

ELECTRIC PRODUCTION PANEL - ELECTRIC

1 Q. Please state your names and business addresses.

2 A. Edward C. Foppiano, 4 Irving Place, New York, NY 10003  
3 and Thomas E. Poirier, East River Generating Station,  
4 New York, New York. We are testifying jointly as the  
5 Electric Production Panel.

6 Q. By whom are you employed and in what capacity?

7 A. (**Foppiano**) I am employed by Consolidated Edison Company  
8 of New York, Inc. ("Con Edison" or the "Company") as  
9 the Chief Civil/Mechanical Engineer.

10 (**Poirier**) I am employed by Con Edison as the Plant  
11 Manager of the East River Generating Station ("East  
12 River").

13 Q. How long have you been employed by Con Edison and what  
14 positions have you held?

15 A. (**Foppiano**) I have been with Con Edison for  
16 approximately 35 years. I was first employed by Con  
17 Edison in July 1973 and have held various engineering  
18 and management positions in Central Engineering,  
19 Construction, and Steam and Electric Operations. In  
20 April 2000, I was assigned to Steam Operations as the  
21 General Manager of Business Services and later that  
22 year as Plant Manager of Waterside Generating Station.  
23 Between November 2001 and January 2004, I was the Chief  
24 Engineer for the East River Repowering Project. Since

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1 February 2004, I have been the Chief Civil/Mechanical  
2 Engineer.

3 (Poirer) I joined Con Edison as a Management Intern in  
4 1983. Since then, I have held various management  
5 positions of increasing responsibility in the Company.  
6 I briefly left Con Edison in September 2001 when the  
7 Company divested the Indian Point 2 Generating Station.  
8 I returned to the Company in September 2002 as the  
9 Commissioning Manager for the East River Repowering  
10 Project and subsequently assumed my present position.

11 Q. Please discuss your educational background.

12 A. (Foppiano) I received a Bachelors of Mechanical  
13 Engineering Degree from Manhattan College in 1973. I  
14 also received a Masters of Business Administration from  
15 Fordham University in 1978 and completed the Public  
16 Utility Executive Program in July 1993 at Michigan  
17 University. I am a Professional Engineer in the State  
18 of New York and a member of The American Society of  
19 Mechanical Engineers Industry Advisory Board.

20 (Poirier) I graduated from Worcester Polytechnic  
21 Institute in 1983 with a Bachelor of Science degree in  
22 Mechanical Engineering.

23 Q. What are your current responsibilities?

24 A. (Foppiano) My primary responsibility is to provide

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1 engineering leadership and oversight to ensure the safe  
2 and sustained operation and maintenance of specific  
3 systems within their design criteria. These systems  
4 include: the electric system and transmission  
5 operations infrastructure, the steam distribution and  
6 transmission systems, and the mechanical and structural  
7 systems and equipment that support both the steam and  
8 electric generating stations.

9 (Poirier) I am responsible for the management of all  
10 activities required to safely and reliably produce  
11 electricity and steam at East River. This includes  
12 managing the annual operation and maintenance ("O&M")  
13 and capital budgets for East River and developing  
14 forecasts for future expenditures required to maintain  
15 and improve station performance.

16 Q. Have any members of the Panel testified previously  
17 before the New York State Public Service Commission  
18 ("Commission")?

19 A. Yes. We have submitted testimony as well as testified  
20 before the Commission (Foppiano - Cases 05-S-1376, 07-  
21 E-0523 and 07-S-1315 and Poirier - Case 07-E-0523).

22 Q. Would you briefly describe the purpose of the Panel's  
23 testimony?

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1 A. Our testimony addresses the Company's planned O&M and  
2 capital spending for its Electric Production  
3 facilities.

4 CAPITAL CONSTRUCTION PROGRAMS

5 Q. Please describe the Electric Production Construction  
6 Program.

7 A. The Electric Production Construction Program  
8 establishes the Company's capital funding requirements  
9 for the safe, efficient and reliable operations of the  
10 East River Station's electric generating Units 6 and 7  
11 and the six gas turbine electric generators located at  
12 the E74<sup>th</sup> Street, W59<sup>th</sup> Street and Hudson Avenue power  
13 plants. The capital expenditures are grouped into  
14 functional programs as follows: 1) Environment, Health  
15 and Safety ("EH&S"), 2) Boilers, 3) Steam turbines, 4)  
16 Mechanical equipment, 5) Electrical equipment, 6)  
17 Control systems, 7) Structures, 8) Waterfront, 9) Roofs  
18 and 10) Security.

19 Q. Please explain the program in greater detail.

20 A. The Company's Electric Production Construction Program  
21 is a comprehensive and systematic capital expenditure  
22 plan to rehabilitate and improve structures, systems  
23 and components as age and conditions warrant and as may  
24 be required by governmental regulations. The program

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1 identifies capital expenditures for improvements in key  
2 functional areas of the station that are important for  
3 reliable operations of electric generating equipment.  
4 Conditions that may affect the reliability of the  
5 station, pose risks to personnel safety or the  
6 environment and regulatory requirements, are identified  
7 during routine plant operations, inspections, system  
8 assessments or due to equipment failure or malfunction.  
9 Corresponding capital improvement projects to correct  
10 these conditions are then developed, prioritized and  
11 planned based on their relative contribution to the  
12 safe and reliable operation of the station. As such,  
13 areas that need improvement are dynamic, and changing  
14 plant conditions often require reallocation of  
15 resources to address higher priority needs, e.g.,  
16 emergent conditions that may pose higher risks to  
17 personnel and public safety, the environment, plant  
18 reliability or are required to meet regulations.  
19 Accordingly, the Company adjusts the functional  
20 programs funding allocations when higher priority needs  
21 arise.

22 Q. What constraints are considered in implementing this  
23 program?

24 A. The objective of the Company's Construction program is

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1 to effect capital improvements to provide continuous  
2 safe and reliable service at reasonable costs. The plan  
3 is prepared based on the most current information  
4 available on the condition of the station's structures,  
5 systems and components or in response to equipment  
6 failure or malfunction. Several, often opposing,  
7 constraints are taken into consideration, e.g., annual  
8 capital expenditure levels, equipment procurement long  
9 lead time, construction duration, equipment and station  
10 outages - particularly longer than routine outage  
11 durations to accommodate the increased project work  
12 scope - and synergy of concurrent projects and  
13 activities.

14 Q. How are these issues managed?

15 A. The objective is to maintain high levels of safety and  
16 reliability in plant operations. The plan maximizes  
17 the Company's ability to meet this objective by  
18 balancing the need to make plant improvements within a  
19 reasonable time period, with the various resource  
20 requirements and other existing constraints, e.g.,  
21 project schedule, funding, outages, new equipment, etc.  
22 Some of the actions taken include maintaining a rolling  
23 five-year capital program and allocating funding to key  
24 functional areas; prioritizing the projects by

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1 emphasizing safety and reliability and implementing  
2 large projects in phases thereby leveling out cash flow  
3 and minimizing prolonged outages.

4 Q. What measures does the Company apply to implement these  
5 projects at a reasonable cost?

6 A. The Company's Infrastructure Investment Panel discusses  
7 the Company's project management and contract bidding  
8 processes. Similar practices are followed for electric  
9 production projects as well.

10 Q. Has the Panel prepared an exhibit entitled  
11 "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. -  
12 ELECTRIC PRODUCTION CONSTRUCTION PROGRAM, ESTIMATED  
13 2008-2012" that shows the Company's electric production  
14 capital program?

15 A. Yes.

16 MARK FOR IDENTIFICATION AS EXHIBIT \_\_\_\_ (EPP-1)

17 Q. Please describe this Exhibit.

18 A. This Exhibit summarizes Con Edison's projected capital  
19 funding requirements for the Electric Production  
20 Construction Program from 2008 through 2012 by  
21 functional program. While there has been some shift in  
22 funding among functional programs, overall, the  
23 Company's projected capital spending for electric  
24 production for 2009-2011 is the same as the projected

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1 capital funding for this purpose in the Company's last  
2 electric rate case, which was adopted for the purpose  
3 of setting current electric rates. Consequently, no  
4 incremental rate relief is required for electric  
5 production construction in this proceeding.

6 Q. Please describe what is covered in the EH&S functional  
7 program.

8 A. There are two general types of projects covered in this  
9 category. First, implementation of the Company's  
10 continuous commitment to personnel safety and  
11 environmental protection requires capital funding to  
12 address and correct plant conditions that may pose EH&S  
13 risks. To address these conditions, usually identified  
14 during routine plant operations, capital improvement  
15 projects are identified and planned for implementation  
16 in the EH&S functional program. Second, this  
17 functional program includes capital improvement  
18 projects needed for compliance with applicable  
19 regulatory requirements.

20 Q. Please discuss recent EH&S projects.

21 A. Examples of recent EH&S projects include installation  
22 of an oily water separator, a flow control valve noise  
23 silencer and egress lighting at the East River Station.  
24 Recent regulatory related projects include Fish Life

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1 Preservation required by the New York State Department  
2 of Environmental Conservation ("NYSDEC") and city water  
3 backflow prevention required by the New York City  
4 Department of Environmental Protection ("NYCDEP").

