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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0
INITIAL EFFECTIVE DATE: 08/24/98 SUPERSEDING REVISION:
STAMPS:
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SERVICE CLASSIFICATION NO. 12 (Cont'd.)

FUNCTIONAL STORAGE SERVICE OPTION: (Cont'd.)

- c) the quantity of gas in storage that must be purchased by Seller.
- d) the Demand Transfer Rate on Sales ("DTRS") applicable to storage inventory sold to the Company, and the Demand Transfer Rate on Purchases ("DTRP") applicable to storage inventory purchased from the Company. The DTRS and DTRP shall apply only to sales customers of the Company electing service under this Service Classification or customers being served under this Service Classification that elect to return to sales service.

The items above shall be determined in the following manner:

A customer's average daily usage during the preceding billing months of June through September shall be the Average Daily Summer Usage ("ADSU"). The ADSU multiplied by the number of days in a year is defined as the Annual Base Load Usage ("ABLU"). A customer's actual annual, weather-normalized usage for the most recent 12-month billing period, less the ABLU is defined as the Annual Heat Load Requirement ("AHLR"). The AHLR multiplied by the system ratio of Peak-Day Heat Load to Annual Heat Load is defined as the Peak-Day Heat Load Requirement ("PDHLR"). The sum of the ADSU and the PDHLR multiplied by the factor of adjustment contained in General Information Section 12, converted to an energy basis by using the conversion factor shown in the Monthly Statement of Adjustment for Firm Transportation Rates, Service Classification No. 6, is the total capacity required ("TCR") to serve the customer.

A Functional Storage Service customer will be allocated FASC based on the percentage of the Company's system requirements that are served by storage service. A copy of the methodology is included in the firm Transportation Information Packages that the Company provides Service Classification No. 6, 11 and 12 customers. If the percentage of the Company's system requirements that are served by storage service change, the new percentage will be used commencing in April each year.

Issued By: R. Lee Haney, Chief Financial Officer, Pearl River, New York
(Name of Officer, Title, Address)