

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS10  
Date of Response: 06/27/2008  
Responding Witness:

Question No. :160

Subject: Rye Command Center - Provide the justification and needs analysis for the proposed \$2 million 2009 budget item for the Rye Command Center. Provide project descriptions, projects estimates, costs break down, and proposed schedule.

Response:

Justification:

Since 2000, the Bronx/Westchester region has mobilized to respond to 25 serious and full scale events where at least 9,000 customers have been impacted. These events ranged from tropical storms, severe thunderstorms, winter storms, and coastal flooding. The existing area used by the Incident Commander (IC) for managing Con Edison's response to storms in the Bronx/Westchester Region is a small (100 square feet) conference room adjacent to the Control Center. During major incidents, the IC and his staff implement the Incident Command System (ICS) process and manage the incident from this conference room. A space designed specifically for the various ICS functions and operations would enhance the Company's ability to manage these events.

The Incident Command Center (ICC) would be a space specifically designed to facilitate the management of emergency events utilizing the ICS structure in Bronx/Westchester. The ICC would include an Incident Command Area (ICA) for use by ICS personnel to provide a single command and control location during emergency response to an event that adversely affects the electric distribution system. The ICC will be available for the regional Incident Command and General Staff and afford space for each Command and General staff members operations. This will facilitate communication among the operations and planning sections and with the municipalities, media and executive staff.

It is anticipated that the existing Electric Operations Emergency Management (EOEM) office space (approximately 1,500 square feet) on the third floor of 511 Theodore Fremd Avenue can be renovated to house an Incident Command Center. This renovated space will be used on a day-to-day basis by the EOEM overhead staff.

**Scope of Work:**

Renovate the existing EOEM office space (approximately 1,500 square feet) including:

- Replace ceiling tiles
- Replace floor covering
- Refinish walls
- Install security access system complete with cameras
- Install Positron telephone turret system in ICA
- Install redundant power supply and UPS
- Install redundant fire suppression system
- Install high speed wireless network
- Install high speed color plotter
- Install high speed color printer
- Install dedicated fax machine
- Install photocopier
- Install 10 station secure wireless telephone system
- Make provision for six workstations in the ICA
- Install five work cubicles in the office area
- Make provision for four workstations in the office area
- Install four flat panel displays in the ICA
- Install six flat panel displays in the office area
- Install satellite TV in ICA
- Install audio and video conferencing equipment in ICA

**Schedule:**

The project is scheduled to be started and completed during 2009.

**Cost breakdown:**

The attached includes the cost breakdown for the project, which shows a decrease in the cost from the estimate included in the filing, reflecting a decreased scope of work for the renovation.

RYE HEADQUARTERS  
INCIDENT COMMAND SYSTEM RENOVATIONS

Estimate # 08-3083  
Project #  
ESR # 2007-026 RC

| SN  | ITEM   | QTY  | UNIT  | CRAFT        | LABOR      | LABOR rate \$ | MATERIAL     | EQUIPMENT    | SUB or CONT. | TOTAL \$      |
|---|--|------|-------|--------------|------------|---------------|--------------|--------------|--------------|---------------|
|   |  |      |       |              | total mh's |               | cost/unit \$ | cost/unit \$ | cost/unit \$ |               |
| Requestor: Anthony J. Torphy<br>Date: 06/19/2008<br>Area 45x34' = 1530 x 1.05 (average) = Say 1,600 SF<br>small job |  |      |       |              |            |               |              |              |              |               |
| <b>CAPITAL</b>  |  |      |       |              |            |               |              |              |              |               |
| 1   | Remove ceiling grid and tiles  | 1800 | sf    | carpenter    |            |               |              |              | 12           | 21600         |
| 2   | Replace floor covering (carpet)  | 1800 | sq yd | sub carpet   |            |               |              |              | 75           | 135000        |
| 3   | Install 1/2" x 1/2" x 1/2" walk, doors say 2-3 coats)  | 1680 | sf    | painter      |            |               |              |              | 3            | 5040          |
| 4   | Furnish & install security access system complete with cameras   | 1600 | sf    | electrician  |            |               |              |              | 10           | 16000         |
| 5   | Furnish & install Position telephone burial system in ICA  | 1800 | sf    | electrician  |            |               |              |              | 10           | 18000         |
| 6   | Furnish & install redundant power supply (emergency diesel generator - 25 kw), A.T.S. UPS (uninterruptible power supply)-10 kw, new distribution panel, associated cables, conduits etc. | 1    | ls    | electrician  |            |               |              |              | 10000        | 10000         |
| 7   | Furnish & install high speed wireless network  | 1600 | sf    | plumber/elec |            |               |              |              | 16           | 25600         |
| 8   | Furnish & install 10 station wireless telephone system   | 10   | stn   | electrician  |            |               |              |              | 500.0        | 5000          |
| 9   | Furnish and install new work stations  | 6    | sta   | carpenter    |            |               |              |              | 500.0        | 3000          |
| 10  | Install work cubicles in office area   | 5    | sta   | carpenter    |            |               |              |              | 200.0        | 1000          |
| 11  | Furnish and install new work stations in office area   | 4    | sta   | carpenter    |            |               |              |              | 500.0        | 2000          |
| 12  | Misc   |      |       |              |            |               |              |              |              |               |
| 13  | Redundant HVAC system for ICS (rethop)   | 5    | Tons  | fitter       |            | 18400         |              |              | 12000        | 60000         |
| 14  | New light fixtures, receptacles, switches to suit  | 1600 | sf    | electrician  |            | 105           |              |              | 16           | 16800         |
| Sales Tax on Materials & Shipping & Handling  |  |      |       |              |            |               |              |              |              |               |
| Supervision   |  |      |       |              |            |               |              |              |              |               |
| EH&S Support  |  |      |       |              |            |               |              |              |              |               |
| General Conditions  |  |      |       |              |            |               |              |              |              |               |
| TOTAL   |  |      |       |              |            |               |              |              |              |               |
| P. M. & I. (Project Management & Inspection)  |  |      |       |              |            |               |              |              |              |               |
| Other Direct Cost - Inspection & Testing  |  |      |       |              |            |               |              |              |              |               |
| TOTAL DIRECT COST   |  |      |       |              |            |               |              |              |              |               |
| Corporate Overhead, Eng, A&S, P&E   |  |      |       |              |            |               |              |              |              |               |
| Excavation  |  |      |       |              |            |               |              |              |              |               |
| Design and Site Contingency   |  |      |       |              |            |               |              |              |              |               |
| TOTAL DIRECT COST+OH+Escal+Contingency  |  |      |       |              |            |               |              |              |              |               |
| Equipment CAPITAL (XM Capital)  |  |      |       |              |            |               |              |              |              |               |
| Module as specified or equivalent   |  |      |       |              |            |               |              |              |              |               |
| 1   | Furnish high speed printer (HP 5500)   | 1    | ea    | electrician  |            |               |              |              | 10000        | 10000         |
| 2   | Furnish high speed color printer (Hewlett)   | 1    | ea    | electrician  |            |               |              |              | 5000         | 5000          |
| 3   | Furnish high speed format (flat) machine (dedicated) - color (Canon LC-610)  | 1    | ea    | electrician  |            |               |              |              | 2000         | 2000          |
| 4   | Furnish high speed plotter (Xerox 6360 DX color printer, duplex)   | 1    | ea    | electrician  |            |               |              |              | 3000         | 3000          |
| 5   | Furnish flat panel displays in ICA area  | 4    | ea    | electrician  |            |               |              |              | 1500         | 6000          |
| 6   | Furnish flat panel displays in office area   | 6    | ea    | electrician  |            |               |              |              | 1500         | 9000          |
| 7   | Furnish and install satellite TV in ICA  | 1    | ea    | electrician  |            |               |              |              | 1600         | 1600          |
| 8   | Furnish and install audio and video conferencing equipment in ICA  | 1    | ea    | electrician  |            |               |              |              | 10000        | 10000         |
| 9   | Installation labor for XM Equipment  | 1    | ea    | electrician  |            |               |              |              | 10000        | 10000         |
| TOTAL   |  |      |       |              |            |               |              |              |              |               |
| Sales Tax, Shipping & Handling  |  |      |       |              |            |               |              |              |              |               |
| Supervision   |  |      |       |              |            |               |              |              |              |               |
| EH&S Support  |  |      |       |              |            |               |              |              |              |               |
| General Conditions  |  |      |       |              |            |               |              |              |              |               |
| TOTAL   |  |      |       |              |            |               |              |              |              |               |
| P. M. & I.  |  |      |       |              |            |               |              |              |              |               |
| Other Direct Cost - Inspection & Testing  |  |      |       |              |            |               |              |              |              |               |
| TOTAL DIRECT COST   |  |      |       |              |            |               |              |              |              |               |
| Corp. OH+ A&S (2.6%), P.T.M.P. (26.1% of P.M. & I.)   |  |      |       |              |            |               |              |              |              |               |
| Excavation  |  |      |       |              |            |               |              |              |              |               |
| Design Contingency  |  |      |       |              |            |               |              |              |              |               |
| TOTAL DIRECT COST+OH+Escal+Contingency  |  |      |       |              |            |               |              |              |              |               |
| Say TOTAL CAPITAL COST IS \$900,000 AND TOTAL XM CAPITAL COST IS \$150,000  |  |      |       |              |            |               |              |              |              |               |
|   |  |      |       |              |            |               |              |              |              | SAY \$900,000 |
|   |  |      |       |              |            |               |              |              |              | SAY \$150,000 |

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS10  
Date of Response: 06/27/2008  
Responding Witness:

Question No. :156

Subject: Hurricane Building Hardening Projects - 1. When does the Company plan to present the results of the Thorton-Tomasetti (TT) Study and Altran Solution study to Senior Management for review? 2. When does the Company plan to select the work scope for the hardening of its facilities? 3. Explain why the Company has chosen to present the \$40 million estimate for Hurricane Building Hardening even though it received a lower estimate from the 3rd Thorton-Tomasetti (TT) study of \$ 23.5 to 27.5 million (Exhibit SSP-1) 4. Referring to Exhibit (SSP-1) page 15, provide justification and cost breakdown of each of two roof projects at Irving Place in 2008. Provide spending to date and the current work schedules for each of these two projects.

Response:

**1. When does the Company plan to present the results of the Thorton-Tomasetti (TT) Study and Altran Solution study to Senior Management for review?**

The Plan is still being worked on and there will be a meeting to discuss the results of the various studies when it is complete.

**2. When does the Company plan to select the work scope for the hardening of its facilities?**

We plan to select the work scope for the hardening of Company facilities after we meet with Senior Management.

**3. Explain why the Company has chosen to present the \$40 million estimate for Hurricane Building Hardening even though it received a lower estimate from the 3rd Thorton-Tomasetti (TT) study of \$ 23.5 to 27.5 million (Exhibit SSP-1)**

The \$40 million is a placeholder based on the Altran report, which was the most conservative number provided from the various studies. We plan on providing an update when it becomes available.

**4. Referring to Exhibit (SSP-1) page 15, provide justification and cost breakdown of each of two roof projects at Irving Place in 2008. Provide spending to date and the current work schedules for each of these two projects.**

**Irv Pl – Cooling Tower Roof Replacement - \$520,000. \$0 dollars have been expended to date but the work is being bid (i.e. with Purchasing) and is scheduled to be completed by 12/2008.**

The existing Cooling Tower Roof at 4 Irving Place is in poor condition and is no longer watertight. There are elevator machine rooms, electrical switchgear and communications equipment, along with office space below, that are frequently affected by the leaks from this roof. A recent rainstorm caused significant damage as water leaked from this roof into the elevator shaftways and damaged new carpeting installations on lower floors and ceiling tiles in the cafeteria. The solution is to replace the existing ballasted EPDM roof with a new adhered EPDM roof covered entirely with concrete roof pavers. This new roof will be able to withstand winds up to 120 MPH and will satisfy one of the deficiencies noted in the hurricane hardening assessment report prepared by Thornton-Tomasetti. The new roof will be adhered to the existing concrete roof deck and will have a drainage membrane layer covered by concrete roof pavers. The concrete pavers are also necessary to protect the roof membrane from the foot traffic of maintenance personnel, one of the primary causes of the existing roof's failure.

LOCATION.....4 IRVING PLACE, NEW NEW YORK, NY  
DESCRIPTION...COOLING TOWER ROOF REPLACEMENT

| ITEM                          | COMPANY |        | CONTRACT |      | TOTAL DIRECT | ESCAL. | OVERHEADS \$ ADJ. | COUNTING | TOTAL          |
|-------------------------------|---------|--------|----------|------|--------------|--------|-------------------|----------|----------------|
|                               | MHRS    | LABORS | EQ./MATS | MHRS |              |        |                   |          |                |
| <b>CONSTRUCTION CONTRACTS</b> |         |        |          |      |              |        |                   |          |                |
| PATCH/PERMIE PARAPET & MISC.  |         |        |          |      | 32000        | 900    | 5200              | 5700     | 43700          |
| PROVIDE METAL DECK, PAINT     |         |        |          |      | 5500         | 200    | 1500              | 1000     | 7700           |
| NEW SEEM ROOF                 |         |        |          |      | 255000       | 7700   | 49700             | 41900    | 359300         |
| NEW ROOF DRAINS & PIPING      |         |        |          |      | 14000        | 400    | 2800              | 2600     | 19800          |
| PEM & RE-INSTALL ELECTRICALS  |         |        |          |      | 4000         | 100    | 700               | 700      | 5500           |
| CONSTRUCTION CONDITIONS       |         |        |          |      | 25000        | 800    | 5000              | 4600     | 35400          |
| <b>COMPANY LABOR</b>          |         |        |          |      |              |        |                   |          |                |
| P. M. & I.                    |         | 25000  |          |      | 25000        | 800    | 11500             | 5600     | 42900          |
| <b>OTHER DIRECT COSTS</b>     |         |        |          |      |              |        |                   |          |                |
| INSPECTION AND TESTING        |         |        |          | 24   | 2500         | 100    | 500               | 500      | 3600           |
|                               |         | 25000  |          | 24   | 33000        | 1000   | 13000             | 6700     | 51700          |
|                               |         |        |          |      |              |        |                   |          | SAY \$ 520,000 |

| CAPITAL ESTIMATE TOTAL-           | \$ 520,000   | ASSOCIATED RETIREMENT | \$ 213,100 | ASSOCIATED EXPENSE- | NONE    |
|-----------------------------------|--|-----------------------|------------|---------------------|---------|
| OVERHEADS 13.11 % FACILITIES UNIT | 68,200   | A & B                 | 25,400     | TAX & PENN          | 500,000 |
|                                   | 89,500   |                       | 815,000    |                     | 50      |
| REMARKS                           | REGULAR WORK SCHEDULE, SET ACK ABATEMENT, ESTIMATE BY ACQU-COST, ORIGINAL COST \$133,100 AND REMOVAL COST ESTIMATE \$80,000, CONSTRUCTION CONDITIONS FOR MTL HANDLING, C/T, P/T ETC. |                       |            |                     |         |
| FACILITIES ENGINEERING            | /  | /                     | /          | ORGANIZATION        | /       |
| APPROVED BY                       | /  | /                     | /          |                     | 3707    |

**Irv Pl – Cafeteria/Auditorium PA-3 Roof Replacements- \$1,300,000 . \$0 dollars have been expended to date but the work is being bid (i.e. with Purchasing) and is scheduled to be completed by 12/2008.**

The existing Cafeteria/Auditorium and PA-3 Fan Room roofs at 4 Irving Place are also in poor condition and no longer watertight. The areas below these roofs are highly sensitive, in constant use and have been subject to persistent leaks. Several leaks have occurred in the vicinity of food preparation areas that appear to emanate from the PA-3 Fan Room above; all have been very difficult to locate due to the loose laid design of the current roof systems. In addition, the Cafeteria/Auditorium is located on the south side of Irving Place and a recent assessment has determined that it is vulnerable to hurricane force winds. Damage to these roofs may allow significant amounts of water to enter the building and eventually travel down floor/wall penetrations and service risers reaching the 19th Fl CERC and 17th fl Data center. The solution is to replace the existing ballasted EPDM/built-up roofs with a new adhered EPDM white roof system that is energy star and LEED compliant. The new Cafeteria/Auditorium roofs will be able to withstand winds up to 120 MPH and help mitigate the effects of water damage to the 19th Fl CERC and 17th fl Data center in the event of a hurricane.

PROJECT NO...50435-07  
BUDGET NO...  
ESTIMATE NO...07-3090-AB-01  
EST. DATE...01/30/2008  
PROJ ENG...C. O'KARMA  
PROJ EST...A. BHATIA

**FACILITIES ENGINEERING**  
**APPROPRIATION ESTIMATE**

APPROP. START / / COMPL. / /  
ENG/DES. START / / COMPL. / /  
PROCUR. START / / COMPL. / /  
CONSTR. START 06/01/2008 COMP. 12/31/2008  
PROJECT IN SERVICE..... 12/31/2008  
OUTAGE IS NOT REQUIRED

LOCATION.....4 INVING YLAGE  
DESCRIPTION...ROOF REPLACEMENT OVER 1ST FLOOR CATERINA / AUDITORIUM AND PA-3 PAN ROOM

| ITEM                          | MERS   |        | LABORS |        | EQ/MTS | MURS | LABORS |        | EQ/MTS | CONTRACT |          | TOTAL  |        | OVERHEADS |  | TOTAL            |  |
|-------------------------------|--------|--------|--------|--------|--------|------|--------|--------|--------|----------|----------|--------|--------|-----------|--|------------------|--|
|                               | LABORS | EQ/MTS | LABORS | EQ/MTS |        |      | LABORS | EQ/MTS |        | DIRECT   | INDIRECT | ESCAL  | & AFDC | CONTING   |  |                  |  |
| <b>CONSTRUCTION CONTRACTS</b> |        |        |        |        |        |      |        |        |        |          |          |        |        |           |  |                  |  |
| CONCRETE & MASONRY            |        |        | 54500  |        |        |      |        | 1600   |        |          |          | 10800  | 13400  |           |  | 80300            |  |
| METALS                        |        |        | 11100  |        |        |      |        | 300    |        |          |          | 2200   | 2700   |           |  | 16300            |  |
| THERMAL & MOISTURE PROTECTION |        |        | 456200 |        |        |      |        | 13700  |        |          |          | 89900  | 112000 |           |  | 671800           |  |
| PLUMBING                      |        |        | 12000  |        |        |      |        | 400    |        |          |          | 2300   | 2900   |           |  | 17800            |  |
| HVAC                          |        |        | 3000   |        |        |      |        | 100    |        |          |          | 600    | 700    |           |  | 4400             |  |
| ELECTRICAL                    |        |        | 9300   |        |        |      |        | 300    |        |          |          | 1900   | 2300   |           |  | 13800            |  |
| SIDEWALK BRIDGE, WTL HANDLE   |        |        | 92400  |        |        |      |        | 2800   |        |          |          | 18300  | 22700  |           |  | 136200           |  |
| GENERAL CONDITIONS            |        |        | 95800  |        |        |      |        | 2900   |        |          |          | 18900  | 23500  |           |  | 141100           |  |
| CONSTRUCTION CONDITIONS       |        |        | 50000  |        |        |      |        | 1500   |        |          |          | 9900   | 12300  |           |  | 73700            |  |
| COMBANY LABOR                 |        |        |        |        |        |      |        |        |        |          |          |        |        |           |  |                  |  |
| P. M. & I.                    |        |        | 65500  |        |        |      |        | 2000   |        |          |          | 30500  | 19600  |           |  | 117600           |  |
| OTHER DIRECT COSTS            |        |        |        |        |        |      |        |        |        |          |          |        |        |           |  |                  |  |
| INSPECTION & TESTING          |        |        | 10000  |        |        |      |        | 300    |        |          |          | 2100   | 2500   |           |  | 34900            |  |
|                               |        |        | 794300 |        |        |      |        | 25900  |        |          |          | 187400 | 214600 |           |  | 1287700          |  |
|                               |        |        |        |        |        |      |        |        |        |          |          |        |        |           |  | SAY \$ 1,300,000 |  |

CAPITAL ESTIMATE TOTAL- \$ 1,300,000 ASSOCIATED RETIREMENT- \$ 369,000 ASSOCIATED EXPENSE- NONE  
 OVERHEADS 13.1% FACILITIES ENG/ 2.30% A & B/ 26.07% P/ROLL TAX & FEES;  
 ( \$116,200 ) ( \$23,200 ) ( \$48,000 ) ( \$0 ) 2.00% AFDC = \$0  
 TOTAL OH'S = \$187,400

REMARKS LABOR COLUEN REPRESENTS LABOR, EQUIPMENT AND MATERIALS, SORDARY BASED ON ESTIMATE BY ACCU-COST ADJUSTED BY COR ED. ACK AND LEAD  
 ABATEMENT BASED ON SF COST. ORIGINAL COST IS \$99,000 AND REMOVAL COST ESTIMATE IS \$270,000. MOSTLY REGULAR SCHEDULE

FACILITIES ENGINEERING  
 APPROVED BY / / REVIEWED BY / / ORGANIZATION / / 3856

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS10  
Date of Response: 06/27/2008  
Responding Witness:

Question No. :158

Subject: Flush Facilities - 1. Provide the justification, with all supporting documents, for the need to upgrade the unloading areas at all four flush facilities and to replace the three wastewater treatment system. 2. Provide the cost break down, project estimates and proposed schedule for the engineering phase totaling \$3.5 million in 2008 and the construction phase totaling \$23.5 million over 2009 and 2010.

Response:

Please see attached response.

**Request No.: DPS-158**  
**Requested By: Liliya Randt**  
**Date of Request: June 6, 2008**  
**Reply Date:**  
**Witness: Shared Services Panel**  
**Subject: Flush Facilities**

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***1. Provide the justification, with all supporting documents, for the need to upgrade the unloading areas at all four flush facilities and to replace the three wastewater treatment system.***

Con Edison's inspection improvements for underground electric structures and the installation of new vented covers have yielded an upward trend in annual flush waste generation. Flush waste consists of debris accumulations that have been removed from underground electric structures to facilitate performing work safely, and in accordance with all applicable specifications for quality. Entering more structures, more frequently has led to substantial increases in flush waste quantities (see table), challenging the physical assets designed to manage this material, while also yielding increased costs.

Solid debris and sediment regularly deposits in Con Edison's underground electric structures through street run-off, and in-leakage from sources such as water and sewer mains. Vector trucks flush these materials from underground facilities prior to work, yielding a waste material that is transported to Con Edison's four Flush Facilities for management. Flush waste may generally be considered in terms of three waste streams upon unloading at the Flush Facilities: solid debris, sediment, and water.

At all four facilities, vector trucks empty their contents into drying bins, which retain the relatively more coarse material while water and finer solids, or sediment, drain into sub-grade collection structures. Upon sufficient drainage, the drying bins are unloaded into lined containers for transport and disposal. At three of the four facilities, the sediment settles while water is pumped through wastewater treatment systems for discharge to the New York City sewer system in accordance with permit conditions. The solid debris and sediment accumulations are removed periodically for transport and disposal. At the remaining facility, water and sediment accumulate in a sub-grade collection structure prior to removal and transport for disposal.

The flush truck facilities and associated wastewater treatment systems are located entirely outdoors. The environment severely impacts facility and equipment operation, especially during extreme weather events such as heavy rains and sub-freezing temperatures. These conditions wear heavily upon the facility components. Overall facility maintenance costs continue to escalate, and each of the water treatment systems have already surpassed their practical design life.

The technology employed at these facilities is not as cost-effective as other methodologies that are available for this application. Considering the necessity of these facilities in the performance of day-to-day work, ensuring continuous operation and long-term availability is absolutely critical.

| Annual Flush Waste Generation |             |               |               |               |               |
|-------------------------------|-------------|---------------|---------------|---------------|---------------|
| Waste Stream                  | 2003        | 2004          | 2005          | 2006          | 2007          |
| Solid Debris (tons)           | 4538        | 5080          | 5683          | 6175          | 5873          |
| Sediment (tons)               | 4857        | 5130          | 6032          | 7045          | 7121          |
| <i>TOTAL SOLIDS</i>           | <i>9395</i> | <i>10,210</i> | <i>11,715</i> | <i>13,220</i> | <i>12,994</i> |
| Water (gallons)               | 8,337,229   | 9,668,357     | 11,164,803    | 12,183,336    | 10,942,849    |

**PROBLEMS:**

1. Facilities are located outdoors, where they are regularly exposed to harsh environmental conditions that can adversely affect operations and personnel safety:
  - Low temperatures inhibit drainage from drying bins by freezing water in the solid debris, results in ice formation on walking surfaces in the unloading area, and inhibits movement of water to the wastewater treatment system.
  - Wastewater treatment components require extensive efforts to provide freeze protection and ensure continuous availability.
  - Water enters the sub-grade drainage structures during normal rainfall events, necessitating handling with the wastewater generated by normal operations. The costs associated with treating and/or removing rainfall water at all facilities on an annual basis is significant, and generally believed to be in excess of \$400,000 annually.

Enclosing all the dumping bins, solid debris storage areas, sedimentation basins, retention basin (Hell Gate) and the wastewater treatment systems would provide for more efficient and safe operation, while increasing facility longevity and reducing O&M costs.
2. The existing wastewater treatment systems are series design, without redundancy to provide operating flexibility in the event of component failure. Single component failure within a facility necessitates system shutdown, and ultimately limits vector availability. Without wastewater treatment system availability, vectors cannot continue to unload at the facility, necessitating unloading at more distal locations, and increasing truck cycle time between flush evolutions.
3. The present wastewater treatment system controls are locally operated requiring dedicated operators at each location. Control system design improvements will promote cost savings through more efficient system operation, and remote/centralized monitoring capabilities on a 24/7 basis.

**2. Provide the cost break down, project estimates and proposed schedule for the engineering phase totaling \$3.5 million in 2008 and the construction phase totaling \$23.5 million over 2009 and 2010.**

Project engineering would begin during the summer of 2008 with development and submittal of a request for proposal from qualified design vendors. Outside services would be sought given that internal resources are not presently available to address this project. The anticipated schedule would require selection of a vendor during the 4<sup>th</sup> quarter of 2008, with final deliverables due by mid-2009.