5 Q. What are the EH&S functional program funding  
6 requirements?

7 A. During 2009, the Company plans to spend approximately  
8 \$3.4 million for EH&S related projects as follows:

- 9 • The fire suppression system for the three gas  
10 turbine generators at the Hudson Avenue Station  
11 will be replaced at a projected cost of \$1.5  
12 million. The current system, which uses carbon  
13 dioxide gas (CO<sub>2</sub>) as the fire suppression media,  
14 is obsolete and will be replaced with a water mist  
15 system that will also provide additional personnel  
16 safety. The proposed system will be similar in  
17 design to the systems currently in service at the  
18 E74<sup>th</sup> and W59<sup>th</sup> Street Stations.

- 19 • The Fish Life Preservation project at the East  
20 River Station -- required by NYSDEC Consent Order  
21 R2-2985-90-04 -- will be implemented in several  
22 phases over the next five years starting in 2008  
23 at an estimated cost of \$14.0 million. The  
24 current plan will allow for prototype testing of

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1 the new technology prior to full implementation of  
2 project and minimize the impact on plant  
3 operations. The projected expenditure for 2009 is  
4 \$1.0 million. Assuming successful testing  
5 results, major construction for this project is  
6 planned for 2011 and 2012 and is the basis for the  
7 higher level of funding requirement for these  
8 years.

- 9 • The NYCDEP requires the installation of specific  
10 equipment to prevent water flow out of the station  
11 and into the City water supply piping. This  
12 equipment will be installed at each of the  
13 Station's City water supply pipeline at an  
14 estimated total cost of \$400,000.
- 15 • Included in the expenditure plan for the EH&S  
16 functional program is \$500,000 to cover emergent  
17 projects, that is, projects to address changing  
18 and unforeseen plant conditions that may affect  
19 safety and the environment that cannot be  
20 specified at this time but can be reasonably  
21 anticipated to occur during the rate year based  
22 upon historical experience. This level of  
23 expenditure is projected for each year of the five  
24 year period ending in 2012.

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1 Q. Please describe the capital expenditure requirements  
2 for the Boilers and Steam Turbines functional programs.  
3 A. The main electric generating equipment at the East  
4 River Station Units 6 and 7 are the boilers and steam  
5 turbines. These components, as well as the gas turbine  
6 generators, degrade over time due to age, length of  
7 operation and normal wear and tear. Excessive wear may  
8 affect the ability of the units to generate their rated  
9 steam and electric capacity output. To avoid the  
10 likelihood of a potential de-rate or unit shutdown,  
11 overhauls to replace and refurbish the boilers and  
12 turbine major components are systematically planned  
13 based on manufacturers' and industry guidelines, length  
14 of operation, unit performance and engineering  
15 assessments. These projects are needed for reliable  
16 operation of the units and to minimize the potential  
17 reduction to in-City generation, to which Con Edison's  
18 retained net generation contributes approximately 800  
19 mW. The Company plans expenditures of \$5.5 million for  
20 the Boilers functional program in 2009, which includes  
21 an upgrade of East River's Unit 70 Boiler Casing and  
22 Insulation and replacement of air preheater baskets.  
23 In 2010, the plan includes the replacement and upgrade  
24 of East River's Unit 70 boiler burners at a projected

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1 cost of \$4.6 million. Expenditures for the Steam  
2 Turbines functional program are not planned until 2011  
3 to upgrade and replace East River station's Unit 7  
4 turbine stationary components as performance and  
5 condition warrant. The projected funding requirement  
6 in 2011 for this project is \$2.0 million.

7 Q. Please describe the construction expenditure  
8 requirements for the Mechanical Equipment Replacement,  
9 Electrical Equipment, and Control Systems Functional  
10 Programs.

11 A. These programs include projects to replace and improve  
12 equipment and systems in three key functional areas of  
13 the station. These equipment replacements and  
14 improvements are required to address age-induced  
15 degradation, obsolescence, malfunction, and failures  
16 that could potentially lead to unreliable operations  
17 and contribute to plant unavailability. In addition,  
18 these programs include projects to upgrade equipment  
19 and systems via the application of new technologies.  
20 New technologies expand the capability and efficiency  
21 of plant systems, improve response time, and  
22 significantly enhance the reliability of the electric  
23 supply to our customers.

24 Q. What is equipment obsolescence?

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1 A. Equipment obsolescence occurs when the equipment is no  
2 longer supported by the original equipment  
3 manufacturer, spare parts are no longer available, or  
4 equipment does not operate efficiently because it is  
5 beyond its service life due to length of service and  
6 normal wear and tear. For example, the East River  
7 Station is over 50 years old. Systematic replacement  
8 of this equipment is important to the reliability of  
9 East River Units 6 and 7 and the gas turbine electric  
10 generators.

11 Q. What are the planned expenditures for the Mechanical  
12 Equipment Replacement program?

13 A. In general, this program includes the replacement and  
14 improvement of mechanical equipment, such as pumps,  
15 valves, heat exchangers, air compressors, tanks, fire  
16 protection, heating and air conditioning. Capital  
17 expenditures for the Mechanical Equipment functional  
18 program for 2009 are projected to be \$3.4 million. The  
19 projects currently planned for 2009 include replacement  
20 of No. 7 boiler feed pump recirculation piping and feed  
21 water heater 63 north, and relining of the spent  
22 chemical tank at the East River Station. In 2010, the  
23 Company plans to spend approximately \$8.0 million in  
24 this functional program. Major projects planned for

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1 2010 include replacement of the tank farm oil heaters,  
2 upgrade to buildings vent fans, replacement of  
3 feedwater heater 64 north and upgrade to Unit 6 boiler  
4 feed pumps. Similar-type projects are planned for  
5 subsequent years.

6 Q. What are the planned expenditures for the Electrical  
7 Equipment program?

8 A. The station's electrical system provides power to run  
9 equipment and systems throughout the station, such as  
10 pump motors, valves, fans, controls, lighting, fire  
11 suppression, air, water, and fuel supply systems.  
12 Proper operation and dependability of the electrical  
13 supply systems is a cornerstone to the station's  
14 overall reliability and performance. Failures of  
15 electrical system components result in forced station  
16 outages and derate. Consequently, due to obsolescence,  
17 the age of the equipment and current conditions, the  
18 Company's capital plan includes the systematic  
19 replacement of the East River station's major  
20 electrical supply equipment over the next several  
21 years. Condition assessments of this equipment are  
22 planned in 2008. The equipment replacement projects  
23 will be prioritized and sequenced based on these  
24 condition assessments and other major projects. In

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1 2009, the capital expenditure requirement for the  
2 Electric Equipment functional program is projected to  
3 be \$10.85 million. The Electrical Equipment functional  
4 program projects currently planned for 2009 are as  
5 follows:

- 6 • Replacement of M71 Switchgear and transformer
- 7 • Replacement of Light & Power bus supply feeder
- 8 • Replacement of Light & Power bus Switchgear,  
9 transformer, and breaker
- 10 • Replacement of generator No. 6 exciter bus and  
11 breaker installation.
- 12 • Replacement of Unit 70 salt water and fresh water  
13 pumps control panels.

14 Q. Are there other benefits associated with the systematic  
15 replacement of electrical equipment?

16 A. Yes. As with any new equipment, its design and  
17 capability has improved significantly when compared to  
18 the existing 50 year old equipment. Thus, in addition  
19 to improved reliability, other benefits of upgrading  
20 equipment include increased electrical capacity to  
21 supply the station components, improved personnel  
22 safety, enhanced status monitoring, and enhanced  
23 operator control features and energy efficiency. For  
24 example, new equipment design is compatible with the

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1 station's digital controls and provides the capability  
2 for remote monitoring of important parameters from the  
3 main control room.

4 Q. What are the expenditures requirements for the Controls  
5 Systems program?

6 A. The Control System functional program expenditures  
7 level planned for 2009 is \$8.3 million. This program  
8 includes the replacement and upgrade of control systems  
9 throughout the station, e.g., transmitters, distributed  
10 control systems, control panels and terminals,  
11 monitoring instrumentation, and wiring. These control  
12 system upgrades provide new capabilities not previously  
13 available with the old technology, such as automatic  
14 operation of critical components, monitoring of many  
15 more parameters to aid plant operators, and faster  
16 response times. All of these significantly improve the  
17 operation of the station, especially during critical  
18 periods such as times of peak load demands. Some of  
19 the projects planned for 2009 include upgrade of the  
20 Units 6 and 7 demineralized water plant controls and  
21 chemical monitoring, and Unit 6 and 7 simulators.  
22 Controls and instrumentation are replaced with  
23 currently available digital and computerized equipment  
24 that is vastly different than existing hardware

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1 requiring significant upgrades to control rooms,  
2 conduits and cables, and electric power systems. As a  
3 result, these projects are labor intensive, costly and  
4 difficult to implement due to extensive equipment and  
5 station outage requirements, and lengthy startup  
6 functional testing needs.

7 Q. Please describe what is included in the construction  
8 program under Structural, Waterfront, and Roofs  
9 Functional Programs.

10 A. The Structural program includes projects for the  
11 general and specific improvements to the generating  
12 station's structures, such as steel and concrete,  
13 masonry, facades, foundations, walls, floors, stacks,  
14 driveways, bridges, and utility tunnels. The  
15 Waterfront program specifically addresses improvements  
16 to piers, docks, water intake and discharge tunnels and  
17 related facilities and systems. Similarly, the Roofs  
18 functional program includes projects to replace and  
19 refurbish roofs and roof drains. Note that these three  
20 functional programs are only applicable to the  
21 facilities associated with electric production at the  
22 East River Generating Station and the gas turbine  
23 electric generators and not to common facilities that  
24 are discussed elsewhere in this filing.

