12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS

12.1 GAS SUPPLY CHARGE

The Gas Supply Charge is applicable to customers taking service under Service Classification Nos. 1 and 2.

The rate for the Gas Supply Charge shall be equal to the Average Cost of Gas used in retail gas operations of Orange and Rockland Utilities, Inc. multiplied by the Factor of Adjustment and rounded to the nearest 0.001 cents per Ccf. The Gas Supply Charge shall also include a surcharge or refund to recover Gas Supply Charge under-recoveries or refund Gas Supply Charge over-collections. Such surcharge or refund shall be calculated in accordance with (E) below.

(A) Factor of Adjustment

The Factor of Adjustment, used to adjust the cost of gas to reflect lost and unaccounted for gas, will be updated for each twelve-month period commencing November 1 based upon the average of actual line losses for the preceding five twelve-month periods ending August 31. For the period commencing November 1, 2016, the Factor of Adjustment equals 1.0141.

(B) Conversion Factor

The conversion factor, used to convert the average cost of gas calculated on a Dth basis to an Mcf basis, shall be the estimated Btu content of the gas delivered each month.

(C) Average Cost of Gas

Pursuant to the Settlement Agreement adopted by the Commission in its Order Authorizing Merger, issued and effective April 2, 1999 and Confirming Order, issued and effective April 14, 1999 in Case No. 98-M-0961, gas will be purchased under a common supply arrangement for both Consolidated Edison Company of New York and Orange and Rockland Utilities ("Companies"). The arrangement will be administered by a single corporate department or entity for the benefit of the Companies. The department or entity will purchase gas and services for the Companies in a manner that minimizes their total cost.

The Company's monthly average cost of gas applicable to the rates under Service Classification Nos. 1 and 2 shall be based upon the Company's apportioned share of fixed and variable costs and shall be computed as follows:

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GENERAL INFORMATION

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

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(1) Fixed Cost

Fixed gas costs include pipeline demand charges, capacity costs associated with Mandatory Capacity Release Service under Service Classification No. 11, supplier gas inventory charges, storage demand charges, and any similar charges that do not vary with the volume of gas purchased except for balancing costs as described in General Information Section No. 12.2(I).

The fixed gas cost of the Companies associated with pipeline capacity, storage capacity, and purchased gas contract entitlements, except costs associated with balancing service, shall be allocated to each company using fixed percentages. The fixed percentages are based on ratios of each Company's forecasted winter peak day capacity requirement to the total forecasted peak day capacity requirement of the Companies. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in peak day capacity requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

The Company's apportioned share of fixed costs, determined in the manner set forth above, shall then be reduced by annual estimates of the revenues, fees and charges set forth below and then divided by the forecast quantities of gas to be taken for delivery to the Company's firm sales customers for the 12 calendar months ending the following August 31:

(a) Revenues from off-system sales, less any associated gas costs;

(b) Capacity related revenues associated with Service Classification No. 9;

(c) Transition Surcharge revenues; and

(d) Revenues associated with the Capacity Release Service Adjustment assessed under General Information Section No. 12.2(F).

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PSC NO. 4 GAS
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ORANGE AND ROCKLAND UTILITIES, INC.
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GENERAL INFORMATION

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

12.1 **GAS SUPPLY CHARGE**  
(Cont'd.)

**(C) Average Cost of Gas (Cont’d.)**  

**(2) Variable Cost**

Variable gas costs include purchased gas cost, storage gas cost, alternate gas supplies, i.e., liquefied natural gas, liquefied propane gas, and propane-air, variable transportation costs, applicable surcharges and taxes, the commodity cost of gas associated with bundled purchases made by the Company including bundled purchases associated with Service Classification No. 11, and the costs associated with risk management programs.

The variable cost of the Companies shall be determined by:

(i) applying the variable rates and charges of the transporters, storage and peaking providers, and suppliers to the billing determinates associated with transportation, storage and peaking, bundled purchases, and gas supply for the forecasted weather normalized quantities of gas to be taken for delivery to the Companies’ firm sales customers during the month in which the gas supply charge will be in effect, adjusted further for the costs associated with risk management programs; and

(ii) applying the average unit cost of gas in storage at the date of computation to the quantities of gas estimated to be withdrawn from storage for the Companies’ firm sales customers during the month in which the gas supply charge will be in effect.

The variable cost shall be allocated between the companies in proportion to their respective monthly firm sales sendout quantities.

The Company’s share of the variable cost shall be adjusted as follows:

(a) The Company’s share of the variable cost shall be reduced by all gas costs recovered via the rates and charges for service under Service Classification No. 9 of this Schedule.
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS
   (Cont’d.)

12.1 GAS SUPPLY CHARGE (Cont’d.)

   (C) Average Cost of Gas (Cont’d.)

   (2) Variable Cost (Cont’d.)

