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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 1  
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**SERVICE CLASSIFICATION NO. 11****CAPACITY OPTIONS FOR SELLERS - (Cont'd.)**

## Capacity Option A - Capacity Released by the Company - (Cont'd.)

- (ii) the capacity requirements of existing firm transportation customers that switch from a Seller not electing this option to a Seller electing Capacity Option a to serve part or all of the Seller's customers' needs, provided that the Company has or is able to obtain the capacity needed to provide such additional capacity..

Firm interstate pipeline capacity will be released to the Seller, acting as an agent for the customer, at the interstate pipeline's maximum firm transportation rates under its FERC gas tariff. The Seller shall be directly billed by the pipeline for such capacity and will be responsible for paying the pipeline for such charges. The rates shall be subject to adjustment each month to the extent that the maximum firm reservation rate at which the capacity is released varies from the Company's weighted average cost of firm pipeline capacity, which includes the capacity cost of citygate bundled purchases (for purposes of this section "WACOC"). The WACOC will be adjusted to reduce the TransCanada demand charges to the extent necessary to result in comparability between Canadian and domestic commodity costs. If the Seller pays the pipeline for the capacity released at a reservation rate higher than the Company's WACOC, the Seller will receive a credit on the customer's behalf for the difference between the rate the Seller paid the pipeline and the Company's WACOC multiplied by the quantity of released capacity. If the Seller pays the pipeline at a reservation rate that is lower than the Company's WACOC, the Seller will pay a charge on the customer's behalf for the difference between the rate the Seller paid the pipeline and the Company's WACOC multiplied by the quantity of released capacity. The Company's WACOC shall be adjusted periodically to reflect the Company's current costs of firm pipeline capacity. Such WACOC, as adjusted, is shown on the "Statement of Rates to Qualified Sellers and Firm Transporters of Gas".

The capacity released to the Seller will be recalled by the Company if: (1) the MAX ADCQ applicable to firm customers served by the Seller behind the Company's citygate decreases; (2) the Seller fails to comply with the terms and conditions of this Rate Schedule, and/or the Company's Gas Transportation Operating Procedures; or (3) the Seller fails to comply with an interstate pipeline company's capacity release provisions. The Company may also recall capacity in the event of non-performance by Seller as specified in Special Provision B below.

The Seller shall indemnify the Company from all losses and damages resulting from the actions or inactions of the Seller under the Capacity Release Service Agreement with the Company and the pipeline service agreement(s). The Seller, acting as the customer's agent, shall also warrant title to the gas transported under these agreements.

**Issued By: Stephen B. Bram, President, Pearl River, New York**  
**(Name of Officer, Title, Address)**