APPENDIX B
Appendix B

Items and Expense Levels' Above Which Will Be Included In The
System Benefits Charge (SBC)
(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>DSM**</th>
<th>R&amp;D</th>
<th>Low Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$48,400</td>
<td>$7,700</td>
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</tr>
<tr>
<td>1998</td>
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<td>1999</td>
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</tr>
<tr>
<td>2000</td>
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<td>$7,700</td>
<td>$2,100</td>
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<tr>
<td>2001</td>
<td>$6,000</td>
<td>$7,700</td>
<td>$2,100</td>
</tr>
</tbody>
</table>

* Approximates average of one mill/kwhr through 10/99.
** Includes curtailable electric service.
APPENDIX C
APPENDIX C

SUPPLEMENTAL TARIFF FILINGS

1. Modified High Tension

Customers are presently permitted to take high-tension service through non-standard high-tension service installations, including non-standard installations resulting from the purchase of Company equipment. This practice, and the tariff provisions that supported it by allowing customers who own only transforming equipment and not switchgear to be treated as high-tension customers, should be withdrawn. The service, dubbed "modified high tension," which was established as an early economic development program, is no longer necessary given the other economic development programs now available. In addition, modified high-tension rates are not cost justified. Customers with non-standard installations will continue to be billed at high tension rates, but no new customers will be permitted to take high tension service except through standard high-tension service installations. Customers that have modified high-tension applications or a documented dispute pending as of October 1996, and complete requirements for the service prior to June 30, 1997 will be billed at the high tension rate. Customers that have not resolved their applications (i.e., entered into a purchase and/or maintenance agreement) with Con Edison by June 30, 1997 will have the option to file a customer complaint with the Public Service Commission by that date. In such event, requirements for modified high tension service must be satisfied by the customer by a date certain specified by the Commission or its designee in a final unappealable decision or order resolving the customer complaint.

2. DC Service

The Company currently provides non-standard DC service to about 5,000 customers, primarily for operating elevator motors, pumps and fire alarms. Since Con Edison's system is adequate to provide equivalent AC service for the entire DC load, DC customers should pay the total cost associated with Con Edison's continued operation of the DC system.

The unit cost of DC service is much greater than the unit cost of AC service because the DC system is much more lightly loaded than the AC system. Moreover, the DC system is old and, in general, requires additional maintenance and has a higher than average burnout rate. The Company is proposing to charge DC customers, all of whom also take AC service, for the costs incurred to serve them in order to encourage customers to convert to modern AC service and eliminate the subsidy provided by AC service.

The majority of customers taking DC service are located in Manhattan, with a few DC customers located in Brooklyn. On average, for customers taking DC service, the DC service represents only about 2 percent of the customers' total AC and DC loads. This means that increases in the cost of DC service would not generally have a major impact on DC customers' total electric charges.
The surcharge being proposed is based on the embedded cost of providing DC service. It would have two components: an incremental energy charge and a customer charge that would vary by service classification. Based on costs, the incremental energy charge would be 10 cents per kWhr and the incremental customer charge would be $9 per month for non-demand-billed customers and for unmetered DC fire alarms (Rider D) and $340 per month for demand-billed customers. The Company will develop a program to phase in these DC charges beginning in April 1998, depending on customer impacts.
APPENDIX D
Appendix D

Memorandum of Agreement on 25 Cycle Service

Con Edison generates electrical energy at 25 Hz (otherwise referred to as "25-cycle") for use by the New York City Transit Authority (the "TA") in the operation of transit facilities in the City of New York and delivers such energy to the TA for such purposes under an agreement between Con Edison and the Power Authority of the State of New York ("NYPAC") dated March 10, 1989. According to Con Edison's 1994 annual cost study, the rates and charges Con Edison is authorized to charge NYPAC for such delivery service are deficient and should be increased to reflect the costs of the TA's continued reliance on 25 cycle power. The TA is planning four projects to modify or replace equipment and facilities so that it may substitute 60 Hz service for the 25 Hz service, including a cycloconvertor installation, signal power modernization, traction power modernization, and station lighting installation.

In order to encourage the TA to complete promptly the projects mentioned above so that Con Edison may discontinue producing 25 Hz energy, the undersigned agree, subject to approval of the Public Service Commission ("Commission"), to the following:

1. Within 30 days of the execution of this settlement agreement, the TA will provide Con Edison a critical path schedule identifying milestones for contract award, equipment delivery, installation, testing, and commercial operation by facility for each of the programs (cycloconvertor, traction power modernization, and station lighting) (the "critical path schedule") associated with the discontinuance of 25 Hz service by December 31, 1999.

The TA and Con Edison recognize that there will be changes to the critical path schedule which may be necessary to meet the key milestones identified with the milestone schedule described below. The TA will review with Con Edison any changes to the critical path schedule which the TA may deem necessary to facilitate the implementation of the programs associated with the discontinuance of 25 Hz service.

Additionally, within 30 days of the execution of this settlement agreement, the TA will provide Con Edison a schedule in the form attached which identifies key milestones for preparation and review of cycloconvertor specifications, contract award, equipment delivery, installation, testing, and commercial operation for the cycloconvertor, station lighting, and traction power modernization programs (the "milestone schedule") associated with the discontinuance of 25 Hz service by December 31, 1999.

2. By December 31, 1997, and every six months thereafter through and including December 31, 1999 (each such six-month review date to be referred to hereafter as the "review date"), the TA will provide Con Edison a progress report on its 25 Hz conversion program, indicating whether the cycloconvertor, traction power
modernization, or station lighting installation program has experienced substantial slippage from the milestone schedule previously submitted (i.e., by a period or periods exceeding 60 days). The TA will not be considered to have made substantial progress on its milestones if its milestone schedule incurs substantial slippage. The TA will cooperate expeditiously in responding to Con Edison’s requests for additional information or for site visits to confirm the progress report conclusions.

