



Orange and Rockland Utilities, Inc.  
4 Irving Place  
New York NY 10003-0987  
www.oru.com

April 1, 2010

Honorable Jaclyn A. Brilling  
Secretary  
State of New York  
Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Re: Case 09-E-0310, Stimulus Projects

Dear Secretary Brilling:

Orange and Rockland Utilities, Inc. ("O&R" or "the Company") herein submits for filing five copies of the following tariff leaves reflecting revisions to its Schedule for Electric Service, P.S.C. No. 2 – ELECTRICITY ("Tariff").

12th	Revised Leaf No.	23Y
5th	Revised Leaf No.	23Y-1
	Original Leaf No.	23Y-2
	Original Leaf No.	23Y-3
10th	Revised Leaf No.	23Z

These leaves are issued April 1, 2010 to become effective June 30, 2010.

This filing is made in compliance with the Commission's Order Authorizing Recovery of Costs Associated with Stimulus Projects, issued and effective July 27, 2009 (the "Order"). The Order directed the Company to file a surcharge mechanism for recovery of the Company's cost-share of Stimulus Projects that receive federal funding from the U.S. Department of Energy ("DOE") under the American Recovery and Reinvestment Act of 2009 ("ARRA").<sup>1</sup>

### **Background**

In anticipation of its August 2009 application for partial federal funding from the DOE for Smart Grid projects under the ARRA, O&R petitioned the Commission both for review of the projects it proposed to undertake with such funding and for approval of a cost recovery mechanism for the project costs that would not be funded by a DOE grant. The Company's petition was filed on July 2, 2009, and was addressed by the Commission in its Order.

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<sup>1</sup> Ordering Clause 9 of the Order directed O&R to file within 30 days of DOE's determination on its application(s) for project funding tariff amendments necessary to effectuate a surcharge mechanism. This deadline has been extended three times by Secretary Brilling in response to applications by the Company, the latest deadline being April 1, 2010. Advice of Secretary Brilling dated February 26, 2010.

In its Order, the Commission concluded that a surcharge mechanism provides an appropriate tariff-based cost recovery method. (Order, pp. 57-59) The Commission observed,

A surcharge mechanism would charge customers for the incremental costs (including depreciation, taxes, operating expenses, and return on capital, net of any federal grants, in-kind or matching funds received) associated with the projects, adjusted for any operational savings or other benefits once the project is placed in-service. The surcharge would cease when a company's overall rates are reset and the on-going costs are reflected in its base rates.

Directing each utility to propose a company-specific surcharge mechanism in a future filing, the Commission specified the content of the proposals. (Order, pp. 60-62) The Commission stated that the filings must also

consider the impact of the proposed surcharge on customers, as well as the impacts of the any other new surcharges (i.e., 18-a, EEPS, etc.) which are already putting upward pressure on customers' bills. The surcharge tariffs shall contain an identification of the individual projects, including their capital and operating costs, and estimated in-service dates.

(Order, p. 59)

Surcharge proposals will be designed to collect only the incremental project costs, net of taxes, other benefits and grants obtained or requested after projects are placed in-service. [footnote omitted] Surcharge proposals must include a showing that utilities have considered and moderated, where appropriate, customer impacts. This can be achieved through surcharge proposals that consider approaches to useful life selection that match the costs and benefits of the projects. In addition, surcharge tariff proposals should address rate design and revenue allocation proposals that consider customer impacts. . . .

. . . . Grants will be credited against the incremental capital costs at the time they are received. Carrying charge proposals will consider the timing of the capital expenditures and grants received. Annually, each utility will submit a reconciliation between authorized surcharge amounts and actual collections.<sup>2</sup>

(Order, pp. 60-61)

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<sup>2</sup> Note that page 57, footnote 36, of the Order refers to semi-annual updates.

### **Tariff Changes Proposed**

The tariff leaves enclosed herewith describe the Company's proposed methodology for recovering the incremental revenue requirement associated with its capital and operating expenditures for approved Smart Grid projects that are not reimbursable by the DOE. The Company proposes to recover these costs through the Energy Cost Adjustment ("ECA"), which is applicable to full-service and retail access customers.

