



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

October 19, 2007

Honorable Jaclyn A. Brilling,
Secretary
New York State
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Dear Secretary Brilling:

Orange and Rockland Utilities, Inc. ("O&R" or the "Company") hereby submits for filing Leaf 23, Revision 1, reflecting revisions to its Schedule for Gas Service, PSC No. 4 – Gas ("Gas Tariff"). This revised tariff leaf is issued October 19, 2007, to become effective on February 1, 2008.

The purpose of this filing is to establish a tariff provision for incentive programs that assist customers in defraying costs associated with conversions to gas service.

Reason for the Proposed Tariff Change

Attracting new gas customers meeting certain economic criteria is an important means of reducing costs to other customers by enabling the Company to spread costs over a larger base. Customer incentives play an important role for growing the gas business by helping customers overcome obstacles to gas conversions. Equipment rebates and loans address customers' difficulty with funding the initial capital investment for installing gas equipment and can motivate customers to convert to gas prior to failure of their existing equipment. Project management is needed where the conversion process for large customers is administratively and technically complex.

Accordingly, the Company plans to offer incentive programs for conversions to gas service. To be effective, these programs must be well documented and understood by everyone affected by them, yet they must be flexible in order to meet the changing needs of the Company and its customers. Therefore, the Company proposes to implement a general tariff provision describing the availability of customer incentive programs and to include the detailed program descriptions in its Gas Transportation Operating Procedures ("GTOP").

The Company will use economic eligibility criteria to facilitate the funding of those projects that are the most beneficial to the system. Customers may be subject to credit quality and size criteria and may also be subject to minimum service terms and minimum volume requirements so that the economic criteria are satisfied.

Summary of the Proposed Changes

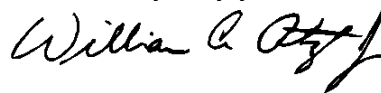
By this filing, the Company proposes to add General Information Section No. 3.10, Customer Incentive Programs, to its Gas Tariff. This section provides basic information regarding the Company's incentive programs and refers to the GTOP for detailed program descriptions. Attached with this filing are the program descriptions as they will appear in the GTOP. Upon approval of the proposed tariff changes, the Company will file the corresponding changes to its GTOP with Commission Staff.

Notices

The Company will provide for public notice of the tariff changes proposed in this filing by means of newspaper publication once a week 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 Procedure Act.

Any questions regarding this filing can be directed to me at (212) 460-3308.

Very truly yours,

A handwritten signature in black ink, appearing to read "William A. Atzl, Jr.", with a stylized flourish at the end.

William A. Atzl, Jr.
Director – O&R Rates

Program #1 – The Residential/Commercial Gas Conversion Incentive Program**Purpose**

The Residential/Commercial Gas Conversion Program (“Program #1”) is designed to encourage oil or propane heating customers (“Applicants”) to become firm natural gas customers of Orange and Rockland Utilities, Inc. (“Orange and Rockland” or the “Company”). Under Program #1, the Company may extend gas main and/or service facilities, beyond the allowable residential/commercial entitlements set forth in the Company’s gas tariff, to Applicants based on the results of a Company conducted financial analysis of the project. Each Applicant must demonstrate that the extension project provides an acceptable financial benefit to the Company. Each Applicant also must commit to taking firm natural gas service from the Company for the period required pursuant to the Company’s financial analysis results.

Application

Applicants should contact Orange and Rockland’s New Business Department at 845-577-3324 in order to be notified regarding the requirements for Program #1. Applicants must complete an application for gas service. The Company will review all applications and determine, in its sole discretion, if the application meets the criteria for participation in Program #1, outlined below. If the application meets the criteria, the Applicant will be contacted by a New Business Project Manager to discuss the details of the conversion project. Applicants whose applications are rejected will be notified and an explanation for the rejection will be provided.

Program Criteria

In order to qualify for participation in Program #1, an Applicant must:

1. Agree to convert **all** oil or propane fueled equipment on the premises to natural gas;
2. Agree to remove **all** existing oil or propane fueled equipment, including storage tanks, from the premises;
3. Agree to take firm gas service (transportation or bundled firm sales) for the minimum term required pursuant to the Company’s financial model.
4. Provide the Company a cash deposit or letter of credit in the amount of the full cost of the project, inclusive of allowable entitlements, as security for the installation of gas service at the premises. All letters of credits must remain valid until the applicant’s conversion to natural gas is completed and one heating season has passed or when the Company is satisfied that the Applicant has met its obligation. A heating season is defined as the consecutive calendar months of October through the following May.
5. The financial model used for purposes of evaluating projects under Program #1 must demonstrate a rate of return greater than or equal to the Company’s current rate of return approved by the New York State Public Service Commission. If the project demonstrates a lower rate of return, the Applicant may make a non-refundable cash contribution towards the cost of the project in the amount necessary to meet the Company’s required rate of return.

