



July 12, 2006

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**FROM:** Edward J. Rasmussen

**SUBJECT:** 2007 Operating and Capital Budgets

Attached is a schedule for development of the Operating and Capital Budgets for the Year 2007 and Five-Year Forecast (see Attachment A). The final budgets will be presented to the Board of Trustees at its November 2006 meeting and the five-year forecast at the January 2007 Board meeting.

The Year 2007 budgets should reflect the resources necessary to accomplish corporate and organizational goals, including environmental, safety and reliability initiatives.

For CECONY, the Year 2007 O&M budgets should reflect the programs set forth in the current rate plans as well as wage increases net of productivity improvements. Attachment B summarizes the dollars associated with these programs. The 2007 capital budget should also be based on the capital programs set forth in the current rate plans. Attachment C summarizes the dollars associated with these programs. Any variations from the guidelines should be identified as unfunded. The development of the budget should justify the expenditures, identifying the activities or programs, and linking such expenditures to a unit of measure. The CECONY gas O&M and capital budgets may require revision based upon the outcome of the expected gas rate filing.

For Orange and Rockland, the 2007 O&M budget should reflect the programs set forth in the recent rate proceedings (See Attachment D). The 2007 capital budget should reflect the levels that were included in the 2006 – 2010 capital budget (See Attachment E). Any variations from these guidelines should be identified as unfunded. The Rockland

Electric O&M and capital budgets may require revision based upon the outcome of the pending electric rate filing.

In addition, all the Competitive Energy Businesses should present a preliminary five-year forecast comprised of Income, Balance Sheet and Cash Flow statements as well as the major assumptions supporting the forecast.

If you have any questions, please call. Thank you.

**CC: Kevin Burke**

2007 Operating and Capital Budgets  
& Five -Year Forecast  
Schedule

**2007 Earnings Forecast and Capital Budget Schedule**

Guidelines for 2007 O&M and Capital Budgets	Monday, 7/12
CECONY Preliminary 2007 O&M and Capital Budgets	Friday, 9/8
Orange & Rockland and Competitive Energy Businesses 2007 Earnings Forecast	Monday, 9/18
Preliminary 2007 Consolidated Earnings Forecast	Thursday, 9/21
Meetings with Chairman and CFO	
Business Shared Services	Wednesday, 9/20 @ 1:00 p.m.
Enterprise Shared Services	Monday, 9/25 @ 1:00 p.m.
Public Affairs	Monday, 9/25 @ 3:30 p.m.
Competitive Energy Businesses	Wednesday, 9/27 @ 1:00 p.m.
Law	Wednesday, 9/27 @ 3:30 p.m.
Orange & Rockland Utilities, Inc.	Thursday, 9/28 @ 8:00 a.m.
CECONY Operations	Thursday, 9/28 @ 2:30 p.m.
Finance	Friday, 9/29 @ 2:30 p.m.
Final 2007 Consolidated Earnings Forecast	Wednesday, 11/1
CPC Review of 2007 Earnings Forecast	Monday, 11/06
Distribution of 2007 Earnings Forecast and Capital Budget to Board Members	Thursday, 11/9
Board Meeting	Thursday, 11/16

## **Five-Year Earnings Forecast and Capital Budget Schedule**

CECONY Five-Year Capital Budget	Wednesday, 11/8
Orange & Rockland and Competitive Energy Businesses Five-Year Capital Budget	Wednesday, 11/8
2007 – 2011 Earnings Forecast for CECONY, O&R and the Competitive Energy Businesses	Monday, 12/4
Final 2007 – 2011 Consolidated Earnings Forecast	Thursday, 12/14
CPC Review of 2007 – 2011 Consolidated Earnings Forecast and Five-Year Capital Budget	Monday, 1/08/07
Distribution of 2007 – 2011 Consolidated Earnings Forecast and Five-Year Capital Budget to Board Members	Friday, 1/12/07
Board Meeting	Thursday, 1/18/07

**Consolidated Edison Company of New York, Inc.**  
**2007 O&M Budget Guideline**  
(\$000's)

	2006 Budget (*)	Steam Rate Case Program Change	Labor Escalation (**)	2007 Guideline
Operations	\$728,171	\$6,264	\$10,193	\$744,628
Chairman & Staff	2,825	-	63	2,888
Auditing	6,290	-	106	6,396
Finance	33,711	-	551	34,262
Public Affairs	21,742	-	99	21,841
Law	21,381	-	337	21,718
Business Shared Services	62,991	250	788	64,029
Enterprise Shared Services	71,864	674	779	73,317
O&R Support	5,219	-	84	5,303
Sub-Total	<u>954,194</u>	<u>7,188</u>	<u>13,000</u>	<u>974,382</u>
Insurance Premiums	26,955	381	-	27,336
Interference	95,700	566	-	96,266
Uncollectibles	40,800	-	-	40,800
Total	<u>\$1,117,649</u>	<u>\$8,135</u>	<u>\$13,000</u>	<u>\$1,138,784</u>

(\*) 2006 Budget redistributed to reflect the re-organization due to Shared Services.