The tariff leaves indicate that the initial total amount to be collected will recover, over a six-month period, costs related to units of project work already placed in service plus units of project work expected to be placed in service over the next six months. Every six months, the charge will be updated to reflect new units of project work expected to be placed in service over the next six months and an adjustment for prior periods to reflect the difference, with interest (calculated at the Company's authorized pre-tax rate of return), between the revenue requirement for actual work placed in service and the amount collected.<sup>3</sup> The Company is providing the incremental annual revenue requirement on Attachment A to this letter.

The Company proposes that these charges become effective without advance review by Staff, because they will be subject to an after-the-fact review. As specified in the Order, this *post hoc* review will be accomplished when and as the utility proposes to move one or more of the projects to rate base in the context of the utility's next rate case. (Order, p.58)

### **Rate Design**

Smart Grid Surcharge amounts to be recovered from O&R customers will be recovered through a flat per kWh component of the ECA for all non-standby customers and through a \$ per kW of contract demand component of the ECA for standby customers. Recovery of Smart Grid Surcharge amounts through a flat per kWh component of the ECA for all non-standby customers is consistent with the recovery of public policy costs such as the Systems Benefits Charge and Renewable Portfolio Standard Charge. The proposed cost recovery for standby customers is consistent with the Company's January 29, 2010 proposal for the recovery of Base ECA costs from such customers.<sup>4</sup>

Separate Smart Grid Surcharges will be determined for customers taking substation or transmission service and for all other customers. The reason for this distinction is based on the nature of O&R's two Smart Grid projects. One project involves the installation of distribution capacitor banks and the other project involves the installation of transmission capacitor banks. Distribution customers will see the benefit of both capacitor bank installations, while transmission and substation customers will see the benefits only from the installation of the transmission capacitor banks. Therefore, the

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<sup>3</sup> Order, p. 57, footnote 36: "It is expected that the surcharges would be updated no more frequently than semi-annually to reflect the additional projects placed in-service and allow an adequate time for Staff review prior to effectuation."

<sup>4</sup> This filing is currently pending before the Commission with a proposed effective date of May 1, 2010.

surcharges will be developed so that all customers will be assessed costs associated with the Company's transmission-related smart grid project. Customers taking substation or transmission service will not be assessed costs associated with the Company's distribution related smart grid project.

The Company considered the impacts that are expected to result from the mechanism for recovering Smart Grid project costs described in this letter and the tariff leaves associated herewith. The Company recognizes that customers have recently been required to pay increased assessments pursuant to Public Service Law §18-a and increased charges pursuant to the Commission's Energy Efficiency Portfolio Standard and Renewable Portfolio Standard proceedings. The Company attempted to mitigate potential bill impacts by its selection of depreciation rates and service lives for use in the revenue requirement computation. Expected bill impacts through January 2013 are shown in Attachment B.

### **Conclusion and Notice**

As directed in Ordering Clause 9 of the Order, the tariff leaves are filed to become effective on 90 days' notice, effective June 30, 2010. The Company will publish notice of the changes proposed in this filing by means of newspaper publication for four consecutive weeks prior to the effective date of the proposed tariff changes. Enclosed is a proposed form of Notice of Proposed Rule Making for publication in the State Register pursuant to the State Administrative Procedures Act.

Please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

Any questions regarding this filing can be directed to William A. Atzl, Jr. at (212) 460-3308.

Very truly yours,



Christine Colletti  
Director – Rate Engineering

**Orange and Rockland Utilities, Inc.**  
**Case 09-E-0310**  
**Incremental Annual Revenue Requirement**  
**(in thousands)**

<u>Period</u>	Revenue Requirement <u>excl. GRT</u>	GRT @ <u>0.950%</u>	Revenue Requirement <u>incl. GRT</u>
January - December 2010	\$36	\$0	\$36
Increase for Year 2	\$194	\$2	\$196
January - December 2011	\$230	\$2	\$232
Increase for Year 3	\$113	\$1	\$114
January - December 2012	\$344	\$3	\$347

**Orange and Rockland Utilities, Inc.**  
**Case No. 09-E-0310**  
**Estimated Bill Impacts due to Smart Grid Surcharge<sup>(1)</sup>**