   (b) The Company's share of the variable cost shall be increased by the replacement cost of fuel established as compensation, under Section 11.1(E)(1) of this Schedule, to customers resulting from the diversion of gas from non-core customers to core customers.

   The Company's share of the variable cost, adjusted as described above, shall be divided by the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the month in which the gas supply charge will be in effect.

   (3) Average Cost of Gas

   The Average Cost of Gas is the sum of the unit amounts determined in (1) fixed cost and (2) variable cost.

   (4) Mcf Conversion

   The Average Cost of Gas shall be multiplied by the Conversion Factor in (B) to convert the cost per Dth to a cost per Mcf.

(D) Annual Reconciliation

Actual gas cost recoveries shall be reconciled with actual gas expenses each year, and a surcharge or refund to recover Gas Supply Charge under-recoveries or refund Gas Supply Charge over-collections shall be computed as follows:

(1) taking the cost of gas, adjusted for supplier refunds, revenues from off-system sales net of any associated gas costs; capacity-related revenues associated with Service Classification No. 9; liquefied propane consumed; Transition Surcharge revenues; and any Over- and Under-delivery Charges assessed under Service Classification Nos. 7, 8, and 13 and the Charge for Unauthorized Use of Gas assessed under Service Classification Nos. 7 and 8; any penalty charges, cash out costs/recoveries and Winter Bundled Sales (“WBS”) Service Option recoveries, excluding carrying charges on the cost of WBS gas, associated with Service Classification No. 11; surcharges and credits associated with the SPA Mechanism;
GENERAL INFORMATION

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

12.1 GAS SUPPLY CHARGE (Cont’d.)

(D) Annual Reconciliation (Cont’d.)

(1) (Cont’d.)

and Peak Shaving Supply Fees assessed under Service Classification No. 6 as recorded on the Company’s books during the determination period, adjusting that cost to reflect a level of purchased gas commensurate with actual sales and a fixed factor of adjustment as described below:

(a) For purposes of the Annual Reconciliation, the Line Loss Factor (“Annual Reconciliation LLF”) will be set equal to 1.562% (i.e., the line loss factor based on the fixed factor of adjustment that was in effect commencing November 1, 2015) and will remain the Annual Reconciliation LLF until such time that base rates are reset.

(b) Beginning with the Annual Reconciliation effective January 1, 2017, the Company will compare the actual line loss factor for the 12-month period ending the previous August 31 (“actual LLF”) to a Target Dead Band based on the Annual Reconciliation LLF. The Target Dead Band limits are set at minus two standard deviations of the Annual Reconciliation LLF (“Dead Band Lower Limit” or “DBLL”) and plus two standard deviations of the Annual Reconciliation LLF (“Dead Band Upper Limit” or “DBUL”).

(c) If the actual LLF falls within the Target Dead Band, there is no adjustment to the cost of gas.

(d) If the actual LLF is greater than the DBUL, the cost of gas will be adjusted by the ratio of the factor of adjustment based on the DBUL and the factor of adjustment based on the actual LLF.

(e) If the actual LLF is less than the DBLL, the cost of gas will be adjusted by the ratio of the factor of adjustment based on the DBLL and the factor of adjustment based on the actual LLF. However; if the actual LLF is less than 0%, the actual LLF shall be set to 0%.

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12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS

12.1 GAS SUPPLY CHARGE

(D) Annual Reconciliation

(2) The amount derived in paragraph (1) of this subdivision shall be adjusted by subtracting therefrom an amount equal to:

(a) Gas Supply Charge revenues recorded during the determination period, adjusted to eliminate associated revenue tax recoveries;

(b) costs recorded during the determination period assignable to gas sold to customers not subject to the Gas Supply Charge; and

(c) (i) the previous year's over-collection including interest, to the extent not refunded, or

(ii) adding the previous year's under-collection including interest, to the extent not recovered.

(3) The amount derived in paragraph (2) of this subdivision shall be divided by the quantities of gas to be sold by the Company to its customers during the surcharge/refund period.

(4) Surcharge or refund amounts shall bear interest, at a rate prescribed by the Commission, on unamortized balances.

(5) The determination period to be used in the computation of the surcharge or refund shall be the 12 months ended August 31 of each year. The computation shall be filed with the Commission on or before October 15, and the resulting surcharge or refund shall be effective with the first January billing cycle date.

(6) Revisions to the annual surcharge/refund adjustment will be permitted during the 12 month period ended August 31 for the purpose of preventing large over-collection or under-collection balances from accruing at August 31, subject to Commission approval.
GENERAL INFORMATION

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

12.1 GAS SUPPLY CHARGE (Cont'd.)

(E) Statement of Gas Supply Charge

(1) The Gas Supply Charge computed as herein provided, shall be effective for service rendered on and after the first day of the calendar month following the computation date and shall continue in effect until changed. Gas Supply Charges will be prorated based on the number of days each Gas Supply Charge is in effect during a billing period.