(\*\*) Reflects the wage award net of productivity savings.

**Consolidated Edison Company of New York, Inc.**  
**Capital Program: 2007 - 2010**  
**(\$ in Millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Electric</b>				
Transmission & Switching Stations	\$136	\$82	\$110	\$115
Substations & Sub-Transmission	474	378	343	347
Distribution				
New Business	114	114	114	114
Burnouts	145	142	141	140
Interferences	25	25	25	25
Improvements/Reinforcements	258	246	232	237
Telecommunications Applications	2	2	2	2
Transformers/Network Protectors	74	74	74	74
Meters/Meter Devices	<u>12</u>	<u>12</u>	<u>12</u>	<u>10</u>
Total Distribution	630	615	600	602
<b>Total Electric</b>	<b>\$1,240</b>	<b>\$1,075</b>	<b>\$1,053</b>	<b>\$1,064</b>
<b>Gas</b>				
Distribution	\$126	\$122	\$118	\$113
Supply Mains/Tunnel Facilities	<u>53</u>	<u>52</u>	<u>60</u>	<u>60</u>
<b>Total Gas</b>	<b>\$179</b>	<b>\$174</b>	<b>\$178</b>	<b>\$173</b>
<b>Steam</b>				
Production	\$90	\$85	\$97	\$94
Distribution	<u>23</u>	<u>22</u>	<u>22</u>	<u>23</u>
<b>Total Steam</b>	<b>\$113</b>	<b>\$107</b>	<b>\$119</b>	<b>\$117</b>
<b>Common</b>	<b>153</b>	<b>141</b>	<b>134</b>	<b>131</b>
<b>Lower Manhattan Restoration</b>	<b>35</b>	<b>32</b>	<b>31</b>	<b>-</b>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b><u>\$1,720</u></b>	<b><u>\$1,529</u></b>	<b><u>\$1,515</u></b>	<b><u>\$1,485</u></b>

**Orange and Rockland Utilities, Inc.**  
**2007 O&M Budget Guideline**  
(\$000's)

	2006 Budget	Gas Rate Case (* ) Program Change	Labor Escalation (**)	2007 Guideline
Operations	\$ 56,915	\$487	\$960	\$58,362
Customer Service	26,600	-	399	26,999
Support Operations	2,731	-	52	2,783
CECONY Managed				
Public Affairs	2,679	-	33	2,712
Gas Meter Shop	785	-	9	794
Payment Processing	2,402	-	40	2,442
Real Estate	862	-	-	862
Treasury	1,385	-	-	1,385
Insurance	1,081	-	-	1,081
Enterprise Shared Services	7,050	-	80	7,130
Business Shared Services	19,170	-	178	19,348
President & Staff	2,950	-	44	2,994
<b>Total</b>	<b>\$ 124,610</b>	<b>\$487</b>	<b>\$1,795</b>	<b>\$126,892</b>

(\* ) The original 2006 Budget has been redistributed to reflect the new shared-services structure.

(\*\*) Reflects the wage award net of productivity savings.

**Orange and Rockland Utilities, Inc.**  
**Capital Program: 2007-2010**  
**(\$ in Millions)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Electric</b>				
Transmission & Switching Stations	\$40	\$44	\$43	\$39
Substations & Sub-Transmission	7	7	8	11
Distribution				
New Business	7	7	7	7
Improvements/Reinforcements	12	11	11	11
Transformer/Meter Installations	3	3	3	3
Transformers/Network Protectors	3	3	3	3
Meters/Meter Devices	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Distribution	27	26	26	26
<b>Total Electric</b>	<b>\$74</b>	<b>\$77</b>	<b>\$77</b>	<b>\$76</b>
<b>Gas</b>				
Distribution	\$21	\$24	\$25	\$25
New Business	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>Total Gas</b>	<b>\$26</b>	<b>\$29</b>	<b>\$30</b>	<b>\$30</b>
<b>Common</b>				
Gas	\$2	\$2	\$1	\$1
Electric	<u>8</u>	<u>6</u>	<u>6</u>	<u>5</u>
<b>Total Common</b>	<b>\$10</b>	<b>\$8</b>	<b>\$7</b>	<b>\$6</b>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b><u>\$110</u></b>	<b><u>\$114</u></b>	<b><u>\$114</u></b>	<b><u>\$112</u></b>