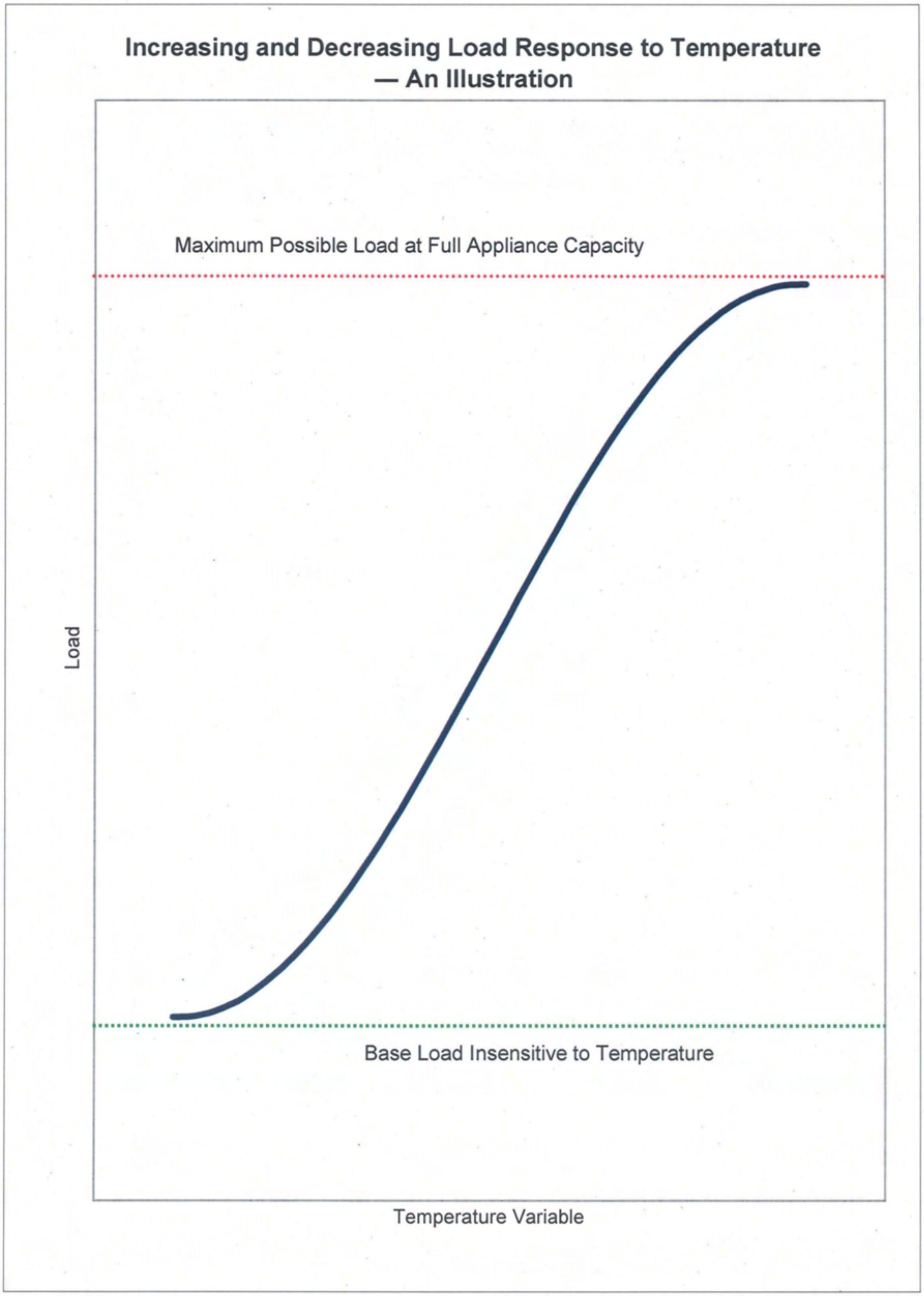
ICAP Market Price and Payment Estimate (1)

