



July 11, 2007

TO: Louis L. Rana
John D. McMahon
Stephen B. Bram
Robert N. Hoglund
Charles E. McTiernan, Jr.
James P. O'Brien
Frances A. Resheske
JoAnn F. Ryan
Luther Tai

FROM: Edward J. Rasmussen

SUBJECT: 2008 Operating and Capital Budgets

Attached is a schedule for development of the operating and capital budgets for the Year 2008 and five-year forecast (see Attachment A). The final budgets will be presented to the Board of Trustees at its November 2007 meeting and the five-year forecast at the January 2008 Board meeting.

The year 2008 budgets should reflect the resources necessary to accomplish corporate and organizational goals, including environmental, safety, reliability initiatives and risk mitigation. All planned work and programs should be prioritized and the budget support materials should include a justification of the expenditures, identification of specific activities or programs, and linkage between expenditures and units of measure.

For CECONY, the 2008 O&M and capital budgets should reflect the programs set forth in the pending gas rate plan, the applicable current electric rate plan and proposed electric rate case, and the current steam rate plan. Attachment B summarizes the dollars associated with these programs as well as wage increases net of productivity improvements. The 2008 capital budget should also be consistent with the capital programs set forth in the applicable current or pending rate plans or rate cases as shown on Attachment C. The CECONY O&M operating and capital budgets may require revision based upon the outcome of the pending electric rate filing.

For O&R, the 2008 O&M and capital budgets should reflect the programs set forth in the current rate plans for O&R gas, RECO and Pike and the pending electric rate case. Attachments D summarizes the dollars associated with these programs as well as the wage increases net of productivity improvements. The 2008 capital budget should also be consistent

with the capital programs set forth in the applicable current rate plan or pending rate case as shown on Attachment E. The O&R electric O&M operating and capital budgets may require revision based upon the outcome of the pending electric rate case.

In addition, all the Competitive Energy Businesses should present a preliminary five-year forecast comprised of income, balance sheet and cash flow statements as well as the major assumptions supporting the forecast.

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

CC: Kevin Burke

CPC review of preliminary 2008 consolidated earnings forecast and capital budget	Tuesday, 10/9
Board meeting	Thursday, 10/18
Final 2008 consolidated earnings forecast	Thursday, 11/1
Review of 2008 earnings forecast with Chairman and Presidents	Friday, 11/2
Distribution of 2008 earnings forecast and capital budget to Board members	Thursday, 11/8
Board meeting	Thursday, 11/15

Five-Year Earnings Forecast and Capital Budget Schedule

CECONY, O&R, and Competitive Energy Businesses five-year capital budget	Friday, 11/9
2008 – 2012 earnings forecast for CECONY, O&R and the Competitive Energy Businesses	Monday, 12/3
Final 2008 – 2012 consolidated earnings forecast	Thursday, 12/13
Preliminary CPC Review of 2008-2012 consolidated earnings forecast and five-year capital budget	Monday, 12/17
Final CPC Review of 2008 – 2012 consolidated earnings forecast and five-year capital budget	Monday, 1/07/08
Distribution of 2008 – 2012 consolidated earnings forecast and five-year capital budget to Board members	Friday, 1/11/08
Board meeting	Thursday, 1/17/08

Consolidated Edison Company of New York, Inc.
2008 O&M Budget Guideline
(\$ in Thousands)

	2007 Budget	Rate Case Program Changes		Labor	2008 Guideline
		Gas	Electric (*)	Escalation (**)	
Operations	\$745,343	\$10,859	\$111,734	\$12,920	\$880,856
Chairman & Staff	3,200	-	-	60	3,260
Auditing	6,400	-	-	140	6,540
Finance	36,609	274	1,333	730	38,946
Public Affairs	22,303	1,603	8,719	210	32,835
Law	21,700	86	708	420	22,914
Business Shared Services	62,703	280	1,011	1,250	65,244
Enterprise Shared Services	71,071	1,551	25,786	1,010	99,418
O&R Support	5,303	-	-	120	5,423
Sub-Total	<u>974,632</u>	<u>14,653</u>	<u>149,291</u>	<u>16,860</u>	<u>1,155,436</u>
Insurance Premiums	26,700	900	4,016	-	31,616
Interference	90,200	1,019	24,105	-	115,324
Uncollectibles	49,000	1,000	3,000	-	53,000
Total	<u>\$1,140,532</u>	<u>\$17,572</u>	<u>\$180,411</u>	<u>\$16,860</u>	<u>\$1,355,375</u>

(*) Reflects Rate Year beginning April 1, 2008. Includes \$7 million for the portion of 5-yr overhead inspection program, 5-yr underground inspection program, and annual stray voltage program that will not be recovered prior to the new electric rates going into effect in April 2008.

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

(***) Adjusted for funding of advertising campaign. Amounts for electric and gas program changes reflect full amounts requested in the budget.

