

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE  
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June 22, 2006

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Re: Case 05-G-1494, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service.

Dear Mr. Carley:

Enclosed please find a copy of the Joint Proposal containing the signatures of the Company, Multiple Intervenors and DPS Staff. A copy of the Joint Proposal was filed with the Commission's Secretary yesterday and a copy was submitted to Judge Liebschutz. It is my understanding that the Small Customer Marketer Coalition will be signing the Joint Proposal today and submitting their executed signature page separately.

Very truly yours,  
*David R. Van Ort*  
David R. Van Ort  
Assistant Counsel

cc: Active party list (w/encl.)  
Secretary Brillling (w/o encl.)  
Judge Liebschutz (w/o encl.)

CASE 05-G-1494

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**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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Case 05-G-1494 - Proceeding on Motion :  
of the Commission as to the Rates, Charges, :  
Rules and Regulations of Orange and :  
Rockland Utilities, Inc. for Gas Service :  
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**JOINT PROPOSAL**

Dated: June 21, 2006  
New York, New York

## TABLE OF CONTENTS

	<u>Page</u>
1. Introduction.....	1
2. Procedural Background .....	2
3. Rate Plan.....	3
4. Earnings Sharing .....	5
5. Reconciliations.....	7
6. Depreciation Rates and Reserves .....	10
7. Gas Lost and Unaccounted for Factor .....	10
8. Rate Design & Unbundling .....	11
9. Interruptible Transportation Rates .....	19
10. Rollover Option.....	19
11. Service Classification Nos. 8 and 13 Scheduling Penalty .....	20
12. Rate Year Sales and Weather Normalization .....	20
13. Base Rate Imputations.....	21
14. Common Plant Allocation .....	22
15. Safety Performance Measurements.....	22
16. Customer Service Performance Measurements.....	26
17. Retail Choice Customer Understanding Incentive .....	29
18. Service Fees.....	29
19. Low-Income Program.....	30
20. Gas Economic Development Enhancement Pilot Program.....	30
21. ESCO Liaison.....	31

22.	<b>Retail Access Promotion and Customer Outreach and Education Program</b>	<b>31</b>
23.	<b>Customer Outreach and Education .....</b>	<b>31</b>
24.	<b>Other Allowed Rate Changes.....</b>	<b>31</b>
25.	<b>Legislative, Regulatory and Related Action .....</b>	<b>33</b>
26.	<b>Continuation of Provisions.....</b>	<b>34</b>
27.	<b>Provisions Not Separable .....</b>	<b>35</b>
28.	<b>Provisions Not Precedent .....</b>	<b>35</b>
29.	<b>Submission of Proposal.....</b>	<b>35</b>
30.	<b>Further Assurances.....</b>	<b>36</b>
31.	<b>Execution .....</b>	<b>36</b>

**APPENDICES**

**Appendix A - Summary of Revenue Requirements**

**Appendix B - Reconciliation Targets**

**Appendix C - Lost and Unaccounted for Factor and Incentive/Penalty Calculation**

**Appendix D - Rate Design**

**Appendix E - Base Rate Imputations**

**Appendix F - Customer Service Surveys**

**Appendix G - Retail Choice Customer Understanding Incentive**

**Appendix H - Gas Economic Development Enhancement Pilot Program**

**Appendix I - Retail Access Promotion and Customer Outreach and Education Program**

**Appendix J - Customer Outreach and Education**

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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Case 05-G-1494- Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service.

**JOINT PROPOSAL**

THIS JOINT PROPOSAL ("Proposal") is made as of the 21<sup>st</sup> day of June 2006, by and among Orange and Rockland Utilities, Inc. ("Orange and Rockland" or the "Company"), Staff of the New York State Department of Public Service ("Staff"), Multiple Intervenors ("MI"), and Small Customer Marketer Coalition ("SCMC") (collectively referred to herein as the "Signatory Parties"), and provides a proposed regulatory regime for the gas business of Orange and Rockland.

**1. Introduction**

The Proposal represents a settled disposition of the Company's rate case filing. It prescribes agreed-upon rate levels and addresses operational and accounting matters for the term of the Proposal, as well as various other rate design and revenue allocation issues. The Proposal is designed to ensure the continued reliability, safety, and security of the Company's gas system, as well as to enhance competition in the Company's service territory.

Among other things, the Proposal reflects a revenue requirement based on the adoption of the gas sales and revenue forecast agreed to by the Signatory Parties, updates to the non-firm revenue imputation, implementation of a gas economic development program, and continuation of a low-income program.

The Proposal provides for explicit revenue adjustments to Orange and Rockland related to leak management, damage prevention, main replacement, emergency gas odor response, customer service, and customer understanding of retail choice.

## **2. Procedural Background**

On November 28, 2005, Orange and Rockland filed with the New York State Public Service Commission ("Commission") revised gas tariff leaves reflecting a gas rate increase of \$23.7 million, which represents a 4.7% increase to firm full service gas customers and firm transportation customers (including gas supply costs) ("Initial Rate Filing"). Orange and Rockland's filed case also included a three-year rate plan, seeking additional rate increases of \$2.1 million and \$1.8 million, for the second and third years, respectively.

On February 15, 2006, the Company filed various updates and corrections to its Initial Rate Filing ("Update Filing"), which lowered the requested first year rate increase to \$20.6 million.

On March 30, 2006, Staff filed its direct case, in which it recommended that the Company's base rates be increased by \$6.09 million. The Consumer Protection Board ("CPB") and MI also filed direct testimony on March 30, 2006. The Company filed rebuttal testimony on April 17, 2006. In its rebuttal testimony, as a result of a reduction to expected sales revenue due to customers' response to higher prices during the winter of 2005/2006, as well as other adjustments, the Company increased the requested first year rate increase to \$22.4 million.

In accordance with the Commission's rules, the Company notified all parties to this proceeding of the pendency of settlement negotiations, prior to the commencement of negotiations, by e-mail and letter dated April 20, 2006. Notice of the impending negotiations was duly filed with the Secretary of the Commission by letter dated April 20, 2006.

Negotiations among the parties commenced on May 1, 2006. Additional settlement conferences were held on May 5, May 8, May 12 and May 15-16. Orange and Rockland, Staff, CPB, MI, and Small Customer Marketer Coalition participated in the settlement conferences, which were held in person or via teleconference.

The Signatory Parties have reached agreement on the following terms of the Proposal, which they believe will further the objective of giving fair consideration to the interests of customers and shareholders alike, in assuring the provision of safe and adequate service at just and reasonable rates.

### 3. Rate Plan

The Proposal covers the three-year period November 1, 2006 to October 31, 2009. The first Rate Year covers the twelve-month period ending October 31, 2007 ("First Rate Year" or "RY1"), the second Rate Year covers the twelve-month period ending October 31, 2008 ("Second Rate Year" or "RY2"), and the third Rate Year covers the twelve-month period ending October 31, 2009 ("Third Rate Year" or "RY3"). Appendix A sets forth a summary of the Company's revenue requirements. The Proposal allows Orange and Rockland the following base rate revenue increases, prior to unbundling, absent the preferred phase-in alternative set forth immediately below:

First Rate Year	\$12.0 million
Second Rate Year	\$0.7 million
Third Rate Year	\$1.1 million

The Proposal provides for the phasing in of the RY1 rate increase as follows:

First Rate Year	\$6.5 million
Second Rate Year	\$6.5 million

Third Rate Year      \$1.8 million (in addition to a one-time collection of \$4.5 million through the Monthly Gas Adjustment ("MGA") as discussed below)

The increases to be implemented and maintained in each Rate Year (i.e., permanently and cumulatively) under the recommended phase-in alternative reflect, in part, the application of appropriate carrying charges at the Other Customer Capital rate on revenues that would have been collected absent the phase-in of the RY1 rate increase. The proposed increases will be implemented on or before the first day of each Rate Year.

The Signatory Parties recognize that phasing in the RY1 increase over three years would produce higher base revenues for the Company at the end of RY3 than if the revenues were not phased in. The Signatory Parties also recognize that the Company will have approximately \$1 million of net credits that will be fully amortized by the end of RY3. In order to provide that revenues at the end of RY3 are not higher than they would have been if the rate increase were not phased in, and to account for these expiring credits, \$1.8 million of the RY3 phased in rate increase will be included in base rates and \$4.5 million of the RY3 increase will be collected via a temporary surcharge through the MGA. This MGA surcharge will expire at the end of RY3.

The Company will establish a regulatory asset in RY1 and accrue revenues of \$5.5 million, plus interest at the unadjusted customer deposit rate. The accrued revenues will be reversed in RY2 & RY3 as collected. The accrued interest for the period of the rate plan was estimated to be \$0.3 million and is included in the RY3 base rate increase of \$1.8 million.

Except as provided pursuant to Section 24 of the Proposal, Orange and Rockland will not file for a base rate increase to become effective prior to November 1, 2009.

#### 4. Earnings Sharing

Following each of RYs 1, 2 and 3, the Company will compute its gas rate of return on common equity capital for the preceding Rate Year. The Company will provide Staff the computations of earnings by no later than February 28 after the end of each Rate Year covered by the Proposal.

If the level of earned common equity return in any Rate Year exceeds 11.0 percent (or 10.8 percent if during the Rate Year the Company fails to earn the Retail Choice Customer Understanding Incentive pursuant to Section 17 of the Proposal) ("Earnings Sharing Threshold"), calculated as set forth below and as may be adjusted pursuant to Section 5 of the Proposal, the amount in excess of the Earnings Sharing Threshold shall be deemed "shared earnings" ("Shared Earnings") for the purposes of the Proposal.

On an annual basis (i.e., RY1, RY2, RY3) any Shared Earnings will be deferred on the Company's books for treatment at the end of RY3. At the end of RY3, the net Shared Earnings from RY1, RY2, and RY3 ("Total Shared Earnings")<sup>1</sup>, will be allocated between customers and shareholders as follows: for the first 100 basis points of Total Shared Earnings above the Earnings Sharing Threshold, one-half of the revenue equivalent of the Total Shared Earnings shall be deferred for the benefit of customers. For Total Shared Earnings more than 100 basis points above the Earnings Sharing Threshold and up to 14.0% return on common equity, 65 percent of the revenue equivalent of Total Shared Earnings shall be deferred for the benefit of customers. For Total Shared Earnings above 14.0% return on common equity, 100 percent of the revenue equivalent of Total Shared Earnings shall be deferred for the benefit of customers.

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<sup>1</sup> In calculating the Total Shared Earnings, if in any Rate Year the level of earned common equity return is less than the Earnings Sharing Threshold, any such shortfall shall be deducted from the Shared Earnings earned by the Company in other Rate Years.

The customers' share of Total Shared Earnings will be applied against deferred pensions and Other Post Employment Benefits ("OPEB") costs, and/or offset against other deferred debits on the Company's books, as directed by the Commission. Orange and Rockland will not be entitled by this provision to recover from customers any amounts by which earnings in RY1, RY2 and RY3 fall below 11.0%.

For purposes of determining whether the Company has earned in excess of the Earnings Sharing Threshold, the calculation of the actual return on common equity capital allocated to New York jurisdictional gas utility operations shall be on a per books basis, adjusted as follows:

- a. Any earned incentive related to the base revenue imputations (i.e., interruptible benefits), property tax refunds, gas lost and unaccounted for ("LAUF"), or other incentive mechanisms made effective during the term of the Proposal pursuant to an Order of the Commission, as well as any deferrals associated with the Gas Economic Development Enhancement Pilot Program, and deferral offsets pursuant to Section 5H, will be excluded from the calculation. Such earnings computations will reflect the lesser of (i) an equity ratio equal to 50.0 percent or (ii) the Company's actual average common equity ratio to the extent that it is less than 50.0 percent of its ratemaking capital structure. The actual common equity ratio will exclude all components related to "other comprehensive income" that may be required by generally accepted accounting principles ("GAAP"); such charges are recognized for financial accounting reporting purposes but are not recognized or realized for ratemaking purposes.

## **5. Reconciliations**

The Company will reconcile the following costs to the levels provided in rates, as set forth in Appendix B. Except as provided in Section 5H, the reconciliations in RY1, RY2 and RY3 will be deferred and recovered from customers or credited to customers after expiration of the Third Rate Year in a manner to be determined by the Commission.

### **A. Environmental Remediation**

If the level of actual expenditures for site investigation and remediation ("SIR"),<sup>2</sup> including expenditures associated with former manufactured gas plant ("MGP") sites, Superfund sites, and the West Nyack site, allocated to gas operations varies in any Rate Year from the levels provided in rates, which are set forth in Appendix B, such variation will be deferred and recovered from or credited to customers after expiration of the Proposal. Deferred environmental remediation balances varying from the level reflected in rate base will accrue a carrying cost at the pre tax rate of return, as set forth in Appendix A. The deferred balances will be reduced by accruals, insurance recoveries, associated reserves and deferred taxes. Orange and Rockland shall continue to allocate SIR costs between the Company's electric and gas operations on a 70.75%/29.25% basis.

### **B. Property Taxes**

If the level of actual expenditures for property taxes, excluding the effect of property tax refunds, varies in any Rate Year from the levels provided in rates, which are set forth in Appendix B, 100% of any variations due to tax rate changes will be deferred and recovered from or credited to customers, while 86% of any variation due to assessment changes will be deferred

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<sup>2</sup> SIR costs are the costs Orange and Rockland incurs to investigate, remediate or pay damages (including natural resource damages, with respect to industrial and hazardous waste or contamination spills, discharges, and emissions) for which Orange and Rockland is deemed responsible. SIR costs are net of insurance reimbursement (if any); provided, however, that nothing herein will require the Company to initiate or pursue litigation for purposes of obtaining insurance reimbursement.

and recovered from or credited to customers. The Company will accrue interest monthly on such deferred amounts at the Other Customer Capital rate until such amounts are fully reflected in rates. Property tax refunds (allocated to gas operations) resulting from the Company's efforts, including credits against future tax payments intended to return or offset past overcharges or payments determined by the taxing authority to have been in excess of the property tax liability appropriate for Orange and Rockland,<sup>3</sup> shall be deferred for future disposition except for an amount equal to fourteen percent of the refund<sup>4</sup> which shall be retained by the Company. The fourteen percent retention shall apply to all such property tax refunds and/or credits (allocated to gas operations) against future tax payments actually achieved by Orange and Rockland during the term of the Proposal.

**C. Pensions/OPEBs**

Pursuant to the Pension Policy Statement, the Company will reconcile its actual pensions/OPEB expenses to the level allowed in rates as set forth in Appendix B.

**D. Research & Development Costs**

Pursuant to the Commission's 1978 Technical Release, the Company will reconcile its actual research and development expenses to the level allowed in rates as set forth in Appendix B.

**E. Low-Income Program**

The Company will be allowed to reconcile actual payments (credits) to low-income customers to the level allowed in rates as set forth in Appendix B.

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<sup>3</sup> Legal and other incremental costs incurred by the Company in pursuing such property tax refunds shall first be deducted from any such refunds and/or credits before any allocation is made to the Company and its customers.

<sup>4</sup> The Company is not relieved of the requirements of 16 NYCRR Part 89 with respect to any refunds it receives.

**F. Retail Access Promotion and Customer Outreach and Education Program**

The Company will defer for the Customers' benefit amounts not spent on the retail access promotion and customer outreach and education program that are less than the level allowed in rates as set forth in Appendix B.

**G. Additional Reconciliation/Deferral Provisions**

In addition to the foregoing reconciliation provisions, all other applicable existing reconciliations and/or deferral accounting will continue in effect through the terms of the Proposal and thereafter until modified or discontinued by the Commission, including but not limited to, FAS 109 taxes, MTA taxes, vacation pay accrual pursuant to FAS 71, carrying charges for storage gas, and the GSC/MGA mechanisms.

**H. Limitations on Deferrals**

When calculating the level of earned common equity return for gas that may be subject to sharing under Section 4 of the Proposal, the Company will make the following adjustments if its earnings exceed the Earnings Sharing Threshold:

- a. For earnings on common equity above 11.0%, the Company will reduce net expenses (debits) deferred for later recovery pursuant to this Section 5, up to 50% of the deferral, provided that such reduction in deferrals will not cause the resulting earnings to decrease below an 11.0% return on common equity.
- b. For purposes of (a), above, the analysis will be performed on a single Rate Year basis. For example, costs deferred in RY1 will not be considered in the analysis for RY2.
- c. This deferral limitation will apply to net debit deferrals for pensions/OPEBs, property taxes, and research and development costs and any

future applicable legislative, regulatory and related actions pursuant to Section 25 of the Proposal.

6. **Depreciation Rates and Reserves**

The depreciation factors and rates used in establishing the revenue requirements under the Proposal are unchanged from Case 99-G-1695.

7. **Gas Lost and Unaccounted for Factor**

The Factor of Adjustment, reflecting gas lost and unaccounted for, will be calculated for the First Rate Year so as to reflect the Company's three-year average actual line losses, as determined for the 36 months ended August 31, 2006. The Factor of Adjustment for the Second Rate Year and Third Rate Year will be calculated so as to reflect the Company's three-year average actual line losses, as determined for the 36 months ending August 31, 2007 and August 31, 2008, respectively. However, the Factor of Adjustment will not change if the three-year average actual line losses on which the Factor of Adjustment is to be based, falls within +/- 5% of the prior three-year average actual line losses (see, Appendix C, Page 1 of 2, for an illustration of how this will be calculated).

The Factor of Adjustment will be capped at the calculated First Rate Year level (the Company's three-year average actual line losses as determined for the 36 months ended August 31, 2006).