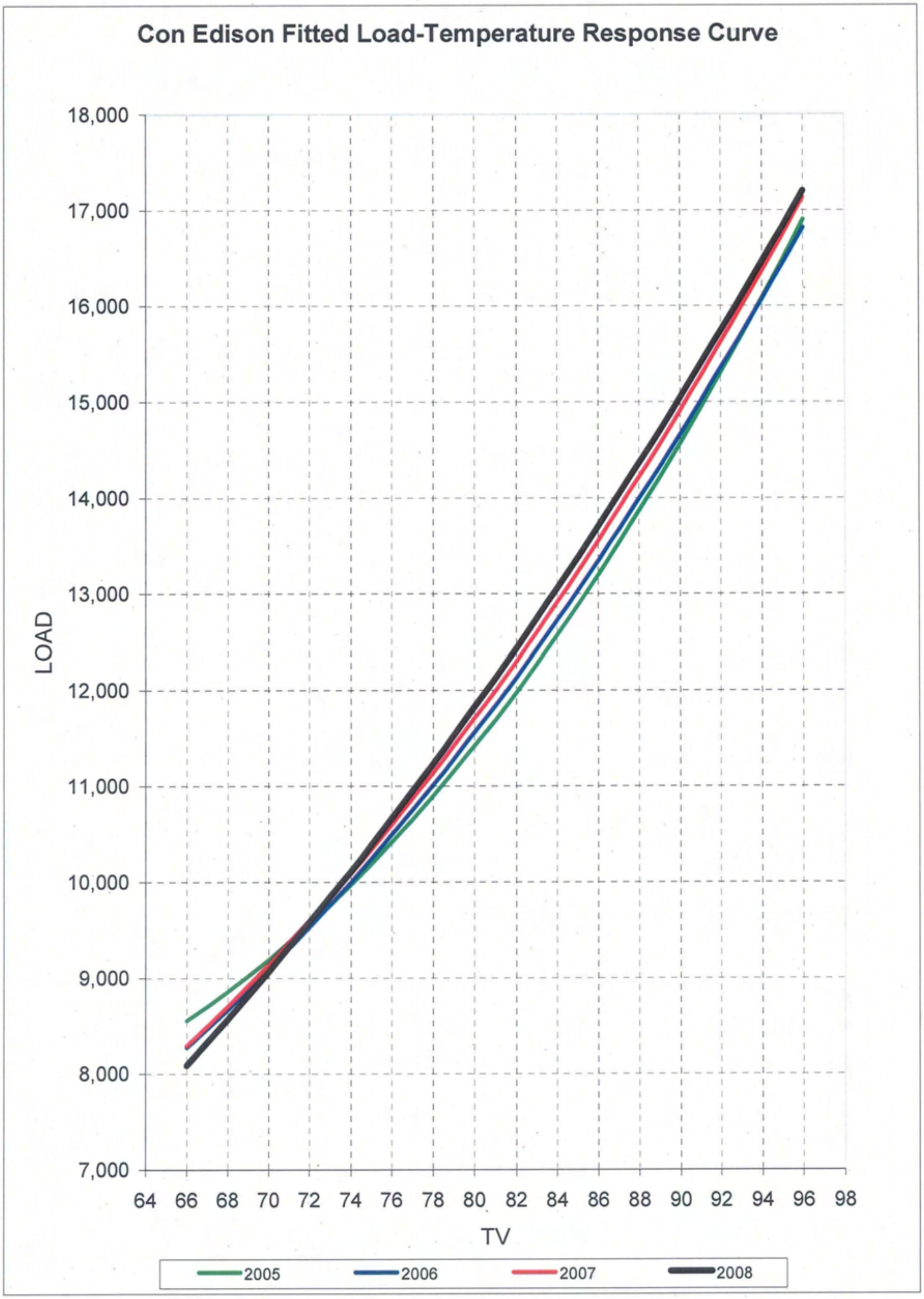
NYCA Capability Period	NYC Weighted Average Price ($/kW-Month)	ROS Weighted Average Price (2) ($/kW-Month)
Winter 2006-07	5.75	2.14
Summer 2007	12.54	2.87
Winter 2007-08	4.54	1.93
Summer 2008	5.98	2.65
Winter 2008-09	1.83	1.47
Summer 2009	8.31	3.49
Average	6.49	2.42