	<u>6-Month Average</u> <u>Aug 2010 - Jan 2011</u>	<u>6-Month Average</u> <u>Feb 2011 - Jul 2011</u>	<u>6-Month Average</u> <u>Aug 2011 - Jan 2012</u>	<u>6-Month Average</u> <u>Feb 2012 - Jul 2012</u>	<u>6-Month Average</u> <u>Aug 2012 - Jan 2013</u>
<b><u>SC1 Customer</u></b>					
<b>677 kWh</b>					
Total Bill Excluding Surcharge	120.76	121.20	120.77	118.15	118.23
Total Bill Including Surcharge	120.77	121.23	120.82	118.23	118.31
Difference (\$)	0.01	0.03	0.05	0.07	0.07
Difference (%)	0.008%	0.025%	0.041%	0.062%	0.061%
<hr/>					
<b><u>SC2 Secondary Customer</u></b>					
<b>11,000 kWh, 30 kW</b>					
Total Bill Excluding Surcharge	1,595.84	1,602.79	1,595.88	1,554.35	1,555.67
Total Bill Including Surcharge	1,596.06	1,603.34	1,596.76	1,555.45	1,556.68
Difference (\$)	0.22	0.55	0.88	1.10	1.01
Difference (%)	0.014%	0.034%	0.055%	0.071%	0.065%
<hr/>					
<b><u>SC9 Primary Customer</u></b>					
<b>1,000,000 kWh, 2,500 kW</b>					
Total Bill Excluding Surcharge	90,377.22	91,009.33	90,380.56	86,606.24	86,726.33
Total Bill Including Surcharge	90,397.23	91,059.36	90,460.61	86,706.31	86,818.06
Difference (\$)	20.01	50.03	80.06	100.07	91.73
Difference (%)	0.022%	0.055%	0.089%	0.116%	0.106%

(1) Bill Impacts shown are an illustration assuming an initial effective date of August 1, 2010 for the Smart Grid Surcharge. The Smart Grid Surcharge for each six month period may vary from those used in the bill impacts based on when the actual units of work are placed in or expected to be placed in, service.

NYS DEPARTMENT OF STATE

# Notice of Proposed Rule Making

Public Service Commission  
(SUBMITTING AGENCY)

**NOTE: Typing and submission instructions are at the end of this form. Please be sure to COMPLETE ALL ITEMS. Incomplete forms and nonscannable text attachments will be cause for rejection of this notice.**

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Pursuant to the provisions of the State Administrative Procedure Act (SAPA), NOTICE is hereby given of the following agency action:

1. Proposed action:

The Public Service Commission (the "PSC") is considering whether to approve, reject, in whole or in part, or modify a proposal filed by Orange and Rockland Utilities, Inc. (the "Company") to make changes in the charges, rules, and regulations contained in its tariff schedules for electricity service, P.S.C. No. 2 – Electricity, effective June 30, 2010.

2. Statutory authority under which rule is proposed:

Public Service Law, Section 66(12).

3. Subject of rule:

The Company proposes a change to its tariffs to implement a surcharge mechanism for recovery of the Company's cost-share of Stimulus Projects receiving federal funding from the U.S. Department of Energy under the American Recovery Reinvestment Act of 2009.

4. Purpose of rule:

The Company proposes to recover the incremental revenue requirement under its Energy Cost Adjustment applicable to full-service and retail access customers.

5. Terms of rule (check applicable box):

The rule contains 2,000 words or less. An original copy of the text in scannable format is attached to this form.

The rule contains more than 2,000 words. Therefore, an original copy of a summary the text (in scannable format) is attached to this form.

Pursuant to SAPA § 202(7)(b), the agency elects to print a description of the subject, purpose and substance of the rule containing less than 2,000 words. The original text in scannable format is attached to this form.

6. The text of the rule and any required statements or analyses may be obtained from:

Name of agency contact Margaret Maguire, Clerk II  
Office address Three Empire State Plaza  
Albany, New York 12223  
Telephone number (518) 474-3204

## 7. Regulatory Impact Statement (RIS) (check applicable box):

- A RIS of 2,000 words or less is submitted with this notice.
- A summary of the RIS is submitted with this notice because the full text exceeds 2,000 words.
- A consolidated RIS is submitted with this notice because:
- the rule is one of a series of closely related and simultaneously proposed rules.
  - the rule is one of a series of virtually identical rules proposed during the same year.
- An RIS is not submitted because this rule is a technical amendment and, therefore, exempt from SAPA § 202-a. Attached to this notice is a statement of the reason(s) for claiming this exemption.
- An RIS is not submitted because this rule is subject to a consolidated RIS printed in the Register under a notice of proposed rule making ID No. PSC-\_\_\_\_\_; Register date: \_\_\_\_\_.
- An RIS is not submitted with this notice because this rule is a "rate making" as defined in SAPA § 102(2)(a)(ii).

