

ORANGE AND ROCKLAND UTILITIES, INC.

1st REVISED LEAF NO. 23-O-1
SUPERSEDING ORIGINAL LEAF NO. 23-O-1**GENERAL INFORMATION****18A. CHARGES FOR MUNICIPAL UNDERGROUNDING**

- A. **General** – If a municipality requires or requests, by municipal resolution or other appropriate evidence of authority, that the Company relocate underground all or a portion of the Company's existing overhead distribution or transmission facilities within the boundaries of such municipality ("Overhead Facilities"), the Company will recover the costs of complying with such requirement or request through a levelized surcharge applied to the kWh usage on the bills of all customers within such municipality. Such surcharge shall be applied for a period of 30 years or such other term as agreed upon by the Company and the municipality for the recovery of the cost of the undergrounding project ("Surcharge Period").

The surcharge will be calculated to recover the incremental annual revenue requirement experienced by the Company in implementing the undergrounding project. The elements of the incremental annual revenue requirement for each undergrounding project ("Underground Facilities") shall be the incremental capital costs, the incremental depreciation expense, the rate of return and incremental property taxes resulting from the undergrounding of facilities.

- B. **Calculation of Incremental Annual Revenue Requirement** – The elements of the incremental annual revenue requirement shall be determined as follows:

(i) Incremental Capital Costs

Incremental Capital Costs shall consist of the sum of all fully loaded incremental capital costs associated with the Underground Facilities, including costs to construct the new facilities, remove the Overhead Facilities net of salvage, relocate facilities, secure rights-of-way and obtain governmental and regulatory approvals.

(ii) Incremental Depreciation Expense

Incremental depreciation expense will be computed by subtracting depreciation expense for the Overhead Facilities from the depreciation expense for the Underground Facilities. Incremental depreciation expense for the Underground Facilities will be computed by applying a depreciation rate based on the Surcharge Period to the Incremental Capital Costs of the Underground Facilities. Depreciation expense for the Overhead Facilities will be computed by applying the approved depreciation rates, in effect at the time the initial surcharge calculation is made for any municipality, to the book cost of the Overhead Facilities.

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ISSUED BY: John D. McMahon, President
Pearl River, New York 10965EFFECTIVE May 1, 2005 under authority of
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ORANGE AND ROCKLAND UTILITIES, INC.

1st REVISED LEAF NO. 23-O-2
SUPERSEDING ORIGINAL LEAF NO. 23-O-2

GENERAL INFORMATION

18A. CHARGES FOR MUNICIPAL UNDERGROUNDING (Continued)**B. Calculation of Incremental Annual Revenue Requirement (Continued)**(iii) Rate of Return Component

The rate of return component will be computed by applying the overall rate of return reflected in the rates resulting from the Company's most recent electric rate proceeding, including all income tax effects thereon, to the Incremental Capital Costs of the Underground Facilities.

(iv) Incremental Property Taxes

Incremental property taxes will be computed by subtracting the property tax expense for the Overhead Facilities from the property tax expense for the Underground Facilities. Property tax expense for the Underground Facilities will be computed by applying current property tax rates to the estimated assessed valuation of the Underground Facilities. Property tax expense for the Overhead Facilities will be computed by applying current property tax rates to the estimated assessed valuation of the Overhead Facilities at the time the initial surcharge calculation is made for any municipality.

- C. Surcharge Calculation** - The surcharge will be assessed on a per kilowatt hour basis to all applicable customers within the municipality requiring or requesting the undergrounding of existing distribution or transmission facilities. The surcharge will take effect as soon as the Underground Facilities are placed into service, unless the Company and the municipality agree, in writing, to defer the implementation of the surcharge. In the case of such deferred implementation, interest at the Company's weighted cost of capital awarded in its most recent electric rate proceeding shall be accrued on the Incremental Capital Costs and Incremental Property Taxes from the date the Underground Facilities are placed into service until the date the surcharge is implemented. In such instance, the accrued interest will be added to the Incremental Capital Costs and the surcharge will be recalculated.

The surcharge will be calculated by dividing the levelized incremental annual revenue requirement (including the accrued interest, if any, due to deferred implementation of the surcharge) resulting from the undergrounding project by the estimated annual kilowatt hour consumption in such municipality, unless the Company and the municipality agree, in writing, to defer the collection of a portion of the surcharge. In the case of such

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ISSUED BY: John D. McMahon, President
Pearl River, New York 10965

ORANGE AND ROCKLAND UTILITIES, INC.