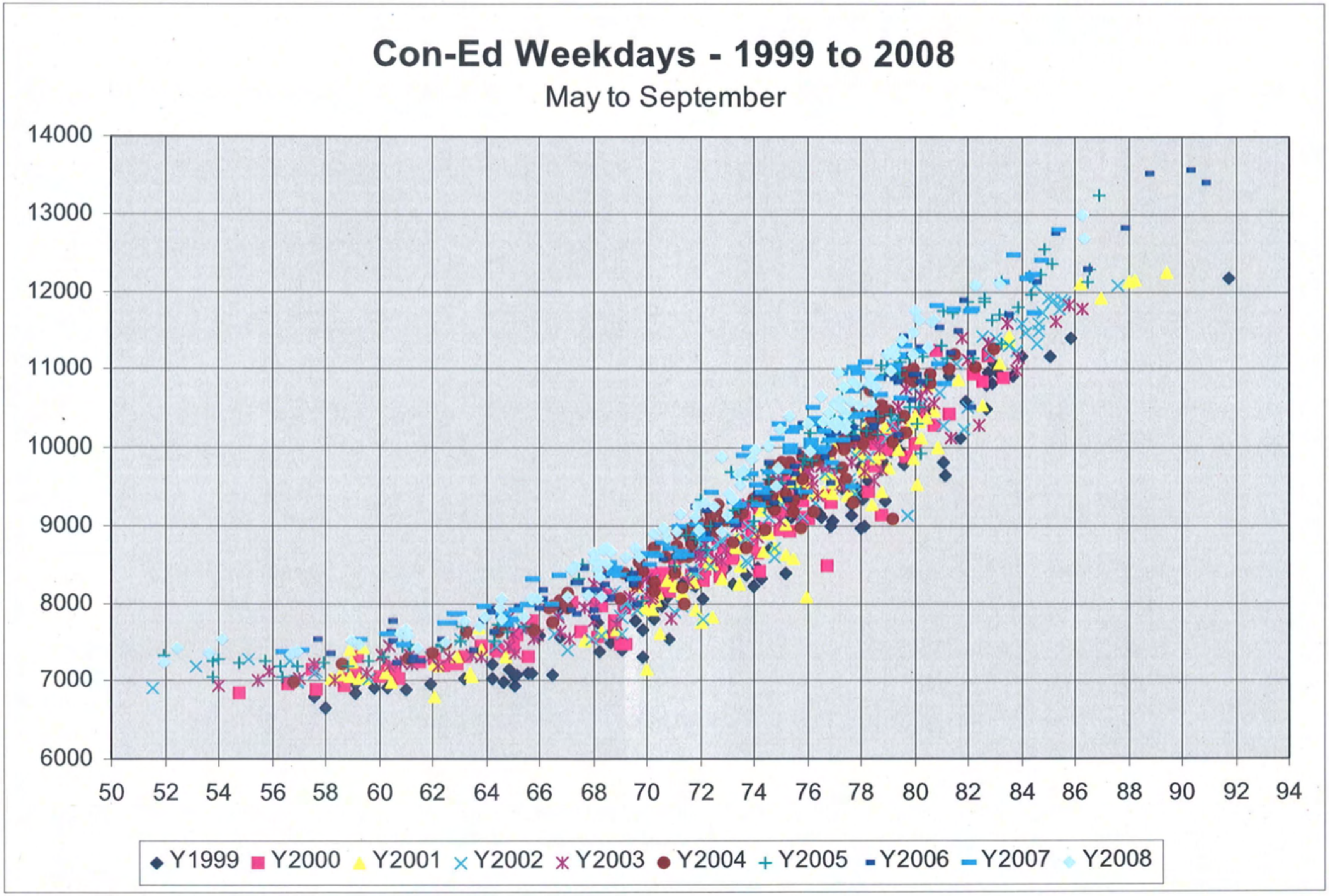
Con Edison Service Area ICAP Price (2008 NYC/Westchest split: 86.8% vs 13.2%.)	**5.95**
Total ICAP Requirement for Con Edison 200 MW Load (MW) (200 MW plus 16.5% reserve margin)	**233**
In-City ICAP Requirement for NYC portion of 200 MW Load (MW) (232 MW x 80% x 86.8%)	162
ROS ICAP Requirement for 200 MW Load (MW) (Total requirement minus In-City reqirement)	71
In-City Annual ICAP Payment ($) (In-City requirement x NYC price)	12,603,819
ROS Annual ICAP Payment ($) (ROS requirement x ROS price)	2,071,928
Total ICAP Payment ($)	**14,675,748**

(1) Source of price data: NYISO. Listed are UCAP prices, which are adjusted for outage rates. On average the ICAP prices would be about 6% lower. However, accounting for more purchases than the ICAP requirement due to the demand curve adjustment, the ending payment is about the same as estimated above. For demonstration purposes, the 14.7 million is used as the ICAP payment estimate.

(2) ROS = Rest of State.