(2) The Statement of Gas Supply Charge shall be filed with the Public Service Commission and apart from this Rate Schedule not less than three days prior to the date on which it is proposed to be effective. Such Statement will be available to the public at Company offices at which applications for service may be made. Each Statement shall contain:

(a) an identification of the schedules and service classifications to which they apply;

(b) the date when the rates shall become effective and the period such rates will remain in effect;

(c) the present average cost to the utility of gas purchased to serve customers subject to the Gas Supply Charge;

(d) the date at which, and the period for which, the average was determined;

(e) the present factor of adjustment;

(f) the amount per unit of consumption affected;

(g) a summary of refunds or surcharges to be applied to the Gas Supply Charge; and

(h) the net amount per unit of consumption affected.

(3) A new statement may be filed on one day's notice to become effective not more than five days after the effective date of the initial statement if the replacement of cost estimates in the initial statement with actual figures results in a change in the average cost of gas of more than five percent.

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ORANGE AND ROCKLAND UTILITIES, INC.

PSC NO. 4 GAS

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GENERAL INFORMATION

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(Name of Officer, Title, Address)
PSC NO. 4 GAS

ORANGE AND ROCKLAND UTILITIES, INC.

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(A) Transition Surcharge (applicable to Service Classification Nos. 1, 2 and 6)

Customers will be assessed a Transition Surcharge as set forth in the Statement of Monthly Gas Adjustment 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:

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

where:

\[
\text{\$cap} = \frac{\text{\$rev}}{\text{Projected Volumes}}
\]

\[\text{\$cap} = \text{\$rev} / \text{Projected Volumes}\]

\[\text{tcap} = \text{Stranded capacity associated with firm transportation customers purchasing gas from Qualified Sellers under Service Classification No. 11 who obtain upstream pipeline capacity from a source other than the Company, if and to the extent authorized by the Commission and notwithstanding the Commission's order in Case 07-G-0299, issued August 30, 2007. (dth)}\]

\[\text{ucap} = \text{the Company's allocated share of upstream pipeline capacity (dth)}\]

\[\text{ucap\$} = \text{the Company's allocated share of upstream capacity costs}\]

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

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

Service Classification No. 6 customers who commenced service thereunder prior to October 1, 1996 shall not be subject to this provision.
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS
(Cont’d.)

12.2 MONTHLY GAS ADJUSTMENT (Cont’d.)

(B) Transition Adjustment for Competitive Services

(1) Applicability

A Transition Adjustment for Competitive Services ("TACS") is applicable to customers taking service under Service Classification Nos. 1, 2, and 6 of this Rate Schedule. Such customers will be assessed the TACS on a per Ccf basis as set forth in the Statement of Monthly Gas Adjustment. The TACS shall be reset annually effective November 1 of each year.

(2) Definitions for Purposes of the TACS

"Merchant Function Charge Fixed Component Lost Revenue" shall be equal to a revenue target attributable to the Merchant Function Charge ("MFC") Fixed Components consisting of: a) commodity procurement costs (including commodity revenue based allocation of information resources and education and outreach costs); and b) credit and collections costs portions of the MFC, minus the revenues received through the MFC relating to such MFC Fixed Components. The MFC Fixed Component Lost Revenue targets are $1,778,920, $1,992,577, and $2,080,047 commencing November 1, 2015, November 1, 2016, and November 1, 2017, respectively.

"Billing and Payment Processing Lost Revenue" shall be equal to the total of billing and payment processing charges avoided by retail access customers less billing service charges assessed on Marketers participating in the Company's Gas Transportation Service program and electing the Utility Single Bill Option, less the Company's avoided costs associated with Marketers participating in the Company's Gas Transportation Service Program and electing the Marketer Single Bill Option.

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

12.2 MONTHLY GAS ADJUSTMENT (Cont’d.)

   (B) Transition Adjustment for Competitive Services (Cont’d.)

   (2) Definitions for Purposes of the TACS (Cont’d.)

   "Credit and Collections Lost Revenue Associated with Retail Access" shall be equal to the target level of credit and collections costs reflected in the POR discount minus revenues received through the credits and collections component of the POR discount. The Credit and Collections Lost Revenue associated with Retail Access targets are $510,403, $571,705, and $596,803 commencing November 1, 2015, November 1, 2016, and November 1, 2017, respectively.

   "Prior Period Reconciliation" represents the difference between the amount to be recovered through the TACS and the actual amount recovered through the TACS. Any under-recovery or over-recovery resulting from such reconciliation, plus interest (calculated at the Other Customer Capital Rate), shall be included in the calculation of the subsequent year's TACS.

   (3) Calculation of the TACS

   The TACS shall be determined by dividing the sum of the MFC Fixed Component Lost Revenue, Billing and Payment Processing Lost Revenue, Credit and Collections Lost Revenue Associated with Retail Access, and the Prior Period Reconciliation by the forecasted Ccf deliveries to Service Classification Nos. 1, 2, and 6 customers for the twelve-month period for which the TACS is to be effective.
12. **ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS**

(Cont'd.)