3. In the event the TA has not made substantial progress in meeting the milestones to be met as set forth in the milestone schedule during the term of this memorandum of agreement, and provided that Con Edison has not failed to supply 60 Hz service required by the TA in a timely manner as and when the TA’s programs are completed, the rates and charges applicable to Con Edison’s delivery service to NYPA will be modified as follows:

a) If substantial progress is not made through calendar year 1997, or by any review date, the rates and charges applicable to the delivery service will be increased, effective on and after April 1, 1998, or the April 1 or October 1 first following the review date, by an amount equal to the number of months in excess of two months by which the milestone schedule has slipped times one-twelfth of $13 million, provided that the increase in rates and charges applicable to the delivery service shall not exceed $13 million annually.

b) If substantial progress is not made through calendar year 1997, or any subsequent review date and the increase in the rates and charges goes into effect on April 1, 1998, or the April 1 or October 1 first following the review date, but the work to be completed by the next review date has not slipped substantially, the rates and charges will be reduced effective the October 1 or April 1 first following by the amount rates and charges had been increased under the terms of this memorandum of agreement.

4. If the TA completes the projects necessary for it to terminate use of 25 Hz service before January 1, 2000, Con Edison will refund to NYPA by March 1, 2000, all increases in rates and charges that became effective under paragraph 3 plus interest at the applicable unadjusted customer deposit rate prescribed by the Commission. Otherwise, Con Edison will apply such amounts to the benefit of other electric customers in a manner to be prescribed by the Commission.

5. On and after January 1, 2000, if and for so long as the TA still requires 25 Hz service, NYPA will pay Con Edison the incremental operations and maintenance costs of operating its 25 Hz system and the capital costs associated with any additional investment in system improvements. An accounting system will be developed to establish a base level of annual costs for these facilities so that incremental costs can be identified.

6. In any event, if the TA has not terminated its purchase of 25 Hz service by December 31, 1999, the rates and charges applicable to the delivery service will be increased at the rate of $13 million per year (less any amounts by which delivery rates in effect on
December 31, 1999 have already been increased under paragraph 3) effective on and after April 1, 2000. At such time as the 25 Hz service is discontinued, provided that such discontinuance is no more than 24 months after the milestone date for discontinuance, Con Edison will promptly petition the Commission to reduce the rates and charges for delivery service by the amount such rates and charges had been increased under this agreement, such reduction to be effective no later than 90 days following the date of such discontinuance; if, however, the milestone date for discontinuance is missed by more than 24 months, the effect of such service discontinuance on rates shall be as the Commission shall direct.

7. If NYPA, the TA, and Con Edison do not agree whether substantial progress has been made on the TA’s projects, those parties will promptly convene a conference, on at least ten (10) business days’ prior notice, in an attempt to resolve the disagreement. If the dispute cannot be resolved by agreement among those parties, each such party will submit its position in writing within fourteen (14) business days after such conference to the assigned administrative law judge and the Commission for an expedited determination. In the event that any such party believes that the resolution of the matter is dependent on the determination of a material question of fact, such party may request that such question be the subject of an expedited evidentiary hearing. If the Commission does not make a determination by April 1 or October 1 (whichever date first follows the review date) of the calendar year in which the dispute is submitted and concludes thereafter that substantial progress had not been made, the resulting increase in the rates and charges will be effective retroactively to April 1 or October 1 of the year in which the increase would have been implemented if the determination was made prior to April 1 or October 1, respectively.

8. Wherever in this agreement provision is made for increases in rates and charges, it shall be understood to mean that such increases shall be payable by the TA to NYPA and by NYPA to Con Edison, in accordance with the existing power supply agreements between the TA, through the Metropolitan Transportation Authority, and NYPA, and in accordance with the delivery service agreement between Con Edison and NYPA. Similarly, when provision is made for refunds, it shall be understood to mean that refunds shall be payable by Con Edison to NYPA, and by NYPA to the TA.

9. Con Edison agrees to cooperate with the TA and its contractors to facilitate the TA’s meeting the critical path schedule and to provide 60 Hz service in a timely manner as and when the TA has completed such portions of its programs as to require 60 Hz service to be made available.

March 11, 1997

Staff of the Department of Public Service
New York City Transit Authority

[Signature]

[5]
APPENDIX E
## Appendix E

### NYPA PASNY NO. 4 PEAK LOAD AMOUNTS

<table>
<thead>
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<th>MW</th>
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<td>2001</td>
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<td>2008</td>
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<tr>
<td>2009</td>
<td>2144</td>
</tr>
<tr>
<td>2010</td>
<td>2178</td>
</tr>
</tbody>
</table>
APPENDIX F
Appendix F

Fuel Targets

I. The fuel targets for RY1 will be based on the updated PROMOD data base filed by Con Edison on November 15, 1996, with the following changes:

a) Reduce NYC DRA requirement from 80 to 70%
b) Delete must-run requirements for Roseton and Bowline units (on both the UBAS and UAPR records)
c) Add corrected capacity & energy to Peekskill (PEEKSK2) - TCAP and TENG records
d) Add corrected capacity & energy to O&R sales (OR SA WD) - TCAP and TENG records
e) Change NYSEG (NUGCGNSE31) FOR to 5%
f) Remove extra June entries for (NUGHCHG3)
g) Remove undated (TOWN) records & add TOW2 record for HQFRMO1 & RGEHQO1
h) Remove undated UCAP, UFOR & UHRD records for HILLBN T 1
i) Correct capacity & energy for O&RIPP1 - TCAP and TENG records
j) Change NYSEG NUG (NUGCGNSD27) fuel to ID #140
k) Reduce NMPC Sithe generation (NUGEOONMC) to 960 GWh
l) Move NMPC NUG (NUGCGNMF35) to area 4
m) Delete O&R unit (NUGBDORG)
n) Retire Hickling unit 2, Jennison units 1 & 2, and NMPC NUG (NUGCGNME27)

