Q. Please state your name, title, employer and business address.

A. My name is Joseph A. Holtman. I am Director - Electricity Supply for Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company"). My office is located at 4 Irving Place, New York, New York 10003.

Q. Please describe your responsibilities in that position.

A. I am responsible for day-to-day supply operations, including the scheduling of generation and load bids with the New York Independent System Operator ("NYISO"), the PJM Interconnection, L.L.C. ("PJM"), and ISO New England ("ISO-NE"); development and implementation of electric power procurement plans for full service customers, which includes development and implementation of the Company's electric hedging activities, strategic development and participation in capacity and transmission congestion contract auctions, and management of contracts with various non-utility generators. I perform these functions for

the full service customers of Con Edison, Orange and Rockland Utilities, Inc. (*0&R"), Rockland Electric Company ("RECO") and Pike County Light & Power Company ("Pike")..

Q. Please describe your professional background.

A. I rejoined Con Edison in March 2002, in my current capacity. From April 2000 through March 2002, I was employed by Mirant New York, Inc. as Director-Regulatory Affairs with responsibility for New York regulatory and NYISO matters. From July 1999 through April 2000, I was Director-Corporate Planning for Con Edison, working primarily on matters related to potential mergers and acquisitions. From 1996 through July 1999, I was Director-Energy Resources for O&R, with responsibilities similar to my current position; I also had general responsibility for the procurement of natural gas energy and capacity, and associated regulatory and accounting matters. From March through July 1997, I assumed the position of Acting President for NORSTAR Energy Limited Partnership, a Houston, Texas-based retail gas marketing enterprise, with

general responsibility for day-to-day operations of the firm. In 1995, I was named Director-Fuel Resources, with general responsibility for procurement of natural gas for resale, and natural gas, coal and oil for O&R's electric generation facilities. From 1991 through 1995, I was Manager-Fuel Resources Administration, with similar responsibilities. From 1989 through 1991, I was a Program Administrator in O&R's Demand-Side Management department. From 1985 through 1989, I was employed by O&R as an Economic Analyst, with responsibility for forecasting, capital appropriations analysis, and various other statistical studies.

I received a Bachelor of Arts degree in Physics (cum laude) from the State University of New York College at Plattsburgh in December, 1984, and a Masters degree in Business Administration with a major in Financial Management from Iona College's Hagan School of Business in July, 1989.

Q. Have you previously testified before the New York Public Service Commission ("Commission" or "NYPSC")?

A. Yes, I have testified on behalf of O&R in Cases 89-E-175, 89-E-176, 96-E-0900, and 94-E-0952, and for the Company in Case 04-E-0572. I have also testified on various electric rate matters before the New Jersey Board of Public Utilities, on both gas and electric rate matters before the Pennsylvania Public Utilities Commission, and on various matters before the Federal Energy Regulatory Commission.

Q. What is the purpose of your testimony in this proceeding?

A. I will describe the energy purchases made on behalf of Con Edison's full service customers from January 2004 through December 2006 and I will explain the Company's projection of energy supply costs through the rate year. I will discuss the allocation of processing charges between the Company's Steam and Electric Operations, and its Other Fuel Charges, including projected costs associated with the Regional Greenhouse Gas Initiative ("RGGI") and other environmental initiatives such as the Clean Air Interstate Rule ("CAIR").

SUPPLY PURCHASING HISTORY

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

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

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

A. The Company aggressively pursues commercial opportunities, such as favorable contract restructurings or extensions. The Company also aggressively pursues market structure changes that are beneficial to its customers, through active participation in NYISO committees and in filings with FERC to mitigate anti-competitive market pricing.

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

A. Electric energy and capacity are procured from three main sources: contract supplies, such as non-utility

generation ("NUG") contracts, a contract with Entergy Nuclear Indian Point 2, LLC, and its newest contract with Astoria Energy, LLC; Con Edison's own steam-electric generation; and purchases made primarily from the NYISO's energy, capacity and ancillary services markets. The Company also uses financial hedges to mitigate price volatility for its customers.

