

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
Orange & Rockland Utilities, Inc.

Case 07-E-0949

May 2007

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Prepared Exhibits of:

ACCOUNTING PANEL

Robert Burke  
Public Utilities Auditor 3

Solomon Okusanya  
Senior Auditor

William Romaine  
Public Utilities Auditor 2

Office of Accounting, Finance  
and Economics  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Staff Profile  
Cost of Service Summary  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	As Adjusted by PSC Staff	Revenue Increase/ (Decrease)	Rate Year w/ Rate Incr.
<u>Operating Revenues</u>								
Sales to Public	\$ 428,810	\$ (1,193)	\$ 427,617			\$ 427,617	\$ 17,497	\$ 445,114
Sales for Resale	29,385	(144)	29,241			29,241		\$ 29,241
Delivery Revenues	458,195	(1,337)	456,858			456,858		474,355
Other Revenues	10,276	(3,380)	6,896			6,896		6,896
Net Operating Revenues	468,471	(4,717)	463,754		-	463,754	17,497	481,251
<u>Operating Expenses</u>								
Purchased Power	254,129	7	254,136			254,136		254,136
Deferred Purchased Power	65	-	65			65		65
Other	148,319	(9,684)	138,635	1 - 7	(10,009)	128,626	82	128,708
Operations & Maintenance Expenses	402,513	(9,677)	392,836		(10,009)	\$ 382,827	82	382,909
Depreciation & Amortization Expense	26,741	(153)	26,588	8	(2,045)	24,543		24,543
Taxes Other Than Income Taxes & GRT	22,507	2,156	24,663	9	(380)	24,283	166	24,449
Total Deductions	451,761	(7,674)	444,087		(12,434)	431,653	248	431,901
Operating Income Before Income Taxes	16,710	2,957	19,667		12,434	32,101	17,249	49,350
<u>Income Taxes</u>								
New York State Income Taxes	(127)	232	106		939	1,045	1,225	2,269
Federal Income Tax	(11,301)	1,382	(9,919)		2,750	(7,168)	5,609	(1,560)
Deferred Federal Income Taxes	10,637	(284)	10,353		978	11,332		11,332
Amortization of Deferred 263A and ITC	(494)	-	(494)			(494)		(494)
Total Income Taxes	(1,284)	1,330	47		4,667	4,714	6,833	11,547
Utility Operating Income	\$ 17,994	\$ 1,627	\$ 19,621		\$ 7,767	\$ 27,387	\$ 10,416	37,803
<u>Electric Rate Base</u>								
Electric Rate Base	\$ 564,450	\$ (9,779)	\$ 554,672		\$ (8,988)	\$ 545,683		\$ 545,683
EBCAP Adjustment to Electric Rate Base	(35,835)	(34)	(35,869)		(2,371)	(38,240)		(38,240)
Total Electric Rate Base	\$ 528,615	\$ (9,813)	\$ 518,803		\$ (11,359)	\$ 507,443	\$ -	\$ 507,443
Rate of Return	3.40%		3.78%			5.40%		7.45%

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Staff Profile  
Operations & Maintenance Expenses  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	As Adjusted by PSC Staff	Revenue Increase/ (Decrease)	Rate Year w/Rate Incr.
Sch. 1 - Purchased Power Costs	\$ 254,194	7	\$ 254,201			\$ 254,201		\$ 254,201
Sch. 2 - Direct Labor (Excl. Shared Services)	43,500	316	43,816	1	(794)	43022		43,022
Sch. 3 - Shared Services	9,123	-	9,123			9123		9,123
Sch. 4 - Employee and Other Insurance Costs	9,141	(577)	8,564	2	(1,417)	7147		7,147
Sch. 5 - Regulatory Costs and Amortizations	10,785	(997)	9,788	3	(678)	9110		9,110
Sch. 6 - Pensions and OPEBS	31,335	(2,263)	29,072	4	(3,800)	25272		25,272
Sch. 7 - Uncollectible Accounts	2,293	(6)	2,287	5	(202)	2085	82	2,167
Sch. 8 - MGP Sites & West Nyack Environmental Costs	13,385	(6,534)	6,851	6	(2,741)	4110		4,110
Sch. 9 - Tree Trimming/T&D O&M	14,834		14,834			14834		14,834
Sch. 10 - Regulatory Commission Expenses	1,339		1,339			1339		1,339
Sch. 11 - Other O&M Costs	546		546			546		546
Advertising	-		-			-		-
Building Services	2,302	377	2,679	7	(377)	2302		2,302
Information Technology Solutions	812		812			812		812
Legal & Other Professional Services	1,111		1,111			1111		1,111
Rents	-		-			-		-
Telecommunications	-		-			-		-
Transportation	934		934			934		934
Materials and Supplies	1,081		1,081			1081		1,081
Corporate Fiscal	5,799		5,799			5799		5,799
Other O&M	12,585		12,585			12,585		12,585
Total Other O&M Costs		377	12,962		(377)	12,585		
Total O & M Expenses	\$ 402,513	\$ (9,677)	\$ 392,836		\$ (10,009)	\$ 382,827	\$ 82	\$ 382,909

