

PSC NO. 4 GAS LEAF: 80.3.8
ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0
INITIAL EFFECTIVE DATE: November 1, 2015 SUPERSEDING REVISION:
Issued in compliance with Commission order in Case 14-G-0494, dated 10/16/15

GENERAL INFORMATION

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(M) Reliability Surcharge Mechanism ("RSM") (applicable to Service Classification Nos. 1, 2, and 6)

Beginning November 1, 2016, the Monthly Gas Adjustment may be adjusted by a per Ccf rate to recover the carrying costs on incremental capital expenditures associated with the replacement of leak prone pipe ("LPP") above the levels established in Case 14-G-0494.

In order for the RSM to be implemented, both the actual cumulative revenue requirement ("CRR") associated with the costs of LPP replacement incurred by the Company and the actual cumulative LPP footage replaced by the Company as of the end of the prior Rate Year must exceed the targets set forth in Appendix 23 to the Joint Proposal adopted by the Commission in its Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, issued October 16, 2015, in Case 14-G-0494.

Actual costs are recoverable up to a Cap that is set as follows:

- (1) The Cap is equal to the cumulative adjusted revenue requirement ("CARR") plus 1.5 times the percentage by which the actual cumulative LPP footage replaced exceeds the cumulative LPP footage replacement target provided for in rates.
- (2) The CARR is the CRR in rates increased by 3%, 6%, and 9% for the twelve-month periods beginning November 1, 2015 ("RY1"), November 1, 2016 ("RY2"), and November 1, 2017 ("RY3"), respectively.
- (3) All recoveries shall be refunded to ratepayers during the twelve-month period beginning November 1, 2018, if provision 1 above is not met for the cumulative targets for RY3 at the end of RY3.

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