

P.S.C. NO. 3 ELECTRICITY
ORANGE AND ROCKLAND UTILITIES, INC.
INITIAL EFFECTIVE DATE: April 1, 2012

LEAF: 235
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION

20. 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:

(1) 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.

(2) 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.

Issued By: William Longhi, President, Pearl River, New York