# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PURPOSE OF TESTIMONY</td>
<td>4</td>
</tr>
<tr>
<td>HISTORICAL SUPPLY COSTS</td>
<td>6</td>
</tr>
<tr>
<td>COST SAVING INITIATIVES</td>
<td>20</td>
</tr>
<tr>
<td>SYSTEM ENHANCEMENTS</td>
<td>25</td>
</tr>
<tr>
<td>PROPOSED TARIFF CHANGES</td>
<td>31</td>
</tr>
</tbody>
</table>
Q. Please state your name, title, employer and business address.

A. My name is Ivan Kimball. I am Vice President, Energy Management for Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company"). My office is located at 4 Irving Place, New York, New York 10003.

Q. Please describe your responsibilities in that position.

A. I am responsible for providing the overall strategic planning and direction for forecasting service area demand, evaluating electric, natural gas and steam resource options, and procuring electricity and natural gas. I perform these functions for the customers of Con Edison, Orange and Rockland Utilities, Inc. ("O&R"), Rockland Electric Company ("RECO"), and Pike County Light & Power Company ("Pike").

Q. Please describe your professional background.

A. I have been in my current position since July 2012. From August 2008 to June 2012 I was Director, Electricity Supply for Con Edison. In that position I
was responsible for day-to-day electricity supply operations, including the scheduling of generation and load bids with the New York Independent System Operator ("NYISO") and neighboring control areas; developing the overall electric power procurement plans for full service customers; developing and implementing Con Edison’s electric hedging program; strategically evaluating and participating in capacity and transmission congestion contract ("TCC") auctions; managing contractual rights with various non-utility generators; and processing monthly invoices for wholesale purchases and sales of capacity, energy and TCCs for Con Edison and its affiliates, O&R, RECO and Pike. From December 1998 to August 2008, I was employed by Consolidated Edison Energy, Inc. ("Con Edison Energy") where I was most recently the Director of Asset Management. My responsibilities included management of the business aspects of the generating facilities owned by Consolidated Edison Development, Inc. ("Con Edison Development") in New England and other generating facilities with whom Con Edison Energy had contracts. This included day-to-day
scheduling; fuel procurement; electricity market sales
and planning; and associated regulatory and accounting
matters. From September 1987 to December 1998, I was
employed by Con Edison in various positions of
increasing responsibility.

Q. Briefly state your educational background.
A. I received a Bachelor of Science degree and a Master
of Science degree in Nuclear Engineering from
Rensselaer Polytechnic Institute in May 1986 and
September 1987, respectively.

Q. Have you previously testified before the New York
Public Service Commission ("Commission")?
A. I have testified before the Commission in Case 09-E-
0428.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this
proceeding?
A. The purpose of my testimony is threefold. First, I
describe Con Edison’s historical and projected
wholesale electricity supply purchases for the
Company’s full service customers. Historical supply
purchases cover the period from January 2007 through
December 2011 and projected supply purchases cover the period from January 2013 through December 2017, which includes the rate year. This section of the testimony also discusses environmental cost recovery issues and describes some of the Company’s efforts to minimize supply costs to customers.

Second, I discuss incremental operating and maintenance ("O&M") expenses and capital costs that the Company expects to incur for system enhancements. The replacement of the Henwood Electricity Scheduling System is expected to increase O&M expenses in the rate year, the 12-month period beginning January 1, 2014 ("Rate Year"), and continuing during succeeding 12-month periods beginning on January 1, 2015 (also referred to as rate years in this testimony for ease of reference). In calendar years 2013 and 2014, capital costs are expected to increase for required upgrades to the Allegro Corporate Risk Management System.

Third, I discuss the manner in which proposed tariff changes will affect electric full service customers.
HISTORICAL SUPPLY COSTS

Q. What are the Company’s objectives when purchasing energy for its full service customers?

A. The Company seeks the lowest reasonable electricity purchase costs for its customers, subject to reliability and contractual constraints. As part of this objective, the Company also seeks to mitigate price volatility.

