TABLE OF CONTENTS

Page

DELIVERY VOLUMES BY SERVICE CLASSIFICATION................. 6
Econometric Models.................................................. 7
Modeling Period....................................................... 8
Independent Variables............................................... 8
Model Structure...................................................... 10
Model Assumptions.................................................. 12
REVENUE FORECAST................................................ 22
SENDOUT FORECAST.................................................. 27
Q. Would the members of the Forecasting Panel please state their names and business address?

A. Margaret M. Lenz, Patrick F. Hourihane, and Hock G. Ng, 4 Irving Place, New York, New York 10003.

Q. By whom are you employed, in what capacity, and what are your professional backgrounds and qualifications?

A. (Lenz) We are employed by Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”). I am Department Manager of Revenue and Volume Forecasting in Corporate Accounting. My background is as follows: I received my Bachelor of Science degree in Mathematics from St. Lawrence University in 1981. I also received an MBA Degree in Finance in 1995 from Adelphi University. In 1981, I was employed by Con Edison in its Management Intern Program. I have held various positions of increasing responsibility in the Company’s Planning, Corporate Accounting, Energy Services and Rate Engineering departments. I have overseen the Electric Revenue and Volume Forecasting Section since December 2002 and have been in my current position, overseeing the volume and revenue forecasts of all three systems (electric, gas and steam), since July 2006.
(Hourihane) I am Section Manager of Electric Revenue and Volume Forecasting in Corporate Accounting. My background is as follows: I received a Bachelor of Arts Degree in History from Saint Meinrad in 1974 and a Master in Energy Management Degree from New York Institute of Technology in 2000. In 1975, I began my employment with Con Edison in the Customer Service Department. Between 1978 and 2005, I worked in positions of increasing responsibility in the Customer Service and Energy Management departments. My responsibilities have included such projects as the electric governmental forecast and the gas delivery forecast. In 2005, I transferred to the Rate Engineering Department. In December 2006, I was promoted to my present position in Corporate Accounting. My responsibilities include overseeing the electric volume and revenue forecast.

(Ng) I am a Senior Planning Analyst of Electric Revenue and Volume Forecasting in Corporate Accounting. My background is as follows: I received a Bachelor of Economics degree from the University of Western Australia in 1983. I also received a PhD degree in Economics in 1992 from Stanford University. In 2005, I
began my employment with Con Edison. Prior to joining Con Edison, I taught and performed research in economics and econometrics at various universities. My responsibilities include developing, testing and updating the forecasting models used to produce the electric delivery volume and revenue forecast.

Q. Has any panel member published any literature, which is relevant to modeling and forecasting?

A. **(Ng)** Yes, I co-authored two articles dealing with forecast modeling issues that have been published in the International Journal of Forecasting, and Systems Analysis Modeling Simulation, respectively.

Q. Have you previously testified in regulatory proceedings?

A. **(Lenz)** I testified in Case Nos. 08-E-0539, 07-E-0523 and 06-E-1433 and submitted testimony in Case Nos. 09-E-0428, 07-E-0949, and 04-E-0572.

**(Hourihane)** I testified in Case Nos. 10-E-0362, 08-E-0539, and 07-E-0523 and submitted testimony in Case Nos. 11-E-0408, 09-E-0428, and 07-E-0949.

**(Ng)** I testified in Case Nos. 08-E-0539 and 07-E-0523 and submitted testimony in Case No. 09-E-0428.
Q. What is the purpose of the Forecasting Panel’s testimony?

A. The Panel presents the Company’s forecast of electric delivery volumes, revenues and system sendout for July 1, 2012 through December 31, 2016, discusses the methodologies used to develop these forecasts, and proposes changes to the revenue decoupling mechanism ("RDM").

Q. What were the actual and normalized delivery volumes for the 12 months ending June 2012?

A. The actual franchise area delivery volume for the 12 months ending June 2012 was 57,215 gigawatt hours ("GWHs"). The normalized delivery volume for this period was 56,923 GWHs.

Q. Would you please summarize, in aggregate form, your delivery volume forecast?

A. The delivery volume forecast for the six months ending December 2012 is 30,324 GWHs. The delivery volume forecast for the 12 months ending December 2013 is 57,297 GWHs. The delivery volume forecasts by rate years are 57,521 GWHs for the rate year ending December 2014 ("Rate Year" or "RY1"), 57,784 GWHs for the rate year ending December 2015 (which we will refer to as "RY2" for ease of reference), and 58,061 GWHs for the
rate year ending December 2016 (which we will refer to as “RY3” for ease of reference).

Q. What is the purpose of the delivery volumes and sendout forecasts?

A. The delivery volume forecast is used to determine the revenue forecast. The sendout forecast is supplied to Company witness Kimball for his forecast of the cost of energy supply.