12.2 **MONTHLY GAS ADJUSTMENT** (Cont'd.)

(C) **Credit/Surcharge for Sharing of Benefits (applicable to Service Classification Nos. 1, 2 and 6)**

The Monthly Gas Adjustment applicable to Service Classification ("S.C.") Nos. 1, 2, and 6 shall be adjusted to reflect the net benefits from 1) interruptible (S.C. No. 8) sales and transportation, firm withdrawable transportation and sales (S.C. No. 9), and firm dual fuel (S.C. No. 5) service (collectively "Interruptible Benefits") and 2) transfer of gas to electric generating facilities previously owned by the Company ("Power Generation Benefits"). Such benefits shall be determined as follows:

(1) **Interruptible Benefits**

Interruptible Benefits shall be defined as (1) total interruptible revenues from S.C. No. 8 minus any associated gas costs and revenue tax surcharge revenues; (2) total firm withdrawable delivery revenues from S.C. No. 9 minus any associated gas costs and revenue tax surcharge revenues; and (3) total firm dual fuel revenues from S.C. No. 5 minus gas costs and revenue tax surcharge revenues.

For the twelve-month periods commencing November 1, 2015 and November 1, 2016, a base rate revenue imputation of $3,000,000 and $3,500,000, respectively, relating to the Interruptible Benefits described above shall be in effect. For the twelve-month period commencing November 1, 2017, and every twelve-month period commencing November 1, thereafter, such imputation shall be $4,000,000 until such time the imputation is reset in a base rate proceeding. Any variance between the actual total Interruptible Benefits and the base rate revenue imputation for each twelve-month period shall be shared 80 percent/20 percent between customers and the Company respectively, in accordance with the Joint Proposal, dated June 5, 2015, and adopted by the Commission in its Order issued and effective October 16, 2015, in Case No. 14-G-0494.

Customers' share of the Interruptible Benefits so determined shall be credited (or surcharged if negative) to S.C. Nos. 1, 2, and 6 customers. The rate of credit (or surcharge) shall be determined by dividing the estimated customer share available to S.C. Nos. 1, 2, and 6 customers for the twelve-month period ending October 31 of each year by the S.C. Nos. 1, 2, and 6 deliveries estimated for that period.

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

12.2 MONTHLY GAS ADJUSTMENT (Cont’d.)

(C) Credit/Surcharge for Sharing of Benefits (applicable to Service Classification Nos. 1, 2 and 6) (Cont’d.)

(1) Interruptible Benefits (Cont’d)

The Company's share of Interruptible Benefits, if any, shall be retained by the Company and shall be excluded from any determination of Company earnings in excess of the level allowed by the Public Service Commission as any of the provisions of Section 66, subsection 20 of the Public Service Law of the State of New York.

(2) Power Generation Benefits

Power Generation Benefits from the transfer of gas to electric generating facilities previously owned by the Company shall be defined as the amount received for the transfer of gas to such facilities, less any associated gas costs.

For each twelve-month period ending October 31, a power generation base rate revenue imputation of $650,000 shall be in effect. Any variance between the actual total Power Generation Benefits and the power generation base rate revenue imputation for each twelve-month period shall be credited (or surcharged if negative) to S.C. Nos. 1, 2, and 6 customers. The rate of credit (or surcharge) shall be determined by dividing the estimated power generation benefits available to S.C. Nos. 1, 2, and 6 customers for the twelve-month period ending October 31 of each year by the S.C. Nos. 1, 2, and 6 deliveries estimated for that period.

The unit rates as determined in (1) and (2) above will be applied to the Monthly Gas Adjustment. At the end of the fiscal year, the Company will determine the actual benefits accrued and compare this amount to the benefits disbursed to (or recovered from) S.C. Nos. 1, 2, and 6 customers during the fiscal year.

Any difference between the benefits accrued and the benefits disbursed (or recovered) shall be reflected in the estimated credits (or surcharges) for the next fiscal year.

The Company shall modify the unit rates determined as described above if a significant change to its estimates of benefits and/or sales volumes occurs during a fiscal year.

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12. **ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS**

(Cont'd.)

12.2 **MONTHLY GAS ADJUSTMENT** (Cont'd.)

(D) **Gas in Storage Working Capital (applicable to Service Classification Nos. 1, 2 and 6)**

The Monthly Gas Adjustment shall be adjusted by a per Ccf rate to reflect gas in storage working capital costs associated with storage assets used for reliability and balancing purposes. Such reliability and balancing rate shall be applied to (1) sales to Service Classification Nos. 1 and 2 customers and (2) deliveries to Service Classification No. 6 customers. The difference between the reliability and balancing rate included in the Monthly Gas Adjustment and the total gas in storage working capital rate applicable to firm sales customers shall be deemed to be sales related and shall be included in the Merchant Function Charge applicable to Service Classification No. 1 and Service Classification No. 2 customers. In accordance with the Joint Proposal dated June 29, 2009, and adopted by the Commission in its Order issued October 16, 2009 in Case No. 08-G-1398, the sales-related rate per Ccf will be set at two times the reliability/balancing-related rate per Ccf for the period November 1, 2009 through October 31, 2010, 1.5 times the reliability/balancing-related rate per Ccf for the period November 1, 2010 through October 31, 2011, and equal to the reliability/balancing-related rate per Ccf thereafter.

