



O&R Files New Electric, Gas Rate Proposals

November 14, 2014

PEARL RIVER, NY Nov. 14, 2014 --- To provide for the continued safety, reliability and security of its electric and gas delivery systems, Orange and Rockland Utilities, Inc. (O&R) today filed electric and natural gas base rate increase requests with the New York State Public Service Commission (NYSPPSC). If approved by the Commission, these rates would become effective November 1, 2015.

ELECTRIC DELIVERY RATES

O&R's electric rate increase request includes initiatives designed to:

- Harden O&R's energy delivery systems through new construction projects to reduce potential damage from future storms and new technology to provide more accurate and timely communications to its customers during major storms.
- Develop electric system enhancements, in conjunction with New York State's initiatives to modernize the electric utility industry, through which increased energy efficiency investments will engage customers in the management of their energy bills to help them reduce their energy use and save money.
- Attract new business and create more jobs in the community by lowering the threshold to qualify for O&R's business incentive rates from 100 kW to 65 kW, making this program more available to mid-sized business customers.
- Provide for the significantly increased cost of property taxes resulting from both O&R's investment in infrastructure and increasing local tax rates.
- Recover the cost of repairs to electric system damage due to Superstorm Sandy.

To fund these initiatives, O&R seeks an increase in revenues for electric delivery of \$33.4 million. This proposed rate increase would become effective on November 1, 2015. The overall bill for a typical residential electric customer using a monthly average of 677 kWh would increase an average of \$8.13 per month, from \$135.86 to \$143.99 or approximately 6 percent.

To ease the impact of the increase resulting from costs associated with the recovery from Superstorm Sandy and increased property taxes, O&R is proposing that it recover both those costs over a five-year period instead of the customary three-year period.

Although today's filings are for one-year rate agreements, O&R is open to negotiating a multi-year agreement that may result in reducing the monthly bill impact to customers. For example, under a three-year electric base rate increase agreement, the overall bill for a typical residential electric customer using a monthly average of 677 kWh would increase an average of \$6.07 per month, from \$135.86 to \$141.93, or approximately 5 percent in November 2015. Slightly lower increases may be locked in for the last two years of such an agreement.

The following are among the electric reliability projects O&R plans to build:

Blue Lake Substation – Located on the former site of the King's College on Long Meadow Road in the Town of Warwick, this \$8.8 million substation will serve the new Watchtower Group facility and electric demand in the area, while providing support for the adjacent Sterling Forest, Ringwood and Sloatsburg substations.

Central Rockland Smart Grid - O&R is building a \$6.4 million Smart Grid program that will improve electric service reliability for over 25,000 O&R customers in Central Rockland from Chestnut Ridge to West Nyack.

The project also benefits all O&R customers because its implementation allows O&R to defer a major capital investment of \$45 million for a new substation and a substantial underground transmission line extension to serve that area. The New York State Energy Research and Development Authority (NYSERDA) is funding \$2 million of the project through a grant awarded to O&R to further Smart Grid research and development.

Sterling Forest Transmission Tap – This \$11.8 million project will install a new transformer in the Sterling Forest substation. The transformer will be located at the midpoint of an existing 26-mile-long transmission loop from the Hillburn substation to the Sugarloaf substation. By adding a new source of electricity here, the long loop is effectively split into two shorter loops. This provides substantially improved supply capacity and reliability to the seven substations served by the loop.

The electric rate increase proposal also reflects the Company's plans to install the first phase of an Advanced Metering Infrastructure ("AMI") system. AMI is an integrated system of meters, communication networks, and data management systems that will:

- Reduce costs for meter reading and customer field services, as well as the costs associated with back-office operations required to handle customer billing inquiries.
- Facilitate quicker restoration of service after a storm event by communicating the precise location of service interruptions.
- Enhance the planning and operation of the electric grid by providing operators and engineers with detailed data on system conditions.
- Allow customers to better control their energy costs and participate in various energy efficiency and/or demand response

programs.