Q. Do you have any exhibits that accompany this testimony?

A. Yes, we are presenting nine exhibits, Exhibit ___ (FP-1) through Exhibit ___ (FP-9).

Q. Were these nine exhibits prepared under the Panel’s direction and supervision?

A. Yes. We will describe each of these exhibits in the course of our testimony.

DELIVERY VOLUMES BY SERVICE CLASSIFICATION

Q. What forecasting methodologies are used to project the electric delivery volumes?

A. The delivery volume forecasts are based on various methodologies. The forecasts of delivery volumes for major service classifications (“SCs”) are based on econometric models. The forecasts of delivery volumes for the other SCs are performed on a deterministic or individual service class basis.
Q. Please explain.

A. For two small service classifications (SC 5 -- Rail Road Platform and Stations Lightings and SC 6 -- New York City Private Street Lighting), under which delivery volumes have not changed significantly, forecasts were done on a deterministic basis. The forecast of delivery volumes for commercial customers receiving the Company’s Business Incentive Rate (“BIR”) under Rider J are also done on a deterministic basis. The Recharge New York (“RNY”) forecast for the portion (“below-the-allocation”) that is exempt from the System Benefits Charge (“SBC”) and Renewable Portfolio Standard (“RPS”) charge was performed on an individual customer basis. The Standby Service forecast was performed on an individual customer basis for the 47 existing and nine projected new customers.

Econometric Models

Q. For which classes did the Company use econometric models?

A. Econometric models were used to forecast electric delivery volumes for SC 1 (Residential), SC 2 (Small Commercial), SC 8 (Master Metered Apartments), SC 9 (Large Commercial), and SC 12 (Multiple Dwelling Space
FORECASTING PANEL - ELECTRIC

Heating). The modeling periods, the independent variables, and the model structure are described below.

Modeling Period
The SC 12 econometric model is developed on a monthly basis, using data from July 1987 through June 2012. The other econometric models are developed on a quarterly basis, using data from the third quarter of 1987 through the second quarter of 2012.

Independent Variables
We employ three types of variables - weather, dummy and economic.

Weather variables, in terms of heating and cooling degree days, are included in all models to account for delivery variations due to differences in weather conditions. Dummy variables are included in the SC 2, SC 9 and SC 12 models to account for structural breaks in the data. Key economic variables included in the various models are as follows.

- The SC 2 and SC 9 models include the number of customers in the class, real electric price of the class, and private non-manufacturing employment. In this and all future references
to the private non-manufacturing employment variable, we are referring to the series that has not been seasonally adjusted.

- The SC 1 model includes the real electric price of the class and real disposable income.
- The SC 8 model includes the real electric price of the class and private non-manufacturing employment.
- The SC 12 model includes the number of customers in the class.

Q. In Case No. 09-E-0428, you used private non-manufacturing employment as an independent variable in your SC 1 model. Have you replaced this variable with a real personal disposable income variable? If so, why?

A. In Case No. 08-E-0539, Staff witness Liu argued in his direct testimony that a personal income variable is the most appropriate economic variable for residential models (pp. 4-5). We tested an SC 1 model that included a real personal disposable income variable against an SC 1 model with private non-manufacturing employment. The two models produced forecasts with similar annual delivery volumes, so we opted to change
to the model with the real personal disposable income variable.

Model Structure

Each of the econometric models consists of two parts: the first part is a regression model, which correlates the delivery volume with the set of independent variables selected into the model; the second part is an autoregressive integrated moving average ("ARIMA") model. The combined model is often referred to as an ARIMAX model in modeling literature, where the letter "X" stands for the set of independent variables included in the model. The ARIMA model can take many different forms, and each model has its own ARIMA structure, statistically determined according to the data pattern of each SC.

Q. What is the purpose of including an ARIMA part in the model?

A. In forecast modeling, the model can include only a few key economic variables, such as real electric price, number of customers, income and/or employment. All other economic variables that may have an effect on electric delivery but either are not quantifiable or have no data available are excluded from the model. The ARIMA mechanism captures the collective effect of
those excluded variables. In addition, ARIMA also
smoothes out autocorrelations in the data; the presence
of autocorrelations would increase forecast error.

Q. Have you prepared an exhibit showing the models that
you have just described?

A. Yes, we have prepared a six-page document entitled
“VOLUME FORECASTING MODELS.” In the Exhibit, we
provide the econometric models used for forecasting
delivery volume for SCs 1, 2, 8, 9, and 12, as well as
the sendout model.

MARK FOR IDENTIFICATION AS EXHIBIT ____ (FP-1)

Q. What are the criteria used to measure the accuracy of
the econometric models?

A. Generally accepted criteria to measure the accuracy of
each model are used. Many different model structures
are tested for each SC, with variations especially in
the structure of the ARIMA part of the model. A
Durbin-Watson value near 2, a low standard error, and a
high $R^2$, are criteria used to select the models for
forecasting.

