

STATE OF NEW YORK

Public Service Commission

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FOR RELEASE: IMMEDIATELY

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Prudence Investigation into Con Edison's Steam Rupture Warranted -Investigation to be Conducted Expeditiously with Appropriate Due Process-

Albany, NY—02/13/08—The New York State Public Service Commission (Commission) today commenced an investigation to determine the prudence of actions by Consolidated Edison of New York, Inc. (Con Edison) before and during the steam pipeline rupture that occurred at 41st Street and Lexington Avenue in Manhattan on July 18, 2007.

The Commission's decision was based on Staff of the Department of Public Service's *Report on Steam Pipeline Rupture, 41st Street & Lexington Avenue, Consolidated Edison Company of New York, Inc. July 18, 2007* (Staff Report), a review of the reports by Con Edison and its consultants, an analysis of Con Edison's reply to a January 2008 Order to Show Cause, as well as additional information gathered.

"The Commission believes that there is significant cause for concern regarding the reasonableness of Con Edison's actions on July 18, 2007, and in the period leading up to the steam rupture on that date," said Commission Chairman Garry Brown. "Based on our review of the reports by Con Edison and its consultants, the Staff Report, and the company's response to our Prudence Order to Show Cause, the Commission finds that sufficient questions are raised to warrant the commencement of this prudence review."

The Commission's examination is a retrospective review of the reasonableness of Con Edison's actions and practices in order to determine whether or not the company should be allowed to recover certain costs related to these past actions from ratepayers or whether

additional remedies would be appropriate. Accordingly, the proceeding will include whether and to what extent the expenses and capital expenditures Con Edison has already incurred, or in the future will incur, as a result of the steam rupture should be borne by Con Edison's ratepayers. The Commission expects that the proceeding will be conducted with a view toward expeditiously resolving the issues consistent with due process.

Background

On July 18, 2007, a steam pipeline owned and operated by Con Edison suffered a failure in the intersection of 41st Street and Lexington Avenue in Manhattan. Steam broke through the pavement, creating a large crater in the intersection, causing serious bodily injury to two persons and less severe injuries to many others. One person suffered a fatal heart attack while fleeing the area. Many adjacent businesses suffered property damages from the rupture and, in the days that followed, many suffered economic loss until the damage from the ruptured steam equipment could be repaired and the area in the vicinity could be restored.

The Staff of the Department of Public Service (Staff) closely monitored the restoration efforts, conducted an extensive investigation of the incident, and reviewed the reports of Con Edison and its consultants concerning this incident. Staff's effort culminated in the *Report on Steam Pipeline Rupture*. Based on the Con Edison's reports, the Commission issued an order directing the company to show cause (Prudence Show Cause Order) on January 18, 2008. Today's action by the Commission institutes a proceeding to determine the prudence of Con Edison's actions and practices relating to the July 18 steam rupture.

The Commission will issue a written order reflecting today's action. That order, when available, may be obtained from the Commission's www.dps.state.ny.us Web site by accessing the Commission's File Room section of the homepage and referencing Case 08-S-0153. Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).