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 COMPANY: ORANGE AND ROCKLAND UTILITIES, INC. 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.)

(O) Transition Surcharge

Customers will be assessed a Transition Surcharge as set forth in the Statement of Gas Adjustment or Statement of Adjustments to Firm Transportation Rates, as applicable, to recover the stranded costs associated with gas restructuring pursuant to Cases 93-G-0932 and 97-G-1380. Stranded costs shall include the costs of upstream pipeline capacity not utilized for service to gas sales customers and not assigned to Qualified Sellers under Service Classification No. 11 due to customer migration to gas transportation service.

The Transition Surcharge shall be calculated as follows:

$$\text{Transition Surcharge} = \frac{\$cap - \$rev}{\text{Projected Volumes}}$$

where:

$$\$cap = \frac{tcap}{ucap} * ucap\$$$

tcap = stranded capacity associated with firm transportation customers purchasing gas from Qualified Sellers under Service Classification No. 12 (dth)

ucap = the Company's allocated share of upstream pipeline capacity (dth)

ucap\$ = the Company's allocated share of upstream capacity costs

\$rev = revenues received by the Company for the resale, reassignment or release of stranded capacity (tcap)

Projected Volumes = the volumes estimated to be sold and delivered to customers under Service Classification Nos. 1, 2 and 5 plus transportation volumes estimated to be delivered to Service Classification No. 6 customers commencing service thereunder on or after October 1, 1996.

Service Classification No. 6 customers who commenced service thereunder prior to October 1, 1996 shall not be subject to this provision.

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