Q. I show you a one-page document entitled, "WHOLESALE ELECTRICITY SUPPLY COSTS - CALENDAR YEARS 2004 THROUGH 2006," and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT_____(JAH-1)

Q. What does Exhibit_____(JAH-1) show?

A. Exhibit_____(JAH-1) illustrates the allocated and invoiced costs, from 2004 through 2006, of energy, capacity and ancillary services acquired on behalf of the Company's full service customers. I note that this exhibit shows a material decline in the Company's spot market purchases, which is primarily due to

customers migrating from full-service to retail access.

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

A. As noted in Exhibit_____(JAH-1), over 3,000 MW (41% of capacity supply) and over 18 million MWh (66% of energy supply) were provided by the Company's seven firm contracts in 2006. Five of these are mandated NUG contracts with PURPA units, one is with Entergy, and one is with Astoria Energy, LLC.

Q. I show you a one-page document entitled, "FIRM CONTRACTS AS OF MARCH 31, 2007," and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT_____(JAH-2)

Q. What does Exhibit_____(JAH-2) show?

A. Exhibit _____ (JAH-2) sets forth the term and capacity of each of the firm supply sources described above.

Q. Please describe the Company's steam-electric generation.

A. As noted in Exhibit_____(JAH-1), 416 MW (5% of capacity supply) and 2,781,565 MWh (10% of energy

supply) were provided by the Company's five facilities in 2006. Costs are allocated among the steam and electric departments in accordance with existing rate plans..

Q . I show you a one-page document entitled, "STEAM-ELECTRIC GENERATION CAPACITY (MW) PROJECTED FOR SUMMER 2007 AND SUMMER 2008," and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT .___(JAH-3)

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

A. Exhibit_____(JAH-3) shows the capacity from the Company's retained generation located at its steam-electric plants (collectively referred to as "steam-electric generation").

Q. Please describe the Company's spot purchases.

A. The vast majority of spot energy purchases are made from the NYISO, primarily in its day-ahead market, but also from its real-time market. NYISO prices energy in each of those markets at eleven different load zones. Over 80% of Con Edison's customers'

consumption is in NYISO's Zone J, the New York City ("NYC") load zone. The remainder is located in NYISO Zones H (Millwood) and I (Dunwoodie). The Company also purchases excess energy from non-PURPA NUGs located in its territory, which have contracted with other buyers for the bulk of their deliveries. Such energy is typically purchased at the NYISO spot price. Spot capacity purchases are also made primarily from the NYISO in two regions. The NYISO administers three capacity market areas: one for NYC, one for Long Island and one for rest-of-state ("ROS"). The majority of Con Edison's capacity obligation is in NYISO's NYC market; the remainder is in its ROS market. NYISO conducts auctions that allow load serving entities ("LSEs") like Con Edison to purchase capacity for a one-month period, or for periods of up to six months. Any LSE with capacity obligations not met by the sum of contract purchases and purchases made in these "strip" or monthly auctions is provided capacity by the NYISO from spot auctions it conducts monthly. Prices in these spot auctions are set at the

intersection of a demand curve, administratively established through the NYISO's governance processes, and supply offer curve for that auction. One aspect of the demand curve is that all capacity sellers in NYISO's spot auction receive the demand curve price for all of the capacity that they economically offer into the demand curve auction. It is typical for more capacity to be available for sale than is required to be purchased. Such excess capacity is purchased by NYISO on behalf of the LSEs. These costs are allocated to load serving entities as "excess capacity costs."

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

A. The Company uses financial hedge products to mitigate the volatility of its spot purchases. Products include fixed-for-floating price swaps, also known as contracts for differences ("CFDs"), options, and transmission congestion contracts ("TCCs"). CFDs are typically traded on a "5x16" basis, meaning their value is computed over the 16 peak hours (7 AM to 11

PM, prevailing time) on non-NERC-holiday weekdays. CFDs may also be traded on an "around the clock" basis, priced at the arithmetic average of all 24 hours in a day, or on a "load shaped" basis, where hourly spot prices are weighted by an agreed upon set of weighting factors for each hour in a day to determine the CFD's settlement price. Swaps may also be settled against a fixed proportion of the LSE's hourly actual demand; these hedges may also be known as 'slice of system' hedges.