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Staff Profile  
Taxes Other than Income Taxes  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	As Adjusted by PSC Staff	Revenue Increase/ (Decrease)	Rate Year w/ Rate Incr.
Property Taxes:								
State, County & Town	\$ 4,784	\$ 68	\$ 4,852	9a	\$ (49)	\$ 4,803		\$ 4,803
Village	1,164	12	1,176			1,176		1,176
School	11,119	1,018	12,137	9b	(309)	11,828		11,828
Subtotal	17,067	1,098	18,165		(358)	17,807	-	17,807
Property Tax True Up 02-G-1553	-	-	-					-
Property Tax Refunds (A/C 25409/1254398)	-	-	-					-
Property Tax Refunds -Amort of Refunds	(1,263)	1,035	(228)			\$ (228)		\$ (228)
Total Property Taxes	15,804	2,133	17,937		(358)	17,579	-	17,579
Payroll Taxes	2,628	23	2,651		(22)	\$ 2,629		2,629
Revenue Taxes - Sales Revenue	4,075	-	4,075			\$ 4,075	166	4,241
All Other	-	-	-			\$ -		-
Taxes Other Than Income Taxes	\$ 22,507	\$ 2,156	\$ 24,663		\$ (380)	\$ 24,283	\$ 166	\$ 24,449
Less: Gross Receipts Taxes	(4,075)	-	(4,075)			(4,075)	(166)	(4,241)
Total Excluding GRT	\$ 18,432	\$ 2,156	\$ 20,588		\$ (380)	\$ 20,208	\$ -	\$ 20,208