## 8. Regulatory Flexibility Analysis for Small Businesses (RFASB) (check applicable box):

- An RFASB of 2,000 words or less is submitted with this notice.
- A summary RFASB is submitted with this notice because the full text exceed 2,000 words.
- A consolidated RFASB is submitted with this notice because this rule is the first of a series of closely related rules that will be the subject of the same analysis.
- An RFASB is not submitted because this rule will not impose any adverse economic impact or reporting, recordkeeping or other compliance requirements on small businesses. A statement is attached setting forth this agency's finding and the reasons upon which the finding was made, including what measures were used by this agency to ascertain that this rule will not impose such adverse economic impact or compliance requirements on small businesses.
- An RFASB is not submitted because this rule is subject to a consolidated RFASB printed in the Register under a notice of proposed rule making, ID No. \_\_\_\_\_; Register date: \_\_\_\_\_.
- An RFASB is not submitted with this notice because this rule is a "rate making" as defined in SAPA § 102(2)(a)(ii).

## 9. Rural Area Flexibility Analysis (RAFA) (check applicable box):

- An RAFA of 2,000 words or less is submitted with this notice.
- A summary RAFA is submitted with this notice because the full text exceeds 2,000 words.
- A consolidated RAFA is submitted with this notice because this rule is the first of a series of closely related rules that will be the subject to the same analysis.
- An RAFA is not submitted because this rule will not impose any adverse impact or reporting, recordkeeping or other compliance requirements on public or private entities in rural areas. A statement is attached setting forth this agency's finding and the reasons upon which the finding was made, including what measures were used by this agency to ascertain that this rule will not impose such adverse impact or compliance requirements on rural areas.
- An RAFA is not submitted because this rule is subject to a consolidated RAFA printed in the Register under a notice of proposed rule making, ID No. \_\_\_\_\_; Register date: \_\_\_\_\_.
- An RAFA is not submitted because this rule is a "rate making" as defined in SAPA § 102(2)(a)(ii).

## 10. Job Impact Statement (JIS) (check applicable box):

- A JIS of 2,000 words or less is submitted with this notice.
- A summary JIS is submitted with this notice because the full text exceeds 2,000 words.
- A JIS/Request for Assistance is submitted with this notice.
- A consolidated JIS is submitted with this notice because this rule is the first of a series of closely related rules that will be subject to the same analysis.
- A JIS is not submitted because it is apparent from the nature and purpose of the rule that it will not have a substantial adverse impact on jobs and employment opportunities. A statement is attached setting forth this agency's finding that the rule will have a positive impact or no impact on jobs and employment opportunities; except when it is evident from the subject matter of the rule that it could only have a positive impact or no impact on jobs and employment opportunities, the statement shall include a summary of the information and methodology underlying that determination.
- A JIS is not submitted because this rule is subject to a consolidated JIS printed in the **Register** in a notice of proposed rule making ID No. \_\_\_\_\_; Register date: \_\_\_\_\_.
- A JIS is not submitted with this notice because this rule is a "rate making" as defined in SAPA § 102(2)(a)(ii).
- A JIS is not submitted because this rule is proposed by the State Comptroller or Attorney General.

## 11. Prior emergency rule making for this action was previously published in the \_\_\_\_\_ issue of the Register, I.D. No. \_\_\_\_\_.

12. Expiration Date (check only if applicable):

This proposal will not expire in 180 days because it is for a "rate making" as defined in SAPA § 102(2)(a)(ii).

13. Public Hearings (check box and complete as applicable)

A public hearing is required by law and will be held at \_\_\_ a.m./p.m. on \_\_\_\_\_, 19 \_\_, at  
\_\_\_\_\_  
\_\_\_\_\_

A public hearing is not required by law, and has not been scheduled.

