

PSC NO. 4 GAS LEAF: 79.3
ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0
INITIAL EFFECTIVE DATE: December 28, 2005 SUPERSEDING REVISION:

GENERAL INFORMATION**12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS**
(Cont'd.)**12.2 MONTHLY GAS ADJUSTMENT** (Cont'd.)**(B) Transition Adjustment for Competitive Services** (Cont'd.)**(3) Reconciliation**

Subsequent to the twelve-month period ending October 31, 2007 and each twelve-month period thereafter, Lost Revenues will be compared to the Competitive Service amount reflected in gas rates. There will be a full reconciliation for each such twelve-month period if the Lost revenues were; (i) lower than the Competitive Service amount reflected in gas rates, or (ii) higher than the Competitive Service amount reflected in gas rates, provided equity earnings are less than the Company's equity earnings sharing trigger, if any. The amount to be credited to or collected from customers, if any, plus interest (calculated at the Other Customer Capital Rate), is the Reconciliation Amount.

(4) Calculation of the Transition Adjustment

The amount to be collected from or credited to customers through the Transition Adjustment is equal to Estimated Competitive Services Over/Under Collections for the current period plus any Reconciliation Amount plus any prior period deferrals. Half of the amount to be collected from or credited to customers will be assigned to Service Classification Nos. 1 and 2 customers; the balance will be collected from or credited to Service Classification Nos. 1, 2 and 6 customers. The amounts to be collected from or credited to customers will be divided by the estimated total annual Ccf deliveries to which the Transition Adjustment will be applied to determine the per Ccf Transition Adjustment, expressed to the nearest 0.001 cent per Ccf. If the above calculation results in a Transition Adjustment of less than 0.001 cent per Ccf, the total amount to be recovered from or refunded to customers will be deferred, with interest, for later recovery or refund through application to customers' bills in a subsequently determined Transition Adjustment.

The first period for which the Transition Adjustment will be in effect will be the twelve-month period commencing November 1, 2006. Subsequent periods will be twelve-month periods commencing November 1 of each year.

The Transition Adjustment will be calculated on an annual or more frequent basis, as provided herein.

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