



Capital Projects Key To O&R's Filing A New Gas Rate Plan; Utility To Seek 1st Gas Rate Increase Since 1992

November 26, 2002

PEARL RIVER, NY, November 26, 2002 - Orange and Rockland Utilities, Inc., citing, among other issues, substantial infrastructure improvements, including a program to install new gas pipe in large portions of its natural gas delivery system, today said it is filing a request for an increase in its gas delivery rates with the New York State Public Service Commission on Wednesday, November 27.

The increase is sought to support economic growth in the service area and to continue to ensure adequate, safe and reliable service for its 121,000 gas customers. If approved, the increase in rates would be the first for O&R since 1992.

O&R has invested over \$130 million in gas infrastructure improvements during the past decade, and another \$10 million each year for operations and maintenance. Approximately 1,500 new residential, commercial and industrial gas customers joined the system on average per year during that time period, for an annual customer growth rate of 1.3 percent.

This proposal seeks the financial resources necessary to continue to ensure safe, reliable and adequate gas delivery service, to provide necessary improvements to the gas system and to meet operating expenses for programs that support that effort. Inflation, property taxes, post-retirement obligations to employees and costs for environmental investigation and remediation of former manufactured gas plant sites also have increased the Company's cost of doing business and are factors in the proposal.

O&R is seeking a \$27.2 million increase, or 14.7 percent overall, in total gas revenues. If approved, today's proposal would mean that the monthly bill for a typical residential customer using 128 ccf of gas would rise from \$113 to \$130, or 15 percent, on an annualized basis. If the proposed increase were spread over the 11 years since the last rate increase, it would total a 1.3 percent increase annually. The multi-year plan calls for additional increases of approximately \$2.5 million in each of rate years two and three, subject to adjustment for inflation, property taxes, infrastructure costs and other variables.

When adjusted for inflation, O&R's current rates are actually almost 28 percent lower than they were 10 years ago. By contrast, O&R's property tax burden has increased 70 percent over the same period, from \$4.6 million annually to \$7.8 million between 1992 and 2002. O&R operates a gas delivery network of about 1,773 miles. These mains are composed of materials that range from cast iron, installed in the early 1900s, to modern high-tech plastics.

Natural gas is recognized as an essential element for today's homes and businesses, particularly in northeastern United States, where it is widely acknowledged to be the bridge between the twin goals of continued economic growth and a cleaner environment. To maintain the ongoing reliability, safety and security of O&R's gas distribution system, in recent years O&R has engineered and completed a number of comprehensive projects. These include:

- A program to replace unprotected steel gas mains, some of which were installed in the early 1900's. Since 1997, approximately 500,000 feet of this type of 2" steel pipe - enough to stretch nearly from Rockland County to Albany - have been replaced by corrosion-free plastic pipe. Additionally, a replacement program for 3" and 4" unprotected steel pipes is underway.
- An upgrade to approximately 10 percent of the 109,400 older unprotected steel service pipes that run from the gas mains to individual buildings.
These two efforts alone have made a major contribution towards reducing the number of gas leaks in O&R's distribution system and saving money. While the unprotected steel mains account for only about eight percent of O&R's system, approximately 65 percent of all gas leaks originate in those aging pipes. Besides the improved safety factor, replacement of these mains serves to maintain and enhance service reliability.
Further improvements include:
- Increasing robustness of the system by looping various sections of the gas system to enhance system pressure on peak-demand days, providing capacity to meet future load growth and improving system reliability with back-up feeds. This improvement also will greatly increase the security of the gas system by providing redundancy in case of any interruption of gas flow in the current system.
- Installing larger diameter pipe on many municipal and system improvement projects to increase system pressures and capacities and to accommodate growth. Doing so is fundamentally important in promoting and securing economic growth in the company's service area. The availability of natural gas, and the ability to deliver it at adequate system pressures, is a prerequisite condition for many companies seeking to expand in or relocate to our service area.
Looking ahead, O&R plans to continue to invest the resources needed to enhance the reliability and safety of its gas delivery service and to strengthen and improve the gas system infrastructure. Chief among the initiatives proposed are:
- Installing five new 12" mains - each approximately 4,000 feet long - in Orange County. During the past decade, the county's population has grown by 11 percent, compared to a statewide growth of five percent. Clean, safe natural gas is

the heating fuel of choice wherever the company's gas system is available.

- Initiating a 10-year Reliability Improvement Program that will, among other things, result in greater security in this post-September 11 environment by increasing the resiliency and redundancy of O&R's gas system. The capital investment will include a new gate station, new mains for redundancy in Orange County, additional looping on the distribution system in areas where supply currently is restricted to a one-way source, back-up gas feeds for Middletown, Monroe and Washingtonville, and increased redundancies at regulator stations.

The Company's overall goal is to support economic expansion in its service area while raising the bar on the reliability, safety and security of O&R's natural gas delivery system. The capital investments described will meet the demands of this fast-growing region.

Orange and Rockland Utilities, Inc. is a wholly owned subsidiary of Consolidated Edison, Inc. (NYSE: ED), one of the nation's largest investor-owned energy companies with more than \$8 billion in annual revenues and approximately \$18 billion in assets.