Increasing and Decreasing Load Response to Temperature
— An Illustration
Maximum Possible Load at Full Appliance Capacity
Load
Base Load Insensitive to Temperature
Temperature Variable


Con Edison Fitted Load-Temperature Response Curve
LOAD
18,000
17,000
16,000
15,000
14,000
13,000
12,000
11,000
10,000
9,000
8,000
7,000
64 66 68 70 72 74 76 78 80 82 84 86 88 90 92 94 96 98
TV
2005
2006
2007
2008



From "2010 Load Forecast Uncertainty Results", presented to NYSRC Installed Capacity Subcommittee, July 1, 2009, by Arthur Maniaci of NYISO

Exhibit ___ (AL-2)
Page 4 of 12

From "2010 Load Forecast Uncertainty Results", presented to NYSRC Installed Capacity Subcommittee, July 1, 2009, by Arthur Maniaci of NYISO

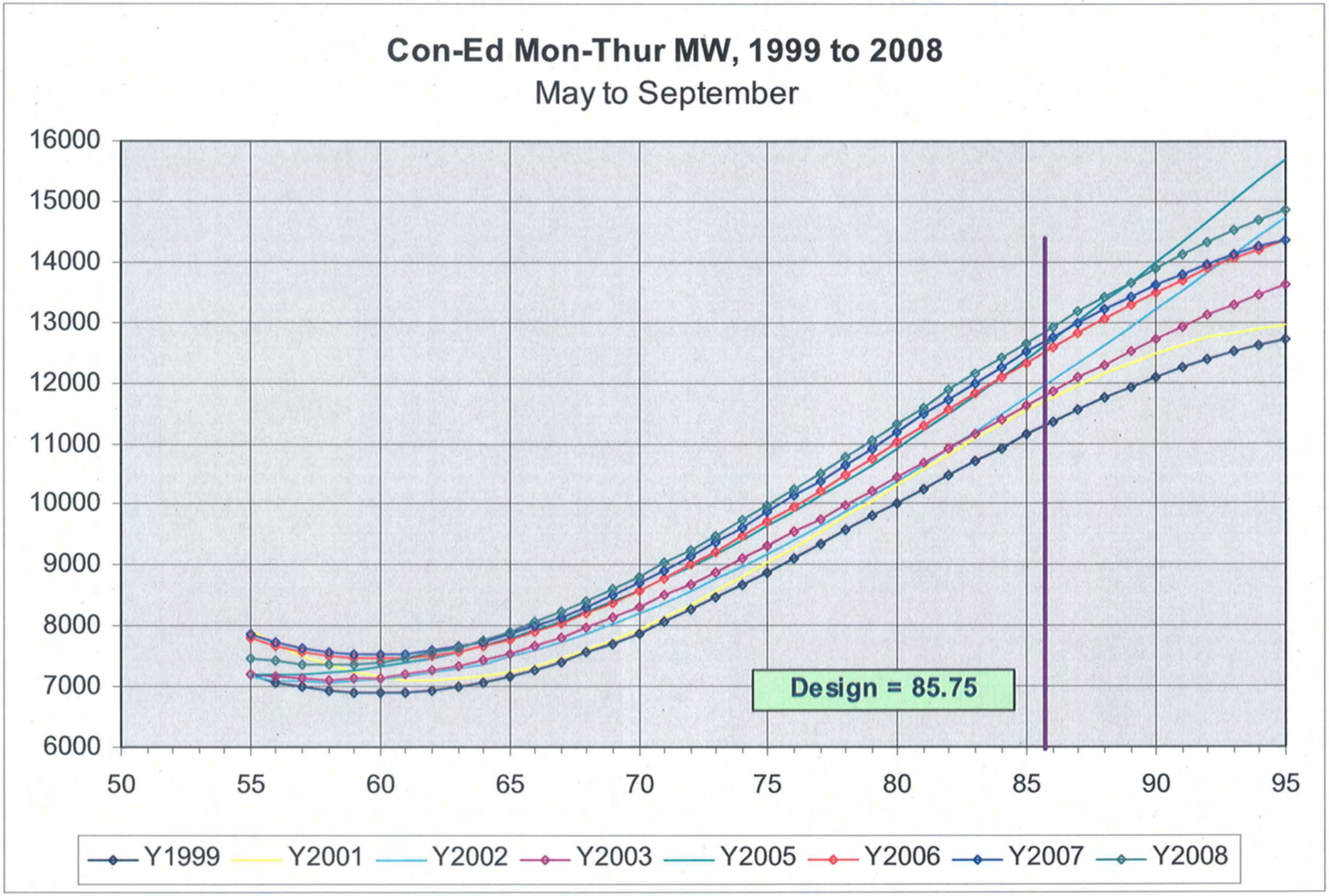
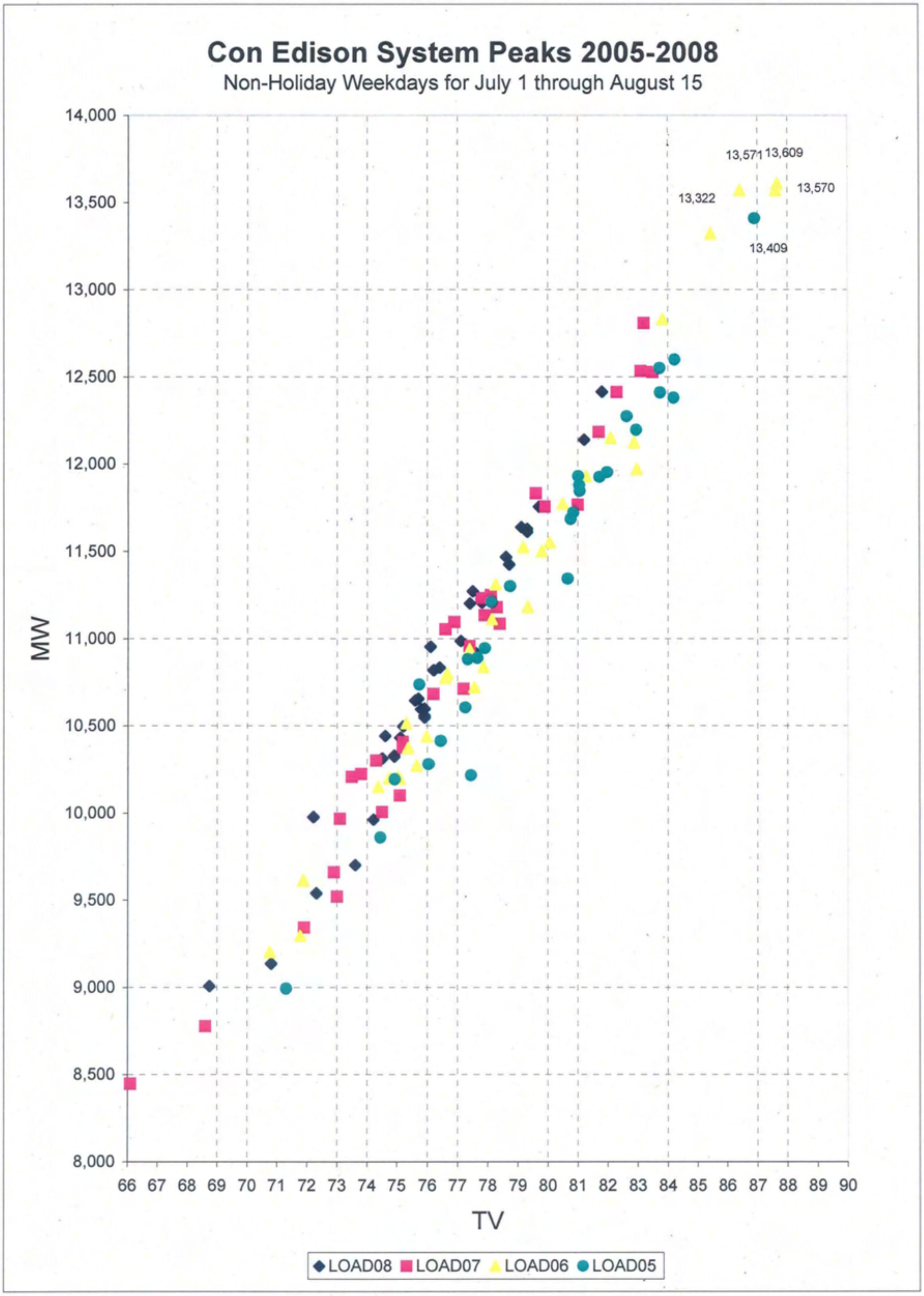


Exhibit ___ (AL-2)
Page 5 of 12


Con Edison System Peaks 2005-2008
Non-Holiday Weekdays for July 1 through August 15
14,000
13,500
13,000
12,500
12,000
11,500
11,000
10,500
10,000
9,500
9,000
8,500
8,000
MW
66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90
TV
13,571
13,609
13,322
13,570
13,409
LOAD08
LOAD07
LOAD06
LOAD05