II. Each month, the PFAC data base will be updated for the following parameters:

a) the currently existing indexed oil price mechanism, subject to updating of the “adders” and “factors” and target heat content for Con Edison’s units, including Bowline and Roseton. As to the “adders” and “factors” and target heat content for units of other NYPP members (other than Bowline and Roseton), the current approach will continue to be used, unless Staff and the Company are able to develop updated data.

b) actual quantity and price of gas used by Con Edison.

c) other utilities’ gas prices updated consistent with the Con Edison price.
d) actual generation and cost for new independent power producers through the sixth month of commercial operation.

e) actual generation and cost for all SC-11 purchases, including actual generation and cost of purchases from the Westchester RESCO plant.

f) the currently existing method for adjusting the economy/HQ purchase price target wherein the monthly target price formula will be TP = SPP x SF + MF, subject to the following:

1. The Starting Purchase Price (SPP) will be the weighted average price of the two-party and economy purchases for the 12-month period ending February 1997, increased by $1.0/MWh.

2. The Seasonal Factor (SF), used to adjust the SPP, will reflect the 12-month period ending February 1997.

3. The Market Factor (MF) will be 80% of the difference between the actual weighted average price of two-party and economy purchases for each month and the weighted average price in the corresponding month in the 12-month period ending February 1997.

4. The target price formula will apply in all months in which the actual weighted average price of two-party and economy purchases is less than the specified trigger price. The trigger price will be updated to reflect the changes to be made to the SPP, MF and SF. When utilized, the trigger mechanism will operate so as to set a Target Price (TP) equal to the actual weighted average price of the two-party and economy purchases in a given month in lieu of a PROMOD derived NYPP purchased power price.

5. An additional monthly update will be performed to adjust the target to reflect actual purchases of “Basic” energy from Hydro Quebec (HQ). A portion of the total purchases equal to the amount of HQ “Basic” energy purchased each month will be priced at the actual HQ “Basic” energy price in lieu of the target price otherwise set for economy purchases.

g) actual deliveries and cost of purchases by Con Edison under its contracts with Selkirk Cogen, In Deck-Corinth, Cogen Technologies and Brooklyn Navy Yard Cogeneration Partners (BNCYP).

h) Selkirk Cogen fuel cost adjusted to reflect the allocation per the contract between fuel costs and capacity costs.

i) Indian Point 2 outages or deratings resulting from regulatory directives -- upon mutual agreement or showing of good cause.

j) other adjustments that are required to reflect the allocation of costs to base rates as specified in the settlement agreement (Section II.32.vi).

k) variable NUG costs mitigated prior to RY1 that may be retained by the Company pursuant to the Case 94-E-0334 settlement agreement, p. 25.
l) actual costs to be recovered from retail access customers and credited to the fuel adjustment as specified in this settlement agreement (Section II.32.vi).

m) actual proportion of Con Edison full service customers' load to retail access customers' load.

III. The Company will continue to utilize PROMOD version 96.20.09 for its fuel target in RY1. In the absence of an alternate method for establishing an incentive fuel adjustment clause acceptable to Staff and the Company, the fuel targets for RY2-RY5 will be updated in accordance with the procedures set forth in the Case 94-E-0334 settlement agreement, pp. 28-29, using PROMOD or another acceptable production cost model. The monthly fuel targets will continue to be calculated using the monthly adjustments set forth in the preceding paragraph, subject to updating and revisions as agreed to by Staff and the Company.
APPENDIX G
Appendix G

Service Quality and Reliability Incentive

1. Operation of Incentive

The incentive mechanism will be in effect for the term of this agreement.

Con Edison’s customer service performance and electric service reliability will be evaluated first against customer satisfaction with the Company’s performance in four areas: PSC contacts, satisfaction of electric emergency callers, other callers to the Company’s telephone centers, and visitors to the Company’s service centers, as follows:

if PSC contacts are maintained below the “minimum” threshold established in this agreement, or

if PSC contacts are within the range defined in this agreement as the “acceptable range” and all three measures of customer satisfaction are at or above the threshold levels,

then service quality and reliability performance will be deemed fully satisfactory without reference to other measurements, and no penalties will accrue.

However,

if PSC contacts are above the “maximum” threshold defined in this agreement, or (irrespective of the level of PSC contacts) all three customer satisfaction measures are below the threshold levels, or

if PSC contacts are in the “acceptable range” and any one of the customer satisfaction measures is below the threshold level,

then a penalty review involving ten internal measures of performance will be conducted.

The Company’s performance in these ten activities must fall within the standards set in this settlement agreement or be offset as described below to avoid penalties of up to 35 basis points on common equity (revenue requirement equivalent). Performance of any customer service activity worse than the threshold will be offset if the two-year (current year and prior or succeeding year) average performance of that activity is better than the threshold. Performance on any electric service reliability measure worse than the threshold will be offset by performance better than the threshold on any other electric service reliability measure in the same year or if the two-year (current year and succeeding year) average performance of the same measure is better than the penalty level. The threshold standards and penalty levels are stated on the attachment to this appendix.

Any resulting penalties will be deferred and credited to ratepayers in the second year following the measurement period in which the penalty would have been assessable. The measurement periods are the successive twelve-month periods ending March 31, 1998, 1999,
2000, 2001, and 2002. The threshold ranges and penalty and offset levels established in this agreement are fixed for the life of this agreement except as provided in Paragraph 2.ii. below.

2. Exclusions

i. For measurement purposes, results from periods having abnormal operating conditions will not be considered.