A public hearing is not required by law, but will be held at \_\_\_ a.m./p.m. on \_\_\_\_\_, 19 \_\_, at  
\_\_\_\_\_  
\_\_\_\_\_

14. Interpreter Service (check only if a public hearing is scheduled):

Interpreter services will be made available to hearing impaired persons, at no charge, upon written request submitted within a reasonable time prior to the scheduled hearing. Requests must be addressed to the agency contact designated in this notice.

15. Accessibility (check appropriate box only if a public hearing is scheduled):

All public hearings have been scheduled at places reasonably accessible to persons with a mobility impairment.

All public hearings except the following have been scheduled at places reasonably accessible to persons with a mobility impairment:  
1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_

None of the scheduled public hearings are at places that are reasonably accessible to persons with a mobility impairment.

An **optional** explanation is being submitted regarding the nonaccessibility of one or more hearing sites.

16. Submit data, views or arguments to (complete only if different than previously named agency contact):

Name of agency contact Jaclyn A. Brillling, Secretary  
Office address Three Empire State Plaza  
Albany, New York 12223  
Telephone number (518) 474-6530

17. Additional matter required by statute:

Check box if NOT applicable.

18. Public comment will be received until:

45 days after publication of this notice (MINIMUM, public comment period).

5 days after the last scheduled public hearing required by statute (MINIMUM, with required hearing).

Other: (specify) \_\_\_\_\_.

19. Regulatory Agenda: **(The Division of Housing and Community Renewal; Workers Compensation Board; and the departments of Agriculture and Markets, Banking, Education, Environmental Conservation, Health, Insurance, Labor and Social Services** and any other department specified by the governor or his designee must complete this item. If your agency had an optional agenda published, that should also be indicated below):

This action was listed as a Regulatory Agenda item in the first January issue of the Register, 19\_\_.

This action was listed as a Regulatory Agenda item in the last June issue of the Register, 19\_\_.

This action was not under consideration at the time this agency's Regulatory Agenda was submitted for publication in the Register.

**AGENCY CERTIFICATION (To be completed by the person who PREPARED the notice)**

I have reviewed this form and the information submitted with it. The information contained in this notice is correct to the best of my knowledge.

I have reviewed Article 2 of SAPA and Parts 260 through 263 of 19 NYCRR, and I hereby certify that this notice complies with all applicable provisions.

Name \_\_\_\_\_ Signature \_\_\_\_\_  
Address \_\_\_\_\_  
Date \_\_\_\_\_ Telephone \_\_\_\_\_

**Please read before submitting this notice:**

1. Except for this form itself, all text must be typed in scannable format as described in the Department of State's "NYS Register Procedures Manual."
2. Submit the **original notice and scanner copy** collated as (1) form; (2) text or summary of rule; and if any, (3) regulatory impact statement, (4) regulatory flexibility analysis for small businesses, (5) rural area flexibility analysis, (6) job impact statement - **and ONE copy of that set.**
3. **Hand deliver to:** DOS Office of Information Services, 41 State Street (3rd Floor), Albany  
**Address mail to:** Register/NYCRR unit, Department of State, Albany, NY 12231

ORANGE AND ROCKLAND UTILITIES, INC.

12th REVISED LEAF NO. 23Y  
SUPERSEDING 10th REVISED LEAF NO. 23Y  
11th REVISED LEAF NO. 23Y PENDING

**GENERAL INFORMATION**

**23. RETAIL ACCESS COST RECOVERY MECHANISMS**

**23.1 ENERGY COST ADJUSTMENT ("ECA")**

The ECA will be applied to the bills of all customers served under this Schedule. The ECA consists of a Base ECA, a Variable ECA, a Temporary Surcharge, and a Smart Grid Surcharge.

a) **Base ECA**

The Base ECA will be determined annually and is designed to recover: (a) the cost associated with the termination of power sales agreements with Non-Utility Generators ("NUG Buyout Costs"), (b) lost revenue resulting from the implementation of individually negotiated contracts under Service Classification No. 23, (c) implementation costs, including costs for enabling technologies, associated with Rider M and Mandatory DAHP as set forth in General Information Section 14 (Market Supply Charge), and (d) any prior period over/undercollection of Base ECA and Variable ECA costs.