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1 The East River station's facilities were originally  
2 constructed in 1926 and need to be maintained and  
3 upgraded for the safety of personnel, integrity of the  
4 building structures and reliability of the operating  
5 equipment. Also, inspections and repairs of some of  
6 these structures are required to meet regulatory  
7 requirements. The Company periodically inspects  
8 structures, such as building roofs, facades, concrete  
9 and steel, stacks, and docks, to assess the condition  
10 of these facilities and determine the areas in need of  
11 refurbishment. Based on the degree of degradation,  
12 facility refurbishment projects are planned to provide  
13 for the safety of employees and the public, protection  
14 of our assets, compliance with applicable regulations,  
15 and continuous reliable operation of our generation  
16 system.

17 Q. How much does the Company plan to spend on these  
18 programs?

19 A. The Company plans to spend approximately \$7.9 million  
20 on these programs in 2009 as follows:

- 21 • The expenditure forecast for the Structures  
22 functional program is approximately \$4.7  
23 million which includes projects at the East  
24 River and W59<sup>th</sup> Street Stations. The projects

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1           planned at the East River Station include  
2           continuation of the exit and egress  
3           enhancements project that consists of the  
4           construction of new staircases, platforms,  
5           signage and defined pathways in certain areas  
6           of the East River Station. This project will  
7           significantly improve access to plant areas and  
8           equipment and, should it become necessary, the  
9           safe and efficient evacuation of plant  
10          personnel. Also planned for 2009 at the East  
11          River Station are restoration of stacks and  
12          elevator "C". Based on current plans, the  
13          expenditure requirements for structural  
14          improvements start tapering downward in 2010.  
15          At the W59<sup>th</sup> Street station, in 2009 the gas  
16          turbine generator deteriorated floor is  
17          scheduled for replacement.

- 18          • For the Roof Functional Program, the Company  
19          plans to replace several East River Station  
20          roofs in 2009 at a projected cost of \$3.2  
21          million. Based on the current plans, no  
22          additional roof projects are planned through  
23          2012.
- 24          • Regarding the Waterfront functional Program,

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1 significant work was completed in 2007 to  
2 upgrade the East River dock. Consequently,  
3 there are no waterfront projects planned in  
4 2009. The Company anticipates waterfront  
5 related construction projects in 2011 based on  
6 results from an inspection planned for 2010.

7 Q. Please describe the Security program.

8 A. The East River Generating Station and Substation  
9 Complex is bordered by the FDR Drive on the east,  
10 Avenue C on the west, 15th Street on the north, and  
11 13th Street on the south. The facility consists of the  
12 generating station, a multi-million gallon oil tank  
13 farm and two substations, making it a vital facility  
14 for both Con Edison and the New York City metropolitan  
15 area. The Security program includes projects to  
16 upgrade and integrate the security systems, restrict  
17 access and provide effective surveillance of the  
18 overall East River complex. The surveillance system  
19 consists of new cameras, video monitors, card readers  
20 for access control, turnstiles, vehicle barrier  
21 surveillance, and door status monitoring in and around  
22 the facility. The video monitors and controls will be  
23 provided at the security guard booth located on the  
24 14th Street entrance and at the main lobby of the

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1 generating plant. The existing surveillance systems  
2 are being upgraded and integrated with the new system  
3 to provide overall surveillance of the facility. This  
4 system will also be part of the Company's overall new  
5 24X7 monitoring security system. Upgrading the  
6 security at the East River Station has been an ongoing  
7 project over the past several years. The expenditure  
8 projection for 2009 is \$350,000 to complete these  
9 projects and install additional features needed to  
10 facilitate the implementation of the Transportation  
11 Worker Identification Credential ("TWIC") program that  
12 is required by the Transportation Security Act of 2002.

13 OPERATION AND MAINTENANCE EXPENSES

14 Q. Did the Panel supervise the preparation of a schedule  
15 entitled "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.  
16 - ELECTRIC OPERATIONS - SUMMARY OF ELECTRIC PRODUCTION  
17 EXPENSES FOR THE RATE YEAR ENDING MARCH 31, 2010?"

18 A. Yes, we did.

19 MARK FOR IDENTIFICATION AS EXHIBIT\_\_\_ (EPP-2)

20 Q. Please describe this Exhibit.

21 A. Exhibit\_\_\_(EPP-2) details the rate year electric plant  
22 O&M expense forecast for various elements of expense.  
23 Each element is shown at the historic year level with  
24 normalizing adjustments and program changes. In total,

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1 we expect to spend approximately \$53.8 million in the  
2 rate year, an increase of approximately \$10.9 million  
3 from the historic year (2007). Please note that this  
4 request reflects an increase in O&M of only \$3.1  
5 million over the level of electric plant expenses  
6 recently approved by the Commission in Case 07-E-0523  
7 for the rate year ending March 31, 2009. We would note  
8 that this Exhibit does not reflect any escalation to  
9 calculate the total rate year forecasts for each item.  
10 The escalation for electric plant expenses other than  
11 Water costs is calculated by the Accounting Panel in  
12 Exhibit\_\_\_(AP-5). The escalation for Water costs is  
13 discussed below.

14 Q. Please explain the element of expense referred to as  
15 Water.

16 A. The Water expense at the East River Station is based on  
17 the cubic feet of water used to generate a kilowatt  
18 hour. The quantity of water required can be derived by  
19 applying the water used per kilowatt hour in the  
20 historic year to the projected rate year electric  
21 generation forecast for East River. Water costs for  
22 the rate year were derived by multiplying the projected  
23 quantity of water required for generation by \$25.11 per  
24 MCF of water. This expense is offset partially by the

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1 portion of water costs attributable to the rate year  
2 steam sendout from East River.

3 Q. Please explain the program change increase of \$264,000  
4 for Water.

5 A. Based on the above calculations for water at East  
6 River, the requirement for water in the rate year is an  
7 increase of \$1,004,000, offset partially by an increase  
8 in the steam processing charge of \$740,000, for a net  
9 increase for water of \$264,000. This increase is  
10 attributable to an increase in the projected rate year  
11 generation level for East River, amounting to \$293,000,  
12 and an 11.5 percent annual escalation for 2008 and 2009  
13 in the water rate, amounting to \$711,000. As noted  
14 above, the Accounting Panel calculates the escalation  
15 for expenses other than Water costs. The escalation we  
16 apply to Water costs is based on historical increases  
17 in water rates by the New York City Water Board and is  
18 significantly higher than the general escalation rate  
19 applied to other expenses.

20 Q. Please explain the basis for the 11.5 percent annual  
21 escalation factor.

22 A. The current water rate of \$20.20 per MCF became  
23 effective July 1, 2007 at the start of the New York  
24 City fiscal year. We applied 11.5 percent increases to

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1 that rate for 2008 and 2009 to develop the projected  
2 rate of \$25.11 per MCF for the rate year.

3 Q. Why are you projecting such a large increase?

4 A. In June 2007, the City Comptroller testified before the  
5 New York City Water Board on a proposal to limit future  
6 debt for the Water Board. In this testimony (included  
7 in Exhibit\_\_\_(EPP-2), Pages 9 - 11 attached), which  
8 occurred several weeks after the approval of the 11.5  
9 percent increase in water rates discussed above, he  
10 pointed to the 23 percent growth in the Water Board's  
11 10-Year Capital Strategy and the predictions of double-  
12 digit increases from 2009 through 2011. Thus, it is  
13 reasonable to expect that increases in water rates will  
14 continue annually.

15 Q. Will you update your testimony to reflect increases in  
16 Water expenses?

17 A. Yes, we will. We expect that the rates will be known  
18 before the end of May 2008 and will be included as part  
19 of the Company's update.

20 Q. Please describe the Boiler Cleaning program change  
21 increase of \$350,000.

22 A. The Boiler Cleaning program includes those costs  
23 required to chemically clean boiler components  
24 periodically to remove mineral deposits and iron oxides

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1 that, if not removed from the inside of the boiler  
2 tubes, would result in overheating of the tubes and  
3 eventual tube rupture. The goal of this program is to  
4 avoid these tube ruptures, and incur potentially  
5 significant expenditures for repair of ruptured tubes,  
6 by maintaining the proper heat transfer in the boiler  
7 tubes at East River to sustain plant reliability and  
8 availability. Based on an assessment of the boiler  
9 tubes completed in November 2007, the boiler for East  
10 River Unit 60 was determined to be dirty and, based on  
11 the condition of the boiler tubes at that time, the  
12 Company projected that this boiler would require a  
13 chemical cleaning in 2009. This program change  
14 reflects the need for one chemical cleaning for East  
15 River Unit 60. Based on the time required to set up  
16 and coordinate the chemical cleaning, this work is  
17 expected to be completed during the next major Unit 60  
18 outage scheduled during the rate year.  
19 For the rate year commencing April 1, 2008, the  
20 Company's rates include \$350,000 for a chemical  
21 cleaning for East River Unit 70, resulting in no  
22 incremental change in rates to accommodate the cleaning  
23 for Unit 60.