If an unforeseeable and uncontrollable event(s) occurs that significantly increases actual line losses so that, absent the cap described above, the Factor of Adjustment would exceed the calculated First Rate Year level, the Company reserves the right to file a petition with the Commission to modify the annual reconciliation of the Gas Supply Charge ("GSC") in order to reflect such increased line losses. The Company will have the burden of demonstrating the

increase in actual line losses and that such increase was not due to the Company's negligent actions or omissions, in the event it makes such a filing.

The annual GSC reconciliation will reflect actual gas lost and unaccounted for, calculated as follows:

- a. If actual line losses are less than the line loss percentage upon which the Factor of Adjustment is based, the Company will retain the benefit of such lower losses; and
- b. If actual line losses are greater than the line loss percentage upon which the Factor of Adjustment is based, the Company will bear the cost of such higher losses.

Actual lost and unaccounted for gas will be calculated as follows:

Total Distribution Sendout (i.e., Marketer, Direct Customer and Company deliveries, excluding gas for power generation) vs. Total Customer Metered Volumes (i.e., firm sales and transportation, interruptible and firm withdrawable sales and transportation, Company use, excluding gas for power generation).

A sample calculation of the gas lost and unaccounted for methodology is attached as Appendix C, Page 2 of 2.

## **8. Rate Design & Unbundling**

Orange and Rockland shall implement the following rate design and unbundling changes:

### **A. Merchant Function Charge**

Separate merchant function charges ("MFCs") shall be established for Service Classification ("SC") 1 and SC2 customers to recover commodity-related competitive services.

The SC1 and SC2 MFCs shall include the following:

- Commodity procurement and commodity revenue-based allocations of:
  - Information resources, and
  - Education and outreach;
- Credit and collections;
- Gas in storage working capital (except portion of such costs attributable to balancing/reliability); and
- Uncollectibles – the uncollectibles percentage shall be applied to the GSC, including any prior period reconciliation component. The uncollectibles percentage shall be reset annually effective November 1 based on the Company's actual uncollectibles experience applicable to all electric and gas POR-eligible customers for the thirty-six month period ended the previous June 30.

Separate MFCs shall be established for SC6 residential and non-residential customers whose marketers participate in the Company's purchase of receivables ("POR") program to recover costs associated with credit and collections activities.

The fixed components of the MFCs shall be set as follows (cents per Ccf):

	Commodity Procurement, IR, Education and Outreach	Credit and Collections	Total
SC1	1.392	0.703	2.095
SC2	0.516	0.311	0.827
SC6 Rate Sch I Res	N/A	0.703	0.703
SC6 Rate Sch I Non-Res & Rate Sch II	N/A	0.311	0.311

The above fixed MFC components will become effective on November 1, 2006 and shall remain in effect until changed by subsequent order of the Commission. Incremental revenue increases for RY2 and RY3 shall be recovered via delivery rate changes.

The MFCs shall be subject to a full true up on an annual basis. Each year, all MFC revenues shall be compared to the MFC recovery target and any excess/shortfall shall be recovered in the subsequent year's Transition Adjustment for Competitive Services on an equal cents/ccf basis from SC1, 2 and 6 customers.

**B. Billing and Payment Processing**

An unbundled charge will be established for billing and payment processing. The Signatory Parties recognize that the billing and payment processing charge resulting from the Company's cost of service study is \$1.02. To minimize potential customer confusion associated with this charge and the current \$0.62 electric backout credit, the billing and payment processing charge shall be set initially at \$0.62.

The electric backout credit and billing and payment processing charge shall be applied as follows:

- The electric backout credit shall apply only to single service electric retail access bills billed under the Utility Single Bill or Marketer Single Bill billing option.
- The billing and payment processing charge shall apply to single service gas full service bills and dual service full service bills. The billing and payment processing charge shall also apply to single and dual service retail access bills for customers whose marketers choose the Two Separate Bills billing option. The billing and payment processing charge shall not apply to retail access bills in

which either electric or gas service is billed by the Company under the Utility Single Bill billing option.

The Company will make an electric tariff filing with the Commission, to become effective upon the commencement of RY1, that sets forth electric tariff changes necessary to implement electric backout credits in conjunction with billing and payment processing charges as specified above.

When the Company's electric rates are unbundled, the billing and payment processing charge shall be reset to a level indicated by the then-current cost of service study. This change shall be performed in a manner that is revenue neutral to the Company's gas operations and requires no changes in gas rates other than the change in the billing and payment processing charge.

**C. Delivery Rate Changes**

(a) The first block charge (charge for the first 3 Ccf or less) for SC1 shall be increased to \$12.00 in the First Rate Year, \$13.00 in the Second Rate Year, and \$14.00 in the Third Rate Year.

(b) The first block charge for SC2 shall be increased to \$15.00 in the First Rate Year, \$18.00 in the Second Rate Year, and \$21.00 in the Third Rate Year.

(c) The first block charge (charge for the first 100 Ccf or less) for SC6, Rate Schedule II customers shall be increased to \$156.08 in the First Rate Year, \$168.65 in the Second Rate Year, and \$172.13 in the Third Rate Year.

(d) The remaining incremental revenue requirement in the First Rate Year, after subtracting incremental revenue associated with the fixed components of the MFCs, commodity-related uncollectibles, billing and payment processing, and the increases in the first block

charges described above, shall be applied to all rate block charges, except first block charges, of SC1, 2 and 6 on an equal cents per Ccf basis. Of the remaining incremental revenue requirement in the Second Rate Year, after subtracting incremental revenue associated with the increases in the first block charges described above, \$3.0 million shall be allocated to the residential and small non-residential heating customers (i.e., SC1 and SC6, Rate Schedule I) and the remainder shall be applied to all rate block charges, except first block charges, of SC1, 2 and 6 on an equal cents per Ccf basis. The remaining incremental base rate-related revenue requirement in the Third Rate Year, after subtracting incremental revenue associated with the increases in the first block charges described above, shall be applied to all rate block charges, except first block charges, of SC1, 2 and 6 on an equal cents per Ccf basis. In the Third Rate Year, \$4.5 million of the increase will be collected on an equal cents per Ccf basis via a temporary surcharge through the MGA. The revenue impacts of the rate design changes on firm customers are summarized in Appendix D to the Proposal.

By October 1, 2006, 2007 and 2008, the Company shall file tariff revisions implementing the rate changes for the First Rate Year, Second Rate Year and Third Rate Year, respectively.

**D. POR Discount**

The POR discount shall include the following items:

- Uncollectibles; and
- Risk factor.

The uncollectible component of the POR discount shall be reset annually effective November 1 based on the Company's actual uncollectibles experience applicable to all gas and electric POR-eligible customers for the thirty-six month period ended the previous June 30. The risk factor shall also be reset annually and shall be equal to 20% of the uncollectible rate.

### **E. Transition Adjustment for Competitive Services**

The Transition Adjustment for Competitive Services ("TACS") shall be an equal charge per Ccf applicable to SC1, SC2 and SC6 customers. The TACS shall be reset annually effective November 1. The TACS shall be determined by dividing the sum of MFC Fixed Component Lost Revenue, Billing and Payment Processing Lost Revenue, costs of enabling technologies and prior period reconciliation by the forecasted Ccf deliveries to SC1, SC2 and SC6 customers for the twelve-month period for which the TACS is to be effective.<sup>5</sup> The TACS shall be included as a separate line item in the MGA and shall be expressed to the nearest 0.001 cent per Ccf.

- **MFC Fixed Component Lost Revenue**

MFC Fixed Component Lost Revenue shall be equal to a target of \$2,555,000 attributable to the (a) commodity procurement, information resources, education and outreach; and (b) credit and collections portions of the MFC ("MFC Fixed Components") minus revenues received through the MFC Fixed Components.

- **Billing and Payment Processing Lost Revenue**

Billing and Payment Processing Lost Revenue shall be equal to the total of billing and payment processing charges avoided by retail access customers less billing service charges assessed on marketers participating in the Company's Gas Transportation Service Program and electing the Utility Single Bill Option, less the Company's avoided costs associated with marketers participating in the Company's Gas Transportation Service Program and electing the Marketer Single Bill Option. Such avoided cost shall be set equal to \$0.28 per bill (i.e., cost of mailing).

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<sup>5</sup> Any lost revenue recovery by the Company will comply with the Commission's Statement of Policy on Unbundling and Order Directing Tariff Filings, issued August 25, 2004 in Case 00-M-0504, *Proceeding on Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of Utilities in Competitive Energy Markets, and Fostering the Development of Retail Competitive Opportunities – Unbundling Track*.

- **Cost of Enabling Technologies**

A cost of enabling technologies in an amount not to exceed \$100,000 shall be recovered from SC1, 2 and 6 customers during RY1. This is the cost of billing system modifications necessary to implement the unbundled charges for billing and payment processing.

- **Prior Period Reconciliation**

Amounts to be recovered through the TACS shall be reconciled with TACS revenues each year and any over or under recovery shall be included in the subsequent year's TACS.

**F. Storage Working Capital**

The Company will include in its MFC applicable to SC1 and SC2 customers and in its MGA applicable to SC1, 2 and 6 customers, charges to recover the working capital costs associated with gas in storage. Firm transportation customers (SC6) shall be assessed a charge for storage working capital equal to 20% of the storage working capital charges assessed on firm sales customers (SC1 and SC2) in accordance with the Commission's Order Establishing Rates in Phase 2, issued and effective October 18, 2001 in Case No. 99-G-1695.

Storage working capital costs shall be split between sales-related and reliability/balancing related costs. The charge applicable to SC6 customers, as defined above, shall be deemed to be reliability/balancing related and shall be recovered from SC1, SC2 and SC6 customers on an equal cents per Ccf basis through the MGA. The difference between the charge applicable to firm sales customers and the charge applicable to firm transportation customers shall be deemed

to be sales-related and shall be recovered from SC1 and SC2 customers on an equal cents per Ccf basis through the MFC.

The Company shall continue to perform reconciliations of storage working capital costs and recoveries on an annual basis in accordance with the above-referenced order and current tariff provisions.

**G. Monthly Gas Adjustment**

The MGA shall be modified as follows:

- Gas in Storage Working Capital - only reliability/balancing portion recovered in MGA.
- The TACS will be added as a separate line item in the MGA.
- Sharing of Benefits mechanism
  - Remove off-system sales component.
  - Set new sharing target for interruptible/SC10 delivery (continue 80/20 sharing).
  - Set separate new power generation imputation at \$650,000 with 100% true up.
- Interim Backout Credit
  - Interim Backout Credit will be eliminated effective November 1, 2006.
  - The Interim Backout Credit Lost Revenue Adjustment mechanism shall continue for the twelve-month period ending October 31, 2007 to recover the remaining reconciliation amount for the twelve-month period ending October 31, 2006.

**H. Gas Supply Charge**

The GSC will be modified as follows:

- All off-system sales net revenues will be flowed through the GSC; and
- SC10 capacity-related revenues will be flowed through the GSC.

9. **Interruptible Transportation Rates**

**A Service Classification No. 8 - Base Charge**

The Base Charge used to determine the blocked rates for SC8, shall be reduced by \$0.184 per Mcf to exclude compensation for losses incurred by the Company in delivering customers' gas. At the commencement of RY1, SC8 customers and SC8/SC13 marketers shall deliver additional gas to compensate the Company for losses incurred in delivering customers' gas. The amount of additional gas required to compensate for losses shall be based on the Company's Factor of Adjustment, which may change from time to time as approved by the Commission. For the term of the Proposal, the SC8 Base Charge shall not exceed \$0.50 per Mcf in the First Rate Year, \$0.53 per Mcf in the Second Rate Year and \$0.59 per Mcf in the Third Rate Year. The SC8 Base Charge shall not be set at a level less than \$0.10 per Mcf.

**B Service Classification No. 8 - Minimum Volume Threshold**

Upon the effective date of revised rates, the minimum annual usage threshold for SC8 eligibility shall be increased from 3,500 Mcf to 10,000 Mcf. The new minimum annual usage requirement will be applicable to all customers commencing service under SC8 on and after the effective date of revised rates. Existing customers under SC8 as of this date will be grandfathered from this minimum annual usage requirement.

10. **Rollover Option**

During RY1, Orange and Rockland will evaluate the impact, particularly in a volatile market, on the Company's firm sales customers of the Rollover Option contained in both the Balancing Service Option section and the Winter Bundled Sales Service Option section of SC11 ("Rollover Option"). Based upon this evaluation, Orange and Rockland reserves the right to file a petition with the Commission requesting authorization to replace, modify and/or eliminate the Rollover Option in order to avoid the incurrence of additional gas costs that may be associated

with reconciling energy service company ("ESCO") gas imbalances three months after the actual imbalance in deliveries and usage.

**11. Service Classification Nos. 8 and 13 Scheduling Penalty**

Prior to or during RY1, the Company will revise its Gas Transportation Operating Procedures ("GTOP") to clarify the communication protocols for scheduling and nominating gas deliveries on a daily and intra-day basis. The Company will monitor compliance with the revised GTOP procedures throughout RY1. In the event one or more SC13 direct customers and/or ESCOs fail to regularly comply with the revised procedures, the Company reserves the right to file a petition with the Commission requesting authorization to implement a Scheduling Penalty applicable to direct customers and/or ESCOs on the difference between volumes scheduled and nominated on a daily basis pursuant to the procedures set forth in the GTOPs and the gas actually delivered on a daily basis. The Proposal shall not constitute a waiver of any party's right to advocate any position in response to a petition filed by the Company to implement such a Scheduling Penalty.

**12. Rate Year Sales and Weather Normalization**

Total firm SC 1 and SC 2 sales and total SC 6 firm transportation are projected to be 20,946,300 Mcf for the First Rate Year. This level of sales and transportation was used in establishing the revenue requirements that will be used to set rates for the First Rate Year, Second Rate Year, and Third Rate Year, respectively. Orange and Rockland will employ a Weather Normalization Adjustment ("WNA") to adjust SC1 and 2 delivery revenues and SC 6 transportation revenues in the First Rate Year and subsequent Rate Years covered by the Proposal to the extent actual heating degree days vary more than plus or minus 2.2% from the normal heating degree days. For RY1, normal will be defined as 5,117 heating degree-days. For

RY2 and RY3, normal will be defined as the 30-year average, beginning with the 30 calendar years preceding RY2 and RY3, respectively.

**13. Base Rate Imputations**

For each of the Rate Years ending October 31, 2007, 2008, and 2009, respectively, a base rate revenue imputation of \$4.45 million shall be in effect. This revenue imputation reflects (i) an imputation for interruptible benefits<sup>6</sup> of \$3.8 million ("Interruptible Benefits Imputation"); and (ii) an imputation of \$650,000 for net benefits associated with the transfer of gas to electric generating facilities previously owned by the Company ("Power Generation Imputation"). 100% of SC10 revenues for delivery will be included in the Interruptible Benefits Imputation calculation.<sup>7</sup> Any variances, either positive or negative, between the actual revenue margin and \$3,966,500 ("Sharing Target")<sup>8</sup>, during each Rate Year the Proposal is effective, will be shared on an 80% customer/20% Company basis in the manner set forth in Appendix E to the Proposal, and passed back/recovered. Appendix E includes the agreed upon procedure using various assumed levels of actual revenue margin. The 80% customer over/under recovery of the Sharing Target will be passed back/recovered through the MGA. 100% of any variances, either positive or negative, between the actual revenue margin and the Power Generation Imputation, during each Rate Year the Proposal is effective, will be passed back/recovered from customers.

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<sup>6</sup> Interruptible benefits shall be defined as total interruptible (S.C. Nos. 3 and 8), firm withdrawable (S.C. Nos. 9 and 10) and firm dual fuel (S.C. No. 5) revenues minus any associated gas costs and revenue tax surcharge revenues.

<sup>7</sup> SC10 capacity revenues are not included in the Interruptible Benefits Imputation and 100% of amounts received by the Company will be passed back to firm sales customers through the GSC.

<sup>8</sup> The Sharing Target reflects the Interruptible Benefits Imputation and the removal of losses from the blocked rates for SC8. Appendix E utilizes the Sharing Target rather than the Interruptible Benefits Imputation.

**14. Common Plant Allocation**

During the term of the Proposal, common plant costs will be allocated according to the percentages approved by the Commission in Case 99-G-1695 (i.e., 29.25% gas operations, 70.75% electric operations).

**15. Safety Performance Measurements**

For each of the Rate Years ending October 31, 2007, 2008, and 2009, respectively, the gas performance measurements set forth below will be in effect. All measurements shall be on a calendar year basis. Accordingly, the results of the performance measurements, as measured during the calendar years 2007, 2008, and 2009, respectively, shall be applied to the Rate Years ending October 31, 2007, 2008 and 2009, respectively. The general categories of gas safety performance, along with the corresponding annual revenue adjustment exposure, are as follows:

- Infrastructure Enhancement (\$120,000);
- Leak Management (\$120,000);
- Damage Prevention (\$160,000); and
- Emergency Gas Odor Response (\$200,000).

**A. Infrastructure Enhancement**

If Orange and Rockland fails to replace a total of 240,000 feet of a combination of any bare steel main, cast iron, and Aldyl plastic main, during calendar years 2007, 2008, and 2009 ("Total Replacement Target"), Orange and Rockland shall charge to income and defer, for future disposition as determined by the Commission, the amounts set forth below for the corresponding Rate Year (i.e., the Rate Years ending October 31, 2007, 2008 and 2009). In addition, if Orange and Rockland fails to replace at least 70,000 feet of pipe, including a minimum of 25,000 feet of bare steel, 20,000 feet of Aldyl plastic, and 3,000 feet of cast iron in each of the calendar years 2007, 2008, and 2009, respectively ("Annual Replacement Goal"), Orange and Rockland shall charge to income and defer, for future disposition as determined by the Commission, the

amounts set forth below for the corresponding Rate Year (i.e., the Rate Years ending October 31, 2007, 2008 and 2009). Any main retired by Orange and Rockland in conjunction with the Millennium Pipeline Project will not be counted toward either an Annual Replacement Goal or the Total Replacement Target.