Q. In what ways does the Company accomplish these objectives?

A. The Company pursues commercial opportunities, such as favorable contract restructurings or extensions. The Company also pursues structural and tariff changes in the NYISO’s wholesale electricity markets that are beneficial to the Company’s customers through active participation in the NYISO governance process and through filings with the Federal Energy Regulatory Commission (“FERC”). Where appropriate, the Company pursues certain matters before FERC through litigation, settlement and mediation conferences and the filing of comments and petitions in an effort to obtain just and reasonable wholesale electricity.
prices for its customers. I discuss these efforts later in my testimony.

Q. Please describe, in general terms, how Con Edison procures electricity supply for its full service customers.

A. Electric energy and capacity are obtained from three main sources: contract supplies with non-utility generators (“NUG”), Entergy Nuclear Power Marketing, LLC (“Entergy”), and Astoria Energy, LLC (“Astoria Energy”); Con Edison’s own steam-electric generation; and purchases made primarily from the NYISO’s energy, capacity and ancillary services markets. The Company also uses financial hedges to mitigate price volatility for its customers.

Q. I show you a one-page document entitled, “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. - WHOLESALE ELECTRICITY SUPPLY COSTS - CALENDAR YEARS 2007 THROUGH 2011,” and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (IK-1)

Q. What does Exhibit ___ (IK-1) show?
A. Exhibit ___ (IK-1) illustrates the allocated and invoiced costs, from January 1, 2007 through December 31, 2011, for energy, capacity and other services acquired on behalf of the Company’s full service customers. This exhibit shows a material decline in the volume of the Company’s total energy purchases, which is primarily due to customers migrating from full service to retail access.

Q. Please describe the Company’s firm supply contracts.

A. As noted in Exhibit ___ (IK-1), almost 3,000 MW (approximately 42% of the Company’s capacity supply) and over 13 million MWh (approximately 54% of the Company’s energy supply) were provided by the Company’s seven firm contracts in 2011. Five of these are mandated NUG contracts with Public Utilities Regulatory Policy Act (“PURPA”) units, one is with Entergy and one is with Astoria Energy.

Q. I show you a one-page document entitled, “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. - FIRM CONTRACTS AS OF AUGUST 31, 2012,” and ask whether it was prepared under your supervision and direction?

A. Yes.
Q. What does Exhibit ___ (IK-2) show?
A. Exhibit ___ (IK-2) sets forth the term and capacity of each of the firm supply sources noted above.

Q. Please describe the Company’s steam-electric generation.
A. As noted in Exhibit ___ (IK-1), 711 MW (approximately 10% of the Company’s capacity supply) and over 2 million MWh (approximately 11% of the Company’s energy supply) were provided by the Company’s steam-electric generation facilities in 2011. Fuel costs for this generation are allocated between the steam and electric services in a manner established by the Commission.

Q. Please describe the Company’s spot purchases.
A. The vast majority of spot energy purchases are made from the NYISO, primarily in its day-ahead market, but also from its real-time market. The NYISO prices energy in each of those markets at eleven different load zones. Over 80% of Con Edison’s customers’ consumption is in NYISO’s Zone J, the New York City (“NYC”) load zone. The remainder is located in NYISO
Zones H (Millwood) and I (Dunwoodie). The Company also purchases excess energy from non-PURPA NUGs located in its territory, which have contracted with other buyers for the bulk of their deliveries. Such energy is typically purchased at the NYISO spot price. Spot capacity purchases are made from the NYISO’s capacity markets in two regions. The NYISO administers three capacity market areas: one for NYC, one for Long Island and one for rest-of-state (“ROS”). The majority of Con Edison’s capacity obligation is in NYISO’s NYC market; the remainder is in the NYISO’s ROS market. The NYISO conducts auctions that allow load serving entities (“LSEs”), like Con Edison, to purchase capacity for a one-month period or for periods of up to six months. Any LSE with capacity obligations not met by the sum of contract purchases and purchases made in these “strip” or monthly auctions is provided capacity by the NYISO from spot auctions the NYISO conducts monthly. Prices in each spot auction are set at the intersection of a demand curve, which is administratively established through the NYISO’s governance processes and approved by FERC,
and the supply offer curve. One aspect of the spot auction is that all supply offers in NYISO’s spot auction that are below the intersection of the administrative demand curve and the supply offer curve receive the spot market clearing price. It is typical for more capacity to be available for sale than is required to be purchased. Such excess capacity is purchased by NYISO on behalf of the LSEs, which are obligated by the NYISO tariff to purchase such “excess capacity.”