For purposes of customer service activities, abnormal operating conditions are deemed to occur during any period of emergency, catastrophe, strike, natural disaster, major storm, or other unusual event affecting more than ten percent of the customers in an operating area during any month. “Major storm” is defined as a period of adverse weather resulting in a service interruption affecting at least ten percent of the customers in an operating area or causing customers to be without electric service for at least 24 hours. In the event that normal operating conditions are interrupted in one of the Company’s six geographical areas and the interruption affects the Company’s ability to perform any activity that is part of this mechanism, the data for the geographic area(s) experiencing the interruption will be omitted from the calculation for the period of the interruption and the Company’s results in the measured areas will be measured only by the data from the other geographic area(s). If normal operating conditions are interrupted in more than three geographical areas so that monthly results cannot be measured for a given activity, the month will be eliminated in the calculation of the actual annual average performance for each activity for the purpose of determining any penalty. In the event that normal operating conditions are interrupted in more than three geographical areas for an entire rate year, the activity will be inapplicable in that year unless Staff and the Company agree on an alternative method of determining how to allocate any assessable penalties and offsets under this incentive mechanism.

For the purposes of the electric reliability incentive, the following incidents shall be excluded from calculations of the reliability performance measures:

(a) any incident that occurs when the average wet dry bulb (“AWD”) is above 86 degrees calculated as follows: the sum of 70% of the maximum AWD of the day of the incident, 20% of the maximum AWD of the previous day, and 10% of the maximum AWD of the day before the previous day. This formula represents the Company’s design criteria for its transmission and distribution systems;

(b) any major storm as currently measured (more than 10% of the customers interrupted within a currently defined operating area or customers out of service for more than 24 hours);

(c) any incident resulting from a catastrophic event beyond the control of the Company, including but not limited to water main break, plane crash, or natural disaster;

(d) any incident occurring during a strike;
any incident when a problem involving generation or the transmission system is a factor in the outage and any event directly related to the outage is not under the direct control of the Company; and

one incident every 5 years selected by the Company that does not otherwise meet the criteria for an excludable incident.

ii. If changes in Company operations render it impractical to continue to measure performance in an agreed-upon activity, the measurement method and/or threshold standard will be revised, an alternative method or activity selected, or the penalties or offsets associated with the affected activities spread proportionately among all remaining activities for the remainder of the period during which the incentive mechanism is operative. Any such modifications must be mutually agreed upon by Staff and the Company in writing.

3. Reporting

The Company will prepare an annual report on its performance that will be filed with the Director of the Consumer Services Division staff. The annual report will address (a) any changes anticipated to be implemented in the following measurement period in any activity reflected in this Agreement and (b) a summary of any significant changes in operations which led to the reported performance level during the measurement period. These reports are subject to an audit and review by Staff. The Company will maintain sufficient records to support such reports.

4. Establishment of performance criteria

The threshold standard for each activity is derived from the standards set in Case 94-E-0334 as modified herein. The threshold standard for Investigations, Billing Accuracy, New and Additional Service, Percentage of Calls Answered, and customer satisfaction surveys are the standards established in Case 94-E-0334. The threshold standards for Percentage of Meters Read and PSC Contacts are shown in the Attachment.

5. Performance measurement:

The Company’s performance is measured in each activity as follows:

i. “PSC Contacts” is the number of complaints per 100,000 Con Edison customers received by the Consumer Services Division of the Public Service Commission. A complaint is a contact by a customer, applicant, or customer’s or applicant’s agent that follows a contact with the utility about the issue of concern as to which the utility, having been given a reasonable opportunity to address the matter, has not satisfied the customer. The issue of concern must be one within the utility’s responsibility and control, including an action, practice or conduct of the utility or its employees, not matters within the responsibility or control of an alternative service provider. One or more contacts by a rate consultant raising the same issue as to more than one account, whether such contacts are made at the same time or different times, shall not be counted as more than one complaint if the issue is under consideration by the Department or the Commission and no utility deficiency is
found. Contacts by customers about the Shared Meter Law shall not be complaints if the contact is about the requirements of the shared meter law and no utility deficiency is found.

ii. "Days to Complete Routine Investigation" is the number of calendar days to complete investigation of a customer inquiry, received by telephone, mail, facsimile or in person, that cannot be resolved on the day it is received. Performance in any month will be measured by the number of investigations completed within 30 calendar days, when the date of completion falls within that month, divided by the total number of investigations completed during the reporting month.

iii. "Call Answer Rate" is the percentage of calls answered by Company Call Centers between the hours of 9:00 AM and 5:00 PM Monday through Friday (excluding holidays). The performance rate is the sum of the system-wide number of calls answered divided by the sum of the system-wide number of calls offered. Calls offered are calls received by the operating areas' Automatic Call Distributors. Calls abandoned are calls where the customer hangs up before the voice response unit ("VRU") responds or when the customer chooses to speak to a representative but hangs up before contact is made. The number of calls answered is equal to the number of calls received minus the number of calls abandoned.

iv. "Satisfaction of Callers, Visitors, and Emergency Center Contacts" means the average of the satisfaction index ratings on the two semi-annual surveys (second and fourth quarter surveys) of callers, visitors, and emergency center contacts (electric portion only) conducted by Cambridge Research or other professional survey organization during each reporting year.

v. "Days to Complete (Initial Phase)" means, with respect to initial phase of work orders, the average number of business days from receipt of the customer's request for an electric non-vault service job by the Energy Services Department to issuance of a service layout to the customer for all initial phase jobs completed in the reporting month. The date of receipt of the customer's request will be the earlier of (1) the date on the Contractor Work Request Form or (2) the receipt date entered in the Commercial Operations Reporting System. The date of issuance of the service layout (Form 2-80) to the customer will be the earlier of (1) the date shown in the service date confirmation letter issued to the customer or (2) the completion date recorded in the Commercial Operations Reporting System.