2007	Annual Replacement Goal < 70,000 <sup>9</sup>	\$120,000
2008	Annual Replacement Goal < 70,000 <sup>9</sup>	\$120,000
2009	Annual Replacement Goal < 70,000 <sup>9</sup> AND Total Replacement Target < 240,000 <sup>9</sup>	\$120,000 <sup>9</sup>

**B. Leak Management**

If Orange and Rockland fails to reduce the number of leaks in backlog of Type 1, 2, and 2A leaks so that backlog levels for the calendar years 2007, 2008, and 2009, respectively, exceed the values in the following table, Orange and Rockland shall charge to income and defer, for future disposition as determined by the Commission, the corresponding annual monetary amount for the corresponding Rate Year (i.e., the Rate Years ending October 31, 2007, 2008 and 2009).

<u>Year</u>	<u>Number of Leaks</u>	<u>Penalty</u>
2007	45 or less	\$0
	46-50	\$30,000
	51-55	\$60,000
	56-60	\$90,000
	>60	\$120,000

<sup>9</sup> If Orange and Rockland fails to meet both the Total Replacement Target and the 2009 Annual Replacement Goal, Orange and Rockland will be subject only to a total revenue adjustment of \$120,000.

2008	40 or less	\$0
	41-45	\$30,000
	46-50	\$60,000
	51-55	\$90,000
	>55	\$120,000
2009	35 or less	\$0
	36-40	\$30,000
	41-45	\$60,000
	46-50	\$90,000
	>50	\$120,000

### C. Damage Prevention

If for calendar years 2007, 2008, and 2009, respectively, Orange and Rockland either (i) fails to maintain an annual Overall Damages target equal to or less than the level of excavation damages per 1,000 One-Call Tickets as set forth below, (ii) fails to maintain an annual Damages Due to Mismarks per 1,000 One-Call Tickets target as set forth below, or (iii) fails to maintain an annual Damages Due to Company/Company Contractor target as set forth below, Orange and Rockland shall charge to income and defer, for future disposition as determined by the Commission, the corresponding annual monetary amount for the corresponding rate year (i.e., for the Rate Years ending October 31, 2007, 2008 and 2009, respectively).

#### (i) Overall Damages

• 2007	7.00	\$0
	7.01-7.10	\$10,000
	7.11-7.20	\$20,000
	7.21-7.30	\$30,000
	> 7.30	\$40,000

•	2008	6.60	\$0
		6.61-6.70	\$10,000
		6.71-6.80	\$20,000
		6.81-6.90	\$30,000
		> 6.90	\$40,000
•	2009	6.25	\$0
		6.26-6.35	\$10,000
		6.36-6.45	\$20,000
		6.46-6.55	\$30,000
		> 6.55	\$40,000

**(ii) Mismarks Damages**

2007-2009	1.25	\$0
	1.26-1.30	\$15,000
	1.31-1.35	\$30,000
	1.36-1.40	\$45,000
	> 1.40	\$60,000

**(iii) Company/Company Contractor Damages**

2007	1.75	\$0
	1.76-1.80	\$15,000
	1.81-1.85	\$30,000
	1.86-1.90	\$45,000
	> 1.90	\$60,000
2008	1.5	\$0
	1.51-1.55	\$15,000
	1.56-1.60	\$30,000
	1.61-1.65	\$45,000
	> 1.65	\$60,000
2009	1.25	\$0
	1.26-1.30	\$15,000
	1.31-1.35	\$30,000
	1.36-1.40	\$45,000
	> 1.40	\$60,000

#### D. Emergency Gas Odor Response

If Orange and Rockland fails to respond to leak and odor calls within the targets established in the following table for calendar years 2007, 2008, and 2009, respectively, Orange and Rockland shall charge to income and defer, for future disposition as determined by the Commission, the corresponding annual monetary amount for the corresponding rate year (i.e., the Rate Years ending October 31, 2007, 2008 and 2009).

2007	75% in 30 min. OR 84% in 35 min.	\$100,000
	90% in 45 min.	\$ 60,000
	95% in 60 min.	\$ 40,000
2008	75% in 30 min.	\$100,000
	90% in 45 min.	\$ 60,000
	95% in 60 min.	\$ 40,000
2009	75% in 30 min.	\$100,000
	90% in 45 min.	\$ 60,000
	95% in 60 min.	\$ 40,000

#### 16. Customer Service Performance Measurements

For each of the Rate Years ending October 31, 2007, 2008, and 2009, respectively, the customer service performance measures, consisting of: (1) an annual Residential Customer Assessment Score ("RCAS"), (2) an annual Commercial and Industrial Customer Assessment Score ("CICAS"), and (3) an annual Complaint Rate Target, as described further below, will be in effect. The customer service performance measures will be measured on a calendar year basis. Accordingly, the results of the performance measurements, as measured during the calendar years 2007, 2008, and 2009, respectively, shall be applied to the Rate Years ending October 31, 2007, 2008 and 2009, respectively.

The RCAS target shall be 6.11 for the Rate Years ending October 31, 2007, 2008 and 2009, respectively. The actual RCAS will be subject to adjustment to account for any applicable

margin of error. If the actual RCAS, as adjusted, falls below the 6.11 target or the customer performance survey is not performed in any Rate Year, a payment to customers of \$100,000 in RY1, \$125,000 in RY2, and \$150,000 in RY3, respectively, will be assessed.

The CICAS target shall be 6.18 for the Rate Years ending October 31, 2007, 2008 and 2009, respectively. The actual CICAS will be subject to adjustment to account for any applicable margin of error. If the actual CICAS, as adjusted, falls below the 6.18 target or the customer performance survey is not performed in any Rate Year, a penalty of \$100,000 in RY1, \$125,000 in RY2, and \$150,000 in RY3, respectively, will be assessed.

The Company will utilize the survey instruments set forth in Appendix F to determine the annual RCAS and CICAS.

The annual Complaint Rate will be calculated in the manner approved by the Commission in its Order Approving Complaint Rate Targets issued August 26, 2005.<sup>10</sup> The exclusions regarding (i) duplicative rate consultant complaints, and (ii) high commodity prices complaints, as described in the Complaint Rate Targets Order, will apply to the calculation of the annual Complaint Rate.

#### 2007

If Previous Year's Actual Complaint Rate > 0.9

12-Month Complaint Rate	Payment
2.5	\$ 70,000
2.6	\$140,000
>= 2.7	\$200,000

If Previous Year's Actual Complaint Rate <= 0.9

12-Month Complaint Rate	Payment
2.5	\$ 50,000
2.6	\$100,000
>= 2.7	\$200,000

<sup>10</sup> Case 02-G-1553, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Orange and Rockland Utilities, Inc. for Gas Service*, and Case 03-E-0797, *In the Matter of Orange and Rockland Utilities, Inc.'s Proposal for an Extension of an Existing Rate Plan*, filed in Case 96-E-0900, Order Approving Complaint Rate Target (issued August 26, 2005) ("Complaint Rate Targets Order").

**2008**

If Previous Year's Actual Complaint Rate &gt; 0.9

12-Month Complaint Rate	Payment
2.5	\$ 90,000
2.6	\$170,000
>= 2.7	\$250,000

If Previous Year's Actual Complaint Rate &lt;= 0.9

12-Month Complaint Rate	Payment
2.5	\$ 60,000
2.6	\$125,000
>= 2.7	\$250,000

**2009**

Previous Year's Actual Complaint Rate &gt; 0.9

12-Month Complaint Rate	Payment
2.5	\$100,000
2.6	\$200,000
>= 2.7	\$300,000

If Previous Year's Actual Complaint Rate &lt;= 0.9

12-Month Complaint Rate	Payment
2.5	\$ 75,000
2.6	\$150,000
>= 2.7	\$300,000

For measurement purposes, results from months having abnormal operating conditions will not be considered. Abnormal operating conditions are deemed to occur during any period of emergency, catastrophe, strike, natural disaster, "Major Storm" (as that term is defined by 16 NYCRR Part 97), or other unusual event not in the Company's control affecting more than ten percent of the customers during any month. When abnormal operating conditions occur, application of the Customer Service Performance Measurements will be based on survey results and, if applicable, PSC complaint rates for the remaining months of the affected year.

If Orange and Rockland fails to meet the annual Complaint Rate Targets at the rates established above, Orange and Rockland shall charge to income and defer, for future disposition

as determined by the Commission, the corresponding annual monetary amount for the corresponding Rate Year. The Company will file an annual report by March 1, providing the survey results and complaint rates for the preceding calendar year, a listing and description of any abnormal operating conditions claimed, and the Company's calculation of any applicable payments to customers.

**17. Retail Choice Customer Understanding Incentive**

Over the three-year term of the Proposal, the Company can retain up to a total of 60 basis points (20 basis points per year) of earnings before the calculation of any customer sharing provisions (adjusted as set forth in Section 5 of the Proposal). The determination as to whether the Company has earned this incentive will be performed on an annual basis (i.e., RY1, RY2, RY3). The Company can earn only a maximum of 20 basis points in any Rate Year. The Company cannot apply excess earnings from one Rate Year to fund this incentive in another Rate Year. The details of the Retail Choice Customer Understanding Incentive are set forth in Appendix G to the Proposal.

**18. Service Fees**

The Company's reconnection charges, currently \$9.00 during normal business hours (i.e., 8:00 am to 4:00 pm, Monday through Friday, excluding holidays) and \$21 when the customer requests a reconnection at a time other than normal business hours, shall be increased to \$69.00 during normal business hours and \$104.00 during other hours. Certain exceptions shall apply for low-income program participants as described below.

The Company's charge to suspend service at the request of a marketer, currently \$19, shall be increased to \$22.

19. **Low-Income Program**

A. **Monthly Bill Credit**

The Company will implement a gas low-income program, whereby any Orange and Rockland gas customer, who receives a grant under the Home Energy Assistance Program ("HEAP"), will receive a monthly bill credit of \$7.00 from the Company. The Company would commence posting such bill credits to the customer's account within 60 days of being notified by the New York State Office of Temporary Disability Assistance (or its successor) of the customer's receipt of a HEAP grant. This gas low-income program will commence on November 1, 2006. The Company will spend up to \$475,000 per Rate Year for such low-income program. To the extent that expenditures for such low-income program over the three-year period are more or less than the \$1,425,000, Orange and Rockland shall defer that amount. The Company will provide appropriate bill messages to notify customers about the discount.

B. **Reconnection Fee**

The Company will waive 50% of its reconnection fee for any Orange and Rockland gas customer who receives a HEAP grant. The Company will advise these customers at the time of reconnection or when reconnection charges are billed that 50% of the reconnection fee will be waived.

20. **Gas Economic Development Enhancement Pilot Program**

In order to encourage economic development in the Company's service territory, the Company will implement a Gas Economic Development Enhancement Pilot Program, the details of which are set forth in Appendix H to the Proposal. This Program will terminate at the end of RY3 unless modified and/or extended by the Commission. The Company will be able to complete any projects that were commenced but not completed during the term of the Proposal.

**21. ESCO Liaison**

The Company will officially designate a management employee as the Company's ESCO Liaison. The ESCO Liaison will be responsible for resolving issues between ESCOs and the Company. The ESCO Liaison will report, on an as needed and timely basis, any unresolved issues of this nature, including complaints and concerns, to the Office of Retail Market Development at the Department of Public Service. The Company shall submit a written report within 60 days of end of each Rate Year to the Director of the Office of Retail Market Development on the complaints and concerns raised during the Rate Year with the ESCO Liaison and how those complaints and/or concerns were resolved.

**22. Retail Access Promotion and Customer Outreach and Education Program**

The Company will spend up to \$300,000 in each Rate Year for incremental retail choice programs and retail access outreach and education, as set forth in Appendix I to the Proposal.

**23. Customer Outreach and Education**

The Company will spend up to \$150,000 on Customer Outreach and Education focusing on customer services, programs and information not related to retail access as set forth in Appendix J to the Proposal. The Company will file with Staff a general Customer Outreach and Education plan, containing the contents outlined in Appendix J, by October 1 of each year.

**24. Other Allowed Rate Changes**

Except where specifically provided in the Proposal, the Signatory Parties agree that the following rate changes will be permitted, provided that Commission approval is granted prior to the implementation of such changes:

- (a) A minor change in any individual base rate or rates whose revenue effect is de minimis or essentially offset by associated changes in other base rates, terms or conditions of

service -- for example, an increase in a specific base rate charge in one service classification that is offset by a decrease in another base rate charge in the same or in other service classifications. It is understood that, over time, such minor changes are routinely made and that they may continue to be made during the Proposal period provided they will not result in a change (other than a de minimis change) in the revenues that Orange and Rockland's base gas rates are designed to produce overall before such changes.

(b) If a circumstance occurs which, in the judgment of the Commission, so threatens the Company's economic viability or ability to maintain safe and adequate service as to warrant an exception to this undertaking, Orange and Rockland will be permitted to file for an increase in base gas rates at any time under such circumstances.

(c) The Signatory Parties recognize that the Commission reserves the authority to act on the level of Orange and Rockland's base gas rates in the event of unforeseen circumstances that, in the Commission's opinion, have such a substantial impact on the range of earnings levels or equity costs envisioned by this Proposal as to render Orange and Rockland's gas rates unreasonable or insufficient for the provision of safe and adequate service at just and reasonable rates.

(d) Nothing herein shall preclude Orange and Rockland from petitioning the Commission for approval of new services or of rate design or revenue allocation changes on an overall revenue-neutral basis, including, but not limited to, the implementation of new service classifications and/or cancellation of existing service classifications.

(e) Orange and Rockland will be allowed to petition to change balancing or penalty charges for interruptible customers. Orange and Rockland shall provide a copy of any such petition to the parties in this proceeding at the time such petition is filed with the Commission.

The Proposal shall not constitute a waiver of any party's right to advocate any position in response to a petition filed by the Company to modify balancing or penalty charges for interruptible customers.

(f) Nothing herein precludes Orange and Rockland from filing a new gas base rate case prior to November 1, 2009, for rates to be effective on or after November 1, 2009.

**25. Legislative, Regulatory and Related Action**

(a) If the federal government, State of New York, and/or other local governments make changes in their tax laws (other than local property taxes, which will be reconciled in accordance with Section 5 of the Proposal) and if the Commission does not permit the disposition, through a surcharge or credit, of any such tax law changes, including any new, additional, repealed or reduced federal, state, or local government taxes, fees or levies, Orange and Rockland will defer the full change in expense and reflect such deferral as credits or debits to customers in the next base rate change, subject to any final Commission determination in a generic proceeding prescribing utility implementation of a specific tax law enactment, including Commission determination of any Company-specific compliance filing made in connection therewith.<sup>11</sup>

(b) If amendments or changes to federal tax law, including interpretations of the federal tax law by regulations, court decisions or otherwise, cause Orange and Rockland's federal income tax liability allocable to gas operations during the period of the Proposal to be changed from the tax liability calculated in accordance with currently effective federal tax laws, Orange and Rockland shall defer the full change in tax expense for rate recovery or refund in a manner to be determined by the Commission.

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<sup>11</sup> The Company reserves all of its administrative and judicial rights in connection with such generic proceeding(s).

(c) If any law, rule, regulation, order, or other requirement or interpretation (or any repeal or amendment of an existing rule, regulation, order or other requirement) of the state, local or federal government or courts results in a change in Orange and Rockland's annual gas operating expenses or revenues not anticipated in the forecasts on which the rates in the Proposal period are based in an annual amount of \$0.5 million or more,<sup>12</sup> Orange and Rockland shall defer the full change of any such expense increase or revenue decrease (or any other party may petition the Commission to require the Company to defer the full effect of any such expense decrease or revenue increase), with any such deferrals authorized or required to be reflected in the next base rate change, or by some other Commission-ordered disposition. In the case of any such requirements imposed by the Commission itself, the Company will defer the full revenue requirement effect of the increase or decrease.

(d) Orange and Rockland will retain the right to petition the Commission for authorization to defer extraordinary expenditures not otherwise addressed by the Proposal.

**26. Continuation of Provisions**

The programs and requirements adopted herein, that are not designated to expire by their own terms, will remain in effect until changed by the Commission. At the end of RY3, targets and goals set forth in the Proposal will continue at their RY3 levels unless modified by the Commission. The amortization of expiring credits/debits will cease at the end of RY3.

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<sup>12</sup> For purposes of the Proposal, \$0.5 million threshold will be applied on a case-by-case basis and not to the aggregate impact of changes of two or more laws, rules, etc.; provided, however, that these thresholds will be applied on a Rate Year basis to the incremental aggregate impact of all contemporaneous changes (i.e., changes made as a package even if they occur or are implemented over a period of months) affecting a particular subject area and not to the individual provisions of the new law, rule, etc.

**27. Provisions Not Separable**

The Proposal is intended by the Signatory Parties to be a complete resolution of all the issues in Case 05-G-1494. It is understood that each provision of the Proposal is in consideration and support of all the other provisions, and expressly conditioned upon their acceptance by the Commission. In the event that the Commission fails to adopt the Proposal according to its terms, then the Signatory Parties to the Proposal shall be free to pursue their respective positions in this proceeding, without prejudice, and upon compliance with all applicable statutory and/or regulatory notice requirements.

**28. Provisions Not Precedent**

The terms and provisions of the Proposal apply solely to, and are binding only in the context of, the purposes and results of the Proposal. None of the terms and provisions of the Proposal and none of the positions taken herein by any party may be cited or relied upon by any other party in any fashion as precedent in any other proceeding before this Commission, or before any other regulatory agency or any court of law for any purpose except in furtherance of ensuring the effectuation of the purposes and results of the Proposal.