Q. Please describe the Company’s financial hedging practices.

A. The Company uses financial hedge products to mitigate the volatility of its spot purchases. Products include fixed-for-floating price swaps, also known as contracts for differences (“CFDs”), options and TCCs. CFDs are typically traded on a “5x16” basis, meaning their value is computed over the 16 peak hours (7 AM to 11 PM, prevailing time) on non-NERC-holiday weekdays. CFDs may also be traded on an “around the clock” basis, priced at the arithmetic average of all 24 hours in a day, or on a “load shaped” basis, where
hourly spot prices are weighted by an agreed upon set of weighting factors for each hour in a day to determine the CFD’s settlement price. These “load shaped” CFDs may be settled against a fixed proportion of the LSE’s hourly actual demand and may also be known as “slice of system” hedges.

Options typically provide a financial benefit to the option holder when the contracted parameters, such as spot price, temperature or both, exceed prior agreed-upon thresholds. The premiums or purchase costs of such options are related to the volatility of the underlying product, the length of time prior to delivery and the agreed-upon strike price and/or temperature threshold.

TCCs are essentially fixed-for-floating price swaps that provide a hedge against fluctuations in the transmission costs associated with moving energy from its point of injection to its point of withdrawal.

Exhibit ____ (IK-1) identifies the net impact of the Company’s financial hedging from 2007 through 2011, including the cost of those hedges. The exhibit shows that the Company’s hedging practices stabilized
wholesale supply prices for customers, which is the objective of the program, especially when energy prices rose dramatically during most of 2008. The hedging costs for achieving such price stability were less than 5% of the overall supply costs for customers during the five-year period.

PROJECTED SUPPLY COSTS AND ENVIRONMENTAL COST RECOVERY

Q. Have you prepared a projection of generation capacity for the Company’s steam-electric plants?

A. Yes.

Q. I show you a one-page document entitled, “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. - STEAM-ELECTRIC GENERATION CAPACITY (MW) PROJECTED FOR SUMMER 2013 AND SUMMER 2014,” and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (IK-3)

Q. What does Exhibit ___ (IK-3) show?

A. Exhibit ___ (IK-3) shows the capacity from the Company’s retained generation located at its steam-electric plants (collectively referred to as “steam-electric generation”).
Q. Have you also prepared a projection of wholesale energy costs?
A. Yes.

Q. I show you a one-page document entitled “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. - PROJECTION OF WHOLESALE ELECTRICITY SUPPLY COSTS - RATE YEARS ENDING DECEMBER 2013 through DECEMBER 2017” and ask whether it was prepared under your supervision and direction?
A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (IK-4)

Q. What does Exhibit ___ (IK-4) show?
A. Exhibit ___ (IK-4) sets forth my projections of electricity supply costs from January 2013 through December 2017, based upon the forecast of full service sendout provided to me by the Company’s Electric Forecasting Panel.

Q. Please describe the methodology used to develop these projections.
A. As noted earlier, capacity and energy are supplied from three major categories: firm contracts, steam-electric generation and spot purchases.
Firm contract capacity and energy costs were projected based on existing contract terms and reflect the historical dispatch of the units. In cases where firm contract terms rely on a projection of the change in the Consumer Price Index ("CPI") for this region, I used the CPI forecast based on the March 10, 2012 publication of the "Blue Chip Economic Indicators," which showed a CPI forecast of 2.2% per year for 2012, 2.2% per year for 2013, 2.5% per year for 2014, 2.5% per year for 2015, 2.5% per year for 2016 and 2.6% per year for 2017. Most firm contract energy costs are indexed to some fuel supply such as the delivered cost of natural gas or fuel oil. Natural gas price projections were based on April 2012 forecasts published by Wood-Mackenzie, a research and consulting firm that provides commercial analysis and strategic advice for the global energy, metals and mining industries, for commodity delivered to the Henry Hub, Louisiana.

Fuel oil forecasts were statistically determined based on the historical relationship of the supplier’s actual fuel oil costs and natural gas prices published.
by NYMEX for commodity delivered to the Henry Hub, Louisiana, over the period from January 2008 to December 2011.