On or before February 1 of each year, the Company shall submit to the Commission its annual filing to establish the Base ECA to become effective the following May 1. The Base ECA shall be equal to the Company's projection of the cost components defined above, divided by the Company's estimate of total customer kWh usage for the coming recovery period, rounded to the nearest \$0.00001 per kWh. The Base ECA will remain in effect until changed as authorized by the Commission.

NUG Buyout Cost Recovery

NUG Buyout Costs shall be defined as costs associated with the termination of power sales agreements with NUGs. NUG Buyout Costs must be approved by the Commission prior to recovery through the ECA. The Company's estimated NUG Buyout Costs for the coming year shall be determined and included in the annual Base ECA filing.

(Continued)

ISSUED: April 1, 2010

EFFECTIVE: June 30, 2010

ISSUED BY: William Longhi, President  
Pearl River, New York 10965

ORANGE AND ROCKLAND UTILITIES, INC.

5th REVISED LEAF NO. 23Y-1  
SUPERSEDING 3rd REVISED LEAF NO. 23Y-1  
4th REVISED LEAF NO. 23Y-1 PENDING

**GENERAL INFORMATION**

**23. RETAIL ACCESS COST RECOVERY MECHANISMS (Continued)**

**23.1 ENERGY COST ADJUSTMENT ("ECA") (Continued)**

b) **Variable ECA**

The Variable ECA will be determined monthly and is designed to recover shortfalls and surpluses in auctions, day-ahead market congestion settlements, or any other adjustments related to Transmission Congestion Contracts ("TCCs") received by the Company from the NYISO.

The Variable ECA shall be equal to the cost component defined above divided by the Company's estimate of total customer kWh usage for the applicable billing month, rounded to the nearest \$0.00001 per kWh.

c) **Reconciliation**

Each month, the ECA costs applicable to the Base ECA and Variable ECA incurred by the Company shall be reconciled to Base ECA and Variable ECA recoveries and any differences shall be deferred. Interest, at the Commission-approved rate for Gas Adjustment Charge refunds, will be calculated on the average of the current and prior month's cumulative over and under collections. The annual Base ECA filing submitted by the Company will include the reconciliation of actual Base and Variable ECA costs and recoveries in the prior period.

d) **Applicability**

The Base and Variable ECA per kWh determined above will be applied to the kWh usage on the bills of all customers served under this Schedule, except for customers billed under Service Classification No. 25.

For customers billed under Service Classification No. 25, the Base ECA and Variable ECA shall be separately determined and billed. The Base ECA shall be a percentage increase applied to the applicable Service Classification No. 25 Customer Charges and Delivery Charges billed to such customers. The percentage increase shall be determined by dividing the Company's projection of costs recoverable through the Base ECA, as determined in the manner set forth above, by the applicable annual delivery service revenues. The Variable ECA shall be determined as set forth under (b) above and billed on a per kWh basis.

(Continued)

ISSUED: April 1, 2010

EFFECTIVE: June 30, 2010

ISSUED BY: William Longhi, President  
Pearl River, New York 10965

ORANGE AND ROCKLAND UTILITIES, INC.

ORIGINAL LEAF NO. 23Y-2

**GENERAL INFORMATION**

**23. RETAIL ACCESS COST RECOVERY MECHANISMS (Continued)**

**23.1 ENERGY COST ADJUSTMENT ("ECA") (Continued)**

e) **Temporary Surcharge**

Pursuant to the Commission's Order Establishing Electric Rate Plan for Orange and Rockland Utilities, Inc., issued July 23, 2008, in Case No. 07-E-0949, a temporary surcharge shall be in effect from July 1, 2010 through June 30, 2011 to collect \$9,903,000 due to the phase-in of the rate increases.

Temporary Surcharge rates by service classification (\$/kWh):

SC1	0.00324	SC16 Energy Only	0.00243
SC2	0.00251	SC19	0.00280
SC3	0.00132	SC20	0.00168
SC4	0.00730	SC21	0.00112
SC5	0.00480	SC22	0.00073
SC9	0.00105	SC25	0.00068
SC16 Dusk to Dawn	0.00619		

f) **Smart Grid Surcharge**

The Smart Grid Surcharge component of the ECA is designed to recover costs associated with approved Smart Grid projects, as directed by the Commission in Case 09-E-0310. Costs will be collected for each project based on the date that each unit of project work is placed or expected to be placed in service.