**29. Submission of Proposal**

The Signatory Parties agree to submit the Proposal to the Commission and to individually support and request adoption by the Commission of the Proposal in its entirety as set forth herein. The Signatory Parties believe that the Proposal will further the objective of giving fair consideration to the interests of customers and shareholders alike in assuring the provision of safe and adequate service at just and reasonable rates.

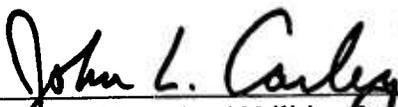
**30. Further Assurances**

The Signatory Parties recognize that certain provisions of the Proposal require that actions be taken in the future to fully effectuate the Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.

**31. Execution**

The Proposal is being executed in counterpart originals, and shall be binding on each Signatory Party when the counterparts have been executed.

IN WITNESS WHEREOF, the Signatory Parties hereto have affixed their signatures below as evidence of their agreement to be bound by the provisions of the Proposal on the day and year first written above.

  
\_\_\_\_\_  
Orange and Rockland Utilities, Inc.  
(Signatures continued on following pages)

*David R Van Oort*  

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for Staff of the Department of Public Service

*Michael B. Moger*

Multiple Intervenor

*Couch White, LLP*

*Attorneys for Multiple Intervenor*

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**Small Customer Marketer Coalition**

**Orange and Rockland Utilities, Inc.**  
Case 05-G-1494  
Gas Revenue Requirement  
For The Twelve Months Ending October 31, 2007  
\$ 000's

	Rate Year Forecast	Rate Change	Rate Year With Rate Change
<b>Operating Revenues</b>			
Sales to Public	\$ 272,722	\$ 11,981	\$ 284,703
Sales for Resale	2,413	-	2,413
Delivery Revenues	275,135	11,981	287,116
Other Revenues	2,433	-	2,433
<b>Net Revenues</b>	<u>277,568</u>	<u>11,981</u>	<u>289,549</u>
<b>Operating Expense</b>			
Purchased Gas	189,150	-	189,150
Deferred Purchased Gas	1,369	-	1,369
Operations & Maintenance Expenses	50,764	42	50,806
Depreciation & Amortization	10,138	-	10,138
Taxes Other Than Income Taxes	12,073	107	12,180
Total Deductions	<u>263,494</u>	<u>149</u>	<u>263,643</u>
<b>Operating Income Before Income Taxes</b>	<u>14,074</u>	<u>11,832</u>	<u>25,906</u>
New York State Income Taxes	452	887	1,339
Federal Income Tax	1,969	3,831	5,800
<b>Utility Operating Income</b>	<u>\$ 11,653</u>	<u>\$ 7,114</u>	<u>\$ 18,767</u>
<b>Rate Base</b>	<u>\$ 234,839</u>		<u>\$ 234,839</u>
<b>Rate of Return</b>	<u>4.96%</u>		<u>7.99%</u>

**Orange and Rockland Utilities, Inc.**  
Case 05-G-1494  
Average Gas Rate Base  
For The Twelve Months Ending October 31, 2007  
\$ 000's

<b>Utility plant:</b>		
Average Book Cost of Gas Plant In Service	\$389,877	
Average Book Cost of Gas Plant Held for Future Use	22	
Average Book Cost of Common Plant (Gas Allocation)	36,403	
Non-Interest Bearing CWIP	<u>3,782</u>	
<b>Total Utility Plant</b>		<b>\$430,084</b>
<b>Utility plant:</b>		
Average Accumulated Depreciation (Gas & FU Plant)	(125,103)	
Average Accumulated Depreciation (Common Plant allocated to Gas)	<u>(19,501)</u>	
<b>Total Utility Reserves</b>		<u>(144,604)</u>
		<b>285,480</b>
<b>Net utility plant</b>		
<b>Rate base additions:</b>		
Working Capital	11,384	
MTA Surtax - Net of Income Taxes	<u>84</u>	
<b>Rate base additions</b>		<b>11,468</b>
<b>Rate base deductions:</b>		
Excess Rate Base Over Capitalization	(10,971)	
Accrued Pension / OPEB Liability	(1,804)	
Customer Advances for Construction	<u>(33)</u>	
<b>Rate base deductions</b>		<b>(12,808)</b>
<b>Regulatory assets &amp; liabilities (net of income taxes):</b>		
Refund over 3-years Demand Side Management Collections	(111)	
Refund over 3-years Research & Development Collections	(16)	
Recovery over 3-years Deferred Rate Case Expenditures	28	
Recovery over 3-years Deferred Low Income Program Costs	56	
Recovery over 5-years Deferred Environmental Expenses	<u>2,985</u>	
<b>Regulatory deferrals</b>		<b>2,942</b>
<b>Accumulated deferred income taxes</b>		
ADR / ACRS / MACRS Deductions	(41,375)	
Change of Accounting Section 263 A	(8,807)	
Deferred S.I.T.	(1,913)	
Deferred F.I.T. on S.I.T.	687	
Deferred Investment Tax Credits	<u>(835)</u>	
<b>Accumulated deferred income taxes</b>		<u>(52,243)</u>
		<b>\$ 234,839</b>
<b>Total Rate Base</b>		

**Orange and Rockland Utilities, Inc.**  
 Gas Case 05-G-1494  
 Capital Structure & Cost of Money  
 For the Twelve Months Ending October 31, 2007

	<u>Capital Structure %</u>	<u>Cost Rate %</u>	<u>Cost of Capital %</u>	<u>Pre Tax Cost %</u>
Long term debt	49.06%	6.46%	3.17%	3.17%
Preferred Stock	1.39%	5.43%	0.07%	0.12%
Customer deposits	<u>1.55%</u>	3.00%	<u>0.05%</u>	<u>0.05%</u>
Preferred Stock & Debt	52.00%		3.29%	3.34%
Common Equity	<u>48.00%</u>	9.80%	<u>4.70%</u>	<u>7.82%</u>
Total	<u>100.00%</u>		<u>7.99%</u>	<u>11.16%</u>

**Orange and Rockland Utilities, Inc.**  
Case 05-G-1494  
Gas Revenue Requirement  
For The Twelve Months Ending October 31, 2008  
\$ 000's

	Rate Year 1 With Rate Change	Rate Year 2 Revenue, Expense & Rate Base Changes	Rate Change	Rate Year 2 With Rate Change
<b>Operating Revenues</b>				
Sales to Public	\$ 284,703	\$ 1,073	\$ 741	\$ 286,517
Sales for Resale	2,413	-	-	2,413
Delivery Revenues	287,116	1,073	741	288,930
Other Revenues	2,433	-	-	2,433
<b>Net Revenues</b>	<u>289,549</u>	<u>1,073</u>	<u>741</u>	<u>291,363</u>
<b>Operating Expense</b>				
Purchased Gas	189,150	-	-	189,150
Deferred Purchased Gas	1,369	-	-	1,369
Operations & Maintenance Expenses	50,806	352	3	51,161
Depreciation & Amortization	10,138	536	-	10,674
Taxes Other Than Income Taxes	12,180	138	7	12,325
<b>Total Deductions</b>	<u>263,643</u>	<u>1,026</u>	<u>10</u>	<u>264,679</u>
<b>Operating Income Before Income Taxes</b>	<u>25,906</u>	<u>47</u>	<u>731</u>	<u>26,684</u>
New York State Income Taxes	1,339	(13)	55	1,381
Federal Income Tax	5,800	(58)	237	5,979
<b>Utility Operating Income</b>	<u>\$ 18,767</u>	<u>\$ 118</u>	<u>\$ 439</u>	<u>\$ 19,324</u>
<b>Rate Base</b>	<u>234,839</u>	<u>\$ 6,993</u>		<u>\$ 241,832</u>
<b>Rate of Return</b>	<u>7.99%</u>	<u>1.69%</u>		<u>7.99%</u>

**Orange and Rockland Utilities, Inc.**  
Case 05-G-1494  
Gas Revenue Requirement  
For The Twelve Months Ending October 31, 2009  
\$ 000's

	Rate Year 2 With Rate Change	Rate Year 3 Revenue, Expense & Rate Base Changes	Rate Change	Rate Year 3 With Rate Change
<b>Operating Revenues</b>				
Sales to Public	\$ 286,517	\$ 1,176	\$ 1,069	\$ 288,762
Sales for Resale	2,413	-	-	2,413
Delivery Revenues	288,930	1,176	1,069	291,175
Other Revenues	2,433	-	-	2,433
Net Revenues	<u>291,363</u>	<u>1,176</u>	<u>1,069</u>	<u>293,608</u>
<b>Operating Expense</b>				
Purchased Gas	189,150	-	-	189,150
Deferred Purchased Gas	1,369	-	-	1,369
Operations & Maintenance Expenses	51,161	442	4	51,607
Depreciation & Amortization	10,674	656	-	11,330
Taxes Other Than Income Taxes	12,325	140	10	12,475
Total Deductions	<u>264,679</u>	<u>1,238</u>	<u>14</u>	<u>265,931</u>
Operating Income Before Income Taxes	<u>26,684</u>	<u>(62)</u>	<u>1,055</u>	<u>27,677</u>
New York State Income Taxes	1,381	(26)	79	1,434
Federal Income Tax	<u>5,979</u>	<u>(113)</u>	<u>342</u>	<u>6,208</u>
Utility Operating Income	<u>\$ 19,324</u>	<u>\$ 77</u>	<u>\$ 634</u>	<u>\$ 20,035</u>
Rate Base	<u>\$241,832</u>	<u>\$ 8,894</u>		<u>\$ 250,726</u>
Rate of Return	<u>7.99%</u>	<u>0.87%</u>		<u>7.99%</u>

Orange and Rockland Utilities, Inc.  
Case 05-G-1494  
Gas Expense True Up Targets  
\$ 000's

Gas Operations	Twelve Months Ending October 31,		
	2007	2008	2009
Environmental Remediation (MGP / Superfund) (a)	\$ 1,558	\$ 1,558	\$ 1,558
State, County & Town	2,274	2,312	2,349
Village	584	592	602
School	5,581	5,673	5,766
Property Tax Expense	8,439	8,577	8,717
Employee Pensions	5,836	5,342	4,918
Supplemental Pension Expense	652	652	652
Other Post Employment Benefits	2,126	2,090	2,055
Total Pension / OPEB Expense	8,614	8,084	7,625
Medicare Part D Accrued Reimbursements	393	393	393
x Effective State & Federal Income Tax Rate	39.875%	39.875%	39.875%
Medicare Part D - Tax Savings	157	157	157
Research & Development Costs	221	221	221
Low Income Program	475	475	475
Retail Access Customer Outreach & Education Programs	300	300	300

(a) Variations (+/-) from net deferred environmental costs included in Rate Base of \$2.985 million, will accrue interest at the Company's pretax rate of return of 11.16%.

**Orange and Rockland Utilities, Inc.**  
Gas Case 05-G-1494  
Amortization of Regulatory Deferrals (Credits & Debits)  
\$ 000's

Regulatory Credits	Twelve Months Ending October 31,			Total
	2007	2008	2009	
<u>Regulatory Liabilities:</u>				
1 Employee Pension & OPEB Costs				
2 - Amortization of Pension Interest	\$300	\$300	\$300	\$900
3 - Amortization of Deferred Medicare Part D Tax Benefits	224	224	224	672
4 Conservation / Demand Management Recoveries	68	68	68	204
5 Passback of Gas Performance Incentive	20	20	20	60
6 Research & Development	10	10	10	30
Total Regulatory Liabilities (a)	<u>\$622</u>	<u>\$622</u>	<u>\$622</u>	<u>\$1,866</u>
<u>Deferred Tax Liabilities:</u>				
1 2000 SIT Transitional Tax Benefits	\$678	\$678	\$678	2,034
2 SIT Rate Differential	55	55	55	165
Total Tax Liabilities (b)	<u>\$733</u>	<u>\$733</u>	<u>\$733</u>	<u>\$2,199</u>
<u>Regulatory Assets</u>				
1 Employee Pension & OPEB Costs				
3 - Amortization of Deferred Pension Costs	\$1,657	\$1,657	\$1,657	4,971
4 - Amortization of Deferred Transitional Obligation	534	534	534	1,602
5 - Amortization of Deferred OPEB Costs	292	292	292	876
6 Low Income Program	34	34	34	102
7 Rate Case Costs	17	17	17	51
Total Regulatory Assets (c)	<u>\$2,534</u>	<u>\$2,534</u>	<u>\$2,534</u>	<u>7,602</u>
Net Debits (a + b - c)	<u>(\$1,179)</u>	<u>(\$1,179)</u>	<u>(\$1,179)</u>	<u>(\$3,537)</u>

**ORANGE AND ROCKLAND UTILITIES, INC.**

Case No. 05-G-1494  
GAS LOST AND UNACCOUNTED FOR

**SAMPLE CALCULATIONS OF FACTOR OF ADJUSTMENT**

**Rate Year 1**

Actual LAUF Percentage 12 Mo. Ended 8/31/06	1.500%	
Actual LAUF Percentage 12 Mo. Ended 8/31/05	1.300%	
Actual LAUF Percentage 12 Mo. Ended 8/31/04	1.640%	
Three Year Average	1.480%	{ Establishes Rate Year 1 LAUF and Cap for Three-Year Agreement
<b>Gas Loss and Unaccounted for - Rate Year 1</b>	<b>1.480%</b>	
Factor of Adjustment - Rate Year 1 (1 / (1-LAUF))	1.015	

**Rate Year 2 Scenarios**

	<u>Within Deadband</u>	<u>Over The Cap</u>	<u>Below Deadband</u>
Deadband Lower Limit (0.95 * Prior 3-Yr Avg)	1.406%	1.406%	1.406%
Deadband Upper Limit (1.05 * Prior 3-Yr Avg)	1.554%	1.554%	1.554%
Actual LAUF Percentage 12 Mo. Ended 8/31/07	1.600%	2.000%	1.300%
Actual LAUF Percentage 12 Mo. Ended 8/31/06	1.500%	1.500%	1.500%
Actual LAUF Percentage 12 Mo. Ended 8/31/05	1.300%	1.300%	1.300%
Three Year Average	1.467%	1.600%	1.367%
<b>Gas Loss and Unaccounted for - Rate Year 2</b>	<b>1.480%</b>	<b>1.480%</b>	<b>1.367%</b>
Factor of Adjustment - Rate Year 2 (1 / (1-LAUF))	1.015	1.015	1.014

**Rate Year 3 Scenarios**

**(Based on Rate Year 2 LAUF of 1.480%)**

	<u>Within Deadband</u>	<u>Over The Cap</u>	<u>Below Deadband</u>
Deadband Lower Limit (0.95 * Prior 3-Yr Avg)	1.394%	1.394%	1.394%
Deadband Upper Limit (1.05 * Prior 3-Yr Avg)	1.540%	1.540%	1.540%
Actual LAUF Percentage 12 Mo. Ended 8/31/07	1.400%	1.800%	0.900%
Actual LAUF Percentage 12 Mo. Ended 8/31/06	1.600%	1.600%	1.600%
Actual LAUF Percentage 12 Mo. Ended 8/31/05	1.500%	1.500%	1.500%
Three Year Average	1.500%	1.633%	1.333%
<b>Gas Loss and Unaccounted for - Rate Year 3</b>	<b>1.480%</b>	<b>1.480%</b>	<b>1.333%</b>
Factor of Adjustment - Rate Year 3 (1 / (1-LAUF))	1.015	1.015	1.014

ORANGE AND ROCKLAND UTILITIES, INC.

Case No. 05-G-1494  
GAS LOST AND UNACCOUNTED FOR

**SAMPLE CALCULATION OF LINE LOSS INCENTIVE / PENALTY**

1	Total Distribution Sendout		29,086,634	Mcf
2	Customer Metered Volumes		28,708,101	Mcf
3	Actual Line Loss -- [(Line 1 - Line 2) / Line 1]		0.0130	
4	Actual Factor of Adjustment -- [1 / (1 - 0.0130)]		1.0132	
	<u>Calculation of Benefit / (Shortfall):</u>			
5	Total Cost of Gas			
	12 months Ended August _____		\$131,251,302	
	Less:			
	Demand Charge	\$31,407,346		
	Cost of Gas for Company Use	<u>352,984</u>		
6	Subtotal	\$31,760,330		
7	Net Adjusted Commodity Cost of Gas (Line 5 (-) Line 6)		\$99,490,972	
8	Fixed Factor of Adjustment	1.0255		
	_____	_____		
	Actual Factor of Adjustment (Line 4 above)	1.0132	1.012140	
9	Net Adjusted Commodity Cost of Gas (Line 7 x Line 8)		\$100,698,792	
10	Benefit / (Penalty) due to Line Losses (Line 9 - Line 7)		\$1,207,820	

## Rate Design

### Rate Year One - For Rates Effective November 1, 2006

1. Rate Year One rates shall be set in a manner to recover an incremental revenue requirement of \$6.5 million (or \$6.442 million net of revenue taxes) from Service Classifications 1, 2, and 6. The revenue increase includes amounts related to the establishment of Merchant Function Charges and a Billing and Payment Processing Charge. The incremental revenue requirement net of these amounts is \$2.34 million.
2. The first block charge for SC1 and SC6 RS I shall be increased by \$1.00 from \$11.00 to 12.00. The first block charge for SC2 and SC6 RS I Non-Residential shall be increased by \$4.00 from \$11.00 to \$15.00. The first block charge for SC 6 RS II shall be increased from \$144.11 to \$156.08.
3. The remaining incremental revenue requirement shall be recovered from all rate block charges of SC1, SC2, and SC6, except for the first block charges, on an equal cents per Ccf basis.
4. The Monthly Gas Adjustment shall be revised to reflect the following:
  - a. a change in the Sharing of Benefits mechanism to eliminate benefits associated with a) off-system sales, b) power generation, c) compensation for SC8 losses, and d) SC10 capacity-related revenues;
  - b. a change in the Gas in Storage Working Capital charge to eliminate the component associated with full service customer supply-related storage;
  - c. the elimination of the Interim Backout Credit;
  - d. the establishment of a separate imputation for benefits associated with power generation; and
  - e. the establishment of a Transition Adjustment for Competitive Services.
5. The Gas Supply Charge shall be revised to reflect net benefits associated with off-system sales and capacity-related revenues associated with SC10.

