

**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments**

**A. Market Supply Charge**

The rates for electric service include a Market Supply Charge ("MSC") applicable to Customers served under this Rate Schedule, including Customers served under Special Provision C of SC 14-RA of the Retail Access Schedule, except as specified below. The MSC varies by Service Classification and is calculated separately for Customers served in the New York City and combined Westchester NYISO zones as defined in General Information Section I. MSCs are estimated on a monthly basis. Beginning May 1, 2005, MSCs will be estimated for a three-month period and will be updated prior to the start of the next three-month period. Not less than 3 business days prior to February 1, May 1, August 1, and November 1, a Statement of Market Supply Charge and Monthly Adjustment Clause (Statement) will be filed with the Public Service Commission apart from this Rate Schedule. Such Statement will show for each month covered by the Statement the applicable MSC amounts by Service Classification. Depending on the Service Classification, MSC amounts will be shown either in cents per kilowatthour or in both dollars per kilowatt and cents per kilowatthour. A copy of the Statement in effect will be available to the public on the Company's website. The MSC is not applicable to Customers served under Service Classification No. 11 of this Rate Schedule. The cents per-kilowatthour component of the MSC is not applicable to Customers served under Rider M of this Rate Schedule. Except for Customers served under Special Provision C of Service Classification No. 14-RA, the MSC is not applicable to Customers served under the Retail Access Rate Schedule.

**1. MSC Components**

The components of the MSC include:

- 1) market cost of energy and capacity based on NYISO market prices;
- 2) Ancillary Service Charges including certain NYISO Schedule 1 charges including Scheduling, System Control & Dispatch ("S, SC & D") Service Charge, Local Reliability S, SC & D Service Charge and Market Administration and Control Area Service Charge;
- 3) NYPA Transmission Adjustment Charge ("NTAC"); and
- 4) certain other transmission-related charges and credits for Customers served under this Rate Schedule.

**2. Adjustment Factor – MSC**

Estimated MSC amounts recovered in rates on a calendar month basis shall be reconciled to actual market supply costs on a calendar month basis. The actual market supply costs are defined as the costs the Company would have incurred if the requirements to serve Customers under this Rate Schedule were to have been purchased solely from the NYISO market calculated on a load-weighted average market price based on available NYISO billing data at the end of each month.

The MSC will be reconciled separately for New York City and the combined Westchester NYISO zones. As approved by the Commission in its orders dated February 28, 2000 and April 24, 2000 in Case 96-E-0897, the rates under all Service Classifications shall be subject each month to an adjustment based on the MSC reconciliation amounts, which adjustment is referred to as the "Adjustment Factor - MSC." All Customers subject to the MSC, except for Customers served under Rider M, are subject to the Adjustment Factor – MSC.

(General Information - Continued on Leaf No. 159-A)

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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

Separate Adjustment Factors - MSC will be determined for New York City and the combined Westchester NYISO zones by dividing the reconciliation amounts determined for each zone by estimated zonal sales in kwhr to Customers served under this Rate Schedule during the period over which the adjustments are to be applied. The Adjustment Factors - MSC will be applied on a cents per kilowatthour basis, taken to the nearest 0.0001 cent, and will be the same for all Service Classifications.

The amounts recovered or credited through the Adjustment Factors - MSC will be reconciled to actual amounts to be recovered. Any differences will be passed through the Adjustment Factors - MSC in a subsequent month.

**3. Special Provisions**

**(a) Tax Reimbursement Recovery Provision**

Pursuant to Ordering Clauses (1) and (4) of the Public Service Commission's "Order Permitting Recovery of New and Revised Taxes," issued July 23, 1991, the Adjustment Factors - MSC per kwhr, as determined above, shall be subject to a separate surcharge, applicable to only non-residential use of electricity, to recover the tax reimbursement as provided for under Service Classification 11 "Buy-Back Service" and as authorized by Section 66-h of the Public Service Law and Section 149-b of Chapter 166 of the Laws of 1991. This separate surcharge shall not be applicable to Customers taking service under Service Classification Nos. 1, 7, 8, 12, or 13 of this Rate Schedule or to residential usage under any other Service Classification of this Rate Schedule. The proportion of a Customer's usage that is residential usage shall be considered to be zero unless the Customer has supplied the Company with the properly completed "Certification of Residential Use" (New York State Tax Form TP-385). Customers taking service under a Service Classification subject to the surcharge and wishing to establish that a proportion of their usage is residential must provide the Company with the aforementioned form, properly completed, and will be exempt from the surcharge for such residential usage in future billing periods.

