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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 6
INITIAL EFFECTIVE DATE: 06/28/01 SUPERSEDING REVISION: 5
STAMPS:
Effective date postponed to 08/01/01. See Supplement No. 18
RECEIVED: 05/21/01 STATUS: Effective EFFECTIVE: 08/01/01

GENERAL INFORMATION

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

12.1 GAS SUPPLY CHARGE (Cont'd.)

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

(2) Balancing Cost (Cont'd.)

The Company's share of balancing costs, adjusted as specified above, shall be divided by the forecast quantities of gas to be taken for delivery to the Company's firm sales customers for the 12 calendar months ending the following August 31.

(3) Variable Cost

Variable gas costs include purchased gas cost, storage gas cost, alternate gas supplies, i.e., liquefied natural gas, liquefied propane gas, and propane-air, variable transportation costs, fuel retention costs, applicable surcharges and taxes, the commodity cost of gas associated with bundled purchases made by the Company including bundled purchases associated with Service Classification No. 11, and the cost associated with risk management programs.

The variable cost of the Companies shall be determined by:

- (i) applying the variable rates and charges of the transporters, storage and peaking providers, and suppliers to the billing determinants associated with transportation, storage and peaking, bundled purchases, and gas supply for the forecasted weather normalized quantities of gas to be taken for delivery to the Companies' firm sales customers during the month in which the gas supply charge will be in effect, adjusted further for the costs associated with risk management programs; and
- (ii) applying the average unit cost of gas in storage at the date of computation to the quantities of gas estimated to be withdrawn from storage for the Companies' firm sales customers during the month in which the gas supply charge will be in effect.

The variable cost shall be allocated between the companies in proportion to their respective monthly firm sales sendout quantities.

The Company's share of the variable cost shall be adjusted as follows:

- (a) The Company's share of the variable cost shall be reduced by all gas costs recovered via the rates and charges for service rendered under Service Classification No. 9 or 10 of this

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

Schedule.

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