Once the Applicant has consumed firm natural gas for a period of one heating season, the Company shall compare the projected delivery revenue used in the above-referenced financial model with the actual delivery revenue received in the preceding heating season. If actual delivery revenue is less than projected delivery revenue, the Company shall notify the Applicant of such difference and the Company may call upon the performance bond and/or irrevocable letter of credit for such difference. If start up of a facility is a condition, the Company may extend the revenue review for an additional heating season. At any time where the Company is satisfied that the Applicant has met their obligation, the Company may return the cash deposit or release the letter of credit.

Program Description

- Upon acceptance of an application, the Applicant will receive a Program #1 offer which will include the Company's total cost to complete the project; the amount of deposit necessary from the Applicant, and the expiration date of the offer.
- If Applicant elects to participate in Program #1, the Applicant will execute a Gas Conversion Agreement, in the form attached hereto, prior to the expiration date of the offer.
- Applicant must remit to the Company the required security deposit or letter of credit within five business days of executing the Gas Conversion Agreement. Failure to remit security will result in a termination of the offer.
- If an Applicant posts a letter of credit for security, it must be in the form attached hereto.
- All existing or potential oil or propane fueled equipment, including storage tanks, must be removed from the premises within 30 days of commencing use of firm natural gas service.
- Once firm natural gas service has commenced, all existing or potential oil or propane fueled equipment has been removed from the premises and the Company is satisfied that the Applicant has met their obligation, the cash deposit or letter of credit will be returned as provided under Program Criteria.
- Orange and Rockland will provide Applicant with all required gas service and metering specifications for the installation of natural gas facilities.
- Orange and Rockland will perform initial and final inspections to verify program eligibility and conformance with its Specifications for Gas Installations.
- Applicant will provide at no cost any rights-of-way across the premises so as to allow access for the Company's gas facilities.
- All non-refundable cash contribution received to meet the Company's required rate of return will not be eligible for refund once construction of natural gas facilities has begun.
- The financial model will be based on reasonable gas load and usage information provided by the Applicant.

GAS CONVERSION AGREEMENT

THIS AGREEMENT ("Agreement"), made as of the ____th day of _____, by and between _____ ("Applicant") having a principal address at _____ and ORANGE and ROCKLAND UTILITIES, INC. ("Orange and Rockland" or "the Company") a New York corporation, having its principal office at One Blue Hill Plaza, Pearl River, New York 10965.

WHEREAS, Applicant has applied to Orange and Rockland for the installation of gas service at _____ ("Premises") pursuant to General Information Sections 3.7 and 3.8 of Orange and Rockland's –Schedule for Gas Service, P.S.C. No. 4 – GAS ("Gas Tariff"); and

WHEREAS, Orange and Rockland has the right to charge customers for the cost of facilities beyond those the Company is required to provide without charge in accordance with General Information Sections 3.7 and 3.8 of the Gas Tariff; and

WHEREAS, based on the results of a financial analysis, the Company [will not charge for/ will share the cost for such facilities], contingent upon the customer converting to natural gas; and

WHEREAS, Orange and Rockland is willing to install gas service at the Premises pursuant to the terms and conditions set forth below;

NOW THEREFORE, in consideration of the mutual promises contained in this Agreement, the Applicant and Orange and Rockland agree as follows:

1. Within five days of the execution of this Agreement, Applicant will provide Orange and Rockland with a cash deposit or an irrevocable letter of credit, in the form attached hereto, ("Letter of Credit") in the amount of \$_____ as security for the installation of gas service at the Premises ("Security Deposit"). Applicant agrees to keep the Letter of Credit in full force and effect until Applicant has completed the actions described in Paragraph 2 below.
2. Applicant may cancel the Letter of Credit or Orange and Rockland shall return the cash deposit, as applicable, upon Applicant's completion of all of the following actions: (1) connection of all heating systems, previously fueled with oil or propane, located at the Premises to Orange and Rockland's natural gas distribution system; (2) commencement of metered firm natural gas service from Orange and Rockland within 30 days of Orange and Rockland's written notification that the service connection has been completed, and (3) removal of all potential oil or propane fueled equipment, including storage tanks, from the Premises within thirty (30) days of the commencement of firm natural gas service. If the Customer fails to complete one or more of the above actions within the indicated time frames, the customer shall forfeit the Security Deposit, thereby allowing the Company to draw upon the maximum amount of the letter of credit or retain the entire cash deposit, as applicable,

