

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

Response to DPS Interrogatories – Set DPS28
Date of Response: 07/29/2008
Responding Witness: Accounting Panel

Question No. :413

Subject: Cost Benefits from Construction Program - In 2005, 2006 and 2007, the Company invested in excess of \$1 billion annually in its electric system. In its current filing, the Company projects additional annual investment into its electric system of roughly \$1.8 billion for 2008, 2009, and 2010. Have the benefits of these substantial investments been reflected in the Company's revenue requirement projections? If yes, specifically explain and show where those cost reductions are projected and captured for customers. If not, explain why not.

Response:

As testified by the Infrastructure Investment Panel (pp. 10-11),

“Con Edison’s service territory, while relatively small geographically, represents approximately 40 percent of New York State’s peak electricity demand. Our service territory includes facilities with international significance such as the United Nations, and the New York Stock Exchange. Because electric service reliability is critical for both the economic growth of the region and the health and well being of our customers, it is imperative that we deliver electricity continuously, in a safe and reliable manner. Electricity sustains healthcare, food storage and preservation, water delivery and purification, sewer, communications, transportation, commerce, entertainment and the conveniences of everyday life. Loss of electricity is a particular concern for New York City with its significant concentration of high-rise buildings, extensive underground subway and rail transportation systems, and major health care facilities. To maintain reliable electric service, the Company must focus on current, day-to-day operations, infrastructure reliability needs and anticipated growth as we plan and invest for the future of our service territory.”

Significantly, capital expenditures are categorized by such categories as emergency response, interference and environmental mandates, increased customer demand, and mandated reliability and strategic IT enhancement. Based on the nature of these mostly non-discretionary type expenditures, it is difficult to quantify “cost reductions” resulting from these investments. But, without question, customers benefit from the maintenance

and enhancement of the electric system to meet their needs in a safe and reliable manner. As also testified by the IIP, the Company endeavors to ensure that the costs for these types of expenditures are done on a "least cost" basis.