### Rate Year Two - For Rates Effective November 1, 2007

1. Rate Year Two delivery rates shall be set in a manner to recover an incremental revenue requirement of \$6.5 million (or \$6.442 million net of revenue taxes).
2. The first block charge for SC1 and SC6 RS I shall be increased by \$1.00 from \$12.00 to 13.00. The first block charge for SC2 and SC6 RS I Non-Residential shall be increased by \$3.00 from \$15.00 to \$18.00. The first block charge for SC 6 RS II shall be increased from \$156.08 to \$168.60.
3. To address the SC1 and SC6 RS I Residential revenue deficiency, \$3.0 million of the incremental revenue requirement, net of revenue associated with increased first block charges, shall be allocated to the per Ccf charges for SC1 and SC6 RS I Residential classes. The remaining incremental revenue requirement shall be recovered from all rate block charges of SC1, SC2, and SC6, except for the first block charges, on an equal cents per Ccf basis.
4. The Monthly Gas Adjustment shall be revised to reflect the the elimination of the Interim Backout Credit Lost Revenue Recovery mechanism.

Rate Year Three - For Rates Effective November 1, 2008

1. Rate Year Three delivery rates shall be set in a manner to recover an incremental revenue requirement of \$1.8 million (or \$1.784 million net of revenue taxes).
2. The first block charge for SC1 and SC6 RS I shall be increased by \$1.00 from \$13.00 to 14.00. The first block charge for SC2 and SC6 RS I Non-Residential shall be increased by \$3.00 from \$18.00 to \$21.00. The first block charge for SC 6 RS II shall be increased from \$168.60 to \$172.07.
3. The remaining incremental revenue requirement shall be recovered from all rate block charges of SC1, SC2, and SC6, except for the first block charges, on an equal cents per Ccf basis.
4. The Monthly Gas Adjustment shall be increased by \$4.5 million (\$4.46 net of revenue taxes) via a one-year surcharge collected on an equal cents per Ccf basis.

**ORANGE AND ROCKLAND UTILITIES, INC.**

Rate Design Workpapers  
Joint Proposal  
Summary of Rate Adjustments  
Rate Year One

Blocking	Current Rate	Rate Changes								Adjusted Rate
		Merchant Function Charge			Billing & Payment Processing (2)	Monthly Gas Adjustment (1)	Gas Supply Charge (1)(3)	First Block Charge	Per CCF Block Charges	
		Fixed MFC Excl C&C (\$/Ccf)	Credit and Collections Component (\$/Ccf)	Storage Working Capital (1) (\$/Ccf)						
<b>Service Classification No. 1 (Residential):</b>										
First 3 Ccf or Less	\$11.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	\$1.00	0.00000	\$12.00
Next 47 Ccf	0.31090	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.31373
Over 50 Ccf	0.29802	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.30085
Merchant Function Charge	n/a	0.01392	0.00703	0.00981	0.00000	0.00000	0.00000	0.00000	0.00000	0.03076
Billing & Payment Processing	n/a	0.00000	0.00000	0.00000	0.62000	0.00000	0.00000	0.00000	0.00000	0.62000
Monthly Gas Adj	0.02240	0.00000	0.00000	0.00000	0.00000	-0.00814	0.00000	0.00000	0.00000	0.01626
Gas Supply Charge	1.61567	0.00000	0.00000	0.00000	0.00000	0.00000	-0.02998	0.00000	0.00000	1.58569
<b>Service Classification No. 2:</b>										
First 3 Ccf or Less	11.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	4.00	0.00000	15.00
Next 47 Ccf	0.31090	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.31373
Over 50 Ccf	0.29802	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.30085
Over 5,000 Ccf	0.26217	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.26500
Merchant Function Charge	n/a	0.00516	0.00311	0.00981	0.00000	0.00000	0.00000	0.00000	0.00000	0.01808
Billing & Payment Processing	n/a	0.00000	0.00000	0.00000	0.62000	0.00000	0.00000	0.00000	0.00000	0.62000
Monthly Gas Adj	0.02240	0.00000	0.00000	0.00000	0.00000	-0.00814	0.00000	0.00000	0.00000	0.01626
Gas Supply Charge	1.61567	0.00000	0.00000	0.00000	0.00000	0.00000	-0.02998	0.00000	0.00000	1.58569
<b>Service Classification No. 6:</b>										
<b>Rate Schedule I (Residential):</b>										
First 3 Ccf or Less	11.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00	0.00000	12.00
Next 47 Ccf	0.31090	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.31373
Over 50 Ccf	0.29802	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.30085
Merchant Function Charge	n/a	0.00000	0.00703	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00703
Billing & Payment Processing	n/a	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.00866	0.00000	0.00000	0.00000	0.00000	0.01167	0.00000	0.00000	0.00000	0.02033
<b>Rate Schedule I (Non-Residential):</b>										
First 3 Ccf or Less	11.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	4.00	0.00000	15.00
Next 47 Ccf	0.31090	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.31373
Over 50 Ccf	0.29802	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.30085
Over 5,000 Ccf	0.26217	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.26500
Merchant Function Charge	n/a	0.00000	0.00311	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00311
Billing & Payment Processing	n/a	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.00866	0.00000	0.00000	0.00000	0.00000	0.01167	0.00000	0.00000	0.00000	0.02033
<b>Rate Schedule II:</b>										
First 100 Ccf or Less	144.11	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	11.97	0.00000	156.08
All Ccf	0.26217	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00283	0.26500
Merchant Function Charge	n/a	0.00000	0.00311	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00311
Billing & Payment Processing	n/a	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.00866	0.00000	0.00000	0.00000	0.00000	0.01167	0.00000	0.00000	0.00000	0.02033

(1) The rate is an estimate and will be subject to change at the time new rates go into effect.

(2) SC 6 charges assume purchase of receivables.

(3) SC1 and SC2 GSC reflect increases for recovery of uncollectibles and decreases to reflect credit amounts associated with off-system sales, SC10 capacity-related revenues and SC8 losses.

ORANGE AND ROCKLAND UTILITIES, INC.

Rate Design Workpapers  
Joint Proposal  
Summary of Rate Adjustments  
Rate Year Two

Blocking	Current Rate	Rate Changes								Adjusted Rate
		Merchant Function Charge			Billing & Payment Processing (2)	Monthly Gas Adjustment (1)	Gas Supply Charge (1)(3)	First Block Charge	Per CCF Block Charge	
		Fixed MFC Excl C&C (\$/Ccf)	Credit and Collections Component (\$/Ccf)	Storage Working Capital (1) (\$/Ccf)						
<b>Service Classification No. 1 (Residential):</b>										
First 3 Ccf or Less	\$12.00	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	\$1.00	0.0000	\$13.00
Next 47 Ccf	0.31373	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02859	0.34232
Over 50 Ccf	0.30085	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02859	0.32944
Merchant Function Charge	0.03078	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.03078
Billing & Payment Processing	0.62000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.62000
Monthly Gas Adj	0.01626	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.01626
Gas Supply Charge	1.58569	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.58569
<b>Service Classification No. 2:</b>										
First 3 Ccf or Less	15.00	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	3.00	0.0000	18.00
Next 47 Ccf	0.31373	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.32224
Over 50 Ccf	0.30085	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.30936
Over 5,000 Ccf	0.26500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.27351
Merchant Function Charge	0.01808	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.01808
Billing & Payment Processing	0.62000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.62000
Monthly Gas Adj	0.01626	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.01626
Gas Supply Charge	1.58569	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.58569
<b>Service Classification No. 6:</b>										
<b>Rate Schedule I (Residential):</b>										
First 3 Ccf or Less	12.00	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.00	0.0000	13.00
Next 47 Ccf	0.31373	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02859	0.34232
Over 50 Ccf	0.30085	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02859	0.32944
Merchant Function Charge	0.00703	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00703
Billing & Payment Processing	0.00000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000
Monthly Gas Adj	0.02033	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02033
<b>Rate Schedule I (Non-Residential):</b>										
First 3 Ccf or Less	15.00	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	3.00	0.0000	18.00
Next 47 Ccf	0.31373	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.32224
Over 50 Ccf	0.30085	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.30936
Over 5,000 Ccf	0.26500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.27351
Merchant Function Charge	0.00311	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00311
Billing & Payment Processing	0.00000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000
Monthly Gas Adj	0.02033	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02033
<b>Rate Schedule II:</b>										
First 100 Ccf or Less	156.06	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	12.57	0.0000	168.65
All Ccf	0.26500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00851	0.27351
Merchant Function Charge	0.00311	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00311
Billing & Payment Processing	0.00000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.00000
Monthly Gas Adj	0.02033	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.02033

(1) The rate is an estimate and will be subject to change at the time new rates go into effect.

(2) SC 6 charges assume purchase of receivables.

(3) SC1 and SC2 GSC reflect increases for recovery of uncollectibles and decreases to reflect credit amounts associated with off-system sales, SC10 capacity-related revenues and SC6 losses.

**ORANGE AND ROCKLAND UTILITIES, INC.**

Rate Design Workpapers  
Joint Proposal  
Summary of Rate Adjustments  
Rate Year Three

Blocking	Current Rate	Rate Changes								Adjusted Rate
		Merchant Function Charge			Billing & Payment Processing (2)	Monthly Gas Adjustment (1)	Gas Supply Charge (1)(3)	First Block Charge	Per CCF Block Charges	
		Fixed MFC Excl C&C (\$/Ccf)	Credit and Collections Component (\$/Ccf)	Storage Working Capital (1) (\$/Ccf)						
<b>Service Classification No. 1 (Residential):</b>										
First 3 Ccf or Less	\$13.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	\$1.00	0.00000	\$14.00
Next 47 Ccf	0.34232	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.34283
Over 50 Ccf	0.32944	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.32995
Merchant Function Charge	0.03076	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.03076
Billing & Payment Processing	0.62000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.62000
Monthly Gas Adj	0.01626	0.00000	0.00000	0.00000	0.00000	0.02138	0.00000	0.00000	0.00000	0.03784
Gas Supply Charge	1.58569	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.58569
<b>Service Classification No. 2:</b>										
First 3 Ccf or Less	18.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	3.00	0.00000	21.00
Next 47 Ccf	0.32224	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.32275
Over 50 Ccf	0.30936	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.30987
Over 5,000 Ccf	0.27351	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.27402
Merchant Function Charge	0.01808	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01808
Billing & Payment Processing	0.62000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.62000
Monthly Gas Adj	0.01626	0.00000	0.00000	0.00000	0.00000	0.02138	0.00000	0.00000	0.00000	0.03784
Gas Supply Charge	1.58569	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.58569
<b>Service Classification No. 6:</b>										
<b>Rate Schedule I (Residential):</b>										
First 3 Ccf or Less	13.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00	0.00000	14.00
Next 47 Ccf	0.34232	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.34283
Over 50 Ccf	0.32944	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.32995
Merchant Function Charge	0.00703	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00703
Billing & Payment Processing	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.02033	0.00000	0.00000	0.00000	0.00000	0.02138	0.00000	0.00000	0.00000	0.04171
<b>Rate Schedule I (Non-Residential):</b>										
First 3 Ccf or Less	18.00	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	3.00	0.00000	21.00
Next 47 Ccf	0.32224	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.32275
Over 50 Ccf	0.30936	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.30987
Over 5,000 Ccf	0.27351	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.27402
Merchant Function Charge	0.00311	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00311
Billing & Payment Processing	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.02033	0.00000	0.00000	0.00000	0.00000	0.02138	0.00000	0.00000	0.00000	0.04171
<b>Rate Schedule II:</b>										
First 100 Ccf or Less	168.65	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	3.48	0.00000	172.13
All Ccf	0.27351	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00051	0.27402
Merchant Function Charge	0.00311	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00311
Billing & Payment Processing	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Monthly Gas Adj	0.02033	0.00000	0.00000	0.00000	0.00000	0.02138	0.00000	0.00000	0.00000	0.04171

(1) The rate is an estimate and will be subject to change at the time new rates go into effect.

(2) SC 6 charges assume purchase of receivables.

(3) SC1 and SC2 GSC reflect increases for recovery of uncollectibles and decreases to reflect credit amounts associated with off-system sales, SC10 capacity-related revenues and SC8 losses.

ORANGE AND ROCKLAND UTILITIES, INC.  
Case No. 05-G-1494

IMPACT OF RATE CHANGES ON TOTAL REVENUE - PER JOINT PROPOSAL

	<u>Rate Year One</u>		<u>Rate Year Two</u>		<u>Rate Year Three</u>	
	<u>Increase</u>		<u>Increase</u>		<u>Increase</u>	
	<u>Amount</u> (000's)	<u>Percent</u>	<u>Amount</u> (000's)	<u>Percent</u>	<u>Amount</u> (000's)	<u>Percent</u>
<b><u>SC</u></b>						
1 - Residential	\$1,157.8	0.69%	\$3,115.1	1.81%	\$2,621.7	1.50%
1/2 Commercial	<u>-42.3</u>	-0.09%	<u>508.5</u>	1.09%	<u>625.0</u>	1.32%
Total Firm Sales	1,115.5	0.52%	3,623.6	1.66%	3,246.6	1.46%
6 Firm Transportation	<u>3,174.2</u>	1.56%	<u>2,875.7</u>	1.38%	<u>3,053.6</u>	1.45%
Total	\$4,289.7		\$6,499.3		\$6,300.3	
Change in Imputation* GRT	2,275.0 <u>20.4</u>					
Total	2,295.4					
Total	\$6,585.1					
Target Revenue Requirement	\$6,500.0		\$6,500.0		\$6,300.0	
Transition Adjustment	<u>100.9</u>		<u>NA</u>		<u>NA</u>	
Total	\$6,600.9		\$6,500.0		\$6,300.0	
Difference	-\$15.8		-\$0.7		\$0.3	

Change in Imputation\*

	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
Off-System Sales	\$2,625.0	\$0.0	-\$2,625.0
Interruptible Benefits	3,500.0	3,800.0	300.0
Power Generation	<u>600.0</u>	<u>650.0</u>	<u>50.0</u>
Total	\$6,725.0	\$4,450.0	-\$2,275.0

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year One Rate Change**

**SC1 Residential and Space Heating**

Monthly Use (ccf)	Monthly Bill @ Present Rate	Monthly Bill @ Proposed Rate	Change	
			Amount	Percent
0	\$11.27	\$12.93	\$1.66	14.73%
3	16.21	17.85	1.64	10.12%
10	29.95	31.58	1.63	5.44%
25	59.41	60.99	1.58	2.66%
50	108.50	110.02	1.52	1.40%
75	157.26	158.71	1.45	0.92%
100	206.02	207.41	1.39	0.67%
150	303.54	304.80	1.26	0.42%
200	401.06	402.19	1.13	0.28%
250	498.59	499.59	1.00	0.20%
300	596.11	596.98	0.87	0.15%
350	693.63	694.37	0.74	0.11%
400	791.15	791.76	0.61	0.08%
450	888.68	889.15	0.47	0.05%
500	986.20	986.55	0.35	0.04%
700	1,376.29	1,376.12	(0.17)	-0.01%
1000	1,961.43	1,960.47	(0.96)	-0.05%
1500	2,936.65	2,934.39	(2.26)	-0.08%

ORANGE AND ROCKLAND UTILITIES, INC.

