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Law Department

Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York NY 10003-0987
www.conEd.com

John L. Carley
Assistant General Counsel
(212) 460-2097
FAX: (212) 677-5850
Email: carleyj@coned.com

April 30, 2008

VIA EXPRESS MAIL

Honorable Jaclyn A. Brilling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 07-E-0949 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Electric Service

Dear Secretary Brilling:

In accordance with Judge Lynch's Ruling on Schedule issued April 22, 2008 in the above-referenced proceeding, I enclose an original and five copies of Orange and Rockland Utilities, Inc.'s ("Orange and Rockland") Statement in Support of Joint Proposal filed in the above-referenced proceeding. Please contact me if you have any questions regarding this matter. Please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

Very truly yours,

John L. Carley

John L. Carley
Assistant General Counsel

c. Judge Gerald L. Lynch (via email and express mail)
All Active Parties (via email)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 07-E-0949 – Proceeding on	:
Motion of the Commission	:
as to the Rates, Charges, Rules and	:
Regulations of Orange and Rockland	:
Utilities, Inc. for Electric Service	:

STATEMENT IN SUPPORT OF JOINT PROPOSAL BY ORANGE AND ROCKLAND UTILITIES, INC.

John L. Carley
Assistant General Counsel

Enver Acevedo
Senior Attorney

Attorneys for
Orange and Rockland Utilities, Inc.
4 Irving Place – Room 1815-S
New York, New York 10003
(212) 460-2097

Dated: April 30, 2008
Pearl River, New York

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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 07-E-0949 - Proceeding on	:	
Motion of the Commission	:	Before
as to the Rates, Charges, Rules and	:	Hon. Gerald L. Lynch
Regulations of Orange and Rockland	:	
Utilities, Inc. for Electric Service	:	

STATEMENT IN SUPPORT OF JOINT PROPOSAL

I. INTRODUCTION

On April 18, 2008 Orange and Rockland Utilities, Inc. ("Orange and Rockland" or the "Company"), Staff of the Department of Public Service ("Staff"), Town of Ramapo ("Ramapo"), Small Customer Marketer Coalition ("SCMC"), and Retail Energy Supply Association ("RESA") (collectively referred to herein as the "Signatory Parties") entered into a Joint Proposal ("Proposal") covering Orange and Rockland's electric rates for the three-year period from July 1, 2008 through June 30, 2011 ("Electric Rate Plan"). The Proposal was filed with the New York State Public Service Commission ("Commission") on April 18, 2008. Pursuant to a schedule adopted on March 27, 2008 by Administrative Law Judge Gerald L. Lynch in the above-referenced proceeding, Orange and Rockland submits this Statement in Support of Joint Proposal.

The Proposal establishes a three-year Electric Rate Plan that provides the Company with needed electric rate relief – in fact, the Company's first base rate electric increase in over 15 years; supports investment in electric infrastructure necessary to maintain a secure, safe and reliable electric distribution system over the long term; and allows the Company to phase in needed additional employees over the term of the Electric Rate Plan. The Proposal also continues existing service quality and operational performance measures, as well as the Company's low-income program. It limits the recovery of capital expenditures to the lower of the levels provided in rates or actual net plant additions, whichever is less, and implements a revenue decoupling mechanism ("RDM").

The Proposal has support from parties representing a broad array of interests, including marketers focusing on the participation of small customers in the developing competitive market in the Company's service territory. The Proposal should be approved promptly by the Commission in all respects.

II. BACKGROUND

On August 10, 2007, the Company filed with the Commission revised electric tariff leaves reflecting an electric rate increase of $47.8 million or an average increase of approximately 7.8 %, including projected supply costs and gross receipts taxes ("Initial Rate Filing").

The Company also presented a three-year rate proposal as an alternative to a one-year rate plan. Under this proposal, the Company sought increases in the second and third rate years of $10.0 million and $5.1 million, respectively.

By orders dated August 27, 2007, and December 20, 2007, the Commission suspended the proposed electric rates first through January 6, 2008, and subsequently through July 6, 2008.

On November 15, 2007, the Company filed various updates and corrections to its Initial Rate Filing, which lowered the requested first year rate increase by approximately $4.1 million, from $47.8 million to $43.7 million.

On December 19, 2007, Staff filed its direct case, in which it recommended that the Company's electric base rates be increased by $17.497 million (Tr. 367). No other party filed direct testimony.

On January 11, 2008, the Company filed its update/rebuttal testimony. No other party filed update and/or rebuttal testimony.

Evidentiary Hearings were conducted on two days, i.e., February 5 and 6, 2008. Judge Lynch presided over the hearings. In addition to the Company, the following parties submitted appearances during the course of the hearings: Staff, the New York State Consumer Protection Board ("CPB"), Ramapo, and the County of Rockland ("Rockland County").

During the hearings, six Company witnesses and eight Staff witnesses were made available for cross-examination.

In accordance with the Commission's rules, the Company notified all parties to this proceeding of the pendency of settlement negotiations, prior to the commencement of negotiations, by e-mail and letter dated February 13, 2008. Notice of the impending negotiations was duly filed with the Secretary of the Commission by letter dated February 13, 2008. Negotiations among the parties commenced on February 21, 2008. Additional settlement conferences were held on March 5, March 12, and March 25, 2008. Orange and Rockland, Staff, CPB, Rockland County, Ramapo, SCMC, RESA, Mirant

Corporation (“Mirant”), and Strategic Energy, LLC (“Strategic”) participated in the settlement conferences, which were held in person or via teleconference.

All settlement negotiations were conducted in accordance with the Commission’s Settlement Rules, 16 NYCRR § 3.9, and all parties received appropriate advance notice of all negotiating sessions, including breakout sessions that, pursuant to agreement of the active parties, were conducted on particular issues during the same time period.

As a result of these involved and open settlement discussions and negotiations, the Signatory Parties reached agreement on all of the issues raised in this proceeding, which is embodied in the Proposal.[1] The Proposal was filed with the Secretary of the Commission on April 18, 2008.

As described below, the Proposal is designed to provide the Company with needed electric rate relief, while encouraging the Company to continue to make the capital expenditures required to maintain safe and reliable service and promote economic development. The Proposal continues operational performance measures related to reliability and customer service. The Proposal implements an RDM and also addresses interests of certain low-income customers.

III. SPECIFIC PROVISIONS OF THE PROPOSAL

The provisions of the Proposal, which were agreed upon by the Signatory Parties following arduous and open negotiations, produce results within the range of results that likely would have been achieved through a fully litigated proceeding, reflect agreement by normally adversarial parties, and comport with the Commission’s goals and policies,

[1] As noted in footnote 1 of the Proposal, SCMC and RESA support all aspects of the Proposal except for its treatment of the issue of the expansion of mandatory hourly pricing.

as well as its settlement guidelines. As with any compromise, individual provisions of the Proposal may not be to the liking of one or more Signatory Parties and all Signatory Parties, including the Company, made numerous concessions to reach agreement.

The Proposal provides a comprehensive three-year rate plan for electric service. Taken in its entirety, the Proposal has been subscribed to by the Company and makes adequate provision for the rendition of safe and adequate electric service, moderates rate increases over a three-year period, and promotes retail competition and economic development in the Company's service territory. Major provisions of the Proposal are described below. For convenience sake, the Company addresses these provisions in the order in which they appear in the Proposal.

1. <u>Three-Year Rate Plan</u>

The Electric Rate Plan covers the three-year period from July 1, 2008 through June 30, 2011. The first rate year covers the twelve-month period ending June 30, 2009 ("First Rate Year" or "RY1"), the second rate year covers the twelve-month period ending June 30, 2010 ("Second Rate Year" or "RY2"), and the third rate year covers the twelve-month period ending June 30, 2011 ("Third Rate Year" or "RY3"). The Proposal indicates base rates could be increased substantially more in the First Rate Year than will be the case under the phase-in adopted in the Proposal. Without the phase-in provided for by the Proposal, base rates would increase $23,287,000 in the First Rate Year, $9,526,000 in the Second Rate Year, and $4,057,000 in the Third Rate Year, to give the Company a reasonable opportunity to achieve the earnings levels contemplated by the Proposal.

The Proposal significantly moderates the RY1 increase. The Company has agreed to phase in this base rate increase as follows: $15,591,000 in the First Rate Year, $15,591,000 in the Second Rate Year, and $5,688,000 in the Third Rate Year (in addition to a one-time collection of $9,903,000 through the Energy Cost Adjustment ("ECA")). This phased in base rate increase also represents a reasonable compromise between the $47.8 million electric rate increase in the First Rate Year set forth in the Company's Initial Rate Filing and the $17.497 million First Rate Year electric rate increase recommended by Staff in its direct case.

The base revenue requirement contained in the Proposal reflects a common equity ratio of 48% and an allowed return on equity of 9.4%. The common equity ratio constitutes a compromise between the Company's projected common equity ratio of 48.59% (Tr. 518) and Staff's projected common equity ratio of 47.93% (Tr. 780). The return on equity of 9.4% is comprised of a 9.1% return on equity for a single rate year, with an additional 30 basis point stayout premium to reflect the risk inherent in a three-year rate plan. In his direct testimony, Company witness Dr. Morin recommended a one-year return on equity of 11.2%, with an additional 25 basis point stayout premium for a three-year rate plan (Tr. 675-676). During the evidentiary hearings in this proceeding, Dr. Morin updated his recommendation and lowered his recommended one-year return on equity to 10.8% (Tr. 736). In their direct testimony, the Staff Finance Panel recommended a one-year return on equity of 8.90% (Tr. 781-782).

The Company believes that both the 8.9% return on equity recommended by the Staff Finance Panel and the 9.4% return on equity contained in the Proposal seriously understate Orange and Rockland's cost of equity capital. The Commission's continuing adherence to a cost of capital framework that generates returns that are low by industry standards serves to produce results that are both arbitrary and unreasonable. In light of the Commission's apparent unwillingness to allow higher returns, however, combined with certain of the other provisions contained in the Electric Rate Plan, the Company determined to accept the Proposal.

The record in this proceeding establishes a strong case for rate relief. Orange and Rockland has gone over 15 years without a base rate increase. The Proposal mitigates the impact on customers of this necessary rate increase by phasing it in over the three-year term of the Electric Rate Plan. Moreover, the Proposal provides for capital spending, and needed additional employees necessary to improve electric operations performance and enhance overall electric system integrity, and reflects actual costs for pension and post employee benefits.