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Staff Profile  
New York State Income Taxes  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No	PSC Staff Adjustments	AS Adjusted By PSC Staff	Revenue Increase (Decrease)	Rate Year w/ Rate Incr.
Operating Income Before Income Taxes	\$ 16,710	\$ 2,957	\$ 19,667		\$ 12,434	\$ 32,101	\$ 17,249	\$ 49,350
<b>Permanent Differences:</b>								
Add: Add'l Income & Unallowable Deductions:								
Business Meal Expense	-	-	-					-
Unallowable Compensation	-	-	-					-
Total Additions	-	-	-					-
Deduct: Non-Taxable Income & Add'l Deductions:								
Interest Expense	17,043	(314)	16,729		(792)	15,937	-	15,937
Medicare Reimbursement	1,449	-	1,449			1,449	-	1,449
Total Deductions	18,492	(314)	18,178		(792)	17,386	-	17,386
Pretax Income	(1,782)	3,271	1,489		13,226	14,715	17,249	31,964
<b>Normalized Items:</b>								
Add: Add'l Income & Unallowable Deductions:								
Book Depreciation - Charge to Expense	26,741	(153)	26,588		(2,045)	24,543	-	24,543
- Charge to clearing Account	80	350	430		212	642	-	642
Capitalized Interest	-	-	-			-	-	-
General Liability Insurance	-	-	-			-	-	-
Workmen's Compensation	-	-	-			-	-	-
Increase in Deferred Fuel Cost	65	-	65			65	-	-
Amortization of Rate Case Cost	-	-	-			-	-	-
Amortization of Conservation Costs	-	-	-			-	-	-
Stock Appreciation Rights	-	-	-			-	-	-
Amortization of Recovered MTA Tax	-	-	-			-	-	-
Medicare Reimbursement	-	-	-			-	-	-
Amortization of Management Audit	-	-	-			-	-	-
Post Employment Benefits Expense	12,262	(72)	12,190	10a	(2,413)	9,777	-	9,777
Reserve for Medical Insurance	-	-	-			-	-	-
Deferred State Income Tax Non-deductible	-	-	-			-	-	-
Contributions in Aid of Construction	1,728	-	1,728			1,728	-	1,728
Contributions in Aid of Const. - Refundables	103	-	103			103	-	103
R&D Expense Credited to Reserve	-	-	-			-	-	-
Environmental Reserve	-	-	-			-	-	-
Supplemental Pension - Nonqualified	317	-	317			317	-	317
Revenue Subject to Refund	-	-	-			-	-	-
Unallowable Book Pension Expense	19,230	(2,192)	17,038	10b	(1,387)	15,651	-	15,651
SIT Refund Interest	-	-	-			-	-	-
Low Income / Customer Outreach	-	-	-			-	-	-
Gas Stranded Costs Surcharge Recoveries	-	-	-			-	-	-
Property Tax Refund - Net 461H	-	-	-			-	-	-
Total Normalized Additions	60,526	(2,067)	58,459		(5,633)	52,826	-	52,761
Deduct: Non-Taxable Income & Add'l Deductions:								
NYS Tax Deprec. - Existing Book Rates	42,967	24	42,991		(86)	42,905	-	42,905
Cost of Removal	809	-	809			809	-	809
Lien Date Property Tax Deduction	105	-	105			105	-	105
AFUDC	-	-	-			-	-	-
Loss on Disposition of Property	845	-	845			845	-	845
R&D Expense Debited to Reserve	(430)	317	(113)			(113)	-	(113)
OPEB Funding	6,394	(29)	6,365			6,365	-	6,365
Deferred Gas Rate Increase	-	-	-			-	-	-
Rate Case Cost	-	-	-			-	-	-
Interest on Algonquin Capacity Payment	-	-	-			-	-	-
Environmental Cost - QER Expend. Sect. 198	10,391	(291)	10,100			10,100	-	10,100
Pension Funding	19,062	(3,066)	15,996			15,996	-	15,996
Amortization - CIAC Pyramid Mail	120	-	120			120	-	120
Software Cost - Developed CIM S-Plus -Wal	1,082	-	1,082			1,082	-	1,082
Total Deductions	81,345	(3,045)	78,300		(86)	78,214	-	78,214
Taxable Income / (Loss) - New York State	(22,601)	4,249	(18,352)		7,679	(10,673)	17,249	6,511
<b>Summary of State Income Taxes</b>								
Current New York State Income Tax @ 7.5% / 7.1%	(1,605)	302	(1,303)		545	(758)	1,225	462
Deferred New York State Income Tax @ 7.5% / 7.1%	1,478	(69)	1,409		394	1,803	-	1,807
Total Current Period NY SIT	\$ (127)	\$ 232	\$ 106		\$ 939	\$ 1,045	\$ 1,225	\$ 2,269
MTA Tax @ 1.53%	-	-	-			-	-	-
Deferred State MTA Taxes @ 1.53%	-	-	-			-	-	-
Deferred Tax - Pre 2000 Transitional Items	-	-	-			-	-	-
NYS Income Tax	\$ (127)	\$ 232	\$ 106		\$ 939	\$ 1,045	\$ 1,225	\$ 2,269