**GENERAL PROJECT SCOPE:**

- Enclose the Flush Truck Facility unloading areas, bins, and associated basins to provide weather protection and ensure proper facility operation.
- Enclose the wastewater treatment systems at the Brooklyn, Manhattan, and Queens Flush Truck Facilities in a building to provide complete weather protection for all components and ensure continuous system availability.
- Design and implement system redundancy through parallel installation of critical components including, but not limited to:
  - Transfer pump
  - Sand/Anthracite Filter
  - Particulate filter
  - Carbon filter backwash pump
  - Treated wastewater holdup tanks
  - Composite sampler
- Design and install water treatment controls to provide remote monitoring of all three facilities on a 24/7 basis.
- Investigate alternative technologies and state-of-the-art equipment for the wastewater treatment Systems to improve operation, minimize O&M costs, and ensure long-term availability.

**SPECIFIC PROJECT DETAILS:**

Specific project details are presented in the following attachments:

- 1) EQUIPMENT LIST FOR REDUNDANT WASTEWATER TREATMENT SYSTEM TRAINS
- 2) WASTEWATER TREATMENT SYSTEM - INSTRUMENTATION & CONTROLS
- 3) BUILDING LIST
- 4) WASTEWATER TREATMENT SYSTEM - BUILDING ARRANGEMENT
- 5) WASTEWATER TREATMENT SYSTEM SCHEMATIC
- 6) COST ESTIMATE

| 2008 RATE CASE - FLUSH TRUCK FACILITY IMPROVEMENTS - CAPITAL COST ESTIMATE BREAKDOWN |           |  |                     |
|--|-----------|--|---------------------|
| COST ELEMENT   | LOCATION  |  | ESTIMATED COST (\$) |
| <b>BUILDINGS</b>   |           |  |                     |
| DUMPING/UNLOADING  | BROOKLYN  |  | 1,335,000           |
|  | MANHATTAN |  | 1,335,000           |
|  | QUEENS    |  | 1,495,000           |
|  | BRONX     |  | 855,000             |
| SOLID DEBRIS STORAGE/DRYING  | BROOKLYN  |  | 630,000             |
|  | MANHATTAN |  | 500,000             |
|  | QUEENS    |  | 500,000             |
|  | BRONX     |  | 800,000             |
| WASTEWATER TREATMENT   | BROOKLYN  |  | 1,750,000           |
|  | MANHATTAN |  | 1,750,000           |
|  | QUEENS    |  | 1,750,000           |
|  | BRONX     |  | 1,750,000           |
| <b>WASTEWATER TREATMENT SYSTEM</b>   |           |  |                     |
| EQUIPMENT (MECH.)<br>INCL. INSTALLATION,<br>PIPING & VALVES                          | BROOKLYN  |  | 1,200,000           |
|  | MANHATTAN |  | 1,200,000           |
|  | QUEENS    |  | 1,200,000           |
|  | BRONX     |  | 1,200,000           |
| INSTRUMENTS & CONTROLS<br>INCL. INSTALLATION,<br>WIRING, TECT.                       | BROOKLYN  |  | 1,000,000           |
|  | MANHATTAN |  | 1,000,000           |
|  | QUEENS    |  | 1,000,000           |
|  | BRONX     |  | 1,000,000           |
| ENGINEERING/DESIGN   | BROOKLYN  |  | 675,000             |
|  | MANHATTAN |  | 675,000             |
|  | QUEENS    |  | 675,000             |
|  | BRONX     |  | 675,000             |
| START-UP/PRE-OPERATIONAL<br>TESTING  | BROOKLYN  |  | 125,000             |
|  | MANHATTAN |  | 125,000             |
|  | QUEENS    |  | 125,000             |
|  | BRONX     |  | 125,000             |
| <b>TOTAL</b>   |           |  | <b>26,450,000</b>   |

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS28  
Date of Response: 07/30/2008  
Responding Witness: Shared Services

Question No. :425

Subject: Follow up to DPS-158 - In response to DPS-158 regarding Flush Facilities: a) Identify the O&M costs reductions that will result by implementing the proposed upgrades to the four flush facilities. Identify where the Company has accounted for these cost savings in its filing. b) What is the forecasted date of completion for each of the four flush facilities projects?

Response:

- A. This project's primary goal is to assure sustained facility reliability given the extreme criticality of these operations in maintaining the electric distribution system. Although Con Edison anticipates avoiding various maintenance costs for the aging flush facilities, these expenditures would most likely be associated with future component failures as opposed to routine preventative maintenance activities. Such potential cost avoidances have not been quantified in this filing. See prior Company responses relating to flush facilities.
  
- B. Facility designs have yet to be finalized, and as such, a construction plan has not been developed. Con Edison is not able to reliably forecast completion dates for the four facilities at this time.

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS21  
Date of Response: 07/11/2008  
Responding Witness: Shared Services/Ricco/Accounting Panel

Question No. :318

Subject: Plan in Service Model / Common Plant For each of the capital projects shown in the attached files; Plant in Service Model Common IT.xls and Plant in Service Model Common Eq.xls, both copied from the Company's plant-in-service model: 1) Identify where in testimony/exhibits the Company supports each of the listed projects; 2) Provide the needs analysis and/or other justification for each of the projects that are shown in the attached files that has not been included in the Company's initial filing.

Response:

See attached summary table listing by project and referenced as requested. Also attached are white papers for the projects not referred to in testimony.

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**Finance – 2009 Capital and O&M**

|                              |   |
|------------------------------|---|
| <b>Project/Program Title</b> | <b>New Financials/Supply Chain System Phase Zero Study and Implementation</b> |
| <b>Priority Number</b>       |   |
| <b>Budget Reference</b>      | 7XC9839-250   |
| <b>Status</b>                | <b>New</b>  |
| <b>Service Date</b>          | 2011  |

**Work Description:**

Provide O&M funding for a Phase Zero study to determine the cost and scope of implementing a new, single Financials/Supply Chain ERP (Enterprise Resource Planning) system for the regulated utility companies of Consolidated Edison Inc (CEI) - Consolidated Edison Company of New York, Inc (CECONY) and Orange and Rockland Utilities (O&R).

Once the study is complete and a product is chosen, provide Capital funding for the actual implementation of a new Financials/Supply Chain system for CEI's utility companies. The implementation project will continue for approximately three years, beginning in 2009. The timeframe and cash flow will be determined during the study.

**Justification:**

Currently CEI operates independent Financial/Supply Chain systems for CECONY (mainframe custom built legacy), O&R (Walker), the Competitive Energy Businesses (Oracle), CEI parent company (Walker) and for the CEI consolidation process (Infor), which potentially increases administrative costs, increases the opportunity for error and reduces staff time for review.

A new Financials/Supply Chain system will allow both operating and financial personnel to retrieve information in a user-friendly format to more efficiently run their business. It will provide a richer reporting environment, with detailed and summarized historical and current information, available real-time or via a secure web-based interface.

CECONY's current Financials/Supply Chain platform is a homegrown legacy system, installed in 1970 and limited in its functionality. The CECONY Financials system requires an overnight updating process (batch processing) to reflect the current day's financial activities and can only account for one entity. The monthly closing of the books process requires a great deal of manual oversight and intervention. The current monthly closing process involves approximately 350 manual journal entries in addition to the multiple financial data interfaces from feeder systems (i.e. accounts payable, CSS, payroll). During the closing process, journal entries need to be entered before midnight in order for that activity to be reflected within the next day's General Ledger balances. The General Ledger has limited reporting analysis features, which has lead to the development of additional software tools, such as CARE and Essbase to give users a detailed view of their respective accounting activity. In addition, because the CARE software accesses a different database (DB2 tables) than the one used by the General

Ledger's Financial Management System, a reconciliation needs to be performed between the two systems each night in order to ensure accuracy in financial reporting. This current General Ledger platform, accompanying closing process and reporting environment are cumbersome and inefficient.

CECONY's Supply Chain platform includes systems for Procurement, Inventory Management, and Accounts Payable functions. The current platform requires the user to navigate several systems for procurement depending on the type of request, requiring knowledge of the

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## Finance – 2009 Capital and O&M

requisitioning process in each system. Because the data is housed in multiple systems, visibility is limited into overall procurement spend - creating inefficiencies when leveraging expenditures with suppliers. Once materials/services have been receipted, many types of procurement spend are not structured or detailed enough to facilitate automatic payment in the Accounts Payable system. This leads to process delays and inefficiencies in paying suppliers.

O&R's Financials/Supply Chain platform is a customized mainframe-based enterprise software package (Walker) which was purchased at O&R in the mid-1980s. It is comprised of 4 modules: Purchasing, Inventory Management, Accounts Payable, and General Ledger. While the product suite is highly integrated for O&R Financials and Supply Chain functions, there is concern regarding the Walker product's viability. It has changed owners several times in the last few years (now currently owned by Infor), the vendor has announced there will be no more upgrades to the product, and there is a steady decline of an already limited base of product implementations in the marketplace.

The independent Financials/Supply Chain platforms at the two companies have created inefficiencies and difficulties in the merging of business processes for CECONY and O&R. Each company uses a different chart of accounts, different material inventories and different systems to transact business. Current Financials/Supply Chain systems permit multiple companies within a single corporate platform which allows for intercompany consolidations to take place at one time within one software environment. Multiple inter-company journal entries could be generated at the same time, affecting multiple sets of books of account for the same amounts, eliminating a type of out-of-balance condition. Current Financials/Supply Chain systems have the flexibility and expandability to incorporate the state and federal regulatory accounting requirements for CEI's utility subsidiaries. A new system will facilitate the creation of a single inventory of inventory materials for both companies, allowing us to leverage our material spend and greatly bring work practices together. A new implementation will permit us to change to a single common account structure (currently there are separate account structures for each CEI subsidiary including the parent company) and foster a common set of business processes. It will improve our controls for operating costs; thus benefiting both the customer and shareholder.

Current Financials/Supply Chain systems have the ability to capture operating statistics along with dollars. This capability allows for work management functionality such as determining costs per unit of measure. A current Financials/Supply Chain system has the

ability to develop and apply the appropriate overhead application rates and thereby eliminate the manual calculations currently performed by Corporate Accounting. The application rates should not be limited by the number of digits (over \$99.99), which is the current situation at CECONY.

Another benefit of a current Financials/Supply Chain system is the real-time processing of data. New accounts are able to accept charges immediately and a journal entry records to the GL immediately. Overnight batch processing should be required only in extreme circumstances. The conversion of historical data into the new chart of accounts and the ability to view the historical data in the new system environment are also extremely important attributes. In addition, the ability to have an accrual automatically reverse in the following month is an important control feature, which currently does not exist within CECONY's legacy system.

The Financials/Supply Chain system should allow users to view real-time financial account data including stand-alone and consolidated financial statements such as the Statement of Cash Flows. It is also important to be able to view the detail behind the charges within each account. Users

## **Finance – 2009 Capital and O&M**

will have the ability to budget for Capital and O&M within the new system and the ability to view all supporting detail behind Capital, O&M and Clearing charges. The system should generate highly formatted, book-quality financial and management reports that comply with internal, regulatory and SEC reporting requirements. Users should be able to design and produce these reports without IR assistance. A user friendly, robust reporting environment is an extremely important feature of a new Financials/Supply Chain system.

The new Financials/Supply Chain system should allow for flexibility in the closing schedule such as the 4<sup>th</sup> workday to the 5<sup>th</sup> workday and include the appropriate level of security and internal controls to satisfy SOX compliance, and internal and external audit requirements. The new system will interface with existing or new feeder systems and will, in some instances, replace feeder systems with the availability of the appropriate module.

The Phase Zero study is proposed to analyze current business processes, current adjunct systems and interfaces, reporting requirements, vendor packages on the market, any gaps between our needs and a package, and the costs and timeframe to implement a Financials/Supply Chain system. Without the benefit of a study, our estimate to implement a new Financials/Supply Chain system is shown below.

The ultimate cost of this system will need to be appropriately allocated among the utilities.

**Reason for change in scope of original rate case update:**

In a utility-based ERP strategy, due to the high-level of integration between Financials and Supply Chain processes, these two business processes and related software functional modules are typically installed on a concurrent timeframe. To unravel this integration not only causes significant remediation work but also lessens the advantages of moving to a new platform. In this particular instance in which we are looking to replace the Walker product, independent implementations of Financials and Supply Chain are not an option. The existing Walker modules for General Ledger and Supply Chain are coupled tightly together and it would not be feasible to break this functionality apart. Additionally, there is a lack of vendor support in the marketplace to support this type of risky effort. For the CECONY systems, the remediation work and risk would also be significant. With that, it is necessary that the two processes be implemented concurrently.

### **Completion Date:**

June 2009 (Phase 0 Study)  
Projected for 2011 (Implementation)

### **Planning and Budgeting:**

Current estimated projected cost will be approximately \$100,000 million after the completion of the Phase Zero study. This will be confirmed during the study.

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**Finance – 2009 Capital**

|                                |  |
|--------------------------------|--|
| <b>Project/Program Title</b>   | <b>Property Records and Tax System</b> |
| <b>Budget Reference Number</b> | 7XC9815-250                            |
| <b>Status</b>                  | In Progress                            |
| <b>Estimated Service Date</b>  | 1 <sup>st</sup> Quarter of 2009        |

**Work Description:**

Replace the multiple Property Records and Tax systems currently used by CECONY and O&R with a single Property Records and Tax System. The primary systems currently utilized include:

**Property Records - CECONY**

- Distribution Facilities Information System (DFIS) – Outside Plant Asset Accounts
- Net Plant Record (NPR, IPPR) – Inside Plant Asset Accounts
- Ratio Management
- Price Cost Analysis
- Property Records Annual Orders (PRANO)
- Plant/Tax (PTAX)
- Property Assessment (PTES)
- Theoretical Depreciation Reserve Study

**Property Records - O&R**

- Plant Utilization System (Plus) – Inside & Outside Asset Accounts
- Plant/Tax
- Property Tax Grievance Study
- Theoretical Depreciation Reserve Study

**TAX**

- Acufile Tax Depreciation System

**Financial Forecasting**

- Budget Reference Update System (BRUS)

At 12/31/06 CEI's Net Utility Plant amounted to \$18.4 billion and has increased to \$19.9 billion as of 12/31/07. The establishment of work orders, transfer of plant from Construction Work in Progress (CWIP), the maintenance of corporate plant asset records, the depreciation of plant (tax & book), ARO analysis and the development and analysis of property tax attributes are the responsibility of the Property Records, Tax (including Property Tax and Depreciation), ARP and Financial Forecasting Departments. These processes are currently accomplished through a great deal of manual effort and the use of multiple systems.

The core legacy plant accounting and tax applications for both CECONY and O&R have been developed and maintained on a mainframe platform primarily utilizing COBOL programming language and IMS, DB2 and VSAM data infrastructures (CECONY's applications – DFIS, Net Plant, IPPR, PRANO, General Plant and BRUS; O&R's PLUS and the Tax Department's Plant/Tax, PTax, Property Tax Grievance, and Property Assessment for both companies). ACUFILE, the primary application for tax depreciation, is based in Oracle/Windows XP for both companies. Currently, the

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## Finance – 2009 Capital

companies' plant accounting applications reside on separate corporate mainframes and the Acufile software resides on a server. Within CECONY, the majority of construction layout information is received via a paper document and entered manually into the plant accounting applications from various work management systems to perform its unitization process.

At O&R, the majority of construction layout information is interfaced to the plant accounting application electronically from one work management system (WMS) to perform its unitization process. Both companies interface to separate corporate general ledger applications. The cost analysis and mass pricing processes of distribution assets at CECONY are performed utilizing two applications, Ratio Management and the PRICE System; while the work order authorization process is performed in the BRUS application. At O&R, cost analysis, mass pricing of distribution assets, and work order authorization processes are performed within the PLUS application.

The tax depreciation update process for O&R and CECONY is based on manual updates into Acufile based on data from the Property Records asset transaction systems (Plant/Tax and PTax).

### **Benefits of the new system:**

1. Deferred tax and associated regulatory assets integrity will be assured, reviewable, auditable, and automatically maintained going forward and an enhancement to control.
2. With the potential for imminent large staff reductions, Con Edison will have a system in place to reduce, and keep to a minimum, any closing backlog.
3. Con Edison can remove the risk of fragmented and unsupported software while maintaining all companies within a singular application.

Other business reasons for implementing a new system include: Improved work flow, stricter controls over asset and tax data, timely rate case support and the vendor will guarantee maintenance updates for all IRS, State, FERC, and SEC/FASB changes

### **Justification:**

An asset system is strategic. At Con Edison, assets are a significant determinate of revenues and costs. Costs in terms of interest and depreciation, property tax, and federal and state income taxes. Asset accounting policies and practices impact cash flow through the regulatory process as well as through tax impacts.

With the potential for imminent large staff reductions, Con Edison will have a system in place to reduce, and keep to a minimum, any closing backlog. The minimization of backlog is an imperative not only for accounting, but also for regulatory and tax benefits. The new system automates the closing function and provides easy on-line review and resolution facilities. It also would allow Con Edison to combine all its assets (CECONY and O&R.) into a single system meeting all company regulatory nuances and requirements.

By moving to a new application, Con Edison can remove the risk of fragmented and unsupported software. There are currently three different fixed asset systems (NPR, DFIS and PLUS) with many side systems and programs and one primary tax depreciation system (Acufile). Acufile is no longer supported by the vendor. Many of the systems are connected only via manual processes subject to poor control and there is

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**Finance – 2009 Capital**

no automatic flow of data from CWIP to in-service, to tax depreciation, to property tax, etc.

As of the completion of the phase 0-Fit/Gap Analysis, which was conducted in 2007, the request for year 2009 reflects an increase of 1,270,000 for year 2009 from the prior years estimate of 500,000 which excludes maintenance.

The go-live date remains unchanged.

**Estimated Completion Date:**

1<sup>st</sup> Quarter of 2009

**Status:**

In Progress

**Funding (\$000)**

| Request<br>2009 | Request<br>2010 | Request<br>2011 | Request<br>2012 | Request<br>Total |
|-----------------|-----------------|-----------------|-----------------|------------------|
| 1,370           |                 |                 |                 | 1,370            |

**Finance – 2009 Capital**

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|                                |                              |
|--------------------------------|------------------------------|
| <b>Project/Program Title</b>   | <b>Tax Software Solution</b> |
| <b>Budget Reference Number</b> | 8XC9725-250                  |
| <b>Status</b>                  | New                          |
| <b>Estimated Service Date</b>  | 2009                         |

**Work Description:**

To implement tax software programs that will perform the following:

1. Develop the monthly income tax provision by downloading the support data for schedule M items for CECONY and O & R which upon extension at appropriate income tax rates will develop reports supporting deferred taxes, generate the CECONY and O & R federal and state current and deferred tax journal entries (including FAS 109 Journal Entries), and generate a Tax Balance Sheet.
2. The software must be able to interface the tax provision with the tax return preparation system (Currently Insource).
3. Capability to expand the application to the Competitive Energy Businesses
4. Capability to consolidate all of the business units into a single tax report for CEI for ARS footnote and/or management analysis.

**Why is a new solution needed?**

The current process requires the monthly retrieval of data from several hundred accounts via the CARE, FMS or Walker systems and the manual entry of this data into an Excel spreadsheet. The current process is subject to data processing errors and is extremely time consuming. A new system will improve accuracy and reduce the time spent by automatically downloading the applicable account data allowing more time for analysis and other value added tax work. For example it currently difficult to confirm that the schedule M items are correctly recorded to their respective deferred tax accounts. A new system will provide a clearer link between schedule M amounts and the appropriate deferred tax accounts. This will facilitate the review process.

The current Excel spreadsheet uses visual basic macros that are no longer clearly understood by the end-users. Any incidental change that may occur and is not updated to the macro will produce inaccurate information. A new system will not rely on macros and will be robust to adapt to unusual situations. This will enhance the flexibility of the tax accrual.

The current Excel spreadsheet does not generate the FAS 109 journal entry or the tax balance sheet. A new system will add efficiencies and accuracy by automating the FAS 109 journal entry and generating the tax balance sheet.

The current Excel spreadsheet cannot interface with the tax return system. A new system will interface with the tax return system, eliminating data entry, increasing efficiencies, and avoiding human error and allow for more time for value added analysis..

The current Excel spreadsheet cannot consolidate all the CEI subsidiaries into a single report. A new system will have the capability to consolidate all of CEI subsidiaries and create a single report. This will provide the Tax Department and Senior Management with a better analysis of CEI's consolidated taxes.

**Finance – 2009 Capital**

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**Justification:**

Implement a new income tax accounting and compliance system to improve the efficiency and accuracy of the income tax accrual and income tax return. A new system will generate both the FAS 109 journal entry and the tax balance sheet. Additionally, a new system will have the potential to conform all of CEI's companies to a single tax platform. The Tax Department recommends the implementation of a new system.

**Estimated Completion Date:**

2009

**Status:**

Planning

**Funding (\$000)**

| Request<br>2009 | Request<br>2010 | Request<br>2011 | Request<br>2012 | Request<br>Total |
|-----------------|-----------------|-----------------|-----------------|------------------|
| 300             | 77              |                 |                 | 377              |

F4

**Finance - 2009 Capital**

|                               |                                       |
|-------------------------------|---------------------------------------|
| <b>Project/Program Title</b>  | Sabrix - Use Tax Calculation w/ Ariba |
| <b>Priority Number</b>        |                                       |
| <b>Budget Reference</b>       | 8XC9725-250                           |
| <b>Status</b>                 | New                                   |
| <b>Estimated Service Date</b> | 3 <sup>rd</sup> Quarter 2009          |

**Work Description:**

Sabrix is a system which would allow CECONY to accrue and compute use tax on purchases in a more accurate manner than is currently being done. The system would be a search engine that would be used in conjunction with the Ariba system to determine if purchases were subject to use tax.

**Justification:**

Con Edison's supply chain process is extremely complex utilizing a mix of main frame-based CECONY has in previous years paid too much use tax on its purchases. The large volume of transactions requires an automated solution to the problem. We have been quoted a price of approximately \$825,000 to implement Sabrix. With use tax expenditures of \$60 million per year, a 5% reduction (\$3 million), would mean a monthly savings of \$250,000, and a payback period less than 1 year.

**Estimated Completion Date:**

3<sup>rd</sup> Quarter 2009

**Planning and Budgeting:****Constraints:****Status:**

New.

**Funding (\$000)**

| Request<br>2009 | Request<br>2010 | Request<br>2011 | Request<br>2012 | Request<br>Total |
|-----------------|-----------------|-----------------|-----------------|------------------|
| 825             |                 |                 |                 | 825              |

F5

**Finance - 2009 Capital**

|                                |                              |
|--------------------------------|------------------------------|
| <b>Project/Program Title</b>   | <b>Customer Usage System</b> |
| <b>Budget Reference Number</b> |                              |
| <b>Status</b>                  | <b>New</b>                   |
| <b>Estimated Service Date</b>  | <b>2011</b>                  |

**Work Description:**

The RESPIN system is an updated version of a database originally created in response to special requirements of Rate Engineering and Energy Management/Forecasting, previously titled System Planning, for rate case and tailored customer usage analysis. While the current version may not meet all requirements, there continues to be a shared need for a point in time "snapshot" extract of customer information from CIS that provides the flexibility to do scenario analysis of system usage by service classifications and other service characteristics. Unique to this type of extract/shadow database is consistency in data requiring complex logic for aligning sales to time periods that would be too cumbersome to recreate on a query by query basis and does not meet the need for data consistency given the time lags in rate case filing schedules.

The work required calls for the establishment of a new data source containing billed usage, special billing program designation, and metering information at the account level. This new data sources needs to be accessible using an off-the-shelf query tool. The work also calls for the development of a user interface available on the users desktop to facilitate the generation of summary reports based upon criteria designated by the user via criteria presented within the desktop application.

**Justification:**

While the RESPIN system's underlying business rules and coding with respect to alignment of usage and assignment of account information continues to provide much needed consistency and ease of use for analysis purposes and rate case support, the shift to competitive service offerings and unbundling of pricing components have made many of the combined revenue fields of limited or no use. There is real concern about RESPIN's ability to meet changing needs without considerable revision.

The unbundling of pricing components will require a more detailed identification of customer accounts for accurate rate design. For example, the introduction of billing and payment processing charges will require the ability to identify customer accounts as single or dual service and by the retail choice billing option selected. Anticipated needs include the ability to identify customers by the rate options they select which, in most cases, will require multiple account identifiers.

In addition, planned rate changes like lowering the threshold of Mandatory Hourly Pricing and increased focus on Demand Response and other energy efficiency initiatives require re-examination of customer identification fields associated with interval-metered accounts that now require the use of multiple fields for proper identification

These regulatory changes coupled with increased frequency of rate filings have put additional pressures on the use of this database. The RESPIN inquiry tool, RAMIS, is no longer supported with training and in-department personnel with RAMIS training has become limited, causing a shift of more inquiries to IR support staff to meet these increasing demands.

Both CECONY and ORU have parallel but not identical systems for electric and gas usage storage. CECONY also has a companion file for multiple-metered sites that is used in support of

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**Law - 2009 Capital**

|                               |                               |
|-------------------------------|-------------------------------|
| <b>Project/Program Title</b>  | <b>Case Management System</b> |
| <b>Status</b>                 |                               |
| <b>Estimated Service Date</b> | <b>2009</b>                   |

**Work Description:**

Replace the Law Department's Case Management System (CMS). The system, developed contains the subsystems listed below:

Time allocation subsystem - records attorney, paralegal and investigator time spent on projects, claims or lawsuits.

Docket management subsystem - records litigation documents served on or by the company and maintain the schedule and assignment of appearances.