Q. Have you prepared an exhibit showing the measures of
accuracy you have just described?

A. Yes, we have prepared a one-page document entitled
“ELECTRIC FORECASTING MODEL STATISTICS.” In this
exhibit, we present measures of model performance for SCs 1, 2 and 9. These three service classifications are featured in the Exhibit because they account for over 90 percent of total Con Edison delivery volumes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-2)

Q. Please explain this Exhibit.

A. The Exhibit lists the adjusted $R^2$, standard error, and Durbin-Watson statistic of the models for SCs 1, 2 and 9. All three statistics indicate that the models fit the historical data very well.

Model Assumptions

Q. You listed the key economic variables used in the forecasting models as private non-manufacturing employment, real electric price, and the number of customers in each SC. Please explain how the forecast of private non-manufacturing employment is developed.

A. The private non-manufacturing employment forecast is developed using the forecast from the economic consulting firm, Moody’s Analytics, Inc. The forecasts from Moody’s Analytics are used by the New York Independent System Operator and other New York State utilities. The Moody’s Analytics forecast is developed for New York State as a whole as well as for individual regions and counties within the State. For the
historical period, the Company uses the Bureau of Labor Statistics Current Employment Survey ("CES") data for New York City and Westchester County (through 2004). The Bureau of Labor Statistics CES discontinued the Westchester County series at the end of 2004. As such, the 2005 - June 2012 employment figures for Westchester County are estimated by applying the most up-to-date year over year growth rates (obtained from the Moody’s Analytics database) to the actual CES historical figures.

The forecast for New York City was developed by applying the annual growth rates available in the Moody’s Analytics database in April 2012 (the most current available at the time the forecast was developed) to the CES actuals. The forecast for Westchester County was developed by applying the annual growth rates available in Moody’s Analytics database in April 2012 to the CES 2004 actuals.

Q. What is the projection for private non-manufacturing employment?

A. For the Company’s service territory, private non-manufacturing employment is projected to increase by 1.5% in 2012, 2.2% in 2013, 2.3% in 2014, 2.6% in 2015, and 2.2% in 2016.
Q. What is the projection for real personal disposable income?
A. For the Company’s service territory, real personal disposable income is projected to increase by 6.4% in 2012, 1.8% in 2013, 3.2% in 2014, 3.6% in 2015, and 3.1% in 2016.

Q. What assumption does the model use for the real electric price variable for forecasting purposes?
A. For forecasting purposes, we assumed that the real electric price remains at the 12 months ended June 2012 level.

Q. Are the foregoing projections of employment and real electric price used as inputs in the forecasting models to generate the Con Edison delivery volume forecasts?
A. Yes.

Q. Please explain the development of the forecasts of the number of customers for the various service classifications.
A. The forecast of the number of customers for SCs 1, 2, 8, and 9 are based on ARIMA models, using quarterly data from the third quarter of 1987 through the second quarter of 2012.
The forecast for the number of SC 12 customers is based on a monthly ARIMA model, using data from July 1997 through June 2012.

The forecasts of the number of customers for SC 5 and SC 6 are done on a deterministic basis.

SC 1 and SC 9 represent the two largest number of customer classes.

The forecast of the number of customers in each service class is used to forecast the number of bills, which, in turn, is used in calculating the competitive delivery revenues, and will be explained later.

Q. Have you prepared an exhibit showing the ARIMA models used for forecasting the number of customers?

A. Yes, we have prepared a five-page document entitled “CUSTOMERS FORECASTING MODELS.” In the Exhibit, we provide the ARIMA models used to forecast the number of customers for SCs 1, 2, 8, 9 and 12.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-3)

Q. Based upon the foregoing methodologies, what are the projections for customers for SC 1 and SC 9?

A. The number of customers for SC 1 is projected to grow by 0.76% in 2012, 0.82% in 2013, 0.78% in 2014, 0.78% in 2015, and 0.75% in 2016, while the number of customers for SC 9 is projected to grow by 0.68% in
2012, 0.97% in 2013, 1.04% in 2014, 1.11% in 2015, and 1.11% in 2016.

Q. Are the foregoing projections of the numbers of customers used as inputs in the forecasting models to generate the Con Edison delivery volume forecasts?

A. For SCs 2, 9 and 12, these customer forecasts are used as inputs in their respective forecasting models. However, customer forecasts for all Con Edison service classes were developed for use in projecting the number of bills to determine competitive charge revenues, as explained later in our testimony.