The Proposal also implements an RDM on a total delivery revenue basis. The Signatory Parties agree that it is preferable, particularly from an accounting/auditing perspective, to implement the RDM adjustments, as well as RDM base rate changes on a calendar month basis over the three-year term of the Electric Rate Plan. Under the statutory suspension period applicable to the Company's tariff proposal, new base rates should become effective on July 7, 2008. The Signatory Parties agree, however, that because the revenue requirement is based on the full month of July, new rates should become effective July 1, 2008. Due to the time required by the Signatory Parties to negotiate the Proposal, as well as for the Commission to review the Proposal, new rates will not become effective until August 1, 2008. The Signatory Parties agree, and no other party to this proceeding opposes, that the delay in implementing new rates requires a make whole adjustment.

Since it is the intent of the Signatory Parties for the RDM mechanism to be in place for the full twelve months of the rate year (i.e., July 1, 2008 through June 30, 2009), for those customers subject to the RDM, the Company would be made whole for the revenue shortfall for July 2008 (i.e., the difference between the Company's actual revenues and the RDM targets) though the RDM true-up mechanism applicable to the cost month of July 2008. The true-up amount would be based on the class-specific revenue targets for that month. The July 2008 revenue shortfall would be recovered over 10 months (i.e., September 2008 through June 2009) through class-specific RDM adjustment factors.

For those customers not subject to the RDM, the Signatory Parties propose that the revenue shortfall for July 2008 (i.e., the difference between the forecast sales revenues included in the Company's revenue requirement calculation that would have been billed at new rates during July 2008, as compared to the same level of sales revenues at current rates) would be recovered over ten months (i.e., September 2008 through June 2009) through separate class-specific temporary cents per kWh charges.

The make whole provision as stated in the Proposal, and described above, addresses only the portion of the July 2008 revenue shortfall associated with non-competitive delivery revenues. The Company also will experience July 2008 shortfalls associated with competitive service revenues. Some of these revenues are reconciled through the transition adjustment, with recovery of the July 2008 shortfalls occurring in RY2. The competitive charges that are reconciled through the transition adjustment are the MFC procurement component (including purchased power working capital), the MFC credit and collections component, and the credit and collections component of the POR discount.

The billing and payment processing ("BPP") charge and metering charges are included in the transition adjustment, but since they are reconciled based on charges avoided by customers taking these services competitively, the July 2008 shortfalls associated with these charges will not be reconciled in the normal operation of the transition adjustment. Commodity-related uncollectibles are not included in the transition adjustment, and therefore the July 2008 shortfall would not be reconciled.

After further discussions between the Company and Staff, it has been agreed that the actual July 2008 shortfall for the BPP charge, metering charges, and commodity-related uncollectibles will be calculated and added to the amounts to be recovered through the RDM, and temporary adjustment charges for non-RDM customers, over the ten-month period September 2008 through June 2009. This is consistent with the Signatory Parties' agreement that the delay in implementing new rates requires a make whole adjustment.

2. Sales Forecasts

The Signatory Parties have agreed to the sales forecasts for RY1, RY2, and RY3, as set forth in Appendix B to the Proposal. As evidenced by Staff witness Stella's testimony (Exhibit 49, p. 8) and the lack of cross-examination regarding this issue during the evidentiary hearings, the rate year sales projection was not a contested issue in this proceeding.

3. Rate Design

The Proposal provides for a number of rate design changes, the majority of which proved non-controversial. Delivery revenues for each service classification ("SC") were realigned to reflect the deficiency and surplus indications from the Company's embedded cost of service study. One third of the deficiency and surplus indications were realigned in each rate year. This change better aligns the Company's electric delivery rates with its cost of service while moderating customer bill impacts.

The delivery revenue increase, net of revenue taxes and certain other adjustments, was allocated among the SCs in proportion to the relative contribution made by each SC to the realigned total delivery revenues. A mitigation adjustment then was made, on an overall revenue neutral basis, to limit the delivery increase percentage to any customer class to not more than 1.5 times or less than 0.5 times the overall delivery increase percentage for all classes (Tr. 9). For example, the Company applied such a mitigation adjustment to two of its lighting SCs (i.e., SC 4 and 16) (Tr. 48-51).

As proposed by the Staff Rate Panel, where possible, customer charges in each SC were increased by twice the class-specific delivery revenue increase percentages in each of the three rate years (Exhibit 98, p. 15). This provision acknowledges that, in general, the Company's customer charges should be increased so as to reflect better the Company's cost to provide service, although the gradual increases moderate the impact of these changes on customers. Where applicable, demand charges have been increased by the class-specific delivery revenue increase percentages in each of the three rate years. The remainder of the increase for each class, after accounting for any increases in customer and demand charges, was applied to per kWh usage charges on an equal percentage basis.

In Rate Year 3, $9,903,000 of the increase will be collected on a cents per kWh basis via class-specific temporary surcharges included in the Energy Cost Adjustment ("ECA"). This ECA surcharge will expire at the end of Rate Year 3, thereby providing that at the end of the Electric Rate Plan the Company's base revenues will be at the same level they would have been if the rate increase was not phased in.

The Electric Rate Plan establishes (a) an unbundled merchant function charge ("MFC") to recover the costs of commodity-related competitive services, (b) unbundled metering charges, and (c) a separate billing and payment processing charge. This unbundling has been performed pursuant to the Commission's Unbundling Policy Statement issued on August 25, 2004 in Case No. 00-M-0504 (Tr. 10-15). A single purchase of receivables ("POR") discount was established to recover, from energy services companies ("ESCOs") participating in the Company's POR program, credit and collections-related costs and commodity-related uncollectibles. By agreeing to implement an MFC applicable only to full service customers and a credit and collections component in the POR discount, the Company has adopted the proposal of Staff witness Berger (Exhibit 44, pp. 5-11).

The Electric Rate Plan also includes a Transition Adjustment for Competitive Services to recover revenue losses relating to competitive services (Tr. 16-18).

The revenue impacts for RY1 are summarized in Appendix C to the Proposal. The revenue impacts shown in Appendix C were calculated using the forecasted number of customers contained in the Company's original filing. However, on November 15, 2007, the Company updated its sales forecast, necessitating a corresponding update to its customer forecast. The updated sales forecast was agreed to by the Signatory Parties and is attached as Appendix B to the Proposal. As such, it is appropriate to use the corresponding updated customer forecast for rate design purposes. Attached as Exhibit 1 to this Statement in Support are revised revenue impacts for RY1 as well as revenue impacts for RY2 and RY3. The RY1 revenue impacts shown in Exhibit 1, Schedule 1, reflect the revised forecast of customers which results in a small (approximately $61,000) shift in revenues from competitive service revenues to non-competitive delivery revenues.

This revision impacts competitive service charge revenues for metering and competitive service charge revenues in total that are listed in Section 3.D. of the Proposal. In addition, the revision to the customer forecast changes the non-competitive delivery revenue change for SC 20 from a decrease to an increase, permitting SC 20 to be treated in the rate design in the same manner as other SCs experiencing non-competitive delivery revenue increases. Exhibit 2 shows, in redline/strikeout format, the impact of these changes on the language in Section 3.D. of the Proposal.

As discussed in the direct testimony of Company witness Atzl, the Company will implement two re-inspection fees, a collections fee, as well as increases in the Company’s reconnection fee and charge to suspend service at the request of an ESCO (Tr. 19-27). These service fees reflect the Company’s current costs and will help to provide parties with the correct economic signals. Neither Staff nor any other party took exception to the Company’s proposals (Exhibit 44, p. 4).

4. Bill Format

Pursuant to the Commission's Order dated February 18, 2005 in Case 00-M-0504, the Company submitted a proposed revised bill format with its initial filing (Exhibit 1, Schedule 4). After discussions with Staff and other interested parties, the Company agreed to make several alterations to its proposed bill format. For example, commencing in January 2009, the Company will place information relating to the most recent "price to compare," as well as information on how the current "price to compare" can be obtained, on customers' bills on a quarterly basis.[2] The revised bill format, included as Appendix D to the Proposal, reflects these agreed upon alterations.

Finally, the Company will work with Staff's Bill Format Team on further revisions after the initial migration to the new bill format. In particular, the Company will work with Staff's Bill Format Team to explore the appropriateness of adjusting the Government Surcharges labels. The Company will implement all agreed-upon changes by January 2009.

5. ESCO Referral Report

In order to address concerns raised by SCMC and RESA during the course of settlement negotiations, the Company has agreed to evaluate the feasibility of expanding its existing ESCO referral program so as to include new customers who contact the Company for service. The Company continues to support retail choice and implementing cost-effective programs that benefit its customers. The second paragraph of Section III (8) of the Proposal was added to allay certain concerns raised by CPB during settlement negotiations.

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[2] This information also will be placed on the Company's website.

6. Market Supply Charge ("MSC")

In order to address concerns raised by Staff during settlement negotiations, the Company has agreed to prepare a study evaluating the advantages and disadvantages of revising its MSC so that it reflects the actual NYISO day-ahead market prices that were in effect during each customer's billing period ("Revised MSC"). This study will identify any specific issues, including the Company's recovery of associated incremental projected costs, which will need to be resolved in order to implement a Revised MSC, as well as a proposed schedule for implementing a Revised MSC. While the Company certainly has not proposed to revise its MSC, the approach outlined in the Proposal provides for a full and informed airing of relevant issues prior to the implementation of any revision.

7. Revenue Decoupling Mechanism ("RDM")

The Proposal provides that the Company will implement an RDM, as set forth in Appendix E, at the same time as the Electric Rate Plan becomes effective (i.e., July 1, 2008). As noted by Company witness Atzl in his rebuttal testimony, Staff proposed a total revenue reconciliation mechanism for classes subject to revenue decoupling, while the Company proposed a revenue per customer ("RPC") mechanism for classes subject to revenue decoupling (Tr. 39). In order to reach a settlement with Staff in this proceeding, the Company has agreed that the RDM will be calculated, as Staff proposed, based on a total delivery revenue per class methodology for customer classes that are included in the RDM.

In its testimony, the Staff Rate Panel proposed that the lighting, buyback, individually negotiated contract, and standby SCs should not be subject to an RDM

(Exhibit 98, p. 18). The Company agreed to these exclusions since the alleged justification for implementing an RDM, i.e., removing a disincentive associated with energy efficiency, did not apply to these SCs. The Proposal also provides that customers taking service under the Company's economic development riders, i.e., Riders G, H, and J, must be removed from SC Nos. 2, 3, 9, 20, 21, and 22 for the purposes of setting RDM delivery revenue targets and determining the actual delivery revenues for those classes.[3] This is necessary so that the RDM does not negatively impact the Company's economic development efforts. Having agreed, under its Rider H, to shoulder a greater percentage of the costs required to interconnect a customer than normally allowed under the Company's electric tariff, based upon the increased projected revenues to be provided by such customer, the Company is entitled to retain revenues produced by such customer. If the Company is required, through the operation of the RDM, to surrender the very revenues necessary to be kept whole, the Company will be compelled to terminate these economic development riders. Such a result is not in the best interests of either customers or shareholders, and runs directly contrary to sensible regulation.