Orange and Rockland Utilities, Inc  
Electric Service Rates  
Staff Profile  
Federal Income Tax  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	AS Adjusted PSC Staff	Revenue Increase (Decrease)	Rate Year w/ Rate Incr.
Operating Income Before Income Taxes	\$ 16,710	\$ 2,957	\$ 19,667		\$ 12,434	\$ 32,101	\$ 17,249	\$ 49,350
New York State Income Taxes	(127)	232	106		939	1,045	1,225	2,269
Book Operating Income before FIT	16,837	2,725	19,561		11,495	31,056	16,024	47,081
<b>Flow Thru Items:</b>								
Add Additional Taxable Income & Unallowable Deductions:								
Book Depreciation - Charge to Expense	26,741	(153)	26,588		(2,045)	24,543		24,543
- Charge to clearing Account	80	350	430		212	642		642
Capitalized Interest	-	-	-		-	-		-
General Liability Insurance	-	-	-		-	-		-
Workmen's Compensation	-	-	-		-	-		-
Business Meal Expense	-	-	-		-	-		-
Unallowable Compensation	-	-	-		-	-		-
Total Flow Thru Items Additions	26,821	197	27,018		(1,833)	25,185	-	25,185
Deduct Nontaxable Income & Additional Allowable Deductions:								
Interest Expense	17,043	(314)	16,729		(792)	15,937		15,937
Statutory Deprec. - Current Book Rates	-	-	-		-	-		-
Statutory Deprec. - Proposed Book Rates	-	-	-		-	-		-
Cost of Removal	809	-	809		-	809		809
Medicare Reimbursement	1,449	-	1,449		-	1,449		1,449
Lien Date Property Tax Deduction	105	-	105		-	105		105
Tax Deprec./Amort (Flow Thru)	25,302	98	25,400		(198)	25,202		25,202
Cost of Removal	-	-	-		-	-		-
Loss on Disposition of Property	845	-	845		-	845		845
Total Flow Thru Items Deductions	45,553	(216)	45,337		(990)	44,347	-	44,347
Pretax Income	(1,895)	3,138	1,242		10,652	11,895	16,024	27,919
<b>Normalized Items:</b>								
Add Additional Taxable Income & Unallowable Deductions:								
Increase in Deferred Fuel Cost	-	-	-		-	-		-
Amortization of Rate Case Cost	-	-	-		-	-		-
Amortization of Conservation Costs	-	-	-		-	-		-
Stock Appreciation Rights	-	-	-		-	-		-
Amortization of Recovered MTA Tax	-	-	-		-	-		-
Medicare Reimbursement	-	-	-		-	-		-
Amortization of Management Audit	-	-	-		-	-		-
Amortization of Bond Redemption Cost	154	-	154		-	154		154
Post Employment Benefits Cap./ Exp. (FASB)	13,641	(72)	13,569	11a	(2,413)	11,156		11,156
Reserve For Medical Insurance	-	-	-		-	-		-
Deferred State Income Tax Non-deductible	1,478	(69)	1,409		394	1,803		1,803
Contributions in Aid of Construction	1,728	-	1,728		-	1,728		1,728
Contributions in Aid of Construction-Refundable	103	-	103		-	103		103
Increase in Deferred Fuel Cost	(23,165)	-	(23,165)		-	(23,165)		(23,165)
Environmental Reserve	-	-	-		-	-		-
Book Amortization Computer Software	1,888	-	1,888		-	1,888		1,888
Supplemental Pension - Nonqualified	317	-	317		-	317		317
Revenue Subject to Refund	-	-	-		-	-		-
Unallowable Book Pension Expense	19,230	(2,192)	17,038	11b	(1,387)	15,651		15,651
SIT Refund Interest	-	-	-		-	-		-
Low Income / Customer Outreach	-	-	-		-	-		-
Gas Stranded Costs Surcharge Recoveries	-	-	-		-	-		-
Property Tax Refund	-	-	-		-	-		-
Total Normalized Additions	15,374	(2,333)	13,041		(3,406)	9,635	-	9,635
Deduct: Non-Taxable Income & Additional Allowable Deductions:								
Tax Deprec. (Norm) - ADR / ACRS / MACRS	-	-	-		-	-		-
Tax Deprec. (Norm) - Proposed Book Rate	-	-	-		-	-		-
R&D Expense Debited to Reserve	(430)	317	(113)		-	(113)		(113)
OPEB Funding	6,394	(29)	6,365		-	6,365		6,365
Deferred Gas Rate Increase	-	-	-		-	-		-
Rate Case Cost	-	-	-		-	-		-
Interest on Algonquin Capacity Payment	-	-	-		-	-		-
Excess Tax Depr. Over Veh. Lease Exp.	(409)	-	(409)		-	(409)		(409)
Environmental Cost - QER Expend. Sect. 1	10,391	(291)	10,100		-	10,100		10,100
Pension Funding	19,062	(3,066)	15,996		-	15,996		15,996
Amortization - CIAC Pyramid Mall	120	-	120		-	120		120
Tax Depreciation (Norm)-ADR/ACRS/MACRS	8,713	(75)	8,638		(611)	8,027		8,027
Tax Depreciation - CIAC	843	-	843		-	843		843
Software Cost - Developed CIM S-Plus -Wal	1,082	-	1,082		-	1,082		1,082
Total Normalized Deductions	45,766	(3,144)	42,622		(611)	42,011	-	42,011
Taxable Income / (Loss)	(32,287)	3,949	(28,339)		7,857	(20,481)	16,024	(4,457)
Federal Income Tax Expense Composite Rate per Company								
FIT Payable at 35%								
<b>Summary of Federal Income Taxes</b>								
Current Federal Income Taxes	(11,301)	1,382	(9,919)		2,750	(7,168)	5,609	(1,560)
Deferred Federal Income Taxes	10,637	(284)	10,353		978	11,332	-	11,332
Amortization of Deferred FIT 263A Taxes	(494)	-	(494)		-	(494)		(494)
Amortization of Deferred FIT & ITC	-	-	-		-	-		-
Total Current Period FIT	(1,157)	1,098	(59)		3,728	3,669	5,609	9,278
Prior Year Adjustments FIT Reserve	-	-	-		-	-		-
Prior Year (Over) / Under Accrual	-	-	-		-	-		-
Federal Income Tax Expense	\$ (1,157)	\$ 1,098	\$ (59)		\$ 3,728	\$ 3,669	\$ 5,609	\$ 9,278

