

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(2) Balancing Cost

Balancing ("load following") costs shall be equal to the sum of the Companies' annualized fixed storage charges and fixed pipeline transportation charges from storage to the pipeline delivery point(s) at the boundary of the Companies' service territories utilized for balancing purposes.

The balancing cost shall be allocated to each company using a fixed percentage. The fixed percentages are based on ratios of each Company's forecasted balancing requirement to the total forecasted balancing requirement of the Companies. These fixed percentages shall initially become effective as of the effective date of this leaf and shall remain in effect through October 31, 2007. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in balancing requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

The Company's share of balancing costs shall be reduced by:

- (a) all costs recovered via the Balancing Charge for service rendered under Service Classification No. 6; and
- (b) Firm Transportation Charges associated with the Winter Bundled Sales Service Option under Service Classification No. 11.

Issued By: John D. McMahon, President, Pearl River, New York
(Name of Officer, Title, Address)