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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 3
INITIAL EFFECTIVE DATE: 08/01/00 SUPERSEDING 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.)

(F) Transfer Credit

The gas adjustment charge shall be adjusted to reflect the amount received from the transfer of gas to electric generating facilities previously owned by the Company less any associated gas costs. Such difference shall be allocated proportionally, based on volumes delivered, between Service Classification Nos. 1, 2 and 6.

(G) 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 received from the transfer of gas to electric generating facilities previously owned by the Company, minus any associated 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.

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.

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