

GENERAL INFORMATION

25. REVENUE DECOUPLING MECHANISM ("RDM") ADJUSTMENT

Actual delivery revenues for certain customer classes are subject to reconciliation through an RDM Adjustment based on a revenue per customer ("RPC") methodology. Under the RPC methodology, Actual Delivery Revenue is compared, on an annual basis, with an annual Delivery Revenue Target equal to the product of the average number of customers and an annual RPC Target for each customer group subject to the RDM.

(A) Applicability

The RDM Adjustment is applicable to Service Classification Nos. 1, 2, and 6. For RDM purposes, these service classifications shall be assigned to service classification groups as follows:

Group A - Service Classification No. 1 and Service Classification No. 6 Rate Schedule IA customers.

Group B - Service Classification No. 2 and Service Classification No. 6 Rate Schedule IB and Rate Schedule II customers.

The RDM is not applicable to customers taking service under Riders B and C.

(B) Actual Delivery Revenue

Actual Delivery Revenue, determined for each customer group, will be calculated as the sum of billed revenue derived from: a) delivery charges as defined in Service Classification Nos. 1 and 2; b) transportation charges as defined in Service Classification No. 6; and c) the Weather Normalization Adjustment as described in General Information Section 12.3. For the 12-month period ending October 31, 2012, Actual Delivery Revenue will also include revenues associated with the Temporary Surcharge as described in General Information Section 12.2(H). Actual Delivery Revenues will not include revenues derived from the RDM Adjustment described below. Actual Delivery Revenues in November 2009, 2010 and 2011 will be adjusted upward to reverse the effect of proration between old and new rates in the actual revenues.

(C) Delivery Revenue Targets

RPC Targets are set for each 12-month period beginning November 1, 2009, 2010 and 2012 based on the respective period's total (billed and unbilled) delivery revenues (revenues associated with delivery charges as defined in Service Classification Nos. 1 and 2, revenues associated with transportation charges as defined in Service Classification No. 6, and revenues associated with the

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**25. REVENUE DECOUPLING MECHANISM ("RDM") ADJUSTMENT (Continued)**

(C) Delivery Revenue Targets (Continued)

Temporary Surcharge described in General Information Section No. 12.2(H)) divided by the average number of customers as defined in Appendix K to the Joint Proposal dated June 29, 2009 and adopted by the Commission in its Order issued and effective October 16, 2009 in Case No. 08-G-1398.

RPC Targets will be adjusted to reflect delivery rate changes that occur during the 36-month period ending October 31, 2012. The RPC Targets for the 12-month periods ending October 31, 2010, 2011, and 2012 for each customer group included in the RDM are listed below.

	<u>Group A</u>	<u>Group B</u>
Applicable November 1, 2009 through October 31, 2010	\$625.71	\$2,575.86
Applicable November 1, 2010 through October 31, 2011	\$691.11	\$2,641.60
Applicable November 1, 2011 through October 31, 2012	\$745.59	\$2,837.96

At the conclusion of each 12-month period ending October 31, 2010, 2011 and 2012, a Delivery Revenue Target for each customer group will be computed by multiplying the RPC Target by the actual average number of customers for the period.

Adjustments to the Delivery Revenue Targets may be necessary if new legislation or regulation results in a change in delivery revenues for some or all service classifications included in the RDM.

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(D) RDM Adjustment

Annual RDM Periods are the 12-month periods ending October 31, 2010, 2011 and 2012. For each customer group subject to the RDM, the Company will, at the end of each Annual RDM Period, compare Actual Delivery Revenue to the Delivery Revenue Target. If the Actual Delivery Revenue exceeds the Delivery Revenue Target, the delivery revenue excess will be refunded to customers through a customer group-specific RDM Adjustment during the RDM Adjustment Recovery Period (as described below). Likewise, if the Actual Delivery Revenue is less than the Delivery Revenue Target, this delivery revenue shortfall will be recovered through a customer group-specific RDM Adjustment from customers during the RDM Adjustment Recovery Period.

Beginning with the first month following the end of each Annual RDM Period, interest at the Commission's rate for other customer provided capital will be calculated each month on the average of the current and prior month's cumulative delivery revenue excess/shortfall (net of state and federal income tax benefits).

The Company will file a Statement of RDM Adjustments during the month following the end of each Annual RDM Period and no less than ten calendar days before the date on which the statement is proposed to be effective. The schedule for RDM adjustments applicable for the 36-month period ending October 31, 2012 is set forth below.

<u>Annual RDM Period</u>	<u>RDM Adjustment Filing Deadline</u>	<u>RDM Adjustment Recovery Period</u>
11/1/09 - 10/31/10	11/21/10	12/1/10 - 11/30/11
11/1/10 - 10/31/11	11/21/11	12/1/11 - 11/30/12
11/1/11 - 10/31/12	11/21/12	12/1/12 - 11/30/13

The customer group-specific RDM Adjustments will be determined on a cents per Ccf basis by dividing the total delivery revenue excess/shortfalls for the Annual RDM Period for each customer group by forecast Ccf deliveries of the associated customer group for the corresponding RDM Adjustment Recovery Period.

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

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ORANGE AND ROCKLAND UTILITIES, INC. REVISION: 0  
INITIAL EFFECTIVE DATE: November 1, 2009 SUPERSEDING REVISION:  
Issued in compliance with Commission order in Case 08-G-1398, dated 10/16/09

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(E) Interim RDM Adjustment

The Company will track delivery revenue excess/shortfalls on a monthly basis and may implement Interim RDM Adjustments at any time in order to minimize the annual RDM Adjustment. The procedures for the Interim RDM Adjustments will follow the same procedures for interim Gas Supply Charge adjustments. Revenues associated with Interim RDM Adjustments will be included in the annual RDM reconciliation.

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