The total amount to be collected is composed of the incremental revenue requirement associated with the Company's capital and operating expenditures for Smart Grid projects. The revenue requirement includes incremental depreciation, taxes, and operating expenses (including incremental direct and associated indirect costs and contractor costs) for Smart Grid projects and a return on capital. Customers' share of project costs excludes Economic Stimulus grants received from the U.S. Department of Energy under the American Recovery and Reinvestment Act.

(Continued)

ISSUED: April 1, 2010 EFFECTIVE: June 30, 2010

ISSUED BY: William Longhi, President  
 Pearl River, New York 10965

## ORANGE AND ROCKLAND UTILITIES, INC.

ORIGINAL LEAF NO. 23Y-3

**GENERAL INFORMATION****23. RETAIL ACCESS COST RECOVERY MECHANISMS (Continued)****23.1 ENERGY COST ADJUSTMENT ("ECA") (Continued)****f) Smart Grid Surcharge (Continued)**

The initial portion of the total amount to be collected will be recovered over a six-month period and will reflect the units of project work that were placed in service plus the units of work that are expected to be placed in service over the next six months. Every six months thereafter, the portion of the total amount to be collected will be revised to reflect new units of project work expected to be placed in service over the next six months. It will also contain an adjustment for prior periods to reflect the difference, with interest (calculated at the Company's authorized pre-tax rate of return), between the revenue requirement for actual project work placed in service and the amount collected.

The Smart Grid Surcharge component of the ECA for all customers, except those billed under Service Classification No. 25, shall be assessed on a cents per kWh basis, and shall be equal to such customers' proportionate share of the Company's projection of the Smart Grid Surcharge cost components defined above, divided by the Company's estimate of total customer kWh usage applicable to such customers for the coming recovery period, rounded to the nearest \$0.00001 per kWh. The Smart Grid Surcharge component of the ECA for Service Classification No. 25 customers shall be assessed on a per kW of contract demand basis and shall be equal to the Service Classification No. 25 customers' proportionate share of the Company's projection of the Smart Grid Surcharge cost components defined above, divided by the Company's estimate of total Service Classification No. 25 contract demand kW for the coming recovery period, rounded to the nearest \$0.0001 per kW.

Separate Smart Grid Surcharge components of the ECA will be determined as described above for (a) customers taking substation or transmission service as defined in General Information Section No. 4; and (b) all other customers, based on the applicability of Smart Grid projects to such customers.

The Company will phase out cost recovery through the ECA of Smart Grid projects as the costs of the projects are moved into base rates. Costs recovered through the ECA for Smart Grid projects are subject to refund if the Commission determines project costs to have been imprudently incurred or cost calculations to be incorrect.

(Continued)

ISSUED: April 1, 2010

EFFECTIVE: June 30, 2010

ISSUED BY: William Longhi, President  
Pearl River, New York 10965

ORANGE AND ROCKLAND UTILITIES, INC.

10th REVISED LEAF NO. 23Z  
SUPERSEDING 8th REVISED LEAF NO. 23Z  
9th REVISED LEAF NO. 23Z PENDING

**GENERAL INFORMATION**

**23. RETAIL ACCESS COST RECOVERY MECHANISMS (Continued)**

**23.1 ENERGY COST ADJUSTMENT ("ECA") (Continued)**

g) **Statement of Energy Cost Adjustment**

A Statement of Energy Cost Adjustment showing the Base ECA, Variable ECA, Temporary Surcharge, if applicable, Smart Grid Surcharge component of the ECA and effective date shall be filed with the Commission, apart from this Schedule. Such statement shall be filed February 1 of each year to establish the Base ECA to become effective the following May 1. Such statement shall also be filed not less than three business days prior to a proposed change in the Variable ECA or Smart Grid Surcharge component of the ECA. The Statement of Energy Cost Adjustment shall be made available to the public at Company offices where applications for service may be made.

(Continued)

ISSUED: April 1, 2010

EFFECTIVE: June 30, 2010

ISSUED BY: William Longhi, President  
Pearl River, New York 10965