Q. Have you prepared an exhibit showing the economic assumptions you have described?

A. Yes, we have prepared a one-page document entitled “ECONOMIC ASSUMPTIONS.” In this exhibit, we provide projected values of the economic variables during the forecast period.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-4)

Q. Are there other delivery volumes that are included in the forecast?

A. Yes. We also include New York Power Authority (“NYPA”) volumes, and the power supplied by Kennedy International Airport Cogeneration (“KIAC”) to JFK airport.
Q. Please describe the methodology for forecasting NYPA volumes.
A. For SC 66 (Westchester Street Lighting), and SC 80 (New York City Street Lighting), the forecast of delivery volume is performed on a deterministic basis based on recent billing data. The forecast of delivery volume for the new World Trade Center (“WTC”) is based on data provided by Energy Services. The forecasts of delivery volumes for all other NYPA service classes are based on Box-Jenkins type of time series models on a monthly basis. The NYPA forecast is then adjusted upward by adding the volumes supplied by KIAC to JFK Airport for its power needs.

Q. Have you prepared an exhibit showing the models that you have just described?
A. Yes, we have prepared a three-page document entitled “NYPA VOLUME FORECASTING MODELS.” In this exhibit, we provide the econometric models used for forecasting NYPA delivery volume.

Q. Please describe how the RNY delivery volume is forecasted.
A. Because the RNY service is new to the forecast, the delivery volume forecast was performed on an individual
basis for the customers who have accepted a RNY allocation offered by NYPA.
The RNY forecast considers the energy usage associated with the customers who have accepted RNY allocations and started receiving RNY deliveries no later than September 1, 2012. The customers and their RNY allocations were provided by NYPA. If additional customers are offered and accept RNY allocations from NYPA during the course of this proceeding, the Company will notify Staff and interested parties. As appropriate, the Company would also reflect any additional allocations as part of its formal update in this proceeding.

Q. How are the total delivery volumes for the franchise area derived?
A. The total delivery volumes are equal to the sum of Con Edison, NYPA (including KIAC), and RNY volumes.

Q. Does your forecast of delivery volumes reflect savings due to the impact of demand side management ("DSM") programs?
A. Yes. The forecasts are net of the impact of approved Con Edison Energy Efficiency Portfolio Standard ("EEPS") programs and the Company’s current Targeted DSM program. The forecast also includes projected
reductions attributable to other demand reduction programs, such as the approved NYSERDA EEPS programs and NYPAA’s planned efficiency projects in the Company’s service territory. EEPS program goals for both Con Edison and NYSERDA have been adjusted as authorized in the New York Public Service Commission’s Order issued on October 25th, 2011 in Case 07-M-0548, Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard. This order reauthorized most of the energy efficiency programs covered under EEPS and revised targets and budgets where it was deemed appropriate.

Q. Have you treated DSM savings in a similar fashion as in the last rate case?

A. Yes. Our forecast is adjusted for the projected DSM savings in the same manner as in Case No. 09-E-0428. The delivery forecast generated from the forecasting models was manually adjusted to reflect the incremental DSM savings that these programs are forecasted to provide once the DSM measures have been installed. The Company also used the NYSERDA “PETITION FOR MODIFICATION OF ENERGY EFFICIENCY PORTFOLIO STANDARD BUDGETS AND TARGETS” dated March 30, 2012 as well as
the NYSERDA “NEW YORK’S SYSTEM BENEFITS CHARGE PROGRAMS EVALUATION AND STATUS” Quarterly Reports and the NYSERDA “EEPS MONTHLY REPORT” to develop its projected DSM savings.

Q. Are there any other adjustments to the delivery forecast?

A. The delivery forecast for SCs 8 and 9 are also adjusted to reflect the projected loss in delivery from customers who plan to convert a portion, or all, of their existing load to on-site generation and will become standby service customers; projected increases in delivery resulting from NYPA’s ceasing to provide (as of July 1, 2012) economic delivery power to customers for delivery under the Company’s Economic Development Delivery Service (“EDDS”) tariff; and projected increases in delivery to customers who currently operate steam air conditioning chillers and plan to convert to electric chillers. The delivery forecast for NYPA is also adjusted to reflect the projected loss in delivery from NYPA customers who plan to convert all or a portion of their existing load to on-site generation and will become standby service customers, as well as the projected increases in delivery to the WTC.
Q. Have you prepared an exhibit showing the adjustments you have made to the delivery volume forecast?

A. Yes, we have prepared a four-page document entitled “DELIVERY AND SENDOUT ADJUSTMENTS.” In this exhibit, we provide the DSM impacts, increase in volumes related to steam air conditioning, increase in volumes related to former EDDS customers, and the loss and transfer of volumes related to standby service, by service class, for each rate year.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-6)

Q. For what periods are delivery volumes forecasted?

A. Quarterly. However, the quarterly delivery volumes need to be disaggregated into monthly amounts.

Q. Why do you need to disaggregate the quarterly delivery volumes into monthly forecasts?

A. Monthly delivery volumes are required to calculate revenues.

Q. How are the quarterly delivery volumes disaggregated into monthly delivery volumes?

A. Quarterly delivery volumes are divided into monthly delivery volumes by reflecting the patterns of historical weather-normalized monthly delivery volumes. Monthly delivery volumes are also adjusted to reflect the differences in forecasted billing cycle days.
Q. Please explain the method of estimating Con Edison’s delivery revenues.

