

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn, (518) 474-7080

<http://www.dps.state.ny.us>

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PSC ADOPTS 3-YEAR ELECTRIC RATE PLAN FOR O&R — Bill Impacts Lessened, Service Performance Improved, Efficiencies Gained —

Albany, NY—07/16/08—The New York State Public Service Commission (Commission) today adopted a three-year rate plan for Orange and Rockland Utilities, Inc.'s (O&R) electric delivery service. Rates for the company's electric delivery service have not been increased generally since 1993.

“There is never a good time to increase rates for service; but the Commission would be remiss in discharging its obligation to require utilities to provide safe and adequate electric service without providing sufficient revenue to do so,” said Commission Chairman Garry Brown. “The consequences of unsafe and unreliable electric service are not acceptable. The action of the Commission today is intended to benefit ratepayers and mitigate customer bill impacts, while providing for improved electric operation performance and overall system integrity.”

The Commission today authorized O&R to increase rates for electric delivery services in order to generate incremental annual electric revenues of nearly \$15.6 million in each of the three rate years ending June 30, 2009, 2010, and 2011. This amount results in an increase in total company electric revenues of approximately 2.5 percent per year.

Under the rate plan, the Commission established a return on equity of 9.4 percent. As an incentive to minimize costs and achieve efficiencies, the rate plan provides for an equity earnings sharing mechanism. If the level of equity earnings over the life of the rate plan is greater than 10.2 percent but less than or equal to 11.2 percent, the company will share the earnings in this

range equally with ratepayers. The benefits of equity earnings above 11.2 percent would be shared 75 percent with ratepayers and 25 percent with the company.

The rate plan continues customer service performance and system reliability targets designed to ensure that customers receive a high level of service and that outages are minimized to the greatest extent possible. If targets are not met, the rate plan provides that up to approximately \$2.7 million of company electric revenues could be forgone annually.

The rate plan continues the low-income program wherein electric heating customers eligible for assistance under the Home Energy Assistance Program (HEAP) will receive a \$10 monthly bill credit. Customers that do not heat with electricity and are HEAP recipients will receive a \$5 monthly bill credit.

In its June 2008 Order, the Commission established a framework for the provision of energy efficiency programs consistent with the State's energy policy to reduce energy usage by 15 percent of forecasted levels by 2015. Today's action by the Commission reaffirms its June 2008 Order as to the annual amount allowed to fund company programs — up to \$6.873 million — and as to a process for reviewing the company's energy efficiency plan.

The three-year rate plan, as modified by the Commission, expands the applicability for mandatory hourly pricing (MHP) to those customers with demand in excess of 500 kilowatts (kW), instead of demand in excess of 1,000 kW to allow for greater participation in O&R's MHP program.

The Commission today noted that hourly pricing programs provide price signals that would facilitate efforts to reduce the electric system's peak period demand and to shift load to off-peak, less expensive time periods. The potential benefits for customers are reductions to peak period prices, enhanced peak period reliability, wholesale market power mitigation, and a reduction in the State's dependence on peak generation units. Additionally, hourly pricing programs, through more detailed pricing, assign costs to customers in a fair and more equitable manner.

A Joint Proposal filed on April 18, 2008, for consideration by the Commission today, outlines a rate plan with terms and conditions of electric delivery service for full service (delivery and commodity) and retail access (delivery only) customers of O&R and was executed by the company, Staff of the Department of Public Service, the Town of Ramapo, the Small Customer Marketer Coalition, and the Retail Energy Supply Association.

The Joint Proposal was the result of negotiation sessions held during February and March of this year and supplemented in part by testimony filed by interested parties and considered at a final evidentiary hearing held in May. Public statement hearings were held in Rockland and Orange counties during the period May 21 through May 27.

The rate plan adopted by the Commission today is based in large part, but not exclusively on the terms proposed on April 18, 2008.

The Commission will issue an Order reflecting today's action. That order, when available, may be obtained from the Commission's www.dps.state.ny.us Web site by accessing the Commission's File Room section of the homepage and referencing Case 07-E-0949. Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).