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 COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 2
 INITIAL EFFECTIVE DATE: 07/01/99 SUPERSEDING REVISION: 1
 STAMPS: Issued in compliance with Order in Case 98-G-1785 et. al. dated 02/22/
 CANCELLED by Supplement 11 effective 06/29/00
 Suspended by order in Case 98-G-1785. See suppl. No. 8,
 Effective date postponed to 10/01/99. See Supplement No. 5
 RECEIVED: 05/24/99 STATUS: Cancelled EFFECTIVE: 07/01/00

GENERAL INFORMATION

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

12.1 APPLICABLE TO SERVICE CLASSIFICATION NOS. 1 AND 2 (Cont'd.)

(M) Reliability Surcharge

Customers will be assessed a Reliability Surcharge as set forth in the Statement of Gas Adjustment or Statement of Adjustments to Firm Transportation Rates, as applicable, to recover costs associated with upstream assets from which such customers derive benefits in the form of reliable, continuous service.

The Reliability Surcharge shall be calculated as follows:

$$\text{Reliability Surcharge} = \frac{\text{Reliability Costs}}{\text{Projected Volumes}}$$

where:

$$\text{Reliability Costs} = \frac{\text{apdc\$}}{\text{ucap}} * \text{rsv}$$

apdc\$ = annual peak day capacity cost, less OPT6 cost, less Transition Surcharge cost (\$cap as defined in General Information Section 12.1(L))

ucap = total Company upstream pipeline capacity (Dth)

rsv = pddr * rr

pddr = peak day requirements of Service Classification Nos. 1, 2, 5 and 6 estimated annually by November 1 of each year

rr = reserve rate of 20%

Projected Volumes = the volumes estimated to be sold and delivered to customers under Service Classification Nos. 1, 2 and 5, plus transportation volumes estimated to be delivered to Service Classification No. 6 customers.

12.2 APPLICABLE TO ALL SERVICE CLASSIFICATIONS

(A) Supplier Refund Provision

In the event that the rates and charges of a gas supplier are retroactively reduced and the Company receives a refund of excess charges paid to the supplier during the period to which the retroactive reduction is applicable, the Company will allocate the refund, including Company interest, to its