ELECTRIC PRODUCTION PANEL - ELECTRIC

1 Q. Please explain the program change increase of  
2 \$2,500,000 for Scheduled Overhauls.

3 A. This program includes the costs related to the  
4 refurbishment of a spare rotor to replace the equipment  
5 in service for East River Unit 6, which was  
6 manufactured in 1949 and installed at that time. This  
7 program is necessary to maintain the reliability and  
8 safe operations of the equipment by replacing the rotor  
9 prior to the end of its service life, as recommended by  
10 General Electric, the original equipment manufacturer.  
11 The most recent rotor inspections indicated that the  
12 metallurgical properties of this rotor are being  
13 challenged. The Company has a spare rotor for this  
14 unit which needs work to refurbish it and prepare it to  
15 replace the original rotor, which includes rewinding  
16 the rotor, removing all surface oxidation and polishing  
17 all critical surfaces, mapping all critical dimensions  
18 of couplings, journals, bolt hole and making any  
19 corrections as needed, performing a Bore visual  
20 examination, a Bore magnetic particle test, radial and  
21 angle beam Bore-sonic tests, periphery and axial  
22 ultrasonic tests, a testing of coil slots and a low  
23 speed balance test after completion of all other  
24 refurbishment efforts.

ELECTRIC PRODUCTION PANEL - ELECTRIC

- 1 Q. Please explain the program change increase of  
2 \$2,244,000 for Gas Turbines.
- 3 A. This program is the continuation of a three-year  
4 program that commenced in 2008 with annual O&M expenses  
5 of \$2,244,000 to complete required maintenance of the  
6 GT equipment at the Hudson Avenue, 59<sup>th</sup> Street, and 74<sup>th</sup>  
7 Street generating stations. This maintenance program  
8 includes such activities as the removal and replacement  
9 of GT engines, inspection and repair of free turbines  
10 and blades, inspection and repair of electric generator  
11 rotors and associated equipment, replacement of free  
12 turbine and gas generator lube oil coolers, replacement  
13 of torn and deteriorated asbestos, disassembly,  
14 cleaning and inspection of electric generator  
15 ventilation air ducts, inspection and repair of hot gas  
16 path and associated equipment, replacement of air-  
17 operated stop valves and oil temperature valves,  
18 replacement of compartment doors that have  
19 disintegrated from high temperatures, replacement of  
20 thermocouple extension wires, inspection and repair or  
21 replacement of combustion liners and fuel nozzles, and  
22 additional repairs as needed to various other GT  
23 equipment.
- 24 Q. Are there any other reasons for this program change?

ELECTRIC PRODUCTION PANEL - ELECTRIC

1 A. Yes. The enhanced reliability of the GTs will support  
2 critical service during peak summer electric demand.  
3 Additionally, one of the Company's initiatives after  
4 the August 2003 blackout was to determine the necessary  
5 steps to mitigate the effect of a similar blackout in  
6 the future. As the August 2003 blackout commenced, all  
7 in-City electric generating stations were shutdown due  
8 to the loss of electricity. The Company plans to use  
9 one GT at each of these three generating stations as  
10 part of its restoration plan to provide critical  
11 electric service for the accelerated restoration of the  
12 steam system. To achieve optimum reliability and  
13 re-start capability, the Company created this planned  
14 maintenance and repair program, as recommended by the  
15 equipment manufacturers.  
16 As noted above, for the rate year commencing April 1,  
17 2008, the Company's rates include \$2,244,000 for this  
18 three-year program. Accordingly, no additional funding  
19 is required to continue this program.

20 Q. Please explain the program change increase of  
21 \$2,940,000 for Facilities Maintenance.

22 A. Facilities Maintenance is maintenance that is performed  
23 to facility structures, structural components and  
24 infrastructure that keeps the facility in an acceptable

ELECTRIC PRODUCTION PANEL - ELECTRIC

1 state of repair. This program change is comprised of  
2 two separate items for the East River generating  
3 station, namely: (1) Local Law 11, amounting to  
4 \$1,640,000; and (2) Stack Repairs, amounting to  
5 \$1,300,000.

6 Q. Please explain the program change increase of  
7 \$1,640,000 for Local Law 11.

8 A. This increase is necessary for the Company to comply  
9 with Local Law 11 at the East River generating station.  
10 New York City Local Law 11 mandates the periodic  
11 inspection and repair of the exterior walls and  
12 appurtenances of buildings greater than six stories in  
13 height for public safety. These critical examinations  
14 are completed on a five-year cycle, with a two-year  
15 window for report filing to establish the repairs  
16 required to comply with this mandate. The last  
17 inspection and report filing was completed in February  
18 2007. It was recommended that the repairs to  
19 deteriorated conditions be made within a two-year time  
20 frame. This program reflects the repairs identified  
21 in that report, and includes such items as repairing  
22 cracked masonry and spalled stone, brick pointing,  
23 replacement of cracked bricks, and repairing

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1 deteriorated window and door sills and lintels, and  
2 the partial rebuilding of parapet walls.

3 Q. Please explain the program change increase of  
4 \$1,300,000 for Stack Repairs.

5 A. Stack inspections include the structural components of  
6 the stack (typically steel, reinforced concrete or  
7 masonry), interior lining, exterior coating, and all  
8 appurtenances, such as ladders and cages, service  
9 platforms and sample ports. These inspections are  
10 completed every five years based on industry standard  
11 practice. The four stacks at East River were inspected  
12 between 2000 and 2005, and the repairs resulting from  
13 those inspections are scheduled for completion in 2008  
14 and 2009.

15 This program includes the repairs required for Unit 60  
16 stack #3 and Unit 70 stack #4 at East River. In 2004,  
17 these stacks were inspected comprehensively. At that  
18 time, the exterior shell and attached structures were  
19 evaluated for corrosion and coating integrity, which  
20 were found to be in fair condition. The recommended  
21 repairs include the recoating of the stack exteriors  
22 and attached structures (i.e., service platforms and  
23 ladders) to prevent rusting or external corrosion,  
24 which could compromise the structural integrity of the

ELECTRIC PRODUCTION PANEL - ELECTRIC

1 stacks, repairs to the service platforms and rain  
2 hoods, replacement of the upper 20 feet of the ladder  
3 on stack #3, the installation of safety gates, the  
4 repair of door hinges, and the replacement of PM ports.  
5 The inspection recommended that the Company complete  
6 all repairs within three to five years.

7 For the rate year commencing April 1, 2008, the  
8 Company's rates include \$3,200,000 for similar  
9 Facilities Maintenance efforts at East River, resulting  
10 in an overall minor decrease in rates for such repairs  
11 as compared to the rates currently in effect.

12 Q. Please describe the long-term major maintenance  
13 strategy for the new gas turbines at East River Units 1  
14 and 2, resulting in a program change increase of \$2.6  
15 million.

16 A. The maintenance of the new gas turbines at East River  
17 is focused on maintaining the Hot Gas Path Parts, or  
18 those items in the Combustion Section and Turbine  
19 Section exposed to high temperature gases, and the  
20 Auxiliary Systems, including control devices, fuel  
21 metering equipment, generator and excitation systems,  
22 and other auxiliary systems. The Hot Gas Path Parts  
23 are removed from the unit at scheduled operating  
24 intervals, and either refurbished or replaced based on

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1 guidelines established by General Electric, the  
2 Original Equipment Manufacturer ("OEM"). The  
3 maintenance of the Auxiliary Systems is performed in  
4 accordance with OEM guidelines, industry standards, and  
5 Con Edison Corporate Operating Procedures.  
6 The maintenance program is comprised of the following  
7 five categories: 1) Parts Replacement, 2) Parts  
8 Refurbishment, 3) Outage Services, 4) Additional  
9 Maintenance, and 5) Unplanned Maintenance. The Company  
10 was negotiating with a vendor to establish a  
11 Contractual Service Agreement ("CSA") through which  
12 this vendor would have been the single-service provider  
13 for each of these five categories. In 2006, the vendor  
14 withdrew from those negotiations, at which time the  
15 Company developed a Self-Managed Maintenance Strategy.  
16 The Self-Managed Maintenance Strategy effectively means  
17 that the Company will work, either through in-house  
18 forces or through the competitive bid process, to  
19 manage and undertake the maintenance of this equipment.  
20 The Maintenance Strategy consists of five components,  
21 described as follows:

- 22 • Parts Replacement - The Company has purchased Hot  
23 Gas Path Parts from the OEM to facilitate  
24 scheduled maintenance and support forced outages,

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1 if necessary. As the operating time of the units  
2 increases and the Hot Gas Path Parts require  
3 replacement, we will purchase Parts through a  
4 competitive bid process or, where required,  
5 directly from the OEM.

- 6 • Parts Refurbishment - Refurbishments will be sent  
7 off-site for repair after each inspection to one  
8 of several qualified vendors through a competitive  
9 bid process.

- 10 • Outage Services - Scheduled overhauls are divided  
11 into three categories: 1) Combustion Inspections,  
12 2) Hot Gas Path Inspections, and 3) Major  
13 Inspections. Each inspection is inclusive of the  
14 previous and, therefore, larger in scope. East  
15 River Units 1 and 2 maintenance expenses vary  
16 significantly each year based on the required  
17 inspections in that year. Major maintenance on  
18 the gas turbines is based on specific operating  
19 intervals of 12,000 (combustion inspection),  
20 24,000 (hot gas path inspection), and 48,000  
21 (major inspection) factored fired hours, which  
22 occur, on average, every 18, 36, and 72 months of  
23 operation, respectively. However, the actual  
24 timing of when these durations are achieved is

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1 variable. For example, they may be impacted by  
2 weather, unit trips and other unpredictable  
3 factors. When these intervals are reached, the  
4 machine is disassembled and the major gas turbine  
5 components are inspected and repaired and/or  
6 replaced. The expenses associated with each  
7 overhaul are significant and will vary greatly  
8 depending on which outage is being performed.  
9 These overhauls will be performed by either  
10 Company construction personnel or a third party  
11 vendor, based on cost and availability. We are  
12 currently in the process of obtaining a contract  
13 with a third party to provide these services in  
14 the event that Company forces are not available.  
15 The third party contract will be a term contract  
16 to perform the outage work, either Planned or  
17 Unplanned efforts, on a fixed-price basis with the  
18 Company retaining the option to use Company forces  
19 to perform the work. Essentially, the contract is  
20 a contingency when Company forces are unavailable  
21 and will protect the Company from time-and-  
22 material overruns during a forced outage.