vi. "Days to Complete (Final Phase)" means, with respect to final phase of work orders, on all non-vault electric final phase jobs completed in the reporting month, the average number of business days measured from receipt of a city certificate or completion of final inspection, whichever is later, to the date of final inspection displayed on the "field call sheets," which must be retained until staff has verified the reported performance level.

vii. "Percentage of Meters Read on Schedule" is determined by dividing the sum of actual meter readings obtained in the reporting month by the total number of meters scheduled to be read for all operating areas in the reporting month, as indicated in the Cycle Meter Reading Statistics Report. Actual meter readings are readings obtained from meter readers in the field, or through receipt of completed customer "drop cards" or through
phoned-in readings from customers, either directly to a customer service representative or by message left on a VRU.

viii. "Bill Accuracy" means the number of bills not adjusted as a result of a Company error in the reporting month divided by the total number of bills rendered during the reporting month.

ix. "Electric Reliability" means the System Average Interruption Frequency Index ("SAIFI") and the Customer Average Interruption Duration Index ("CAIDI") for both the radial and network systems. Penalty and offset levels for electric service reliability will be applied to each of these service measures.
Customer Service and Electric Service Reliability Incentive
(threshold standards and penalty levels)

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<th>New and Initial Service Jobs</th>
<th>Meter Reading</th>
<th>Initial Phase</th>
<th>Telephone Calls Percent Answered</th>
<th>System Average Interruption Frequency Index Radial Systems (Minimum = 467)</th>
<th>System Average Interruption Frequency Index Network Systems (Minimum = 11.78)</th>
<th>Customer Average Interruption Duration Index - Radial Systems (Minimum = 1.58 hours)</th>
<th>Customer Average Interruption Duration Index - Network Systems (Minimum = 3.05 hours)</th>
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<tbody>
<tr>
<td>Final Phase</td>
<td>Percent Read On Cycle</td>
<td>Final Phase</td>
<td></td>
<td>System Average Interruption Frequency Index Network Systems (Minimum = 11.78)</td>
<td>Customer Average Interruption Duration Index - Network Systems (Minimum = 3.05 hours)</td>
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<td>System Average Interruption Frequency Index Network Systems (Minimum = 11.78)</td>
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<td>&lt; 10 days</td>
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<td>= &gt; 8.4 days</td>
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<td>&gt;3.5 hours (115% of minimum)</td>
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<td>&gt;3.5 hours (115% of minimum)</td>
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Billing Accuracy
% Bills Not Adj. due to Co. Error

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Routine Investigations
Percent Completed Within 30 Days

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PSC Contacts
Rate Per 100,000 Customers

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<tr>
<td>Maximum Threshold</td>
<td>8.99</td>
</tr>
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SUMMARY
New and Additional Service
  Initial Phase      -4.17
  Final Phase        -4.17
  Calls Answered     -4.17
  Bill Accuracy      -4.17
  Investigations     -4.17
  Meter Reading      -4.17

Interruption Frequency Index
  Radial            +2.5/-2.5
  Network           +2.5/-2.5

Customer Satisfaction Surveys
Index Rating (Threshold Level)

<table>
<thead>
<tr>
<th></th>
<th>80.5</th>
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<tbody>
<tr>
<td>Emergency Calls (electric only)</td>
<td>80.5</td>
</tr>
<tr>
<td>Telephone Center Calls (non-emergency)</td>
<td>83.5</td>
</tr>
<tr>
<td>Service Center Visitors</td>
<td>84.2</td>
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APPENDIX H
Corporate Structure

Proposed Corporate Structure

<table>
<thead>
<tr>
<th>HoldCo, Inc.</th>
</tr>
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</table>
ACCOUNTING FOR AFFILIATE TRANSACTIONS

1.0 PURPOSE -- To provide accounting guidelines for the transfer of assets and employees and the provision of goods and services among the Holding Company and its affiliates.

2.0 APPLICATION —
   • Corporate Accounting
     Accounting Research and Procedures ("ARP")
     Accounts Payable/Accounts Receivable ("AP/AR")
     General Accounts ("GA")
   • Treasury
   • Real Estate
   • Employee Relations
   • Payroll
   • All Other Applicable Organizations

3.0 PROCEDURES –

3.1 Background

   On October 1, 1996, in the Competitive Opportunities proceeding, Con Edison submitted to the New York State Public Service Commission ("PSC") a petition which set forth a plan for corporate restructuring. Under this plan, Con Edison's regulated and unregulated businesses would be conducted through separate corporate entities which would be direct or indirect subsidiaries of a holding company. The holding company ("HoldCo") and its subsidiaries, including the regulated company ("RegCo") are considered affiliates for purposes of this procedure. The procedures outlined herein are designed to properly allocate costs among the HoldCo, the RegCo and unregulated affiliates.

3.2 Transfer of Assets and Employees

   a. Transfer of Assets

      The transition from the existing corporate structure to a holding company structure will require the transfer of assets from the RegCo to one or more of the affiliates.

      Transfers of assets from the RegCo to an affiliate (other than generating stations whose value will be determined in the Section 70 proceeding) will be recorded at the higher of net book value or fair market
value. Transfers of assets from an affiliate to the RegCo will be recorded on a basis not to exceed fair market value.

The fair market value of an asset will be determined by one of the following methods: (1) appraisals from qualified independent appraisers; or (2) bid and ask prices as published in newspapers or trade journals; or (3) on any other basis acceptable to both the RegCo and PSC Staff.