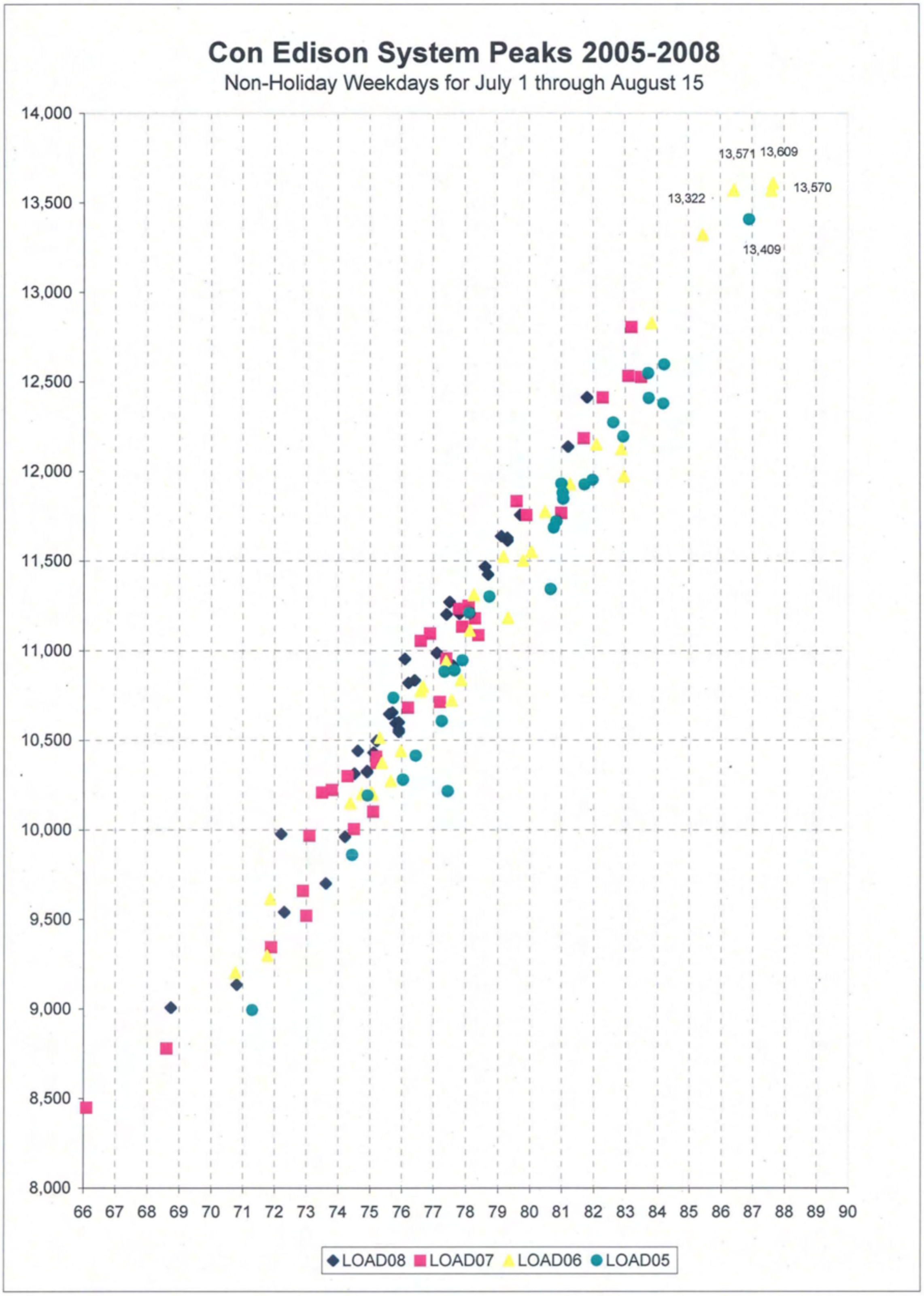
Average MW Difference in Early June 2008 from Sample Period 2008

	----- TV Occurred in June (6/1-6/15) -----				
TV Difference	70.6	71.9	72.4	75.7	78.4
0.1				158	
0.2			536	148	-191
0.3	-187	-596	335	181	-170
Average	-187	-596	435	162	-180

Average MW Difference in June 2008 from Sample Period 2008

	----- TV Occurred in June (6/1-6/30) -----								
TV Difference	70.6	71.9	72.4	74.7	74.9	75.7	75.8	76.2	78.4
0.1					-85	141	141	-33	
0.2			536	-276	-122	131	175	-100	-191
0.3	-187	-405	283	-174	-172	164	114	68	-170
Average	-187	-405	409	-225	-126	145	143	-21	-180

Data source: Con Edison response to Staff IR DPS-286.
Sample period 2008 = July 1 - August 15.


