CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
SUMMARY OF NATURAL GAS
JOINT PROPOSAL

May 18, 2010

A Gas Rates Joint Proposal (JP) executed or expected to be executed by Consolidated Edison Company of New York, Inc. (Con Edison or the Company), Department of Public Service Staff (Staff), the City of New York, Consumer Power Advocates, New York Energy Consumers Council, Inc., the E-Cubed Company, LLC on behalf of the Joint Supporters, and the Small Customer Marketer Coalition was filed today. It calls for a three-year rate plan for Con Edison's natural gas business, from October 1, 2010 through September 30, 2013. Rate Year 1 (RY1) is the period from October 1, 2010 through September 30, 2011, Rate Year 2 (RY2) is the period from October 1, 2011 through September 30, 2012 and Rate Year 3 (RY3) is the period from October 1, 2012 through September 30, 2013.

The Company originally proposed that its annual gas revenue requirement be increased by $160.8 million in RY1 (an increase of 8.4% on total bills, or 21.9% on delivery only), $55.9 million in RY2 (an increase of 2.7% on total bills, or 6.4% on delivery only) and $56.3 million in RY3 (an increase of 2.6% on total bills, or 6.0% on delivery only). Those requests reflected a return on equity (ROE) of 10.8% for a one-year rate plan and 11.3% for a multi-year rate plan.

The gas rates JP recommends that the Commission increase the Company's retail gas sales and gas transportation service rates and charges to produce incremental annual gas revenues of $47.1 million in RY1 (an increase of 2.4% on total bills, or 6.1% on delivery only), $47.9 million in RY2 (an increase of 2.3% on total bills, or 5.8% on delivery only), and $46.7 million in RY3 (an increase of 2.2% on total bills, or 5.3% on delivery only). These increases reflect a return on equity of 9.6% for its gas business. The Signatory Parties propose that these revenue increases not be levelized as this would not benefit customers.

The primary reasons why additional revenues are needed are projected increases in plant investment and the costs for property taxes and pensions and other postemployment benefits (OPEBs). In RY1, for example, the proposed revenue increase is based in large part on projected expense increases of $30.4 million for pension and OPEBs (including recovery of deferred pension/OPEBs costs), $29.7 million for property taxes, and nearly $30.0 million for increased investment in and depreciation of plant in service, offset in large part by the inclusion of higher non-firm revenues of $18.0 million, firm sales revenue growth worth $11.0 million and a $17.7 million decrease in operation and maintenance expenses. The proposed RY2 and RY3 gas revenue increases are driven in large part by forecast increases of more than $23.0 million and $20.0 million, respectively, for increased investment in and depreciation of plant in service and of approximately $12.2 million and $12.1 million, respectively, in property taxes.

The proposed gas revenue requirements are lower than they would otherwise be because they reflect austerity cost reductions in the amounts of $6 million in RY1, $4 million in RY2 and $2 million in RY3. Austerity may be achieved through a combination of operation and maintenance expense reductions, capital cost reductions, and/or through the allocable share for gas of any corporate-wide austerity measures. Productivity would be imputed at 2%, of which half is intended to capture the efficiency gains resulting from the implementation of the Liberty Management Audit that have not been specifically identified or quantified.

The gas rates JP calls for partial or full reconciliation of certain expenses, including, but not limited to, property taxes, pensions/OPEBs, environmental and interference O&M expenses. In addition, the gas rates JP recommends a downward-only reconciliation of carrying charges related to net plant and sets forth capital spending targets. To the extent Con Edison exceeds these targets, it could not recover the carrying charges associated with the additional expenditures during the remainder of the term of the gas Rate Plan. To the extent Con Edison exceeds the aggregate capital spending targets during the term of the Rate Plan by more than 10 %, the Company would have to justify the need for and reasonableness of the additional expenditures in its next rate filing.

The JP proposes an earnings sharing mechanism which is intended to capture for customers a greater portion of savings that may be realized as a result of the Company's implementation of the recommendations of the Liberty Management Audit. The level of earnings would be calculated annually, but any earnings to be shared would be measured on a cumulative basis over the three rate years. One half of the Company's portion of cumulative shared earnings would be used to write down any deferred under collections for property taxes, pensions/OPEBs, and interference expense. The customers' allocated share would be used for the same purpose and to offset other deferred under collections.

Pursuant to Commission policy, the JP proposes continuation of the current revenue decoupling mechanism (RDM). Delivery revenues from service provided to the Company's firm customers would be subject to reconciliation pursuant to the RDM set forth in the JP's Appendix I. The RDM would remain in effect after RY3 unless and until changed by Commission order.

Revenues for each of the three rate years were allocated among the classes by applying the overall average percentage rate increase for each rate year to revenue at rates in effect. Class adjustments were made to reallocate the low income discounts, to allocate unbundled services among the classes, and, for the first rate year, to account for class deficiency and surpluses based upon indications from the Cost of Service Study.

Under the gas rates JP, the Company would be allowed to implement its proposal to eliminate Daily Delivery Service and Daily Cashout Service load balancing options for firm transportation customers, two options employed by less than 3% of its customer load. Load Following Service, another existing gas balancing option, would be modified and simplified to help minimize customer confusion and apply to all firm sales and firm transportation customers.

Under the gas rates JP, the Company would continue to include in the Merchant Function Charge (MFC) applicable to SC1, SC2 Heating and Non-Heating, SC3 and SC13 customers, and in the Monthly Rate Adjustment (MRA) applicable to all firm customers including firm transportation customers served under SC9, charges to recover the working capital costs associated with gas in storage. Gas storage working capital costs would continue to be split between sales-related and reliability/balancing-related costs. Sales related costs would continue to be recovered only through the MFC and reliability/balancing-related costs will continue to be recovered only through the MRA.

A low-income program is proposed that would provide SC1 customers (cooking gas customers) with a $1.50 discount on their monthly minimum charge. Based on the assumption that 145,000 SC1 customers would participate, the proposed rates reflect a cost of approximately $2.6 million for this program. It is also proposed that SC3 (residential-heating customers) low-income customers receive a discount of $0.3833 per therm for their usage in the 4-90 therm block. Based on the assumption that 20,000 SC3 customers would participate, the proposed rates reflect a cost of approximately $3.8 million for this program. There would be no cap on the number of customers eligible for these discounts. The Company would also waive its reconnection of service fee one time for low-income customers who are disconnected during the term of the gas rate plan, subject to it not exceeding a total cost of not greater than $225,000 for the three rate years. The electric rate plan collaborative beginning in May 2010 concerning arrears forgiveness would also be expanded to include gas service arrears forgiveness.

Additionally, the gas rates JP proposes that the gas safety performance metrics will generally be ratcheted upward, with higher potential negative revenue adjustments. The Company would also provide to a customer or a customer's representative (upon presentation of the customer's account number) load profile data that is currently available to an energy service company with respect to its customers. A collaborative is also proposed to discuss the current SC 1 rate structure as it relates to cooking-only customers; whether such rates should be adjusted and, if so, how; as well as meter reading, billing and ESCOs marketing to these customers.

It is proposed that the levels of customers' satisfaction with the Company's gas service be determined by surveys performed semi-annually by an outside vendor selected by the Company. The surveys, which would be the same surveys used in the current gas rate plan, would measure customers' satisfaction with the handling of calls to the Gas

Emergency Response Center relating to gas service. Credits to customers of up to $3.3 million per year would accrue if customer satisfaction falls below 88.1%.