8. Earnings Sharing

The Proposal provides that earnings in excess of 10.2% return on common equity capital allocated to New York jurisdictional electric utility operations ("Earnings Sharing Threshold"), at the end of the three-year term of the Proposal, will be shared between customers and shareholders.[4] Specifically, for the first 100 basis points above the Earnings Sharing Threshold, one-half of the revenue equivalent of the net shared earnings

[3] See, Appendix E, page 1 of 4, footnote. 2.
[4] If in any rate year the level of earned common equity return is less than the Earnings Sharing Threshold, the Proposal equitably provides that any such shortfall shall be deducted from the level of earned common equity return that exceeds the Earnings Sharing Threshold in other rate years.

will be deferred for the benefit of customers. For net shared earnings more than 100 basis points above the Earnings Sharing Threshold, 75 percent of the revenue equivalent of the net shared earnings will be deferred for the benefit of customers.

For purposes of determining whether the Company has earned in excess of the Earnings Sharing Threshold, the calculation of the actual return on common equity capital allocated to New York jurisdictional electric utility operations shall be on a per books basis.[5]

This sharing arrangement reflects give and take among those parties who believe consumer interests are served by imposition of relatively low sharing levels and those parties, like the Company, who maintain the consumer will derive greater benefit from rate mechanisms that eliminate earnings sharing requirements and thereby extend stronger earnings and efficiency incentives and encourage stronger long-term efficiency improvements. While it is unclear whether the Company has a realistic opportunity to realize earnings above 9.4%, particularly given the implementation of an RDM, the initial sharing provision set forth in the Proposal serves to reduce the Company's earnings opportunities. Typically in Joint Proposals, the threshold for earnings sharing between customers and shareholders is established at 100 basis points over the authorized return.[6] The Proposal, however, starts earnings sharing at the lower threshold of 80 basis points over the Company's authorized return.

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[5] The earnings sharing provision will exclude officer restricted stock payments, any earned reward or penalty related to property tax refunds, or other incentive mechanisms effective during the term of the Electric Rate Plan.

[6] See, for example, the Joint Proposal (p. 5), approved by the Commission in the Company's last gas base rate case, Case 05-G-1494, <u>Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of orange and Rockland Utilities, Inc. for Gas Service</u>, Order Establishing Rates and Terms of Three-Year Rate Plan (issued October 20, 2006) ("O&R 2006 Gas Rate Order").

9. Reconciliations

To protect both customers and the Company from variations in costs over which the Company does not have control, the Proposal provides for the reconciliation of certain categories of costs, by comparing the forecasted amounts included in the revenue requirement to the actual costs incurred by the Company. The Company will reconcile various costs to the levels provided in rates (as set forth in Appendix G of the Proposal), including the following: environmental remediation expenditures, property taxes (as described further below), pensions/other post employment benefits ("OPEBs"), research and development, low-income program, asbestos workers' compensation reserve, and deferred income tax 263A and bonus depreciation. The reconciliations for each of these costs will be deferred at the end of RY1, RY2, and RY3, respectively.[7] This arrangement is consistent with Company witness Kane's testimony in this proceeding (Tr. 290).

Transmission and distribution capital expenditures will be compared on a cumulative basis over the three-year term of the Proposal to the levels provided in rates (as set forth in Appendix F). If at the end of RY3, such capital additions are less than the agreed upon target identified in Appendix F, the Company will defer the revenue requirement impact of any shortfall for the benefit of customers.

Contractor tree trimming expenditures also will be reconciled on a cumulative basis over the three-year term of the Proposal to the levels provided in rates (as set forth in Appendix G). In the same manner as the true-up associated with transmission and distribution capital net plant additions, the true-up associated with contractor tree

[7] These costs also will continue to be deferred after the three-year term of the Proposal.

trimming is performed on a shortfall only basis. Such procedure is consistent with that approved by the Commission in Case 06-E-1433.[8]

As set forth in Appendix G to the Proposal, Orange and Rockland's property taxes (allocated to electric operations) will be reconciled to the RY1-RY3 expense allowances of $18.6 million, $18.8 million, and $19.1 million, respectively. In recognition that property taxes are beyond the Company's control, the Proposal provides for reconciliation of property tax expenses. Specifically, if the level of actual expenditures for property taxes, excluding the effect of property tax refunds, varies in any Rate Year from the levels provided in rates, 100% of any variations due to tax rate changes will be deferred and recovered from or credited to customers, while 86% of any variations due to assessment changes will be deferred and recovered from or credited to customers.

In order to provide the Company with a further incentive to contest high assessments, the Proposal permits Orange and Rockland to retain 14% of all property tax refunds and/or credits against future tax payments actually achieved by Orange and Rockland during the term of the Proposal. Allowing the Company to retain 14% of all such property tax refunds and/or credits against future tax payments achieved by Orange and Rockland is reasonable since as acknowledged by the Staff Accounting Panel, depending upon the circumstances, the Commission has allowed utilities to retain from 10% to 25% of such refunds and/or credits (Tr. 428). Moreover, in the Company's last gas base rate case, the Company's retention level was established at 14%.[9]

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[8] Case 06-E-1433, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Electric Service, Order Setting Permanent Rates, Reconciling Overpayments During Temporary Rate Period, and Establishing Disposition of Property Tax Refunds, (issued October 18, 2007) ("Temporary Rates Order")(see p. 20).
[9] O&R 2006 Gas Rate Order, (See Joint Proposal, p. 8).

When calculating the level of earned common equity return for electric that may be subject to sharing, for earnings above 10.2%, the Company will reduce certain net expenses (debits) deferred for later recovery up to 50% of the deferral, provided that such reduction in deferrals will not cause the resulting earnings to decrease below a 10.2% return on common equity. This deferral limitation will apply to net debit deferrals for pensions/OPEBs, property taxes, research and development costs, and any future applicable legislative, regulatory and related actions. This analysis will be performed on a single Rate Year basis (e.g., costs deferred in RY1 will not be considered in the analysis for RY2).

10. Major Storm Costs

The Proposal provides the Company with cumulative funding of $6.7 million during the Electric Rate Plan to cover incremental storm costs, incurred for major storms. Moreover, the Proposal allocates the risk between the Company and its customers if the Company's incremental storm damage costs are higher or lower than $6.7 million, while protecting the Company from significant increases in incremental storm damage costs. Specifically, to the extent that over the term of the Electric Rate Plan, the Company has incurred cumulative incremental storm damage costs, relating to major storms, in excess of $7.2 million, the Company will defer costs in excess of the $7.2 million. Conversely, to the extent that over the term of the Electric Rate Plan, the Company has incurred cumulative incremental storm damage costs, relating to major storms, less than $6.2 million, the Company will defer costs less than $6.2 for the benefit of customers. All major storm costs will be subject to Staff review. Limiting Orange and Rockland's exposure to incremental storm damage costs (i.e., the $500,000 between $6.2 million and

$6.7 million) balances the fact that the Company plainly has no control over either the timing of major storms or the extent of the damage caused by them and the fact that the Company should strive to address major storms efficiently.

11. Inflation Adjustment

The Proposal also affords the Company some limited protection in the event that hyper-inflation strikes during the three-year Electric Rate Plan. Specifically, If general inflation rates exceed 4.0% ("Inflation Threshold") on average over the course of the Electric Rate Plan and the Company's average electric earnings are less than the authorized return of 9.4% over the three-year term of the Electric Rate Plan, the Company will be allowed to defer inflationary increases above the Inflation Threshold applicable to the expenses set forth in Appendix J ("Inflation Pool"). The Inflation Pool includes direct labor, shared services, employee and other insurance costs (including medical), transmission and distribution ("T&D") operation and maintenance ("O&M") (excluding tree trimming), regulatory commission expenses, and other O&M costs.

This provision properly balances the interests of customers and shareholders. The Company only will be allowed to defer inflationary increases to the extent its average electric earnings are less than 9.4%, and cumulative inflation costs exceed 12% over the three-year period covered by the Electric Rate Plan. This provision further limits the deferral of costs to the lower of actual expenditures or the target levels adjusted for cumulative inflation rate above 12%. This provision properly serves to protect the Company if the rate of inflation accelerates rapidly during the Electric Rate Plan. This provision reflects the three-year term of the Electric Rate Plan and the uncertainty of national monetary economic policy.

12. Pollution Control Debt

The Pollution Control Debt provision of the Proposal also reflects the roiling financial environment in which the Signatory Parties negotiated the Proposal. As testified to by Company witness Perkins, the financial difficulties recently encountered by the insurers of two of the Company's tax exempt issues of pollution control debt[10] may lead the Company to call these issues (along with a swap associated with one of the issues), or alternatively incur additional unforeseen costs (Tr. 587-591). As further noted by Mr. Perkins, the Company may be required to call the Pollution Control Debt in the event that Mirant were to demolish or otherwise terminate operations at Lovett (Tr. 588). In light of this situation, in the event the Pollution Control Debt is refunded prior to June 30, 2011, the Proposal provides that the incremental costs associated with the retirement and refinancing of the Pollution Control Debt will be deferred for future recovery. The settlement of swaps will be trued-up and amortized through the normal maturity date of the applicable bonds (i.e., 2014). In addition, the Company will reconcile its actual interest and swap costs related to the Pollution Control Debt (including the use of a bank credit facility) to the levels reflected in rates as set forth in Appendix K.

Providing for a true-up of these increased costs is reasonable because customers have benefited from the lower interest rates of these issues for over a decade and regulatory policy ought to advance prudent resolution of financial decisions like those arising with respect to tax-exempt bonds. The arrangement described above also is consistent with the true-up of certain tax-exempt debt authorized by the Commission in

[10] The Company has two issues of tax exempt debt (i.e., Series 1994A and Series 1995A) ("Pollution Control Debt") that were used to finance pollution control equipment located at the Lovett Generating Station ("Lovett").

the most recent Consolidated Edison Company of New York, Inc. electric base rate case.[11]

13. Lovett Generating Facility Closure

As noted above, Mirant is actively considering the demolition of Lovett. As discussed by Company witness Regan in his rebuttal testimony, the demolition of Lovett will require the Company to implement expeditiously a number of system improvement projects in order to preserve the reliability, integrity and security of the Company's electric delivery system and substations located within the Lovett complex (Tr. 143-144). The Company's initial estimate of the costs that it will incur relating to the demolition is $1.85 million (Tr. 145).

