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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0
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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.)

(E) Credit/Surcharge for Interruptible and Firm Dual Fuel Sales and Transportation Service Benefits (Cont'd.)

Interruptible benefits shall be reduced by \$3,300,000 and any variation in actual net firm dual fuel revenues from the target revenues of \$1,183,600 established in the Company's last base rate proceeding. Net firm dual fuel revenue shall be defined as total revenue obtained from firm dual fuel (S.C. No. 5) sales minus gas costs, revenue tax surcharge revenues, TOP surcharge revenue, and ULIEEP surcharge revenues.

Eighty percent of the benefits so determined shall be credited (or surcharged if negative) to S.C. Nos. 1, 2, and 6 customers. The rate of credit (or surcharge) shall be determined by dividing the estimated benefits available to S.C. Nos. 1, 2, and 6 customers for the twelve-month period ending March 31 of each year by the S.C. Nos. 1, 2, and 6 sales volumes estimated for that period.

The remaining twenty percent of the benefits, if any, shall be retained by the Company and shall be excluded from any determination of Company earnings in excess of the level allowed by the Public Service Commission as any of the provisions of Section 66, subsection 20 of the Public Service Law of the State of New York.

- (2) The unit rate determined in (1) will be applied to the firm gas adjustment charge previously calculated. At the end of the fiscal year, the Company will determine the actual benefits accrued and compare this amount to the benefits disbursed to (or recovered from) the firm gas customers during the fiscal year.

Any difference between the benefits accrued and the benefits disbursed (or recovered) shall be reflected in the estimated credit (or surcharge) for the next fiscal year. This procedure will continue as long as the Company is making interruptible and/or firm dual fuel sales, providing interruptible transportation service or as long as there is a residue of benefits to be disbursed (or recovered).

- (3) The Company shall modify the unit rate determined in (1) if a significant change to its estimate of (a) sales volumes to firm, firm dual fuel and/or interruptible customers, (b) volumes transported to interruptible transportation customers and/or (c) benefits, occurs during a fiscal year.

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(Name of Officer, Title, Address)