Gas in storage working capital costs recovered through the Monthly Gas Adjustment and the Merchant Function Charge shall be combined and trued up annually to actual costs. Actual gas in storage working capital cost shall be determined by multiplying a carrying charge by the actual monthly gas in storage balances. The carrying charge used in the determination of monthly storage working capital costs shall be the Company's authorized pre-tax rate of return on the base storage level and the Commission’s Other Customer Capital Rate on monthly amounts above the base storage level. The base storage level is defined as the lowest monthly balance for each twelve-month period commencing November 1, excluding winter bundled sales storage gas. This true up will be part of an annual reconciliation of the Monthly Gas Adjustment.

(E) **Research and Development Surcharge (applicable to Service Classification Nos. 1, 2 and 6)**

Customers will be assessed a Research and Development (“R&D”) Surcharge to provide funding for gas R&D projects in accordance with the Commission’s February 14, 2000 Order in Case No. 99-G-1369.
GENERAL INFORMATION

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(F) Capacity Release Service Adjustment (applicable to Service Classification No. 6)

The Monthly Gas Adjustment applicable to all Service Classification No. 6 customers shall be adjusted to reflect a Capacity Release Service Adjustment.

The Capacity Release Service Adjustment is a charge/credit reflecting the difference between the projected Adjusted WACOT used to bill Qualified Sellers under Service Classification No. 11 for released capacity and the actual Adjusted WACOT for each twelve-month period commencing November 1. The Capacity Release Service Adjustment shall be set annually, to become effective on November 1, based on the over or under recovery of capacity costs associated with the difference between the projected and actual Adjusted WACOT for the preceding twelve-month period commencing November 1, and estimated deliveries to Service Classification No. 6 customers. In addition, the Capacity Release Service Adjustment effective November 1, 2010, will include a reconciliation of any remaining balance due to the difference between the amount charged/credited to Service Classification No. 6 customers through the Capacity Release Service Adjustment and the actual differences between pipeline reservation rates and the Company’s Adjusted WACOT for the twelve-month period ended October 31, 2010.

(G) Curtailment Cost Recovery Charge (applicable to Service Classification Nos. 1, 2 and 6)

Customers shall be subject to a charge, stated on a cents per Ccf basis and shown separately on the Statement of Monthly Gas Adjustment, to recover the costs associated with payments made to Sellers in accordance with General Information Section 11.1 (E) “Curtailment of Service” of this Rate Schedule.
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(H) Temporary Surcharge (applicable to Service Classification Nos. 1, 2 and 6)

Customers shall be assessed a Temporary Surcharge to recover a portion of the Company’s Rate Year 3 delivery revenue requirement as adopted by the Commission in Case No. 14-G-0494. The Temporary Surcharge shall be designed to recover $10.620 million ($10.409 million net of revenue taxes) and shall be assessed for service rendered from November 1, 2017 through October 31, 2018.

(I) Balancing Charge (applicable to Service Classification Nos. 1, 2 and 6)

Customers shall be subject to a charge, stated on a cents per Ccf basis and shown separately on the Statement of Monthly Gas Adjustments, to recover balancing costs.

Gas is purchased under a common supply arrangement for both Consolidated Edison Company of New York and Orange and Rockland Utilities ("Companies") as described in General Information Section No. 12.1(C). Balancing ("load following") costs shall be equal to the sum of the Companies' annualized fixed storage charges and fixed pipeline transportation charges from storage to the pipeline delivery point(s) at the boundary of the Companies' service territories utilized for balancing purposes.

The balancing cost shall be allocated to each company using fixed percentages. The fixed percentages are based on ratios of each Company's forecasted balancing requirement to the total forecasted balancing requirement of the Companies. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in balancing requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

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GENERAL INFORMATION

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(I) Balancing Charge (applicable to Service Classification Nos. 1, 2 and 6) (Cont’d)

The Company’s share of balancing costs shall be divided by the forecast quantities of gas to be taken for delivery to the Company’s firm sales and firm transportation customers for the 12 calendar months ending the following August 31. The resulting balancing charge shall be adjusted by an uncollectibles percentage ("UC Percentage") as follows:

Balancing Charge = Balancing Cost / 12 Month Ccf / (1-UC Percentage).

The UC Percentage shall be reset annually effective November 1, based on the Company's actual uncollectibles experience for the twelve-month period ended the previous June 30.