- 23 • Additional Maintenance - Company personnel or
- 24 third party vendors will perform maintenance

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1 associated with the gas turbine and generator  
2 auxiliaries. The decision to use Company  
3 personnel or a vendor will be based on the scope  
4 of work and the associated cost. If specialized  
5 training or knowledge is required, the appropriate  
6 OEM or vendor will be used for this maintenance.

- 7 • Unplanned Maintenance - Corrective maintenance and  
8 unscheduled outages will be performed by either  
9 Company personnel or third party vendors, based on  
10 cost, scope and availability.

11 Q. When do you project these costs will be incurred?

12 A. The Company will continue to incur these costs as we  
13 have since the commencement of operations of these  
14 units in 2005, with higher costs estimated in the  
15 latter half of the 12-year maintenance cycle. At the  
16 start of the rate year, we will be approximately four  
17 years into this cycle since the units commenced  
18 operations in April 2005. The costs will increase  
19 progressively over time as the equipment ages and  
20 require more extensive repairs and, ultimately, reach  
21 their replacement interval. As each of the major parts  
22 reaches the end of its useful life, they will need to  
23 be replaced, at a significant cost. For example, a  
24 full set of combustion parts is approximately \$8

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1 million, whereas hot gas path parts are approximately  
2 \$16 million. The fact that these repair and/or  
3 replacement expenses are incurred in the same year as  
4 the major overhauls, which are scheduled to occur in  
5 the same rate period on both units, contributes further  
6 to the variation in the annual O&M expenses.

7 Q. What are the estimated costs for this major  
8 maintenance?

9 A. The expected costs vary between \$7.3 million and \$14.0  
10 million in each rate year, for an estimated total of  
11 approximately \$44.7 million over the next five years  
12 (for the rate years ending March 31, 2010 through March  
13 31, 2014, the estimated costs are \$7.3 million, \$8.1  
14 million, \$14.0 million, \$7.3 million and \$8.0 million,  
15 respectively). The actual costs in any one rate year  
16 may increase significantly based on unit operation and  
17 equipment condition in the event that an outage must be  
18 performed in a different year than originally  
19 forecasted. In the rate year ending March 31, 2010,  
20 this maintenance is expected to total approximately  
21 \$7.3 million, or \$2.6 million higher than the historic  
22 year expenditures.

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- 1 Q. What is the estimated level of expenditures for these  
2 maintenance costs for the current rate year (the year  
3 ending March 31, 2009)?
- 4 A. During the current rate year, the Company projects to  
5 spend approximately \$14 million for the maintenance of  
6 these units, but will collect from customers only \$7.5  
7 million based on the rates established in Case 07-E-  
8 0523, effectively resulting in a revenue deficiency of  
9 approximately \$6.5 million for the rate year. However,  
10 Case 07-E-0523 allowed the Company to retain funds  
11 previously collected from customers for this purpose  
12 instead of refunding the amount and recollecting it  
13 from customers. As of March 31, 2008, the reserve set  
14 aside for these major maintenance costs totaled \$8.6  
15 million, which the Company will use to offset these  
16 additional maintenance costs above the level allowed in  
17 rates. If the costs are incurred as currently  
18 projected, there will be approximately \$2.1 million  
19 remaining in the reserve for future maintenance  
20 expenditures. Once this reserve is depleted, rates  
21 will need to increase by a commensurate amount to  
22 reflect the total maintenance costs. We would note  
23 that our request for this work in the rate year is

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- 1           essentially the same level as the amount the Commission  
2           allowed in rates in Case 07-E-0523.
- 3    Q.    Does this complete the Panel's testimony?
- 4    A.    Yes, it does.

Consolidated Edison Company of New York, Inc.  
Electric Production Construction Program  
Estimated 2008 -2012 (\$1000)

FUNCTIONAL PROGRAM	2008	2009	2010	2011	2012	TOTALS 2009 -2012
EH&S (See Exhibit__(EPP-1), Page 2 of 12)	770	3,400	3,000	4,800	6,500	17,700
Boilers (See Exhibit__(EPP-1), Page 3 of 12)	-	5,500	5,350	-	5,000	15,850
Steam Turbines (See Exhibit__(EPP-1), Page 4 of 12)	1,000	-	-	2,000	-	2,000
Mechanical Equipment (See Exhibit__(EPP-1), Page 5 of 12)	6,900	3,400	7,970	3,400	9,500	24,270
Electrical Equipment (See Exhibit__(EPP-1), Page 6 of 12)	4,280	10,850	17,230	21,350	12,900	62,330
Control Systems (See Exhibit__(EPP-1), Page 7 of 12)	15,575	8,300	4,600	600	600	14,100
Structures (See Exhibit__(EPP-1), Page 8 of 12)	4,050	4,700	1,500	2,000	-	8,200
Waterfront (See Exhibit__(EPP-1), Page 10 of 12)	400	-	-	1,600	4,800	6,400
Roofs (See Exhibit__(EPP-1), Page 11 of 12)	1,300	3,200	-	-	-	3,200
Security (See Exhibit__(EPP-1), Page 12 of 12)	1,750	350	-	-	-	350
<b>TOTALS</b>	<b>36,025</b>	<b>39,700</b>	<b>39,650</b>	<b>35,750</b>	<b>39,300</b>	<b>154,400</b>

<b>Project/Program Title</b>	EH&S
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 – 2012

**Work Description:**

This program is designed to address environmental, health and safety issues (EH&S) that are identified during routine operation of the East River generating station and the Gas Turbine electric production facilities. Also included in this program are projects to address regulatory requirements.

Projected replacements and upgrades in the 2009 to 2012 capital forecast include:

- East River Fish Life Preservation project
- East River City Water Back Flow Prevention
- Hudson Avenue replacement of the Fire Suppression System for Gas Turbines (GTs) 3,4 & 5
- EH&S improvements identified during routine plant operations

**Justification:**

These projects are necessary to correct conditions that pose EH&S risks and are required to meet governmental regulations and company EH&S requirements.

**Estimated Completion Date:**

2009 - 2012

**Status**

Ongoing

**Funding (\$000):**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
3,400	3,000	4,800	6,500	17,700

<b>Project/Program Title</b>	Boilers
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 - 2012

**Work Description:**

This program is required to replace and improve boiler pressure parts and associated equipment at East River generating station electric production units and includes, but is not limited to, boiler tubes, headers, refractory, burners, air-preheater baskets, forced draft (FD) and induced draft (ID) fans, and boiler ducts.

Major replacement and upgrades projects included in our 2009 to 2012 capital forecast include:

- East River - No. 70 replacement of Boiler casing and insulation, burners, air preheater baskets and force air and induce air fans dampers upgrade..
- East River - No. 60 Boiler replacement of manifold steam outlet header and hopper slope tubes replacement.

**Justification:**

ER boilers 60 and 70 are more than 50 years old and need to be upgraded to ensure reliable operation. Boiler condition assessments and inspections are routinely done to determine the condition of pressure parts, refractory / casing, air preheaters and associated boiler equipment. These assessments include non-destructive testing and metallurgical analysis of headers, tubing and other pressure parts to determine thicknesses and metallurgy compared to code requirements. It's normal for certain pressure components to deteriorate over time due to effects of age, cycling, corrosion, long term high temperatures and stresses. These same factors can also affect the other non-pressure parts, boiler equipment (burners, refractory, dampers, ducts, etc). Also, certain components, such as air preheater baskets have a finite life and need to be periodically replaced to maintain boiler operating efficiencies.

**Estimated Completion Date:**

2009 – 2012

**Status:**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
5,500	5,350	-	5,000	15,850

<b>Project/Program Title</b>	Steam Turbines
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 - 2012

**Work Description:**

This program is designed to replace major components and perform required improvements of steam turbine systems at the East River generating station. These improvements include, but are not limited to, the replacement of steam path components such as turbine blades, nozzle blocks, emergency stop valves and steam emission valves. Replacement of the East River Unit 7 Low Pressure Turbine Stationary component is planned for 2011.

**Justification:**

ER steam turbines units 6 and 7 are more than 50 years old and need to be upgraded to ensure reliable and safe operation. Steam turbines rotating and stationary steam path components wear over time. Deterioration of certain steam path components result in both reduced electric capacity output as well as higher unit heat rates, i.e., reduce efficiency, due to higher fuel consumption for same megawatt output. Condition assessments done on a routine basis include non destructive visual and metallurgical examination of key turbine system components to assure their safe and efficient performance. Major overhauls are planned based on running hours per manufacturer's recommendations, industry practice and results of these condition assessments.