**(b) Demand Response Program Cost Recovery Provision**

The Adjustment Factor – MSC will in each month include an amount equal to the difference, if any, between (i) the amounts billed in such month to Customers served under Rider M for actual energy usage priced at the applicable hourly energy prices in accordance with the provisions of Rider M, and (ii) the actual market supply costs for such month, as defined in Paragraph A.2. of General Information Section VII, for such Customer's actual energy usage. The Adjustment Factor – MSC will in each month include a credit for any Rider W penalty amounts received by the Company in excess of those paid by the Company to the NYISO under the NYISO's Day Ahead Demand Response Program.

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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

**4. Statement of Adjustment Factor - MSC**

Commencing with the eighth billing cycle of each month, Adjustment Factor - MSC per kwhr, as determined above, shall be effective during the succeeding billing month after the month for which the Adjustment Factor - MSC shall have been determined, and shall continue in effect until changed. The Adjustment Factor - MSC will be applicable to bills that are rendered on or after the effective date of the Statement.

Not less than 3 business days prior to any change in the rate adjustment per kwhr resulting from this provision for MSC adjustment, a Statement of Adjustment Factor – MSC (Statement) showing the Adjustment Factor - MSC, the date at which and the period for which the Adjustment Factor - MSC were determined, and the amount of adjustment per kwhr, will be duly filed with the Public Service Commission, apart from this Rate Schedule. Such Statement will be available to the public on the Company's website.

**B. Monthly Adjustment Clause**

Rates for electric service include a Monthly Adjustment Clause ("MAC") applicable to all Customers served under this Rate Schedule, except for Service Classification No. 11, and under the Retail Access Rate Schedule, except for Service Classification No. 15-RA to the extent the MAC does not apply under the EDDS Rate Schedule. The MAC varies by Service Classification and is stated separately for Customers served in the New York City and the combined Westchester NYISO zones as defined in General Information Section I. As directed by the Commission in its order dated November 25, 2003, in Case 00-E-1208, the Company will phase-in MAC equalization for the New York Qty and the combined Westchester NYISO zones as defined in General Information Section I beginning May 2004 so that the MACs will be fully equalized by November 2006. MACs are estimated on a monthly basis. Beginning May 1, 2005, MACs will be estimated for a three-month period and will be updated prior to the start of the next three-month period. Not less than 3 business days prior to February 1, May 1, August 1, and November 1, a Statement of Market Supply Charge and Monthly Adjustment Clause (Statement) will be filed with the Public Service Commission apart from this Rate Schedule. Such Statement will show for each month covered by the Statement the applicable MAC amounts by Service Classification. Depending on the Service Classification, MAC amounts will be shown either in cents per kilowatthour or in both dollars per kilowatt and cents per kilowatthour. A copy of the Statement in effect will be available to the public on the Company's website.

**1. MAC Components**

The components of the MAC include:

- (1) above-market costs of purchased power. Purchased power includes power purchased under non-utility generator ("NUG") contracts and other power purchase contracts. Above-market costs of power purchase contracts reflect the difference between the actual monthly costs of these purchases, including fixed and variable costs, and the imputed revenue associated with pricing these purchases at the market price(s) included in the MSC;

(General Information - Continued on Leaf No. 161)

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**Issued by Joan S. Freilich, Executive Vice President and  
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4 Irving Place, New York, N.Y. 10003**