In order to ease administrative burdens for immaterial transactions, asset transfers may be recorded at net book value if this valuation is more easily determined than fair market value. In this case, immateriality is defined as an asset having an estimated fair market value or a net book value of $100,000 or less.

b. **Transfer of Employees**

For employees transferred from the RegCo to an unregulated subsidiary, the unregulated subsidiary will compensate the RegCo on a one-time basis, with an amount equal to 25% of the employee’s prior year’s annual salary except that there will be no compensation (i) for employees transferred to an unregulated subsidiary within six months of the date the HoldCo becomes the parent of the RegCo or the unregulated subsidiary to which the employee is transferred is formed, whichever is later; (ii) for the transfer of employees covered by a collective bargaining agreement; or (iii) where the employee’s transfer is attributable to the transfer or reduction of a RegCo function or major asset (e.g., a generating station).

3.3 **Provision of Goods and Services**

a. Corporate operations under the new holding company structure will require the provision of goods and services from the RegCo and the HoldCo to one or more of the affiliates. The RegCo and the HoldCo will employ cost allocation procedures to ensure that all costs incurred on an affiliate’s behalf are appropriately identified and assigned to the affiliate on a fully-loaded cost basis.


c. Expenses incurred by the RegCo and the HoldCo in support of an affiliate will be allocated directly to that affiliate to the maximum extent practicable.
Expenses that are not directly allocable will be accumulated into homogenous cost categories and allocated on a cost causative basis. If cost drivers cannot be determined, then allocations will be based upon reasonable and related proportional relationships (i.e., capitalization, number of employees, revenues, etc.).

d. The unregulated affiliates may provide services to the HoldCo and the RegCo. Any management, construction, engineering or similar contract between the RegCo and an affiliate and any contract for the purchase by the RegCo from an affiliate of electric energy or gas will be governed by PSL §110, subject to any applicable FERC requirements. All other goods and services will be provided to the RegCo at a price that will not be greater than fair market value, determined through reference within a specified market. In the absence of a specified market, fair market value may be determined, for example, by using independent qualified appraisers as described in paragraph 3.2a.

3.4 Costs Incurred by the RegCo on Behalf of Affiliates

a. Direct Cost Allocations

1. Salaries and labor related expenses incurred by the RegCo in support of affiliate activities will be directly assigned and billed to affiliates each month based on appropriate, fully costed allocation methods. RegCo corporate services (such as legal and accounting) will be billed on a fully-loaded cost basis while other RegCo services (such as engineering) will be billed on the higher of a fully-loaded cost basis plus a 5% additional charge or the price the RegCo charged a third party for such employee’s services. (See Exhibit A.)

2. A cost allocation methodology has been developed for the following categories of RegCo personnel:

   • Category I

     Category I includes RegCo employees who serve as directors or officers of affiliates. Category I salaries and labor related expenses are charged to the affiliate based on an estimate of the percentage of time expected to be devoted to affiliate activities during the reporting period. (See Exhibit B.) This percentage will be reviewed and updated by ARP annually, or more frequently as changing circumstances warrant.

   • Category II

     Category II includes all other RegCo employees who provide services (both corporate and project specific) to
affiliates. Category II salaries and labor related expenses are charged to the affiliate based on the number of hours devoted to affiliate activities as reported on the Time Record Form. (See Exhibits C, D, E and F.)

b. **Cost Causative Allocations**

1. Administrative support services incurred by the RegCo on behalf of the affiliates and which cannot be allocated directly will be billed to the affiliates each month based on appropriate cost causative allocations. These administrative support services may include, but are not limited to transactions processed by the following RegCo organizations: AP/AR, Employee Relations, Payroll, and Treasury.

2. The costs associated with these administrative support services will be allocated to the affiliates, as appropriate, based on one or a combination of the following measures of cost causation:
   
   - the number of affiliate transactions processed in relation to the total number of transactions processed;
   - the number of hours spent processing affiliate transactions in relation to the number of hours spent processing all transactions; or
   - the value of affiliate transactions processed in relation to the value of all transactions processed.

c. **Proportional and Other Allocations**

1. The RegCo will bill affiliates for a proportionate share of corporate governance costs related to Board of Trustees and committee meetings, financial communications and investor relations, and public affairs. These costs will be billed to the affiliates based on the ratio of the affiliates' assets to total consolidated assets. This ratio will be updated each quarter at March 31, June 30, September 30, and December 31:

2. Affiliate employees may have the opportunity to participate in the benefit programs of the RegCo. These programs may include medical and hospitalization coverage as well as pension and other post retirement benefits. The RegCo will be reimbursed by the affiliates for costs associated with these benefits.
3. The RegCo, the HoldCo, and the unregulated affiliates may be covered by common property/casualty and other business insurance policies. The costs of such policies will be allocated among the RegCo, the HoldCo and the unregulated affiliates in accordance with the use or occupancy of such property.

3.5 Costs Incurred by the HoldCo on Behalf of Affiliates

a. Costs incurred by the HoldCo that are specifically attributable to the affiliates will be charged to the affiliates by direct cost allocations (as described in Section 3.4a) or cost causative allocations (as described in Section 3.4b).

b. Costs incurred by the HoldCo that are of a general corporate nature, such as organization costs and development stage activities, will be charged to the affiliates by proportional cost allocations (as described in Section 3.4c).