**Estimated Completion Date:**

2011

**Status**

Planning

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009-2012
-	-	2,000	-	2,000

<b>Project/Program Title</b>	Mechanical Equipment
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 - 2012

**Work Description:**

This program includes improvements to mechanical systems at East River Generating Station and the Gas Turbine electric production facilities. Upgrades /replacements of mechanical equipment and systems include: pumps, valves, tanks, HVAC equipment, piping, feedwater heaters, and heat exchangers.

Major replacements and upgrade projects that included in the 2009 to 2012 capital forecast include:

- East River feedwater heater replacements: 63N, 64N, 64S, 72, 73, 75, and 76N, Unit 6 and Unit 7 main oil coolers and Tank Farm Oil heaters replacement.
- Pump and other rotary equipment replacements / upgrades: Unit 60 Feed Pumps, No. 60 Motor Driven Pump, Station Air Compressors, Unit 6 and 7 Water Treatment Plant Pumps and Building Vent Fans upgrade.
- Piping system replacements and upgrades: East River – Unit 7 recirculation Piping replacement, Unit 7 East and West Condensate Storage Tank replacement, Unit 60 Salt Water Cooling System piping replacement and flood control system upgrade.
- Emerging issues that require a timely resolution to ensure continued safe and reliable operation of the electric production facilities. This work is associated with unanticipated failures of control, mechanical, and electrical system and equipment.

**Justification:**

Operating equipment and associated systems replacement/ upgrades are required due to deterioration of equipment beyond economical repair, system design basis changes, new systems, or needed replacement of obsolete equipment / components. For example, feedwater heater tube failures usually progress linearly over time until approximately 15% of the tubes in the feedwater heater are plugged and then the failure rate increases exponentially. This program replaces feedwater heaters as they approach the end of their useful life. Feedwater heaters improve the generating unit's heat rate which is a measure of the unit's efficiency. Systematic replacement and upgrade of equipment is needed to ensure efficiency and reliability of our electric production facilities.

**Estimated Completion Date:**

2009 - 2012

**Status:**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
3,400	7,970	3,400	9,500	24,270

<b>Project/Program Title</b>	Electrical Equipment
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 - 2012

**Work Description:**

This program includes replacement and improvement to electrical systems at electric production facilities. The electric production facilities include East River generating station Units 6 & 7 and the gas turbine facilities. Upgrades /replacements of electrical equipment and systems include replacements of: transformers, switchgear, breakers, motors, exciters, generators, conduit, tray, cable and bus-work.

Major replacements and upgrades projects included in the 2009 to 2012 capital forecast include:

- Replacement of transformer / switchgear: Light & Power Busses 1, 2 &3 Switchgear, feeders and Transformers, 72 & 73 Boiler Feedpump Switchgears and transformers, 70IDE &70IDW Switchgear and Transformers, TA-71 and TA-72 transformers, 60FDE &60 FDW Switchgears and 71 & 72 Circulators Switchgear and Transformers.
- Replacement of Boiler Feed Pump and Fan Motors
- East River–Replace Generator No. 6 & 7 exciter bus-work, replace 69kV ground cable and battery replacements.
- Emerging issues that require a timely resolution to ensure continued safe and reliable operation of the electric production facilities. This work is associated with unanticipated failures of control, mechanical, and electrical system and equipment.

**Justification:**

East River Units 6 and 7 are over 50 years old. Electrical equipment and associated systems replacement and upgrades are required due to obsolesce and age induced deterioration and increase electrical demand requirements to supply new equipment. Systematic replacement of electrical equipment is necessary for reliable and safe operation of the station. Recent failures in the light and power buses have resulted in station outages.

**Estimated Completion Date:**

2009 – 2012

**Status:**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
10,850	17,230	21,350	12,900	62,330

<b>Project/Program Title</b>	Control Systems
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 – 2012

**Work Description:**

This program is required to improve control systems at East River Generating Station and the Gas Turbine electric production facilities. The program includes upgrades/replacements outdated pneumatic and relay based controls control equipment and instrumentation systems with state of the art equipment with full diagnostic and/or networking capabilities. These instrumentation and control systems support the operation of the water treatment systems, heat recovery steam generators, boilers, steam turbine-generators, gas turbine-generators, and auxiliary systems. The instrumentation and control systems are also being integrated in the Operations and Planning departments work management systems, using the diagnostic and networking information to provide equipment condition assessments and preventative maintenance recommendations.

Projected replacements and upgrades that included in our 2009 to 2012 capital forecast include:

- East River Units 6 & 7, upgrade of the water demineralization plant controls, Control Room Upgrade and migration to a central control room, chemical monitoring upgrade, and upgrade of the sequence of events recorder.
- Control Room / Operator Training Simulators: ER Unit 6 and 7 Simulator.
- Emerging issues that require a timely resolution to ensure continued safe and reliable operation of the electric production facilities. This work is associated with unanticipated failures of control, mechanical, and electrical system and equipment.

**Justification:**

East River Units 6 and 7 are over 50 years old. Consequently, control system upgrades are required due to obsolescence and equipment deterioration due to age. Monitoring system improvements and control system enhancements will increase operator awareness of equipment status as well as assessment of plant and operator performance.

The new Units 6 and 7 simulators will assist operators with training and aid engineers in troubleshooting and testing system control system modifications.

**Estimated Completion Date:**

2009 -2012

**Status**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
8,300	4,600	600	600	14,100

<b>Project/Program Title</b>	Structures
<b>Status</b>	Ongoing
<b>Estimate Service Date</b>	2009 - 2012

**Work Description:**

This is an ongoing program to replace or improve structures at East River generating station and our gas turbine electric production facilities. The type of work covered in this program includes: replacements and improvements to correct deficiencies found from our inspection programs for steel and concrete, masonry, building façades (Local Law 11), driveways, bridges, utility tunnels and stacks. Structural refurbishments also include those to interior and exterior masonry walls, floors, foundations and stairs.

Each of the inspection and improvement programs is described below:

**Steel & Concrete**

These inspections include the structural components of a building such as: steel beams, columns, bracing, connections, welds, bolts, masonry walls, platforms, concrete beams, floors and ceilings. They are performed on a 5-year frequency based on good engineering practice and industry standards.

**Stacks**

The interior and exterior inspections include the components of the stack (typically steel, reinforced concrete or masonry shell), interior lining, exterior coating, and all appurtenances. Inspections of operating stacks are scheduled on a 5-year cycle during unit outages. There are two stacks at the East River Station associated with electric production. Both stacks are planned to be inspected in 2008.

**Building Facades (Local Law 11)**

These inspections of the exterior walls are required by the City of New York. They are critical examinations of the exterior walls in compliance with Section 27-129 of the New York City Administrative Code and Section 32-03 of the Rules and Regulations of the City of New York for the periodic examination of exterior walls and appurtenances commonly referred to as Local Law 11. Inspection frequency is 5 years.

**Bridges**

These inspections are required by the City of New York every two years. Bridges directly over public streets require an inspection to comply with the Uniform Code of Bridge Inspection. There are three bridges at the East River station under this program. The remaining two are covered under the Steel and Concrete program.

**Exit Egress Enhancements**

These projects at the East River generating station electric production facility are to address egress issues. Egress components include: evacuation and exit signage, doors, travel paths and staircases.

**Justification:**

The station's facilities are over 50 years old and need to be maintained to ensure the safety of personnel, integrity of the building structure and reliability of operating equipment. The inspection programs and structural improvements described above are designed to identify and correct potential risks in a systematic and fiscally responsible manner.

# Electric Production

1

## Funding (\$000)

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
4,700	1,500	2,000	-	8,200

<b>Project/Program Title</b>	Waterfront
<b>Status</b>	Ongoing
<b>Estimate Service Date</b>	2009 - 2012

**Work Description:**

This is an ongoing program to replace or improve waterfront structures at the East River generating station. The type of work covered in this program includes replacements and improvements to correct deficiencies found as a result of our inspection program for waterfront facilities.

These inspections include: docks, wharves, relieving structures, bulkheads, tunnels and slope stabilizations. Items included in the inspections are: steel and timber support piles, fender piles, fender systems, sheet piling, concrete slabs and walls, timber cribbing, mooring hardware, cathodic protection system, cleats, bollards, silt profiles, and depth soundings. In addition, calculations may be performed to identify the live load capacity of docks or relieving platforms, the estimated remaining useful life of the structure, and vessel berthing capacity. Laboratory tests of timber piles and components to check their internal condition and the degree of marine borer infestation are also performed. The inspections cycle is generally 5 years based on industry standard practice. Waterfront related construction projects are anticipated in 2011 based on results from an inspection planned for 2010.

**Justification:**

The integrity and reliability of station operating equipment and safety to the public and workers are compromised by deterioration of waterfront structures. The Company's lease agreement with the City requires maintenance of the dock.

**Status**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
-	-	1,600	4,800	6,400

<b>Project/Program Title</b>	Roofs
<b>Status</b>	Ongoing
<b>Estimate Service Date</b>	2009 - 2012

**Work Description:**

This is an ongoing program to replace roofs, replace/repair roof decks and slabs, and roof support/drainage systems at the East River generating station and Gas Turbine electric production facilities.

The roof inspection cycle is based on the industry standard practice of five-years. The work identified is a result of the inspections and typically covers roof replacement, drainage upgrade, and deck or slab repair/replacement.

**Justification:**

Due to leaks through roofing systems corrugated metal decking, precast and reinforced concrete roof slabs deteriorate over time. To prevent further deterioration that could adversely affect the integrity of the underlying structure, these metal decks and concrete slabs will need to be repaired or replaced. Roof drainage systems also deteriorate over time and require replacement.