File Room/Library subsystem - tracks claim and litigation files maintained by the Law Department in its Central File Room

Case Tracking subsystem - tracks of claims, lawsuits and memo bills

Notes – records notes related to projects, claims or lawsuits

**Justification:**

The system requires frequent modifications to accommodate claim processing for major incidents or litigation involving multiple parties (e.g., WTC litigation). The application is 16-bit and uses development language and a communications gateway that are no longer supported by the vendor. In addition, because the system was developed more than ten years ago, it lacks basic flexibility such as ad hoc reporting or allowing insertion of files or hyperlinks to other systems.

**Estimated Completion Date:**

**2010**

**Status:****Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$500            | \$250            |                  |                  |                   |

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**Law – 2009 Capital**

|                               |  |
|-------------------------------|--|
| <b>Project/Program Title</b>  | <b>Litigation Management System (General Litigation)</b> |
| <b>Status</b>                 |  |
| <b>Estimated Service Date</b> | <b>2009</b>  |

**Work Description:**

General Litigation requires a system to store and manage scanned and coded litigation documents associated with claims and lawsuits. The system should be linked to the replacement Case Management System the Law Department plans to implement during the rate period.

**Justification:**

Storage, retrieval and management of claim and litigation documents are critical to a quick and successful resolution of these matters. We currently do not have an electronic system to manage the various documents associated with claims and litigations (pleadings, medical records, Operating area records, etc.) and often must resort to working with physical files.

**Estimated Completion Date:**

2010

**Status:****Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| 250              | 250              |                  |                  |                   |

F8

**2009 Capital**

|                               |  |
|-------------------------------|--|
| <b>Project/Program Title</b>  | <b>Records Retention Management System</b> |
| <b>Status</b>                 |  |
| <b>Estimated Service Date</b> | <b>2009</b>                                |

**Work Description:**

Design and implementation of a records retention management system.

**Justification:**

Funding is required to design and implement an enterprise-wide records retention management system. The application and associated hardware will allow the management of our records retention policy, notification of litigation holds, data collection in response to litigation holds, and electronic discovery production. The request to hire three human resource slots in 2008 (Paralegal, IT Records Manager and a Records Specialist) is required to provide on-going support for the system. Much of this is in response to new Federal regulations promulgated in December, 2006 that establish stringent record retention regulations in connection with litigation.

**Estimated Completion Date:**

**Fourth Quarter 2010**

**Status:****Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$500K           | \$               |                  |                  | \$500K            |

**O&M Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$300K           | \$300K           | \$300K           | \$300K           | \$1.2M            |

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**Finance 2009 Capital**

|                               |                                     |
|-------------------------------|-------------------------------------|
| <b>Project/Program Title</b>  | <b>Load Diversity and Profiling</b> |
| <b>Status</b>                 | <b>New Program</b>                  |
| <b>Estimated Service Date</b> | <b>2009 Meters/Ongoing</b>          |

**Work Description:****Project Objectives**

Case 07-E-0523 proceedings contain noteworthy discussion of the Company's basis for allocation of low tension distribution costs to its small residential class and the differences in assumptions used for allocation of these costs to other large residential and commercial classes. While not specifically ordered to perform any further analysis or studies, the company acknowledges expressed concern with lack of empirical data underlying its small residential class assumptions.

Critical elements of this program include the selection of a cross-section of buildings tenanted by SC 1 customers and the purchase and installation of interval meters with wireless modems for monitoring the usage of the individual SC 1 customer tenants and other end uses in the buildings. In all or most cases, metering the entire load of SC 1 tenanted building may not be a technically feasible and/or realistic alternative. A smaller benchmark sample of comparable usage commercial buildings will also be selected for interval metering to allow for further comparisons of SC 1 multi-tenanted buildings to similar usage accounts in large residential and commercial classes.

**Justification:**

While the Company sponsors ongoing load studies of small residential and apartment house classes, the existing samples were designed to estimate peak loads by service classification. The size of the samples can not accommodate the issues raised about differences in coincident peak responsibility by number of dwelling units (1 to 2 family versus multi-tenanted apartment buildings) or separately metered residential end-uses within apartment house buildings.

The selection of buildings containing individually metered SC 1 apartments will be based on building size descriptions (numbers of apartments) from published census reporting, municipal web sites and descriptive information available on company records.

For the smaller SC 1 tenanted apartment buildings, the plan is to replace all meters with interval meters and aggregate coincident loads. For larger buildings, it will be very site specific and attempt to optimize the data collection through the use of a combination of "dumb" meters and data collection hardware.

The actual interval metering configuration for loads within the buildings will be dictated by the number of apartments and other metered end-uses, like common laundry or air-conditioning facilities. In larger buildings, interval meters may be installed on all apartments on sampled floors within the building rather than all apartments.

For comparison purposes, interval meters will be installed at the building level for selected comparable sized large residential (SC 8 and 12 apartment classes) and commercial classes (SCs 4 and 9) accounts. While not a scientific study, this program should provide the company with the empirical data necessary to begin analyzing coincident peak usage of SC 1 tenanted buildings and make comparisons with coincident peak usage of commercial use buildings.

Although the sampling will not provide conclusive results, this effort will allow for load profile analysis for the following:

F9

**Finance 2009 Capital**

- Cross-section of buildings with SC 1 metered apartments coinciding with available population data (interval examples: 1 or 2 units, 10 to 19 units; 20 to 49 units, 50 to 99, 100 to 199 units)
- End use applications (laundry) in common areas in residential-tenanted buildings.
- Comparisons of load profiles of SC 8 and 12 buildings to similar sized SC 1 tenanted buildings
- Comparisons of differences in coincident building usage by different apartment building configurations –multi-room apartments versus smaller units, rent included space conditioning and centralized laundry facilities versus customer owned/controlled appliances.

**Other benefits:**

- Enhance load study by as many as 500 interval metering points. (Number may vary based on site specific metering alternatives)
- Use of wireless technology instead of 'recorder under glass' technology with telephone modems will result in minimal field support requirements and reduce the monthly communication charges by more than one half.

**Estimated Completion Date:**

2009 for installation of metering with monitoring to continue through rate case period.

**Status:****Capital Funding (\$000)**

| Request<br>2009 | Request<br>2010 | Request<br>2011 | Request<br>2012 | Request<br>2009-2012 |
|-----------------|-----------------|-----------------|-----------------|----------------------|
| 744             | 0               | 0               | 0               | 744                  |

**O&M Funding (\$000)**

| Actual<br>2007 | Budget<br>2008 | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>Total |
|----------------|----------------|-------------------------|-------------------------|-------------------------|-------------------|
| 0              | 0              | 94                      | 94                      | 94                      | 280               |

**Finance – 2009 Capital**

*F10*

|                               |                                       |
|-------------------------------|---------------------------------------|
| <b>Project/Program Title</b>  | <b>JD Edwards Accounts Receivable</b> |
| <b>Budget Reference No.</b>   |                                       |
| <b>Status</b>                 | <b>New</b>                            |
| <b>Estimated Service Date</b> | <b>2009</b>                           |

**Work Description:**

Upgrade the JDE Edwards Accounts Receivable System to the latest release to support the Miscellaneous Accounts Receivable Section. The JDE system creates invoices and manages the miscellaneous accounts receivable function of the company. This product has multi company capability so it supports both CECONY and O&R. This system is integrated with Treasury and with the company accounting system.

**Justification:**

The vendor does not support releases beyond a certain time. The current version in Production will have reached its end of support in 2009. In order to continue the proper support, we must upgrade the system at regular intervals. Additionally, upgrades allow us to use newer features that increase productivity and enhance system use. System upgrades require qualified consultants that have experience upgrading the JDE System.

**Estimated Completion Date:**

December 2009

**Status:**

New

**Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| 450              |                  |                  |                  | 450               |

F10

**Finance – 2009 Capital**

|                                |                                     |
|--------------------------------|-------------------------------------|
| <b>Project/Program Title</b>   | <b>Corporate Tax Accrual System</b> |
| <b>Budget Reference Number</b> | 7XC9814-250                         |
| <b>Status</b>                  | New                                 |
| <b>Estimated Service Date</b>  | 2009                                |

**Work Description:**

A Tax Software Solution is required to improve the efficiency and accuracy of the deferred tax accrual. Additionally, a new system will have the potential to conform all of CEI's companies into a single tax platform.

**Justification:**

The current process requires the monthly retrieval of data from several hundred accounts via the CARE or FMS systems and the manual entry of this data into an Excel spreadsheet. The current process is subject to data processing errors and is extremely time consuming. A new system will improve accuracy and reduce the time spent by automatically downloading the applicable account data.

A new system will eliminate the data entry and allow for the deferred tax provision to be computed on a current basis, thus enhancing the interim tax reporting for the Company.

On the current Excel spreadsheet process, it is difficult to confirm that the Schedule M (A schedule on the Federal Corporate Income Tax Return which list the differences between book income and taxable income) items are correctly recorded to their respective deferred tax accounts. A new system will provide a clearer link between Schedule M amounts and the appropriate deferred tax accounts. This will facilitate the review process.

The current Excel spreadsheet does not generate the FAS 109 journal entry or the tax balance sheet. A new system will add efficiencies and accuracy by automating the FAS 109 journal entry and generating the tax balance sheet.

The current Excel spreadsheet cannot interface with the tax return system. A new system will interface with the tax return system, eliminating data entry, increasing efficiencies, and avoiding human error.

The current Excel spreadsheet cannot consolidate all the CEI subsidiaries into a single report. A new system will have the capability to consolidate all of CEI subsidiaries and create a single report. This will provide the Tax Department and Senior Management with a better analysis of CEI's consolidated taxes.

**Estimated Completion Date:**

2009

**Status:**

Planning

**Funding (\$000)**

| Request 2009 | Request 2010 | Request 2011 | Request 2012 | Request Total |
|--------------|--------------|--------------|--------------|---------------|
| 169          |              |              |              | 169           |

E 5 21

|                               |   |
|-------------------------------|---|
| <b>Project/Program Title</b>  | <b>HR – Enterprise Shared Services – Projects</b> |
| <b>Status</b>                 | <b>Ongoing</b>                                    |
| <b>Estimated Service Date</b> | <b>Ongoing</b>                                    |

**Work Description:**

Human Resources must upgrade and enhance various aspects of training to ensure that future training needs are met.

**Justification:**

eLearning course development. We continue to develop and deploy the use of eLearning methodologies to address the growing need to provide training on a 24/7 basis. Additionally, we continue to develop courses that are more interactive and utilize simulations within the content. Additional eLearning initiatives over the next several years will include the conversion of paper and pencil tests to an on line environment to improve reporting capabilities and reduce administration costs. Also, development of new tests will be enhanced by the system functionality of the new on line testing application.

Learning Center Infrastructure Improvements. In order to provide effective training to our employees, it is necessary to maintain an up-to-date educational facility. Technology is rapidly changing how people work. In addition, as equipment and process improvements take place in our operating areas, our training facilities and course curriculum must also change to insure that the training experience reflects the field environment. The requested funding will allow the Learning Center to upgrade the Facilities to modernize classroom space by increasing space utilization with modern designs.

Learning Center Registration System Upgrade. The current Registration system has fallen behind with our new corporate standard 2003 server/Windows XP desktop environment. We will not be able to support the integration of new applications/software as well as new eLearning technologies. This may hinder the processing of training data and the development of eLearning training modules, both of which are key corporate performance indicators. This upgrade will extend the life of the Registration System since it is not going to be replaced as part of the HR Peoplesoft implementation.

Incident Commander Simulator. This state of the art virtual reality training allows on scene Incident Commanders to gain experience and develop maturity that would otherwise take years of high risk, high cost training exercises and actual disasters to develop. It is an interactive system that also provides responders with an opportunity to develop skills in command, control, mitigation and emergency communication under extremely stressful yet safe conditions.

**2009 Electric Rate Case - Shared Services Capital & OM****EXHIBIT \_\_ (SSP-13)****PAGE 1 of 2**

|                               |   |
|-------------------------------|---|
| <b>Project/Program Title</b>  | <b>Single Entry Point Ordering System Phase 2</b> |
| <b>Status</b>                 | <b>In progress</b>                                |
| <b>Estimated Service Date</b> | <b>End 2011</b>                                   |

**Work Description:**

In 2005, a project was initiated to install a Single Point Entry procurement system for Con Edison materials. This enabled a single front end process for most of the Company's purchases of materials – including stock and non-stock materials. Phase 1 was approved in the 2004 rate case and was deployed during the third quarter of 2007.

During Phase 2, the system's scope will be extended to include procurement of CECONY services including maintenance services, consultants, and construction.

The project utilizes software which is a front end to financial and supply chain legacy systems. The vendor product on which the system is based is scheduled to be upgraded in 2008 according to an announcement from the developer of the software. As a result, the current version of the product that is presently installed at Con Edison will have to be upgraded accordingly. The effort associated with this will entail determining what new functionality Con Edison wishes to implement, re-engineering the system interfaces to A/P, FDA/Care, PCards, MMS, and Accruals. In order to ensure the most efficient processing of the information and system response time, the computer servers should be replaced along with the database software. The Computer Based Training modules will also be updated to reflect the new user interface and any changes in business processes.

**Justification:**

Con Edison's supply chain process is extremely complex utilizing a mix of mainframe-based technologies that were developed in the 1970's and various client server based systems that were developed more recently. This project will extend the web-based application that has already been implemented for materials. The extended system will enable the Company to evaluate and consolidate corporate expenditures so that the Company can leverage its expenditures to obtain better prices on the items it buys. It will also route customer spending to negotiated contracts with pre-negotiated pricing to better ensure that goods and services are purchased at the best value to the company. The estimated cost for Phase 2 is \$10.9 million. Purchasing estimates that once the project is fully deployed, the Company will obtain significant procurement and process savings which are estimated to be approximately \$5.1 million annually, of which 77% would affect capital and 23% or \$1.17 million would be O&M.

In addition, because the Company's current purchasing systems are mainframe rather than web-based applications, practical application of these systems is difficult to learn and they do not easily provide system-wide information on purchasing activities. This project will streamline the process and modernize the tools/systems to enable employees to quickly learn the systems and to generate reports.

**Estimated Completion Date:**

End 2011

**Status:**

Through 2008 it is expected that approximately \$4.1 million will have been expended on this project. Of the total project cost of approximately \$10.9 million, \$5.1 million was not included in the 2007 rate case submission. Since that submission, a consultant was hired to perform a detailed analysis. The results of that analysis were that additional vendor efforts and change management were required which would add to the cost of the project.

The project is in the five year budget, but it is not sufficiently funded. The total project cost is \$10.9 million. \$4.1 million will be used in 2008. The 2009 budget has initial funding of \$1.3 million. Additional requests are as follows (\$3.9 million in 2009, \$1.1 million in 2010 and \$475K in 2011.)

**2009 Electric Rate Case - Shared Services Capital & OM****EXHIBIT (SSP-13)****PAGE 2 of 2****Funding (\$000)****Capital**

| Budget 2008 | Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 | Forecast 2013 | Forecast Total 2009 - 2013 |
|-------------|---------------|---------------|---------------|---------------|---------------|----------------------------|
| \$2,800     | \$5,200       | \$1,100       | \$475         | \$0           | \$0           | \$6,775                    |

**O & M**

| Historical Year (2007) | Forecast RYE 2009 | Forecast RYE 2010 | Forecast RYE 2011 | Forecast RYE 2012 | Forecast Total 2010 - 2012 |
|------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------|
| \$0                    | \$150             | \$150             | \$150             | \$150             | \$450                      |

**Alternatives**

The possibility of stretching the implementation of the initial work that is planned to be completed in 2009 into 2010 was considered, but it would add approximately \$.5 million to the project costs due to increased project management costs, higher staff costs, and tax costs for out-of-state contractors. It would also delay realization of benefits and will affect the financial attractiveness of the project.

The prospect of delaying the \$1.6 million in the 2010-11 portion of the project was examined. Although this would not affect the realization of project benefits, it will increase the risk of running obsolete and potentially unsupported software. The vendor plans to upgrade the software later in 2008 and has a stated policy of maintaining the older release for two years. Our current plan assumes some slippage in the vendor's schedule.

**Construction – 2009 Capital**

|                               |                            |
|-------------------------------|----------------------------|
| <b>Project/Program Title</b>  | Construction Mobile Office |
| <b>Status</b>                 | Ongoing                    |
| <b>Estimated Service Date</b> | 2009                       |

**Work Description:**

Construction field personnel will be outfitted with rugged intrinsically safe laptops for use in the performance and monitoring of Construction activity in the Con Edison Service territory. We will utilize wireless remote communication and electronic Eforms to facilitate data access and data collection from field locations. This increase in activity data is related to the recent boom in Construction business. The field data collection will be related directly to materials, layout versioning and labor use for construction work for Electric, Gas, Construction Management, Construction Services and Public Improvement.

**Justification:**

A major part of Construction's responsibility is to oversee contractor work, which requires the documentation of every aspect of the job, primarily progress reports, environmental and safety infractions, and accidents. Currently, this information is captured in the field on paper forms, which are then filed in a project book or file, or transcribed into an online data storage system, in some cases, by a clerk, days after the notes were taken.

This project will provide the Chief Construction Inspectors immediate access to corporate applications from remote field locations by using wireless technology. They will be able to retrieve data on a particular project or contractor, and will also be able to record their findings and observations directly onto the corporate systems. The delays inherent in the current process will be minimized and the amount of administrative support would be greatly reduced, allowing the clerks to better support the organization with more analytic work.

The mobile office will reduce the amount of time the CCIs need to be in the office, allowing them to spend more time in the field supervising contractors. We will reduce the amount of spending being used for courier service. The contractors will receive electronic work packages from the File Net workflow system.

The Construction Services personnel will have the computers mounted in their vehicles and use the dispatching software to receive work and document their daily activity.

**Estimated Completion Date:**

2009.

**Status:**

Ongoing

**Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast Total<br>2009 - 2012 |
|------------------|------------------|------------------|------------------|-------------------------------|
| 365              | -                | -                | -                | 365                           |

OPS-2

**Construction – 2009 Capital**

|                               |                              |
|-------------------------------|------------------------------|
| <b>Project/Program Title</b>  | Management Work Flow Phase 3 |
| <b>Status</b>                 | Ongoing                      |
| <b>Estimated Service Date</b> | 2009                         |

**Work Description:**

Expand the integration of IBM File Net Document Management and Work Flow Management System to include the work flows for Central Planning, Public Improvement, Embargo Permits, Emergency Permits, regular permits. Engineering Layouts, Damage Assessment, Rodding Form, Safety Inspection Document Management, Project Wise, DOCS, VANLAN, Opening Tickets, Law Department Research, and document retention and disaster recovery. This phase also includes adding new functionality to the IBM File Net applications, upgrade to the P8 4.0 release which has integration points to Microsoft Share point and IBM Maximo enhancements and reporting.

**Justification:**

Creating electronic workflows will improve the work processes by documenting all steps and electronically routing to the appropriate individuals. This continues our effort to evolve from a paperless environment to an environment where all relevant documents are stored, indexed and routed based on the newly established business process workflow. This will enable various departments through Central Planning to answer critical job related information, as it required based on compliance and operational issues and post audits of NYC Public Improvement jobs. The information captured in this online repository is full content searchable and is made available as project data to all the organization users based on need. It provides vehicle to make sure we are compliance with proper record retention and storage. This is a multi year project and will have deliverables in each of the service years.

**Estimated Completion Date:**

Projects will be complete in 2009.

**Status:**

Ongoing program.

**Funding (\$000)**

| Forecast 2009 | Forecast 2010 | Forecast 2011 | Forecast 2012 | Forecast Total 2009 - 2012 |
|---------------|---------------|---------------|---------------|----------------------------|
| 350           | -             | -             | -             | 350                        |

**Construction – 2009 Capital**

|                               |                           |
|-------------------------------|---------------------------|
| <b>Project/Program Title</b>  | Miscellaneous IT Projects |
| <b>Status</b>                 | Planning                  |
| <b>Estimated Service Date</b> | Various through 2012      |

**Work Description:**

Analyze, review and implement various small capital systems to be used for in the support of issues related to Construction Departments Field Activities, compliance, business process change, process improvement and business growth.

Perform a Phase 0 analysis to define functional requirements and cost involved to implement the following for Construction Services:

1. Analyze and review requirements to implement various small capital systems to be used for the support of issues related to Construction Compliance business process change, process improvement and business growth within the Construction group.
2. Replace the stand-alone Manpower Scheduling System. Construction Services is in the process of converting all of their systems from VANLAN to Maximo. Maximo 6 has a new license and certification module which has the potential to replace the Manpower Scheduling System. This module would interface directly to the HR Payroll System in order to have an automated work scheduling and reporting system.
3. Integrate IBM's Maximo work management system with IBM FileNet (McClaren), CM Layout Tracking, eTrac, NETMAP and Bentley Project Wise. This will enable Construction Services to view the entire life cycle of work starting from the inception of work from DOCS, Engineering, operating area, work coordination and completion of work. This process enhancement will give the business organization a better understanding of workloads, work scheduling, work completion and overall retention and storage of all documents that are necessary from a Sarbanes Oxley Compliance Perspective for Construction Activity.
4. Analyze what is required to automate the process for importing Contractor Field Observation Reports into the Contractor Oversight System. Currently, this data can be captured on a field device but the process to import the data into the Contractor Oversight System is manual and cumbersome.

**Justification:**

Implement a new Manpower Scheduling & Training System to be used for the scheduling, tracking and overall progress of outside plant work. The current system is obsolete and needs to be replaced.

Integration needs to be performed with Maximo & IBM FileNet. This will continue Construction Services' integrated solution to store all their business documents in a central location. This will facilitate researching the status of projects, work performed and our overall record retention strategy.

OPS-4

**Construction – 2009 Capital**

Automating the process to upload Construction Field Observations into the Contractor Oversight System from a field device will facilitate data transfer and insure timely and accurate reporting.

Outside Contractor Services, increased efficiencies, removal of obsolete software, reduced clerical double data entry, better project accountability, better project scheduling and standardization on a common system platform.

Implement New Manpower Scheduling & Training System. This will used for the scheduling, tracking and overall progress of outside plant work. The current system is obsolete and needs to be replaced. Integration needs to be performed with Maximo & IBM FileNet.

Implement new security video system based on new compliance issues for tracking of tool room equipment and XM items. During the past year, there have been numerous security breaches and theft at the Van Nest location. With the increase of personnel and the various outside people visiting the site it has become apparent tighter security measures are required. This project is to increase the existing CCTV system and deploy additional security systems to valuable areas within building 1 and peripheral buildings attached. An increase of CCTV is required with cameras able to cover the large complex (inside and outside) with multiple access points. In addition, security card readers or security alarm systems need to be installed in areas that have expensive items being stored with 24hr monitoring.

Other write-ups will be added to the Miscellaneous IT projects as they become available.

**Estimated Completion Date:**

Various through 2012.

**Status:**

Planning

**Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast Total<br>2009-2012 |
|------------------|------------------|------------------|------------------|-----------------------------|
| 1,550            | 3,000            | 2,897            | 4,500            | 11,947                      |

OPS-6

**Construction – 2009 Capital**

|                               |  |
|-------------------------------|--|
| <b>Project/Program Title</b>  | Employee Field Communication (Target Vision) |
| <b>Status</b>                 | Planning                                     |
| <b>Estimated Service Date</b> | 2009   |

**Work Description:**

Analyze and implement field employee communication system.

**Justification:**

We will use proven off the shelf technology to implement a Employee Communication system within the various Construction sites. We will send Company Information, Safety Messages, On the Job Training (OJT) , news, field events and training information to both Televisions, remote laptop computers using the video streaming capabilities. This will enhance our communications to all our Construction Employees. This is an ongoing projects with deliverables and in service in each of the rate years.

**Estimated Completion Date:**

Project will be complete in 2009.

**Status:**

Planning

**Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast Total<br>2009 - 2012 |
|------------------|------------------|------------------|------------------|-------------------------------|
| 100              | -                | -                | -                | 100                           |

OPS-7

**Central Engineering - 2009 Capital**

|                               |                               |
|-------------------------------|-------------------------------|
| <b>Project/Program Title</b>  | Engineering Drawing (AutoCAD) |
| <b>Status</b>                 | Engineering and Design        |
| <b>Estimated Service Date</b> | Ongoing                       |

**Work Description:**

AutoCAD and Enterprise Document Management System (EDMS) are the main drawing tools used by Central Engineering's Design Engineering. The current version of AutoCAD used by Central Engineering's designers is 2006, while AutoCAD 2008 is the latest version of the software on the market. The software manufacturers generally support only the last three versions of their software. To ensure vendor support, Central Engineering upgraded the software applications early in 2007 from AutoCAD 2002 to AutoCAD 2006. The funding requested in the five-year capital plan is for upgrades to new AutoCAD license subscriptions, upgrade/replace plotters, wide format scanners, CAD and 3D workstations and servers .

**Justification:**

The Administrative Support section of Central Engineering's Environmental Engineering and Program Support Group is responsible for supporting over 270 CAD workstations used by designers and contractors to support our work. In addition, this group also administers Metaphase 3.2, Con Edison's current drawing management system, which contains over 1,000,000 drawings. To take advantage of new technology and productivity enhancements in software and hardware, the CAD system is being upgraded to AutoCAD 2008 along with upgrades to plotters, workstations, monitors, servers, scanners and peripherals. An upgrade will increase the designers' productivity, maintain AutoDesk support on the AutoCAD 2008 and 3D platform, and maintain file compatibility.

Productivity improvements are expected to be achieved through the simplifying the designers interface, by making the administration of CAD peripherals simpler and more intuitive, and by incorporating intelligent vectorized data – which in concert with 3D design - will allow for identifying interferences. In addition, upgrades provide for links to Excel spreadsheets with dynamic updates – making data extraction more powerful. The new applications allow for smaller file sizes which conserve server storage and permit simple file sharing and communication between designers. The dash board provides enhanced 2D tools for drafting and annotations.

**Estimated Completion Date:**

Ongoing upgrades.

**Status:**

Licenses for the 2008 AutoCAD Edition were purchased in 2007. Ongoing hardware and software upgrades, including 3D applications, will be required on an ongoing basis.

