

STATE OF NEW YORK

Public Service Commission

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PSC ADOPTS 1-YEAR ELECTRIC RATE PLAN FOR O&R — O&R Receives Less Than Originally Requested; Slight Increase for Customers —

Albany, NY –06/16/11—The New York State Public Service Commission (Commission) today adopted a one-year rate plan for Orange and Rockland Utilities, Inc.’s (O&R) electric delivery service. The rate plan will be in effect during the period July 1, 2011 through June 30, 2012. Throughout the proceeding to review O&R’s request to increase rates, the Commission received customer comments in the mail, over the Internet, by telephone, as well as through the presentations of speakers at public statement hearings in Ramapo and Goshen.

The Commission today authorized O&R to increase electric base revenues by \$26.6 million—12.1 percent on total system delivery revenues and 4 percent on a total electric bill basis. However, due to the elimination of temporary surcharges, the net delivery bill increase for residential customers will be 6.7 percent and the net total bill increase will be 2.7 percent. The company originally sought to increase electric delivery revenues by \$61.7 million.

The base delivery rate change approved today includes an increase in the monthly customer charge for residential customers to \$15.60. The current effective monthly customer charge only covers approximately half of the cost to provide electric service to residential customers. Consequently, there is a cost basis to increase the charge to better reflect the cost of service. As a result of today’s decision, a typical residential customer using 700 kWh in a summer month would see a bill increase of \$3.00, or by about 2.2 percent.

Under the rate plan, the Commission established a return on equity of 9.2 percent instead of the 11 percent requested. The lower return on equity accounts for a large portion of the reduction in the company's requested rate allowance. Other factors contributing to the Commission's reduction in O&R's requested revenue requirement include an adjustment to the company's net plant additions to recognize a past pattern of delayed capital projects, and a reduction in transmission and distribution operation and maintenance expense.

In response to the economic slowdown, the Commission in December 2009 required the implementation of austerity measures in discretionary spending by utilities that would benefit ratepayers immediately and not impact the safety and reliability of the system.

While the Commission acknowledged O&R's commendable cost-cutting efforts, the company's efforts failed to provide the immediate benefit to ratepayers as contemplated by the austerity initiative. Due to the continued uncertainty in the economy, the Commission will require O&R to provide an additional \$478,000 in austerity savings in order to achieve the company's commitment of \$825,000 in austerity savings.

The one-year rate plan continues system reliability and customer service performance 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 \$3.1 million of company electric revenues could be forgone annually.

The rate plan increases the low-income program discount of \$5 for non-heating customers to \$7 and from \$10 for heating customers to \$15. The discount is applied on a monthly basis for non-heating and heating electric customers enrolled the Home Energy Assistance Program (HEAP). In addition, program participants will now be eligible for a one-time waiver of reconnection fees, which should assist customers in returning to electric service.

To help attract and retain businesses within O&R's service territory, the company will revamp its Economic Development Rate by increasing the delivery charge discount from 10 percent to 20

percent, reducing the required load expansion from 250 kilowatts to 100 kilowatts, and extending the program through December 31, 2016.

With respect O&R's request for recovery of costs associated with expansion of the company's smart grid pilot program, O&R is required to file a report with the Commission within 90 days of completion of the pilot program.

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 Search section of the homepage and referencing Case 10-E-0362. 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).