Steam-electric generation costs were projected using the PROMOD cost optimization model. Steam sendout projections and fuel price forecasts were input into PROMOD, which models the operating characteristics of the Company’s steam-electric units. The natural gas prices were based on the Wood-Mackenzie forecasts described above. “Basis differentials,” reflecting the cost of interstate transportation from Henry Hub to Transco Zone 6 (NYC) were then applied to the natural gas prices. This delivered cost of natural gas was then increased to reflect the cost of taxes on generation fuel, yielding the natural gas price forecast. These forecasted basis differentials were provided by Wood-Mackenzie. The fuel oil forecasts were based on NYMEX futures prices as of May 4, 2012. “Basis differentials,” reflecting the cost of barge deliveries to New York Harbor, were then applied to the fuel oil prices. This delivered cost of fuel oil was then increased to
reflect the cost of taxes, shipping and handling, 
yielding the fuel oil price forecast. Based on the 
modeled dispatch of the steam-electric units and a 
projected allocation of costs from Steam Operations 
for “processing charges,” such as water, chemicals and 
labor, the costs and volumes of energy available for 
electricity supply were determined, as summarized on 
Exhibit ___ (IK-4).

Q. Please explain why external services are used to 
develop natural gas and fuel oil price projections.

A. Natural gas and fuel oil prices are subject to 
significant period to period variations due to supply 
interruptions, economic and regulatory changes, and 
general market forces. We used NYMEX pricing data and 
Wood-Mackenzie services to develop the natural gas and 
oil price projections. An external consulting firm 
like Wood-Mackenzie can leverage its industry 
experience and market intelligence to produce 
commodity price projections that are more objective 
than internally developed estimates.

Q. Please continue with your description of Exhibit ___
(IK-4).
A. Spot capacity purchase costs are based on a projection of capacity supply margins in the NYC and ROS regions as provided by the NYISO; the application of these margins to expected demand curve parameters to project prices; and then the application of these prices to the Company’s expected spot capacity requirements in NYC and ROS regions. Excess capacity costs purchased by the NYISO and allocated to LSEs, as described earlier, are also included in these cost projections. Spot energy costs are based on market values as of September 6, 2012. These price projections were then applied to the forecast of full service volumetric requirements as provided to me by the Company’s Electric Forecasting Panel, after deducting energy projected to be supplied from firm contracts and steam-electric generation.

Q. Please continue with your description of spot energy costs in Exhibit __ (IK-4).

A. I note that this exhibit shows a material increase in the volume of the Company’s spot purchases, which is primarily due to the expiration of NUG contracts as
follows: Selkirk in August 2014, Indeck in June 2015
and Astoria in April 2016.

Q. Has the net impact of financial hedges been included
in these projections?

A. Hedges have been assumed to be “at the money,” thereby
not affecting customers’ prices for the purposes of
these cost projections. However, financial hedges
command premiums for reducing buyers’ risks and so
would be expected to increase costs marginally over
the long-term.

Q. Are there other wholesale supply costs that were
determined separately?

A. Yes. The wholesale supply cost projections include a
variable component for environmental costs. These
projections are based on estimates for Regional
Greenhouse Gas Initiative (“RGGI”) allowance costs.
The RGGI estimates include allowances purchased for
the steam-electric units.

Q. Are there other components for environmental costs
that the Company may be subject to?

A. Yes. Company witness Price (Electric EH&S) discusses
the possible environmental costs from the
Environmental Protection Agency’s Clean Air Interstate Rule ("CAIR") and Cross State Air Pollution Rule ("CSAPR"). According to Company witness Price, there are currently no quantifiable costs expected in the Rate Year associated with CAIR or CSAPR. As such, the Company’s wholesale supply cost projections do not include a component for CAIR or CSAPR.

COST SAVING INITIATIVES

Q. What efforts does the Company undertake to minimize supply costs to customers?

A. The Company aggressively pursues NYISO market structure and tariff changes that are beneficial to its customers through active participation in the NYISO’s governance process and in FERC’s litigation and settlement process.

