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COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 2
INITIAL EFFECTIVE DATE: 11/01/99 SUPERSEDING REVISION: 0
STAMPS: Issued in compliance with Order in Case 97-G-1380 dated 08/19/99
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SERVICE CLASSIFICATION NO. 12 (Cont'd.)

BALANCING SERVICE OPTION:

For Balancing Service Option customers, the DCQ for each calendar month shall be calculated by the Company by dividing each customer's weather-normalized usage for each month of the most recent twelve billing months by the total number of days in each billing month and restating the billing month usage on a calendar month basis. The Company may adjust each customer's DCQs during the year due to changes in the customer's gas equipment or pattern of usage. For new customers, the initial monthly DCQ will be estimated by the Company based on the rating of the customer's gas-fired equipment and the expected utilization of such equipment.

The daily DCQs determined, as set forth above, reported on a volumetric basis shall be aggregated by month for each of the twelve months for all Balancing Service Option customers within a Seller's Aggregation Group. The result obtained shall be the monthly ADCQ. The monthly ADCQ shall be multiplied by the Company's factor of adjustment as defined in General Information Section 12 and then converted to an energy basis by using the conversion factor shown in the Monthly Statement of Adjustments to Firm Transportation Rates, Service Classification No. 6. The highest ADCQ determined in the twelve-month period is the ("MAX ADCQ"). Seller shall be obligated to deliver the ADCQ each day during the month. At the end of each month, the Company will calculate the difference between the Seller's Balancing Service Option customer's actual usage and the ADCQ multiplied by the number of days in the billing period, taking into consideration any adjustment from prior months, and shall adjust the ADCQ for a succeeding month by that difference divided by the total number of days in the month, provided that such adjustment will neither increase that month's adjusted ADCQ to a level greater than the Seller's MAX ADCQ for the year nor decrease that month's adjusted ADCQ to a level less than zero. The increment of any such adjustment that results in a particular month's ADCQ being greater than the MAX ADCQ or less than zero will be carried to a future month.

The ADCQ is the amount of gas that Seller must deliver to the Company daily. If Seller is also serving customers that have elected the Functional Storage Service Option, the ADCQ and the MAX ADCQ determined for the Functional Storage Service Option shall be added to the ADCQ and MAX ADCQs determined herein.

FUNCTIONAL STORAGE SERVICE OPTION:

For customers electing the Functional Storage Service Option pursuant to Service Classification No. 6, the customer's Seller will be provided by the Company:

- a) an ADCQ which shall be equal to the sum of the DCQs required each month for all Functional Storage Service customers in Seller's Aggregation Group. The ADCQ represents the volume of gas the Seller is required to deliver to the Company's city gate each day.
- b) the ("FASC") which shall be equal to the sum of the functional annual storage capacity allocated to each customer in Seller's Aggregation Group.

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