**Funding (\$000):**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast Total<br>2009-2012 |
|------------------|------------------|------------------|------------------|-----------------------------|
| 750              | 750              | 750              | 750              | 3,000                       |

**2009 Electric Rate Case - Shared Services Capital****EXHIBIT \_\_ (SSP-7)****PAGE 1 of 8**

|                               |   |
|-------------------------------|---|
| <b>Project/Program Title</b>  | Info Resources – NERC Compliance Management Framework |
| <b>Status</b>                 | N/A   |
| <b>Estimated Service Date</b> | 2009  |

**Work Description:**

NERC Cyber Security Standards compliance involves a large number of activities from many organizations. The same system is also used for compliance monitoring, remediation tracking and overall management of the compliance program for all NERC reliability standards as well.

**Justification:**

Con Edison is required to comply with many Federal, State and Local regulatory programs and mandates, including legislative actions. Failure to adequately comply with these requirements could result in financial penalties and failures to deliver critical electric, gas and steam services. A compliance management system is required to manage the compliance activities, documentation and tracking for these standards.

**Estimated Completion Date:**

2009

**Funding (\$000)**

| Budget<br>2008 | Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>2013 | Forecast<br>Total<br>2009 -<br>2013 |
|----------------|------------------|------------------|------------------|------------------|------------------|-------------------------------------|
| \$0            | \$500            | \$0              | \$0              | \$0              | \$0              | \$500                               |

BSC-3

**2009 Electric Rate Case - Shared Services Capital****EXHIBIT \_\_ (SSP-7)  
PAGE 2 of 8**

|                              |   |
|------------------------------|---|
| <b>Project/Program Title</b> | <b>Data Warehousing and Business Intelligence</b> |
| <b>Status</b>                |   |
| <b>Service Date</b>          | <b>2012</b>                                       |

**Work Description:**

A Data Warehousing and Business Intelligence program will be implemented in key operational areas for Con Edison. The fundamental goal of the program will be to improve Con Edison's business intelligence to further achieve customer and management goals. The data warehouse /BI project will improve both strategic and operational decision-making by providing analytical information (historical and predictive) that can be managed by members of the business areas. For the program, the following major components will be developed:

- An Enterprise Data Warehouse architecture that to address data quality, timeliness, availability and accessibility of information.
- A Metadata layer to enforce information consistency by allowing data within the data warehouse to be defined in business terms and using business rules.
- A framework that aligns operations and management strategy and communicate performance results and actions at all levels, and to respond to internal and external stimuli in real time.
- Business scorecards and dashboards, designed in cooperation with business users, which provide "at-a-glance" information.

**Justification:**

The objective of the Data Warehousing and Business Intelligence program is to provide Con Edison operations personnel and management with better insight across operational groups, systems, with the help of data warehousing and business intelligence technologies, leading to:

- Improved understanding of our customers
- Business optimization through greater operational efficiencies and cost control
- Improved management reporting and the ability to "drill down" to details
- Improved harnessing of organizational knowledge
- Effective leveraging of information stored in transactional systems

The Data Warehousing and Business Intelligence program will enable the business to:

- View the organization from a customer, financial, business process and learning perspective (consistent with the concepts of a Balanced Scorecard)
- Increase productivity by providing self-help capabilities and enabling users to spend more time in decision-making
- Identify patterns and trends to predict performance
- Focus on targets and goals through improved visibility and measures and reduced time to action
- Share quality and timely information across the organization
- Measure critical success factors such as productivity, profitability, quality, safety, compliance, customer service/satisfaction and employee satisfaction
- Provide the ability to mine data – predict future performance based on past behavior

BSC-3

**2009 Electric Rate Case - Shared Services Capital**

**EXHIBIT \_\_ (SSP-7)**

**Completion Date:**

2012

**Funding (\$000)**

| Budget<br>2008 | Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>2013 | Forecast<br>Total 2009<br>- 2013 |
|----------------|------------------|------------------|------------------|------------------|------------------|----------------------------------|
| \$1,900        | \$2,300          | \$2,100          | \$1,800          | \$1,800          | \$0              | \$8,000                          |

BSC-4

**2009 Electric Rate Case - Shared Services Capital****EXHIBIT \_\_ (SSP-7)****PAGE 4 of 8**

|                              |   |
|------------------------------|---|
| <b>Project/Program Title</b> | <b>Data Center Renovation / Network Operations Center</b> |
| <b>Status</b>                | <b>Planning In Progress</b>                               |
| <b>Service Date</b>          | <b>2010</b>   |

**Work Description:**

One of the goals of the data center renovation project is to construct facilities that would support a Network Operations Center. The NOC would be constructed in the data center in close proximity to critical corporate IT resources. The NOC facility would be staffed 24/7/365 by experienced systems analysts who would conduct enterprise-wide predictive, condition-based monitoring of IR systems, servers, networks, communications, and infrastructure in order to meet expectations for 24/7 availability of critical applications and supporting infrastructure. (Note: hardware and software requirements are included in Information Resources' budgets.)

The major objectives of the NOC implementation include:

- Design and implement a model that will achieve monitoring objectives through the efficient use of technology and personnel resources.
- Implement an enterprise monitoring software package that will enable real-time predictive and proactive monitoring capabilities.
- Centralize the monitoring of infrastructure, applications, telecommunications, facilities, Help Desk and mainframe operations.
- Consolidate routine operational maintenance activities.

A future phase of this project would include an alternate NOC back-up location.

**Justification:**

Information Resources currently performs decentralized monitoring of its telecommunications, mainframe and distributed systems, with limited monitoring of facilities related resources. The current decentralized monitoring model is not operating at optimal operational efficiency. Centralizing and consolidating operational staff into one physical location would enable Information Resources to focus on strategic initiatives that support business goals and Con Edison's commitment to electric, gas and steam customers.

Establishing a centralized monitoring model through a NOC will also:

- Reduce the risks and vulnerabilities associated with network outages by consolidating monitoring responsibilities under one organization.
- Reduce the likelihood of downtime of IT resources through proactive and predictive monitoring.
- Improve operational efficiency through enhanced controls and improved operating processes.
- Improve scheduling and change management strategies.
- Improve the coordination of third party circuit carriers, i.e., Verizon, response by evaluating current outages and prioritizing their repair.

Through consolidation and automation, it is expected that the NOC would realize an IR Human Resources savings of two (2) FTE's (equivalent annual savings of approximately \$200,000).

**2009 Electric Rate Case - Shared Services Capital**

**EXHIBIT \_\_ (SSP-7)  
PAGE 5 of 8**

**Completion Date:**

2010

**Funding (\$000)**

| Budget<br>2008 | Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>2013 | Forecast<br>Total<br>2009 - 2013 |
|----------------|------------------|------------------|------------------|------------------|------------------|----------------------------------|
| \$0            | \$2,726          | \$909            | \$0              | \$0              | \$0              | \$3,635                          |

B SC - 5

**2008 Capital**

|                               |   |
|-------------------------------|---|
| <b>Project/Program Title</b>  | <b>Emergency Operations - Logistics Emergency Management System</b> |
| <b>Status</b>                 |   |
| <b>Estimated Service Date</b> |   |

**Work Description:**

Con Edison responds to significant events and incidents utilizing the Incident Command System (ICS) structure as defined under the National Incident Management System (NIMS). Within this structure Central Field Services is tasked to oversee and coordinate the overall logistical response functions for CEI.

It is proposed that a "Logistics Emergency Management System (LEMS)" application be developed that will source, track, and monitor company-owned or rented mobile electric generators and other related equipment for emergency or non-emergency conditions, planned or unplanned outages, system support, or system enhancements. The application will provide ease of control and visibility in real time, over resources and response efforts through readily available information for upper management, requesting organizations (Control Center Shift Managers, General Managers, Chief Engineer – Distribution Engineering, Energy Services, and Incident Commander) and external regulated agencies. The application will be able to provide financial reporting for projected requirements and actual utilization.

**Justification:**

Currently various manual processes exist for managing resources to support an emergency. These processes are not consistent and require numerous interactions and hand-offs, creating delays and duplication of efforts. A significant amount of effort is spent documenting and reporting this information with the possibility of reporting inaccurate data. While performing post event reconciliation the manpower required is extensive to respond to official inquiries and for financial reporting. The need for this type of system was clearly evident during the LIC event, as well as during the OPA-90 exercise.

Operating departments have enhanced systems to monitor and manage work activities and continue to move forward. This requires the logistical support to be compatible and capable of easily communicating status of resources, otherwise impact the operations ability to perform.

The development of this system will provide Con Edison with the ability to manage resources and enhance the abilities to communicate with operating operations the status of resources and activities within the logistical component of ICS.

Logistical support for incidents has been cited in numerous agency reports with an overall recommendation to review the capabilities and communications of the current process. These issues were addressed in the following reports:

- Final Report: Independent Audit of Consolidated Edison Company, Electric Emergency Outage Response Program for the New York State Department of Public Service dated October 24, 2007
- Sector New York Industry-led Prep Exercise 2007, October 31 – November 2, 2007, After Action Report/Improvement Plan prepared by the United States Coast Guard

B SC-6

**2008 Capital**

|                               |  |
|-------------------------------|--|
| <b>Project/Program Title</b>  | <b>Warehouse Management System Upgrade</b> |
| <b>Status</b>                 |  |
| <b>Estimated Service Date</b> |  |

**Work Description:**

The Warehouse Management System and its reporting tool called Smartinfo is a vendor based product that is used by Central Stores to manage the warehouse. This system is a wireless based system using portable devices to receive stocked material, pick stocked material and cross-dock vendor materials. The reporting function produces shipping manifests, vendor performance reports and a significant number of reports related to the management and movement of material. This request is to upgrade the software of both products to the current release. The existing release of the products will have reached their end of life and the vendor does not support releases beyond a certain time. As part of this upgrade, new functionality would also be available in the product that can be used by Central Field Services. This includes the ability to use RFID (Radio Frequency ID) tags and Electronic Product Code scanning. The product has also been enhanced to incorporate non RF based tasks, the ability to handle cross company/division processes and enhanced space optimization calculations.

**Justification:**

The current release of the products will have reached their end of life by 2010 and will require replacement. The vendor does not support releases beyond a certain time. In order to get the proper support, we must upgrade the system at regular intervals. Additionally, upgrades allow us to use newer features that increase productivity and enhance system use. This includes the ability to use the new functionality of RFID tags and space optimization.

System upgrades require qualified consultants that have experience upgrading the Warehouse Management System.

**2009 Electric Rate Case - Shared Services Capital****EXHIBIT (SSP-7)  
PAGE 7 of 8****CCTN Expansion****Work Description:**

CCTN, Corporate Communications Transmission Network is the vehicle that enables the computing and storage for consolidation, disaster recovery, computing efficiencies and cost savings. The expansion scheduled for the years 2008 – 2011 include the following:

- Implement fiber connectivity between O&R and CECONY
- WiMax wireless CCTN implementation across the network

**Justification:**

- CCTN will continue to provide the Company with a high-speed, reliable and cost effective alternative to public carriers. Communications requirements for data, voice, protection, SCADA and video circuits will result in the installation and deployment of modern communication technologies to many Company facilities. CCTN will provide protection and data services to all critical substations necessitating capital projects to improve diversity and capacity to those locations. CCTN will far surpass the use of public carriers for communications in the next 3 years and will provide a corporate backbone for all communication services for the foreseeable future. All major CCTN nodes will possess diverse Points of Entry (POE) and redundant components including power sources to eliminate any single point of failure and provide redundancy and diversity. Substations will be interconnected to the core CCTN network with fiber runs to support high speed services. Wireless microwave will be considered when fiber is not feasible or justified. A new wireless technology called WiMax has created a new opportunity for high speed data networking.

**Completion Date:**

On-going

**Other XC Projects**

Included in this section are smaller projects which are part of the 2009 – 2013 Five Year Budget. They are:

- Alternate Data Center
- Help Center Renovations
- Enterprise Software & Collaboration
- Server Room (IRIS)
- Telecom Central/Computer Cost Central
- TEMS Enhancements
- Server Farm Enhancements
- Data Leakage Prevention
- Desktop Host Intrusion
- CCTN – Fiber Run Dunwoodie S/S to 4 Irving Place (2013 - \$3.5 Million)
- New Server Farm (2013 - \$2.5 million)

**2009 Electric Rate Case - Shared Services Capital**

**EXHIBIT \_\_ (SSP-7)  
PAGE 8 of 8**

**Funding (\$000)**

| Budget<br>2008 | Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>2013 | Forecast<br>Total<br>2009 –<br>2013 |
|----------------|------------------|------------------|------------------|------------------|------------------|-------------------------------------|
| \$9,957        | \$ 4,831         | \$5,484          | \$5,697          | \$6,708          | \$13,653         | \$36,373                            |

EHS-1

**EH&S -2009 Capital**

|                               |   |
|-------------------------------|---|
| <b>Project/Program Title</b>  | Laboratory Information Management System (LIMS) |
| <b>Status</b>                 |   |
| <b>Estimated Service Date</b> |   |

**Work Description:**

A Laboratory Information Management System (LIMS) is a critical resource in analytical laboratories to document, manage and report analytical work. This project calls for the replacement of the existing system with an industry standard vendor package.

**Justification:**

A Laboratory Information Management System (LIMS) is a critical resource in all analytical laboratories to efficiently document, manage and report analytical work and is required by EPA's Environmental Laboratory Certification. The ChemLab's existing LIMS was purchased directly from a vendor and customized to meet the Company's needs. This vendor system is a mature system and will be obsolete after 2009.

**Estimated Completion Date:**

2010

**Status:****Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| 700              | 300              |                  |                  |                   |

EHS-2

**EH&S -2009 Capital**

|                               |                            |
|-------------------------------|----------------------------|
| <b>Project/Program Title</b>  | <b>PFT Program Vehicle</b> |
| <b>Status</b>                 |                            |
| <b>Estimated Service Date</b> |                            |

**Work Description:**

To support the Company's PFT program a new custom built vehicle which will contain and transport mobile PFT instruments is requested. This vehicle will be used to locate oil leakage from buried pipe type transmission feeders is required.

**Justification:**

The Company utilizes Perflorcarbon Tracers (PFT) technology to locate oil leakage from buried pipe type transmission feeders. This program has been very successful since its inception in the late 1990's in locating these leaks and has eliminated the need for other leak identification techniques (e.g. freeze pits) which result in significant costs and extended feeder outages. Since using the PFT technology there has been a significant decrease in the amount of oil lost to the environment, and a decrease in the time and cost to locate and repair a leak.

The instrumentation utilized to measure PFT in air above a leak was initially developed as part of an R&D project with Brookhaven National Laboratories and the instruments were made fit for mobile use by a contractor, Robotech. As a result of this successful project, Con Edison bought four of these instruments from Robotech and has been utilizing these four instruments for approximately 10 years. In 2007, R&D completed a successful project that developed new technology to be used to detect PFT over leak locations. These new instrument represent a step change in the technology that will allow the sustainability of this technology to locate oil leakage from buried pipe type transmission feeders into the foreseeable future. In 2008, three of these instruments were purchased to replace the original instruments, and one new custom built vehicle outfitted specifically to contain and transport the new PFT instruments was also purchased. To support the use of these new instruments one additional mobile laboratories will be required. The vehicle should be mid-sized diesel vehicle with a hydraulic generator (or equivalent) and be customized to allow for the instrumentation to be operated properly. One vehicle is to be purchased in 2009.

**Estimated Completion Date:**

2009

**Status:****Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| 135              |                  |                  |                  | 135               |

CO-8

**Customer Operations - 2009 Capital/O&M**

|                              |                    |
|------------------------------|--------------------|
| <b>Project/Program Title</b> | <b>Call Center</b> |
|------------------------------|--------------------|

**Work Description:**

This program involves replacement of the Call Center's automatic call distribution (ACD) system and the existing self service system; and implementation of new disaster recovery initiatives. Next generation self-service technology will be implemented to replace the legacy self-service systems and enable a wide range of automated functionality that targets improved customer self-service. The disaster recovery program will enable redundant server architecture with recovery capabilities to increase the reliability of Call Center computing resources. In 2012 the Call Center's desktops and servers will be replaced.

**Justification:**

The existing telephone ACD system will reach the end of its service life by 2013 and must be replaced in order to ensure continued operation of the Call Center. The replacement effort must begin at least two years before end of life to ensure that all peripheral systems are properly integrated into the replacement environment

The existing self service option employs outdated technology that will not be supported by the existing vendor beyond 2013 at the latest. As a consequence, alternative solutions need to be developed, and it is an appropriate time to increase the robustness and functionality of these options.

The Call Center disaster recovery plan also requires improvement to ensure the continued service to our customers via the Call Center in the event of the occurrence of various scenarios. Particular attention is being given to server hardening and redundancy to mitigate the occurrences of various system outages due to server failure.

As it is anticipated that the Call Center's desktops and servers will have reached end of life state, they will be replaced.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$0              | \$4,444          | \$5,063          | \$2,475          | \$11,982          |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$0                     | \$220                   | \$598                   | \$1,378           |

C O-1

Exhibit \_\_ CO-1

| <b>Project/Program Title</b> | <b>Mandatory Hourly Pricing</b> |
|------------------------------|---------------------------------|
|------------------------------|---------------------------------|

**Work Description:**

The Company is expanding MHP to customers whose maximum demand is over 500 kW in any month during an annual period ending 9/30 (approx. 1,570 customers). The Company is proposing to implement this in phases. The first phase would be directed to the larger customers, over 1 MW to 1.5 MW (approx. 330 customers). The second phase would be directed to the customers over 500 kW to 1 MW (approx. 1,240 customers).

As only the first year of the multi year MHP program was approved in case 07-E-0523, funding is needed to provide for the total capital cost of the program and the meter communication costs which were in the latter years of the O&M submission. Staff has also required an expanded MHP customer education program.

**Justification:**

The Commission has approved and endorsed the importance of this program, and the program has been funded in the 2008/2009 Rate Plan. This program extends beyond the one year rate period and funding is needed to the address capital and O&M funding requirements to complete implementation of this program.

\$283,000 of the O&M request has been approved in case 07-E-0523 but must be re-submitted in the financials as it is not in the historical year.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$1,725          | \$0              | \$0              | \$0              | \$1,725           |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>RYE<br>2013 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$316                   | \$834                   | \$1,034                 | \$1,034                 | \$3,218           |

CO-2

Exhibit \_\_ CO-6

|                              |  |
|------------------------------|--|
| <b>Project/Program Title</b> | <b>Cycle Meter Reading Handheld System</b> |
|------------------------------|--|

**Work Description:**

Replacement of cycle meter reading system and handhelds. This will involve the purchase of approximately 540 handheld devices, 470 desk-based docking stations and compatible software. Annual maintenance for the handheld devices and docking stations will be included. Apart from the vendor's professional services for implementation, the Company's resources will be required to develop an interface for the new system to company systems. New internal hardware such as servers and desktop computers will also be purchased.

**Justification:**

It is critical that the cycle meter reading system be replaced since, as advised by the supplier of the current system, this system will not be supported beyond 2012.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$0              | \$0              | \$3,488          | \$0              | \$3,488           |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>RYE<br>2013 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$0                     | \$0                     | \$0                     | \$263                   | \$263             |

Exhibit \_\_ CO-12

|                              |                           |
|------------------------------|---------------------------|
| <b>Project/Program Title</b> | <b>Off System Billing</b> |
|------------------------------|---------------------------|

**Work Description:**

Currently, the Company utilizes a number of off-system billing processes (outside of the Customer Service System, CSS) to bill customers taking service under certain rates and programs including the following:

- Economic Development Customers: Power For Jobs (PFJ) rate program, NYCPUS, COWPUSA, World Trade Center and Substitute Energy
- Electric standby service customers
- NYPA

Managing and billing these customers involves manual processes and/or systems other than CSS. This project proposes to utilize a common automated system to support off-system billing applications currently in use. Development of this system will support these billing activities and provide full automation of these processes, eliminating the use of manual processes for billing currently in use and will automate all billing protocols.

**Justification:**

Migration of Con Edison's multiple (non-CSS) satellite billing systems to a common automated system would provide the following benefits:

- Elimination of manual processes involved in managing and billing customers taking service under these programs.
- Enables cross training for users and system support personnel.
- Enables automation of quality control mechanisms and improved database management and maintenance for the involved accounts.
- More flexible system that will assist in the development/modification of rates.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$1,620          | \$1,380          | 2,000            | \$2,000          | \$7,000           |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$0                     | \$0                     | \$0                     | \$0               |

CO-4

Exhibit \_\_ CO-11

**Project/Program Title** CSS Life Extension**Work Description:**

The CSS Life Extension project incorporates changes to major processes of the billing system. These changes are to upgrade the programming language in which CSS was originally developed to a more universally used and supported language. Some of the portions of CSS that we are now planning to upgrade include the payment agreements facility and the activity file maintenance application. This project will help the Company to maintain a viable CSS.

**Justification:**

In order to continue to utilize the Company's existing CSS, the Company must upgrade the programming language in which CSS was originally developed. This project will help the Company to maintain a viable CSS and to respond to the constantly evolving customer and business needs.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$1,000          | \$1,000          | \$1,000          | \$1,000          | \$4,000           |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>RYE<br>2013 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$0                     | \$0                     | \$0                     | \$0                     | \$0               |

20-5

Exhibit \_\_ CO-14

|                              |  |
|------------------------------|--|
| <b>Project/Program Title</b> | <b>Competitive Market Customer Service Systems</b> |
|------------------------------|--|

**Work Description:**

Reinforcement of the systems supporting the competitive marketplace is needed to manage the Company's obligation to enroll customers with Energy Services Companies (ESCOs), move customers between ESCOs and move customers back to utility service. Work will involve improvements to the systems supporting various activities related to Retail Choice such as customer enrollment and processing of information required to be sent to energy suppliers. The primary systems involved are the Retail Access Information System (RAIS) and the Transportation Customer Information System (TCIS). Specific work items to be addressed include the following:

- Updating and standardizing program languages to improve efficiency of maintaining the systems.
- Increasing capacity and efficiency of system processes to ensure the increased volumes of ESCO transactions can be supported and are processed in a timely fashion.
- Improvement of customer information tools that will increase the information that is available to our Call Center to provide customers with comprehensive information about their account with respect to ESCO provided supply.
- Improvement of the test environment to allow for more efficient mandated Phase III certification of ESCOs EDI communication. This improvement will assist us in meeting the PSC required timeframe for testing.
- Upgrades to the websites affiliated with RAIS and TCIS that ESCOs utilize to access customer information, and for TCIS to help manage the supply of gas to customers.

Funding of this program was approved in Case 07-E-0523.

**Justification:**

Due to the large numbers of customers switching to ESCOs, the Company's RAIS and TCIS systems are reaching effective capacity. In addition, it is important to note that RAIS and TCIS were initially developed over 10 years ago, and since then additional systems and applications were developed to support the competitive marketplace. Specifically, the Company developed the Consolidated Utility Billing System (CUBS) and implemented Electronic Data Interchange (EDI). Both CUBS and EDI require interactions between RAIS and TCIS and the Company's Customer Information System, which has further stressed RAIS and TCIS. Due to these factors, improvements to RAIS and TCIS are necessary at this time.

Funding of this program was approved in Case 07-E-0523.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$1,375          | \$1,625          | \$0              | \$0              | \$3,000           |

CO-6

Exhibit \_\_ CO-7

|                              |                             |
|------------------------------|-----------------------------|
| <b>Project/Program Title</b> | <b>Cycle Data Warehouse</b> |
|------------------------------|-----------------------------|

**Work Description:**

Development of a data warehouse that stores and aggregates meter reading related data from a number of sources. The primary function of the warehouse is the integration of data from the Company's CSS and meter reading systems that will provide a platform for the generation of comprehensive meter reading reports.

**Justification:**

The warehouse has report capability that will greatly improve the information available to Field Operations management that will assist in developing operational improvements such as the rerouting of cycle meter reading routes.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$100            | \$100            | \$100            | \$100            | \$400             |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>RYE<br>2013 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$0                          | \$0                     | \$0                     | \$0                     | \$0                     | \$0               |

## Exhibit CO-3

|                              |                                |
|------------------------------|--------------------------------|
| <b>Project/Program Title</b> | <b>Automated Meter Reading</b> |
|------------------------------|--------------------------------|

**Work Description:**

The deployment of saturated Automated Meter Reading (AMR) that is expected to complete the saturation of Westchester County and installation of AMR for hard to read accounts. Deployment involves the installation of meters with low-powered radio transmitters which enables the meters to be read using walk by or drive by data collection. This program maintains AMR installation infrastructure through the first half of 2010; these resources will be used to complete the AMR deployment in Westchester.

**Justification:**

The deployment of automated meter reading will be continued to secure the benefits of off site meter reading. These benefits include labor reductions, removal of hard-to-reads and meter reading associated injuries. Savings from AMR saturation are shown in the "AMR Saturation Savings" program.