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

TCCs are essentially fixed-for-floating price swaps that provide a hedge against fluctuations in the transmission costs or rents realized when moving

energy from its source or point of injection, to its sink or point of withdrawal.

. Exhibit_____(JAH-1) identifies the net impact of the Company's financial hedging in each of the last three years., including the cost of those hedges. The exhibit shows that the Company's hedging practices stabilized generation prices for customers, especially after Hurricane Katrina's impact. The net impact, however, was slightly higher overall prices for customers during the three-year period.

SUPPLY COST PROJECTIONS

Q. Have you prepared a projection of wholesale energy costs?

A. Yes.

Q. I show you a one-page document entitled "PROJECTION OF WHOLESALE ELECTRICITY SUPPLY COSTS - CALENDAR YEARS 2007 through 2011," and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT_____(JAH-4)

Q. What does Exhibit_____(JAH-4) show?

A. Exhibit_____(JAH-4) sets forth my projections of energy costs, based upon the forecast of full service sendout provided by the Company's Forecasting Panel.

Q. Please describe the methodology used to develop these projections.

A. As noted earlier in my testimony, capacity and energy are supplied from three major categories: firm contracts, steam-electric generation, and spot purchases.

Firm contract capacity costs have been projected based on existing contract terms. Where such terms rely on a projection of the Consumer Price Index for this region, a forecast of 3.0% per year has been used for 2007, 2.8% per year for 2008, 2.6% per year for 2009, 2.4% per year for 2010, and 2.5% per year for 2011. Most firm contracts' energy costs are indexed to some fuel supply such as the delivered cost of natural gas or fuel oil. The price forecasts for these products were based on forward markets for these products as published by the New York Mercantile Exchange ("NYMEX") as of December 15, 2006. Direct comparison

of the supplier's actual fuel oil costs and the applicable NYMEX index over the period from January 2002 to December 2005 yielded a factor of difference. This factor, when applied to the NYMEX futures prices as of December 15, 2006, yielded the oil price forecast.

Natural gas price forecasts were based on NYMEX natural gas futures contract prices, for commodity delivered to the Henry Hub, Louisiana, as of December 15, 2006. Seasonal "basis differentials," reflecting the cost of interstate transportation from Henry Hub to Transco Zone 6 (NYC), as provided by broker quotes, were then applied to the commodity prices. This delivered cost of natural gas was then increased by 4% to reflect the cost of taxes on generation fuel, yielding the natural gas price forecast.

Steam-electric generation costs were projected using a cost optimization model. Steam sendout projections and the fuel price forecasts described above were input to the PROMOD production cost model, which models the operating characteristics of the

Company's steam-electric units. Based on the modeled dispatch of these units, and a projected allocation of costs from the steam business unit for "processing charges," such as water, chemical and labor costs, the costs and volumes of energy available for electricity supply were determined, as summarized on Exhibit ___ (JAH-4). A variable cost of energy that cannot be reasonably projected at this time is the cost of emissions allowances for new air quality regulations, such as RGGI and CAIR. Such costs, when incurred, are properly recoverable through the MSC as a cost of supplying full service customers. The tariff change is described in the testimony of the Electric Rate Panel.

Q. Please continue with your description of Exhibit ___ (JAH-4).

A. Spot capacity purchase costs are based on a projection of capacity supply margins in the NYC and ROS regions, the application of these margins to anticipated 2008 demand curve parameters to project prices, and then the application of these prices to the Company's

expected spot capacity requirements in NYC and ROS regions. Excess capacity costs, as described earlier in my testimony, are also included in these cost projections.

Spot energy costs are based on broker quotes as of December 15, 2006. These energy quotes were compared to the natural gas prices discussed above, to ensure that resulting market projections were consistent. These price projections were then applied to the forecast of full service volumetric requirements as provided by the Company's Forecasting Panel, after deducting energy projected to be supplied from firm contracts and steam-electric generation.

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

A. The projection of financial hedge results includes actual performance as of March 31, 2007. Thereafter, hedges have been assumed to be "at the money," not affecting customers' prices, for the purposes of these cost projections.

However, financial hedges command premiums for reducing buyers' risks, and so would be expected to increase costs marginally over the long-term.