The implementation of AMI also will provide the technology foundation for many of the proposals stemming from New York State's major initiative aimed at redesigning and modernizing the electric utility industry in New York.

As part of O&R's efforts to reduce future costs to customers and use technology that will enhance customer participation in shaping their energy future, the Company will be seeking approval of a demonstration program that will provide for an array of targeted energy management initiatives. Those efforts would be aimed at reducing electric demand in the Pomona area of Rockland County. That project, which O&R would administer in partnership with NYSEDA, would provide the opportunity for O&R to postpone a major capital investment of \$56 million for a new substation and underground transmission line.

The demonstration program, referred to as the Pomona Project, is proposed to reduce demand in the Pomona area by 5.5 megawatts through a combination of alternative energy management programs that would include the ability for customers to proactively manage their energy use with new tools. In addition, the program plans to utilize innovative solutions such as solar distributed generation and battery storage. The cost of the program would be recovered through a future surcharge.

NATURAL GAS DELIVERY RATES

There has been no O&R natural gas delivery rate increase since November 2011. If the NYSPSC approves this request, it will go into effect on November 1, 2015, the first natural gas delivery rate increase in four years.

If approved, this natural gas rate increase request would go into effect in the winter of 2015-2016 --- not this winter. **For this winter**, O&R forecasts that the typical residential gas bill will be almost 16 percent lower than last winter, driven by the expected decline in the price of natural gas.

Since 2011, O&R has implemented a number of programs to support and fortify the operation of its natural gas delivery system to continue to provide safe, reliable and clean natural gas service.

O&R's natural gas rate increase request includes initiatives to:

- Enhance gas safety by significantly accelerating the gas main replacement program and replacing over 18 miles of pipe per year. Under this proposal, O&R plans to remove the remaining cast iron gas pipe, as well as all low pressure main, from its gas system by 2022.
- Improve gas safety further by accelerating the Company's removal of bare steel services and eliminate them from the system by 2026.
- Provide greater safety in the operation of the natural gas delivery system by reducing damage done by excavators through new gas construction protocols, stronger customer education and broader excavator outreach.
- Reduce emissions from its vehicle fleet by building a \$2.2 million compressed natural gas (CNG) fueling depot at its Spring Valley Operations Center and to replace 60 of its fleet's gasoline-powered vehicles with vehicles that run on CNG.
- Extend gas service to parts of the service area that currently do not have it.
- Recover the cost of property taxes that rose significantly since 2009 as a result of both O&R's investment in infrastructure and increasing local tax rates.

To fund these initiatives, O&R seeks an increase in revenues for gas delivery of \$40.7 million. The overall bill for a typical residential natural gas customer using 100 Ccf per month would rise on average \$26.18 per month, from \$137.20 to \$163.38, or 19.1 percent.

Although today's filings are for one-year rate agreements, O&R is open to negotiating a multi-year agreement that may result in reducing the monthly bill impact to customers. For example, under a three-year base rate increase agreement, the overall bill for a typical residential natural gas customer using a monthly average of 100 Ccf would increase an average of \$15.57 per month, from \$137.20 to \$152.76, or about 11 percent in November 2015.

COST MITIGATION EFFORTS

To help mitigate cost increases in both the electric and gas sides of its business, O&R has taken a number of steps to manage increases in its labor costs, and has implemented programs to increase workplace productivity and operational efficiencies.

The Company also has redesigned its healthcare plan and increased employee contributions to healthcare --- all to reduce costs. O&R also has replaced its traditional pension plan with a plan for all new employees that will cost customers less over time.

The rate filings and additional information are available at www.oru.com/tariffs and www.coned.com/rateplans.

Orange and Rockland Utilities, a wholly owned subsidiary of Consolidated Edison, Inc. (Con Edison) (NYSE: ED), one of the nation's largest investor-owned energy companies, is a regulated electric and gas utility that serves approximately 226,450 electric customers and 131,460 natural gas customers in New York.

For additional information about O&R, please visit O&R's Web site at www.oru.com.