Q. Please state your names and business addresses.

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

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

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

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

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

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

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

Q. Please discuss your educational background.

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

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

Q. What are your current responsibilities?

A. (Foppiano) My primary responsibility is to provide
engineering leadership and oversight to ensure the safe
and sustained operation and maintenance of specific
systems within their design criteria. These systems
include: the electric system and transmission
operations infrastructure, the steam distribution and
transmission systems, and the mechanical and structural
systems and equipment that support both the steam and
electric generating stations.

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

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

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

Q. Would you briefly describe the purpose of the Panel's
testimony?
Our testimony addresses the Company’s planned O&M and capital spending for its Electric Production facilities.

**CAPITAL CONSTRUCTION PROGRAMS**

**Q.** Please describe the Electric Production Construction Program.

**A.** The Electric Production Construction Program establishes the Company’s capital funding requirements for the safe, efficient and reliable operations of the East River Station’s electric generating Units 6 and 7 and the six gas turbine electric generators located at the E74th Street, W59th Street and Hudson Avenue power plants. The capital expenditures are grouped into functional programs as follows: 1) Environment, Health and Safety ("EH&S"), 2) Boilers, 3) Steam turbines, 4) Mechanical equipment, 5) Electrical equipment, 6) Control systems, 7) Structures, 8) Waterfront, 9) Roofs and 10) Security.

**Q.** Please explain the program in greater detail.

**A.** The Company’s Electric Production Construction Program is a comprehensive and systematic capital expenditure plan to rehabilitate and improve structures, systems and components as age and conditions warrant and as may be required by governmental regulations. The program
identifies capital expenditures for improvements in key functional areas of the station that are important for reliable operations of electric generating equipment. Conditions that may affect the reliability of the station, pose risks to personnel safety or the environment and regulatory requirements, are identified during routine plant operations, inspections, system assessments or due to equipment failure or malfunction. Corresponding capital improvement projects to correct these conditions are then developed, prioritized and planned based on their relative contribution to the safe and reliable operation of the station. As such, areas that need improvement are dynamic, and changing plant conditions often require reallocation of resources to address higher priority needs, e.g., emergent conditions that may pose higher risks to personnel and public safety, the environment, plant reliability or are required to meet regulations. Accordingly, the Company adjusts the functional programs funding allocations when higher priority needs arise.

Q. What constraints are considered in implementing this program?

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

Q. How are these issues managed?
A. The objective is to maintain high levels of safety and
reliability in plant operations. The plan maximizes
the Company’s ability to meet this objective by
balancing the need to make plant improvements within a
reasonable time period, with the various resource
requirements and other existing constraints, e.g.,
project schedule, funding, outages, new equipment, etc.
Some of the actions taken include maintaining a rolling
five-year capital program and allocating funding to key
functional areas; prioritizing the projects by
emphasizing safety and reliability and implementing large projects in phases thereby leveling out cash flow and minimizing prolonged outages.

Q. What measures does the Company apply to implement these projects at a reasonable cost?
A. The Company’s Infrastructure Investment Panel discusses the Company’s project management and contract bidding processes. Similar practices are followed for electric production projects as well.

Q. Has the Panel prepared an exhibit entitled “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. - ELECTRIC PRODUCTION CONSTRUCTION PROGRAM, ESTIMATED 2008-2012” that shows the Company’s electric production capital program?
A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___ (EPP-1)