Con Edison System Peaks 2005-2008
Non-Holiday Weekdays for July 1 through August 15
14,000
13,500
13,000
12,500
12,000
11,500
11,000
10,500
10,000
9,500
9,000
8,500
8,000
66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90
13,571
13,609
13,322
13,570
13,409
LOAD08
LOAD07
LOAD06
LOAD05

Staff Pooled Regression Analysis

Regression 1 – 3rd Order Polynomial Model with Period Effect on Constant

```
Dependent Variable: LOAD
Method: Least Squares
Sample: 1 127
Included observations: 127
```

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D2005	167501.3	43404.15	3.859108	0.0002
D2006	167623.8	43414.20	3.861036	0.0002
D2007	167723.0	43408.72	3.863808	0.0002
D2008	167808.5	43412.94	3.865402	0.0002
TV	-6465.767	1699.023	-3.805581	0.0002
TV^2	84.95248	22.11152	3.842001	0.0002
TV^3	-0.356338	0.095685	-3.724068	0.0003

R-squared	0.975419	Mean dependent var	11015.75
Adjusted R-squared	0.974190	S.D. dependent var	1062.347
S.E. of regression	170.6720	Akaike info criteri	13.17090
Sum squared resid	3495471.	Schwarz criterion	13.32767
Log likelihood	-829.3525	Durbin-Watson stat	1.810193

Estimated Load at Design of 86 Degree TV

obs	REG3F05	REG3F06	REG3F07	REG3F08
150	13102.95	13225.43	13324.59	13410.11

Regression 2 – 3rd Order Polynomial Model with Period Effect on Constant and Slope

```
Dependent Variable: LOAD
Method: Least Squares
Sample: 1 127
Included observations: 127
Convergence achieved after 24 iterations
LOAD=(1+C(1)*D2006+C(2)*D2007+C(3)*D2008)*(C(4)+C(5)*TV
        +C(6)*TV^2+C(7)*TV^3)
```

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.010915	0.003970	2.749379	0.0069
C(2)	0.020578	0.004130	4.982453	0.0000
C(3)	0.028921	0.004229	6.839445	0.0000
C(4)	158943.3	42280.77	3.759233	0.0003
C(5)	-6118.799	1655.291	-3.696509	0.0003
C(6)	80.32805	21.54850	3.727779	0.0003
C(7)	-0.336048	0.093286	-3.602360	0.0005

R-squared	0.975922	Mean dependent var	11015.75
Adjusted R-squared	0.974718	S.D. dependent var	1062.347
S.E. of regression	168.9154	Akaike info criteri	13.15021
Sum squared resid	3423890.	Schwarz criterion	13.30698
Log likelihood	-828.0386	Durbin-Watson stat	1.836794

Estimated Load at Design of 86 Degree TV

obs	REG4F05	REG4F06	REG4F07	REG4F08
150	13087.49	13230.34	13356.81	13466.00

Sensitivity Analysis – 2008 Quadratic Model

Case 1. Observations Con Edison used

```
============================================================
Dependent Variable: LOAD08
Method: Least Squares
Sample: 1 36
Included observations: 36
============================================================
     Variable      CoefficienStd. Errort-Statistic  Prob.
============================================================
        C          2776.271   8921.039   0.311205   0.7577
      TV08        -72.46723   232.6781  -0.311448   0.7575
     TV08^2        2.321624   1.515861   1.531554   0.1355
      FRI08       -221.5944   57.59917  -3.847180   0.0005
============================================================
R-squared          0.981037    Mean dependent var 10893.04
Adjusted R-squared 0.979259    S.D. dependent var 946.6818
S.E. of regression 136.3387    Akaike info criteri12.77260
Sum squared resid  594823.7    Schwarz criterion  12.94855
Log likelihood    -225.9068    F-statistic        551.8256
Durbin-Watson stat 2.324368    Prob(F-statistic)  0.000000
============================================================
```