4.0 ADVICE: The Manager, ARP, will advise on this procedure.

5.0 EXHIBITS

Exhibit A-Allocation of Expenses Between the RegCo and Affiliates

Exhibit B-Allocation of Salaries and Other Expenses (Category I Employees)

Exhibit C-Time Record Form-Corporate Nature (Category II Employees)

Exhibit D-Allocation of Salaries and Other Expenses-Corporate Nature (Category II Employees)

Exhibit E-Time Record Form-Project Basis (Category II Employees)

Exhibit F-Allocation of Salaries and Other Expenses-Project Basis (Category II Employees)
### CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
**ALLOCATION OF EXPENSES BETWEEN THE REGCO AND AFFILIATES**

<table>
<thead>
<tr>
<th>Description of Expense</th>
<th>Basis for Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Compensation</td>
<td></td>
</tr>
<tr>
<td>A) Salaries</td>
<td>Category I Employees: Percentage of time devoted to affiliate operations.</td>
</tr>
<tr>
<td></td>
<td>Category II Employees: Number of hours devoted to affiliate operations.</td>
</tr>
<tr>
<td>B) Other Compensation</td>
<td>Includes deferred compensation and imputed income and reimbursement for usage of Company cars. Allocated on same basis as salaries.</td>
</tr>
<tr>
<td>C) Support Services</td>
<td>Allocated on same basis as salaries of individuals for whom the support personnel work.</td>
</tr>
<tr>
<td>D) Fringe Benefits</td>
<td>RegCo fringe benefit rate to be applied to all straight-time labor.</td>
</tr>
<tr>
<td>E) Administrative and General Overhead</td>
<td>RegCo Administrative and General rate to be applied to all straight time labor.</td>
</tr>
<tr>
<td>2) Employee Expenses</td>
<td></td>
</tr>
<tr>
<td>A) Office Space</td>
<td>Charged at the market rate per square foot, including utilities and building service maintenance (as provided by the Real Estate Department); multiplied by the space utilized (as provided by Facilities Management).</td>
</tr>
<tr>
<td>B) Office Supplies &amp; Expenses (excluding expenses directly assignable to the affiliate or included in the office space charge)</td>
<td>Overhead percentage to be applied to total salary and other compensation (based on RegCo ratio of Office Supplies and Expenses-PSC Account 921, less Building Service costs and</td>
</tr>
</tbody>
</table>
3) Corporate Governance Expenses

Trustee and Committee Meeting Fees to Administrative and General Salaries.

Ratio of affiliate assets to total consolidated assets.

4) Other Expenses Directly Assignable to Affiliates

These costs will be charged to an affiliate account and paid directly by the affiliate.
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ALLOCATION OF SALARIES AND OTHER EXPENSES
CATEGORY I EMPLOYEES

NAME: JOANNE RILEY

CATEGORY: DIRECTOR

ANNIVERSARY: 7/14/9x

COMPENSATION

SALARY, INCLUDING DEFERRED COMPENSATION $20,000

SALARY OF SUPPORT PERSONNEL (A) 5,000

OTHER COMPENSATION 250

TOTAL SALARY & OTHER COMPENSATION $25,250

FRINGE BENEFITS AND A&G OVERHEAD
(41.67% x TOTAL SALARY & OTHER COMPENSATION) 10,522

TOTAL SALARY, COMPENSATION & BENEFITS $35,772

OFFICE SUPPLIES & EXPENSES 4,614

OFFICE SPACE ALLOCATIONS
(958 X SQ.FT. x $27 PER SQ. FT./12) 2,156

TOTAL - FULLY-LOADED COST $42,569

AFFILIATE ALLOCATION (TOTAL x 3%) $ 1,277

SUPPORT SERVICES:

(A) NAME ANNIVERSARY POSITION SALARY

T. CARR 8/1/9x SECRETARY $5,000
Name: Joyce Forman          Organization: ARP
Employee Number: 75000          Department: Corporate Accounting

Roll Number: 93804

<table>
<thead>
<tr>
<th>Date Service Performed</th>
<th>Description of Activity</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/9x to 1/31/9x</td>
<td>Prepare &amp; update Workpapers, journal entries, ledgers, financial statements; consult affiliate personnel</td>
<td>40</td>
</tr>
</tbody>
</table>

Total No. of Hours 40 0

Support Services

Name: None

Position:

Employee Number:

Roll Number:

<table>
<thead>
<tr>
<th>Date Service Performed</th>
<th>Description of Activity</th>
<th>Time</th>
</tr>
</thead>
</table>

Total No. of Hours

Prepared By: 

Approved By:
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ALLOCATION OF SALARIES AND OTHER EXPENSES
CATEGORY II EMPLOYEES

NAME: JOYCE FORMAN
CATEGORY: OTHER (II)
ANNIVERSARY: 2/1/9x

COMPENSATION

SALARY $8,000
SALARY OF SUPPORT PERSONNEL (A) 0
OTHER COMPENSATION 200
TOTAL SALARY & OTHER COMPENSATION $8,200

FRINGE BENEFITS AND A&G OVERHEAD
(41.67% x TOTAL SALARY & OTHER COMPENSATION) 3,417

TOTAL SALARY, COMPENSATION & BENEFITS $11,617

OFFICE SUPPLIES & EXPENSES 109

OFFICE SPACE ALLOCATIONS
(225x SQ.FT. x $27 PER SQ. FT./12) 506

TOTAL - FULLY-LOADED COST $12,232

AFFILIATE ALLOCATION (TOTAL x 40/174 hrs) $2,812

SUPPORT SERVICES:

<table>
<thead>
<tr>
<th>(A)</th>
<th>NAME</th>
<th>ANNIVERSARY</th>
<th>POSITION</th>
<th>SALARY</th>
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<tbody>
<tr>
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</table>
Name: John King  
Employee Number: 76000  
Organization: Central Operations  
Department: Engineering

Roll Number: 00000

<table>
<thead>
<tr>
<th>Date Service Performed</th>
<th>Description of Activity</th>
<th>Time</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/9x to 1/31/9x</td>
<td>Prepare Engineering specifications at the request of affiliate X for job XYZ</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</table>

Total No. of Hours: 40

Support Services

Name: None
Position:  
Employee Number:  
Roll Number:  

<table>
<thead>
<tr>
<th>Date Service Performed</th>
<th>Description of Activity</th>
<th>Time</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