A. The delivery revenue forecast consists of both the non-competitive delivery revenues and the competitive delivery revenues. The non-competitive delivery revenues represent revenues from customer charges, and the energy and demand delivery rates while the competitive delivery revenues are comprised of the Merchant Function Charge (“MFC”), Billing and Payment Processing Charge (“BPP”), and Metering Charge Revenues.

Q. Please explain the method of estimating Con Edison’s non-competitive transmission and distribution delivery (“T&D”) revenues for the forecast periods.

A. The T&D revenues from the forecasted delivery volumes to Con Edison’s customers are estimated by month and by service classification. For each of the energy-only classes (SCs 1 and 2), a pricing equation is developed by correlating historical average T&D revenue of the class to historical volume of the class, the number of billing days and summer/winter rate differentials, if applicable, for the period May 2008 through April 2009. These pricing equations were used in Case No. 09-E-
FORECASTING PANEL – ELECTRIC

0428. An update of these equations using more recent data is not possible at this time because twelve full months of revenues at the same rates are required. With rate changes occurring in April 2010, April 2011 and April 2012, revenues at unchanged rates are available only for May 2011 through March 2012, which is less than 12 months. Revenues from April 2011 cannot be used as they do not reflect the full extent of the April 2011 rate increase.

For each of the commercial classes (SCs 5, 8, 9, and 12), where energy and demand charges apply, a demand pricing equation is also developed by correlating historical average T&D revenue of the class to historical billed demand of the class, the number of billing-days and summer/winter rate differentials, if applicable, for the period May 2008 through April 2009. The T&D energy revenues for commercial classes are based upon pricing equations similar to those developed for the energy only classes. The delivery volume, billed demand and revenues of customers receiving BIR under Rider J and RNY customers who were former EDDS customers are excluded from the data used in these commercial pricing equations. These pricing equations are then applied to the delivery and demand forecast of
the respective service classes to obtain revenue at 2008 rates. The revenue from the pricing models is then adjusted to reflect the rate increases that were effective as of May 6, 2009, April 1, 2010, April 1, 2011 and April 1, 2012.

Q. How do you forecast the revenues for customers not included in the pricing equations?

A. The forecast of T&D energy and demand revenues for BIR customers are based on the trend of actual BIR revenues over the 36 months ended June 2012, adjusted to reflect current rates. The forecast of T&D revenues for the allocated portion of RNY customers were estimated by using the appropriate tariff rates. The T&D revenues for SC 6 and commercial classes taking service under standby service were estimated by using the appropriate tariff rates.

Q. Please explain the method of estimating Con Edison’s competitive delivery revenues for the forecast periods.

A. The MFC revenues represent the supply and credit and collection related charges. The service class delivery volumes for full service customers only were multiplied by the current MFC rate as determined in Case No. 09-E-0428. The BPP revenues are determined by applying the BPP charge per bill to the forecasted number of bills.
This charge is at the level set in Case No. 09-E-0428 and depends on the customer’s choice of billing option and choice of service. The Metering Charge is also on a per bill basis and applies to demand classes only (SCs 5, 8, 9, 12, and Standby Service). We similarly forecast this charge by using the rates set in Case No. 09-E-0428.

Q. Please explain the development of the forecasts of the number of bills for the various service classifications.

A. The forecasted monthly number of bills by service class is determined by adding the monthly year over year change in the number of customers to the monthly number of bills for the twelve months ended December 31, 2010, as was provided to us by the Electric Rate Panel, i.e., the historical period for which detailed billing data is available. From January 2011 through June 2012, this change in the number of customers is based on actual customer counts. For the future years, the number of bills is adjusted to reflect the change in the number of customers from the number of customers forecast.

Q. Please explain the projection of billable demand for Con Edison’s commercial customers.
The billable demand forecast is the ratio of the forecasts for energy volume and the average hours use.

How is the average hours use forecasted?
A detailed analysis of the relationship between historical delivery volumes and billable demand is used to project the average hours use.

Please explain the method of estimating NYPA delivery service revenues for the forecast periods.
The NYPA delivery service revenues are estimated by applying monthly average demand rates to the estimated billable demand. The estimated monthly demand rates are based upon the average actual demand rates for the 12 months ended June 2012, adjusted to reflect the rate increase that became effective as of April 1, 2012.

For standby service, the energy only classes, KIAC, and WTC the delivery revenues are estimated by applying the appropriate tariff rates to our forecast.