**Estimated Complete Date:**

This is an ongoing program to replace/improve roofs.

**Planning and Budgeting:**

The work includes roofs at the various elevations for the following buildings:

- Electrical Gallery
- Turbine Building
- LP Boiler House
- HP Boiler House
- Service Buildings
- Courtyard
- Jib Crane
- Stair & Elevator Bulkheads
- Towers and bridges
- Screenwell House

**Status:**

Ongoing

**Funding (\$000)**

Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast Total 2009 - 2012
3,200	-	-	-	3,200

<b>Project/Program Title</b>	Security
<b>Status</b>	Ongoing
<b>Estimated Service Date</b>	2009 - 2012

**Work Description:**

The program consists of providing closed circuit television (CCTV) surveillance and access control systems at the East River generating station complex.

The type of work covered in this program provides perimeter surveillance and access control to the East River facility. The surveillance system will consist of new cameras, video monitors, card readers, turnstiles, vehicle barrier surveillance, and door status monitoring in and around the facility. The video monitors and controls will be provided at the security guard booth located on the 14th street entrance and at the main lobby of the generating plant. The existing surveillance systems will be integrated with the new system to provide overall surveillance of the facility.

**Justification:**

East River generating station and substation complex has the FDR Drive on the east, Avenue C on the west, 15th street on the north, and 13th street on the south. The facility consists of the generating station, a multimillion gallon oil tank farm and two substations making it vital for Con Edison and New York City. After the World Trade Center terrorist attacks in 2001, the New York City Police Department issued a report recommending the closure of street entrances to the facility to prevent any potential terrorist attack.

Con Edison Engineering and Corporate Security have also performed a sensitivity analysis of the facility and determined the need for surveillance upgrades.

**Estimated Completion Date:**

2009

**Status**

In 2009 the projects started in previous years will be completed.

**Funding (\$000)**

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

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.  
ELECTRIC OPERATIONS  
SUMMARY OF ELECTRIC OPERATIONS EXPENSES FOR THE RATE YEAR ENDING MARCH 31, 2010  
(\$ in thousands)

Element of Expense	Exhibit Page Reference	12 Months Ended December 31, 2007	Normalizing Adjustments	Program Changes	12 Months Ending March 31, 2010
Company Labor		\$ 23,061	\$ -	\$ -	\$ 23,061
Manhour Expense		774	-	-	774
Material & Supplies		1,321	-	-	1,321
Preventive Maintenance		1,090	-	-	1,090
Communications		274	-	-	274
Building Service		524	-	-	524
Water	Page 2 of 11	370	-	264	634
Water Chemicals		146	-	-	146
Other (Fossil)		1,674	-	-	1,674
Environmental Programs		851	-	-	851
Boiler Cleaning	Page 3 of 11	124	-	350 (A)	474
Plant Component Upgrade		407	-	-	407
Corrective Maintenance		3,270	-	-	3,270
Consultants		28	-	-	28
Contract Labor		5	-	-	5
EDP Equipment Rentals & Maintenance		84	-	-	84
Guard Service		711	-	-	711
Asbestos Removal and Abatement		98	-	-	98
Major Maintenance - East River Units 1/2	Page 4 of 11	4,693	-	2,600	7,293
Scheduled Overhauls	Page 5 of 11	1,725	-	2,500	4,225
Gas Turbines	Page 6 of 11	645	-	2,244 (A)	2,889
Facilities Maintenance	Pages 7, 8 of 11	1,055	-	2,940 (B)	3,995
<b>Total Electric Operations Expenses</b>		<b>\$ 42,930</b>	<b>\$ -</b>	<b>\$ 10,898</b>	<b>\$ 53,828</b>

NOTE: These amounts, other than Water, exclude the impact of labor and non-labor escalation. Labor escalation is calculated and reflected in Exhibit \_\_ (AP-5), Schedule 2. Non-labor escalation for expenses other than Water is calculated and reflected in Exhibit \_\_ (AP-5), Schedule 9. The program change for Water is escalated as noted in the Electric Production Panel testimony and in the Electric Production Panel's workpapers.

(A) Program change also included in Case 07-E-0523 for the rate year ending March 31, 2009.

(B) Program change also included in Case 07-E-0523 for the rate year ending March 31, 2009 for rate relief for different facilities maintenance programs.

<b>Project/Program Title</b>	Water
<b>Status</b>	
<b>Estimated Service Date</b>	On-going

**Work Description:**

City water used in East River boilers 60/70 in the production of electricity.

**Justification:**

Program change increase attributable to both an increase in rate year generation for East River and anticipated City water rate annual increases based on City Water Board estimates.

**Estimated Completion Date:**

On-going

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
370	634	634	634	1,902

<b>Project/Program Title</b>	Boiler Cleaning
<b>Status</b>	
<b>Estimated Service Date</b>	On-going

**Work Description:**

Chemically clean East River Unit 60 boiler.

**Justification:**

Chemically clean boiler components to remove mineral deposits and iron oxides from the insides of the boiler tubes to prevent overheating of the tubes and eventual tube rupture to sustain plant reliability and availability. Chemical washes are required periodically to eliminate this residue to ensure the reliability of the equipment. The goal of this program is to avoid these tube ruptures by maintaining the proper heat transfer in the boiler tubes at East River to sustain plant reliability and availability.

Based on the results of the boiler tube inner surface deposit analysis performed by Alstom Material Technology Center in November 2007, Unit 60 boiler tubes are considered dirty and should be cleaned at the earliest opportunity. The deposit level as reported by Alstom was 46.9 g/sq.ft., exceeding the threshold value of 35 g/sq.ft. at which chemical cleaning is strongly recommended. This cleaning is scheduled for completion during the next major Unit 60 outage scheduled during the rate year.

Previous analysis on Unit 6/60 boiler waterwall tubes indicated an increasing level of deposits. In 2004 the result of the deposit analysis was 12 g/sq.ft., while in 2006 the deposit level increased to 32 g/sq.ft. In 2007, as indicated above, the tube deposit level increased to 46.9 g/sq.ft. As such, tube deposit levels need to be monitored and chemical cleanings performed when required.

Mineral deposits on the inner tube surfaces are inevitable and continuous cleaning to remove the contaminants that impair heat transfer and ultimately lead to tube failure is required to prevent inadvertent tube failures, which impact plant availability.

**Estimated Completion Date:**

On-going.

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
124	474	474	474	1,422

<b>Project/Program Title</b>	Major Maintenance – East River Units 1/2
<b>Status</b>	
<b>Estimated Service Date</b>	On-going

**Work Description:**

The maintenance of the new gas turbines at East River is focused on maintaining the Hot Gas Path Parts, or those items in the Combustion Section and Turbine Section exposed to high temperature gases, and the Auxiliary Systems, including control devices, fuel metering equipment, generator and excitation systems, and other auxiliary systems. The Hot Gas Path Parts are removed from the unit at scheduled operating intervals, and either refurbished or replaced based on guidelines established by General Electric, the Original Equipment Manufacturer (“OEM”). The maintenance of the Auxiliary Systems is performed in accordance with OEM guidelines, industry standards, and Company Corporate Operating Procedures.

The maintenance program is comprised of the following five categories:

- 1) Parts Replacement;
- 2) Parts Refurbishment;
- 3) Outage Services;
- 4) Additional Maintenance; and
- 5) Unplanned Maintenance.

**Justification:**

This major maintenance is required to ensure the reliable operations of the gas turbines. Major maintenance on these gas turbines is based on specific operating intervals of 12,000 (combustion inspection), 24,000 (hot gas path inspection), and 48,000 (major inspection) factored fired hours, which occur, on average, every 18, 36, and 72 months of operation, respectively. The timing of these intervals may be impacted by weather, unit trips, and other unpredictable factors. By the beginning of the first rate year, the units will have been in operation for approximately 4 years. We expect the costs to increase over time as the equipment becomes for expensive to repair or as the major parts reach the end of their useful lives and require replacement.

**Estimated Completion Date:**

On-going

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
4,693	7,293	8,061	14,039	29,393

<b>Project/Program Title</b>	Scheduled Overhauls – East River Unit 6 Generator Rewind
<b>Status</b>	
<b>Estimated Service Date</b>	2009

**Work Description:**

The existing low pressure generator rotor was manufactured in 1949 and has been in service in Unit 6 since that time. The most recent internal and external rotor inspections indicate that the metallurgical properties of this rotor are being challenged.

A replacement rotor for this unit, purchased in the late 1970s, is available, but needs to be prepared for service in 2009. The following work must be completed:

- Rewind the rotor
- Remove all surface oxidation and polish all critical surfaces
- Map all critical dimensions of coupling, journals, bolt holes and correct, if needed
- Perform a Bore visual examination
- Perform a Bore magnetic particle test
- Perform a radial beam Bore-sonic test
- Perform an angle beam Bore-sonic test
- Perform a periphery ultrasonic test
- Perform an axial ultrasonic test
- Perform testing of coil slots (per General Electric TIL 1294)
- Perform a low speed balance test after completion of all work

**Justification:**

To maintain reliable service and safe operating conditions, it is prudent to replace this rotor with the refurbished spare rotor prior to the end of the six year service life, as recommended by General Electric, the original equipment manufacturer of this rotor.