**Capital Funding (\$000)**

| Forecast<br>2009 | Forecast<br>2010 | Forecast<br>2011 | Forecast<br>2012 | Forecast<br>Total |
|------------------|------------------|------------------|------------------|-------------------|
| \$22,796         | \$7,003          | \$3,080          | \$3,080          | \$35,959          |

**O&M Funding (\$000)**

| Historical<br>Year<br>(2007) | Forecast<br>RYE<br>2010 | Forecast<br>RYE<br>2011 | Forecast<br>RYE<br>2012 | Forecast<br>RYE<br>2013 | Forecast<br>Total |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| \$121                        | \$331                   | \$331                   | \$121                   | \$121                   | \$904             |

**GEI**

SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,  
ORDERING, AND CONTROL**

**EXHIBIT A**

**SUMMARY OF GENERAL EQUIPMENT FOR CAPITAL ACCOUNTS**

| <b>CAPITAL BUDGET ITEM</b> | <b>ACCOUNT CODE</b> | <b>ACCOUNT CODE DESCRIPTION</b>   | <b>COMPANY PLANT ACCOUNT</b> | <b>EXAMPLES</b>   | <b>CONTROL AGENCY</b>  |
|----------------------------|---------------------|---|------------------------------|---|------------------------|
| XM1                        | 3719<br>3720        | OFFICE FURNITURE<br>BUSINESS MACHINES,<br>MODULAR OFFICE<br>PARTITIONS,<br>CARPETING, SAFES | 9816                         | DESKS, CHAIRS, TABLES, COPYING<br>MACHINES, CABINETS, BOOK CASES,<br>DRAFTING ROOM EQUIPMENT, SAFES,<br>WINDOW TYPE AIR CONDITIONERS,<br>SAFES AND SECURITY CONTAINERS,<br>ETC.   | FACILITIES             |
| XM2                        | 3731                | TRANSPORTATION<br>EQUIPMENT   | 9820                         | VEHICLES, CARS, TRUCKS, HEAVY<br>TRAILERS (FLATBED, DROP DECK,<br>BOX, VAN TYPE, ETC.), BOATS<br>(INBOARD TYPES), BARGES, ETC.,<br>STOREROOM FORKLIFTS & REACH<br>TRUCKS AND VEHICLE MOUNTED<br>EQUIPMENT THAT IS PERMANENTLY<br>ATTACHED.  | CENTRAL FIELD SERVICES |
| XM3                        | 3740                | STORES EQUIPMENT  | 9824                         | INCLUDES THE COST OF PORTABLE<br>AND INSTALLED <u>EQUIPMENT USED<br/>FOR THE RECEIVING, SHIPPING,<br/>HANDLING, AND STORAGE OF M&amp;S<br/>AND CAPITAL ITEMS</u> : STORAGE BINS,<br>ELEVATING AND STACKING<br>EQUIPMENT, COUNTER, CHAIN FALLS,<br>HOISTS, WHEEL BARROWS, STENCIL<br>MACHINES, BATTERY CHARGERS,<br>ETC.                 | CENTRAL FIELD SERVICES |
| XM4                        | 3750                | SHOP EQUIPMENT  | 9830                         | <u>EQUIPMENT USED SOLELY IN<br/>GENERAL SHOPS (GENERATING<br/>STATION SHOPS EXCLUDED)</u> : FLOOR<br>GRINDERS, LATHES, MILLING<br>MACHINES, SCRIBERS, BRAZING AND<br>WELDING EQUIPMENT, DRILL<br>PRESSES, SHAPERS, JIB CRANES,<br>HOISTS, VISE BAND SAWS, AIR<br>COMPRESSORS, PORTABLE TOOLS,<br>ETC.                                   | <del>XXXXXXXXXX</del>  |
| XM5                        | 3760                | LABORATORY<br>EQUIPMENT (TESTING)   | 9828                         | PORTABLE ELECTRIC, CHEMICAL AND<br>MECHANICAL INSTRUMENTS AND<br>LABORATORY EQUIPMENT USED FOR<br>SYSTEM-WIDE TESTING PURPOSES<br>SUCH AS VOLTMETERS, AMMETERS,<br>WATTMETERS, GAS AND VAPOR<br>TESTERS, ANALYZERS, AMPLIFIERS,<br>RECORDERS, VIBROMETERS,<br>TACHOMETERS, PRESSURE GAUGES,<br>ANAMOMETERS, LABORATORY<br>BENCHES, ETC. | CENTRAL FIELD SERVICES |



| DATE         | NUMBER   | SUPERSEDES             | PAGE 4 OF |
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**SUBJECT**

**CAPITAL GENERAL EQUIPMENT BUDGETING,  
ORDERING, AND CONTROL**

**EXHIBIT A (Cont'd)**

| <b>CAPITAL BUDGET ITEM</b> | <b>ACCOUNT CODE</b> | <b>ACCOUNT CODE DESCRIPTION</b> | <b>COMPANY PLANT ACCOUNT</b> | <b>EXAMPLES</b>   | <b>CONTROL DEPARTMENT</b> |
|----------------------------|---------------------|---------------------------------|------------------------------|---|---------------------------|
| XM6                        | 3770                | TOOLS & WORK EQUIPMENT          | 9830                         | <u>TOOLS USED IN GENERAL CONSTRUCTION OR REPAIR WORK:</u><br>PNEUMATIC HAMMERS, DRILLS, TOOL CARTS, SUBMERSIBLE & PORTABLE PUMPS, CHAIN SAWS, LAWN MOWERS, GRAVELY TRACTORS, CONCRETE MIXERS, SMALL TRENCHERS, SURVEYING EQUIPMENT, HEAVY DUTY FLOOR CLEANING EQUIPMENT, ROWBOATS, HDRAULIC JACKS, BATTERY CHARGER, STEAM CLEANERS, PARTS WASHERS, WORK BENCHES, VISES, ENGINE STANDS, POWER PAK, TIRE REPAIR EQUIPMENT, BODY SHOP TOOLS AND PAINTING EQUIPMENT, GRINDERS, DRILLS, LATHES, PRESSES, GREASING AND LUBE EQUIPMENT, GASOLINE PUMPS AND STORAGE TANKS, DYNAMETERS, ETC. | CENTRAL FIELD SERVICES    |
| XM7                        | 3790                | MISCELLANEOUS EQUIPMENT         | 9834                         | RECREATIONAL, CAFETERIA, AND KITCHEN EQUIPMENT, MEDICAL (INCLUDING HOSPITAL AND INFIRMARY), WATCHMANS CLOCKS, SAFETY EQUIPMENT, TRAINING EQUIPMENT, INHALATORS, RESUSCITATORS, SIGN AND ADVERTISING DISPLAYS, FIRE PROTECTION EQUIPMENT, AUDIO VISUAL EQUIPMENT, PHOTOGRAPHIC EQUIPMENT, ETC.   | FACILITIES                |
| XM8                        | 3780                | COMMUNICATION EQUIPMENT         | 9832                         | <u>ALL COMMUNICATIONS EQUIPMENT USED ANYWHERE IN GENERAL COMPANY OPERATIONS:</u><br>TRANSMITTERS, RECEIVERS, AMPLIFIERS, REFLECTORS, TOWERS, RADIO TELEPHONES, VEHICLE MOUNTED RADIOS, WALKIE TALKIES, MICROWAVE EQUIPMENT INCLUDING SWITCHING EQUIPMENT, FIBER OPTIC EQUIPMENT, ETC.   | INFORMATION RESOURCES     |
| XM10                       | 3721                | COMPUTER EQUIPMENT              | 9815                         | ALL ELECTRONIC DATA PROCESSING EQUIPMENT AND RELATED COMPUTER EQUIPMENT   | INFORMATION RESOURCES     |



| DATE         | NUMBER   | SUPERSEDES             | PAGE 5 OF |
|--------------|----------|------------------------|-----------|
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SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,  
ORDERING, AND CONTROL**

**EXHIBIT A (Cont'd)**

| <b>CAPITAL<br/>BUDGET<br/>ITEM</b> | <b>ACCOUNT CODE</b> | <b>ACCOUNT<br/>CODE<br/>DESCRIPTION</b> | <b>COMPANY<br/>PLANT<br/>ACCOUNT</b> | <b>EXAMPLES</b>   | <b>CONTROL<br/>DEPARTMENT</b> |
|------------------------------------|---------------------|---|--------------------------------------|---|-------------------------------|
| XM13                               | 3771                | POWER OPERATED<br>EQUIPMENT             | 9829                                 | <u>SELF PROPELLED UNITS OF A MAJOR<br/>NATURE (WITH UNIT COSTS IN<br/>EXCESS OF \$5,000):</u><br>FORK LIFTS, PORTABLE<br>COMPRESSORS, BULLDOZERS,<br>CRANES, TRACTORS, LARGE STREET<br>SWEEPERS, PAYLOADERS,<br>BACKHOES, HUGHES AND THE<br>"TERMITE" EARTH BORING MACHINES,<br>LARGE TRENCHERS, ETC. | CENTRAL FIELD SERVICES        |
| XM15                               | 3761                | LABORATORY<br>EQUIPMENT<br>(CHEMICAL)   | 9828                                 | <u>EQUIPMENT PURCHASED SOLELY<br/>FOR USE BY THE CHEMICAL<br/>LABORATORY:</u><br>GAS, STEAM, AND ELECTRIC TESTING<br>EQUIPMENT, VOLTMETERS,<br>ANALYZERS, LAB BENCHES,<br>MICROSCOPES, ETC.   | CENTRAL FIELD SERVICES        |



| DATE         | NUMBER   | SUPERSEDES             | PAGE 6 OF |
|--------------|----------|------------------------|-----------|
| Feb 12, 2007 | CI-610-2 | CI-610-2<br>Jul 1, '06 | 7 PAGES   |

**COMMON CAPITAL PROJECTS  
2009-2012**

| <u>Reference</u>                       |  |   |                  |                  |                  |                  |
|--|--|---|------------------|------------------|------------------|------------------|
| <b>IT Projects</b>                     |  |   | <b>2009</b>      | <b>2010</b>      | <b>2011</b>      | <b>2012</b>      |
| Finance                                | Attached - F1                            | HFI0009-330 Corporate Accounting General Ledger System        | \$34,000         | \$39,000         | \$20,000         | \$7,000          |
| ESC                                    | Shared Service Panel<br>Mueller - Pg 86. | 6XC9701-330 HR/PAYROLL SYSTEM INTEGRATOR                      | 2,005            | 0                | 0                | 0                |
| Finance                                | Attached - F2                            | HFI0004-330 Property Records Power Plant System               | 1,370            | 0                | 0                | 0                |
| <b>Other Finance</b>                   |  |   |                  |                  |                  |                  |
| Finance                                | Attached - F3                            | Tax Software Solution   | 300              | 77               | 0                | 0                |
| Finance                                | Attached - F4                            | Sabrix Use Tax Calculation                                    | 825              | 0                | 0                | 0                |
| Finance                                | Attached - F5                            | Customer Usage System   | 0                | 200              | 100              | 0                |
| Finance                                | Attached - F6                            | Case Management System - Law                                  | 500              | 250              | 0                | 0                |
| Finance                                | Attached - F7                            | Litigation Management System - Law                            | 250              | 250              | 0                | 0                |
| Finance                                | Attached - F8                            | Records Retention Management System - Law                     | 500              | 0                | 0                | 0                |
| Finance                                | Attached - F9                            | Load Diversity Profiling - Rate Engineering                   | 744              | 0                | 0                | 0                |
| Finance                                | Attached - F10                           | Other Finance   | 919              | 0                | 0                | 0                |
| <b>Other Finance</b>                   |  |   | <b>4,038</b>     | <b>777</b>       | <b>100</b>       | <b>0</b>         |
| ESC                                    | Attached - ESC1                          | TLC Technology Upgrades/Training Projects                     | 1,300            | 1,300            | 1,050            | 1,600            |
| BSC                                    | Attached - BSC1                          | 5XC9802-120 PURCHASING SYSTEMS INTEGRATION PROJECT            | 5,200            | 1,100            | 475              | 0                |
| Central Ops                            | Attached - OPS1-7                        | Various Projects  | 3,465            | 3,750            | 3,647            | 5,250            |
| BSC                                    | Attached - BSC2                          | NERC Compliance Management Framework                          | 500              | 0                | 0                | 0                |
| BSC                                    | Attached - BSC3                          | Data Warehousing & Business Intelligence                      | 2,300            | 2,100            | 1,800            | 1,800            |
| BSC                                    | Attached - BSC4                          | Network Operations Center - IR                                | 2,726            | 909              | 0                | 0                |
| BSC                                    | Attached - BSC5                          | Logistic Management System - Emergency Operations - CFS       | 250              | 250              | 250              | 250              |
| BSC                                    | Attached - BSC6                          | Warehouse Management System Upgrade - CFS                     | 250              | 250              | 250              | 250              |
| BSC                                    | Attached - BSC7                          | Other Business - IR   | 4,831            | 5,484            | 5,697            | 6,708            |
| <b>Other Enterprise</b>                |  |   | <b>10,857</b>    | <b>8,993</b>     | <b>7,997</b>     | <b>9,008</b>     |
| EH&S                                   | Attached - EHS1-2                        |   | 835              | 300              | 0                | 0                |
| Gas                                    |  |   | 0                | 0                | 0                | 100              |
| Cust. Oper.                            | Attached - CO8                           | 6XC9705-604 UPGRADE CALL CENTER EQUIPMENT/IMPROVE             | 0                | 4,444            | 5,063            | 2,475            |
| <b>Other Customer Operations</b>       |  |   |                  |                  |                  |                  |
| Cust. Oper.                            | Attached - CO1                           | Mandatory Hourly Pricing Expansion                            | 1,725            | 0                | 0                | 0                |
| Cust. Oper.                            | Attached - CO2                           | Cycle Meter Reading Hand Held System                          |                  | 0                | 3,488            | 0                |
| Cust. Oper.                            | Attached - CO3                           | Off System Billing Consolidation                              | 1,620            | 1,380            | 2,000            | 2,000            |
| Cust. Oper.                            | Attached - CO4                           | CSS Life Extension  | 1,000            | 1,000            | 1,000            | 1,000            |
| Cust. Oper.                            | Attached - CO5-8                         | Other Customer (Cycle Data Warehouse, Retail Access System En | 1,527            | 1,725            | 100              | 100              |
| <b>Total Other Customer Operations</b> |  |   | <b>5,872</b>     | <b>4,105</b>     | <b>6,588</b>     | <b>3,100</b>     |
| Cust. Oper.                            | Attached - CO7                           | AMR - Common Portion  | 2,280            | 700              | 308              | 308              |
| <b>Total IT Common</b>                 |  |   | <b>\$71,222</b>  | <b>\$64,469</b>  | <b>\$45,228</b>  | <b>\$28,841</b>  |
| <b>General Equipment</b>               |  |   |                  |                  |                  |                  |
|  | Attached - GE1                           | XM1 - Furniture, Partitions                                   | \$2,126          | \$2,176          | \$2,077          | \$1,925          |
|  |  | XM2/13 - Vehicles   | 34,725           | 34,796           | 33,383           | 32,643           |
|  |  | XM3 - Stores Equipment  | 658              | 598              | 598              | 850              |
|  |  | XM4 - Shop Equipment  | 173              | 173              | 198              | 203              |
|  |  | XM5/15 - Lab & Test Equipment                                 | 5,744            | 5,479            | 5,444            | 5,634            |
|  |  | XM6 - Tools   | 6,508            | 6,758            | 6,758            | 6,703            |
|  |  | XM7 - Miscellaneous (AC's, VCR's, etc.)                       | 2,110            | 1,959            | 1,992            | 1,860            |
|  |  | XM8 - Telecommunications                                      | 4,726            | 2,774            | 3,751            | 3,780            |
|  |  | XM10 - Computers  | 20,146           | 19,335           | 19,858           | 20,461           |
|  |  | <b>Total General Equipment</b>                                | <b>\$ 76,915</b> | <b>\$ 74,047</b> | <b>\$ 74,059</b> | <b>\$ 74,059</b> |

Note: These are routine in nature and are based on the needs of the various departments.

| Bud Ref   | 2007- 2011 Request |        |        |        |        |        |
|---|--------------------|--------|--------|--------|--------|--------|
|   | 2007               | 2008   | 2009   | 2010   | 2011   | 2012   |
|   |                    | 75,729 | 71,222 | 64,469 | 45,228 | 28,841 |
| HF1009-330 Corporate Accounting General Ledger System |                    | -      | 34,000 | 39,000 | 20,000 | 7,000  |
| 6XC9701-330 HR/PAYROLL SYSTEM INTEGRATOR              |                    | 15,572 | 2,005  | -      | -      | -      |
| HF1004-330 Property Records Power Plant System        |                    | 7,200  | 1,370  | -      | -      | -      |
| Other Finance   |                    | 2,050  | 4,038  | 777    | 100    | -      |
| HBS0005-615 CCTN Expansion                            |                    | 3,595  | -      | -      | -      | -      |
| ENTERPRISE  |                    | 4,350  | 1,300  | 1,300  | 1,050  | 1,600  |
| 5XC9802-120 PURCHASING SYSTEMS INTEGRATION PROJECT    |                    | 1,500  | 5,200  | 1,100  | 475    | -      |
| CENTRAL OPERATIONS                                    |                    | 4,050  | 3,465  | 3,750  | 3,647  | 5,250  |
| Other Business  |                    | 13,805 | 10,857 | 8,993  | 7,997  | 9,008  |
| EH&S  |                    | 1,000  | 835    | 300    |        |        |
| GAS   |                    |        |        |        |        | 100    |
| 1XB9802-604 COMPETITIVE METERING                      |                    | -      | -      | -      | -      | -      |
| 6XC9705-604 UPGRADE CALL CENTER EQUIPMENT             |                    | 2,319  | -      | 4,444  | 5,063  | 2,475  |
| 2XB9809-604 BILL DESIGN PROJECT                       |                    | -      | -      | -      | -      | -      |
| 6XC9809-604 AMR NEW METER PURCHASES VARIO             |                    | 2,500  | -      | -      | -      | -      |
| Other Customer  |                    | 15,080 | 5,872  | 4,105  | 6,588  | 3,100  |
| Data Warehouse  |                    |        | -      | -      | -      | -      |
|   |                    | 0      | 0      | 0      | 0      | 0      |



Company Name: Con Edison

Case Description:

Case: 08-E-0539

Response to DPS Interrogatories – Set DPS20

Date of Response: 07/22/2008

Responding Witness: Shared Services

Question No. :302.3

Subject: Human Resources -What is the attrition rate for new hires participating in the Gold program for Calendar year 2003 through 2007 (Exhibit\_(SSP\_11))?

Response:

See attached file with worksheet 302.3 for response.

| <b>YEAR</b> | <b>HIRED</b> | <b>COMPLETED PROGRAM</b> | <b>ATTRITION</b> | <b>ATTRITION RATE</b> |
|-------------|--------------|--------------------------|------------------|-----------------------|
| 2003        | 51           | 42                       | 9                | 17.6%                 |
| 2004        | 31           | 29                       | 2                | 6.5%                  |
| 2005        | 59           | 43                       | 16               | 27.1%                 |
| 2006        | 61           | 44                       | 17               | 27.9%                 |
| * 2007      | 47           | 40                       | 7                | 14.9%                 |

\* 2007 Program still in progress. Participants are in last 6 month rotation

Redacted DPS-565

Redacted DPS-45

Redacted DPS-45

Redacted DPS-45

Company Name: Con Edison  
Case Description:  
Case: 08-E-0539

Response to DPS Interrogatories – Set DPS33  
Date of Response: 08/14/2008  
Responding Witness: Shared Services

Question No. :520

Subject: Corporate Hiring & Career Path Training Program (Exhibit\_(SSP-11)) 1. How will the workforce planning team work with organizational leaders and HR professionals in implementing the workforce planning activities? 2. In response to DPS-303.1 part B, under Workforce Planning, the Company states that, “This team will also integrate an application/tool that will assist them in managing the workforce planning model.” What application/tool will the team be using and how will they integrate it into the workforce planning model? 3. In response to DPS-303.1 part B, under Workforce Planning, the Company states that, “An additional specialist will work in the Compensation section on various activities such as developing the capabilities associated with the new application, Authoria, used in salary decisions. They will assist organizational personnel in their utilization of this system and the outputs it can provide in helping them make informed salary decisions.” What are the current roles, responsibilities, and management levels of the personnel that currently operate Authoria and what is the current number of personnel that access the application? 4. Does the Company implement conflict management training in any of their current training or leadership programs? If so, provide a description of the training programs and training materials used. If not, then explain why not. 5. According to the HR Strategy power point presentation, the Company has approximately eighteen employees working on the team. Why is this an insufficient number to carryout the roles of the HR Workforce Strategy Summary?

Response:

1. How will the workforce planning team work with organizational leaders and HR professionals in implementing the workforce planning activities?

The Workforce Planning Team will meet periodically with Organizational leaders and other Human Resource Professionals both in groups and individually to discuss the development of the Workforce Planning Model for their organization. In this discussion we will focus on:

- Various Inflow and Outflow trends to jobs
- Review the gaps that exist in some of these inflows and outflows
- Discuss and implement solutions to address these gaps
- Review work scenarios of the future which could effect future inflows/outflows
- Develop a 3 to 5 year forecast of the planned workforce to address the forecasted work activities the organization will be addressing

In preparation for these meetings, the team will be developing and analyzing HR data (Hires, Promotions, Attrition) to be utilized in creating these models for the organization. These forecast

models will be utilized by the organization in planning their resources to meet work load demands in the future.

2. What application/tool will the team be using and how will they integrate it into the workforce planning model?

We are in the process of previewing Workforce Planning applications that are commercially available for companies to use in implementing their models. Through our research, we have found three companies that offer applications that address the development of the workforce planning model. They are:

- INFOHRM
- ARUSPEX
- VEMO

We are meeting with their representatives to review the features of their applications to judge which would be most effective for us to use.

Once we have implemented an application, the team will develop models for organizations with their assistance and utilize the application to create and maintain the model. The application will store the models for organizations to use in their resource planning process.

3. What are the current roles, responsibilities, and management levels of the personnel that currently operate Authoria and what is the current number of personnel that access the application?

Authoria was successfully implemented and used for the April 2008 compensation cycle for over 4,500 employees. Management employees, Band 2H and above, supervising management employees were provided access to this system to input merit, variable pay and restricted stock award recommendations for their direct reports. Upon completing initial recommendations, the system automatically forwards the recommendations to the next level of management for review. Within the system there are 4 main roles: Managers – which includes management employees within Band 2H and above who have direct reports; HR Managers – which provides access for Human Resource Generalist to employee information for the organizations they support; Executives – which includes all officers within the Company and the Authoria system also provides summary reports for Executives to review; and Process Administrators – which currently includes two individuals within the Compensation section.

The Process Administrator functions include: setting up the variable pay and restricted stock plans; establishing budgets for the merit and variable pay plan; maintaining user roles within the system; providing advice and counsel to Managers on how to use the system; configuring email notifications which are automatically sent out by the system, e.g., letting a manager know their direct report submitted his/her recommendation for review; ability to provide announcements to all users, create ad hoc reports, and generate files to feed the payroll system with final approved salary actions.

4. Does the Company implement conflict management training in any of their current training or leadership programs? If so, provide a description of the training programs and training materials used. If not, then explain why not.

Below is a description of the conflict management courses and program the Company currently offers to its employees.

### **1. MANAGING WORKPLACE CONFLICT - MANAGERS AS MEDIATORS**

**(LDM0216)** - A two day course that helps managers learn to build better workplace relationships, enhance performance, improve productivity, and cut the unnecessary financial costs of workplace conflict. The course is highly engaging and interactive. Each participant receives 2 workbooks "Necessary Knowledge" and "Third Party Resolutions" along with a source book entitled "Managing Differences" by Dan Dana. Dan Dana is a clinical psychologist and leading researcher and practitioner in the field of conflict resolution.

#### TOPICS

- The manager-as-mediator
- Consequences of conflict
- Types of conflict
- When managerial mediation works and when it doesn't
- Preliminary meetings with employees
- Managing the context
- The three tasks of manager-as-mediator
- Contracting for agreement
- Video demonstration
- Why it works
- Practice by learners

#### DURATION

2 Days

#### OUTCOMES

Effectively negotiate work relationships in challenging times or difficult situations. Participants receive a certificate which demonstrates they have satisfactorily applied the knowledge and managerial mediation skills to effectively manage workplace conflict.

#### MATERIALS and RESOURCES

- Workbooks ("Necessary Knowledge" and "Third Party Conflict Resolutions")
- Managing Differences Sourcebook, Dan Dana, Ph.D.
- Quick-reference cards

**2. WORKING PEOPLE SMART** - Designed to enhance skills in listening, feedback, assertiveness, teamwork, and dealing with difficult situations. Participants gain an awareness of interpersonal strengths and developmental needs; motivation to work on interpersonal development; and useful strategies to employ back on the job.

#### OUTLINE

This course includes eight modules. Module 7 of this course is dedicated to "Resolving Conflict." In this Module, each participant has the opportunity to:

- examine feelings about conflict and preferences for dealing with it.
- assess conflict resolution skills.
- identify work situations in which conflict resolution is essential.
- examine ways to understand the interests of the other side and use them to create resolution.
- practice win-win conflict resolution.
- select "experiments in change" at work.

#### DURATION

3 Days

#### OUTCOMES

As a result of the course, participants come away with: (1) greater awareness of their interpersonal strengths and weaknesses, (2) inspiration to work on their interpersonal fitness; and (3) immediately useful advice to get started.

#### MATERIALS

- Workbook
- Sourcebook entitled "PeopleSmart" by Mel Sibleman, Ph.D. and Freida Hansburg, Ph.D.

### 3. CONFLICT RESOLUTION PROGRAM

Con Edison offers a conflict resolution program to help employees (bargaining-unit and/or management) resolve their relationship or interpersonal differences through an informal "interest-based" (opposed to "rights-based" - legal, contractual, etc.) process. When two employees' workplace behaviors have contributed to a business problem which is defined by a manager, the manager can recommend employees to meet with an impartial mediator to help resolve the employees' conflict and solve the business problem. (Employees are also referred for conflict resolution through the Deputy Ombuds Office, Employee & Labor Relations, EEO Affairs). The mediator ensures that both employees understand the business problem. The employees are asked to talk face-to-face about the issues that contributed to their conflict, until they find a solution. As a result of the mediation session, both employees agree to complete a confidential behavioral agreement, between them, identifying three specific behaviors each will mutually agree to: (1) stop, (2) start, and (3) continue doing in order to build a better working relationship, and subsequently resolve the business problem. This Third-Party Conflict Resolution Process and Behavioral Contract is outlined in the attached documents:

This program was first piloted, successfully, with several pairs of employees in 2005. In 2006, the mediation process became increasingly requested, with numbers of requests for mediation almost tripling in 2007. The results of the process have been highly favorable in most cases and both participants and referral sources have been satisfied with the outcomes. The requests for

conflict resolution and mediation are expected to continue growing at about the same rate as they have been over the past two years.