Please explain the method of arriving at the estimated NYPA demand.
Monthly billable demand projections are based on an analysis of historical growth patterns. Billable demands are not applicable to small general services and non-New York City street lighting that only have an energy charge component.
The revenue forecast also includes Market Supply Charge ("MSC") and Monthly Adjustment Clause ("MAC") revenues. Please explain how these components are forecast.

A. These revenues are supplied to us by the Financial Forecasting Section of Corporate Accounting and also include the uncollectible bill expense associated with the MSC and the MAC.

SENDOUT FORECAST

Q. How is the franchise area sendout forecast developed?

A. An econometric model is used to forecast the franchise area sendout on a quarterly basis.

Q. What variables are used in the sendout model?

A. Weather variables in terms of heating and cooling degree days are included in the model to account for variations due to differences in weather conditions. Like the delivery forecast, the key economic variables included in the sendout model are real electric price, total non-manufacturing employment and the number of customers. As with the private non-manufacturing employment series used in the delivery volume forecasting models, the total non-manufacturing employment series used in the sendout model is not seasonally adjusted.

Q. Please explain how the forecast variables are derived.
The basis for the real electric price is the same as for the delivery forecast. Total non-manufacturing employment is the sum of private non-manufacturing employment and governmental employment. The governmental employment projection is based on Moody’s Analytics’ forecast of total government employment. Total non-manufacturing employment is projected to increase by 1.2% in 2012, 1.8% in 2013, 2.3% in 2014, 2.6% in 2015, and 2.1% in 2016. The number of customers is represented by a sales-weighted index of the number of customers in SCs 1, 2, 8 and 9.

Q. Does your forecast of system sendout reflect the impact of DSM programs?
A. Yes. Like the delivery volume forecast, the sendout forecast is net of the impact of the DSM programs.

Q. Are there any other adjustments made to the sendout forecast?
A. Yes. The sendout forecast is also adjusted for projected losses in delivery volumes that result from customers who have informed the Company that they plan to convert a portion, or all, of their existing load to on-site generation, and for projected gains in delivery volumes that result from the completion of the WTC and the projected conversion of steam chillers to electric
chillers.

Q. How do you determine the sendout forecasts for the different categories of delivery volumes, such as NYPA, RNY and retail access delivery volumes?

A. The NYPA and RNY customer sendout forecasts are derived by applying the appropriate distribution efficiency factor to their respective delivery volume forecasts. Forecasts for retail access customers are done using a proportional allocation.

Q. How was the sendout for Con Edison full service customers derived?

A. It is derived by subtracting the sendout forecasts for NYPA, RNY and retail access customers from the franchise area sendout.

Q. What is the actual and normalized sendout for the 12 months ended June 2012?

A. The actual franchise area sendout for 12 months ended June 2012 was 61,111 GWHs. The normalized sendout for the same period was 60,896 GWHs.

Q. Please summarize your sendout forecasts.

A. The sendout forecast for the six months ended December 2012 is 32,014 GWHs. The sendout forecast for the 12 months ending December 2013 is 61,163 GWHs. The sendout forecasts by rate year periods are 61,454 GWHs
for RY1, 61,784 GWHs for RY2, and 62,260 GWHs for RY3.

Q. Do you need to disaggregate the quarterly sendout forecasts into monthly forecasts?
A. Yes. Company witness Kimball requires the monthly full service sendout for forecasting fuel costs.

Q. How are the quarterly sendout forecasts disaggregated into monthly sendouts?
A. Quarterly sendouts are divided into monthly sendouts by reflecting the patterns of historical weather-normalized monthly sendout figures.

Q. I show the Panel a one-page document entitled “ELECTRIC SENDOUT, DELIVERY VOLUMES, AND REVENUES FROM DELIVERY VOLUMES - FORECASTED SIX MONTHS ENDING DECEMBER 31, 2012, AND YEARS ENDING DECEMBER 31, 2013, DECEMBER 31, 2014, DECEMBER 31, 2014, DECEMBER 31, 2015, AND DECEMBER 31, 2016” and ask if it was prepared under the Panel’s supervision and direction?
A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-7)

Q. Will you please describe what is shown on this exhibit?
A. Yes. This exhibit shows the forecast of electric system sendout, delivery volumes and revenues from delivery volumes for the six months ended December 31,
FORECASTING PANEL - ELECTRIC

2012 and the twelve months ending December 31, 2013, December 31, 2014, December 31, 2015, and December 31, 2016. Lines 1 through 3 show sendout categories within the Con Edison franchise area, and the total sendout for each period. Lines 4 through 6 show electric system delivery volumes for the same categories. Lines 7 through 19 show revenues for each of the periods. For RY1, as shown in column 3, lines 20 through 22 show the proposed revenue increases from delivery volumes to Con Edison, and NYPA customers, as well as the associated revenue taxes, and line 23 shows total revenue at the proposed rates.