Case 2. Manufactured data removed

```
============================================================
Dependent Variable: LOAD08
Method: Least Squares
Sample: 1 33
Included observations: 33
============================================================
     Variable      CoefficienStd. Errort-Statistic  Prob.
============================================================
        C          4290.504   12034.41   0.356520   0.7240
      TV08        -113.2907   318.2921  -0.355933   0.7245
     TV08^2        2.596424   2.103401   1.234393   0.2270
      FRI08       -223.3713   59.20100  -3.773099   0.0007
============================================================
R-squared          0.972887    Mean dependent var 10728.55
Adjusted R-squared 0.970082    S.D. dependent var 801.6947
S.E. of regression 138.6683    Akaike info criteri12.81526
Sum squared resid  557638.2    Schwarz criterion  12.99665
Log likelihood    -207.4518    F-statistic        346.8601
Durbin-Watson stat 2.313461    Prob(F-statistic)  0.000000
============================================================
```

Case 3. Manufactured data and 1st observation removed

```
============================================================
Dependent Variable: LOAD08
Method: Least Squares
Sample: 2 33
Included observations: 32
============================================================
     Variable      CoefficienStd. Errort-Statistic  Prob.
============================================================
        C         -8714.853   17301.40  -0.503708   0.6184
      TV08         223.6516   452.7786   0.493954   0.6252
     TV08^2        0.415546   2.961094   0.140335   0.8894
      FRI08       -210.6656   60.34606  -3.490959   0.0016
============================================================
R-squared          0.968351    Mean dependent var 10787.01
Adjusted R-squared 0.964960    S.D. dependent var 739.6284
S.E. of regression 138.4502    Akaike info criteri12.81537
Sum squared resid  536716.7    Schwarz criterion  12.99858
Log likelihood    -201.0459    F-statistic        285.5706
Durbin-Watson stat 2.244476    Prob(F-statistic)  0.000000
============================================================
```

Sensitivity Analysis – 2008 Quadratic Model

Case 4. Data added for 7/10/07 with load inflated 1.1%

Dependent Variable: LOAD08
Method: Least Squares
Sample: 1 37
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1828.309	8622.350	-0.212043	0.8334
TV08	50.99620	224.1244	0.227535	0.8214
TV08^2	1.495164	1.454965	1.027629	0.3116
FRI08	-218.1714	58.85343	-3.707029	0.0008

R-squared	0.981370	Mean dependent var	10940.95
Adjusted R-squared	0.979677	S.D. dependent var	977.8803
S.E. of regression	139.4060	Akaike info criteri	12.81446
Sum squared resid	641323.1	Schwarz criterion	12.98862
Log likelihood	-233.0676	F-statistic	579.4589
Durbin-Watson stat	2.361102	Prob(F-statistic)	0.000000

Case 5. Data added for 7/10/07 with load inflated 1.1% and 1st observation removed

Dependent Variable: LOAD08
Method: Least Squares
Sample: 2 37
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11795.93	11590.99	-1.017682	0.3165
TV08	304.8251	298.5088	1.021160	0.3148
TV08^2	-0.118597	1.920074	-0.061767	0.9511
FRI08	-208.6147	58.79107	-3.548408	0.0012

R-squared	0.979629	Mean dependent var	10998.81
Adjusted R-squared	0.977719	S.D. dependent var	925.2919
S.E. of regression	138.1170	Akaike info criteri	12.79852
Sum squared resid	610442.2	Schwarz criterion	12.97447
Log likelihood	-226.3733	F-statistic	512.9455
Durbin-Watson stat	2.324250	Prob(F-statistic)	0.000000

Case 6. Case 4 with adjusted two peak loads from June 2008

Dependent Variable: LOAD08
Method: Least Squares
Sample: 1 39
Included observations: 39

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10942.12	7683.113	-1.424178	0.1633
TV08	293.2803	197.8164	1.482589	0.1471
TV08^2	-0.112454	1.271555	-0.088438	0.9300
FRI08	-216.7203	62.28002	-3.479773	0.0014

R-squared	0.982298	Mean dependent var	11049.90
Adjusted R-squared	0.980780	S.D. dependent var	1064.194
S.E. of regression	147.5342	Akaike info criteri	12.92291
Sum squared resid	761822.3	Schwarz criterion	13.09353
Log likelihood	-247.9968	F-statistic	647.3835
Durbin-Watson stat	2.155741	Prob(F-statistic)	0.000000

Sensitivity Analysis – 2008 Quadratic Model

Estimated loads at design of 86 degree TV

obs	QUAD1F	QUAD2F	QUAD3F	QUAD4F	QUAD5F	QUAD6F
56	13714.82	13750.65	13592.56	13615.60	13541.88	13448.28

Forecasting errors at 95% confidence

obs	QUAD1E	QUAD2E	QUAD3E	QUAD4E	QUAD5E	QUAD6E
56	190.9935	266.9118	306.4587	184.4548	191.7132	173.0247