Q. Please give some examples of the Company’s efforts in these NYISO and FERC processes.

A. A primary objective of Con Edison’s Energy Markets Policy Group is to actively promote customers’ interests by advocating for the adoption of wholesale market rules that improve reliability and create fairer and more competitive market prices. Moreover,
the Company has consistently advocated for the implementation of market mitigation measures to combat the influence of market power on the price of electricity that the Company purchases on behalf of its customers. The Company also participates in related litigation and settlement processes at FERC and in the federal courts. These processes can, and often do, result in rule changes and refunds to customers, which reduce the cost of electric supply to all consumers, including the Company’s full-service customers. For example, in the most recent review process that resets the capacity demand-curve, Con Edison and other stakeholders worked to ensure that the cost of new entry (e.g., the cost of building a new gas turbine installation) underlying the NYISO’s capacity market demand curves did not overestimate the costs of adding in-city generation by failing to account for property tax abatements available to NYC generators. FERC initially rejected the NYISO’s proposal to reduce the estimated cost of building in-city generation, opting to disregard a property tax abatement generally used by generators, because it was
only available on a discretionary basis, rather than on an as-of-right basis as in the past. The decision could have increased New York City capacity costs by as much as 33 percent or $500 million annually over the three-year reset period. Con Edison worked with state regulators and public officials to bring public attention to the FERC decision. Ultimately, State legislation was enacted in May 2011 to make tax abatements available on an as-of-right basis for new power plants in New York City rather than on a discretionary basis. With the new legislation in place, FERC reversed its decision and accepted the NYISO’s proposal to reduce the estimated cost of building in-city generation. TC Ravenswood has appealed FERC’s decision in this case to the U.S. Court of Appeals for the D.C. Circuit. Con Edison has intervened in this case and will be filing a brief in support of FERC.

Another effort in which Con Edison was actively involved was the cost allocation study that determines the division of the NYISO’s administrative costs (Rate Schedule 1) between load and supply. Working together
with other load interest groups, Con Edison successfully argued that costs incurred by the NYISO that benefit both load and supply should be divided evenly. FERC ultimately approved moving the administrative cost allocation from 80 percent load and 20 percent supply to 72 percent load and 28 percent supply, which resulted in an expected $11 million annual savings for all New York loads (or approximately $4 million to $5 million annually for Con Edison’s customers), beginning in 2012.

Con Edison also actively participates in the review and development of most NYISO market rules. For example, Con Edison worked with other transmission companies to revise the NYISO’s baseline methodology to measure demand response resources that qualify as capacity (“special case resource capacity”). The revised baseline uses a resource’s highest 20 peak hourly demand values that occur during the top 40 New York Control Area coincident peak hours from the previous year. This is a significant improvement from the prior baseline, which averaged the resource’s top four usage hours in the prior year regardless of the
NYISO peak. The revised baseline went into effect in summer 2011 and will avoid the Company overpaying for demand response, thereby reducing costs to customers. As advocated by Con Edison, the NYISO will conduct an evaluation of this new methodology in 2013 to further improve measurement accuracy.

Another example is a revised methodology to mitigate the market power of ROS generators that are necessary to meet a local or bulk system reliability need in the NYISO’s energy markets. Under the revised methodology, if there is one supplier (or potentially multiple units owned by one company or its affiliates) available to meet a reliability need and any aspect of the generator’s bid exceeds a small margin above its reference level values (i.e., an estimate of its costs based on historical bids, past market prices, cost information submitted by the generator, or a cost estimate prepared by the NYISO), then it is automatically mitigated to its reference level. Con Edison argued strongly in favor of this methodology and successfully advocated for its adoption in the NYISO’s stakeholder process.
The Company also advocates on behalf of customers in court appeals at the D.C. Circuit. In addition to the Demand Curve appeal discussed above, a recent example of this advocacy can be seen in New York Regional Interconnect v. FERC, where Con Edison played an instrumental role in drafting the joint intervenor brief in support of FERC’s decision to approve the NYISO’s economic planning process. Con Edison helped defend the economic metrics used by the NYISO to ensure that transmission projects that go through the NYISO’s economic planning process provide measurable economic benefits to customers. The Court agreed with the Company’s joint intervenor brief.

These are but a few examples of the numerous matters in which the Company, through various organizations, including its Energy Markets Policy Group, was instrumental in promoting customer interests before the NYISO and FERC.