Q. Please describe this Exhibit.
A. This Exhibit summarizes Con Edison’s projected capital funding requirements for the Electric Production Construction Program from 2008 through 2012 by functional program. While there has been some shift in funding among functional programs, overall, the Company’s projected capital spending for electric production for 2009-2011 is the same as the projected
capital funding for this purpose in the Company's last
electric rate case, which was adopted for the purpose
of setting current electric rates. Consequently, no
incremental rate relief is required for electric
production construction in this proceeding.
Q. Please describe what is covered in the EH&S functional
program.
A. There are two general types of projects covered in this
category. First, implementation of the Company's
continuous commitment to personnel safety and
environmental protection requires capital funding to
address and correct plant conditions that may pose EH&S
risks. To address these conditions, usually identified
during routine plant operations, capital improvement
projects are identified and planned for implementation
in the EH&S functional program. Second, this
functional program includes capital improvement
projects needed for compliance with applicable
regulatory requirements.
Q. Please discuss recent EH&S projects.
A. Examples of recent EH&S projects include installation
of an oily water separator, a flow control valve noise
silencer and egress lighting at the East River Station.
Recent regulatory related projects include Fish Life
Preservation required by the New York State Department of Environmental Conservation ("NYSDEC") and city water backflow prevention required by the New York City Department of Environmental Protection ("NYCDEP").

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

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

- The fire suppression system for the three gas turbine generators at the Hudson Avenue Station will be replaced at a projected cost of $1.5 million. The current system, which uses carbon dioxide gas (CO₂) as the fire suppression media, is obsolete and will be replaced with a water mist system that will also provide additional personnel safety. The proposed system will be similar in design to the systems currently in service at the E74th and W59th Street Stations.

- The Fish Life Preservation project at the East River Station -- required by NYSDEC Consent Order R2-2985-90-04 -- will be implemented in several phases over the next five years starting in 2008 at an estimated cost of $14.0 million. The current plan will allow for prototype testing of
the new technology prior to full implementation of
project and minimize the impact on plant
operations. The projected expenditure for 2009 is
$1.0 million. Assuming successful testing
results, major construction for this project is
planned for 2011 and 2012 and is the basis for the
higher level of funding requirement for these
years.

- The NYCDEP requires the installation of specific
equipment to prevent water flow out of the station
and into the City water supply piping. This
equipment will be installed at each of the
Station's City water supply pipeline at an
estimated total cost of $400,000.

- Included in the expenditure plan for the EH&S
functional program is $500,000 to cover emergent
projects, that is, projects to address changing
and unforeseen plant conditions that may affect
safety and the environment that cannot be
specified at this time but can be reasonably
anticipated to occur during the rate year based
upon historical experience. This level of
expenditure is projected for each year of the five
year period ending in 2012.
Q. Please describe the capital expenditure requirements for the Boilers and Steam Turbines functional programs.

A. The main electric generating equipment at the East River Station Units 6 and 7 are the boilers and steam turbines. These components, as well as the gas turbine generators, degrade over time due to age, length of operation and normal wear and tear. Excessive wear may affect the ability of the units to generate their rated steam and electric capacity output. To avoid the likelihood of a potential de-rate or unit shutdown, overhauls to replace and refurbish the boilers and turbine major components are systematically planned based on manufacturers’ and industry guidelines, length of operation, unit performance and engineering assessments. These projects are needed for reliable operation of the units and to minimize the potential reduction to in-City generation, to which Con Edison's retained net generation contributes approximately 800 mW. The Company plans expenditures of $5.5 million for the Boilers functional program in 2009, which includes an upgrade of East River’s Unit 70 Boiler Casing and Insulation and replacement of air preheater baskets. In 2010, the plan includes the replacement and upgrade of East River’s Unit 70 boiler burners at a projected
cost of $4.6 million. Expenditures for the Steam Turbines functional program are not planned until 2011 to upgrade and replace East River station’s Unit 7 turbine stationary components as performance and condition warrant. The projected funding requirement in 2011 for this project is $2.0 million.

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

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

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

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

A. In general, this program includes the replacement and improvement of mechanical equipment, such as pumps, valves, heat exchangers, air compressors, tanks, fire protection, heating and air conditioning. Capital expenditures for the Mechanical Equipment functional program for 2009 are projected to be $3.4 million. The projects currently planned for 2009 include replacement of No. 7 boiler feed pump recirculation piping and feed water heater 63 north, and relining of the spent chemical tank at the East River Station. In 2010, the Company plans to spend approximately $8.0 million in this functional program. Major projects planned for
2010 include replacement of the tank farm oil heaters, upgrade to buildings vent fans, replacement of feedwater heater 64 north and upgrade to Unit 6 boiler feed pumps. Similar-type projects are planned for subsequent years.