At the end of each twelve-month period commencing November 1, Balancing Charge recoveries, excluding recoveries attributable to the UC Percentage, shall be reconciled with actual balancing costs and any over- or under-recovery shall be refunded or recovered through the Balancing Charge during the next twelve-month period commencing November 1.

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(J) Supplier Refunds (applicable to Service Classification Nos. 1, 2 and 6)

The Monthly Gas Adjustment shall be adjusted by a per Ccf rate to reflect refunds of excess charges paid to suppliers.

If the Company receives refunds of excess charges paid to a supplier or suppliers for gas purchased prior to gas being purchased under a common supply arrangement for both Consolidated Edison Company of New York and Orange and Rockland Utilities ("Companies"), such refunds will be credited to the Company's firm gas customers as described below.

If a refund is received pertaining to the period where gas is purchased, under a common supply arrangement for the Companies, refunds will be allocated between the Companies in proportion to the Companies’ respective monthly firm sales sendout quantities and firm transportation quantities, if applicable, covering the period of the refund. If gas is also purchased for Con Edison Company of New York’s steam and/or steam-electric units during that period, the refund allocation shall also take into account the sendout quantities from the steam and steam-electric units to the extent that the period of the refund includes the Winter season. The Company's share of such refunds will be credited to the Company's firm gas customers as described below.

The Company shall commence crediting its Service Classification Nos. 1 and 2, and if applicable its Service Classification No. 6 customers who take an assignment of the Company's upstream capacity, within six months of the date of receipt of each refund through the Monthly Gas Adjustment. Any refunds received by the Company from its suppliers may be combined for purposes of computing the refund credit.
GENERAL INFORMATION

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(J) Supplier Refunds (applicable to Service Classification Nos. 1, 2 and 6) (Cont'd.)

The refund credits shall be computed as follows:

(1) A lump sum distribution of the refund allocations shall be made to the Company's wholesale customers.

(2) Net refund credits for the remaining portion of the refund ("net refund") will be included in the Monthly Gas Adjustment and shall be determined as follows:

(a) The portion of the net refund applicable to Service Classification Nos. 1, 2 and 6 customers, including interest, will be divided by the forecasted Ccf deliveries to Service Classification Nos. 1, 2 and 6 customers for the twelve-month refund period.

(b) The portion of the net refund applicable only to Service Classification Nos. 1 and 2 customers, including interest, will be divided by the forecasted Ccf deliveries to Service Classification Nos. 1 and 2 customers for the twelve-month refund period.

(c) The refund credits determined in (a) and (b) above, applicable to Service Classification Nos. 1 and 2, shall be combined into a single refund credit.

The Company may make appropriate adjustments to the refund credit(s) at any time if it appears that the refund will be completed prior to the end of the refund period.
GENERAL INFORMATION

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(J) Supplier Refunds (applicable to Service Classification Nos. 1, 2 and 6) (Cont'd.)

Any under- or over- recovery which results from the operation of this refund provision shall be included in the computation of the next applicable supplier refund. If the Company receives a refund from its gas supplier or suppliers where the total amount of the refund, including interest, is too small to be credited separately, such refund shall be included in the computation of the next supplier refund.

Simple interest, at the rate of interest prescribed from time to time by the Commission, shall be accrued on a supplier refund from the date of receipt of such refund by the Company until the refund and any prior period under- or over-recovery is included in the Monthly Gas Adjustment. Commencing with the date a supplier refund is included in the Monthly Gas Adjustment, interest will be accrued on the estimated monthly unrefunded balances through the end of the refund period.

Any balance of the refund remaining after the ten month's actual sales and transportation quantity and the eleventh month's estimated sales and transportation quantity will be divided by an estimate of the twelfth month's sales and transportation quantity and will be reflected in the applicable monthly adjustment for the twelfth month.

(K) Energy Efficiency ("EE") Tracker Mechanism (applicable to Service Classification Nos. 1, 2 and 6)

Beginning January 1, 2016, the Monthly Gas Adjustment shall be adjusted by a per Ccf rate to recover the costs of Company-run energy efficiency programs that are approved through the Company’s Energy Efficiency Transition Implementation Plan.

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

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

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(K) Energy Efficiency ("EE") Tracker Mechanism (applicable to Service Classification Nos. 1, 2 and 6) (Cont'd.)

The EE Tracker Mechanism shall be determined by dividing the calendar year program budget and any prior period reconciliation (i.e., the difference between actual collections and the target amount included in the prior year’s EE Tracker Mechanism filing) by the forecasted Ccf deliveries to Service Classification Nos. 1, 2, and 6 customers for the twelve-month period the EE Tracker Mechanism will be in effect.

(L) System Performance Adjustment ("SPA") Mechanism (applicable to Service Classification Nos. 1, 2 and 6)

Beginning January 1, 2017, the Monthly Gas Adjustment shall be adjusted by a per Ccf rate to refund or surcharge customers for differences in actual gas losses as compared to estimated gas losses based on the actual Factor of Adjustment within a predetermined dead-band.