Monthly Billing Comparison  
Reflecting Rate Year One Rate Change

SC2 General Service

Monthly Use (ccf)	Monthly Bill @ Present Rate	Monthly Bill @ Proposed Rate	Change	
			Amount	Percent
0	\$11.04	\$15.68	\$4.64	42.03%
3	15.98	20.56	4.58	28.66%
50	107.95	111.81	3.86	3.58%
100	205.14	208.24	3.10	1.51%
200	399.53	401.10	1.57	0.39%
300	593.91	593.96	0.05	0.01%
350	691.11	690.39	(0.72)	-0.10%
500	982.69	979.68	(3.01)	-0.31%
750	1,468.65	1,461.83	(6.82)	-0.46%
1000	1,954.62	1,943.98	(10.64)	-0.54%
2000	3,898.48	3,872.57	(25.91)	-0.66%
3000	5,842.34	5,801.16	(41.18)	-0.70%
4000	7,786.20	7,729.75	(56.45)	-0.73%
5000	9,730.06	9,658.34	(71.72)	-0.74%
7500	14,499.73	14,389.83	(109.90)	-0.76%
10000	19,269.40	19,121.32	(148.08)	-0.77%
15000	28,808.74	28,584.31	(224.43)	-0.78%
20000	38,348.09	38,047.30	(300.79)	-0.78%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year One Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$11.27	\$12.29	\$1.02	9.05%
3	16.06	17.14	1.08	6.72%
10	29.45	30.69	1.24	4.21%
25	58.16	59.73	1.57	2.70%
50	106.01	108.12	2.11	1.99%
75	153.53	156.18	2.65	1.73%
100	201.04	204.25	3.21	1.60%
150	296.08	300.38	4.30	1.45%
200	391.11	396.51	5.40	1.38%
250	486.15	492.64	6.49	1.33%
300	581.18	588.77	7.59	1.31%
350	676.22	684.90	8.68	1.28%
400	771.25	781.03	9.78	1.27%
450	866.29	877.16	10.87	1.25%
500	961.33	973.29	11.96	1.24%
700	1,341.47	1,357.80	16.33	1.22%
1000	1,911.68	1,934.58	22.90	1.20%
1500	2,862.03	2,895.88	33.85	1.18%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year One Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Non-Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$11.04	\$15.06	\$4.02	36.41%
3	15.83	19.89	4.06	25.65%
50	105.47	110.37	4.90	4.65%
100	200.19	205.97	5.78	2.89%
200	389.63	397.17	7.54	1.94%
300	579.07	588.38	9.31	1.61%
350	673.79	683.98	10.19	1.51%
500	957.95	970.79	12.84	1.34%
750	1,431.55	1,448.81	17.26	1.21%
1000	1,905.15	1,926.83	21.68	1.14%
2000	3,799.54	3,838.89	39.35	1.04%
3000	5,693.94	5,750.95	57.01	1.00%
4000	7,588.33	7,663.02	74.69	0.98%
5000	9,482.73	9,575.08	92.35	0.97%
7500	14,128.73	14,265.26	136.53	0.97%
10000	18,774.73	18,955.43	180.70	0.96%
15000	28,066.73	28,335.79	269.06	0.96%
20000	37,358.73	37,716.14	357.41	0.96%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year One Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule II**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
1000	\$1,976.77	\$2,006.17	\$29.40	1.49%
2000	3,835.17	3,882.24	47.07	1.23%
3000	5,693.57	5,758.31	64.74	1.14%
4000	7,551.97	7,634.38	82.41	1.09%
5000	9,410.37	9,510.45	100.08	1.06%
7500	14,056.37	14,200.63	144.26	1.03%
10000	18,702.37	18,890.80	188.43	1.01%
15000	27,994.37	28,271.15	276.78	0.99%
20000	37,286.38	37,651.50	365.12	0.98%
25000	46,578.38	47,031.86	453.48	0.97%
30000	55,870.38	56,412.21	541.83	0.97%
35000	65,162.39	65,792.55	630.16	0.97%
40000	74,454.38	75,172.91	718.53	0.97%
45000	83,746.39	84,553.26	806.87	0.96%
50000	93,038.39	93,933.61	895.22	0.96%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Bill Comparison for a Residential  
Heating Customer  
Reflecting Rate Year One Rate Change**

<u>Month</u>	<u>Usage</u>	<u>Bill at Present Rates</u>	<u>Bill at Proposed Rates</u>	<u>Increase</u>	<u>Percent Increase</u>
Jan	215	\$430.32	\$431.41	\$1.09	0.25%
Feb	246	490.79	491.80	1.01	0.21%
Mar	193	387.41	388.56	1.15	0.30%
Apr	133	270.38	271.69	1.30	0.48%
May	80	167.01	168.45	1.44	0.86%
Jun	51	110.45	111.97	1.52	1.37%
Jul	44	96.72	98.25	1.54	1.59%
Aug	37	82.97	84.52	1.55	1.87%
Sep	37	82.97	84.52	1.55	1.87%
Oct	44	96.72	98.25	1.54	1.59%
Nov	91	188.47	189.88	1.41	0.75%
Dec	<u>169</u>	<u>340.60</u>	<u>341.81</u>	<u>1.21</u>	<u>0.36%</u>
Total	<u>1,340</u>	<u>\$2,744.80</u>	<u>\$2,761.12</u>	<u>\$16.32</u>	<u>0.59%</u>
Average	112	\$228.73	\$230.09	\$1.36	0.59%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Two Rate Change**

**SC1 Residential and Space Heating**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate</u>	<u>Monthly Bill @ Proposed Rate</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$12.93	\$13.95	\$1.02	7.89%
3	17.85	18.87	1.02	5.71%
10	31.58	32.81	1.23	3.89%
25	60.99	62.66	1.67	2.74%
50	110.02	112.42	2.40	2.18%
75	158.71	161.85	3.14	1.98%
100	207.41	211.28	3.87	1.87%
150	304.80	310.13	5.33	1.75%
200	402.19	408.99	6.80	1.69%
250	499.59	507.85	8.26	1.65%
300	596.98	606.70	9.72	1.63%
350	694.37	705.56	11.19	1.61%
400	791.76	804.42	12.66	1.60%
450	889.15	903.27	14.12	1.59%
500	986.55	1,002.13	15.58	1.58%
700	1,376.12	1,397.56	21.44	1.56%
1000	1,960.47	1,990.70	30.23	1.54%
1500	2,934.39	2,979.27	44.88	1.53%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Two Rate Change**

**SC2 General Service**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate</u>	<u>Monthly Bill @ Proposed Rate</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$15.68	\$18.69	\$3.01	19.20%
3	20.56	23.57	3.01	14.64%
50	111.81	115.23	3.42	3.06%
100	208.24	212.08	3.84	1.84%
200	401.10	405.80	4.70	1.17%
300	593.96	599.51	5.55	0.93%
350	690.39	696.37	5.98	0.87%
500	979.68	986.94	7.26	0.74%
750	1,461.83	1,471.22	9.39	0.64%
1000	1,943.98	1,955.51	11.53	0.59%
2000	3,872.57	3,892.64	20.07	0.52%
3000	5,801.16	5,829.78	28.62	0.49%
4000	7,729.75	7,766.91	37.16	0.48%
5000	9,658.34	9,704.05	45.71	0.47%
7500	14,389.83	14,456.90	67.07	0.47%
10000	19,121.32	19,209.75	88.43	0.46%
15000	28,584.31	28,715.46	131.15	0.46%
20000	38,047.30	38,221.17	173.87	0.46%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Two Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$12.29	\$13.32	\$1.03	8.38%
3	17.14	18.16	1.02	5.95%
10	30.69	31.92	1.23	4.01%
25	59.73	61.39	1.66	2.78%
50	108.12	110.52	2.40	2.22%
75	156.18	159.32	3.14	2.01%
100	204.25	208.12	3.87	1.89%
150	300.38	305.71	5.33	1.77%
200	396.51	403.30	6.79	1.71%
250	492.64	500.90	8.26	1.68%
300	588.77	598.49	9.72	1.65%
350	684.90	696.09	11.19	1.63%
400	781.03	793.68	12.65	1.62%
450	877.16	891.27	14.11	1.61%
500	973.29	988.87	15.58	1.60%
700	1,357.80	1,379.25	21.45	1.58%
1000	1,934.58	1,964.81	30.23	1.56%
1500	2,895.88	2,940.75	44.87	1.55%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Two Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Non-Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$15.06	\$18.07	\$3.01	19.99%
3	19.89	22.90	3.01	15.13%
50	110.37	113.78	3.41	3.09%
100	205.97	209.81	3.84	1.86%
200	397.17	401.87	4.70	1.18%
300	588.38	593.93	5.55	0.94%
350	683.98	689.96	5.98	0.87%
500	970.79	978.05	7.26	0.75%
750	1,448.81	1,458.20	9.39	0.65%
1000	1,926.83	1,938.36	11.53	0.60%
2000	3,838.89	3,858.96	20.07	0.52%
3000	5,750.95	5,779.57	28.62	0.50%
4000	7,663.02	7,700.18	37.16	0.48%
5000	9,575.08	9,620.79	45.71	0.48%
7500	14,265.26	14,332.33	67.07	0.47%
10000	18,955.43	19,043.86	88.43	0.47%
15000	28,335.79	28,466.93	131.14	0.46%
20000	37,716.14	37,890.01	173.87	0.46%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Two Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule II**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
1000	\$2,006.17	\$2,026.48	\$20.31	1.01%
2000	3,882.24	3,911.09	28.85	0.74%
3000	5,758.31	5,795.71	37.40	0.65%
4000	7,634.38	7,680.32	45.94	0.60%
5000	9,510.45	9,564.94	54.49	0.57%
7500	14,200.63	14,276.47	75.84	0.53%
10000	18,890.80	18,988.01	97.21	0.51%
15000	28,271.15	28,411.08	139.93	0.49%
20000	37,651.50	37,834.15	182.65	0.49%
25000	47,031.86	47,257.23	225.37	0.48%
30000	56,412.21	56,680.30	268.09	0.48%
35000	65,792.55	66,103.37	310.82	0.47%
40000	75,172.91	75,526.45	353.54	0.47%
45000	84,553.26	84,949.52	396.26	0.47%
50000	93,933.61	94,372.59	438.98	0.47%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Bill Comparison for a Residential  
Heating Customer  
Reflecting Rate Year Two Rate Change**

<u>Month</u>	<u>Usage</u>	<u>Bill at Present Rates</u>	<u>Bill at Proposed Rates</u>	<u>Increase</u>	<u>Percent Increase</u>
Jan	215	\$431.41	\$438.65	\$7.23	1.68%
Feb	246	491.80	499.94	8.14	1.66%
Mar	193	388.56	395.15	6.59	1.70%
Apr	133	271.69	276.52	4.83	1.78%
May	80	168.45	171.73	3.28	1.95%
Jun	51	111.97	114.40	2.43	2.17%
Jul	44	98.25	100.48	2.23	2.27%
Aug	37	84.52	86.54	2.02	2.39%
Sep	37	84.52	86.54	2.02	2.39%
Oct	44	98.25	100.48	2.23	2.27%
Nov	91	189.88	193.48	3.60	1.90%
Dec	<u>169</u>	<u>341.81</u>	<u>347.70</u>	<u>5.89</u>	1.72%
Total	<u>1,340</u>	<u>\$2,761.12</u>	<u>\$2,811.61</u>	<u>\$50.49</u>	<u>1.83%</u>
Average	112	\$230.09	\$234.30	\$4.21	1.83%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Three Rate Change**

**SC1 Residential and Space Heating**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate</u>	<u>Monthly Bill @ Proposed Rate</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$13.95	\$14.98	\$1.03	7.38%
3	18.87	19.96	1.09	5.78%
10	32.81	34.05	1.24	3.78%
25	62.66	64.24	1.58	2.52%
50	112.42	114.56	2.14	1.90%
75	161.85	164.55	2.70	1.67%
100	211.28	214.54	3.26	1.54%
150	310.13	314.52	4.39	1.42%
200	408.99	414.50	5.51	1.35%
250	507.85	514.48	6.63	1.31%
300	606.70	614.45	7.75	1.28%
350	705.56	714.43	8.87	1.26%
400	804.42	814.41	9.99	1.24%
450	903.27	914.39	11.12	1.23%
500	1,002.13	1,014.37	12.24	1.22%
700	1,397.56	1,414.28	16.72	1.20%
1000	1,990.70	2,014.15	23.45	1.18%
1500	2,979.27	3,013.93	34.66	1.16%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Three Rate Change**

**SC2 General Service**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate</u>	<u>Monthly Bill @ Proposed Rate</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$18.69	\$21.71	\$3.02	16.16%
3	23.57	26.65	3.08	13.07%
50	115.23	119.34	4.11	3.57%
100	212.08	217.29	5.21	2.46%
200	405.80	413.20	7.40	1.82%
300	599.51	609.12	9.61	1.60%
350	696.37	707.07	10.70	1.54%
500	986.94	1,000.94	14.00	1.42%
750	1,471.22	1,490.72	19.50	1.33%
1000	1,955.51	1,980.49	24.98	1.28%
2000	3,892.64	3,939.61	46.97	1.21%
3000	5,829.78	5,898.72	68.94	1.18%
4000	7,766.91	7,857.83	90.92	1.17%
5000	9,704.05	9,816.95	112.90	1.16%
7500	14,456.90	14,624.75	167.85	1.16%
10000	19,209.75	19,432.54	222.79	1.16%
15000	28,715.46	29,048.14	332.68	1.16%
20000	38,221.17	38,663.73	442.56	1.16%

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Three Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$13.32	\$14.34	\$1.02	7.66%
3	18.16	19.25	1.09	6.00%
10	31.92	33.17	1.25	3.92%
25	61.39	62.98	1.59	2.59%
50	110.52	112.67	2.15	1.95%
75	159.32	162.02	2.70	1.69%
100	208.12	211.38	3.26	1.57%
150	305.71	310.10	4.39	1.44%
200	403.30	408.81	5.51	1.37%
250	500.90	507.53	6.63	1.32%
300	598.49	606.24	7.75	1.29%
350	696.09	704.96	8.87	1.27%
400	793.68	803.67	9.99	1.26%
450	891.27	902.39	11.12	1.25%
500	988.87	1,001.11	12.24	1.24%
700	1,379.25	1,395.97	16.72	1.21%
1000	1,964.81	1,988.26	23.45	1.19%
1500	2,940.75	2,975.42	34.67	1.18%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Three Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule I (Non-Residential)**

<u>Monthly Use (ccf)</u>	<u>Monthly Bill @ Present Rate*</u>	<u>Monthly Bill @ Proposed Rate*</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
0	\$18.07	\$21.08	\$3.01	16.66%
3	22.90	25.98	3.08	13.45%
50	113.78	117.89	4.11	3.61%
100	209.81	215.02	5.21	2.48%
200	401.87	409.28	7.41	1.84%
300	593.93	603.53	9.60	1.62%
350	689.96	700.66	10.70	1.55%
500	978.05	992.05	14.00	1.43%
750	1,458.20	1,477.70	19.50	1.34%
1000	1,938.36	1,963.34	24.98	1.29%
2000	3,858.96	3,905.93	46.97	1.22%
3000	5,779.57	5,848.52	68.95	1.19%
4000	7,700.18	7,791.10	90.92	1.18%
5000	9,620.79	9,733.69	112.90	1.17%
7500	14,332.33	14,500.17	167.84	1.17%
10000	19,043.86	19,266.65	222.79	1.17%
15000	28,466.93	28,799.61	332.68	1.17%
20000	37,890.01	38,332.57	442.56	1.17%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Monthly Billing Comparison  
Reflecting Rate Year Three Rate Change**

**SC6 - Firm Transportation Service - Rate Schedule II**

Monthly Use (ccf)	Monthly Bill @ Present Rate*	Monthly Bill @ Proposed Rate*	Change	
			Amount	Percent
1000	\$2,026.48	\$2,051.90	\$25.42	1.25%
2000	3,911.09	3,958.49	47.40	1.21%
3000	5,795.71	5,865.09	69.38	1.20%
4000	7,680.32	7,771.68	91.36	1.19%
5000	9,564.94	9,678.27	113.33	1.18%
7500	14,276.47	14,444.75	168.28	1.18%
10000	18,988.01	19,211.23	223.22	1.18%
15000	28,411.08	28,744.19	333.11	1.17%
20000	37,834.15	38,277.16	443.01	1.17%
25000	47,257.23	47,810.12	552.89	1.17%
30000	56,680.30	57,343.08	662.78	1.17%
35000	66,103.37	66,876.04	772.67	1.17%
40000	75,526.45	76,409.00	882.55	1.17%
45000	84,949.52	85,941.96	992.44	1.17%
50000	94,372.59	95,474.92	1,102.33	1.17%

\* For comparison purposes, a cost of gas supply has been included in the bill amounts.  
Assumes purchase of receivables.

**ORANGE AND ROCKLAND UTILITIES, INC.**

**Bill Comparison for a Residential  
Heating Customer  
Reflecting Rate Year Three Rate Change**

<u>Month</u>	<u>Usage</u>	<u>Bill at Present Rates</u>	<u>Bill at Proposed Rates</u>	<u>Increase</u>	<u>Percent Increase</u>
Jan	215	\$438.65	\$444.49	\$5.85	1.33%
Feb	246	499.94	506.48	6.54	1.31%
Mar	193	395.15	400.50	5.35	1.35%
Apr	133	276.52	280.53	4.01	1.45%
May	80	171.73	174.55	2.82	1.64%
Jun	51	114.40	116.56	2.17	1.89%
Jul	44	100.48	102.49	2.01	2.00%
Aug	37	86.54	88.40	1.85	2.14%
Sep	37	86.54	88.40	1.85	2.14%
Oct	44	100.48	102.49	2.01	2.00%
Nov	91	193.48	196.55	3.06	1.58%
Dec	<u>169</u>	<u>347.70</u>	<u>352.51</u>	<u>4.81</u>	<u>1.38%</u>
Total	<u>1,340</u>	<u>\$2,811.61</u>	<u>\$2,853.94</u>	<u>\$42.33</u>	<u>1.51%</u>
Average	112	\$234.30	\$237.83	\$3.53	1.51%

**ORANGE AND ROCKLAND UTILITIES, INC.**

Case No. 05-G-1494

Base Rate Imputations - Sharing Targets  
\$000s

<u>Monthly Revenue Sharing Targets</u>	<u>Interruptible Benefits (1)</u>	<u>Power Generation (2)</u>	<u>Total</u>
November	\$327.2	\$54.2	\$381.4
December	429.9	54.2	484.1
January	394.6	54.2	448.8
February	397.6	54.2	451.8
March	391.4	54.2	445.6
April	325.1	54.2	379.3
May	270.8	54.2	325.0
June	283.9	54.2	338.1
July	284.5	54.2	338.7
August	284.7	54.2	338.9
September	275.0	54.2	329.2
October	301.8	53.8	355.6
<b>Total</b>	<b><u>\$3,966.5</u></b>	<b><u>\$650.0</u></b>	<b><u>\$4,616.5</u></b>

(1) Variances between actual revenue margins and the Sharing Target will be shared on an 80% customer / 20% shareholder basis.

(2) 100% of any variances between actual revenue margins and the Power Generation Imputation will be passed back/recovered from customers.

