

P.S.C. NO. 3 ELECTRICITY
ORANGE AND ROCKLAND UTILITIES, INC.
INITIAL EFFECTIVE DATE: January 1, 2015

LEAF: 252
REVISION: 2
SUPERSEDING REVISION: 1

GENERAL INFORMATION

25. ENERGY COST ADJUSTMENT ("ECA") (Continued)

(D) Reforming the Energy Vision ("REV") Surcharge

The REV Surcharge is designed to recover the incremental revenue requirement associated with the Company's REV-related projects.

Costs recovered through the REV Surcharge include program costs for customer-side and utility-side demand management programs that specifically address identified distribution system needs, other potential demonstration projects, as well as expenditures necessary to begin deployment of REV-related foundational investments. The REV Surcharge includes: (a) carrying charges on capital expenditures, customer incentives and program costs, and costs of third-party engagement (based on recovery periods of five years and ten years for customer-side and utility-side expenditures, respectively); and (b) recovery of O&M costs, incentives earned by the Company for achieving defined outcomes, and the costs to set up new programs or tools for customers, including customer outreach and education enhancements. Carrying charges are based on the Company's overall rate of return authorized by the Commission.

The initial REV Surcharge will be calculated to recover any expenditure made prior to the filing of the surcharge and the forecasted revenue requirement for the succeeding period. Subsequent filings will be made every six months and will include a true-up, including interest, of any prior period over- or under-collections of the actual revenue requirement for the prior period and the forecasted revenue requirement for the subsequent six-month period.

The REV Surcharge shall be assessed on a cents per kWh basis, and shall be equal to the REV Surcharge cost components defined above, divided by the Company's estimate of total customer kWh usage for the coming recovery period, rounded to the nearest \$0.00001 per kWh. The REV Surcharge shall not exceed \$0.00200 per kWh in any period unless a higher REV Surcharge is authorized by the Commission.

(E) Statement of Energy Cost Adjustment

A Statement of Energy Cost Adjustment showing the Base ECA, Variable ECA, REV Surcharge, if applicable, and effective date shall be filed with the Commission, apart from this Schedule. Such Statement shall be filed each year, on not less than thirty days notice, to establish the Base ECA to become effective on March 1. Such Statement shall also be filed not less than three business days prior to a proposed change in the Variable ECA or REV Surcharge. The Statement of Energy Cost Adjustment shall be made available to the public at Company offices where applications for service may be made.

Issued By: Timothy Cawley, President, Pearl River, New York