5. According to the HR Strategy power point presentation, the Company has approximately eighteen employees working on the team. Why is this an insufficient number to carryout the roles of the HR Workforce Strategy Summary?

These eighteen employees are Directors and General Managers who formed a team to design and develop the HR Strategy in 2007. They met regularly to fashion the direction that HR should be heading. They assessed what programs worked well and what areas HR needed to improve on, in order to address growing issues in the workplace. The team's primary objective was to fashion the strategy but their primary role on a daily basis is in managing the departments they are assigned. This is not the team of HR professionals that will be assigned the roles to carry out the activities indicated in the HR Workforce Strategy Summary.

| <b>BEHAVIORAL AGREEMENT</b>                      |                |
|--|----------------|
| <b>Name:</b>                                     | <b>Name:</b>   |
| <b>GOAL(S):</b>                                  |                |
| <b>ACTION PLAN</b>                               |                |
| <b>3 Things I Will STOP Doing</b>                |                |
|  |                |
| <b>3 Things I Will START Doing</b>               |                |
|  |                |
| <b>3 Things I Will <del>continue to</del> Do</b> |                |
|  |                |
| <b>Signed:</b>                                   | <b>Signed:</b> |
| <b>Date:</b>                                     | <b>Date:</b>   |

**FOLLOW-UP**  
*How are we doing?*

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Two-weeks

**NOTES:**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ 4 Weeks

**NOTES:**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ 6 Weeks

**NOTES:**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ 8 Weeks

**NOTES:**

**LESSONS LEARNED:**

|  |  |
|--|--|
|  |  |
|  |  |

## Third-Party Conflict Resolution

**1**

- Meet with Manager, HRG, Labor Relations, Law, EEO Affairs, etc. to identify the problem issues and the impact on the business.

**2**

- Meet with each employee individually to hear their side of the story.
- Define the business problem to be solved.
- Explain key information about the three-way meeting.
- Get employees agreement and prepare them to attend a face-to-face meeting.

**3**

- Hold a meeting for each employee to talk face-to-face about the issues without interruption for a specified period of time until a solution is reached.

**4**

- Both employees prepare an agreement that describes how they will interact in the future. The agreement lists the behaviors each will: (1) stop, (2) start, and (3) continue. The behavioral contract describes how they will interact in the future.

**5**

- Both parties take individual responsibility for following-up approximately every two-weeks to sustain their behavioral change.

Company Name: Con Edison

Case Description:

Case: 08-E-0539

Response to DPS Interrogatories – Set DPS20

Date of Response: 07/22/2008

Responding Witness: Shared Services

Question No. :303.1

Subject: Human Resources - For all programs represented in the Human Resource Workforce Strategy Summary ((Exhibit\_(SSP\_11) page 4 of 7), provide the following: A. Research and studies conducted that lead to each programs development. B. Program layout that fully describes each program. C. Description of determining salary requirements for personnel. D. Program needs analysis. E. Internal justification documents including those provided to senior management. F. Project schedule.

Response:

A. Research and studies conducted that lead to each programs development

### **Workforce Planning**

This program is one of the initiatives in our Human Strategy which we rolled out in the second half of 2007 to the company. This program is connected to our Attraction imperative and falls under the Strategic Sourcing Program. The details of the Strategic Sourcing Program can be found below. We have highlighted the area in the strategy that deals with Workforce Planning. Additionally, we have over a dozen articles and presentations and conferences we have attended on this subject. We have attached several of these articles and presentations in the folder.

### **ATTRACTION**

#### **Gap**

Baby Boomers (born 1946-1964) and Traditionalists (born prior to 1946) comprise about 65% of Con Edison's management workforce. Many of our critical, hard to fill positions (e.g. engineers and accountants) will be vacated by retiring and soon to be retired Baby Boomers and Traditionalists. Demographic and market forces will challenge us to fill these critical positions on a timely basis.

#### **Program: Strategic Sourcing**

Develop a focused recruitment strategy that will: (1) improve the overall effectiveness of our recruiting effort through decreased cycle time and improved quality of hire; and (2) more specifically target critical, hard to fill positions. Specific program elements would include:

- Sourcing plans/workforce planning model to proactively meet the hiring needs of the organizations

- Replacing paper with electronic/web-enabled systems
- Referral programs
- Con Edison Career Fairs
- Marketing
- Partnerships with industry groups, local trade schools (for skilled crafts), and universities for power engineering and technology curricula
- Increase the number of GOLD Program hires
- More flexible compensation policies for critical, portable positions

### **Compensation Management**

This program is connected to several of our imperatives. It is connected to the Attraction imperative mentioned above (highlighted) and our Retention imperative. See explanation below. We have reviewed multiple research articles on this topic that were provided to us by the Corporate Leadership Council. A listing of some of these is provided below:

Turnover Rates for Finance Professionals, CFO Executive Board, 2008  
Attracting and Retaining Critical Talent Segments: Building a Competitive Employment Value Proposition, Corporate Leadership Council, 2006  
Realizing the Full Value of Rising Talent, Corporate Leadership Council, 2006  
Job Evaluation and Salary Banding Benchmarking Survey, Compensation Roundtable, 2006  
Broadbanding Pulse Survey, Compensation Roundtable, 2006

### **RETENTION**

#### **Gap**

Demographic and market forces will challenge us to retain contributing employees. Technological advancements will require new skills and talents. Meet employees' need to understand how their intermediate and long-term career goals can be met within the Company. Enable and empower individuals to take personal responsibility for career development.

### **Performance Management**

This program is connected to our imperative of development which focuses on the development of supervisors and their role in our organization. See the gap that is cited below. Research that supports this initiative includes:  
Selection and Developing First-Time Managers, Corporate Leadership Council, 2007

### **DEVELOPMENT**

#### **Gap**

Our supervisory population and their level of experience in their position have been decreasing in recent years. Currently, 64% of our supervisors have been in their role less than five years.

Their skill in managing performance is developing and our program is to provide more resources in helping them in developing this skill that will hasten this skill development.

### **Conflict Management**

In the 2007 Annual Ombudsman Report a section of the report dealt with The People of Con Edison. In this section, the report goes on to say the following:

*“Change is also affecting the Company’s most important asset – its people. Approximately 4,200 employees (thirty-one percent) of the Company’s 13,700 employees had less than five years of service in 2007. That number is expected to increase to thirty-six percent in 2010. Last year’s Report noted that the influx of new employees and the real differences among generations was a serious issue, the implications of which needed to be understood and addressed. The 2006 Report also observed that one strategy for dealing with tensions and differences between more experienced employees and new hires involved a shift away from expensive, time-consuming and generally frustrating investigations toward a structured conflict resolution approach.”*

The report goes on to discuss this issue and makes the following recommendation.

**Human Resources:** The Company should:

- a. Continue its efforts to most efficiently manage its generationally diverse work force;
- b. Expand its capability to resolve work place disputes by the application of the principles of Conflict Resolution

This program is intended to address the concerns raised in this report.

A copy of the report is attached in the folder.

### **Human Resource Activities**

A natural consequence of a changing workforce are the issues and concerns new employees bring to the workforce and the organization’s efforts to assimilate them into the culture. In our strategy, several of our imperatives, discussed earlier, Development, Retention and our fourth one, the Way we Work Environment are supported through our Human Resource Generalists. On boarding programs are examples where Human Resource Generalists supply significant support to the effort. There are no specific studies to cite in this area except to say that as the population of new employee’s increase, the amount of Human Resource activities, that Generalists are responsible for, increase proportionately.

B. Program layout that fully describes each program.

### **Workforce Planning**

We will select a manager and analyst to work on the issues associated with Workforce Planning. They will implement the Workforce Planning Model which consists of developing the inflows and outflows to jobs, assess the gaps and suggest and develop solutions with organizational

leaders to address the gaps. This team will work with organizational leaders and Human Resource professionals in carrying out these activities. This team will also integrate an application/tool that will assist them in managing the workforce planning model.

### **Compensation Management**

An additional specialist will work in the Compensation section on various activities such as developing the capabilities associated with the new application, Authoria, used in salary decisions. They will assist organizational personnel in their utilization of this system and the outputs it can provide in helping them make informed salary decisions. They will conduct benchmarking surveys of salary studies to determine where we compare against the marketplace. They will also assess our comparison to the marketplace and determine if retention of key personnel might be at risk based on this data.

### **Performance Management**

An additional specialist will work in our Performance Management section in assisting on improving the skill of managers and supervisors in evaluating their personnel. They will be utilized to develop the full capabilities associated with the Success Factors application that is utilized in assisting managers and supervisors in addressing the performance of their employees. They will provide assistance on such matters as development planning, rewards, discipline, etc to a very new population of supervisors who have limited experience and skill in this area.

### **Conflict Management**

Two additional instructors will work in our Talent Management department to develop our program for managing conflict in the workplace. They will conduct training programs on conflict management, educate organizations on a sound conflict management approach and intervene in various situations to counsel and improve the working relationships of individuals and groups.

### **Human Resource Activities**

Two additional specialists will work in our Employee and Labor Relations Department and be assigned to an organization as their Human Resource representative to provide personnel support on all matters relating to hiring and development. These activities have increased significantly as our overall population of new employees has risen dramatically in the last five years. Their activities will address high value issues such as on boarding activities, retention, career management, etc.

#### **C. Description of determining salary requirements for personnel.**

See attached excel file labeled DPS 303.1 C for a response to this question.

#### **D. Program needs analysis.**

The needs analysis is driven by the changing workforce that we have been experiencing in the last several years. The business churn that a new workforce creates in an organization is immense and without proper attention to the needs of this new workforce organizations will be

unsuccessful in carrying out their overall mission. Our workforce strategy is intended to successfully integrate the new workforce and ensure that they carry out the mission of the organization they are assigned to.

E. Internal justification documents including those provided to senior management.

White Paper submitted in Rate Case and the December 2007 Presentation on Human Resource Strategy to various Company employees..

The other material that is referenced in section a of the question.

F. Project schedule

We have begun hiring for some of these programs such as Workforce Planning. We will begin, now, to hire for the additional people needed to fill these other positions and expect to have the hiring completed by April 2009.

**CON EDISON OFFICE  
OF THE OMBUDSMAN**

**2007 ANNUAL REPORT**

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**Robert J. McGuire  
Corporate Ombudsman**

**Andrea J. Schmitz  
Deputy Corporate Ombudsman**

**February 15, 2008**

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## **I. Message from the Ombudsman**

2007 proved to be a challenging year for Con Edison on many levels. A number of serious incidents impacted the Company, ranging from a catastrophic steam explosion in midtown Manhattan that killed a member of the public and seriously injured two others, to a natural gas explosion in a Sunnyside Queens home that resulted in the death of a woman. Operationally, the Company is in the process of investing a significant amount of money to maintain its systems reliability and to accommodate anticipated economic growth in the Metropolitan area (spending almost \$1.9 billion in 2007, with an estimated \$7.5 billion of additional investment over the next five years). Simultaneously, the Company responded to record demand for electricity in 2007 – some 62,591 gigawatt hours – twenty-three percent higher than in 1997.

On the personnel front, new hires have entered the Company and experienced workers have left at levels never seen before. In fact, the Company expects that by 2010 thirty-six percent of its work force will have less than five years experience and fifty-four percent will have less than ten years experience.

The Company is also in the early stages of dealing with climate change and sustainability as the Country and its businesses look to change the way we deal with energy. Clearly, these issues will have an increasingly important impact on the Company's operations in the years ahead. As we review the events of last year, we believe that the Company needs to stay ahead of the curve and respond even more aggressively to all of these challenges in order to remain competitive and to satisfy its many stakeholders.

This Report examines certain of the more significant events of 2007 and the Company's ability to learn and improve from them. And we also revisit the three themes discussed in last year's Report in an effort to assess how the Company is managing the significant changes taking place among its work force and in its operations. Thus, for example, in the area of safety, is the Company sufficiently focused on predicting and preventing operational events to better ensure public and employee safety? And on the personnel front, is the Company most effectively managing the enormous changes in its work force by understanding and responding to the complicated issues caused by generational diversity, including reducing conflict?

Looking back, we recognize that last year's themes involving generational diversity and conflict resolution were somewhat difficult for the Company to respond to. They are by definition "softer" issues – a fact we pointed out last year. However, this does not mean that they are any less important to the Company's operational success. Indeed, if our meetings and discussions with employees this year are any indication, these issues are viewed as extremely important, even urgent. We discuss these themes in greater depth later in this Report. Suffice it to say, however, that more work needs to be done if we expect to see measurable progress in these areas.

Other somewhat related issues also surfaced during many of our employee meetings last year. Perhaps the most recurring concern related to the concept generally described as "flex time." This is a difficult issue for most companies, but probably more so for a utility company which is responsible for providing energy to millions of homes and businesses safely and reliably with

little room for error. Nonetheless, and especially with a younger work force, issues relating to flexible work schedules, virtual offices, day care help and discretionary time off need to be understood and managed. We appreciate that this area is complicated by the absolute need for accurate time reporting and by the various agreements negotiated pursuant to the Company's Collective Bargaining Agreement. The challenge for the Company, however, is to remain open to considering new and innovative ideas surrounding flex time and work-life balance which do not in any way compromise the Company's operational needs, its time reporting procedures or its existing labor agreements. The success of these efforts will ensure that the Company is able both to attract and retain quality employees. Given the Company's talent level and the principles which guide it, we are confident of its ability to respond.

## **II. The Role of the Ombudsman's Office in 2007 and Beyond**

The ability of this Office to monitor the Company is shaped both by the data that we collect and the interviews, meetings and discussions we have with large numbers of employees over the course of the year. This year, the Ombudsman's Office met with over 1,600 employees from all levels of the Company. We held meetings with both new hires and other more experienced Union members, as well as supervisors, middle managers and senior executives from all departments and across all facets of the Company. In addition to gathering information trends within the Company, the Office also handled 435 individual cases during the year on a wide variety of issues (statistics from these cases are provided later in this Report). With regard to its cases, we continued

to see a reduction in environmental and safety issues and an increase in human resource, Code of Conduct and employee-relations type issues – issues normally dealt with by a more traditional ombudsman’s office. However, because of the unique background for the creation of this Office, and notwithstanding these positive trends, we continue to remain vigilant about environmental and safety issues.

As many readers of this Report are aware, this Office was created in 1998 in response to a Court order resulting from the 1989 Gramercy Park steam explosion; its mandate was to monitor environmental and safety compliance and to investigate alleged violations of the Company’s Code of Conduct. Over the years, especially as the Company has gained traction with its environmental and safety initiatives, the Office has continued to evolve and presently focuses on three broad objectives:

- For the reasons stated above , we continue to review the Company’s safety and environmental compliance efforts;
- We attempt to provide an early warning system to senior management on issues and trends which we observe in an effort to assist the Company in dealing with such issues on a proactive basis;
- We act as a n impartial, confidential source of assistance to employees, helping them find solutions to problems that meet the needs of both the employee as well as the Company. To perform this role, we endeavor to identify options to help employees help themselves. Such assistance may involve referrals to other offices

within the Company or counseling sessions with employees to help them both address their issues and identify potential courses of action.

- We also conduct informal investigations and fact finding on issues, and, from time to time, engage in “shuttle” diplomacy to help individuals or groups in conflict clarify and reframe issues in ways that are helpful to the resolution of their problems.

According to studies conducted by the International Ombudsman Association, the benefits of a formal Ombudsman’s Office include<sup>1</sup>:

- The establishment of a cost-effective approach to identifying and resolving employee concerns;
- Demonstration of management’s interest in the quality of work life for employees;
- Communication of “unfiltered” trends to upper management; and
- Ability of the Company to address issues before they become widespread, potentially avoiding lawsuits.

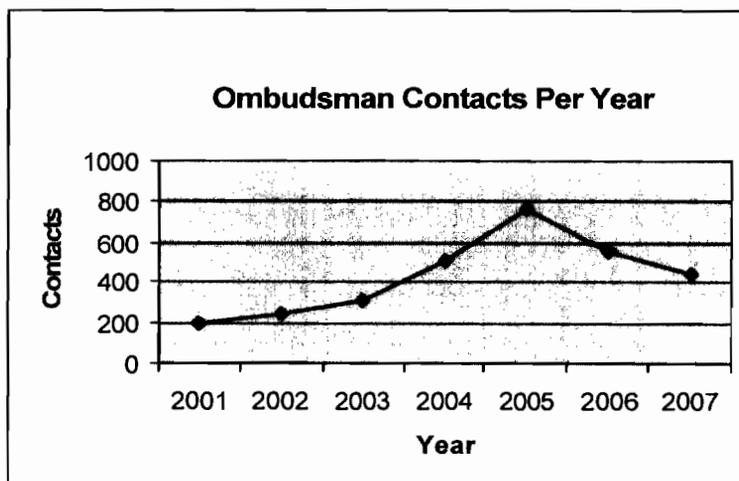
The literature of the International Ombudsman Association goes on to say that the core principles of an Ombudsman’s Office include confidentiality (except in cases of potential harm to persons or property or when we are bound by a legal obligation to report information), neutrality, independence, and informality as an off-the-record resource. Con Edison’s Ombudsman’s Office seeks always to abide by these principles and has consistently been supported by executive management in this regard.

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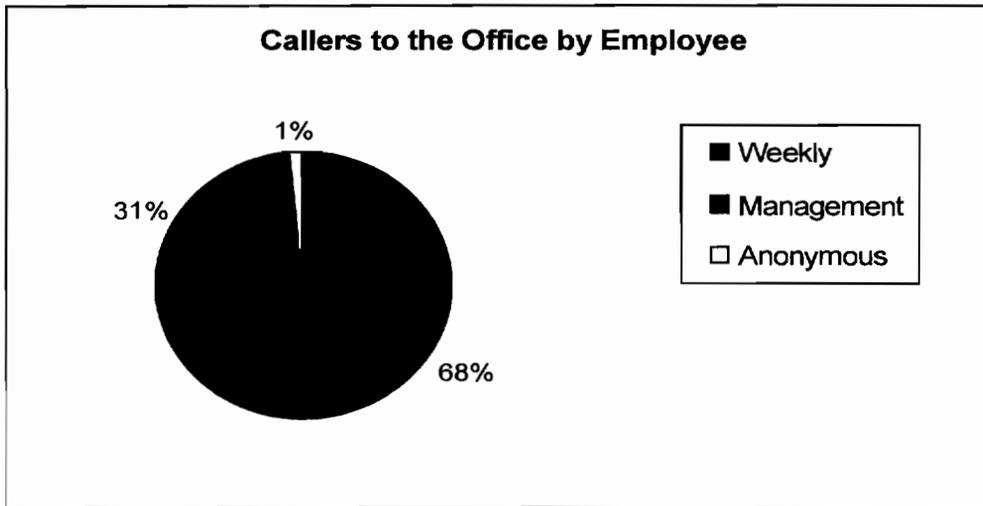
<sup>1</sup> “Why an Organizational Ombudsman? What an Organizations Management Might Want to Know,” by Thomas Furtado, a publication of the International Ombudsman Association, 2001.

### III. 2007 Statistics

The Office managed 435 cases last year, with seventy-three remaining open as of December 31, 2007. Calls from Electric Operations comprised thirty-two percent of all cases, followed by Central Operations (twenty-four percent), and Customer Operations (twelve percent).



Over two-thirds of all cases originated from the Company's weekly ranks, compared to approximately thirty percent of cases from management employees. One percent of the calls were anonymous.



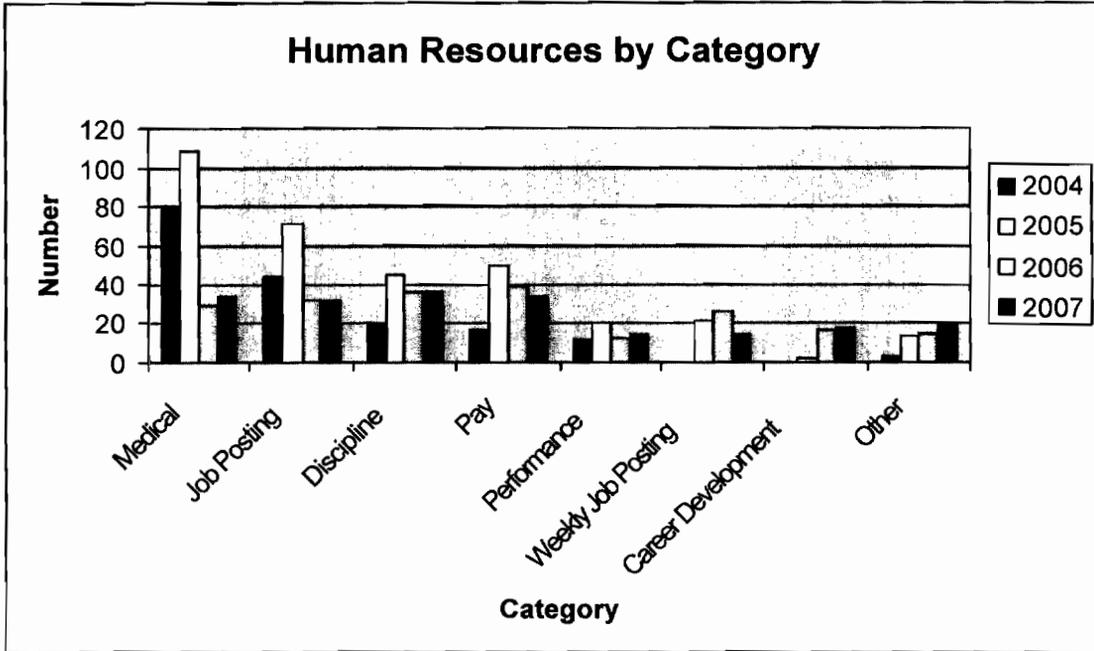
Geographically, 4 Irving Place led all locations with sixty-six complaints, followed by Van Nest (thirty-three cases), Astoria (thirty-two cases), and Third Avenue Yard (thirty-one cases).

The Office confirmed, on some basis, ninety allegations (twenty-one percent) during the course of the year. Additionally, when we viewed the confirmed cases through the prism of the Company's Principles of The Way We Work,<sup>2</sup> thirty percent involved employees' failure to seek and accept responsibility and twenty percent concerned communication issues.

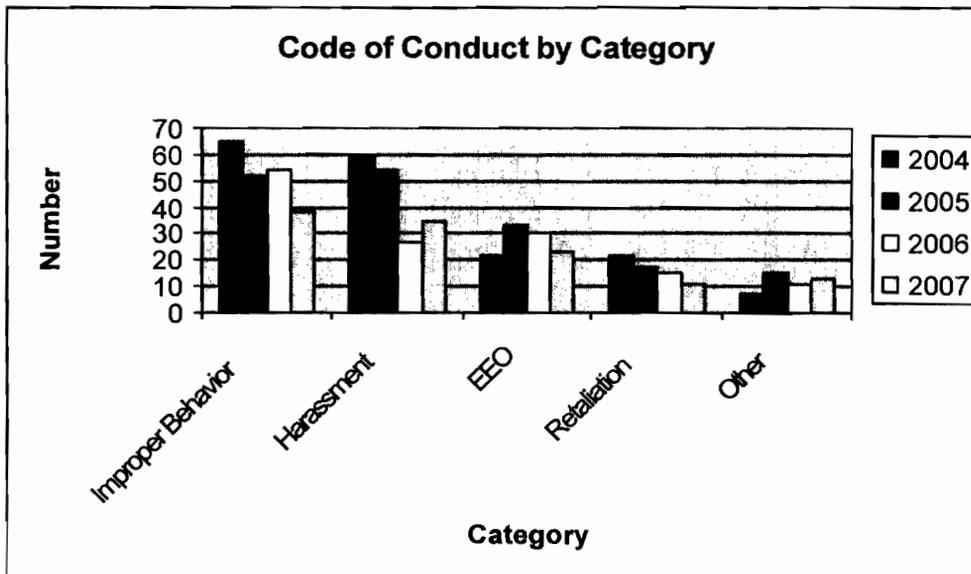
In terms of issues raised, forty-six percent of all cases (200 out of 435) related to human resource concerns, including discipline, the job posting process, medical issues and pay policies (see chart below).

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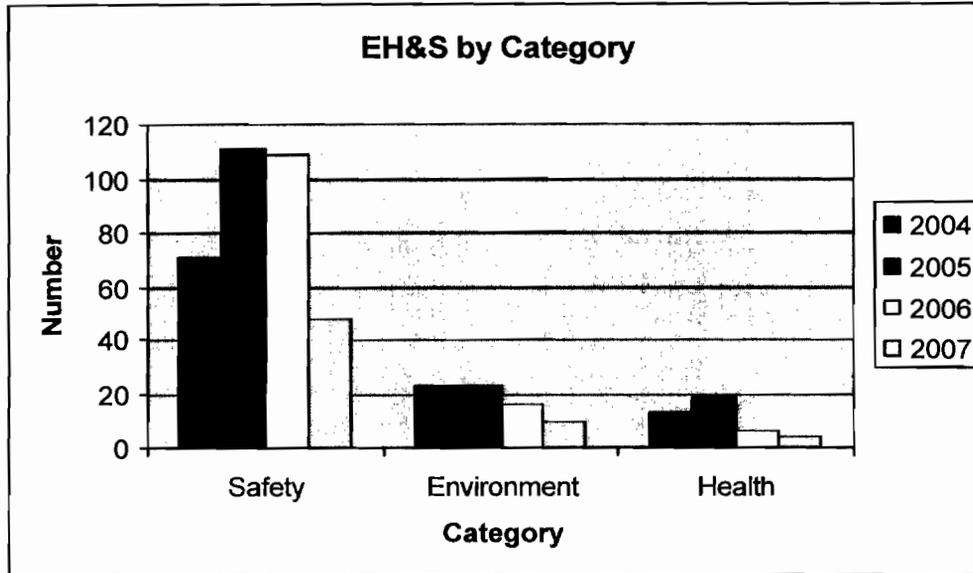
<sup>2</sup> The six core principles of The Way We Work include: (1) plan the work and work the plan; (2) seek and accept responsibility; (3) communicate openly; (4) work in teams; (5) improve continuously and (6) celebrate success.



