

<b>PSC NO. 4 GAS</b>	<b>LEAF:</b>	<b>156</b>
<b>ORANGE AND ROCKLAND UTILITIES, INC.</b>	<b>REVISION:</b>	<b>6</b>
<b>INITIAL EFFECTIVE DATE: May 1, 2004</b>	<b>SUPERSEDING REVISION:</b>	<b>3</b>

**SERVICE CLASSIFICATION NO. 11 (Cont'd.)****FUNCTIONAL STORAGE SERVICE OPTION: (Cont'd.)**

The interstate pipeline capacity used to serve the ADSU and AHLR determined in accordance with the above paragraph is the MAX ADCQ. The MAX ADCQ is the amount of firm pipeline capacity to be obtained by the Seller for its Functional Storage Service customers.

The interstate pipeline capacity allocation percentages and the cost of the Functional Storage Service Option are shown in the "Statement of Rates to Qualified Sellers and Firm Transporters of Gas" applicable to Service Classification No. 11 and filed with the Commission each month.

Monthly, a Seller will be obligated to deliver the ADCQ specified by the Company for customers that elect the Functional Storage Service Option. The ADCQ specified each month will be sufficient to serve the customers' average daily use during the month, based on the prior year weather-normalized usage for the same month, plus a daily amount of gas to be delivered for storage service. The storage gas each month shall be the first gas through the meter. The storage gas shall be delivered to the Company at fairly uniform monthly rates through October 31 of each year. The storage gas to be delivered each month shall be approximately one-seventh of the allocated FASC.

A Seller must elect annually, by April 15th, for all customers in the Seller's Aggregation Group electing the Functional Storage Service Option either the Rollover Option or the Cash-Out Option described below. Such election shall become effective on May 1 of each year.

**Rollover Option**

For each month, the Company will calculate the difference between the Seller's Functional Storage Service Option customer's actual usage and the ADCQ, adjusted for storage volumes, multiplied by the number of days in the billing period, taking into consideration any adjustment from prior months, and shall adjust the ADCQ for a succeeding month by that difference divided by the total number of days in the month, provided that such adjustment will neither increase that month's adjusted ADCQ to a level greater than the Seller's MAX ADCQ for the year nor decrease that month's adjusted ADCQ to a level less than zero. The increment of any such adjustment that results in a particular month's ADCQ being greater than the MAX ADCQ or less than zero will be carried to a future month.

**Cash-Out Option**

For each month the Company will calculate the difference between the Seller's Functional Storage Service Option customer's actual usage and the ADCQ, adjusted for storage volumes, multiplied by the number of days in the billing period. If there is an imbalance at the end of the month, the over-delivered volumes will be purchased by the Company from the Seller and the under-delivered volumes will be sold by the Company to the Seller at a rate equal to the monthly average of the highest daily "Midpoint" rate of the Louisiana - Onshore South, "Tennessee" receipt points for such month as published in Gas Daily in the table "Daily Price

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