Q. I show the Panel a document consisting of five pages, entitled “ELECTRIC DELIVERY VOLUMES AND REVENUES FROM DELIVERY VOLUMES BY SERVICE CLASSIFICATION” and ask if this exhibit was prepared under the Panel’s supervision and direction?

A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (FP-8)

Q. Does this exhibit set forth the results of the forecasts?

A. Yes. This exhibit sets forth in greater detail, by service classification, the data that were shown in summary form on Exhibit ___ (FP-7). Page 1 of this
exhibit shows the forecasted electric delivery volumes and revenues by service classification for the six months ended December 31, 2012. Kilowatt hour delivery volumes are shown in Column 1, the sum of the monthly billable demand for Con Edison and NYPA in Column 2, non-competitive transmission and distribution delivery revenues at the current rates in Column 3, competitive service revenues at the current rates in Column 4, Reactive Power revenues at the current rates in Column 5, System Benefit Charge/Renewable Portfolio Standard revenues in Column 6, MSC and MAC revenues in Column 7, revenue taxes in Column 8, and total revenues at current rates in Column 9. Pages 2 through 5 are similar in format to page 1; page 2 covers the forecast for 12 months ending December 31 2013, page 3 covers the forecast for RY1, page 4 covers the forecast for RY2, and page 5 covers the forecast for RY3. For the rate years, the low income discounts are shown as a separate item on line 9 at the level proposed by the Customer Operations Panel. For the RY1, as shown on page 3, the effect of the proposed changes in revenues, annualized for the Rate Year, are shown in Columns 10 through 13, with the associated increase in revenue taxes shown in Column 14. The proposed change in

| Exhibit shows the forecasted electric delivery volumes and revenues by service classification for the six months ended December 31, 2012. Kilowatt hour delivery volumes are shown in Column 1, the sum of the monthly billable demand for Con Edison and NYPA in Column 2, non-competitive transmission and distribution delivery revenues at the current rates in Column 3, competitive service revenues at the current rates in Column 4, Reactive Power revenues at the current rates in Column 5, System Benefit Charge/Renewable Portfolio Standard revenues in Column 6, MSC and MAC revenues in Column 7, revenue taxes in Column 8, and total revenues at current rates in Column 9. Pages 2 through 5 are similar in format to page 1; page 2 covers the forecast for 12 months ending December 31 2013, page 3 covers the forecast for RY1, page 4 covers the forecast for RY2, and page 5 covers the forecast for RY3. For the rate years, the low income discounts are shown as a separate item on line 9 at the level proposed by the Customer Operations Panel. For the RY1, as shown on page 3, the effect of the proposed changes in revenues, annualized for the Rate Year, are shown in Columns 10 through 13, with the associated increase in revenue taxes shown in Column 14. The proposed change in |
revenues from the purchase of receivables, as supplied by the Electric Rate Panel, is shown on line 10. Column 15 shows the total revenues at proposed rates. The total proposed revenue increase to Con Edison’s customers of $302,921,000, exclusive of GRT, consists of the non-competitive T&D related delivery revenue increase of $241,523,000, the competitive service revenue increase of $7,883,000, reactive power revenue increase of $237,000, and a MAC increase of $53,278,000. The proposed rates also result in increases, exclusive of GRT, in NYPA delivery revenue of $61,550,000, and reactive power revenue increase of $7,000. The resultant proposed overall increase for RY1, inclusive of the increase in rates and charges of $10,886,000 for revenue taxes, amounts to $375,364,000.

Q. Should this revenue forecast be used as the basis for setting the target revenues in the RDM?

A. Yes, the non-competitive delivery revenue forecast shown in Columns 3, 5, 10 and 12 on Page 3 of Exhibit ___ (FP-8) should be the basis for setting the target revenue for each relevant service classification.

Q. Is the Company proposing any changes to the revenue decoupling mechanism?

A. Yes, the Company is proposing several changes to the
service classifications that are included in the RDM as well as proposing to include reactive power revenues.

Q. Please explain the current methodology.

A. The current RDM is based on a total class revenue approach. That is, at the end of each rate year, the Company will reconcile, by service class, the actual delivery revenues to the “allowed delivery revenues.” The Company will make refunds to customers if the actual delivery revenues are more than the allowed delivery revenues and surcharge customers if the actual delivery revenues are less than the allowed delivery revenues. The RDM is applicable to SCs 1, 2, 5, 6, 8, 9, and 12. In addition, NYPA is considered its own service class subject to the RDM. Certain customers and service classes are excluded from the RDM, such as standby service.

Q. What changes do you propose?

A. We propose the following changes to the RDM, effective January 1, 2014. The first proposal is to include Reactive Power revenues in the RDM. The second proposal is to establish a single RDM target for SC 6 and SC 2 and a single RDM target for SC 5 and SC 9. The third proposal is to include RNY below-the-allocation and Excelsior program in the SC 9 revenues.
that are subject to the RDM.