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Staff Profile  
Rate Base  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	AS Adjusted PSC Staff
<u>Utility Plant:</u>						
Electric Plant In Service	\$ 793,899	\$ 80	\$ 793,979	12	\$ (833)	\$ 793,146
Electric Plant Held For Future Use	3,796		3,796			3,796
Common Utility Plant (Gas Allocation)	109,609		109,609			109,609
CWIP Not Taking Interest	9,192		9,192			9,192
<b>Total Utility Plant</b>	<b>916,496</b>	<b>80</b>	<b>916,576</b>		<b>(833)</b>	<b>915,743</b>
<u>Utility Plant Reserves:</u>						
Accum. Prov. For Deprec. of Electric Plant In Service (Including Future Use Plant)	(252,815)	(259)	(253,074)	13a	607	(252,467)
Accum. Prov. For Deprec. & Amortization of Common Plant	(54,278)	(295)	(54,573)	13b	537	(54,036)
<b>Total Utility Plant Reserves</b>	<b>(307,093)</b>	<b>(554)</b>	<b>(307,647)</b>		<b>1,144</b>	<b>(306,503)</b>
<b>Net Plant</b>	<b>609,403</b>	<b>(474)</b>	<b>608,929</b>		<b>311</b>	<b>609,240</b>
<u>Working Capital Requirements:</u>						
O&M Expenditures	17,085	(906)	16,179		(883)	15,296
Materials & Supplies	8,526		8,526			8,526
Prepayments	8,613	549	9,162	14	(4,971)	4,191
<u>Regulatory Asset / (Liabilities)</u>						
R & D Expenditures - Net of FIT	330	(146)	184			184
Deferred Purchase Power - Net of FIT	5,198	(5,198)	-			0
Deferred Storm Reserve Expenditures - Net of FIT	(97)	97	-			0
Deferred Stray Voltage Expenditures - Net of FIT	1,104	(1,104)	-			0
Low Income Program - Net of Income Tax	-		-			0
Customer Outreach Program - Net of Income Tax	-		-			0
Deferred Environmental Expenditures - (Net of Tax) MGP	19,168	(9,615)	9,553	15	(3,606)	5,947
Deferred Environmental Expenditures - (Net of Tax) West	325	(152)	173	16	14	187
Deferred Workers Comp Expense - (Net of Tax) MGP	460		460	17	37	497
Deferred Property Tax Refunds (Net of FIT)	(2,052)	1,681	(371)			(371)
Deferred ECA Recoveries (Net of FIT)	(5,556)	5,556	-			0
Accrued Pension Liability - Rate base Imputation	(6,403)		(6,403)			(6,403)
Customer Advances for Construction (Net of FIT)	(132)	(2)	(134)			(134)
<u>Accum. Deferred Income Taxes</u>						
Accum. Deferred FIT - ACRS / ADR	(66,879)	20	(66,859)	18	107	(66,752)
Accum. Deferred FIT - 263(A) Capitalized Overheads	(15,294)	(3)	(15,296)			(15,296)
Accum. Deferred SIT	(8,371)	(83)	(8,454)	19	3	(8,451)
SIT Benefit - Pre 2000	366		366			366
Accum. Deferred MTA	206		206			206
Accum. Deferred Investment Tax Credits	(1,549)		(1,549)			(1,549)
<b>Electric Rate Base</b>	<b>\$ 564,450</b>	<b>\$ (9,779)</b>	<b>\$ 554,672</b>		<b>\$ (8,988)</b>	<b>\$ 545,683</b>
EBCAP Adjustment to Electric Rate Base	(35,835)	(34)	(35,869)	20	(2,371)	(38,240)
<b>Total Electric Rate Base</b>	<b>\$ 528,615</b>	<b>\$ (9,813)</b>	<b>\$ 518,803</b>		<b>\$ (11,359)</b>	<b>\$ 507,443</b>