For purposes of the SPA Mechanism, the Line Loss Factor ("SPA Mechanism LLF") will be set equal to 1.562% (i.e., the line loss factor that was in effect commencing November 1, 2015) and will remain the SPA Mechanism LLF until such time that base rates are reset.

The Company will compare the actual line loss factor for the 12-month period ending the previous August 31 ("actual LLF") to a Target Dead Band based on the SPA Mechanism LLF. The Target Dead Band limits are set at minus two standard deviations of the SPA Mechanism LLF ("Dead Band Lower Limit" or "DBLL") and plus two standard deviations of the SPA Mechanism LLF ("Dead Band Upper Limit" or "DBUL"). If the actual LLF is less than 0%, the actual LLF shall be set to 0%.

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(Name of Officer, Title, Address)
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(L) System Performance Adjustment ("SPA") Mechanism (applicable to Service Classification Nos. 1, 2 and 6) (Cont’d.)

(1) If the actual LLF is less than the DBLL, the cost of gas as defined in General Information Section 12.1, net of any surcharge or credit associated with a line loss incentive or penalty, will be adjusted by the ratio of the factor of adjustment based on the DBLL and the factor of adjustment based on the SPA Mechanism LLF.

(2) If the actual LLF falls within the Target Dead Band, the cost of gas as defined in General Information Section 12.1 net of any surcharge or credit associated with a line loss incentive or penalty will be adjusted by the ratio of the factor of adjustment based on the actual LLF and the factor of adjustment based on the SPA Mechanism LLF.

(3) If the actual LLF is greater than the DBUL, the cost of gas as defined in General Information Section 12.1 net of any surcharge or credit associated with a line loss incentive or penalty will be adjusted by the ratio of the factor of adjustment based on the DBUL and the factor of adjustment based on the SPA Mechanism LLF.

The amounts determined in (1) – (3) above shall be subtracted from the cost of gas as defined in General Information Section 12.1 net of any surcharge or credit associated with a line loss incentive. The SPA Mechanism shall be determined by dividing the sum of this amount and any prior period reconciliation (i.e., the difference between the amount to be recovered through the SPA Mechanism and the actual amount recovered through the SPA Mechanism) by the forecasted Ccf deliveries to Service Classification Nos. 1, 2, and 6 customers for the twelve-month period the SPA Mechanism will be in effect.

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

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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) (Cont’d.)

The RSM shall be determined by dividing the sum of the recoverable actual costs detailed above and any prior period reconciliation (i.e., the difference between the amount to be recovered through the RSM and the actual amount recovered through the RSM) by the forecasted Ccf deliveries to Service Classification Nos. 1, 2, and 6 customers for the twelve-month period the RSM will be in effect.

(N) Statement of Monthly Gas Adjustment

(1) The Monthly Gas Adjustment shall be effective for service rendered on and after the first day of the calendar month following the computation date and shall continue in effect until changed.

(2) The Statement of Monthly Gas Adjustment shall be filed with the Public Service Commission and apart from this Rate Schedule not less than three days prior to the date on which it is proposed to be effective. Such Statement will be available to the public at Company offices at which applications for service may be made.
PSC NO. 4 GAS  LEAF:  80.4
ORANGE AND ROCKLAND UTILITIES, INC.  REVISION:  7
INITIAL EFFECTIVE DATE: November 1, 2015  SUPERSEDING REVISION:  5
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.)

12.3 WEATHER NORMALIZATION ADJUSTMENT

A Weather Normalization Adjustment shall be effective for all Service Classification Nos. 1 and 6 - Space Heating Customers and for Service Classification No. 2 - General Service Master Metered Multiple Dwellings, General Service Commercial and General Service Industrial Customers. The Weather Normalization Adjustment will be applied to total gas usage during the period October 1 through May 31 of each year.

(A) Definitions

(1) PBR or pure base rate is the tail block delivery charge set forth in Service Classification Nos. 1, 2 and 6.

(2) BD or billing days is the actual number of days for which service is being billed.

(3) HDD or heating degree days are the difference between 63 degrees F. and the average outdoor dry bulb temperature for a day based on readings made every hour on the hour throughout the day. HDD are always zero when that average temperature is above 63 degrees F.

(4) Commencing November 1, 2015, NHDD or normal heating degree days shall be 4,893 heating degree days, the average for the 10-years ended December 31, 2013.

(5) AHDD or actual heating degree days are the actual difference between 63 degrees F. and the average outdoor dry bulb temperature for a particular day or days based on readings made every hour on the hour throughout the day. AHDD are always zero when that average temperature is above 63 degrees F.

(6) HDDF or heating degree day factor is the estimated number of ccf per customer needed to provide space heating for each degree of a degree day based on average usage by customers to which this adjustment applies. The HDDF shall be determined separately for each customer rate classification and shall be revised annually. The HDDF shall be submitted to Staff on or before August 31 for inclusion in the October 1 start date of each year's Weather Normalization Adjustment.