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

A. The station’s electrical system provides power to run equipment and systems throughout the station, such as pump motors, valves, fans, controls, lighting, fire suppression, air, water, and fuel supply systems. Proper operation and dependability of the electrical supply systems is a cornerstone to the station’s overall reliability and performance. Failures of electrical system components result in forced station outages and derate. Consequently, due to obsolescence, the age of the equipment and current conditions, the Company's capital plan includes the systematic replacement of the East River station’s major electrical supply equipment over the next several years. Condition assessments of this equipment are planned in 2008. The equipment replacement projects will be prioritized and sequenced based on these condition assessments and other major projects. In
2009, the capital expenditure requirement for the Electric Equipment functional program is projected to be $10.85 million. The Electrical Equipment functional program projects currently planned for 2009 are as follows:

- Replacement of M71 Switchgear and transformer
- Replacement of Light & Power bus supply feeder
- Replacement of Light & Power bus Switchgear, transformer, and breaker
- Replacement of generator No. 6 exciter bus and breaker installation.
- Replacement of Unit 70 salt water and fresh water pumps control panels.

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

A. Yes. As with any new equipment, its design and capability has improved significantly when compared to the existing 50 year old equipment. Thus, in addition to improved reliability, other benefits of upgrading equipment include increased electrical capacity to supply the station components, improved personnel safety, enhanced status monitoring, and enhanced operator control features and energy efficiency. For example, new equipment design is compatible with the
station's digital controls and provides the capability for remote monitoring of important parameters from the main control room.

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

A. The Control System functional program expenditures level planned for 2009 is $8.3 million. This program includes the replacement and upgrade of control systems throughout the station, e.g., transmitters, distributed control systems, control panels and terminals, monitoring instrumentation, and wiring. These control system upgrades provide new capabilities not previously available with the old technology, such as automatic operation of critical components, monitoring of many more parameters to aid plant operators, and faster response times. All of these significantly improve the operation of the station, especially during critical periods such as times of peak load demands. Some of the projects planned for 2009 include upgrade of the Units 6 and 7 demineralized water plant controls and chemical monitoring, and Unit 6 and 7 simulators. Controls and instrumentation are replaced with currently available digital and computerized equipment that is vastly different than existing hardware.
requiring significant upgrades to control rooms, conduits and cables, and electric power systems. As a result, these projects are labor intensive, costly and difficult to implement due to extensive equipment and station outage requirements, and lengthy startup functional testing needs.

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

A. The Structural program includes projects for the general and specific improvements to the generating station’s structures, such as steel and concrete, masonry, facades, foundations, walls, floors, stacks, driveways, bridges, and utility tunnels. The Waterfront program specifically addresses improvements to piers, docks, water intake and discharge tunnels and related facilities and systems. Similarly, the Roofs functional program includes projects to replace and refurbish roofs and roof drains. Note that these three functional programs are only applicable to the facilities associated with electric production at the East River Generating Station and the gas turbine electric generators and not to common facilities that are discussed elsewhere in this filing.
The East River station's facilities were originally constructed in 1926 and need to be maintained and upgraded for the safety of personnel, integrity of the building structures and reliability of the operating equipment. Also, inspections and repairs of some of these structures are required to meet regulatory requirements. The Company periodically inspects structures, such as building roofs, facades, concrete and steel, stacks, and docks, to assess the condition of these facilities and determine the areas in need of refurbishment. Based on the degree of degradation, facility refurbishment projects are planned to provide for the safety of employees and the public, protection of our assets, compliance with applicable regulations, and continuous reliable operation of our generation system.

