

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

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PSC Votes to Adopt Terms of Electric, Gas Delivery Joint Proposals for Orange and Rockland Utilities, Inc.

Albany, NY – 10/22/03 – The New York State Public Service Commission today voted to adopt the terms of joint proposals governing electric and natural gas delivery services provided by Orange and Rockland Utilities, Inc. (O&R). The proposals do not involve electricity and natural gas supplies, the prices of which are set by the competitive markets. The utility makes no profit from securing electricity and natural gas supplies for its customers.

"The evidence developed by the participants in these cases supports the adoption of the terms of the joint proposals," Commission Chairman William M. Flynn stated. "The parties deserve credit for preventing any increase in electric delivery rates for the next three years, and for limiting a gas delivery rate increase to account for additional costs the company is incurring in providing service to its customers."

Teresa A. Santiago, Chairperson and Executive Director of the New York State Consumer Protection Board, stated: "Today's decision will benefit O&R's electric customers by maintaining current delivery rates for three more years, reducing the likelihood of future rate increases and helping ensure high quality service."

Electric Delivery Rate, Last Raised in 1993, Stable Now Until at Least November 2006

With respect to electric delivery rates, the Commission voted to approve the terms of a July 2, 2003, joint proposal of the New York State Consumer Protection Board, Multiple Intervenors, the New York State Department of Public Service staff, and O&R. The proposal extends the existing electric delivery rate plan. Under the proposal, which

covers the period July 1, 2003, through October 31, 2006, the company will not be allowed to increase rates for electric delivery service. The price of O&R's electric delivery service has not increased since 1993.

In addition to maintaining existing electric delivery rates, the joint proposal approved today will continue the programs that have been used to develop a competitive retail energy market in O&R's service region and to promote customer service and service reliability. If O&R's performance in customer service and service reliability falls below established targets, the company will incur financial penalties. The company will implement new programs to provide customer outreach and education services, and to assist low-income residential customers who receive Home Energy Assistance Program (HEAP) grants.

The joint proposal includes an earnings sharing mechanism under which earnings in excess of 12.75% from July 2003 to June 2006 will be shared equally with customers. Under the proposal, O&R is expected to spend \$108 million in electric transmission and distribution facilities. If that amount is not spent, the revenue requirement associated with the short fall will be deferred for the benefit of customers. If the company spends in excess of five percent (5%) above the target, those amounts may be recovered from ratepayers if certain requirements are met.

Gas Delivery Rate Increase – Smaller than Original Request – is First Since 1992

In terms of the natural gas delivery rate proposal, the Commission voted to approve a proposal submitted on June 24, 2003, by the Small Customer Marketer Coalition, Select Energy New York, Inc., Multiple Intervenors, Total Gas & Electric, Inc., the New York State Department of Public Service staff, and O&R. The proposal provides for a smaller gas delivery rate increase than O&R had originally proposed.

The gas delivery rate proposal will implement the smaller increase gradually over the next three years: \$9.25 million (5 percent) beginning November 1, 2003; up to \$9.275 million (5 percent) beginning November 1, 2004; and, \$5 million (2.7 percent) beginning November 1, 2005. The factors contributing to the proposed rate increases include pension costs and other post retirement benefits, capital additions, inflation, payroll and accounting changes. The company's gas distribution rates were last increased in 1992.

In November 2002, O&R filed a request with the Commission to increase its natural gas delivery charges to produce \$27.2 million (14.7 percent) in additional annual

revenues. O&R's request included a three-year rate plan, under which the company sought additional rate increases of \$2.5 million and \$2.6 million for the second and third years, respectively. On March 14, 2003, O&R filed various updates and corrections to its initial request, which raised the requested first year increase to \$29.3 million.

Under the joint proposal, O&R will provide a \$5 monthly credit to low-income customers who receive Home Energy Assistance Program (HEAP) grants. The proposal contains customer service satisfaction targets that will be measured by customer surveys, and if O&R is unable to meet the targets, it will make payments that benefit customers. The proposal includes a sharing mechanism under which earnings in excess of 11% for the three-year period will be shared equally with customers.

The company will continue to implement outreach and education programs to further increase awareness and knowledge of customer competitive choices and its retail access program. Approximately 30% of O&R's residential gas customers have already migrated to energy marketers in the company's service territory. O&R has committed under the proposal to take additional steps to facilitate further activity by gas marketers to provide choices to customers in its service region.

The Commission held public statement hearings in Middletown and New City to receive comments on the two joint proposals. The Commission also received comments through the mail as well as via email and its toll free Opinion Line.

O&R serves approximately 211,500 electric customers and 121,000 natural gas customers in Orange, Rockland, and Sullivan Counties in downstate New York.

The Commission will issue written orders detailing today's votes related to the O&R electric and natural gas delivery joint proposals. The decisions in Commission Cases 03E0797 and 02G1553, respectively, when available, can be obtained from the Commission's website at <http://www.dps.state.ny.us> by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).