Consolidated Edison Company of New York, Inc.
2008 O&M Budget Guideline
(\$ in Thousands)

	2007 Budget	Rate Case Program Changes		Labor	2008 Guideline
		Gas	Electric (*)	Escalation (**)	
Operations	\$745,343	\$10,859	\$111,734	\$12,920	\$880,856
Chairman & Staff	3,200	-	-	60	3,260
Auditing	6,400	-	-	140	6,540
Finance	36,609	274	1,333	730	38,946
Public Affairs	22,303	1,603	8,719	210	32,835
Law	21,700	86	708	420	22,914
Business Shared Services	62,703	280	1,011	1,250	65,244
Enterprise Shared Services	71,071	1,551	25,786	1,010	99,418
O&R Support	5,303	-	-	120	5,423
Sub-Total	<u>974,632</u>	<u>14,653</u>	<u>149,291</u>	<u>16,860</u>	<u>1,155,436</u>
Insurance Premiums	26,700	900	4,016	-	31,616
Interference	90,200	1,019	24,105	-	115,324
Uncollectibles	49,000	1,000	3,000	-	53,000
Total	<u>\$1,140,532</u>	<u>\$17,572</u>	<u>\$180,411</u>	<u>\$16,860</u>	<u>\$1,355,375</u>

(*) Reflects Rate Year beginning April 1, 2008. Includes \$7 million for the portion of 5-yr overhead inspection program, 5-yr underground inspection program, and annual stray voltage program that will not be recovered prior to the new electric rates going into effect in April 2008.

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

(***) Adjusted for funding of advertising campaign. Amounts for electric and gas program changes reflect full amounts requested in the budget.

Consolidated Edison Company of New York, Inc.
2008 Capital Budget Guideline
(\$ in Millions)

	2008		
	<u>January Forecast</u>	<u>Rate Case Programs</u>	<u>Guideline</u>
Electric			
Production	\$33	\$3	\$36
Transmission & switching stations	165	106	271
Substations & sub-transmission	441	110	551
Distribution			
New business	117	27	144
Burnouts	197	(99) (A)	98
Interferences	25	-	25
Improvements/reinforcements	272	288	560
Telecommunications applications	2	-	2
Transformers/network protectors	94	50	144
Meters/Meter devices	12	-	12
Total Distribution	<u>719</u>	<u>266</u>	<u>985</u>
Total Electric	\$1,358	\$485	\$1,843
Gas	\$257	\$42	\$299
Steam			
Production	49	-	49
Distribution	22	-	22
Total Steam	<u>\$71</u>	<u>\$0</u>	<u>\$71</u>
Common	\$193	\$117	\$310
Lower Manhattan restoration	\$32	-	\$32
Total Capital Expenditures	<u>\$1,911</u>	<u>\$644</u>	<u>\$2,555</u>

(A) Reclassification of secondary open mains from burnouts to improvements/reinforcements.

Orange and Rockland Utilities, Inc.
2008 O&M Budget Guideline
(\$ in Thousands)

	<u>2007 Budget</u>	<u>Electric Rate Case</u>	<u>Labor Escalation (*)</u>	<u>2008 Guideline</u>
Operations	\$ 58,105	\$ 2,440	\$ 1,088	\$ 61,633
Customer Service	38,452	152	462	39,066
EH&S / Support Operations	2,774	-	57	2,831
Public Affairs	2,816	-	41	2,857
Payment Processing	2,471	-	43	2,514
Enterprise Shared Services	7,387	-	99	7,486
Business Shared Services	20,602	-	214	20,816
CECONY Managed				
Real Estate	910	-	-	910
Treasury	1,221	-	-	1,221
Insurance	1,109	-	-	1,109
President & Staff	2,915	-	41	2,956
Total	<u>\$ 138,762</u>	<u>\$ 2,592</u>	<u>\$ 2,046</u>	<u>\$ 143,399</u>

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

Orange and Rockland Utilities, Inc.
2008 Capital Budget Guideline
(\$ in Millions)

	<u>2008</u>		
	<u>January</u> <u>Forecast</u>	<u>Rate Case</u> <u>Programs</u>	<u>Guideline</u>
Electric			
Transmission & switching stations	\$41	-	\$41
Substations & sub-transmission	7	-	7
Distribution			
New business	9	-	9
Improvements/reinforcements	10	3	13
Telecommunications applications	0	-	0
Transformer/meter installations	3	-	3
Transformers/network protectors	8	-	8
Meters/Meter devices	2	-	2
Total Distribution	<u>32</u>	<u>3</u>	<u>35</u>
Total Electric	\$80	\$3	\$83
Gas			
Distribution	29	-	29
New business	5	-	5
Total Gas	<u>\$34</u>	<u>-</u>	<u>\$34</u>
Common			
Gas	\$4	-	\$4
Electric	9	1	10
Total Common	<u>\$13</u>	<u>\$1</u>	<u>\$14</u>
Total Capital Expenditures	<u><u>\$127</u></u>	<u><u>\$4</u></u>	<u><u>\$131</u></u>