The Proposal provides that to the extent the Company incurs incremental costs associated with the relocation of its facilities located at Lovett, and such costs are not collected from Mirant, the Company will be allowed to defer for future recovery, subject to Staff review, incremental capital expenditures, in an amount not to exceed $1.85 million, and incremental O&M expenses, in an amount not to exceed $185,000. The Company will apply the full return to these deferred amounts. The Company will defer for future recovery, without carrying charges until the Company's next base rate case, any incremental capital expenditures exceeding $1.85 million.

This arrangement represents a reasonable compromise since the costs to be deferred result from a matter over which the Company has no control (i.e., the potential demolition of Lovett). Costs will be deferred only to the extent they are not recovered from Mirant. The deferred costs on which the Company receives a carrying charge are

[11] Case 07-E-0523, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, Order Establishing Rates for Electric Service (issued March 25, 2008) (p. 125).

limited to the Company's initial estimate of the costs that it will incur relating to the demolition (i.e., $1.85 million incremental capital and $185,000 incremental O&M). Finally, the Company will identify and track and, after the relocation of the Company's facilities is complete, will file a report with Staff that details the incremental capital expenditures and operations and maintenance expenses for which the Company seeks deferral.

14. Additional Employees

The Proposal provides for the phase in of 27 additional employees over the three-year term of the Electric Rate Plan. Descriptions of and justifications for each of these employees are set forth in Appendix L to the Proposal.[12] The addition of these employees is critical to the Company being able to continue to provide its customers with the level of safe and reliable service which they have come to expect. These additional employees will assist the Company in meeting the increasingly rigorous customer service and reliability performance metrics included in the Proposal.

15. Common Plant Allocation

The Proposal provides that Orange and Rockland will continue to allocate common plant costs on the following basis: 29.25% gas operations and 70.75% electric operations. This allocation, set forth in the direct testimony of Company witness Kosior, is consistent with the allocations utilized in the Company's last several base rate cases (Exhibit 34, page 17). No party in this proceeding took issue with the Company's proposal to continue this common plant allocation.

[12] These descriptions and justifications are consistent with the testimony supplied by Company witnesses Regan, Quin and Kosior in this proceeding (Tr. 112-126, 146-158, 468-469; Exhibit 34 (pages 7-9); Exhibit 36 (pages 3-5)).

16. Customer Service and Reliability Performance Measurements

During the term of the Electric Rate Plan, and thereafter until modified or discontinued by the Commission, the electric customer service and reliability performance mechanism outlined in Appendix M to the Proposal will be in effect. If the Company fails to meet certain pre-defined performance standards, it can be assessed monetary penalties. The performance metrics are identical to the ones adopted by the Commission in the Temporary Rates Order (pp. 25-28). The Proposal does, however, increase the penalty for failing to achieve the Interruption Duration Target, as well the Interruption Frequency Target, from 10 to 20 basis points by RY3. Since 10 basis points is worth approximately $400,000 for the Company (Tr. 429), the effect of increasing the penalties for both of these Targets is to increase the potential penalty from $800,000 to $1.6 million. Staff advocated this increase even though neither Staff nor any other party introduced evidence that the Company was providing less than reliable service.

Although the Company accepted this framework as part of the give and take of negotiations, the Company remains strongly opposed to a regulatory framework premised on penalty-avoidance. It tends to promote a needlessly adversarial regulatory climate and leads to unintended, and often negative, consequences, resulting from the shift of focus from achieving efficiencies and enhancing reliability to avoiding the imposition of penalties. The Company's acceptance of the metrics in the Proposal reflects its assessment of litigation risk and other factors.

17. Low-Income Program

The Proposal provides that the Company will continue with the electric low-income program authorized by the Commission in the Temporary Rates Order. That is, the Company will continue to provide a $10.00 monthly bill credit for electric space heating customers identified as Home Energy Assistance Program ("HEAP") recipients, and a $5.00 monthly bill credit for non-space heating customers who are identified as HEAP recipients. Previously, this program was funded through the use of available credits.[13] In this proceeding, the Proposal includes the costs of this program in the annual revenue requirements (see, Appendix G).

18. Energy Efficiency Program

The Proposal provides that concurrent with the Rate Year 1 delivery rate changes, the Company will begin collecting, through a non-bypassable surcharge ("Energy Efficiency Surcharge"), an amount of $4 million per year to begin funding its Energy Efficiency Plan. Under its current schedule, the Company will submit an Energy Efficiency Plan in June 2008 based on the results of the Market Potential Study currently being performed.[14] The final outcome of the Energy Efficiency Plan will be determined in the Energy Efficiency Portfolio Standard ("EPS") proceeding.[15] Given the need to accelerate the involvement of utilities like Orange and Rockland in the state's energy efficiency efforts, in order to accomplish the state's ambitious goals, implementing a funding source for these activities is certainly worthwhile. Customers' interests will be protected under this arrangement since funds only will be expended on programs approved pursuant to the EPS proceeding.

The Company currently has no funding for general outreach and education activities relating to energy efficiency. Orange and Rockland strongly believes that it

[13] Temporary Rates Order, pp. 24-25.
[14] The Commission approved the Company's performance of the Market Potential Study in the Temporary Rates Order (pp. 28-29).
[15] Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard.

should begin engaging in basic general outreach and education activities among its customers prior to the Commission's issuance of its order(s) in the EPS proceeding. This will allow the Company to increase customer interest and understanding in energy efficiency, conservation and renewables for the ultimate benefit of all future programmatic efforts in the service territory. Accordingly, the Company requests that in its Order addressing the Proposal, the Commission authorize the Company to utilize a modest portion of the amounts collected annually through the Energy Efficiency Surcharge (e.g., $25,000) for general outreach and education activities relating to energy efficiency.

19. Depreciation

As set forth in Appendix N, the Proposal adopts Staff's proposed average service lives, net salvage factors, and life tables in calculating the depreciation reserve and in establishing the revenue requirement. Specifically, as testified to by Staff witness Rieder, the Company's annual provision for depreciation would be decreased annually by $142,478 and the theoretical reserve for common plant will have a surplus of $11.4 million. Moreover, this surplus would be amortized over five years, rather than the 15 years proposed by the Company (Exhibit 101, pp. 2-3). The Company agreed to Staff's position in order to moderate the rate increase reflected in the Electric Rate Plan.

IV. RESIDENTIAL CUSTOMER BILL IMPACT

For a typical residential full service customer (who uses on average 677 kWh per month), the total annualized monthly bill impact of the Proposal's phased in rate increase is as follows:

	Monthly Bill	Bill Increase	Percent Increase
Current	$114.30		
Year 1	$ 118.67	$4.37	3.8%
Year 2	$122.31	$3.64	3.1%
Year 3	$125.98	$3.67	3.0%

These bill impacts include the cost of electric supply and exclude the Energy Efficiency Surcharge.

V. SUPPORT FOR THE PROPOSAL

The Proposal has been signed by the Company, Staff, Ramapo, SCMC, and RESA. To the Company's knowledge, no party actively opposes the Proposal. The Signatory Parties represent a broad array of interests, including, in particular, the interests of small marketers on the Company's system.

VI. THE REASONABLENESS OF THE PROPOSAL

As discussed above, the rate relief afforded the Company by the Proposal is reasonable, particularly in light of the fact that the Company has not increased its electric base rates in over 15 years. The Proposal reflects not only tradeoffs among the Signatory Parties, but also a substantial effort to address all concerns voiced by all the parties to the process. Indeed, many aspects of the Proposal reflect the input of non-signing parties. All participants had the opportunity to voice their concerns and a sincere effort was made to address them. Given the balancing required to effectuate the Proposal, parties primarily interested in only one or a few discrete elements of the Proposal may have difficulty in accepting the results of the balancing process. The Company would note, however, that aside from the Company and Staff, no other party in this proceeding filed either direct or rebuttal testimony. If a party felt particularly strongly regarding a particular issue(s), one would expect that such party would set forth its position in testimony. Nevertheless, the resulting agreement represents a good-faith effort to address all interests. Should one or more parties criticize individual elements of the Proposal and/or urge its rejection, such arguments must be measured against the numerous compromises that were negotiated in order to reach agreement.

In the final analysis, the Proposal resolves the various issues presented and it should be approved in all aspects. The Company assessed the risks and prospects of its electric operations and concludes that, given the current regulatory environment, the Proposal is acceptable. That said, the Proposal confronts the Company with a variety of operating and regulatory risks. With the implementation of an RDM, the Company no longer can utilize the revenues associated with increasing sales to offset rising operating costs, particularly heat-related response costs experienced during extended periods of hot summer weather. The financial risk assumed by the Company is further magnified by the barebones return on equity included in the Proposal. The Company faces the risk of incurring increased penalties under the Proposal if it fails to achieve the operating levels assumed in the Proposal and the risk of rising interest rates, inflation and operating costs.[16] The Company also faces the risk of rising capital and construction costs and an uncertain economic environment.

If the Proposal is not approved in its entirety, the Company respectfully requests that the Commission remand the Proposal to the parties to enable them to pursue their

[16] As discussed above, the Company acknowledges that the Inflation Adjustment provision of the Proposal affords the Company some limited protection in the event that hyper-inflation strikes during the three-year Electric Rate Plan.

respective positions and remedies, with appropriate relief should it be necessary to further suspend the effective date of any rate changes.

VII. CONCLUSION

For all the reasons set forth above, the Proposal balances the interests of a variety of parties and produces results within the range of reasonableness that would have been achieved through a fully litigated proceeding, reflects agreement by normally adversarial parties, and comports with the Commission's policies. As such, the Commission should approve the Proposal in its entirety as in the public interest.