Q. Please explain your proposal for Reactive Power revenues.

A. The Company has been deferring the Reactive Power revenues. We propose that, from October 1, 2013, the Reactive Power revenues be included as part of the RDM targets of the applicable service classes. Reactive Power revenues are not subject to reasonable estimation at the moment because it is difficult to predict a power factor for a customer or group of customers.

Q. Please explain the reason for combining the RDM targets for SC 6 and SC 2.

A. SC 6 is a small class. The SC 6 delivery revenues for the year ending December 31, 2013 on Exhibit ___ (FP-8) are less than 0.1% of the total forecasted revenues. Historical volumes for 2011 averaged about 800 KWH per month. In the past, there had been a need to redistribute RDM target revenues from SC 6 to other service classes for two reasons. The first reason was the rounding of forecasts to the nearest GWH. The second was the pricing of the GWH forecast through a pricing model. In this filing, the Company has added the monthly KWH forecasts to get the annual forecast before rounding to the nearest GWH. Furthermore, the
monthly KWH forecasts are now priced using actual
tariff rates. While the Company has endeavored to
improve the forecasting process for this service class,
the possibility exists that an RDM adjustment may again
be necessary if SC 6 remains a separate class in the
RDM. To avoid such situations on a going forward
basis, we propose to include SC 6 with SC 2 because
when an SC 6 customer’s usage exceeds the limit for
this class, the customer is moved to SC 2. Therefore,
a customer moving between these classes will not affect
the combined RDM.

Q. Why are you proposing to combine the RDM targets for SC
5 and SC 9?
A. SC 5 has less than 20 customers. The loss of one or
two large time-of-day customers would result in an RDM
adjustment that would place an undue financial burden
on the remaining customers. Combining SC 5 with the SC
9 Large Commercial class will avoid this circumstance.
Both SC 5 and SC 9 are commercial classes and have a
demand requirement of 10 KW in order to be assigned to
the class.

Q. Please explain your proposal for RNY customers.
A. RNY customers are Large Commercial SC 9 Special
Provision G customers who are provided with KW
allocations by NYPA, which are exempt from SBC and RPS charges. For usage above their allocations, they pay the same delivery charges as SC 9 customers. As part of the order directing tariff amendments to provide reduced rates for RNY customers, the below-the-allocation revenues from RNY customers are excluded from the RDM mechanism, while the revenues from any usage above the allocations are included in the RDM. In this filing, the Company proposes that the below-the-allocation revenues from RNY customers be included in the RDM mechanism. The Company has no control over who gets RNY service or the amount that NYPA will allocate to each RNY customer. The term of RNY service and the RNY KW allocation are established by contract between NYPA and the customer. The Company is informed by NYPA of the customers who are allocated power under the program and the amount of the allocations. Moreover, termination of RNY service by NYPA to a customer(s) is also outside the Company’s control, as was the case with EDDS service. As the Company has no influence over the size of the RNY program, there is no reason for it to be excluded from the RDM.

Q. Please explain your proposal for Excelsior Program customers.
A. Although there are no current customers that have qualified for this service, Excelsior customers will be Large Commercial SC 9 Special Provision H customers. As part of the order directing tariff amendments to provide reduced rates for Excelsior customers, the Excelsior revenues associated with volumes and demand above the baseline levels are excluded from the RDM. In this filing, the Company proposes that these excluded revenues from Excelsior customers be included in the RDM. The Company has no control over who is eligible for the Excelsior program. The customer has to receive a “Certificate of Eligibility” from Empire State Development to qualify for this service. As the Company has no influence over the size of the Excelsior program, and no way of reasonably estimating who will participate, these customers should be included in the RDM.

Q. Assuming that retail access customers’ supply costs were equivalent to the supply cost projected by the Company to its full service customers, and assuming that NYPA customers’ supply costs were $0.085404/kWh, as specified in the testimony of the Electric Rate Panel, what is the overall percentage increase corresponding to the total overall revenue increase?
A. The percentage increase for RY1 is 3.3 percent.

Q. Has the Forecasting Panel prepared an exhibit that shows the future average prices of delivery and supply by service class, taking into account both the increase in proposed delivery rates and other expected changes, such as changes in the MSC and MAC?

A. Yes, we have prepared a one-page document entitled “FUTURE AVERAGE DELIVERY AND SUPPLY PRICES BY SERVICE CLASSIFICATION.” In this exhibit, we provide the forecast of the average price of T&D Delivery and Supply for each service classification for the three rate years. The supply charges reflect the effect of projected MSC and MAC charges based on the supply cost projections made by Company witness Kimball. The delivery charges consist of projected non-competitive T&D charges and projected competitive service charges based on three years of proposed delivery revenue increases as provided to us by the Rate Panel.

Q. Does this conclude the Panel’s initial testimony?

A. Yes, it does.