**ORANGE AND ROCKLAND UTILITIES, INC.**

Case No. 05-G-1494

Interruptible Benefits Scenarios

\$000s

		<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>	<u>Scenario 5</u>	<u>Scenario 6</u>
Interruptible Sharing Target		\$3,966.5	\$3,966.5	\$3,966.5	\$3,966.5	\$3,966.5	\$3,966.5
Actual Interruptible Benefits		2,534.0	2,834.0	3,134.0	3,334.0	3,934.0	4,334.0
Excess/(Shortfall)		(1,432.5)	(1,132.5)	(832.5)	(632.5)	(32.5)	367.5
Customer Share	80%	(1,146.0)	(906.0)	(666.0)	(506.0)	(26.0)	294.0
Company Share	20%	<u>(286.5)</u>	<u>(226.5)</u>	<u>(166.5)</u>	<u>(126.5)</u>	<u>(6.5)</u>	<u>73.5</u>
		(1,432.5)	(1,132.5)	(832.5)	(632.5)	(32.5)	367.5
Company Revenues		\$3,680.0	\$3,740.0	\$3,800.0	\$3,840.0	\$3,960.0	\$4,040.0

# RCAS SURVEY

**SWITCHBOARD INTRODUCTION:**

Hello, my name is (INTERVIEWER NAME). I'm calling from Eagle Bay Consulting, a public opinion research firm. We're conducting an opinion survey for (Orange and Rockland Utilities/Rockland Electric). They are interested in obtaining feedback from their business customers about the service they provide. I'd like to locate the person in your organization who is responsible for electric and natural gas decisions and who typically has contact with (O&R/Rockland Electric). May I please have the name and title of that person? I promise that as a result of this call no one will try to sell anything to your organization.

**IF PERSON ANSWERING PHONE IS ELIGIBLE:** The interview will take about 15 minutes. Is this a convenient time for you or shall I call back at another time? (IF CONVENIENT - CONTINUE; IF NOT CONVENIENT, TRY TO SET UP TIME FOR CALL BACK)

**IF PERSON ANSWERING PHONE IS NOT ELIGIBLE:** ASK TO SPEAK WITH ELIGIBLE RESPONDENT AND USE INTRODUCTION BELOW AND VERIFY THAT IT IS A CONVENIENT TIME FOR THE RESPONDENT TO PARTICIPATE

**RESPONDENT INTRODUCTION:**

Hello, my name is (INTERVIEWER NAME). I'm calling from Eagle Bay Consulting, a public opinion research firm. We're conducting an opinion survey for (Orange and Rockland Utilities/Rockland Electric). They are interested in obtaining feedback from their business customers about the service they provide. Are you the person in your organization who is responsible for energy decisions and is most knowledgeable about the types of energy your organization uses at this location, such as electricity and natural gas, and who typically has contact with (O&R/Rockland Electric)?

**IF NOT, ASK:** May I please have the name and title of that person? I promise that as a result of this call no one will try to sell anything to your organization.

**IF YES:** Your opinion is valuable to (O&R/Rockland Electric). You have our pledge that this interview is being conducted off the record -- that your identity and specific attitudes and opinions will be held in strict confidence. I also assure you that as a result of this call no one will try to sell anything to your organization. In answering this survey, we would like you to keep in mind the building and all facilities at this location that you make energy decisions for.

1a. (NEW CAS Dependent Variable) First, in thinking about all aspects of [O&R/Rockland Electric], please rate your satisfaction on a scale where "1" means "very dissatisfied" and "5" means "very satisfied." How would you rate [O&R/Rockland Electric] on this "1" to "5" scale?

..... (130)  
Not sure (Vol.).....Y

1b. (NEW CAS Dependent Variable) And please rate your organization's opinion of (O&R/Rockland Electric) on a scale of "1" to "5" where "1" means very unfavorable and "5" means very favorable? How would you rate (O&R/Rockland Electric) on this scale?

..... (131)  
Not sure (Vol.).....Y

1c. (NEW CAS Dependent Variable) If value means that the service you receive is worth the price you pay, how would you assess the value of your electric service -- excellent, good, fair or poor?

Excellent.....132( -1  
Good.....-2  
Fair.....-3

Poor.....-4  
Not sure (Vol.).....-5

1d. (NEW CAS Dependent Variable) (IF TYPE OF SERVICE "ELEC/GA" OR "GAS" - ALL "ELEC ONLY" SKIP TO 1e) And would you rate the value of your natural gas service as excellent, pretty good, not so good or poor?

Excellent.....133(-1)  
Pretty good.....-2  
Not so good.....-3  
Poor.....-4  
Not sure (Vol.).....-5

1e. (NEW CAS) (ASK EVERYONE) And using a scale of "1" meaning you strongly disagree to "5" meaning you strongly agree, how much do you agree with the statement [O&R/Rockland Electric]:

ROTATE

Not Sure (Vol)

1. Is a well organized and efficient company.....  
[134] -Y
2. Deals fairly and honestly with its customers.....  
[135] -Y

2a. (NEW CAS) (IF TYPE OF SERVICE "ELEC/GAS" OR "GAS" - ALL "ELEC ONLY" SKIP TO 3) On a scale of "1" meaning strongly disagree to "5" meaning strongly agree, how much do you agree with the statement "The power supply I receive from [O&R/Rockland Electric] is near perfect, with few, if any outages, power surges or fluctuations?"

..... (136)  
Not sure (Vol.).....Y

2b. (NEW CAS) How effective do you think (O&R/Rockland Electric) is in trying to reduce and keep down the number of power interruptions -- very effective, somewhat effective, somewhat ineffective, or very ineffective?

Very effective.....137(-1)  
Somewhat effective.....-2  
Somewhat ineffective.....-3  
Very ineffective.....-4  
Not sure (Vol.).....-5

2c. (NEW CAS #2) And in restoring electric power quickly, does (O&R/Rockland Electric) do an excellent, pretty good, not so good or poor job?

Excellent.....138(-1)  
Pretty good.....-2  
Not so good.....-3  
Poor.....-4  
Not sure (Vol.).....-5

3. (NEW CAS #4,#5) (ASK EVERYONE) And in (READ ITEM ON LIST) -- does (O&R/Rockland Electric) do an excellent, pretty good, not so good or poor job? (RECORD BELOW -- CONTINUE FOR EACH ITEM)

Not So	Not Sure	Excel-	Pretty
		lent	Good
<u>ROTATE</u>			
<u>Good</u>	<u>Poor</u>	<u>(Vol.)</u>	

1. Providing convenient telephone access to a



(PROBE FOR PROPER LOCATION -- RECORD BELOW)

\_\_\_\_\_ [148-152]  
 Refused (Vol.)..XXXXX  
 Not sure (Vol.)..YYYYY

F3. Were your organization's gross revenues for the latest fiscal year (READ LIST) (IF NECESSARY, EXPLAIN THIS INFORMATION IS TO HELP US ANALYZE THIS SURVEY)

Under \$500,000.....153( -1  
 Between \$500,000 and \$999,999.....-2  
 Between \$1 million and \$1.9 million....-3  
 Between \$2 million and \$4.9 million....-4  
 Between \$5 million and \$9.9 million....-5  
 Over \$10 million.....-6  
 Refused (Vol.).....-7  
 Not sure (Vol.).....-8

F4. And does your organization primarily own or lease its facilities at this location?

Own.....154( -1  
 Lease.....-2  
 Neither (Vol.).....-3  
 Both.....-4  
 Refused (Vol.).....-5  
 Not sure (Vol.).....-6

F5. And what is your exact title? (DO NOT READ LIST)

Owner/senior partner/co-owner.....155(  
-1  
 President/Chief Executive Officer/Chief Operating Officer.....  
-2  
 Vice President/Treasurer/Controller.....  
-3  
 Manager/director/supervisor (non-specific).....  
-4  
 Managers/Directors: general/office/business/operations/administrative..  
-5  
 Financial: accountant/finance manager/bookkeeper/accounts payable.....  
-6  
 Administrative: secretary/receptionist/clerk.....  
-7  
 Assistants: director/administrative/operations/branch.....  
-8  
 Managers: plant/facilities/maintenance/production/warehouse.....  
-9  
 Managers: district/branch/region.....  
-0  
 Superintendent.....  
-X  
 None/no specific title.....  
-Y  
 Administrator (non-specific).....156(  
-1  
 Other (SPECIFY).....  
-2  
 Refused.....  
-3

F6. Do we have your permission to share your individual results with [O&R/Rockland Electric]?

Yes.....157( -1  
No.....-2

F7. (NEW YORK/SP#1 AND SP#2 - ALL NEW JERSEY/SP#3 SKIP TO F8) Just as a reminder, please keep in mind that in case of a gas emergency or problem, you should always call O&R.

NOTE: IF RESPONDENT ASKS FOR TELEPHONE NUMBER, PLEASE PROVIDE THE FOLLOWING: 1-800-533-5325.

F8. (EVERYONE) On behalf of [O&R/Rockland Electric], thank you for your time and participation.

RECORD THE FOLLOWING - DO NOT ASK

F9. Gender:

Male.....158( -1  
Female.....-2

F10a. Length of interview:

Under 10 minutes.....159( -1  
10-15 minutes.....-2  
16-19 minutes.....-3  
20 minutes or more.....-4

F10b. Time end: \_\_\_\_\_ AM/PM [160-163]

Account Information from Sample (Excel column identified)

- F10: Zip Code (H)..... [5 digits] 206-210
- F11. KYRA Account Number (C) [11 digits] 211-221
- F12. Premise Number (D) [11 digits] 222-231
- F13. O&R NAICS (W) [8 digits] 232-239
- F14. Demand (X) [6 digits] 240-245
- F15. Electric indicator (Q) [1 digit] 246
- F16. Gas indicator (R) [1 digit] 247
- F17. Nonmetered (Flat service) indicator (S) [1 digit] 248
- F18. Retail (T) [1 digit] 249
- F19. Budget plan customer (U) [1 digit] 250
- F20. Outage Report (BI) [1 digit] 251
- F21. Settlement Month (V) [2 digits] 252-253
- F22. Bill Month/Amounts (Y to BH) [30 digits each month & amount] Cards 3 thru 11
- F23. Credit (BJ) (1 digit) (PGR=1, CNP=2, XXX=0) 255
- F24. Deposit Required (BK) (1 digit) (DPI=1, XXX=0) 256
- F25. Continuous Transfer (BL) (1 digit) 257

COMPLETE ALL INFORMATION

RESPONDENT'S NAME:

ORGANIZATION NAME:

ADDRESS:

CITY/TOWN: \_\_\_\_\_ STATE:

I HAVE OBTAINED THIS INTERVIEW IN ACCORDANCE WITH MY AGREEMENT WITH Eagle Bay Consulting, Inc., AND GUARANTEE THAT THIS IS A BONA FIDE INTERVIEW.

INTERVIEWER'S SIGNATURE: \_\_\_\_\_ DATE:

FOR OFFICE USE ONLY:

VALIDATED BY:

DATE OF VALIDATION:

## CICAS SURVEY

**INTRODUCTION:**

Hello, I am (INTERVIEWER NAME) calling from Eagle Bay Consulting, a public opinion research firm. We have been asked by (Orange and Rockland Utilities/Rockland Electric) to conduct a survey so the Company can learn how customers view the job it is doing in providing service. Your household has been randomly selected to be contacted for the survey. I assure you this is not a sales call. I'd like to conduct the survey with the male or female head of the household. Are you that person or may I speak with that person?

**IF PERSON ANSWERING PHONE IS ELIGIBLE:** The interview will take about 15 minutes. Is this a convenient time for you or shall I call back at another time? (IF CONVENIENT - CONTINUE; IF NOT CONVENIENT, TRY TO SET UP TIME FOR CALL BACK)

**IF PERSON ANSWERING PHONE IS NOT ELIGIBLE:** ASK TO SPEAK WITH ELIGIBLE RESPONDENT AND REPEAT INTRODUCTION ABOVE AND VERIFY THAT IT IS A CONVENIENT TIME FOR THE RESPONDENT TO PARTICIPATE

1a. (NEW CAS Dependent Variable) First, in thinking about all aspects of [O&R/Rockland Electric], please rate your satisfaction on a scale where "1" means "very dissatisfied" and "5" means "very satisfied." How would you rate [O&R/Rockland Electric] on this "1" to "5" scale?

\_\_\_\_\_ [130]  
Not sure (Vol.).....Y

1b. (NEW CAS Dependent Variable) Now on a scale of "1" to "5" where "1" means very unfavorable and "5" means very favorable, please rate your overall opinion of [O&R/Rockland Electric]? The more favorable you feel about the company, the higher the number you would give.

\_\_\_\_\_ [131]  
Not sure (Vol.).....Y

1c. (NEW CAS Dependent Variable) (ASK EVERYONE) If value means the service you receive is worth the price you pay, would you rate the value of your electric service as excellent, pretty good, not so good or poor?

Excellent.....132( -1  
Pretty good..... -2  
Not so good..... -3  
Poor..... -4  
Not sure (Vol.)..... -5

1d. (NEW CAS Dependent Variable) (IF TYPE OF SERVICE "ELEC/GAS" OR "GAS" - ALL "ELEC ONLY" SKIP TO 1e) And would you rate the value of your natural gas service as excellent, pretty good, not so good or poor?

Excellent.....133( -1  
Pretty good..... -2  
Not so good..... -3  
Poor..... -4  
Not sure (Vol.)..... -5

1e. (NEW CAS) (ASK EVERYONE) And using a scale of "1" meaning you strongly disagree to "5" meaning you strongly agree, how much do you agree with the statement that [O&R/Rockland Electric] "Operates in an environmentally responsible manner?"

\_\_\_\_\_ [134]  
Not sure (Vol.).....Y

1f. (NEW CAS) And how would you rate [O&R's/Rockland Electric's]

performance in conducting themselves in an open and honest manner -- is (O&R/Rockland Electric) doing an excellent, pretty good, not so good or poor job?

Excellent.....135(     -1  
 Pretty good.....    -2  
 Not so good.....    -3  
 Poor.....    -4  
 Not sure (Vol.).....    -5

2a. (NEW CAS) On a scale of "1" meaning you strongly disagree to "5" meaning you strongly agree, how much do you agree with the statement "The power supply I receive from [O&R/Rockland Electric] is near perfect, with few, if any, outages, power surges or fluctuations?"

..... [136]  
 Not sure (Vol.).....Y

2b. (NEW CAS) In (READ ITEM ON LIST) -- does [O&R/Rockland Electric] do an excellent, pretty good, not so good or poor job? (RECORD -- CONTINUE FOR EACH ITEM ON LIST)

			Excel-	Pretty
Not So	Not Sure		lent	Good
<u>ROTATE</u>				
Good	Poor	(Vol.)		
<u>  </u>	<u>  </u>	1. Restoring electric power quickly.....	137( <u>  </u> -1	<u>  </u> -2
<u>-3</u>	<u>-4</u>	<u>-5</u>		
<u>  </u>	<u>  </u>	2. Providing a reliable supply of energy.....	138( <u>  </u> -1	<u>  </u> -2
<u>-3</u>	<u>-4</u>	<u>-5</u>		

2c. (NEW CAS) [IF "E/G OR "G" - ALL "E" ONLY SKIP TO 3] And overall, how satisfied are you with the reliability of O&R's natural gas service -- are you very satisfied, fairly satisfied, not too satisfied or not at all satisfied?

Very satisfied.....139(     -1  
 Fairly satisfied.....    -2  
 Not too satisfied.....    -3  
 Not at all satisfied.....    -4  
 Not sure (Vol.).....    -5

3. (NEW CAS) (ASK EVERYONE) And in (READ ITEM ON LIST) -- does [O&R/Rockland Electric] do an excellent, pretty good, not so good or poor job? (RECORD BELOW -- CONTINUE FOR EACH ITEM)

			Excel-	
Pretty	Not So	Not Sure	lent	Good
<u>ROTATE</u>				
Good	Poor	(Vol.)		
<u>  </u>	<u>  </u>	1. Communicating effectively with customers like you....	140( <u>  </u> -1	<u>  </u> -2
<u>-3</u>	<u>-4</u>	<u>-5</u>		
<u>  </u>	<u>  </u>	2. Providing convenient telephone access to a company representative.....	141( <u>  </u> -1	<u>  </u> -2
<u>-3</u>	<u>-4</u>	<u>-5</u>		
<u>  </u>	<u>  </u>	3. Making it easy for customers to do business with them.....	142( <u>  </u> -1	<u>  </u> -2
<u>-3</u>	<u>-4</u>	<u>-5</u>		

4a. (NEW CAS) (ASK EVERYONE) On another subject, do you feel the price you pay for electricity today is low, reasonable, a little higher than it should be or a lot higher than it should be?

Low.....143(     -1

Reasonable.....-2  
 A little high.....-3  
 A lot high.....-4  
 Not sure (Vol.).....-5

4b. (NEW CAS) (IF TYPE OF SERVICE "ELEC/GAS" OR "GAS" - ALL "ELEC ONLY" SKIP TO 4c) And is the price you pay for natural gas today low, reasonable, a little higher than it should be or a lot higher than it should be?

Low.....144( -1  
 Reasonable.....-2  
 A little high.....-3  
 A lot high.....-4  
 Not sure (Vol.).....-5

4c. (NEW CAS) (ASK EVERYONE) And using a scale of "1" meaning you strongly disagree to "5" meaning you strongly agree, how much do you agree with the statement that [O&R/Rockland Electric] "Is efficient in holding down costs and avoiding waste?"

