

PSC NO. 4 GAS LEAF: 73
ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 12
INITIAL EFFECTIVE DATE: December 28, 2005 SUPERSEDING REVISION: 11

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.)

(1) Fixed Cost (Cont'd.)

The fixed gas cost of the Companies shall be developed by applying the fixed rates and charges of the transporters, storage providers, and suppliers to the annual billing determinants associated with pipeline capacity, storage capacity, and purchased gas contract entitlements except billing determinants associated with balancing service. The fixed cost shall be allocated to each company using a fixed percentage. The fixed percentage is based on the ratio of each Company's fixed cost as of June 30, 2000.

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

- (a) All penalty charges assessed under Service Classification No. 11; and
- (b) The annual cost of capacity associated with Service Classification No. 11 - Capacity Option B.
- (c) Estimated revenues from off-system sales, less any associated gas costs.

The Company's share of fixed costs, adjusted as specified above, shall be divided by the forecast quantities of gas to be taken for delivery to the Company's firm sales customers for the 12 calendar months ending the following August 31.

(2) Balancing Cost

Balancing 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.

The balancing cost shall be allocated to each company using a fixed percentage. The fixed percentage is based on the ratio of each Company's balancing cost as of June 30, 2000.

The Company's share of balancing costs shall be reduced by all costs recovered via the Balancing Charge for service rendered under Service Classification No. 6.

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