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

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

12.3 WEATHER NORMALIZATION ADJUSTMENT (Cont'd)

(A) Definitions (Cont'd)

(7) BL or base load per billing day is the estimated number of ccf per customer used per day for non-heating purposes based on average usage by customers to which this adjustment applies. BL shall be determined separately for each customer rate classification and shall be redetermined annually using the prior two heating seasons' sales.

(B) Determination of the Weather Normalization Adjustment

The Weather Normalization Adjustment shall be calculated for each billing cycle and shall be calculated separately for each customer rate classification. The Weather Normalization Adjustment shall be calculated using the following formula rounding to the nearest 0.001 cents per 100 cubic feet:

\[
\text{Weather Normalization Adjustment} = \frac{(NHDD - AHDD) \times HDDF \times PBR}{BL \times BD + (HDDF \times AHDD)}
\]

(C) Operation of the Weather Normalization Adjustment

The Weather Normalization Adjustment as determined above, shall be included in the Monthly Gas Adjustment, which is provided for in Section 12.2 of this Schedule. The Company shall submit a schedule of all Weather Normalization Adjustments to Staff within seven working days following the end of each billing month.

Issued By: William Longhi, President, Pearl River, New York
(Name of Officer, Title, Address)
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.4 Merchant Function Charge (MFC)

(A) Applicability

Customers taking service under Service Classification Nos. 1 and 2 of this Rate Schedule shall be subject to a Merchant Function Charge ("MFC"). Separate MFCs will be determined for Service Classification No. 1 and for Service Classification No. 2 of this Rate Schedule and will be applied to all gas volumes sold under such service classifications to recover the costs associated with commodity-related competitive services. Commodity-related costs include commodity procurement costs (including commodity revenue-based allocation of information resources and education and outreach costs), credit and collections costs, gas in storage working capital costs related to firm sales, and commodity-related uncollectibles.

(B) Fixed MFC Components

The fixed components of the MFC are as follows:

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<thead>
<tr>
<th>Service Classification</th>
<th>Commodity Procurement, IR, and Education And Outreach</th>
<th>Credit and Collections</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Cents per Ccf</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Commencing November 1, 2015</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SC No. 1</td>
<td>1.816</td>
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<td>SC No. 2</td>
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<tr>
<td>(2) Commencing November 1, 2016</td>
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<tr>
<td>SC No. 1</td>
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<td>0.496</td>
<td>2.545</td>
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<td>SC No. 2</td>
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<td>(3) Commencing November 1, 2017</td>
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<tr>
<td>SC No. 2</td>
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</tr>
</tbody>
</table>

Issued By: Timothy Cawley, President, Pearl River, New York
(Name of Officer, Title, Address)
12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.4 Merchant Function Charge (MFC) (Cont’d.)

(B) Fixed MFC Components (Cont’d.)

These fixed MFC components shall remain in effect until changed by an order of the Commission.

(C) Determination of MFCs

The MFCs applicable to Service Classification Nos. 1 and 2 customers shall be the sum of (1) the applicable fixed MFC components set forth; (2) a per Ccf charge, determined in accordance with General Information Section 12.2 (D) of this Rate Schedule, to recover gas in storage working capital costs associated with firm sales customers; and (3) the applicable monthly uncollectibles charge (“UC charge”) per Ccf to recover the cost of commodity-related uncollectibles.

The monthly UC charge component of the MFC described in (3) above shall be based on the Gas Supply Charge (“GSC”) determined in accordance with General Information Section 12.1 of this Rate Schedule, and the uncollectibles percentage (“UC percentage”) applicable to Service Classification No. 1 and the UC percentage applicable to Service Classification No. 2. The UC percentages shall be reset annually effective November 1 based on the Company’s actual uncollectibles experience applicable to all electric and gas customers eligible for the Company’s Purchase of Receivables Program for the twelve-month period ended the previous June 30. The UC charge component of the MFC shall be determined using the following formula rounding to the nearest 0.001 cents per Ccf:

UC Charge = GSC/(1-applicable UC percentage) - GSC

(D) Reconciliation of Fixed MFC Components

Revenues associated with the fixed MFC components shall be reconciled annually in accordance with the operation of the Transition Adjustment for Competitive Services, as set forth in General Information Section 12.2 (B) of this Rate Schedule.
12. **ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)**

12.4 **Merchant Function Charge (MFC) (Cont’d.)**

(E) **Statement of Merchant Function Charge**

1. The Merchant Function Charge shall be effective for service rendered on and after the first day of the calendar month following the computation date and shall continue in effect until changed. The Merchant Function Charge will be prorated based on the number of days each Merchant Function Charge is in effect in a billing period.

2. The Statement of Merchant Function Charge shall be filed with the Commission and apart from this Rate Schedule not less than three days prior to the date on which it is proposed to be effective. Such Statement will be available to the public at Company offices at which applications for service may be made.