It should be noted that the Company currently hedges only for those customers with demands less than 1500 kW. As discussed by the Company's Customer Operations Panel, the Company is proposing to lower its demand threshold for customers required to take service under its mandatory hourly pricing (MHP) service from 1500 kW to 500 kW. As the Company acquires future hedges, it will plan for the allocation of hedges away from those customers after the coinmencement of their MHP service, to conform with Commission policy that the Company should not be hedging for MHP customers.

Q. Have you reviewed the Commission's April 19, 2007 Order in Case 06-M-1017, regarding commodity procurement for utility small commercial and residential customers?

A. Yes. That Order states that utility-specific volatility measurement standards, acceptable goals

based upon those standards and methods for after-the-fact reporting of electric utility hedge prices should be established in collaborative or other administrative processes.

Q. Are you making any such proposals in this case?

A. No. Based upon our consultation with Staff, the Company understands that a separate process will be initiated whose objective will be to establish standards, goals and reporting methods by the end of this year. I am therefore not making any proposals in this case.

Q. Does this conclude your testimony?

A. Yes.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
Wholesale Electricity Supply Costs
Calendar Years 2004 through 2006

		2004		2005		2006	
Firm contracts	Capacity costs	$458,902,547	49.4%	$419,589,963	50.0%	$458,914,746	58.4%
	Energy costs	915,796,399	39.5%	1,145,416,544	35.0%	1,192,855,671	43.5%
	Other costs*	655,446		58,335		0	
	Total costs	$1,375,354,392	41.5%	$1,565,064,842	39.8%	$1,651,770,417	44.6%
	Capacity supplied (MW)**	3,036	32.8%	3,003	35.1%	3,303	41.2%
	Energy supplied (MWh)	16,960,450	53.6%	17,327,621	55.3%	18,375,372	65.5%
Steam-electric generation***	Energy costs (incl. fuel)	$305,214,864	13.2%	$613,286,310	18.8%	$728,982,822	26.6%
	Total costs	$305,214,864	9.2%	$613,286,310	15.6%	$728,982,822	19.7%
	Capacity supplied (MW)**	246	2.7%	274	3.2%	416	5.2%
	Energy supplied (MWh)	1,437,482	4.5%	2,257,292	7.2%	2,781,565	9.9%
Spot purchases	Capacity costs	$470,933,466	50.6%	$420,201,907	50.0%	$326,694,320	41,6%
	Energy costs	1,097,171,862	47^3%	1,509,556,962	46.2%	821,857,473	29.9%
	Other costs*	12,163,094.		6,647,898		3,463,019	
	Total costs	$1,580,268,422	47.7%	$1,936,406,767	49.2%	$1,152,014,812	31.1%
	Capacity supplied (MW)**	5,964	64.5%	5,271	61.7%	4,288	53.6%
	Energy supplied (MWh)	13,260,687	41.9%	11,727,781	37.5%	6,906,845	24.6%
Financial hedges	Net cost	$54,262,200		($180,406,878)		$169,335,578	
Total portfolio	Capacity costs	$929,836,013		$839,791,870		$785,609,066	
	Energy costs	2,318,183,125		3,268,259,816		2,743,695,966	
	Other costs*	12,818,540		6,706,233		3,463,019	
	Financial hedges	54,262,200		(180,406,878)		169,335,578	
	Total costs	$3,315,099,878		$3,934,351,041		$3,702,103,629	
	Capacity supplied (MW)**	9,246		8,548		8,007	
	Energy supplied (MWh)	31,658,619		31,312,694		28,063,782	

* Other costs include gas import taxes (for Firm contracts) and Power for Jobs demand charges (for Spot purchases).
** Capacity is unforced capacity or UCAP.
*** Steam-electric generation costs do not include the embedded cost of Company-retained generation.

