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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 9
INITIAL EFFECTIVE DATE: 08/01/00 SUPERSEDING REVISION: 5
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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) Average Cost of Gas (Cont'd.)

The Company's monthly average cost of gas applicable to the rates under Service Classification Nos. 1 and 2 shall be based upon the Company's apportioned share of fixed, balancing and variable costs and shall be computed as follows:

(1) Fixed Cost

Fixed gas costs include pipeline demand charges, supplier gas inventory charges, storage demand charges, and any similar charges that do not vary with the volume of gas purchased except for balancing costs as described below.

The fixed gas cost of the Companies shall be developed by applying the fixed rates and charges of the transporters, storage providers, and suppliers to the annual billing determinants associated with pipeline capacity, storage capacity, and purchased gas contract entitlements except billing determinants associated with balancing service. The fixed cost shall be allocated to each company using a fixed percentage. The fixed percentage is based on the ratio of each Company's fixed cost as of June 30, 2000.

The Company's share of fixed costs shall be reduced by:

- (a) All penalty charges assessed under Service Classification Nos. 11 and 12; and
- (b) The annual cost of capacity associated with Service Classification No. 12.

The Company's share of fixed 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.

Issued By: Kevin Burke, President, Pearl River, New York
(Name of Officer, Title, Address)