SYSTEM ENHANCEMENTS

Q. Is the Company making any changes to its electricity scheduling system?
A. Yes. The Company is replacing the Henwood Electricity Scheduling System ("Henwood System") with the nMarket Electricity Scheduling System ("nMarket System").

Q. I show you a three-page document entitled, "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. — REPLACEMENT OF ELECTRICITY SCHEDULING SYSTEM — O&M EXPENSES" and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (IK-5)

Q. Please explain Exhibit ___ (IK-5).

A. This Exhibit describes the replacement of the Henwood System with the nMarket System and shows the associated increase in accounts payable and labor-related O&M expenses that will be incurred during the rate years beginning January 2014 through January 2018. The accounts payable expenses relate to software, hardware and contractor fees. The labor expenses relate to the hiring of one Systems Analyst position. In the Rate Year, the accounts payable expenses are estimated at $551,000 and the labor expenses are estimated at $213,000. General
escalation rates that we received from the Electric Accounting Panel were applied to these amounts to determine the expense forecasts for future rate years. The Electric Accounting Panel testimony discusses how these rates were developed.

Q. Why does the replacement of the Henwood System with the nMarket System require the hiring of a Systems Analyst?

A. The Systems Analyst will be assigned to the Company’s Information Resources (“IR”) Department. The Henwood System only handled the scheduling of transactions with the NYISO. The nMarket System will handle the scheduling of transactions with the NYISO as well as New England and Pennsylvania-New Jersey-Maryland (“PJM”). As such, additional interfaces will need to be monitored and supported daily. Additionally, as part of our annual support maintenance agreement with the nMarket product vendor, we are required to stay current with all of the three Independent System Operator (“ISO”) mandated system updates released. nMarket estimates that the installation of the new system will require the installation of new
releases/updates to the nMarket software one to two
 times per month, across the three ISOs. The
 implementation of the new releases requires review of
 the updates, installation, testing of the changes and
 deployment coordination.

Q. What is the projected annual salary for the Systems
 Analyst?

A. The projected salary is expected to fall within the
 range of range of $71,500 to $132,200.

Q. Is one Systems Analyst sufficient to meet the
 requirements and new responsibilities associated with
 the nMarket system?

A. No. The Company’s IR Department estimates that the
 nMarket System will require 1.25 full-time equivalent
 employees. The Company plans to handle these
 requirements through the full-time Systems Analyst and
 with the assistance of the vendor when required. As
 such, the Company’s program change, as detailed in
 Exhibit ___ (IK-5), requests funding in the amount of
 $213,000 in the Rate Year.

Q. When do you plan to fill the Systems Analyst position?

A. We plan to fill this position by April 1, 2013.
Q. Is the Company making any other system changes that affect the energy management function?

A. Yes. The Company is upgrading its Allegro Corporate Risk Management System ("Allegro"), which is the risk and transaction database software the Finance organization uses for the day-to-day management of energy commodity transactions.

Q. Please describe why the Allegro system upgrade is necessary.

A. This project is a major system version upgrade that is planned to begin in 2013 and end in 2014. The Company began using Allegro version 7.7 in January 2009. Since that time, the vendor has released version 8.0 and by 2013 it is anticipated that other versions will be released as well. A major system upgrade is necessary to ensure that the Company remains on a platform that is covered by the vendor’s maintenance support policy.

Q. Are there additional benefits to upgrading the Allegro system?

A. Yes. The Company requires a supportable software platform to track and schedule energy transactions, as
well as perform proper risk oversight functions. A
system upgrade enables the Company to take advantage
of industry best practices that are incorporated into
the product. In addition, the Energy Management
Department, responsible for executing the Company’s
energy commodity transactions, and the Energy Risk
Management Department, responsible for risk oversight
of these transactions, are both frequent areas of
audits, and require strict compliance with Sarbanes-
Oxley controls, as well as other risk and process
controls. The upgraded system will meet standard
industry practice from an auditing perspective and
provide a clear audit trail of transaction activity.
Furthermore, the recently enacted Dodd-Frank Wall
Street Reform and Consumer Protection Act may
significantly increase the amount of energy
transaction data to be collected and saved in a
database for recordkeeping and reporting purposes.
The upgrade will facilitate and help assure compliance
with the new law.