Respectfully submitted,

John L. Carley

John L. Carley
Assistant General Counsel

Enver Acevedo
Senior Attorney

Attorneys for:
Orange and Rockland Utilities, Inc.
4 Irving Place – Room 1815-S
New York, New York 10003
(212) 460-2097

Dated: April 30, 2008
Pearl River, New York

EXHIBIT 1

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Impact of Rate Year 1 Rate Change on Total Revenue
For the Rate Year Twelve Months Ending June 30, 2009 (1) (2)
(Based on Billed Sales and Revenues)

Service Classification	Rate Year Billed Sales (MWH)	Customers	Revenue At Current Rates ($000s)	Revenue At RY 1 Rates ($000s)	Change ($000s)	Percent Change
SC1	1,598,277	188,067	264,923	273,076	8,153	3.08%
SC19	103,177	3,913	16,152	16,620	468	2.90%
Total Res	1,701,454	191,980	281,074	289,696	8,622	3.07%
SC2	936,551	27,192	144,312	147,596	3,284	2.28%
SC20	42,168	231	5,747	5,855	108	1.88%
Total Secondary	978,719	27,423	150,058	153,451	3,392	2.26%
SC3	406,194	297	51,130	52,277	1,147	2.24%
SC21	108,534	46	13,294	13,521	227	1.71%
Total Primary	514,728	343	64,424	65,798	1,374	2.13%
Total Sec & Pri	1,493,447	27,766	214,482	219,248	4,766	2.22%
SC9 (Commercial)	428,176	41	52,164	52,964	800	1.53%
SC22 (Industrial)	369,255	33	42,934	43,437	503	1.17%
Total SC9 & SC22	797,431	74	95,098	96,400	1,302	1.37%
SC4	20,213	72	4,630	4,947	317	6.85%
SC5	3,435	506	633	668	35	5.58%
SC 16 -dusk-to-dawn	10,703	2,682	2,259	2,405	145	6.43%
SC 16 - energy only	4,427	404	643	665	22	3.45%
SC16 - Total	15,130	3,086	2,903	3,070	168	5.77%
Total Lighting	38,778	3,664	8,165	8,685	520	6.37%
SC 25	52,000	1	6,050	6,111	61	1.00%
Public Authority	105,084	1	12,706	12,706	0	0.00%
Total	4,188,194	223,486	617,575	632,846	15,271	2.47%
Competitive Services Revenues (3)			0	315	315	NA
Total	4,188,194	223,486	617,575	633,162	15,587	2.52%

Notes:

1. For comparison purposes, an estimated electric supply charge for retail access customers has been included in total revenues. This is equivalent, on a per unit basis, to the cost of electric supply included in full service customer revenues.
2. All revenues exclude revenues associated with the Energy Efficiency Surcharge.
3. Revenues associated with increase in Billing & Payment Processing Charges to gas customers and to ESCOs.

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 1

Calculation of Incremental Revenue Requirement for Rate Year 1 [1]

a.	Incremental Revenue Requirement for Rate 1 Year Including Gross Receipts/MTA Taxes	$15,591,000
b.	Gross Receipts/MTA Tax Included in Incremental Revenue Requirement	$148,115
c.	Incremental Revenue Requirement for Rate Year 1 Excluding Gross Receipts/MTA Taxes (a - b)	$15,442,885
d.	Transfer of Purchase Power Working Capital Expense from Base Rates to MFC	$447,700
e.	Incremental Revenue Derived from Gas Customers and Marketers as a result of increase in Billing and Payment Processing Charge and Billing Cost to Marketers as a result of increase in B&PPC/Billing Cost from $0.62 to $1.02	$312,442
f.	Transfer of Middletown Tap from ECA to Base Rates	$1,620,000
g.	Transfer of Commodity Related Uncollectibles for full service customers from Base Rates to MFC	$1,073,000
h.	Adjusted Incremental Revenue Requirement for Rate Year 1	$15,229,743
i.	Rate Year 1 Bundled Delivery Revenues at Current Rate Level, Excl. West Point	$182,900,000
j.	Rate Year 1 Overall Percentage Increase in Delivery Revenues (h / i)	8.32681%

Note:
1 Twelve months ending June 30, 2009

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 1

Allocation of Incremental Revenue Requirement Among Customer Classes

Class	Bundled Rate Yr. 1 Delivery Rev. ($)	(Surplus)/ Deficiency (1) ($)	Adj. Rate Yr. 1 Delivery Revenue ($)	Rate Yr. 1 Incr. @ 8.32681% ($)	Rate Yr. 1 Bundled Delivery Rev. at Rate Yr. 1 Rate Level ($)	Rate Yr. 1 Increase Incl. (Surplus)/Deficiency ($)	Rate Yr. 1 Bundled %	Mitigation Adjustment (2)	Mitigation Increase	Adj. Rate Yr. 1 Incl. (Surplus)/Deficiency Incl. Mitigation Adj./Incr.	Adj. Rate Yr. 1 Bundled %	Adj. Rate Yr. 1 Bundled Delivery Rev. at Rate Yr. 1 Rate Level
SC1	99,396,000	(351,333)	99,044,667	8,247,261	107,291,928	7,895,928	7.94391%	0	204,242	8,100,170	8.14939%	107,496,170
SC19	5,481,000	0	5,481,000	456,392	5,937,392	456,392	8.32680%	0	11,302	467,694	8.53300%	5,948,694
Total Res	104,877,000	(351,333)	104,525,667	8,703,653	113,229,320	8,352,320	7.96392%	0	215,544	8,567,864	8.16944%	113,444,864
SC2	47,483,000	(705,000)	46,778,000	3,895,115	50,673,115	3,190,115	6.71844%	0	96,462	3,286,577	6.92159%	50,769,577
SC20	1,406,000	(11,000)	1,395,000	116,159	1,511,159	105,159	7.47930%	0	2,877	108,036	7.68393%	1,514,036
Total Sec	48,889,000	(716,000)	48,173,000	4,011,274	52,184,274	3,295,274	6.74032%	0	99,339	3,394,613	6.94351%	52,283,613
SC3	9,213,000	364,000	9,577,000	797,459	10,374,459	1,161,459	12.60674%	(10,735)	0	1,150,724	12.49022%	10,363,724
SC21	2,174,000	37,667	2,211,667	184,161	2,395,828	221,828	10.20366%	0	4,561	226,389	10.41346%	2,400,389
Total Pri	11,387,000	401,667	11,788,667	981,620	12,770,287	1,383,287	12.14795%	(10,735)	4,561	1,377,113	12.09373%	12,764,113
Total Sec & Pri	60,276,000	(314,333)	59,961,667	4,992,894	64,954,561	4,678,561	7.76190%	(10,735)	103,900	4,771,726	7.91646%	65,047,726
Total SC9 (Com)	8,061,000	110,000	8,171,000	680,384	8,851,384	790,384	9.80504%	0	16,850	807,234	10.01407%	8,868,234
Total SC22 (Mfg)	4,882,000	85,333	4,967,333	413,620	5,380,953	498,953	10.22026%	0	10,243	509,196	10.43008%	5,391,196
Total SC 9 & SC 22	12,943,000	195,333	13,138,333	1,094,004	14,232,337	1,289,337	9.96166%	0	27,093	1,316,430	10.17098%	14,259,430
SC4	2,531,000	180,667	2,711,667	225,795	2,937,462	406,462	16.05933%	(90,334)	0	316,128	12.49023%	2,847,127
SC5	278,000	22,000	300,000	24,980	324,980	46,980	16.89928%	(12,257)	0	34,723	12.49029%	312,723
SC 16 -dusk-to-dawn	1,145,000	258,333	1,403,333	116,853	1,520,186	375,186	32.76737%	(232,173)	0	143,013	12.49025%	1,288,013
SC 16 - energy only	185,000	9,333	194,333	16,182	210,515	25,515	13.79207%	(2,408)	0	23,107	12.49045%	208,107
SC16 - Total	1,330,000	267,667	1,597,667	133,035	1,730,702	400,702	30.12794%	(234,581)	0	166,121	12.49028%	1,496,120
Total Lights	4,139,000	470,333	4,609,333	383,810	4,993,143	854,143	20.63647%	(337,172)	0	516,971	12.49025%	4,655,970
SC 25												
Rate 1	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 2	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 3	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 4	665,000	0	665,000	55,373	720,373	55,373	8.32677%	0	1,371	56,744	8.53293%	721,744
Total	665,000	0	665,000	55,373	720,373	55,373		0	1,371	56,744	8.53293%	721,744
Total	182,900,000	(0)	182,900,000	15,229,734	198,129,734	15,229,734	8.32681%	(347,907)	347,908	15,229,735	8.32681%	198,129,735

Notes: 1 Exhibit E-12, Schedule 1, Table 1A adjusted to reflect Staff and Company agreement on tranformer costs.
Deficiencies & Surpluses phased-in equally over the three rate years.
2 Overall bundled delivery increase limited to no more than 1.5 or no less than 0.5 times the overall delivery revenue increase = 12.49022% 4.16341%

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 1

Determination of Non-competitive RY 1 Delivery Revenue Increase

		Rate Year 1 Competitive Services Revenues (1)						
Class	Adj. Rate Yr. 1 Incl. (Surplus)/Deficiency & Mitigation Adj./Incr. ($)	MFC Supply Related Rev. ($)	MFC Credit & Collections Related Rev. ($)	POR Credit & Collections Related Rev.	Competitive Metering Related Rev. ($)	Billing & Payment Proc. Charge Rev. ($)	Total Rate Yr. 1 Competitive Services Rev. ($)	Rate Yr. 1 Non-Comp. Delivery Revenue Incr.
SC1	8,100,170	2,093,460	1,123,054	650,018	0	1,031,158	4,897,690	3,202,480
SC19	467,694	111,805	59,979	54,276	0	15,331	241,391	226,303
Total Res	8,567,864	2,205,265	1,183,033	704,294	0	1,046,489	5,139,081	3,428,783
SC2	3,286,577	493,281	227,242	146,541	2,595,332	189,329	3,651,725	(365,148)
SC20	108,036	22,541	10,384	6,907	53,334	1,418	94,584	13,452
Total Sec	3,394,613	515,822	237,626	153,448	2,648,666	190,747	3,746,309	(351,696)
SC3	1,150,724	102,287	34,096	45,695	60,517	2,019	244,614	906,110
SC21	226,389	30,720	10,240	11,568	28,427	281	81,236	145,153
Total Pri	1,377,113	133,007	44,336	57,263	88,944	2,300	325,850	1,051,263
Total Sec & Pri	4,771,726	648,829	281,962	210,711	2,737,610	193,047	4,072,159	699,567
Total SC9 (Com)	807,234	104,861	34,954	25,839	39,547	631	205,832	601,402
Total SC22 (Mfg)	509,196	101,619	33,873	22,564	32,070	776	190,902	318,294
Total SC 9 & SC 22	1,316,430	206,480	68,827	48,403	71,617	1,407	396,734	919,696
SC4	316,127	5,677	2,615	6,640	0	661	15,593	300,534
SC5	34,723	966	445	1,095	0	2,289	4,795	29,928
SC 16 -dusk-to-dawn	143,013	7,674	3,535	994	0	2,481	14,684	128,329
SC 16 - energy only	23,107	2,112	973	677	0	376	4,138	18,969
SC16 - Total	166,120	9,786	4,508	1,671	0	2,857	18,822	147,298
Total Lights	516,970	16,429	7,568	9,406	0	5,807	39,210	477,760
SC 25								
Rate 1	0	0	0	0	0	0	0	0
Rate 2	0	0	0	0	0	0	0	0
Rate 3	0	0	0	0	0	0	0	0
Rate 4	56,744	23,400	7,800	0	1,278	12	32,490	24,254
Total	56,744	23,400	7,800	0	1,278	12	32,490	24,254
Total	15,229,734	3,100,403	1,549,190	972,814	2,810,505	1,246,762	9,679,674	5,550,060

