

**P.S.C. NO. 3 ELECTRICITY
ORANGE AND ROCKLAND UTILITIES, INC.**

INITIAL EFFECTIVE DATE: July 1, 2012

Issued in compliance with Order in Case 11-E-0408 dated 06/15/2012.

LEAF: 214

REVISION: 1

SUPERSEDING REVISION: 0

GENERAL INFORMATION**15. MARKET SUPPLY CHARGE ("MSC")**

The Company will provide electric power supply to all customers who: (1) choose to have their entire electric power supply requirement provided by the Company, or (2) are not offered Retail Access Service by an ESCO, or (3) return to the Company's service after having been previously supplied by an ESCO, or (4) contract for their electric power supply with an ESCO that fails to deliver. The Market Supply Charge ("MSC") shall be used to recover all costs associated with purchasing energy, capacity and ancillary services incurred by the Company in providing electric power supply to the above-referenced customers. Such costs shall also include costs associated with Non-Utility Generator ("NUG") contracts and costs/benefits associated with hedging instruments. Costs/benefits associated with hedging instruments (e.g., transaction costs, such as option premiums, costs of providing credit support and margin requirements, professional fees, and gains and losses associated with such transactions made in the commodities exchanges and with other counterparties) shall be recovered as described in the Forecast MSC Component section below. The MSC shall also be used to recover the lost delivery service revenue associated with Rider K and Rider M. The MSC shall be reduced by any penalty amounts received from customers under Rider K, in excess of penalty amounts paid by the Company to the NYISO under the NYISO's Day Ahead Demand Reduction Program.

The MSC is applicable to customers receiving electric power supply from the Company under Service Classifications Nos. 1, 2, 3, 4, 5, 6, 16, 19, 20, 21 and 25 (Rates 1 and 2) and under Riders B, G and J. The MSC does not apply to Mandatory Day-Ahead Hourly Pricing customers or to customers electing voluntary DAHP under Rider M.

The MSC shall consist of two components, the Forecast MSC Component and the MSC Adjustment as described below.

15.1 FORECAST MSC COMPONENT

The Forecast MSC Component shall be separately determined on a monthly basis for each of the following customer classes:

- Residential – Service Classification No. 1;
- Residential Voluntary Time of Use – Service Classification No. 19;
- Non-Residential Secondary Service – Service Classification No. 2 (Secondary) and Service Classification No. 25, Rate 1 who are exempt from Mandatory Day-Ahead Hourly Pricing;
- Non-Residential Secondary Voluntary Time of Use Service – Service Classification No. 20;
- Primary Service – Service Classification No. 2 (Primary), Service Classification No. 3, and Service Classification No. 25, Rate 2, and primary service customers under Service Classification No. 9, Service Classification No. 22, and Service Classification No. 25, Rates 3 and 4 who are exempt from Mandatory Day-Ahead Hourly Pricing;
- Primary Voluntary Time of Use Service – Service Classification No. 21;

Issued By: William Longhi, President, Pearl River, New York