3. All existing or potential oil or propane fueled equipment must be removed from the Premises within 30 days of Applicant's commencement of the use of firm natural gas service.
4. Applicant agrees to comply with all applicable provisions of the Gas Tariff and Orange and Rockland's Gas Transportation Operating Procedures ("GTOP").
5. Orange and Rockland will install natural gas service to the Premises in compliance with the provisions of its Gas Tariff and GTOP.

IN WITNESS WHEREOF, Applicant and the Company, intending to be bound, have executed this Agreement as of the date first above written.

ORANGE AND ROCKLAND UTILITIES, INC.

By _____

Title _____

APPLICANT

By _____

Program #2 – The Gas Conversion Rebate Incentive Program

Purpose

The Gas Conversion Rebate Incentive Program (“Program #2”) is designed to encourage oil or propane heating customers (“Applicants”) to become firm natural gas customers of Orange and Rockland Utilities, Inc. (“Orange and Rockland” or the “Company”). Under Program #2, the Company may offer the Applicant an incentive to help reduce the cost of converting customer owned equipment from oil or propane to firm natural gas. The incentive may be (i) cash payable to the Applicant, (ii) reduced rate financing for the purchase of a gas boiler, furnace or other gas equipment from a financial institution provided the applicant meets the financial institution’s specific creditworthiness criteria, (iii) purchase for the Applicant of a boiler or furnace for the purposes of space heating, or (iv) another incentive or combination of incentives of similar value being offered at the time of application by Orange and Rockland.

Application

Through Orange and Rockland’s gas expansion effort, specific areas of its service territory will be targeted for gas conversions and Applicants in these areas will be eligible for a gas conversion rebate. The targeted areas will be identified based on proximity to existing natural gas facilities and the number of potential Applicants. Only potential Applicants within the targeted area will be provided an opportunity to participate in the rebate program if the project commences. In addition, customers who currently utilize natural gas service for purposes other than heating will also be eligible for a rebate. In order to participate, Applicants must first complete an application for natural gas service.

Program Criteria

In order to qualify for participation in Program #2, an Applicant must:

1. Complete an application for natural gas service;
2. Agree to convert space heating equipment to natural gas;
3. Agree to remove all existing oil or propane fueled equipment, including storage tanks, from the premises within 30 days of commencing gas service;
4. Agree to take firm gas service (transportation or bundled firm sales) for a minimum of four years from the date firm natural gas service commences;
5. Provide the Company with a copy of an itemized proof-of- purchase and installation of all natural gas equipment; and
6. Complete a natural gas rebate or incentive application form.

If the Applicant does not commence firm natural gas service by the agreed upon date, Orange and Rockland maintains the right to withdraw all rebate/incentive offers to the Applicant.

Program Description

- Upon acceptance of an application, Applicant will receive a rebate/incentive offer which will include the type of rebate or incentive, amount of rebate or incentive and the expiration date of the offer.
- Eligible Applicants will receive various incentive options with a total dollar value not to exceed \$2,000 upon commencement of natural gas service to the Applicant's gas burning equipment and removal from the premises of all existing or potential oil or propane fueled equipment.
- All Applicants that currently utilize natural gas for purposes other than space heating (e.g., cooking, water heating) also will be eligible to receive various incentive options with a dollar value not to exceed \$2,000.
- The Company may, from time to time, change the number of incentive options available during a promotional period, but at no time will the value of the offerings combined or separate to any Applicant exceed the amounts above.
- The Applicant must execute a gas rebate/incentive form once all work has been completed within the Applicant's facility and prior to the expiration date of the offer.
- To be eligible to receive the rebate/incentive, the Applicant must have all existing or potential oil or propane fueled equipment, including storage tanks, removed from the premises within 30 days of commencing use of firm natural gas service.
- Orange and Rockland personnel will provide the Applicant with all required gas service and metering specifications for the installation of natural gas facilities.
- Orange and Rockland personnel will perform initial and final inspections to verify program eligibility and conformance with its Specifications for Gas Installations.
- Applicant will provide at no cost any rights-of-way across the premises so as to allow access for the Company's gas facilities.
- Applicant must commence receiving firm gas service for use in its new gas burning equipment no later than 60 days upon completion of construction of natural gas service.