Twenty-eight percent of all cases involved provisions of the Code of Conduct such as harassment, retaliation and improper behavior (see chart below).



Finally, complaints related to environmental, health and safety (EH&S) issues accounted for fourteen percent of all cases reviewed (see chart below).



Twelve percent of cases involved other issues such as morale, leadership, etc.

The trend toward a reduced number of EH&S complaints when compared to human resource related allegations would appear to suggest that the Company's initiatives in EH&S continue to take root, resulting both in fewer actual incidents as well as a sense among employees that they need not always contact the Ombudsman's Office to receive a quick and impartial response to an environmental or safety issue.<sup>3</sup>

#### **IV. Significant Events in 2007**

2007 showed that the unexpected still happens at Con Ed. The following are examples of several extraordinary events (discussed in chronological order)

<sup>3</sup> This is a continuing, positive trend and is supported by the anecdotal information we receive during our many meetings.

that had a significant impact on the public as well as the Company and its employees:

Rainey 7W Transformer Failure: Transformer 7W at the Rainey

Substation located along the East River in Queens failed catastrophically on April 18, 2007, resulting in a fire and the release of approximately 17,500 gallons of oil to the lower Rainey yard. The spill created a sheen on the East River that the Company cleaned pursuant to regulatory requirements. Thousands of tons of soil and stone were removed as part of the remediation of the site.

Lightning Strike Interrupts Transmission System: A lightning strike on June 27, 2007 caused a power outage that affected 136,700 customers on the Upper East Side of Manhattan and the West Bronx. The strike occurred in the vicinity of a Queens substation and prompted circuit breakers on multiple transmission feeders to open thereby causing an interruption of service. Power was restored forty-eight minutes after the event.

Midtown Manhattan Steam Explosion: A twenty inch steam pipe ruptured at the intersection of 41<sup>st</sup> Street and Lexington Avenue on July 18, 2007. One person at the scene died from a heart attack and two people were seriously burned when the tow truck they were driving in fell into the resulting crater. The site was treated as asbestos contaminated as a result of the likely presence of asbestos insulation on the pipe. Thirteen feeders opened automatically as a result of the explosion. During the

ensuing weeks, a massive, successful reconstruction effort of the site took place.

According to a Con Edison press release issued on December 27, 2007, the steam pipe rupture was “caused by a bubble-collapse water hammer that generated a momentary force against the pipe’s wall that was seven times greater than the pipe’s normal operating pressure.” Unusually heavy rains combined with a malfunctioning steam trap (impacted by an epoxy material used to seal a leaking flange) caused water to accumulate around the pipe, cooling it and “causing above-normal condensate (steam turning into water) to form and collect within it.” As a result, “the compromised trap could not drain the large amount of condensate” thereby creating the steam bubble.

Subsequent to the incident, Con Edison replaced all 1,654 steam traps on the system and has also enhanced its rain response procedures and repair protocols. The Company is also reviewing certain other innovative technological advances such as remote monitoring of traps, the use of remote sensors to measure water levels in manholes and “smart cameras” to better identify vapor conditions.

Sunnyside Natural Gas Incident: On November 21, 2007, a gas main leak caused an explosion at 48-15 41<sup>st</sup> Street in Queens that caused fatal injuries to a woman resident of the home. The gas mechanic, who initially responded to the report of a gas leak, was following Company protocols in testing both the ground and the air in nearby buildings when the explosion

occurred. The Company is reviewing all of its relevant procedures to determine if they can be improved.

## **V. The Case for Systems Safety**

The events described above remind us once again that there may be no more complex set of gas, steam and electrical systems in the country than those managed by Con Ed. The tremendous population density served by these systems as well as the proximity of the public to many of their component parts also serves to increase the impact of such events. During 2007, the Company once again demonstrated its ability to respond quickly and effectively to emergencies. With regard to the steam incident, for example, the OSHA Area Director for the Manhattan Office stated to Con Ed's Director of Safety and Industrial Hygiene that the Company had demonstrated excellent safety and industrial hygiene performance during the event. Similarly, the agencies involved in the Rainey 7W oil spill also reacted favorably to the Company's response. However, the real challenge for the Company is not only to be able to respond professionally after a major accident or incident, but to prevent the incident from occurring in the first instance. We believe this can be accomplished, at least in part, by viewing such potential events through the prism of a process known as "Systems Safety," which the Company has recently begun to utilize in parts of its business.

Systems safety, sometimes known as process safety, is broadly used in the chemical industry, and consists of the following basic principals:

- Good design standards;
- Equipment maintenance, including preventative maintenance;
- Procedural compliance;
- Management of change;
- Post-incident reviews.

According to the U.S. Department of Labor's, Occupational Safety and Health Administration (OSHA), the purpose of "process" or "systems" safety is for "preventing or minimizing the consequences of catastrophic releases of toxic, reactive, flammable or explosive chemicals. These releases may result in toxic, fire or explosion hazards."<sup>4</sup>

One of the strategies for managing hazards under this approach is the use of a "what-if" analysis. This is described in an OSHA manual as follows: "[A]t each handling or processing step, 'what-if' questions are formulated and answered to evaluate the effects of component failures or procedural errors on the process.... For more complex processes, the 'what-if' can be best organized through the use of a 'checklist'...that combines the creative thinking of a selected team of specialists with the methodical focus of a prepared checklist.... The result is a comprehensive hazard analysis."<sup>5</sup> This approach is consistent with Con Edison's existing planning procedures – CEP 11.03, EH&S Considerations in Planning and Design of Project Work, and CEP 11.04 EH&S Considerations in Planning and Design of Recurring Work. The effective management of change is also a critical component of process or systems safety and, according to OSHA,

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<sup>4</sup> "Process Safety Management of Highly Hazardous Chemicals – 1926.64" OSHA.

<sup>5</sup> "Process Safety Management Guidelines for Compliance," OSHA 3133, 1994.

includes an evaluation of aspects and impacts of a change before that change is made, including training for all affected employees. "Change" in this context encompasses changes to processes, equipment, procedures, and conditions.<sup>6</sup>

Other definitions of system safety include the following:

**"System Safety is the accepted methodology for identifying potential hazards during the design process and preventing hazards by addressing their root causes... The Department of Defense looks at System Safety as a means of reducing risk through early identification, analysis, elimination and control of hazards."**

*"System Safety Approach to Acquisition Risk and Cost Management,"  
Naval Safety Center, U.S. Navy*

The Federal Aviation Administration (FAA) describes systems safety thusly:

**"The overall goal of a system safety program is to design systems that do not contain unacceptable hazards... The most effective safety program is one that eliminates hazards through design."**

*FAA System Safety Handbook, December 30, 2000*

The FAA also prioritizes the steps needed to reduce risk as follows :

- First, design to eliminate risk;
- Second, incorporate safety devices;
- Third, provide warning devices;
- Fourth, develop procedures and training.

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<sup>6</sup> "Process Safety Management Guidelines for Compliance," OSHA 3133, 1994.

An increased focus on systems safety is a natural progression for Con Edison as it strives to explore new methods and approaches to further improve public and employee safety. As we have previously indicated, this approach is already being employed in some parts of the Company, most notably in Electric Operations, which currently hosts a System Safety meeting every two months with such groups as Distribution Engineering, Electric Operations and Environment, Health and Safety (EH&S). This directed focus has already paid dividends in the following areas:

- **Stray Voltage:** Electric shocks to people and animals (caused by Company facilities) have dropped almost eighty percent since 2004 – from a total of 210 in 2004 to forty-six in 2007. This reduction is largely due to a broadly gauged program that utilizes a fleet of fifteen mobile stray voltage detectors and conducts some 730,000 manual tests of underground structures in New York City and Westchester County each year. To sustain this effort, the Company will double the number of system-wide scans for stray voltage in 2008 and will continue the 730,000 manual inspections.
- **Manhole Events:** Of the 112 total manhole events during 2007, ninety-seven involved solid covers and fifteen new vented covers. As a result of the installation of the vented covers, manhole displacement rates have

been cut in half. In fact, during 2007 these covers had half as many displacements as the solid covers.<sup>7</sup>

Controlling the causes of manhole cover explosions (such as gases that build up in smoking manholes, salt infiltration, or damaged insulation) continues to be a challenge for the Company. But, by better understanding those causes, (including continuing to analyze relevant data such as secondary system modeling or load data), as well as studying the potential for remote monitoring, the Company is on the right track to even further reduce the number and severity of such events. For 2008, the Company goals include installing 20,000 remaining vented covers (10,000 manholes, many irregularly shaped, and 10,000 service boxes) and performing 90,000 total inspections. Parenthetically, one thousand of the new service box covers to be installed during 2008 will be made of a composite material (which does not carry an electrical charge) in an effort to better address the stray voltage problem.

- **Distribution Transformer Failures:** Con Edison is one of the first companies in the country to perform dissolved-gas-in-oil analysis (DGOA) of distribution transformer oil. By identifying gasses such as acetylene that form in oil, Distribution Engineering is better able to predict which units have the highest potential for failure, thereby enabling the Company to remove those units from service prior to such failure. The Company has also been one of the first to test the use of natural ester fluids

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<sup>7</sup> One of these incidents caused an injury to a member of the public. In that case, a woman hurt her wrist when she drove her car over a manhole as it exploded. In thirty-five other events, the exploding manhole covers caused varying degrees of property damage.

(vegetable oil) in transformers. These fluids have a very high flash point which give the oil substantial fire retardant properties should the equipment fail. Distribution Engineering has also engaged in extensive analysis of a wide variety of data to identify components which have a high potential for failure (such as certain tap changers) in order to develop a targeted sampling, inspection and replacement schedule for these units.

To more fully support its efforts in this area, the Company recently created a Distribution Engineering Equipment Analysis Center to review root causes of equipment failure. Systems Safety accomplishments for 2007 have been impressive:

- In-service transformer ruptures decreased by fifty-four percent;
- In-service transformer failures decreased forty-two percent;
- Over 6,000 routine (CINDE) inspections were completed;
- 10,000 distribution gas-in-oil samples were collected;
- 1,500 anodes were installed to help protect equipment from corrosion;
- Over 2,000 remote monitoring systems were installed.

These initiatives mark a fundamental change in the Company's approach to monitoring its various systems. Thus, instead of reacting to problems after the fact, Electric Operations is attempting to use data, trends and incident analysis to "think outside the box" in an effort to predict and prevent problems before they occur.

One of the additional very positive benefits of the systems safety approach is that it utilizes the creativity and energy of Company employees before an

accident or incident occurs in order to hopefully prevent it from happening in the first place.<sup>8</sup>

We believe that taking a detailed look at system safety (as the Company has done with issues relating to public and employee safety generally), both with respect to the design and construction of new systems and facilities, as well as the retrofitting of existing structures, will result in substantial benefits for the Company. Obviously, in using this process, the Company will necessarily have to set priorities, using such metrics as the age or geographic location of a unit or the critical importance of an operating system or structure; indeed, not every location may need to be treated the same in order to mitigate risk. However, given the enormous potential benefits, we believe the Company should consider incorporating a systems safety approach throughout all of its operating business units.

## **VI. Employee and Public Safety**

Part of our responsibility is to monitor and evaluate the Company's progress on employee and public safety. Throughout the year, during our meetings with over 1,600 employees, we were encouraged to find that virtually everyone we talked with felt that the Company was fundamentally committed to the safety of the public and its employees. The cynicism we had encountered in earlier years has largely disappeared. Yet, despite all of its efforts to change its safety culture and improve its safety record, the Company continues to struggle

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<sup>8</sup> This dynamic was very apparent at a recent Electric Operations System Safety meeting where the focus and energy of the employees participating in the meeting was extraordinary.

with its OSHA Injury/Illness Incidence rate. For example, the Company missed its 2007 goal of 3.30 for the OSHA twelve-month rate, with a year-end rate of 3.47. Overall, the Company reported 459 recordable injuries in 2007 against a goal of 430. There were 315 preventable motor vehicle accidents last year compared to 311 in 2006. Despite the fact that the 2007 OSHA rate is the third best in Company history, we are advised that the 2007 numbers place the Company roughly in the middle of the pack among utilities with regard to safety performance.

The question for the Company remains therefore – how can it navigate its way out of the middle of the pack to become a world class leader in safety? At least part of the answer may lie in the implementation of the new 2008 Safety Index,<sup>9</sup> which holds management accountable by tying performance reviews and salary increases to safety performance. This Index adds several new elements, including an indicator for high-hazard injuries (such as burns or electric shocks) to ensure that the focus stays on preventing the kinds of injuries that can become fatalities. The Index also includes a goal to reduce operating errors (defined as an operating action or omission that did or could have resulted in an unsafe working condition, personal injury, equipment damage, customer or equipment outage, or operation of equipment not consistent with its design). The inclusion of operating errors highlights the connection both between system safety cause and effect and operations and accidents. Leading as opposed to lagging indicators, such as work practice improvements, will also be measured in 2008.

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<sup>9</sup> The 2008 Safety Index includes the following: OSHA Injury/Illness Incidence Rate; Significant High Hazard Injuries; Public Safety – Related Equipment Failures; Contractor OSHA Incidence Rate; Preventable Motor Vehicle Collisions; System Safety – Operating Errors; Safety Strategy – Work Practice Improvements; and Documented Field Inspections and Safety Observations.

The Company must meet six out of eight of the indicators in order to meet its goal and one of the six must be the OSHA Injury/Illness Incidence Rate.

Other initiatives implemented during 2007 include a new Safety Leader Award for individuals that model good safety habits, as well as the distribution of a DVD (entitled "At Every Single Moment . . .") connecting safety on the job with the ability of employees to return home safely every day to their loved ones. All-Union Safety Committees have also been created to help reinforce the safety message in the field. Additionally, the Company has begun implementation of its Safety Strategy at the Company-wide and local levels and has created cross-functional teams with both Union and management participation in the areas of safety leadership, hazard recognition and control, field observations, and work permits.

Nonetheless, despite all of the Company's safety initiatives, several incidents took place in 2007 that resulted in injuries to employees and members of the public and which could have been far more serious. For example:

- **Rainey Substation Operating Event and Employee Injury:** On March 11, 2007, a Senior Substation Operator at Rainey Substation received third degree burns to his thumb and hip after coming in contact with electrically charged equipment after entering the wrong compartment to apply portable grounds.
- **Transformer Vault Grating Collapse:** On May 17, 2007, a member of the public fell approximately nine feet into a transformer vault on West 51<sup>st</sup> Street in Manhattan when bolts supporting the

steel grating gave way, causing the grating to collapse.<sup>10</sup> The Company has since inspected over 19,000 similar grates.

- **Scaffold Incident, Harrison, New York:** On June 2, 2007, while installing a section of scaffold at a building under construction in the Town of Harrison, Westchester County, a worker for a private contractor sustained burns to his back when his equipment came in contact with an electric primary cut-out located in the vicinity of the scaffold. It was later determined that the scaffolding had been placed too close to the primary cable. The Company has since amended its procedures to address this issue and also has issued a brochure entitled, "What Contractors Must Know! A Safety Guide for Working Near Overhead or Underground Electric and Gas Equipment."
- **Pennsylvania Avenue Cable Incident:** On June 20, 2007, an employee was burned while incorrectly testing energized equipment at Pennsylvania Avenue and Dumont Avenues in Brooklyn. The employee, with two years in the Company, was wearing a tee-shirt, (not a fire retardant shirt) and no eye protection, leather gauntlets or hard hat. There was also no atmospheric device in the work area at the time of the accident and the crew did not positively identify the cable before the Mechanic B attempted to test it. After the incident, Brooklyn/Queens Electric embedded a safety professional into the group for approximately six weeks.

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<sup>10</sup> The Company determined that a garbage truck may have weakened the grate.

There have been no recordable injuries or illnesses in this group since then.

- **Bronx/Westchester D-Fault:** On September 29 and October 1, 2007, Company employees failed to comply with specification EO-1184, "Identifying Cable and Splice Abnormalities on Distribution Feeders." Specifically, a Troubleshooter identified an arcing sound while working in a manhole in the Bronx and called it in to the Control Center. However, he failed to classify it as a "D-fault"<sup>11</sup> and also failed to install a warning sign which would have effectively prohibited access to the structure until the equipment was de-energized. Because the structure did not have a D-fault designation, two other employees entered the structure two days later and were exposed to an electric arc while performing an inspection. Additionally, the Shift Manager and the Dispatcher also failed to declare a D-Fault based on the information reported to them by the Troubleshooter. This incident is unfortunately reminiscent of the tragic accident which occurred in June of 2004 where two Company employees suffered fatal injuries as a result of a misclassified D-fault. The employees involved in the recent incident received written warnings.

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<sup>11</sup> Per EO-1184, a "D" fault is defined as an abnormal condition found on an energized primary cable or splice that operates inside an underground electric distribution structure or on an aerial feeder that is presumed to be an indication of an impending fault. When a D-fault has been identified, work cannot be performed until the feeder is de-energized.

So the question remains – how can the Company create an environment which clearly delineates between safe and unsafe work procedures? Thus, for example, would the adoption of clearly defined progressive discipline for safety infractions, a topic which has been the source of a significant amount of discussion within the Company, assist this effort? Such an approach would be designed to clearly identify certain unacceptable conduct – such as failure to wear personal protective equipment or fire retardant clothing; failure to “test dead” before working on a piece of equipment; or failure to perform required atmospheric testing before entering a structure. We do not know the answer to this question, and we are very mindful that a positive safety culture must ultimately be sustained by the personal commitment of Company employees who believe that working safely is both the right and smart thing to do. However, Con Ed operates unforgiving systems where serious accidents and fatalities remain a constant threat. Under such circumstances we would be remiss in not at least raising the question whether the Company can fail to employ every resource available, including progressive discipline, to ensure the safety and well-being of its employees.<sup>12</sup>

We raise this issue at a fortuitous point in the Company’s history when it is training large numbers of new employees; at a time when the Company has become very serious about employee and public safety and establishing a world class safety culture; at a time when an overwhelming number of employees believe that the Company is serious about safety; at a time when the employees’

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<sup>12</sup> We fully recognize that the Company does presently impose discipline for safety violations out of concern for the safety of its employees. However, we also believe that the application of discipline has been uneven and at times poorly communicated, which has led to some confusion.

representatives have demonstrated their support for all reasonable safety initiatives; but also at a time when it is being challenged by an unacceptable number of accidents, incidents and injuries in the work place. Since this is an issue that would be more difficult to implement without the active cooperation and collaboration of the work force and their elected representatives, we would suggest that the best way forward may be a dialogue, the objective of which would be for labor and management together to create a Company roadmap to become a national leader in safety. What an incredible legacy this would be to the memory of all those employees who have given their lives in service to the Company.

## **VII. Environmental Compliance**

2007 was a stellar year for environmental performance at Con Edison, with the Company meeting all of its environmental goals (see below).

## Con Edison Environmental Index as of December 31, 2007

| Performance Indicator   | YE Actual | YE Goal   |
|---|-----------|-----------|
| Acceptable NOx Emissions (%) in Ozone Season (May – Sept)     | 100       | 100       |
| Commitment Tracking (# overdue)                               | 0         | 0         |
| Critical Correspondence (# overdue)                           | 0         | <=1       |
| Late Spill Notifications                                      | 10        | <=12      |
| Opacity Occurrences not to Exceed NYCDEP Standards            | 200       | <=227     |
| Reduce Dielectric Fluid Released to the Environment (gallons) | 15,715    | <= 25,600 |
| Reduce SF6 Gas Emissions (lbs)                                | 96,551    | <=100,000 |
| SPDES Exceedances   | 2         | <=4       |

The Company describes these goals in greater detail as follows:

1 The goal is to be at a daily allowable NOx limit target of 100% during the Ozone Season (May – September). This goal measures our compliance with the NYS DEC emissions standards for NOx (nitrogen oxide, a by-product of combustion). NOx emissions cannot exceed the allowable rate in a 24-hr average. This indicator measures the ability of the generating stations to monitor and control the amount of NOx that is released into the environment.

2 Per CEP 12.10, EH&S commitments are explicit promises to take specific action, made to regulatory agencies, Auditing, the Independent Monitor or the Ombudsman. A corrective action contained in an EH&S audit report is considered a commitment, and would be tracked to assure completion.

3 Per CEP 12.09, Critical Correspondence is correspondence to a regulatory agency concerning any EH&S matter for which the agency can hold the Company responsible under the law. Correspondence to self-report a violation of an EH&S law or regulation would be identified as a critical correspondence, and be processed via procedure to assure an accurate, timely and thorough response.

4 Spill notifications are the required agency notifications based on applicable laws, regulations, and standards. Spills of substances to land or water must be reported to appropriate agencies within prescribed time limits. Any report beyond a prescribed limit is considered a late report.

5 Opacity occurrences measure how many times visible emissions (smoke) from an operating boiler exceeded NYC DEP standards. The goal for opacities is no more than 227 for the year. The definition of this indicator are those opacity exceedances that measure 20% for two minutes and those that are greater than 40% for any timeframe. This goal measures the ability of the generating stations to meet the steam generation demand while maintaining environmental excellence.

**6 There are over nine million gallons of dielectric fluid in the 630 miles of high-pressure pipe-type feeders in our service territory. The Company takes aggressive steps to reduce dielectric fluid loss. The goal looks at continuous improvement. Transmission Operations monitors the total loss to the environment. Substation Operations monitors the loss from facilities within their substations. The 2007 target Dielectric Fluid Lost to the Environment is 25,600 gallons. Damage to our underground pipe-type feeders sometimes occurs as a result of third party contractors or from water impingement associated with a nearby water main leak. Furthermore, although the Company maintains an active corrosion control program, historic damage sometimes results in a thinning of the metal pipe wall and ultimately a release of the pressurized dielectric fluid. Any release must be reported, located and repaired as soon as practical.**

**7 SF6 gas occasionally leaks from our equipment into the environment and needs to be replaced. Besides the detrimental environmental effects, SF6 is a major operating cost for Substation Operations. The goal is to continue efforts toward reducing the amount of SF6 gas consumed on the system. SF6 gas levels are monitored and suspected leaks are investigated and corrected to minimize emissions.**

**8 Facilities that discharge wastewater to the surface waters or ground waters of the state operate wastewater discharge outfalls that are permitted under the State Pollutant Discharge Elimination System (SPDES). We track the number of times the discharge limits stated on the SPDES discharge permits have been exceeded. Increases indicate that there maybe a problem with the facility and/or preventative maintenance of the facilities SPDES Related Equipment. Circulating water used to condense steam as part of the power generation process must meet temperature and chlorination limits to discharge back to the body of water from which it's drawn. Discharges in excess of prescribed limits must be reported.**

## **VIII. Green: The New Element of Environmental Excellence**

There are many words and phrases to describe companies that conserve energy, reduce their carbon footprint, and promote sustainability. However, no matter what words are used to describe it, "green" is now an inescapable part of any company's journey toward environmental excellence. Con Edison, like many other companies, has already begun to focus seriously on this essential element. In fact, in recognition of its efforts, the Company has recently been the recipient of several environmental awards – an external acknowledgment of its efforts to position itself as a "green" company. Thus, Innovest<sup>13</sup> ranked Con Edison number one in North America and second internationally for its multi-utility

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<sup>13</sup> "Innovest Strategic Value Advisors was founded in 1995 with the mission of integrating sustainability and finance by identifying non-traditional sources of risk and value potential for investors." (<http://www.innovestgroup.com>).

environmental and social performance. The Company also received the United Kingdom's Financial Times/Citi Private Bank Environmental Award for greatest improvement in carbon efficiency by a large corporation in the Americas (reducing its greenhouse gas emissions by seventeen percent between 2005 and 2006, amounting to 1.3 million tons of carbon dioxide equivalent). The Carbon Disclosure Project<sup>14</sup> also ranked the Company as the top U.S. utility in the S&P 500 for "Climate Governance." Additionally, in October, 2007 the Company hosted its sixth Environmental Forum with the theme of "Environmental Communications with Stakeholders." Over thirty large corporations and associations participated.

The Company has clearly assumed a leadership position in environmental excellence over the past fifteen years. And, as it continues on this journey, it is expanding its efforts to become an even more visible and vocal leader on environmental issues. For example, in response to the new national initiatives on green energy, Con Ed recently released its Climate Change Principles. They read as follows:

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<sup>14</sup> "The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation aiming to create a lasting relationship between shareholders and corporations regarding the implications for shareholder value and commercial operations presented by climate change."  
(<http://www.cdproject.net>)

**CLIMATE CHANGE PRINCIPLES  
CONSOLIDATED EDISON, INC.**

Consolidated Edison, Inc. (CEI) is committed to meeting the current and future energy needs of our customers in a safe, reliable, efficient, and environmentally sound manner. We acknowledge that climate change is a critically important and challenging issue. Addressing climate change will need to involve all sectors of the economy and all sources of greenhouse gas (GHG) emissions.

For its part, CEI will:

- Work with the federal, state and local governments, and other stakeholders to address climate change.
- Maintain an inventory of the Company's direct and indirect GHG emissions.
- Consider the potential impact of business decisions on GHG emissions.
- Pursue improvements in energy efficiency in our operations to reduce our GHG emissions.
- Advocate, promote, and support energy efficiency improvements among our customers.
- Support new technology development in coordination with other key industry stakeholders.
- Support development of renewable sources of energy and other generation that reduces emissions, including GHGs.

The Company is also re-invigorating its resource conservation program within Corporate EH&S and has recently established an Office of Energy Efficiency Programs within Electric Operations.