Orange and Rockland Utilities, Inc.  
Electric Service Rates  
Working Capital Allowance  
For Twelve Months Ending June 30, 2009  
(000's)

	Rate Year As Submitted by Company at Filing	Company's Updates 11/15/07 Adjustments	As Adjusted by Company's Updates 11/15/07	Adj. No.	PSC Staff Adjustments	As Adjusted PSC Staff
Operation & Maintenance Expenses	\$ 402,513	\$ (9,677)	\$ 392,836		\$ (10,009)	\$ 382,827
<u>Less:</u>						
Purchased Power	254,129		254,129			254,129
Uncollectibles	2,293		2,293		(202)	2,091
Regulatory Items						
Deferred Purchased Power	65	-	65			65
Research & Development Amortization	430	(317)	113			113
Stray Voltage Amortization	680	(680)	-			0
Storm Reserve Amortization	(59)		(59)			(59)
Competitive Unbundling Amortization	12		12			12
Environmental Remediation			-			0
MGP Amortization Deferrals	8,073	(1,328)	6,745		(2,698)	4,047
West Nyack Amortization	212	(106)	106		(43)	63
Total	265,835	(2,431)	263,404		(2,943)	260,461
Working Capital Requirements	<u>\$ 136,678</u>	<u>\$ (7,246)</u>	<u>\$ 129,432</u>		<u>\$ (7,066)</u>	<u>\$ 122,366</u>
Cash Working Capital @ 1/8th	<u>\$ 17,085</u>	<u>(906)</u>	<u>\$ 16,179</u>		<u>\$ (883)</u>	<u>\$ 15,296</u>



**Orange and Rockland Utilities, Inc.**  
**Electric Service Rates**  
**Staff's Explanation of Adjustments**  
**For Twelve Months Ending June 30, 2009**  
(000's)

<u>Adj.</u> <u>No.</u>	<u>Explanation</u>		
<b><u>Operation and maintenance expenses</u></b>			
<b>1</b>	<b>Direct Labor</b>		
	a) To eliminate 2 of the 3 additional Overhead linemen in Company's Update.	\$ (72)	
	b) To remove 1 Meter System Specialist to tract Staff's treatment of the AMI program	(29)	
	c) To defer implementation of the Company's Career Development Rotation	(167)	
	d) To remove Company's updated request for 13 additional unsupported	(467)	
	e) To reflect direct labor annual 1% productivity reduction adjustment.	(285)	
	f) To reflect the labor portion of Staff's Stray Voltage program costs.	226	
	Total Adjustment to Direct Labor.		<u>\$ (794)</u>
<b>2</b>	<b>Employee &amp; Other Insurance Costs</b>		
	a) To eliminate insurance costs associated with disallowed staffing.	\$ (181)	
	b) To reflect general inflation for health and life insurance cost vs. a medical rate.	(1,322)	
	c) To reflect tracking impact on Capitalized & Recovered Benefit Costs related to staffing disallowance and general inflation vs a medical rate.	729	
	d) To eliminate restricted stock program.	(387)	
	e) To reflect Staff's allowance for asbestos workers compensation self insured prospective claim payments and recovery of deferred cost.	(361)	
	f) To reflect tracking impact on Capitalized & Recovered Workers Compensation related to Staff's asbestos claims allowance	105	
	Total Adjustment to Employee & Other Insurance Costs		<u>\$ (1,417)</u>
<b>3</b>	<b>Regulatory Costs and Amortization</b>		
	a) To reflect Staff's Stray Voltage program costs.	\$ (678)	
			<u>\$ (678)</u>
<b>4</b>	<b>Pensions and OPEBs</b>		
	a) To reflect Staff's 5 year recovery period of deferred pension costs.	\$ (1,387)	
	b) To reflect Staff's 5 year recovery period of deferred OPEB costs.	(2,413)	
			<u>\$ (3,800)</u>
<b>5</b>	<b>Uncollectibles</b>		
	To reflect Staff's uncollectible allowance.	\$ (202)	
			<u>\$ (202)</u>
<b>6</b>	<b>MGP Sites and Other Environmental Costs</b>		
	a) To reflect Staff's 5 year recovery of actual and projected deferrals of MGP sites.	\$ (2,698)	
	b) To reflect Staff's 5 year recovery of actual and projected deferrals of West Nyack environmental costs.	(43)	
			<u>\$ (2,741)</u>
<b>7</b>	<b>Other O &amp; M Costs</b>		
	To remove unsupported Information and Technology Solution costs reflected in Company Update.	\$ (377)	
			<u>\$ (377)</u>
	<b>Total adjustments to operation and maintenance expense</b>		<u>\$ (10,009)</u>