1st REVISED LEAF NO. 23-O-3
 SUPERSEDING ORIGINAL LEAF NO. 23-O-3

GENERAL INFORMATION

18A. CHARGES FOR MUNICIPAL UNDERGROUNDING (Continued)

C. Surcharge Calculation (Continued)

deferred recovery, interest at the Company's weighted cost of capital awarded in its most recent electric rate proceeding shall be accrued on any such deferred amounts from the date of such deferral until the date such deferral ends. In such instances, the deferred amounts and accrued interest on the deferred amounts will be added to the Incremental Capital Costs and the surcharge will be recalculated.

The surcharge will remain in effect for the duration of the Surcharge Period.

The Company will submit to the Commission annually a reconciliation of revenue recoveries through each municipal surcharge and the corresponding incremental annual revenue requirement. Any over- or under-collections (differences between revenue recoveries and the incremental annual revenue requirement) shall be reconciled in the determination of the next year's municipal surcharge, except as provided above with respect to deferred implementation of the surcharge and deferred recovery of a portion of the surcharge.

The Company may adjust the incremental annual revenue requirement when the Commission approves changes in the Company's overall rate of return and/or when there are changes in property taxes affecting the Underground Facilities.

The surcharge will be adjusted to reflect a contribution, if any, by the affected municipality to cover the cost of undergrounding and any amount the Company determines is appropriate to cover out of utility capital and operating budgets that is recoverable in rates. In making this determination, the Company will consider any benefits of the undergrounding to customers and the general public; any costs that may be avoided due to the undergrounding; the remaining life and/or condition of the Overhead Facilities; the rate impact on customers generally; and other appropriate factors.

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ISSUED BY: John D. McMahon, President
 Pearl River, New York 10965

ORANGE AND ROCKLAND UTILITIES, INC.

1st REVISED LEAF NO. 23-O-4
 SUPERSEDING ORIGINAL LEAF NO. 23-O-4

GENERAL INFORMATION

18A. CHARGES FOR MUNICIPAL UNDERGROUNDING (Continued)

- D. **Statement of Municipal Surcharges** - The applicable surcharge shall be set forth on a Statement of Municipal Surcharges (the "Statement") filed with the Commission. The Statement shall include a separate municipality-specific surcharge for each municipality in which a municipal surcharge is applicable pursuant to this provision. Whenever there is a change in the amount to be collected or reconciled, the Company shall file with the Commission a new Statement reflecting the new surcharge. This shall include, but not be limited to, undergrounding of additional facilities in the municipality pursuant to this provision.

The Company will submit to the Commission, the initial surcharge calculation and work papers of each municipal surcharge, including a copy of any agreement between the Company and the municipality to defer collection of a portion of the surcharge and / or to defer the implementation of the surcharge

Not less than fifteen days prior to a proposed change in a municipal surcharge, a Statement showing the revised municipal surcharge and the effective date will be filed with the Commission. Such Statement shall be sent to the affected municipality and made available to the public at Company offices at which applications for service may be made.

- E. **Customer Owned Facilities** - All service lines connected to the Overhead Facilities shall be relocated by the customer at the customer's expense. Any costs associated with modifications to customer-owned facilities and/or Company-owned facilities interconnecting with customer-owned facilities shall be the responsibility of the affected customer. The Company shall notify customers whose facilities interconnect with the Overhead Facilities that are to be removed of the actions they need to take to interconnect with the Underground Facilities. The Company may suspend service to any customer that has not arranged for connection to the Underground Facilities at the time the Overhead Facilities are removed.
- F. **Notification** – If a municipality requires or requests that the Company relocate underground all or a portion of the Company's existing distribution or transmission facilities within the boundaries of such municipality, the Company shall notify all affected customers of the resulting surcharge prior to its initial implementation.

ISSUED: March 30, 2007

EFFECTIVE: April 1, 2007

ISSUED BY: John D. McMahon, President
 Pearl River, New York 10965

Issued in compliance with Order of the Public Service Commission dated March 26, 2007 in Case No. 06-E-1571.