Q. I show you a two-page document entitled, "CONSOLIDATED
EDISON COMPANY OF NEW YORK, INC. - ALLEGRO SYSTEM
UPGRADE – CAPITAL EXPENSES” and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (IK-6)

Q. Please explain Exhibit __ (IK-6).

A. This Exhibit describes the Allegro Corporate Risk Management System upgrade and shows the associated capital costs that are planned to be incurred in 2013 and 2014. It is estimated that the system upgrade will incur capital costs totaling $700,000 in calendar year 2013 and $740,000 in calendar year 2014 for a total of $1.44 million.

PROPOSED TARIFF CHANGES

Q. In its contemporaneous gas rate filing, Con Edison is proposing to implement a Gas Transmission Reinforcement Charge on power generator customers. What is the impact of this proposed surcharge on electric full service customers?

A. The impact of the surcharge will be minimal. Over the five years of electric supply charges identified in Exhibit ___ (IK-4), energy purchases are approximately 25 percent of NYISO purchases. NYISO purchases are
approximately 30 percent of total supply costs. And supply costs are approximately 40 percent of a customer bill. The proposed surcharge is 5 cents per Dth. Assuming five dollar per Dth gas costs, the impact will be 0.03 percent on a customer bill.

Q. In its contemporaneous gas rate filing, Con Edison is also proposing to change the Lost and Unaccounted For Gas ("LAUF") calculation for power generator customers. What is the impact of this proposed surcharge on electric full service customers?

A. The impact of the revised LAUF calculation will be minimal. The revised LAUF calculation for power generator customers would result in a 0.5 percent LAUF calculation which is 0.4 percentage point higher than the current calculation of 0.1 percent. Using the same analysis that I used to determine the impact of a Gas Transmission Reinforcement Charge (above), the impact will be 0.01 percent on a customer bill.

Q. In its contemporaneous steam rate filing, Con Edison’s Steam Fuel Panel discusses the cost allocation methodology between steam and electric for the Company’s East River 1 and 2 generating units. What
is the impact of this cost allocation methodology on the costs for electric customers?

A. The costs associated with the cost allocation methodology are included in the energy costs (fuel only) in Exhibit ___ (IK-4). As explained by the Steam Fuel Panel, the Commission’s Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation, dated September 22, 2010, in Case Nos. 09-S-0029 and 09-S-0794 allocates $7.5 million in above-market costs to the Steam Department. The projection of electricity supply costs assumes $7.5 million in above-market costs to be allocated from Electric to Steam for the Rate Year.

Q. Is the Company proposing to modify the current cost allocation methodology?

A. Yes. As explained by the Steam Fuel Panel in the contemporaneous steam rate filing, the Company has submitted a proposal for Commission consideration. Pending the Commission’s decision of the East River 1 and 2 cost allocation issue, the projection of electricity supply costs assumed continuation of the
current allocation of $7.5 million from electric to steam.

Q. Is the Company proposing any other tariff changes?

A. Yes. With respect to SC 11- Buy-back Service, the Company proposes requiring customers who export more than 1 MW in any hour during a twelve-month period to deliver to the Company a prospective schedule for electricity export in accordance with scheduling protocols established by the Company. The scheduling protocols will be designed to provide the Company with the customer’s scheduled deliveries in a timeframe that enables the Company to reflect such deliveries as part of the Company’s schedule in the required NYISO day-ahead market. This will better enable the Company to forecast the amount of energy it needs to purchase for its customers from the NYISO on an hourly basis.

Q. Does this change affect the price paid to SC 11 customers?

A. No. So long as the customer submits timely schedules, the SC 11 customer receives the applicable hourly day-ahead price for scheduled delivery of energy. If,
however, the SC 11 customer does not submit a timely
schedule, the customer will be paid the lower of the
hourly day-ahead and real-time prices. The Electric
Rate Panel indicates that the SC 11 tariff has been
modified accordingly.

Q. Does this clarification have any impact on the SC 11
customer whose deliveries do not exceed 1 MW in any
hour during a twelve-month period?

A. No, those customers will continue to receive the
applicable monthly average real-time price for all
deliveries.

Q. Does this conclude your testimony?

A. Yes.