Total No. of Hours

Prepared By:  
Approved By:  
CONSORTED EDISON COMPANY OF NEW YORK, INC.
ALLOCATION OF SALARIES AND OTHER EXPENSES
CATEGORY II EMPLOYEES

NAME: John King
CATEGORY: OTHER (II)
ANNIVERSARY: 2/1/9x

COMPENSATION

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>SALARY</td>
<td>$ 8,000</td>
</tr>
<tr>
<td>SALARY OF SUPPORT PERSONNEL (A)</td>
<td>0</td>
</tr>
<tr>
<td>OTHER COMPENSATION</td>
<td>200</td>
</tr>
<tr>
<td>TOTAL SALARY &amp; OTHER COMPENSATION</td>
<td>$ 8,200</td>
</tr>
<tr>
<td>FRINGE BENEFITS AND A&amp;G OVERHEAD</td>
<td></td>
</tr>
<tr>
<td>(41.67% x TOTAL SALARY &amp; OTHER COMPENSATION)</td>
<td>3,417</td>
</tr>
<tr>
<td>TOTAL SALARY, COMPENSATION &amp; BENEFITS</td>
<td>$11,617</td>
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OFFICE SUPPLIES & EXPENSES

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<th>Amount</th>
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<tbody>
<tr>
<td></td>
<td>109</td>
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OFFICE SPACE ALLOCATIONS
(225 x SQ.FT. x $27 PER SQ. FT./12)

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<th>Amount</th>
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<tbody>
<tr>
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<td>506</td>
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TOTAL - FULLY-LOADED COST

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<tr>
<td></td>
<td>$12,232</td>
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5% Add-on

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</thead>
<tbody>
<tr>
<td>5% Add-on</td>
<td>612</td>
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<tr>
<td>Total</td>
<td>$12,844</td>
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AFFILIATE ALLOCATION (TOTAL x 40/174 hrs)

<table>
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<tr>
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<tbody>
<tr>
<td></td>
<td>$ 2,953</td>
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SUPPORT SERVICES:

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</table>

<table>
<thead>
<tr>
<th>(A) NAME</th>
<th>ANNIVERSARY</th>
<th>POSITION</th>
<th>SALARY</th>
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<td></td>
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</table>
APPENDIX J
Appendix J

Privileged Information

Nothing in this Agreement requires or will be construed to require the RegCo, the HoldCo or an unregulated subsidiary to provide Staff access to, or to make disclosure to Staff, of any information as to which the entity in possession of such information would be entitled to assert a legal privilege, such as the attorney-client privilege, if, either (i) the privilege could be asserted against Staff pursuant to CPLR 4503, CPLR 3101 (or any other applicable statute or constitution) in a judicial proceeding, action, trial or hearing, or (ii) providing Staff access to or making disclosure of such information to Staff would impair in any manner the right of the entity in possession of such information to assert such privilege against third parties.

If Staff seeks access to or disclosure of any information that either the RegCo, the HoldCo or an unregulated subsidiary believe is exempt from access or disclosure under the terms of this Agreement, counsel for the entity asserting such privilege will so inform Staff, detailing, to the extent practical without destroying the privilege, the reasons why the privilege is being claimed in sufficient detail to permit Staff to determine whether or not to dispute the claim of privilege. If Staff decides to dispute such claim, it may request that an assigned administrative law judge conduct an in camera review of such information to determine whether it is in fact exempt from access or disclosure under the terms of this section, which disclosure shall not be deemed waiver of the privilege. Such determination will be subject to review by the Commission and, if necessary, judicial review.

Confidentiality of Records

The HoldCo and the RegCo shall designate as confidential any non-public information to or of which Staff requests access or disclosure, and which the HoldCo, the RegCo or an unregulated subsidiary believe is entitled to be treated as a trade secret. Any party will have the right to contest the trade secret nature of such designated confidential information.

Each member of Staff who is accorded access to, or to whom disclosure is made of, designated confidential portions of books and records, financial information, contracts, minutes, memoranda, business plans, and the like, will agree to maintain such information as confidential, other than information that previously has been made public. For the purposes of this Agreement, “information that previously has been made public” will mean information that either (i) has been disclosed by either the HoldCo, the RegCo or any unregulated subsidiary in financial or other literature to the financial community or to the public at large, (ii) appears in documents contained in the public files of a local, state or federal agency, body or court and which has not been accorded trade secret protection, or (iii) information that otherwise is in the public domain.

In the event that Staff receives any information designated as confidential pursuant to the procedures described in this settlement agreement and desires to use such information in a litigated proceeding before the Commission, Staff will first notify counsel for the RegCo and the HoldCo and the unregulated subsidiary, if applicable, of the nature of such information as well as its intention to use such information in such proceeding and afford the RegCo, the unregulated
subsidiary and/or the HoldCo the opportunity to apply to the administrative law judge presiding over such proceeding within ten (10) business days for a ruling designed to maintain the confidentiality of such information under Part 6-1 of the Commission’s Rules of Procedure (16 NYCRR). Staff and any other party may object to any such application on the grounds that such information is not entitled to be treated as a trade secret under Part 6-1.

In the event that a member of Staff receives any information designated as confidential pursuant to the procedures described in this settlement agreement and desires to use or refer to such information in a memorandum or other document which may become an “agency record” as that term is defined in the New York Freedom of Information Law, Staff first shall notify the Company Liaisons of the nature of such information as well as its intended use, and afford the RegCo, the unregulated subsidiary, if applicable, and/or the HoldCo the opportunity to apply to the Commission under Part 6-1 of the Commission’s Rules of Procedure within ten (10) business days for a protective order designed to maintain the confidentiality of such information. Staff and any other party may object to any such application on the grounds that such information is not entitled to be treated as a trade secret under Part 6-1.