**Estimated Completion Date:**

2009

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
0	2,500	0	0	2,500

<b>Project/Program Title</b>	GT Maintenance Program
<b>Status</b>	On-going
<b>Estimated Service Date</b>	2010

**Work Description:**

Required maintenance of GT equipment at Hudson Ave, 59<sup>th</sup> St. and 74<sup>th</sup> St. generating stations. Scope of work to include removal/replacement of GT engines, inspection/repair of free turbine and blades, inspection/repair of electric generator rotors and associated equipment, replacement of free turbine and gas generator lube oil coolers, replacement of torn/deteriorated asbestos, installation/modification of drip pots for electric generator ventilation air ducts, inspection/repair of hot gas path and associated equipment, replacement of air-operated stop valves and oil temperature valves, replacement of compartment doors that have disintegrated from high temperatures, replacement of thermocouple extension wires, inspection/repair/replacement of combustion liners and fuel nozzles, and additional repairs to various other GT equipment.

**Justification:**

One of the company's initiatives after the August 2003 blackout was to determine the necessary steps to mitigate the effect of a similar blackout in the future. As the August 2003 blackout commenced, all in-city electric generating stations were shutdown due to the loss of electricity. The company plans to use the GTs as part of the restoration plan. This planned maintenance is expected to accelerate the restoration of electric service in such conditions, as well as provide critical re-start service for the restoration of the steam system, which would further offset some electric demand. In addition, the enhanced reliability of the GTs will support critical service during peak summer electric demand.

To achieve optimum reliability and black start capability, the company created this planned maintenance program, as recommended by the manufacturers. The program identifies the required inspections and maintenance necessary to sustain reliability and obtain rated megawatt output. The equipment is old and deteriorating, which is negatively impacting the availability and reliability of the units. Various inspections and assessments of the equipment will identify the issues that need to be addressed to ensure the reliability of these GTs.

**Estimated Completion Date:**

2010

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
645	2,889	2,889	645	6,423

<b>Project/Program Title</b>	Facilities Maintenance – East River Stack #3 and #4 Repairs
<b>Status</b>	
<b>Estimated Service Date</b>	2009

**Work Description:**

Recoat and repair the shell, service platforms, ladders and other attached structures for Stack #3 at East River Unit 60 and Stack #4 at East River Unit 70. Other work includes the replacement of a section of a ladder on Stack #3, the installation of safety gates on Stack #3, and the repair of door hinges on Stack #4.

**Justification:**

In 2004, Stacks No. 3 & 4 were inspected comprehensively. As part of this inspection, the exterior steel shell and attached structures were evaluated for corrosion and coating integrity. The evaluation of the coatings for both stacks was found to be in fair condition. The recommendation, at that time, was to recoat the stack exterior and attached structures and implement the other required repairs within 3-5 years. As a result of maintaining the coatings, the integrity of the steel shell and the associated structures will not be compromised by rusting or external corrosion. Additionally, the stacks are visible to the surrounding community and painting the stacks will improve the appearance of these stacks to the community.

**Estimated Completion Date:**

2009

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
0	1,300	0	0	1,300

<b>Project/Program Title</b>	Facilities Maintenance – East River Local Law 11
<b>Status</b>	
<b>Estimated Service Date</b>	2009

**Work Description:**

The Company is required to comply with Local Law 11, which mandates the periodic inspection and repair of exterior walls and appurtenances of buildings greater than six stories in height for public safety. These critical examinations of facades are in compliance with New York City Administrative Code and the Rules and Regulations of the City of New York. Inspection frequency is currently every five years. The last Local Law 11 inspection and report filing occurred in February 2007. It was recommended that the repairs to deteriorated conditions be made within a two-year time frame. Work consists of repairing cracked masonry and spalled stone, replacing damaged brick, repairing deteriorated window and door sills and lintels, repointing washed out mortar joints and partial rebuilding of parapet walls.

**Justification:**

Façade repairs will prevent water penetration and subsequently prolong the useful life of the building. The repairs will also eliminate the safety hazards associated with falling debris from loose façade materials. This project will also keep the Company in compliance with the laws of New York City.

**Estimated Completion Date:**

2009

**Funding (\$000)**

Historical Year (2007)	Forecast RYE 2010	Forecast RYE 2011	Forecast RYE 2012	Forecast Total
0	1,640	0	0	1,640

TESTIMONY BY  
NYC COMPTROLLER WILLIAM C. THOMPSON, JR.

NEW YORK WATER BOARD  
ON PLAN TO LOWER RATES  
AND LIMIT FUTURE DEBT

ST. JOHN'S UNIVERSITY

TUESDAY, JUNE 19, 2007

Good morning, Chairman Tripp and members of the Board.

I appreciate very much your giving me the opportunity to appear before you today to discuss several issues relating to the financial pressures leading to the recent decision by the Water Board to raise water rates in New York City.

Before I begin, I want to draw your attention to the Power Point presentation that my staff has prepared, which you should all have and which tracks with my remarks. It contains several helpful charts that will clarify some of the points I will be making so I encourage you to follow along as I speak.

The new rate hike points to a challenge we now face: how to expand our water capital program while at the same time reducing the burden on rate payers and minimizing debt service.

My office has come up with an innovative plan that could achieve those important goals. The timing could not be more fitting for such an initiative.

As you all know the DEP Capital Program for 2008 to 2017 is some \$19.5 billion. Among other causes, the size of that figure relates to a more rigorous regulatory environment, the rising costs of labor and material, and new needs.

Debt service on the capital program will exceed \$1.5 billion by 2011 – a 70 percent increase over 2007. Operations and maintenance costs are expected to climb some 20 percent over the same period to \$1.2 billion.

The growing debt service obligations are driving a large escalation in rental payments by the Water Authority to the City over the next decade.

The current rent formula was established in 1985. One can argue that the formula used at that time did not anticipate the shifting regulatory and economic environments we face currently.

As you know, that formula stipulates that the rental payment equals either the cost of debt service on General Obligation bonds issued for water purposes OR 15 percent of Water Authority debt service – whichever is greater.

If you look at the chart on page 5 of the Power Point presentation, you'll see that from 1986 to 2004, this formula led to rental payments by the Water Authority in the amount of GO debt service.

Starting in 2005, however, there began to be a growing disparity between rental payments and GO debt service....Rental payments are expected to increase 70 percent between 2007 and 2011 from \$136 million to \$232 million, while GO debt service is expected to decrease to \$57 million.

For the purposes of discussion, we have chosen to call that disparity "excess rent." This excess rent, as I've suggested, stems from growing costs related to the Water Authority's capital program and goes directly into the operating budget of the City to use as it sees fit.

In the chart on page 5, we have run out estimates for the total excess rent over thirty years, using a conservative estimate of 3 percent annual growth between fiscal years 2012 and 2036 – the years following the Mayor's current four-year budget forecast.

As you will see on page 6, by those estimates, over the next thirty years, excess rent is expected to reach close to \$9 billion.

The Water Board is mandated to set water rates to cover the costs of its rental payments, as well as debt service, operations and maintenance.

Due in part to the escalating costs of the City's water capital program, an 11.5 percent rate increase was approved last month and double digit increases are expected from 2009 to 2011.

These increases will have a significant impact on renters and small home owners. In the current economic climate, the housing market has already tightened and as we all know the availability of good, affordable housing is quickly diminishing in our city.

That places a special burden on the City's leaders to find ways to protect our superior credit ratings while alleviating pressure on renters and homeowners. My office has come up with a proposal designed to do just that.

If you look at page 8 of our Power Point presentation, you will see the broad outlines of our plan, which seeks to rebate excess rent to the Water Board to be spent in equal measure on the goals of rate payer relief and pay-go capital spending.

Because excess rent is realized at the end of the fiscal year and applied to the following year, the impact on rate payers is estimated for Fiscal Years 2009 to 2012.

During that period we anticipate that our proposal could free up some \$278 million in cumulative Water Board operating expenses that would no longer need to be raised from rate payers.

The next two slides show the impact on rates in the initial years as the use of excess rent is ramping up. Savings will continue to grow.

At the same time, our proposal would generate an additional \$248 million for pay-go capital between Fiscal Years 2008 and 2011, thereby reducing borrowing and saving money.

My plan doubles the commitment to pay-go spending between 2008 and 2017, with a total pay-go outlay of \$914 million over that period.

As you will see on page 11 of our presentation, we estimate that based on 30-year amortization on Water Authority bonds, the use of pay-go funds through 2036 would save the Authority \$9.7 billion in debt service.

Over the 10-year Capital Strategy, my plan would double pay-go capital spending

We have also developed an alternative scenario that applies 100 percent of excess rent to rate relief. As you can see on pages 13 and 14 of our presentation, this application of excess rent would save rate payers an estimated \$496 million between fiscal years 2009 and 2012.

Whether or not you choose to consider one of the scenarios I have laid out today, I firmly believe that the Water Board should open discussions with the City to renegotiate its lease rental formula.

Why now? As I said at the top of my remarks, the timing could not be more opportune. We are enjoying the largest surplus in the City's history.

At the same time, the Water Authority has the highest ratings it has ever experienced. The use of additional pay-go spending as I have proposed today will further protect those ratings.

Finally, at a time when middle class New Yorkers are being increasingly squeezed, we need a rate structure that gives average taxpayers in our City some breathing room.

I urge you to act now to reduce the water rate burden on New York City property owners.

In addition to keeping costs to taxpayers down, you will decrease our debt service, protect Water Authority credit ratings, and lessen the cost of borrowing while making needed improvements to our capital program.

I appreciate this opportunity to share my views and now I would be happy to answer any questions.