..... [145]  
 Not sure (Vol.).....Y

4d. (NEW CAS) And in (READ ITEM ON LIST), does [O&R/Rockland Electric] do an excellent, pretty good, not so good or poor job? (RECORD - CONTINUE)

	Excel-	Pretty	Not So
	lent	Good	Good
Not Sure			
<u>ROTATE</u>			
Poor (Vol.)			
1. Keeping prices as low as possible.....146(	-1	-2	-3
-4 -5			
2. Providing bills that accurately reflect the amount of energy your household uses.....147(	-1	-2	-3
-4 -5			
3. Providing bills that include the information you need.....148(	-1	-2	-3
-4 -5			

4e. (NEW CAS Dependent Variable) (ASK EVERYONE) Now, using a 5-point scale where 1 means you strongly disagree and 5 means you strongly agree, how much do you agree or disagree with this statement, "When I pay my monthly [O&R/Rockland Electric] bill, I always feel that I get my money's worth."

Strongly disagree..(1).....149( -1  
 .....(2).....-2  
 .....(3).....-3  
 .....(4).....-4  
 Strongly agree.....(5).....-5  
 Not sure (Vol.).....-6

F1. (ASK EVERYONE) And now a few final questions about you and your household. First, approximately how many years have you been a customer of [O&R/Rockland Electric]?

..... [150-151]  
 Refused (Vol.)...XX  
 Not sure (Vol.)..YY

F2. From the following age categories, please stop me when I read the category that best represents your age: (READ LIST)

- 18-24.....152( -1
- 25-34.....-2
- 35-44.....-3
- 45-54.....-4
- 55-59.....-5
- 60 and over.....-6
- Refused (Vol.).....-7

F3. From the following education categories, please stop me when I read the category that best represents the last grade or level of school that you completed: (READ LIST)

- 1st through 8th grade.....153( -1
- Some high school.....-2
- High school graduate.....-3
- Some college.....-4
- Two-year college graduate.....-5
- Four-year college graduate.....-6
- Graduate school.....-7
- Post-graduate school.....-8
- Refused (Vol.).....-9
- Not sure (Vol.).....-0

REVISE F4. And from the following income categories, please stop me when I read the category that represents the one for your total household income for 2006 before taxes: (READ LIST)

- Under \$30,000.....154( -1
- \$30,000 to under \$50,000.....-2
- \$50,000 to under \$70,000.....-3
- \$70,000 to under \$90,000.....-4
- \$90,000 or over.....-5
- Refused (Vol.).....-6
- Not sure (Vol.).....-7

F5. Do you have access to the Internet at home, at work, or both at home and work?

- At home.....155( -1
- At work.....-2
- At home and work.....-3
- Refused (Vol.).....-4
- Not sure (Vol.).....-5

F6. Do we have your permission to share your individual results with [O&R/Rockland Electric]?

- Yes.....156( -1
- No.....-2

F7. (IF SP#1 AND SP#2, NY - ALL SP#3, NJ SKIP TO F7) Just as a reminder, please keep in mind that in case of a gas emergency or problem, you should always call O&R.

NOTE: IF RESPONDENT ASKS FOR TELEPHONE NUMBER, PLEASE PROVIDE THE FOLLOWING: 1-800-533-5325.

F8. (EVERYONE) That concludes the survey. On behalf of (O&R/Rockland Electric), thank you for your time and participation.

RECORD THE FOLLOWING -- DO NOT ASK

F9. Respondent Gender:

Male.....157( -1  
Female..... -2

F10. Length of interview:

Under 10 minutes.....158( -1  
10-14 minutes..... -2  
15-19 minutes..... -3  
20-24 minutes..... -4  
25 minutes or more..... -5

F11. Time End: \_\_\_\_\_ AM/PM [158-162]

Account Information from Sample: (Excel column identified)

- F10. Zip Code (H) [5 digits] [206-210]
- F11. Account Number (C) [11 digits] [211-221]
- F12. Premise Number (D) [11 digits] [222-232]
- F13. Electric service indicator (Q) [1 digit] [233]
- F14. Gas service indicator (R) [1 digit] [234]
- F15. Unmetered (Flat service) indicator (S) [1 digit] [235]
- F16. Retail (T) [1 digit] [236]
- F17. Budget plan customer (U) [1 digit] [237]
- F18. Settlement Month (V) [2 digits] [238-239]
- F19. Bill Month/Amount (W to BF) [30 digits each month & amount] [Cards 3 thru 11]
- F20. Outage report (BG) [1 digit] [240]
- F21. Collection Activity (BH) (PGR=1, CNP=2, XXX=0) [241]

SAMPLE LIST NAME:

RESPONDENT NAME:

ADDRESS:

CITY/TOWN: \_\_\_\_\_ STATE:

I HAVE OBTAINED THIS INTERVIEW IN ACCORDANCE WITH MY AGREEMENT WITH Eagle Bay Consulting, Inc., AND GUARANTEE THAT THIS IS A BONA FIDE INTERVIEW.

INTERVIEWER'S NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

FOR OFFICE USE ONLY:

VALIDATED BY:

DATE OF VALIDATION:

**Retail Choice Customer Understanding Incentive**

The Retail Choice Customer Understanding Incentive will measure the Company's residential customers' understanding of energy deregulation. Specifically, the Company will utilize the attached survey questions during calendar years 2007, 2008, and 2009, respectively, to determine the Company's residential customers' understanding of energy deregulation. The results of the surveys during calendar years 2007, 2008, and 2009, respectively, will be applied to the Rate Years ending October 31, 2007, 2008, and 2009, respectively. The targets will be as set forth below.

**Rate Year One Target:**

If O&R residential customers score 70% for this component, O&R receives 10 basis points  
If O&R residential customers score 71% or higher, O&R receives an additional 10 basis points  
Total available basis points is 20

**Rate Year Two Target:**

If O&R residential customers score 71% for this component, O&R receives 10 basis points  
If O&R residential customers score 72% or higher, O&R receives an additional 10 basis points  
Total available basis points is 20

**Rate Year Three Target:**

If O&R residential customers score 72% for this component, O&R receives 10 basis points  
If O&R residential customers score 73% or higher, O&R receives an additional 10 basis points  
Total available basis points is 20

**Retail Choice Customer  
Understanding Incentive  
Survey Questions**

Residential customers who participate in the customer survey will be asked to agree or disagree with the following questions:

1. If I switch to another natural gas supplier, I can return to O&R for my natural gas service.
2. I understand how to make competitive choices and switch to another natural gas supplier if I choose to do so.
3. If my gas supplier fails to supply gas on my behalf, I understand that O&R will be sure gas is delivered to me as needed.
4. Even if I switch to another natural gas supplier, I will receive the same customer service from O&R as customers who decide to remain with O&R.
5. I believe O&R supports competition in the natural gas industry.
6. The safety of my natural gas service will depend on O&R regardless of the supplier I choose.
7. If I buy my natural gas from someone other than O&R, and if there is a gas leak or other gas emergency, I should call O&R regardless of the natural gas supplier I choose.

**ORANGE AND ROCKLAND UTILITIES, INC.**  
Gas Economic Development Enhancement Pilot Program

**Background**

The purpose of this Gas Economic Development Enhancement Pilot Program ("Pilot Program") is to facilitate business expansion within Orange and Rockland Utilities, Inc.'s ("Company") gas distribution system in order to aid the economic development of Orange County. The Pilot Program applies to projects that will foster the expansion of economic activity and job attraction within the Orange County boundaries of the Company's franchise area.

**Cost Threshold**

The minimum construction cost threshold for projects to be considered under this Pilot Program is \$250,000. All other construction applications will be treated as normal course of business items.

**Projects Excluded from the Pilot Program**

The Pilot Program specifically excludes the following projects from consideration:

- Any project that is included in the capital expenditures approved in rates.
- Any project that would be approved and completed in the normal course of business.
- Any project that is required pursuant to the Company's existing gas tariff.

**Review/Selection**

- The Company is ultimately responsible for decisions to proceed with a project.
- The Company shall review and evaluate applications based on the overall goal of promoting capital investment and job creation.
- The Company shall maintain supporting documentation justifying its' reasoning for approval or rejection of each proposed project.
- Projects that demonstrate job creation and the ability to stimulate ancillary public and private investment will be reviewed favorably in the evaluation process.
- Selection criteria that shall be considered include:
  - Capital investment;
  - Number of jobs created or retained;
  - Incremental utility revenue;
  - Expansion or potential relocation out of service territory;

- Other development leveraged;
  - Financial condition and credit history of developer or new businesses, if available;
  - Management experience;
  - Credit references;
  - Amount of entity's contribution and/or financing leverage from municipal agencies; and
  - Benefits to other utility customers.
- The Company shall report annually, within 45 days of the end of each rate year, to the New York State Department of Public Service ("NYSDPS"), Director of Economic Development and Policy Coordination on projects accepted or rejected along with the criteria used for such determination.

#### **Project Funding**

- Each completed project may be funded up to an amount equal to 50% of the revenue requirement necessary to support the Company's allowed rate of return and associated carrying costs. The allowed rate of return will be based on the overall rate of return approved in this Joint Proposal. The Company will forego recovery of depreciation expense in this calculation until such time as the project is included in rate base.
- The level of funding calculated above will be accrued in a deferred regulatory asset. The deferred regulatory asset is capped at \$750,000 for the three years of the Pilot Program.
- All completed projects will be included in the Company rate base at the conclusion of the Pilot Program. The Company will be able to complete any projects that were commenced but not completed during the term of the Proposal. Any uncompleted projects will be included in rate base in the first subsequent rate proceeding following the conclusion of the Pilot Program, or continued in any successor Pilot Program.
- This Pilot Program will terminate at the conclusion of the current rate plan unless modified and/or extended by the Commission.

**Retail Access Promotion and Customer Outreach and Education Program**

The Company is authorized to spend up to \$300,000 per year, during each of the First, Second, and Third Rate Years: (1) to develop and implement customer outreach and education programs and materials to increase residential and commercial customers' awareness and understanding of retail access; and (2) to promote retail access in the Company's service territory through incremental programs developed jointly by the Company, Staff and ESCOs. Promotional programs developed hereunder will be directed to specific market segments and/or to supplement the advertising/promotional costs incurred by ESCOs. The Company also will initiate programs to encourage already-migrated customers to further their understanding of the choices presented by retail access. These programs will further customers' understanding of the ESCOs' offerings and simplify the process of selecting an ESCO.

Within 45 days following the Commission's issuance of an order approving the Proposal, the Company will convene a meeting of Staff, ESCOs, and other interested parties at which meeting the Company will present its plans for the application of the \$300,000 during the First Rate Year for retail access promotional and customer outreach and education programs. The Company will provide Staff and the ESCOs with reasonable notice of the meeting and a draft of the Company's plans. The Company, Staff and the ESCOs will make good faith efforts to develop expeditiously a consensus-based program for the First Rate Year. If consensus is not reached prior to the start of the First Rate Year, the Company may commence to make expenditures consistent with the prior year's plan.

Acceptable expenditures under this program include print, radio, and television advertising, direct mailings, Internet applications, bill inserts, customer focus groups, and

customer surveys. Monies also may be expended in the promotion and implementation of municipal and government entity aggregation, for marketer meetings, for market expos, energy fairs, trade fairs, and industry and public events and for participation at forums addressing issues related to energy competition. This list is not meant to be exhaustive, but rather represents some of the methods that the Company anticipates using to educate customers regarding retail choice and to promote retail access. Under no circumstances will the Company make direct payments to ESCOs or to the vendors of ESCOs.

**Key Elements of the Program**

In order to accomplish the objectives of educating customers about their retail choice options and promoting retail access, the Company will:

- Inform customers of their option to choose natural gas suppliers other than O&R;
- Educate customers on how costs of supply and delivery are treated separately;
- Provide clear, neutral information to assist customers in considering alternatives, such as competitive pricing, fixed-priced options, and other offerings that may be available, and to work collaboratively with ESCOs to ensure that customers understand the range of choices available to them and the benefits and risks of those options;
- Provide customers with information on the ESCOs available for customers to choose from;
- Provide forums and opportunities for customers to meet with ESCOs in order to learn more about their energy choices;
- Provide opportunities for customers to shop for energy choice and to evaluate ESCO options, including Internet applications such as eBids and introductory programs, such as PowerSwitch;
- Collaborate with municipalities, villages, counties and other natural aggregators to encourage aggregation;
- Assure customers that if they switch suppliers, O&R will continue as their energy delivery company;

- Inform customers that in the event of an emergency, O&R will continue to be responsible for service restoration and that system reliability, safety and customer service are unimpaired by switching;
- Clarify to customers who switch that they may revert back to O&R as their energy supplier with no fee charged by O&R;
- Educate Company personnel on all levels about retail choice and the programs sponsored by the Company so that all personnel is capable of providing customers with helpful and accurate information regarding energy choice.

#### **Principles Supporting the Program**

- The principal message to customers will be that choice provides customers with the opportunity to match their energy purchases with their objectives, such as price stability, price relief, or additional energy services.
- All communications and programs will be produced and implemented in a manner that will help make the process of choice as easy and as understandable as possible for all customers, including non-English speaking customers and others with special needs.
- All communications and programs will be designed to reach as many customers as possible through the most cost-effective and compelling means available.
- The Company will leverage synergies when possible with other Company outreach projects, particularly those designed to address electric retail choice.

Within 60 days after the end of each Rate Year, the Company will file a report with the Commission detailing the monies spent. Such report will include samples of the promotional efforts, results of all research and/or surveys conducted, a report on the media used to communicate with customers and a report on all costs associated with the implementation of the rate year plan. To the extent the Company's expenditures during a rate year are more or less than \$300,000, the Company may adjust spending levels in the following Rate Years to account for such under or over spending. Under-recoveries at the end of the Third Rate Year will receive deferral treatment.

### **Customer Outreach and Education**

**Plan Objectives:** O&R will continue to develop and implement customer outreach and education programs and materials to increase awareness and understanding of the Company's gas service programs, customer services, safety and policies. This outreach program is separate from the Retail Access Promotion and Customer Outreach and Education Program designed to promote retail access by increasing awareness and understanding of energy choice.

**Goals and Objectives:** The goals and objectives of the Company's Customer Outreach and Education program are as follows:

- Raise customer awareness and understanding of the Company's obligation to maintain and upgrade gas system infrastructure.
- Educate customers on the Company's plans to enhance gas operations, highlighting capital projects to increase reliability and allow the system to handle safely and efficiently the ever-increasing consumer demand for natural gas.
- Educate customers on how costs of gas supply and delivery are treated and billed separately.
- Inform customers that in the event of a gas emergency, O&R remains responsible for restoration, even when a customer switches to a different energy supplier.
- Provide customers with options that will help to offset the cost of heating their homes and businesses with natural gas during the winter months.
- Reach out to eligible customers and inform them of available payment assistance programs and services, particularly during the winter heating season.
- Position the Company as the source of credible, practical and valuable information on the energy-efficient use of natural gas as a way to trim energy bills.

- Raise the awareness of the general public, local public officials, emergency officials and excavators of the presence of natural gas pipelines in their communities and educate them on how to respond safely to a pipeline emergency.
- Educate stakeholders about One-Call requirements, damage prevention requirements and safe excavation practices.
- Educate residential and commercial customers on the prevention of carbon monoxide poisoning.
- Promote natural gas safety to children and young adults through the Company's interactive Web site -- Natural Gas Safety World.
- Increase customer awareness of and enrollment in Budget Billing, as a program that helps to spread winter heating costs evenly throughout the year, thereby assisting customers to manage their household budgets.
- Increase enrollment in free, convenient alternate payment options (including on-line applications) that benefit customers by making bill payments faster, easier and less costly.
- On an annual basis, inform residential and commercial consumers of their rights and responsibilities as natural gas customers of O&R.
- Encourage customers to utilize the Company's Web site to conduct their business with O&R at any time of day or night, while at the same time provide customers with the option to call the Company's toll-free Customer Assistance number during Call Center hours of operation.

**Target Audience:** The target audience will consist of O&R's existing residential and small commercial gas customers. The Company also will target new customers as they apply for initial service.

**Core Messages:** The core messages will include the following:

- Robust economic growth in the region over the past ten years has placed increasing demands on the Company's natural gas system.

- The Company is committed to streamlining its operating procedures and making improvements to enhance reliability, safety and security, while at the same time providing for additional capacity as the economy continues to grow.
- During winter heating months, consumers can practice energy-efficiency measures in their home or business to save money on their heating bills, without necessarily sacrificing comfort.
- O&R's alternate payment and billing options offer many benefits, including savings in time and money, for those who enroll and participate.
- The public plays a significant role in natural gas pipeline safety as it relates to third party damage and rights-of-way encroachment.
- Awareness and understanding of the health hazards of carbon monoxide, along with information on preventive measures and appropriate first-aid response, are critical to maintaining public health and safety.
- When customers have trouble paying their winter heating bills, the Company paves the way for consumers to tap into options available to seniors, income-eligible consumers, or those who are faced with temporary financial difficulties.
- O&R's Web site offers a host of online customer services that are available to Internet users at any time of day or night.
- For consumers who lack Internet access, O&R's Call Center offers the conveniences of an automated telephone system 24/7, as well as the services of courteous, competent staff during normal operating hours.

**Strategies:** To help achieve the objectives of its Customer Outreach and Education

Program, O&R will:

- Reach as many customers as possible through the most cost-effective and compelling means available.
- Address the challenges of communicating properly with non-English speaking customers and others with special needs.

- Obtain customer input on outreach methods and modify planned communications as necessary.
- When possible, leverage synergies with other corporate outreach projects.

**Media:** Various media methods may be employed, including – but not limited to:

- Radio advertising.
- Direct mail to target audiences.
- Print advertising in regional newspapers and other publications.
- O&R's Web site home page promotions, plus special sub-home pages and sections on natural gas safety, efficiency, and other topics of interest.
- Press releases to local media outlets to remind customers of energy-efficiency measures, the need to call before they dig, carbon monoxide safety and other programs and services.
- Public events, trade shows and speaker presentations.
- Promotion of enrollment options via Call Center VRU and online.