Note: 1 Excludes purchased power working capital

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Impact of Rate Year 2 Rate Change on Total Revenue
For the Rate Year Twelve Months Ending June 30, 2010 (1) (2)
(Based on Billed Sales and Revenues)

Service Classification	Rate Year Billed Sales (MWH)	Customers	Revenue At RY 1 Rates ($000s)	Revenue At RY 2 Rates ($000s)	Change ($000s)	Percent Change
SC1	1,630,070	189,633	277,753	286,065	8,312	2.99%
SC19	105,016	3,819	16,894	17,378	485	2.87%
Total Res	1,735,086	193,452	294,647	303,443	8,797	2.99%
SC2	950,645	27,488	149,650	152,860	3,210	2.15%
SC20	42,927	237	5,937	6,044	107	1.80%
Total Secondary	993,572	27,725	155,587	158,905	3,318	2.13%
SC3	405,383	297	52,155	53,393	1,238	2.37%
SC21	108,250	47	13,507	13,743	236	1.75%
Total Primary	513,633	344	65,662	67,136	1,474	2.24%
Total Sec & Pri	1,507,205	28,069	221,249	226,040	4,792	2.17%
SC9 (Commercial)	427,166	41	52,829	53,672	843	1.60%
SC22 (Industrial)	368,043	33	43,304	43,830	526	1.21%
Total SC9 & SC22	795,209	74	96,133	97,502	1,369	1.42%
SC4	20,398	72	4,960	5,307	347	7.00%
SC5	3,467	506	674	713	38	5.69%
SC 16 -dusk-to-dawn	10,800	2,703	2,414	2,571	157	6.52%
SC 16 - energy only	4,467	407	672	697	25	3.76%
SC16 - Total	15,267	3,110	3,086	3,269	183	5.92%
Total Lighting	39,132	3,688	8,720	9,288	568	6.52%
SC 25	51,700	1	6,088	6,144	57	0.93%
Public Authority	107,621	1	13,026	13,026	0	0.00%
Total	4,235,953	225,285	639,862	655,444	15,582	2.44%
Competitive Services Revenues (3)			315	315	0	0.00%
Total	4,235,953	225,285	640,177	655,759	15,582	2.43%

Notes:

1. For comparison purposes, an estimated electric supply charge for retail access customers has been included in total revenues. This is equivalent, on a per unit basis, to the cost of electric supply included in full service customer revenues.
2. All revenues exclude revenues associated with the Energy Efficiency Surcharge.
3. Revenues associated with increase in Billing & Payment Processing Charges to gas customers and to ESCOs.

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 2

Calculation of Incremental Revenue Requirement for Rate Year 2 (1)

a.	Incremental Revenue Requirement for Rate Year 2 Including Gross Receipts/MTA Taxes	$15,591,000
b.	Gross Receipts/MTA Tax Included in Incremental Revenue Requirement	$148,115
c.	Incremental Revenue Requirement for Rate Year 2 Excluding Gross Receipts/MTA Taxes (a - b)	$15,442,885
d.	Rate Year 2 Bundled Delivery Revenues Excl. West Point	$190,328,000
e.	Rate Year 2 Overall Percentage Increase in Delivery Revenues (c / d)	8.11383%

Note:
1 Twelve months ending June 30, 2010

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 2

Allocation of Rate Year 2 Incremental Revenue Requirement Among Customer Classes

Class	Bundled Rate Yr. 2 Delivery Rev. ($)	(Surplus)/ Deficiency (1) ($)	Adj. Rate Yr. 2 Delivery Revenue ($)	Rate Yr. 2 Incr. @ 8.11383% ($)	Rate Yr. 2 Bundled Delivery Rev. at Proposed Rate Level ($)	Rate Yr. 2 Increase Incl. (Surplus)/Deficiency ($)	Rate Yr. 2 Bundled %	Mitigation Adj. (2)	Mitigation Increase	Adj. Rate Yr. 2 Incl. (Surplus)/Deficiency & Mitigation Adj./Incr.	Adj. Rate Yr. 2 Bundled %	Mitigation Adj. (2)	Mitigation Increase	Adj. Rate Yr. 2 Incl. (Surplus)/Deficiency & Mitigation Adj./Incr.	Adj. Rate Yr. 2 Bundled %	Adj. Rate Yr. 2 Bundled Delivery Rev. at Rate Yr. 2 Rate Level
SC1	103,868,000	(351,333)	103,516,667	8,399,166	111,915,833	8,047,833	7.74814%	0	179,465	8,227,298	7.92092%	0	1,325	8,228,623	7.92219%	112,096,623
SC19	5,788,000	0	5,788,000	469,628	6,257,628	469,628	8.11382%	0	10,035	479,663	8.28720%	0	74	479,737	8.28848%	6,267,737
Total Res	109,656,000	(351,333)	109,304,667	8,868,794	118,173,461	8,517,461	7.76744%	0	189,500	8,706,961	7.94025%	0	1,399	8,708,360	7.94153%	118,364,360
SC2	47,680,000	(705,000)	46,975,000	3,811,472	50,786,472	3,106,472	6.51525%	0	81,440	3,187,912	6.68606%	0	601	3,188,513	6.68732%	50,868,513
SC20	1,423,000	(11,000)	1,412,000	114,567	1,526,567	103,567	7.27807%	0	2,448	106,015	7.45011%	0	18	106,033	7.45137%	1,529,033
Total Sec	49,103,000	(716,000)	48,387,000	3,926,039	52,313,039	3,210,039	6.53736%	0	83,888	3,293,927	6.70820%	0	619	3,294,546	6.70946%	52,397,546
SC3	10,092,000	364,000	10,456,000	848,382	11,304,382	1,212,382	12.01330%	0	18,127	1,230,509	12.19292%	(2,237)	0	1,228,272	12.17075%	11,320,272
SC21	2,334,000	37,667	2,371,667	192,433	2,564,100	230,100	9.85861%	0	4,112	234,212	10.03479%	0	30	234,242	10.03608%	2,568,242
Total Pri	12,426,000	401,667	12,827,667	1,040,815	13,868,482	1,442,482	11.60858%	0	22,239	1,464,721	11.78755%	(2,237)	30	1,462,514	11.76979%	13,888,514
Total Sec & Pri	61,529,000	(314,333)	61,214,667	4,966,854	66,181,521	4,652,521	7.56151%	0	106,127	4,758,648	7.73399%	(2,237)	649	4,757,060	7.73141%	66,286,060
Total SC9 (Com)	8,647,000	110,000	8,757,000	710,528	9,467,528	820,528	9.48916%	0	15,182	835,710	9.66474%	0	112	835,822	9.66603%	9,482,822
Total SC22 (Mfg)	5,190,000	85,333	5,275,333	428,032	5,703,365	513,365	9.89140%	0	9,146	522,511	10.06765%	0	68	522,579	10.06896%	5,712,579
Total SC 9 & SC 22	13,837,000	195,333	14,032,333	1,138,560	15,170,893	1,333,893	9.64004%	0	24,328	1,358,221	9.81586%	0	180	1,358,401	9.81716%	15,195,401
SC4	2,828,000	180,667	3,008,667	244,118	3,252,785	424,785	15.02069%	(80,596)	0	344,189	12.17075%	0	0	344,189	12.17075%	3,172,189
SC5	312,000	22,000	334,000	27,100	361,100	49,100	15.73718%	(11,127)	0	37,973	12.17075%	0	0	37,973	12.17075%	349,973
SC 16 -dusk-to-dawn	1,273,000	258,333	1,531,333	124,250	1,655,583	382,583	30.05365%	(227,649)	0	154,934	12.17075%	0	0	154,934	12.17075%	1,427,934
SC 16 - energy only	205,000	9,333	214,333	17,391	231,724	26,724	13.03610%	(1,774)	0	24,950	12.17075%	0	0	24,950	12.17075%	229,950
SC16 - Total	1,478,000	267,666	1,745,666	141,641	1,887,307	409,307	27.69330%	(229,423)	0	179,884	12.17075%	0	0	179,884	12.17075%	1,657,884
Total Lights	4,618,000	470,333	5,088,333	412,859	5,501,192	883,192	19.12499%	(321,147)	0	562,045	12.17075%	0	0	562,045	12.17075%	5,180,045
SC 25																
Rate 1	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 2	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 3	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 4	688,000	0	688,000	55,823	743,823	55,823	8.11381%	0	1,193	57,016	8.28721%	0	9	57,025	8.28852%	745,025
Total	688,000	0	688,000	55,823	743,823	55,823		0	1,193	57,016	8.28721%	0	9	57,025	8.28852%	745,025
Total	190,328,000	0	190,328,000	15,442,890	205,770,890	15,442,890	8.11383%	(321,147)	321,148	15,442,891	8.11383%	(2,237)	2,237	15,442,891	8.11383%	205,770,891

Notes: 1 Exhibit E-12, Schedule 1, Table 1A adjusted to reflect Staff and Company agreement on tranformer costs.
Deficiencies & Surpluses phased-in equally over the three rate years.
2 Overall bundled delivery increase limited to no more than 1.5 or no less than 0.5 times the overall delivery revenue increase = 12.17075% 4.05692%

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 2

Determination of Non-competitive RY 2 Delivery Revenue Increase

Class	Adj. Rate Yr. 2 Incr. Incl. (Surplus)/Deficiency Incl. Mitigation Adj./Incr. ($)	Rate Year 2 Incremental Competitive Services Revenues: MFC Supply Related Rev. ($)	MFC Credit & Collections Related Rev. ($)	POR Credit & Collections Related Rev.	Competitive Metering Related Rev. ($)	Billing & Payment Proc. Charge Rev. ($)	Total Rate Yr. 2 Incremental Comp. Services Rev. ($)	Rate Yr. 2 Non-Comp. Delivery Revenue Incr.
SC1	8,228,623	44,482	22,241	10,359	0	0	77,082	8,151,541
SC19	479,737	2,371	1,186	863	0	0	4,420	475,317
Total Res	8,708,360	46,853	23,427	11,222	0	0	81,502	8,626,858
SC2	3,188,513	11,251	5,626	3,099	174,242	0	194,218	2,994,295
SC20	106,033	516	257	147	4,068	0	4,988	101,045
Total Sec	3,294,546	11,767	5,883	3,246	178,310	0	199,206	3,095,340
SC3	1,228,272	4,537	2,268	2,606	7,378	0	16,789	1,211,483
SC21	234,242	1,362	681	659	2,923	0	5,625	228,617
Total Pri	1,462,514	5,899	2,949	3,265	10,301	0	22,414	1,440,100
Total Sec & Pri	4,757,060	17,666	8,832	6,511	188,611	0	221,620	4,535,440
Total SC9 (Com)	835,822	4,650	2,325	1,473	3,880	0	12,328	823,494
Total SC22 (Mfg)	522,579	4,501	2,250	1,285	3,144	0	11,180	511,399
Total SC 9 & SC 22	1,358,401	9,151	4,575	2,758	7,024	0	23,508	1,334,893
SC4	344,189	128	64	140	0	0	332	343,857
SC5	37,973	22	11	23	0	0	56	37,917
SC 16 -dusk-to-dawn	154,934	174	87	21	0	0	282	154,652
SC 16 - energy only	24,950	48	24	14	0	0	86	24,864
SC16 - Total	179,884	222	111	35	0	0	368	179,516
Total Lights	562,045	372	186	198	0	0	756	561,289
SC 25								
Rate 1	0	0	0	0	0	0	0	0
Rate 2	0	0	0	0	0	0	0	0
Rate 3	0	0	0	0	0	0	0	0
Rate 4	57,025	1,034	517	0	126	0	1,677	55,348
Total	57,025	1,034	517	0	126	0	1,677	55,348
Total	15,442,891	75,076	37,537	20,689	195,761	0	329,063	15,113,828