EXHIBIT ___ (JAH-1)

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Firm Contracts as of March 31, 2007

	Effective Term	Capacity Supply (MW)
PURPA: Energy and Capacity		
Brooklyn Navy Yard Cogeneration Project	1996-2036	295
East Coast Power	1992-2017	645
Indeck Corinth	1995-2015	131
Selkirk Phase II	1994-2014	265
PURPA: Capacity Only		
Sithe - Independence	1994-2014	740
Firm contracts		
Astoria Energy, LLC	2006-2016	500
Entergy Nuclear Indian Point 2, LLC	2001-2011	1000

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
Steam-Electric Generation Capacity (MW)
Projected for Summer 2007 and Summer 2008

		Summer 2007	Summer 2008
59th Street GT 1		12.2	12.2
74th Street GT 1 & 2		38.7	38.7
Hudson Avenue GT 3, 4 & 5		37.6	37.6
East River 1 & 2		293.9	293.9
East River 6 & 7		299.3	299.3
	Total	681.7	681.7

EXH. ___ (JA-1)

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
Projection of Wholesale Electricity Supply Costs
Calendar Years 2007 through 2011

		2007		2008		2009		2010		2011	
Firm contracts	Capacity costs	$398,512,353	59%	$403,906,763	61%	$408,714,360	61%	$401,306,414	60%	$397,096,613	59%
	Energy costs	1,325,568,977	62%	1,434,255,739	66%	1,254,037,737	58%	1,028,398,614	50%	806,778,520	39%
	Other costs	80,615,958		83,723,821		86,776,530		89,861,644		92,950,644	
	Total costs	$1,804,697,288	57%	$1,921,886,323	61%	$1,749,528,627	56%	$1,519,566,672	50%	$1,296,825,776	42%
	Capacity supplied (MW)	3,466		3,462		3,229		2,912		2,579	
	Energy supplied (MWh)	19,007,731		19,196,530		16,215,730		13,681,330		10,796,530	
Steam-electric generation	Energy costs (incl. fuel)	$273,078,386	13%	$296,932,700	14%	$255,591,000	12%	$242,783,000	12%	$258,389,700	12%
	Total costs	$273,078,386	9%	$296,932,700	9%	$255,591,000	8%	$242,783,000	8%	$258,389,700	8%
	Capacity supplied (MW)	657		657		657		657		657	
	Energy supplied (MWh)	2,408,569		2,701,700		2,657,300		2,653,800		2,653,800	
Spot purchases	Capacity costs	$276,692,573	41%	$256,734,298	39%	$263,578,794	39%	$271,710,419	40%	$281,257,771	41%
	Energy costs	522,580,765	25%	444,183,867	20%	637,870,079	29%	797,700,012	39%	1,010,472,043	49%
	Other costs	246,285,456		238,465,452		233,589,542		227,973,983		224,279,639	
	Total costs	$1,045,558,793	33%	$939,383,617	30%	$1,135,038,415	36%	$1,297,384,414	42%	$1,516,009,453	49%
	Capacity supplied (MW)	3,526		3,300		3,345		3,458		3,574	
	Energy supplied (MWh)	5,895,979		4,685,770		7,040,970		8,854,870		11,265,670	
Financial hedges	Net cost	$24,291,073		-		-		-		-	
Total portfolio	Capacity costs	$675,204,926		$660,641,062		$672,293,154		$673,016,833		$678,354,383	
	Energy costs	2,121,228,128		2,175,372,305		2,147,498,816		2,068,881,626		2,075,640,262	
	Other costs	326,901,414		322,189,272		320,366,072		317,835,627		317,230,283	
	Financial hedges	24,291,073		-		-		-		-	
	Total costs	$3,147,625,541		$3,158,202,639		$3,140,158,042		$3,059,734,086		$3,071,224,929	
	Capacity supplied (MW)	7,649		7,419		7,231		7,027		6,810	
	Energy supplied (MWh)	27,312,279		26,584,000		25,914,000		25,190,000		24,716,000	

NOTES:

A 2007 includes actual results for January through March with projections for the remaining 9 months.
B Capacity Supplied reflects the average of expected monthly UCAP requirement.
C Capacity Supplied includes both In-City and Rest-of-State regions.
D The Entergy contract is projected to end in December 2010.
E Steam-electric generation costs do not include the embedded cost of Company-retained generation.
F Other Cost includes TUCs, NTAC, ancilliary, and other miscellaneous charges.

EXH JT — (JA-4)