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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0  
INITIAL EFFECTIVE DATE: 10/15/97 SUPERSEDING REVISION:  
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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.)

(D) Average Cost of Gas (Cont'd.)

- (5) Increasing such cost by the replacement cost of fuel established as compensation, under Section 11.1(E)(1) of this Schedule, to customers resulting from the diversion of gas from non-core customers to core customers.
- (6) Dividing the remainder by the quantity of gas available for sale to retail customers for all service except that supplied on an interruptible (S.C. Nos. 3 and 7) or firm dual fuel (S.C. No. 5) basis during such twelve months. If the Company has included estimated quantities in the average cost of gas computation, an estimate of the gas sales related to the new supplies to be purchased will be added to the quantities of gas sold by the Company during the preceding twelve months.

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

The gas adjustment charge as computed shall be adjusted to reflect the benefits available to S.C. Nos. 1, 2, and 6 customers from interruptible (S.C. No. 3) sales, firm dual fuel (S.C. No. 5) sales and interruptible transportation (S.C. Nos. 4 and 8) service as follows:

- (1) Interruptible benefits shall be defined as total interruptible (S.C. Nos. 3, 4 and 8) revenues, excluding revenues obtained from inter-departmental transfers to electric generation, minus gas costs and revenue tax surcharge revenues, and for the interim recovery period commencing April 1, 1989, minus an amount equal to the volumes of gas sold and transported times a surcharge calculated according to the Stipulation and Resolution of Issues approved by the Commission in Case 88-G-062. The surcharge is designed to collect, subject to refund, a certain portion of Take or Pay (TOP) charges currently being billed to the Company by interstate pipeline suppliers, as well as a certain portion of TOP charges heretofore deferred.

Issued By: Larry S. Brodsky, President, Pearl River, New York  
(Name of Officer, Title, Address)