**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

**1. MAC Components – Continued**

- (2) above-market costs of retained generation assets. Retained generation assets include gas turbines and the electric department's share of Con Edison's steam/electric units assigned to the electric system, including the East River Repowering Project as governed by the Public Service Commission's order in Case 03-S-1672. Above-market costs of retained generation assets reflect the difference between the actual costs of the retained generation assets, including fixed, variable, and fuel costs, and the imputed revenues associated with pricing these assets at the market price(s) included in the MSC;
- (3) the difference between monthly amortized revenues from sales of the Company's system Transmission Congestion Contracts ("TCCs") and the amount reflected in setting applicable rates;
- (4) charges for and/or revenues from the Company's system TCCs that are not sold;
- (5) monthly amortized costs of TCCs purchased through the NYISO auctions, direct sales or from the secondary market for Customers served under this Rate Schedule;
- (6) revenues from TCCs held for Customers served under this Rate Schedule;
- (7) certain NYISO-related charges and credits, including rebills, which are to be recovered or passed back over a reasonable period of time, and certain NYISO Schedule 1 charges, applicable to Customers served under this Rate Schedule and under the Retail Access Rate Schedule. Miscellaneous charges/credits to be flowed through the MAC, such as rebills, will be limited to 5 percent of the total MSC/MAC costs for that month. Residual amounts will be deferred with interest and flowed through the MAC in subsequent month(s) subject to the same 5 percent limitation;
- (8) Customers' share of the cost of the savings passed on to Madison Square Garden in accordance with Section 3, Chapter 459, 1982 N.Y. Laws;
- (9) any incremental costs incurred by the Company resulting from divestiture of its electric generation facilities as described in Con Edison's Generation Divestiture Plan in Case 96-E-0897 and approved by the Public Service Commission's order dated July 21, 1998;
- (10) adjustments applicable to periods prior to May 1, 2000;
- (11) certain NYISO Transmission Owners Charges such as Congestion Balancing Settlement, Rochester Station 80 Capacitor Bank and Ramapo Phase Angle Regulator;
- (12) the difference between actual values and assumptions used to design generation capacity and energy adjustments for retail access rates;
- (13) net amounts from sales to other utilities, LSEs and others;
- (14) certain other transmission-related charges and credits for Customers served under this Rate Schedule and the Retail Access Rate Schedule;

**(General Information - Continued on Leaf No. 162)**

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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments – Continued**

**1. MAC Components - Continued**

- (15) the difference between actual market based costs as determined in the calculation of the Adjustment Factors – MSC, and total actual costs incurred for energy, capacity and Ancillary Services to serve Customers under this Rate Schedule, including costs of financial hedging instruments associated with transactions intended to reduce price volatility to customers (e.g., transaction costs, such as option premiums, costs of providing credit support and margin requirements, and professional fees, and gains and losses associated with such transactions made in the commodities exchanges and with other counterparties) except as described in General Information Section VII.B.4, “Hedging Instruments”;
- (16) foregone delivery service revenues associated with the provision of service under Rider M (voluntary service only), Rider P, Rider W, and the Company’s Direct Load Control Program;
- (17) foregone electric revenues resulting from decreased electric requirements associated with steam air conditioning installations by Customers under Special Provision E of Service Classification Nos. 2 and 3 of Con Edison’s Schedule for Steam Service, P.S.C. No.3 - Steam;
- (18) foregone steam revenues associated with steam rate discounts for steam air conditioning installations by Customers under Special Provision E of Service Classification Nos. 2 and 3 of Con Edison’s Schedule for Steam Service, P.S.C. No. 3 - Steam;
- (19) all costs on an as-incurred basis, including but not limited to payments to Customers where applicable and capital costs for enabling technologies, associated with the implementation of programs conducted under Rider M, Rider P, Rider U, the Company’s Direct Load Control Program, the Targeted Demand Side Management Program to the extent authorized by the Public Service Commission in Case 03-E-1332, the steam rate discount under Special Provision E of Service Classification Nos. 2 and 3 of Con Edison’s Schedule for Steam Service, P.S.C. No. 3 - Steam, the Company’s interval meter installation incentive program, the Company’s program to support energy service company load reduction efforts, and the Company’s marketing program for demand response programs;
- (20) certain costs related to the restoration and operation of Hudson Avenue Unit 10/100 as authorized in the Public Service Commission’s Memorandum Order in Case 01-E-0147, issued April 27, 2001, and decommissioning costs if approved by the Public Service Commission;
- (21) the Company’s lost revenues and costs for both targeted and system-wide demand management programs, net of the value of deferred distribution capital expenditures for the targeted program, above the levels associated with the System Benefits Charge, and any demand management program-related incentives, as approved by the Public Service Commission in Case 04-E-0572;
- (22) Switching and Retention Incentive Payments, as approved by the Public Service Commission in Case 04-E-0572;

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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