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Impact of Rate Year 3 Rate Change on Total Revenue
For the Rate Year Twelve Months Ending June 30, 2011 (1) (2)
(Based on Billed Sales and Revenues)

Service Classification	Rate Year Billed Sales (MWH)	Customers	Revenue At RY 2 Rates ($000s)	Revenue At RY 3 Rates ($000s)	Change ($000s)	Percent Change
SC1	1,661,096	191,316	290,739	299,481	8,742	3.01%
SC19	107,147	3,773	17,673	18,182	509	2.88%
Total Res	1,768,243	195,089	308,412	317,663	9,251	3.00%
SC2	960,103	27,787	154,156	157,294	3,138	2.04%
SC20	43,242	243	6,092	6,204	112	1.84%
Total Secondary	1,003,345	28,030	160,248	163,498	3,250	2.03%
SC3	403,442	297	53,121	54,121	1,001	1.88%
SC21	107,747	48	13,677	13,903	226	1.65%
Total Primary	511,189	345	66,798	68,024	1,227	1.84%
Total Sec & Pri	1,514,534	28,375	227,046	231,523	4,477	1.97%
SC9 (Commercial)	425,310	41	53,421	54,258	837	1.57%
SC22 (Industrial)	366,311	33	43,613	44,116	503	1.15%
Total SC9 & SC22	791,621	74	97,035	98,374	1,340	1.38%
SC4	20,559	72	5,322	5,606	284	5.33%
SC5	3,495	506	720	751	31	4.35%
SC 16 -dusk-to-dawn	10,922	2,724	2,583	2,711	127	4.92%
SC 16 - energy only	4,467	411	696	716	20	2.90%
SC16 - Total	15,389	3,135	3,279	3,427	147	4.50%
Total Lighting	39,443	3,713	9,321	9,783	462	4.96%
SC 25	52,200	1	6,203	6,264	61	0.98%
Public Authority	109,709	1	13,255	13,255	0	0.00%
Total	4,275,750	227,253	661,272	676,862	15,590	2.36%
Competitive Services Revenues (3)			315	315	0	0.00%
Total	4,275,750	227,253	661,587	677,177	15,590	2.36%

Notes:
1. For comparison purposes, an estimated electric supply charge for retail access customers has been included in total revenues. This is equivalent, on a per unit basis, to the cost of electric supply included in full service customer revenues.
2. All revenues exclude revenues associated with the Energy Efficiency Surcharge.
3. Revenues associated with increase in Billing & Payment Processing Charges to gas customers and to ESCOs.

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 3

Calculation of Incremental Revenue Requirement for Rate Year 3 [1]

a.	Incremental Revenue Requirement for Rate 3 Year Including Gross Receipts/MTA Taxes	$5,688,000
b.	Gross Receipts/MTA Tax Included in Incremental Revenue Requirement	$54,036
c.	Incremental Revenue Requirement for Rate Year 3 Excluding Gross Receipts/MTA Taxes (a - b)	$5,633,964
d.	Rate Year 3 Bundled Delivery Revenues Excl. West Point	$207,008,000
e.	Rate Year 3 Overall Percentage Increase in Delivery Revenues (c / d)	2.72162%

Note:
1 Twelve months ending June 30, 2011

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 3

Allocation of Incremental Revenue Requirement Among Customer Classes

Class	Bundled Rate Yr. 3 Delivery Rev. ($)	(Surplus)/ Deficiency (1) ($)	Adj. Rate Yr. 3 Delivery Revenue ($)	Rate Yr. 3 Incr. @ 2.72162% ($)	Rate Yr. 3 Bundled Delivery Rev. at Proposed Rate Level ($)	Rate Yr. 3 Increase Incl. (Surplus)/Deficiency ($)	Rate Yr. 3 Bundled %	Mitigation Adjustment (2)	Mitigation Increase	Adj. Rate Yr. 3 Incl. (Surplus)/Deficiency Incl. Mitigation Adj./Incr.	Adj. Rate Yr. 3 Bundled %	Mitigation Adjustment (2)	Mitigation Increase	Adj. Rate Yr. 3 Incr. Incl. (Surplus)/Deficiency Incl. Mitigation Adj./Incr.	Adj. Rate Yr. 3 Bundled %	Adj. Rate Yr. 3 Bundled Delivery Rev. at Rate Yr. 3 Rate Level
SC1	113,411,000	(351,333)	113,059,667	3,077,055	116,136,722	2,725,722	2.40340%	0	531,977	3,257,699	2.87247%	0	19,534	3,277,232	2.88970%	116,688,232
SC19	6,335,000	0	6,335,000	172,415	6,507,415	172,415	2.72160%	0	29,808	202,223	3.19215%	0	1,095	203,317	3.20943%	6,538,317
Total Res	119,746,000	(351,333)	119,394,667	3,249,470	122,644,137	2,898,137	2.42020%	0	561,785	3,459,922	2.88938%	0	20,628	3,480,550	2.90661%	123,226,550
SC2	50,939,000	(705,000)	50,234,000	1,367,179	51,601,179	662,179	1.29990%	31,004	0	693,183	1.36081%	0	8,679	701,862	1.37785%	51,640,862
SC20	1,537,000	(11,000)	1,526,000	41,532	1,567,532	30,532	1.98650%	0	7,180	37,712	2.45363%	0	264	37,976	2.47078%	1,574,976
Total Sec	52,476,000	(716,000)	51,760,000	1,408,711	53,168,711	692,711	1.32010%	31,004	7,180	730,895	1.39282%	0	8,943	739,838	1.40986%	53,215,838
SC3	11,233,000	364,000	11,597,000	315,626	11,912,626	679,626	6.05030%	(221,047)	0	458,579	4.08243%	0	0	458,579	4.08243%	11,691,579
SC21	2,547,000	37,667	2,584,667	70,345	2,655,012	108,012	4.24080%	(4,033)	0	103,979	4.08243%	0	0	103,979	4.08243%	2,650,979
Total Pri	13,780,000	401,667	14,181,667	385,971	14,567,638	787,638	5.71580%	(225,079)	0	562,559	4.08243%	0	0	562,559	4.08243%	14,342,559
Total Sec & Pri	66,256,000	(314,333)	65,941,667	1,794,682	67,736,349	1,480,349	2.23430%	(194,075)	7,180	1,293,454	1.95221%	0	8,943	1,302,397	1.96570%	67,558,397
Total SC9 (Com)	9,414,000	110,000	9,524,000	259,207	9,783,207	369,207	3.92190%	0	44,813	414,020	4.39792%	(29,700)	0	384,320	4.08243%	9,798,320
Total SC22 (Mfg)	5,665,000	85,333	5,750,333	156,502	5,906,835	241,835	4.26890%	(10,565)	0	231,270	4.08243%	0	0	231,270	4.08243%	5,896,270
Total SC 9 & SC 22	15,079,000	195,333	15,274,333	415,709	15,690,042	611,042	4.05230%	(10,565)	44,813	645,290	4.27939%	(29,700)	0	615,590	4.08243%	15,694,590
SC4	3,169,000	180,667	3,349,667	91,165	3,440,832	271,832	8.57780%	(142,460)	0	129,372	4.08243%	0	0	129,372	4.08243%	3,298,372
SC5	354,000	22,000	376,000	10,233	386,233	32,233	9.10540%	(17,781)	0	14,452	4.08243%	0	0	14,452	4.08243%	368,452
SC 16 -dusk-to-dawn	1,427,000	258,333	1,685,333	45,868	1,731,201	304,201	21.31750%	(245,945)	0	58,256	4.08243%	0	0	58,256	4.08243%	1,485,256
SC 16 - energy only	229,000	9,333	238,333	6,487	244,820	15,820	6.90830%	(6,471)	0	9,349	4.08243%	0	0	9,349	4.08243%	238,349
SC16 - Total	1,656,000	267,666	1,923,666	52,355	1,976,021	320,021	19.32490%	(252,416)	0	67,605	4.08243%	0	0	67,605	4.08243%	1,723,605
Total Lights	5,179,000	470,333	5,649,333	153,753	5,803,086	624,086	12.05030%	(412,657)	0	211,429	4.08243%	0	0	211,429	4.08243%	5,390,429
SC 25																
Rate 1	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 2	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 3	0	0	0	0	0	0	0.00000%	0	0	0	0.00000%	0	0	0	0.00000%	0
Rate 4	748,000	0	748,000	20,358	768,358	20,358	2.72170%	0	3,520	23,878	3.19219%	0	129	24,007	3.20946%	772,007
Total	748,000	0	748,000	20,358	768,358	20,358		0	3,520	23,878	3.19219%	0	129	24,007	3.20946%	772,007
Total	207,008,000	0	207,008,000	5,633,972	212,641,972	5,633,972	2.72160%	(617,297)	617,297	5,633,972	2.72162%	(29,700)	29,700	5,633,972	2.72162%	212,641,972

Notes: 1 Exhibit E-12, Schedule 1, Table 1A adjusted to reflect Staff and Company agreement on tranformer costs.
Deficiencies & Surpluses phased-in equally over the three rate years.
2 Overall bundled delivery increase limited to no more than 1.5 or no less than 0.5 times the overall delivery revenue increase = 4.08243% 1.36081%