8	<b>Depreciation &amp; Amortization Expense</b>	
	a) To reflect Staff's T&D rate changes.	\$ (971)
	b) To reflect Staff's 3 year amortization of the Common Plant's excess reserve.	<u>(1,074)</u>
		<u>\$ (2,045)</u>
9	<b>Taxes other than income taxes</b>	
	a) To remove additional property taxes related to normalizing assessment addition accounted for in the Company's escalation rate.	\$ (358)
	b) To remove payroll taxes related to disallowed employees.	<u>(22)</u>
		<u>\$ (380)</u>
10	<b>State Income Taxes</b>	
	Per Schedule 4.	\$ 939
		<u>\$ 939</u>
11	<b>Federal Income Taxes</b>	
	Per Schedule 5.	\$ 3,728
		<u>\$ 3,728</u>
	<b><u>Rate Base</u></b>	
12	<b>Plant In Service</b>	
	a) To reflect Staff's adjustments to Company Plant Additions.	<u>\$ (833)</u>
13	<b>Accumulated Provision for Depreciation &amp; Amortization of Common Plant</b>	
	a) To reflect impact of Staff's depreciation rate changes and plant adjustments.	<u>\$ 607</u>
	b) To reflect impact of Staff's Common Plant Excess Reserve amortization.	<u>\$ 537</u>
14	<b>Working Capital</b>	
	a) To reflect rate year cash working capital per schedule 6	<u>\$ (883)</u>
	b) To reflect Staff's rate year forecast of prepayments using the property tax growth rate	<u>\$ (4,971)</u>
		<u>\$ (4,971)</u>
15	<b>Deferred MGP Environmental Expenditures-Net of Tax</b>	
	a) To reflect Staff's rate year forecast of deferred MGP costs reflecting Staff's 5 year recovery period.	<u>\$ (3,606)</u>
		<u>\$ (3,606)</u>
16	<b>Deferred West Nyack Environmental Expenditures-Net of Tax</b>	
	a) To reflect Staff's rate year forecast of deferred West Nyack deferred environmental costs reflecting Staff's 5 year recovery period.	<u>\$ 14</u>
17	<b>Deferred Workers Compensation Expense</b>	
	To reflect impact of Staff's amortization level of deferred workers compensation exp.	<u>\$ 37</u>
18	<b>Accumulated Deferred FIT - ACRS/ADR</b>	
	To reflect impact of Staff's depreciation rate and plant addition changes.	<u>\$ 107</u>
19	<b>Accumulated Deferred SIT</b>	
	To reflect impact of Staff's depreciation rate and plant addition changes.	<u>\$ 3</u>
20	<b>EBCap Adjustment to Rate Base</b>	
	a) To reflect Staff's correction to the EBCap Adjustment to Rate Base.	<u>\$ (2,371)</u>
		<u>\$ (2,371)</u>
	<b>Total Adjustments to Rate Base</b>	<u>\$ (11,359)</u>