**1. MAC Components - Continued**

- (23) any net revenue shortfalls between retail access rates and NYPA delivery rates resulting from a law(s) enacted in 2004, or similar laws enacted during the Electric Rate Plan established in Case 04-E-0572, that would permit NYPA to serve additional Customers in the Company's service area;
- (24) any difference between the level of NEIL distributions reflected in rates and the actual NEIL distributions received on an annual basis;
- (25) the actual wholesale Transmission Service Charge revenues, other than from firm transmission contracts, received on an annual basis net of any NYISO-related adjustments;
- (26) any variance between the wheeling revenues for firm Transmission contracts reflected in rates and the actual wheeling revenues for firm Transmission contracts received on an annual basis; and
- (27) other appropriate costs as may be approved by the Public Service Commission.

**2. Adjustment Factor - MAC**

Estimated Monthly Adjustment Clause amounts recovered in rates on a calendar month basis shall be reconciled to actual amounts of MAC components on a calendar month basis. Rates under all Service Classifications shall be subject each month to an adjustment reflecting the MAC reconciliation amount, which adjustment is referred to as the "Adjustment Factor – MAC."

The Adjustment Factor - MAC will be determined by (1) dividing the reconciliation amount by the sum of the estimated sales in kwhr to Customers served under this Rate Schedule plus the estimated sales in kwhr to Customers served under the Retail Access Rate Schedule during the period over which the adjustment is to be applied, taken to the nearest 0.0001 cent, and (2) summing the resulting quotients. The Adjustment Factor - MAC will be applied on a cents per kilowatthour basis, taken to the nearest 0.0001 cent.

The amounts recovered or credited through the Adjustment Factor - MAC will be reconciled to actual amounts to be recovered. Any differences will be passed through the Adjustment Factor - MAC in a subsequent month.

**(General Information - Continued on Leaf No. 163-A)**

**Date of Issue: April 29, 2005**

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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

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**(General Information - Continued on Leaf No. 164)**

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**Issued by Joan S. Freilich, Executive Vice President and  
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**GENERAL INFORMATION – Continued**

**VII. Market Supply Charge, Monthly Adjustment Clause, and Adjustments - Continued**

4. Hedging Instruments

As directed by the Public Service Commission in its policy statement dated August 25, 2004, and its order dated December 15, 2004, in Case 00-M-0504, hedges that expire on or after April 30, 2005 will not be replaced for full-service and retail access Customers billed under Rate II of Service Classification Nos. 4, 5, 8, 9 and 12, under Service Classification No. 13, and under Special Provision C of Service Classification No. 14-RA if such Customers would otherwise take service under one of the aforementioned classes (commonly called the Non-voluntary Time-of-day Rate Classes” or “TOD Classes”). The Monthly Adjustment Clause, beginning May 2005, and the Adjustment Factor – MAC, beginning June 2005, will reflect this change for the above Customer classes.

5. Statement of Adjustment Factor - MAC

Commencing with the eighth billing cycle of each month, the Adjustment Factor - MAC per kwhr, as determined above, shall be effective during the succeeding billing month after the month for which the Adjustment Factor - MAC shall have been determined, and shall continue in effect until changed. The Adjustment Factor - MAC will be applicable to bills that are rendered on or after the effective date of the Statement. The Adjustment Factor - MAC is stated separately for Customers served in the New York City and the combined Westchester NYISO zones as defined in General Information Section I. Additionally, the New York City and combined Westchester NYISO zones will each contain separate MAC adjusters for TOD Classes and for non-TOD Classes to reflect the Company’s hedging policy as described in item 4, “Hedging Instruments.” Pursuant to the Commission’s order dated November 25, 2003, in Case 00-E-1208, the Adjustment Factor - MAC for the TOD Classes in New York City and the combined Westchester NYISO zones will be equalized by November 2006; the Adjustment Factor – MAC will also be equalized for non-TOD Classes by November 2006.

Not less than 3 business days prior to any change in the rate adjustment per kwhr resulting from this provision for MAC adjustment, a Statement of Adjustment Factor - MAC (Statement) showing the Adjustment Factor - MAC, the date at which and the period for which the Adjustment Factor - MAC was determined, and the amount of adjustment per kwhr, will be duly filed with the Public Service Commission, apart from this Rate Schedule. Such Statement will be available to the public at Company offices at which applications for service may be made.

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**GENERAL INFORMATION – Continued**

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