We are pleased that the Company's Board and its senior management are committed to this effort. However, as the Company continues to expand its vision of environmental excellence and as it assumes an increasingly public leadership role, it needs always to ensure that its own house is in order. In this context, we would suggest that the Company's commitment to energy

conservation, climate change and sustainability requires not only a clear strategic vision but also a commitment of management energy and appropriate resources to ensure success. Naturally, there are some areas that should be addressed early in the process. These include the Company's internal organization (e.g., are the relevant units in the most advantageous reporting relationship?); the development of an operating strategic plan with accompanying timelines, metrics and potential costs and benefits; and an audit of Company processes and assets to identify areas of immediate concern (e.g., lighting efficiency in buildings, metering issues, outmoded accounting and purchasing procedures, etc.).<sup>15</sup>

Many different individuals and groups both within and outside of Con Ed have a strong interest in the "greening" of the Company. And this is to be applauded. However, this is a dynamic and continually evolving area, and it is imperative that the Company have a single, transparent vision as well as an agreed upon operating plan. The Company must speak and act with one voice. If this is not done, there is a real danger of siloism with individual groups pursuing their own more narrow objectives.

The Company is off to a solid start and, hopefully, will continue to generate positive momentum. It goes without saying that by ensuring that its own assets are energy efficient, it can continue to solidify its role and reputation as a national and, indeed, global leader in this vital area.

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<sup>15</sup> The Company has recently begun to focus seriously on many of these issues including lighting efficiency in buildings. Central Field Services has also recently developed a Green Fleet Strategy to support initiatives such as the increased use of biodiesel fuel and the Learning Center is even planning on installing a Green Roof.

## **IX. The People of Con Ed**

Change is also affecting the Company's most important asset – its people. Approximately 4,200 employees (thirty-one percent) of the Company's 13,700 employees had less than five years of service in 2007. That number is expected to increase to thirty-six percent in 2010. Last year's Report noted that the influx of new employees and the real differences among generations was a serious issue, the implications of which needed to be understood and addressed. The 2006 Report also observed that one strategy for dealing with tensions and differences between more experienced employees and new hires involved a shift away from expensive, time-consuming and generally frustrating investigations toward a structured conflict resolution approach. This section of the Report looks back on the Company's efforts to address generational diversity and incorporate conflict resolution into the work place.

One additional note in the personnel area. During the course of our work we have identified three groups – the Growth Opportunities for Leadership Development (Gold) Associates, Bradley-Morris Military Hires, and female field workers – that may require additional support in order to ensure that the Company's investment in these workers pays off and that it is successful in retaining them.

### **A. Generational Diversity**

Last year we suggested that the Company review its overall approach to managing the integration of large numbers of new employees into its work force, including an assessment of the consequences of four rather distinct generations

of workers interacting together in the workplace. The professional literature describes these groups as follows:

### **Generations at Work<sup>16</sup>**

Traditionalists: Born between 1920 and 1945. Influenced by the Great Depression and World War II. Formal “chain of command” management style.

Baby Boomers: Born between 1946 and 1964. Influenced by Vietnam and the 1960’s culture. They strive for consensus-style management.

Generation X: Born between 1965 and 1980. Affected by a divorce rate that tripled since 1960. Grew up in the computer age. The “no fear” generation. They value leaders with competence and expect managers to “earn their respect.”

Millennials (Generation Y): Born between 1981 and 2000. Grew up in a “download now” multi-tasking culture. Asking “why” is second nature. Leadership style is collaborative.

At that time we pointed out certain obvious differences among the generations – for example, younger people often have somewhat different career goals than their older counterparts, they tend to communicate differently and they are often more questioning of authority.

The Company responded to this observation by appointing a cross-functional team to assess the issue and its implications for the Company. As a first step, the Committee reviewed the available literature, spoke with experts and benchmarked with at least one other utility. The team then prepared a demographic breakdown of the Company’s current work force,<sup>17</sup> held a series of

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<sup>16</sup> Newsday article: “The Generation Gap at Work,” October 7, 2007

<sup>17</sup> According to Company statistics, the current demographic breakdown at Con Edison is four percent Traditional, fifty-two percent Baby Boomers, thirty percent Generation X, and fourteen percent Generation Y.

focus groups with employees to further explore the issue, and also surveyed approximately 800 new hires.

Certain differences among the generations did emerge, and some of these differences could arguably contribute to work place tensions. For example:

- New employees are more comfortable skipping levels of authority or otherwise ignoring the chain of command, a practice that may be viewed as inappropriate or disrespectful by older employees.
- Many new employees ask numerous questions, which may appear to threaten the authority of more experienced employees and/or supervisors.
- New employees are sometimes vocal about their desire for better work-life balance, including more flex time, less overtime and the use of virtual offices. This may appear at times to more seasoned employees as reflecting a lack of dedication to the job and the Company.

We appreciate that an issue such as generational diversity is the polar opposite of a technical or engineering issue and is not necessarily in the Company's normal comfort zone. We also understand that this is an evolving issue, the implications of which are still not clear. And, clearly, we do not possess the knowledge or experience to attempt to advise the Company on what steps it should take to address this issue. However, having spoken with large numbers of employees, we are convinced even more so today than a year ago, that generational diversity is a reality in the work place and its consequences must be understood and managed. And while we acknowledge that the

Company is still in the early stages of fully comprehending this issue, we would submit that more needs to be done without delay.<sup>18</sup> In this context, more dialogue with both Company employees and outside professionals, as well as other similarly situated companies, should be helpful. Additionally, the Company should attempt to expand its focus from concentrating primarily on issues of recruitment and on-boarding to include also those affecting people already employed.

While we appreciate, as we have stated previously, that this issue is somewhat difficult, nonetheless, we believe that it is not going to disappear and, unless addressed, will continue to create tensions in the work place which may have negative consequences in areas such as employee morale and retention.

#### B. Conflict Resolution

In last year's Report we pointed out that the Company (and our Office) spends a great deal of time, energy and resources in conducting investigations into numerous types of allegations often spawned by tensions in the work place. We suggested that the Company explore the possibility of expanding the use of conflict resolution as an alternative to investigations.<sup>19</sup>

Conflict Resolution is a structured process which generally attempts to resolve work place disputes between individuals or groups through the efforts of an impartial mediator. The process currently used by Con Edison is by definition voluntary and participation is never mandatory. Generally, the mediator will meet

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<sup>18</sup> Some groups have begun to explore this issue on their own. Customer Operations, for example, discussed this issue at meetings in 2007, even creating a generational diversity board game to help generate dialogue on the topic.

<sup>19</sup> The Company presently employs one trained, experienced professional in this area who works for Talent Management at The Learning Center and who has enjoyed substantial success with this approach (as has our Office).

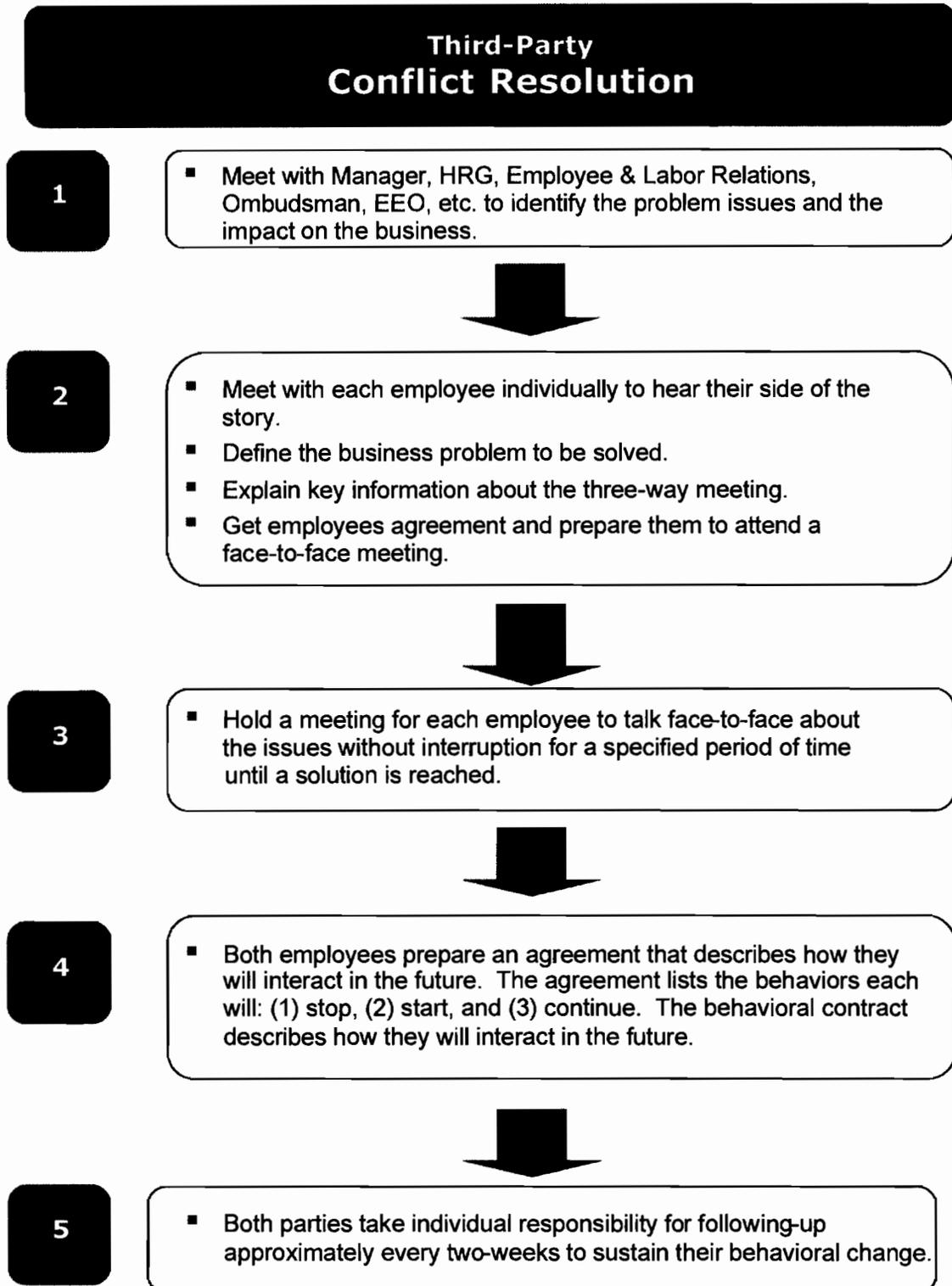
individually with each side in an effort to identify and circumscribe the source of the conflict and the real and perceived issues involved. Thereafter, the parties meet together to discuss the issues which have surfaced and to attempt to develop a “behavior contract” that seeks to identify both “specific things they will stop doing” and “specific things they will start doing” in order to eliminate the behavior which gave rise to the dispute. If the initial meeting is positive, then follow-up sessions are scheduled to assess progress and to identify lessons learned. Open communication and mutual respect are absolutely essential if conflict resolution is to be successful.

The number of cases where conflict resolution through mediation was employed in the Company increased from seven in 2006 to twenty-two (involving forty-six people) in 2007. While these are modest numbers, the success rate was high, and many of the employees involved indicated that they would have taken advantage of the service sooner if they had known it was available.<sup>20</sup>

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<sup>20</sup> A few of the positive comments received from employees who participated in the process are:  
- “After a few sessions with you [the mediator] it was like a miracle took hold. I have to actually say the relationship between the men is actually better than it ever was. . . Thank you for taking the time . . . to make my organization stronger than it ever was.”  
- “. . . [E]verything is better between us, because we both agreed to new ways of working together to make our relationship work.”

A more precise summary of the Conflict Resolution process used in 2007  
by the Company is described below:



Subsequent to the discussion of conflict resolution in the 2006 Ombudsman's Report, the Company appointed a Conflict Resolution Mediation Committee. Additionally, a group of Gold Associates created a Conflict Resolution Resource Team. The mission of both groups, working together, is to identify a strategy to expand the use of this process within the Company. One initiative already headed for production is a web site with practical case studies and suggestions for heading off conflict by identifying and demonstrating how to deal with minor tensions and disagreements before they blossom into full-fledged conflicts.

The Conflict Resolution model envisioned by the Company will consist of three steps when fully developed, each addressing a specific level of conflict:

1. Self-mediation (in the form of a conflict resolution website with online tools described above) to deal with minor work place issues;
2. Managerial mediation, in which a trained, impartial manager would mediate disputes within groups; and
3. Third-Party Mediation to deal with higher-level crisis situations; this is the model now in place through Leadership Development at the Learning Center.

The Company is meeting with Union representatives to get their input on this model.

This multi-tiered approach is to be commended, and we look forward to seeing the results of this work. While conflict resolution is clearly not meant to be a remedy for all work ills, its potential is undeniable. Adding structured conflict resolution to its menu of employee services is also another way of providing

value as an employer. Looked at through the prism of risk, a n employee not distracted by work place tension or conflict is more likely to work more productively, be more focused and is less likely to have an accident.

While we recognize that the Company is still in the relatively early stages of developing its conflict resolution program, we do have some concerns about the pace thus far. For conflict resolution to succeed, the resources devoted to this effort must be appropriate. As of the present time, in a Company with roughly 14,000 employees, there is only one fully trained professional devoted to this effort. Obviously, if a larger program is rolled out in 2008, the Company must allocate office space at The Learning Center or elsewhere to hold private, confidential sessions as needed. And, in addition, the Company will need to publicize the availability of this program. At the present time, many employees know little or nothing about it.

Interestingly, certain local groups have already begun to address work place conflict through conflict resolution without waiting for a formal Company program. This positive development, along with the Gold Associates initiative, and our discussions with large numbers of workers, all serve to reinforce our view that this approach has very real potential value and deserves greater support from the Company.

#### **Gold Associates – Bradley-Morris Hires – Female Field Workers**

Finally, we wish to report on three distinct groups within the Company that, for different reasons, may need some additional support in order for the Company to ensure that it is doing everything possible to ensure both that they continue to be productive employees and to retain them for the long term.

At the outset let us state the obvious – that all employees should be treated equally with none receiving special treatment. However, there is also another reality – that because of unique circumstances some workers may need additional mentoring, training or support in order to maximize their potential. In this respect we have observed during our discussions and meetings with Gold Program Associates, employees recruited and hired out of the military under the Bradley-Morris Program and female field workers that they each have certain specific issues which we believe should be addressed.

### Gold Associates

For the reader not familiar with the Gold Associates Program, it is designed to attract to the Company superior performing college graduates, most of whom have engineering degrees, who participate in a structured eighteen month program as they prepare for management positions. It is expected that many of these individuals will become Company leaders in the future.

We have met with many Gold Associates and have been impressed by their intelligence, talent and enthusiasm. In terms of numbers, there were twenty-nine Associates placed in permanent positions in 2004, forty-three in 2005 and forty-four in 2006.<sup>21</sup> Most of these individuals speak highly of the Program, but many also feel that they need more targeted technical training and support during their field rotations, particularly if they are assigned to a first line

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<sup>21</sup> It is interesting to compare the numbers of the graduates of the Team Program which is designed to identify talented weekly employees and to promote them into supervisory positions within management. The numbers of Team Program graduates are 130 in 2005; 186 in 2006; and 166 in 2007. Clearly, these numbers are much larger than the Gold Associate Program despite a broadly held perception within the Company that there are more Gold Program supervisors than weekly employees reaching the supervisory ranks. It is also of note that the Team Program has received generally favorable reviews from the employees we spoke to in 2007.

supervisor position. Indeed, a few of them have suggested that their inexperience and lack of understanding of the work of the crews they are supervising could create situations with safety implications. They argue that they need to be able to speak the necessary technical language with their subordinates and to have at least a basic understanding of their work.

Obviously there are different ways to accomplish this. For example, Associates could be assigned to multi-week technical skills classes at The Learning Center or they could be mentored by experienced supervisors. We recognize that some of this training does in fact already take place during rotation, and we have even heard of after-hours training being conducted at field locations by dedicated, experienced field supervisors. We are also advised that the Company has been reviewing this issue and is taking steps to address it. Our only suggestion is that any such additional training should be systematically and formally incorporated into the Program rather than through the more sporadic, *ad hoc* approach of the recent past.

#### Bradley-Morris Employees

Con Edison recognizes the rich applicant pool provided by military veterans. As such, the Company partners with Bradley-Morris, a professional search firm specializing in the recruitment of military personnel. Over the past three years (2005-2007), the Company has hired twenty-seven employees through the Bradley-Morris program. To date, eighty-one percent (twenty-two) are still employed at Con Edison. With the increasing numbers of military personnel returning to the private sector, we would expect these numbers to grow over time.

This year, we held a focus group with approximately forty Bradley-Morris hires. We learned that while the returning veterans appreciate that the Company has provided them with a significant employment opportunity, their initiation into the Company has sometimes been quite difficult. Certain of these employees arrive in New York City from other places, often with a family to support and limited knowledge of the realities of New York City living, especially housing. They have also advised us that they are sometimes placed in jobs without sufficient technical training. And some employees have even lost military training benefits as they struggled to navigate the Con Ed system.

When we solicited their suggestions as to how the Company could provide them with greater support, the most common recommendation was to develop a training program for military hires (perhaps based on the Gold Program model). Other ideas included the assignment of mentors, group meetings and networking opportunities with other Bradley-Morris hires, and even a website where relevant information could be communicated. Ideally, this program might be overseen by a steering committee and perhaps chaired by a senior executive.<sup>22</sup>

We fully appreciate that the Company's senior management supports the hiring of our returning veterans, both because it is the least we can do for men and women who have risked their lives to protect this Country and because they are an excellent reservoir of proven talent. The challenge is to ensure that the Company provides the necessary support programs to assist them in successfully navigating from the military sphere to the very different environment

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<sup>22</sup> The support structure provided in the past by Bronx/Westchester Electric was praised by some of the Bradley-Morris hires and could be used as a model for future efforts.

of private industry. By so doing, Con Ed will ensure that it retains the overwhelming number of these hires – a plus for the Company, the employees and the Country.

One final note. We are aware of a couple of instances where military veteran employees appear to have lost benefits when they transitioned between the military and the Company. While we are not competent to judge the accuracy of these reports, we would suggest that the Company review this area to ensure that it has the necessary expertise in place to guide our military personnel as they go to and return from active duty.

#### Female Field Workers

Con Ed is to be congratulated for its continuing efforts at diversifying its work force to reflect the communities it serves. And a part of this effort has been the recruitment of women into the Company both at the management level and into more non-traditional field positions. At the present time women make up approximately sixteen percent of the total work force, and approximately twenty-one percent of the management workforce.<sup>23</sup>

According to the 2006 Annual Diversity Report published by Equal Employment Opportunity Affairs (EEO), Con Ed has taken several steps to increase hires of women into these non-traditional field jobs, including:

- Strengthening the Company's partnership with Nontraditional Employment for Women (NEW), an organization that trains women in the trades;

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<sup>23</sup> This appears to be consistent with industry trends since about three percent of New York City's construction workers are women. See New York Times, November 26, 2007 - "New York's Construction Boom Puts More Women in Hard Hats."

- Participating in job fairs sponsored by a variety of government and non-profit groups, and
- Developing partnerships with companies such as Seedco that operate one-stop career centers in Manhattan.

For women already in field positions at Con Edison, EEO hosts periodic breakfast meetings. In addition, the Company's Diversity Council, made up of high level managers from across various organizations, has established a task force to review gender equity issues and to examine ways in which the Company can improve its recruitment and retention of women, particularly in non-traditional positions. At the conclusion of this effort, the Council will make recommendations that hopefully will improve current efforts to recruit and retain more women.

Women in management positions within the Company advise us that they generally find a welcoming environment and are presented with solid jobs and opportunities for advancement, and they are supported by both mentoring and networking opportunities. However, with respect to women field workers, a different situation appears to exist. Despite the efforts of the Company and its EEO office, as well as several women executives, women field employees often feel isolated, unsupported and alone. Obviously, this is largely due to the fact that Con Ed (like many other industrial companies) is overwhelmingly male. However, even given that reality, we believe more can be done to assist and support the Company's women splicers, mechanics, meter readers and general utility workers. Recently, this Office met with over fifty female field workers to listen to their concerns. As a general rule they spoke positively about the

Company and they enjoyed their jobs. And they specifically stated that they were not looking for special treatment. Indeed, they made the point that they expect to carry their own weight and to be evaluated similar to their male counterparts. However, they did offer several suggestions which they believed would help to improve both their working conditions and their morale and also serve to retain present and future women field employees. These suggestions include:

- Assessing whether various facilities provide adequate locker rooms and bathrooms. In some cases, facilities for women were not provided for even though other renovations were made.
- Providing general networking opportunities (e.g., by continuing to host events such as those at the Learning Center sponsored by women executives and EEO), as well as on a local level (e.g., at workout locations and yards) in order to give the women an opportunity to share information and to generally stay in touch.
- Developing mentoring opportunities for women in the field, perhaps involving women managers.
- Increasing the sensitivity of the overall work force to the specific practical issues affecting women employees on the job, such as the need to find a restroom.
- Reviewing the concededly difficult issues of flex-time to assist women in meeting both their obligations to the Company and to their families.

## **X. Recommendations**

- 1. Systems Safety:** The Company should seek to expand a systems safety approach across all operating areas as it continues its efforts to improve its safety performance.
- 2. Environmental:** In furtherance of its publicly articulated commitment to energy efficiency and resource conservation, the Company should strive to manage its assets (including its buildings and automotive fleet) from an energy conservation perspective, and should ensure that its organizational structure is appropriately positioned to manage this effort.
- 3. Human Resources:** The Company should:
  - a.** Continue its efforts to most efficiently manage its generationally diverse work force;
  - b.** Expand its capability to resolve work place disputes by the application of the principles of Conflict Resolution;
  - c.** Provide more focused field training and mentoring to Gold Program Associates specific to the assignment at hand;
  - d.** Develop a more substantial transition program for Bradley-Morris military hires and ensure that all active duty military personnel receive the assistance they need to address issues related to their status;
  - e.** Create a more expansive support system for women field employees.

## **XI. Conclusion**

Looking back on 2007, the Company has continued to build a solid record on issues relating to the environment and is increasingly viewed as an industry leader in this area.

It has also committed to a similar agenda in the area of employee and public safety and has made great strides over the last five years in implementing strategies to transform its culture to that of a world-class safety Company. Unfortunately, all of the Company's efforts thus far have failed to move it out of the middle of the pack in terms of employee safety as measured by the OSHA Injury/Illness Incidence rate. Thus, while the commitment is real (and is reflected in the views expressed by virtually all employees that the Company is serious about safety), performance has not kept pace with that commitment.

Safety is a more difficult area to improve than the environmental area since it is more personal and internally motivated and is less susceptible to regulatory oversight and clearly defined lines of behavior. However, as we review the Company's efforts over the last few years it strikes us that the one ingredient that was present during the early stages of the Company's efforts to change its environmental compliance culture that is not as visible in the safety improvement initiative is a clearly enunciated, fair, progressive and transparent discipline program. We fully appreciate that a safety program cannot long be successfully sustained solely by the threat of discipline. However, we also believe that progressive and consistent discipline probably must play some role in this effort.

We have also suggested in this Report that the Company evaluate the possible benefit of implementing a “systems safety” approach across all operating departments. This method, common in the chemical industry, is already being utilized in Electric Operations and, we believe, is receiving a positive response. It would appear that this is a natural extension of Company efforts to improve its safety culture by integrating safety considerations into the design and maintenance of all its systems and facilities.

On the environmental front we have attempted to report on emerging issues of energy efficiency and resource conservation. In this respect we applaud the Company’s commitment (as reflected in its EH&S Key Objectives) that it will be a national leader in this area. However, to successfully achieve this objective, the Company must be certain that organizationally it is properly structured for the effort. Additionally, it must ascertain if the appropriate human and other resources have been allocated to ensure success. And finally, it must be comfortable that the current management of its own facilities (such as buildings and the automotive fleet) is consistent with its objective to be viewed as a “green” Company.

We have spent a considerable amount of time in this Report commenting on the Company’s response to two of last year’s recommendations, specifically, generational diversity and conflict resolution. While these issues can be viewed separately, they are also inter-related, since the use of conflict resolution has the potential to ameliorate some of the work place conflict caused by generational diversity.

As we reported in the body of this Report we believe that the Company is still having some difficulty attempting to define the issues that stem from the presence of large numbers of new employees, especially since many of them have different goals and aspirations when compared with older, more traditional Con Ed employees regarding such issues as job permanence, overtime and the receiving and carrying out of orders without questioning them. While this is somewhat understandable, it is nonetheless essential that the Company fully understand the implications of the reality of such diversity within its employee population in order to most effectively manage its personnel.

On the issue of conflict resolution we believe this issue is a more straightforward one which requires that the Company decide whether or not it makes business sense to begin the process of migrating to a culture which emphasizes conflict resolution for work place disputes. While the efforts of those Company managers assigned to this task have been solid thus far, clearly the pace of change should now begin to pick up. Thus, we would hope to see more visible management support of the program, a departmental "home" and, most importantly, a significant expansion in the number of employees trained to mediate disputes. While last year we felt somewhat more uncertainty in advancing the twin themes of generational diversity and conflict resolution, we are today much more confident of our position precisely because we have received so much positive feedback during the past year from employees who overwhelmingly feel that these two issues are substantive and need to be addressed.

Finally, we have identified certain groups of employees – Gold Program Associates, military hires and women field workers – who for different reasons may be in need of some additional attention, training or support. This is not meant to be critical of the Company's efforts thus far. However, the retention of members of all three of these groups is imperative for the long term health of the Company, and the recommended improvements are modest.

In conclusion, 2007 was a year where we witnessed several serious operating incidents and a plateauing of the Company's employee accident rate. But it was also a year of substantial, continuing progress in the Company's journey toward environmental excellence, the start of new undertakings in the area of safety, and the successful integration of large numbers of new employees. The year also saw the emergence of two themes which, if successfully implemented, should contribute greatly to the Company's quest for environmental excellence and safety leadership. These are the adoption of a systems safety approach throughout the Company and a greater focus on programs supporting the Company's commitment to energy conservation and the wise and effective use of natural resources.

2008 will undoubtedly be a challenging one, no less than prior years. However, we are confident that with a dedicated Board, committed senior management and a talented and able work force, the Company can overcome any problems it faces as it continues to provide its customers with the nation's most reliable energy services, while remaining committed to the twin ideals of safety and environmental excellence.