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers - Rate Year 3

Determination of Non-competitive RY 3 Delivery Revenue Increase

Class	Adj. Rate Yr. 3 Incr. Incl. (Surplus)/Deficiency Incl. Mitigation Adj./Incr. ($)	MFC Supply Related Rev. ($)	Rate Year 3 Incremental Competitive Services Revenues: MFC Credit & Collections Related Rev. ($)	POR Credit & Collections Related Rev.	Competitive Metering Related Rev. ($)	Billing & Payment Proc. Charge Rev. ($)	Total Rate Yr. 3 Incremental Comp. Services Rev. ($)	Non-Competitive Rate Yr. 3 Delivery Revenue Incr.
SC1	3,277,232	33,996	11,332	10,556	0	0	55,884	3,221,348
SC19	203,317	1,814	604	881	0	0	3,299	200,018
Total Res	3,480,550	35,810	11,936	11,437	0	0	59,183	3,421,367
SC2	701,862	11,364	5,682	3,130	40,205	0	60,381	641,481
SC20	37,976	519	260	147	1,486	0	2,412	35,564
Total Sec	739,838	11,883	5,942	3,277	41,691	0	62,793	677,045
SC3	458,579	2,257	0	1,297	2,779	0	6,333	452,246
SC21	103,979	678	0	328	1,336	0	2,342	101,637
Total Pri	562,559	2,935	0	1,625	4,115	0	8,675	553,884
Total Sec & Pri	1,302,397	14,818	5,942	4,902	45,806	0	71,468	1,230,929
Total SC9 (Com)	384,320	2,314	0	733	1,861	0	4,908	379,412
Total SC22 (Mfg)	231,270	2,240	0	639	1,509	0	4,388	226,882
Total SC 9 & SC 22	615,590	4,554	0	1,372	3,370	0	9,296	606,294
SC4	129,372	130	65	141	0	0	336	129,036
SC5	14,452	22	11	23	0	0	56	14,396
SC 16 -dusk-to-dawn	58,256	172	86	23	0	0	281	57,975
SC 16 - energy only	9,349	52	25	13	0	0	90	9,259
SC16 - Total	67,605	224	111	36	0	0	371	67,234
Total Lights	211,429	376	187	200	0	0	763	210,666
SC 25								
Rate 1	0	0	0	0	0	0	0	(0)
Rate 2	0	0	0	0	0	0	0	(0)
Rate 3	0	0	0	0	0	0	0	(0)
Rate 4	24,007	522	0	0	60	0	582	23,425
Total	24,007	522	0	0	60	0	582	23,425
Total	5,633,972	56,080	18,065	17,911	49,236	0	141,292	5,492,680

ORANGE AND ROCKLAND UTILITIES, INC.

Case 07-E-0949

Rate Design Work-papers

Calculation of Rate Year 3 Increase Collected through a Temporary Surcharge to the Energy Cost Adjustment

Class	Bundled Rate Yr. 3 Delivery Rev. ($)	Rate Yr. 3 Incr. (1) 4.73843% ($)	Rate Yr. 3 Sales (MWh)	Temporary ECA Surcharge ($)/kWh
SC1	113,411,000	5,373,901	1,661,096	0.00324
SC19	6,335,000	300,180	107,147	0.00280
Total Res	119,746,000	5,674,081	1,768,243	
SC2	50,939,000	2,413,709	960,103	0.00251
SC20	1,537,000	72,830	43,242	0.00168
Total Sec	52,476,000	2,486,539	1,003,345	
SC3	11,233,000	532,268	403,442	0.00132
SC21	2,547,000	120,688	107,747	0.00112
Total Pri	13,780,000	652,956	511,189	
Total Sec & Pri	66,256,000	3,139,495	1,514,534	
Total SC9 (Com)	9,414,000	446,076	425,310	0.00105
Total SC22 (Mfg)	5,665,000	268,432	366,311	0.00073
Total SC 9 & SC 22	15,079,000	714,508	791,621	
SC4	3,169,000	150,161	20,559	0.00730
SC5	354,000	16,774	3,495	0.00480
SC 16 -dusk-to-dawn	1,427,000	67,617	10,922	0.00619
SC 16 - energy only	229,000	10,851	4,467	0.00243
SC16 - Total	1,656,000	78,468	15,389	
Total Lights	5,179,000	245,403	39,443	
SC 25				
Rate 1	0	0	0	
Rate 2	0	0	0	
Rate 3	0	0	0	
Rate 4	748,000	35,443	52,200	0.00068
Total	748,000	35,443	52,200	
Total	207,008,000	9,808,930	4,166,041	

Note:

1. RY 3 Increase Collected Via Temporary Surcharge	$9,903,000
Revenue Taxes	94,079
Increase Less Revenue Taxes	9,808,921
RY 3 Delivery Revenues	$207,008,000
% Increase	4.73843%

EXHIBIT 2

3. Rate Design & Unbundling

D. Delivery Rate Changes

Rate Year 1

The levelized Rate Year 1 revenue requirement of $15,591,000 was then adjusted to remove the amounts included for New York State Gross Receipts and Franchise Tax surcharge revenues, Municipal Tax surcharge revenues and Metropolitan Transportation Authority Business Tax Surcharge revenues. These tax-related revenues total $148,115. Further adjustments were made to subtract (a) $447,700 representing the amount associated with purchased power working capital; (b) $312,442 representing an increase in revenue associated with an increase in the Billing and Payment Processing Charge applicable to gas customers and the Billing Cost applicable to energy services companies ("ESCOs"); and (c) $1,073,000 associated with commodity-related uncollectibles. The Rate Year 1 delivery revenue requirement was then increased by $1,620,000 to reflect the roll-in from the ECA to base rates of the revenue requirement associated with the Middletown Tap. The result is a net delivery revenue increase of $15,229,743.

Next, delivery revenues at the current rate level for each SC were realigned to reflect one third of the deficiency and surplus indications from the embedded cost of service ("ECOS") study. The ECOS study used for rate design purposes was prepared using the alternative methodology presented by the Company in the rebuttal testimony of Company witness Nihill. Under this methodology, a portion of transformer costs are classified as being customer-related and the minimum-size calculation for overhead line transformers was developed using sizes up to and including 15 kVA. This ECOS study also reflects Staff's proposal to use underground transformers up to and including 25 kVA in the development of the customer-related component.

The net delivery revenue increase was then allocated among the SCs in proportion to the relative contribution made by each SC to the realigned total delivery revenues. A mitigation adjustment was then made, on an overall revenue neutral basis, to limit the delivery increase percentage to any customer class to not more than 1.5 times or less than 0.5 times the overall delivery increase percentage for all classes. Classes having deficiencies which were mitigated in this manner are SC 3, General Primary Service, SC 4, Public Street Lighting, SC 5, Traffic Signal Lighting, and SC 16, Private Area Lighting.

A determination was then made of the portion of the delivery rate increase attributable to the competitive supply-related and credit and collections-related components of the new merchant function charge, the credit and collections-related component of the POR discount, the competitive metering charges and the billing and payment processing charge.

Rate Year 1 revenues associated with each of these competitive service charges were determined by service classification. Total Rate Year 1 competitive service charge revenues are as follows:

Merchant Function Charge Supply Related Component (excluding purchased power working capital)	$3,100,403
Merchant Function Charge Credit and Collections Related Component	$1,549,190
POR Discount Credit and Collections Related Component	$972,814
Metering Charges	~~$2,871,824~~$2,810,505
Billing and Payment Processing (applicable to electric customers)	$1,246,762
Total	~~$9,740,993~~$9,679,674

Competitive service charge revenues were then deducted from the SC-specific net delivery revenue requirements determined previously to compute the "non-competitive delivery revenue increase" for each SC. Rate Year 1 non-competitive delivery revenue increases by SC were then restated on the basis of the twelve months ended March 31, 2007, i.e., the historical period for which detailed billing data are available.

Revenue ratios were developed for each class by dividing the historical period delivery revenues for each class by the Rate Year 1 delivery revenues for each class at current rate levels. These revenue ratios for each class were applied to the Rate Year 1 "non-competitive delivery revenue increase" for each class to determine each class's "non-competitive delivery revenue increase" for the historical period.

Each class-specific non-competitive delivery revenue increase, determined as set forth above, was divided by the total of the customer charge, usage charge, and where applicable, demand charge revenues, at current rate levels, to establish average class-specific percentages by which non-competitive delivery rates are to be increased.

For SC 1, 19, 3, 9, 20, 21 and 22, the customer charge was increased by twice the class-specific average percentage increase. Revenue increases attributable to these increases in customer charges were then subtracted from each class-specific non-competitive delivery revenue increase. For SC 1 and 19, the remaining class-specific non-competitive delivery revenue increase was applied to the per kWh usage charges on an equal percentage basis. For SC 3, 9, 20, 21 and 22, demand charges were increased by the class-specific average percentage increase. The remaining class-specific non-competitive delivery revenue increase, after subtracting revenue increases attributable to increases in customer charges and demand charges, was applied to the per kWh usage charges on an equal percentage basis.

For SC 2~~ and 20~~, there is no increase in the customer charge~~s~~. While ~~these~~this class~~es~~ receives an overall increase in delivery revenues, the portion of ~~their~~its delivery revenues from which ~~their~~its customer charge~~s are~~ is derived (the non-competitive delivery revenues) is being decreased. Thus, rather than applying a decrease, the~~se~~ customer charge~~s~~ will remain at its current level~~s~~. A separate reduced customer charge has been established for the unmetered service subclass under SC 2 reflecting customer costs for this subclass. The non-competitive delivery revenue decrease for SC 2 is applied on an equal percentage basis to demand and usage charges. ~~For SC 20, the demand charges were decreased by the class-specific average percentage decrease. The remaining non-competitive delivery revenue decrease applicable to SC 20, after subtracting the revenue decrease attributable to decreases in demand charges, was applied to the per kWh usage charges on an equal percentage basis.~~

Each charge in SC 4, 5 and the SC 16 dusk to dawn subclass was increased by their respective class-specific average percentage increases. For the SC 16 energy only subclass, the customer charge for metered service was increased by the average percentage delivery revenue increase for the subclass. The customer charge for unmetered service was set equal to the SC 2 customer charge for unmetered service. The remaining revenue increase applicable to this subclass, after subtracting revenue increases attributable to increases in customer charges, was applied to the per kWh usage charges on an equal percentage basis.

For SC 25, standby service, the charges in the Rate 1, Rate 2 and Rate 3 subclasses, in which there are currently no customers, were increased by the non-competitive delivery revenue increases of their otherwise applicable non-standby SCs. For SC 25 Rate 4, the non-competitive delivery revenue increase, allocated as described above, was applied to delivery charges on an equal percentage basis.

Customer charges and contract demand charges under SC 15 were increased by the delivery increase percentage for all classes.