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

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

- The expenditure forecast for the Structures functional program is approximately $4.7 million which includes projects at the East River and W59th Street Stations. The projects
planned at the East River Station include continuation of the exit and egress enhancements project that consists of the construction of new staircases, platforms, signage and defined pathways in certain areas of the East River Station. This project will significantly improve access to plant areas and equipment and, should it become necessary, the safe and efficient evacuation of plant personnel. Also planned for 2009 at the East River Station are restoration of stacks and elevator "C". Based on current plans, the expenditure requirements for structural improvements start tapering downward in 2010. At the W59th Street station, in 2009 the gas turbine generator deteriorated floor is scheduled for replacement.

- For the Roof Functional Program, the Company plans to replace several East River Station roofs in 2009 at a projected cost of $3.2 million. Based on the current plans, no additional roof projects are planned through 2012.

- Regarding the Waterfront functional Program,
 significant work was completed in 2007 to upgrade the East River dock. Consequently, there are no waterfront projects planned in 2009. The Company anticipates waterfront related construction projects in 2011 based on results from an inspection planned for 2010.

Q. Please describe the Security program.

A. The East River Generating Station and Substation Complex is bordered by 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 multi-million gallon oil tank farm and two substations, making it a vital facility for both Con Edison and the New York City metropolitan area. The Security program includes projects to upgrade and integrate the security systems, restrict access and provide effective surveillance of the overall East River complex. The surveillance system consists of new cameras, video monitors, card readers for access control, 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 are being upgraded and integrated with the new system to provide overall surveillance of the facility. This system will also be part of the Company’s overall new 24X7 monitoring security system. Upgrading the security at the East River Station has been an ongoing project over the past several years. The expenditure projection for 2009 is $350,000 to complete these projects and install additional features needed to facilitate the implementation of the Transportation Worker Identification Credential ("TWIC") program that is required by the Transportation Security Act of 2002.

OPERATION AND MAINTENANCE EXPENSES

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

A. Yes, we did.

MARK FOR IDENTIFICATION AS EXHIBIT__ (EPP-2)

Q. Please describe this Exhibit.

A. Exhibit__ (EPP-2) details the rate year electric plant O&M expense forecast for various elements of expense. Each element is shown at the historic year level with normalizing adjustments and program changes. In total,
we expect to spend approximately $53.8 million in the rate year, an increase of approximately $10.9 million from the historic year (2007). Please note that this request reflects an increase in O&M of only $3.1 million over the level of electric plant expenses recently approved by the Commission in Case 07-E-0523 for the rate year ending March 31, 2009. We would note that this Exhibit does not reflect any escalation to calculate the total rate year forecasts for each item. The escalation for electric plant expenses other than Water costs is calculated by the Accounting Panel in Exhibit____(AP-5). The escalation for Water costs is discussed below.

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

A. The Water expense at the East River Station is based on the cubic feet of water used to generate a kilowatt hour. The quantity of water required can be derived by applying the water used per kilowatt hour in the historic year to the projected rate year electric generation forecast for East River. Water costs for the rate year were derived by multiplying the projected quantity of water required for generation by $25.11 per MCF of water. This expense is offset partially by the
portion of water costs attributable to the rate year
steam sendout from East River.

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

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

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

A. The current water rate of $20.20 per MCF became
effective July 1, 2007 at the start of the New York
City fiscal year. We applied 11.5 percent increases to
that rate for 2008 and 2009 to develop the projected rate of $25.11 per MCF for the rate year.

Q. Why are you projecting such a large increase?

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

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

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

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

A. The Boiler Cleaning program includes those costs required to chemically clean boiler components periodically to remove mineral deposits and iron oxides.
that, if not removed from the inside of the boiler tubes, would result in overheating of the tubes and eventual tube rupture. The goal of this program is to avoid these tube ruptures, and incur potentially significant expenditures for repair of ruptured tubes, by maintaining the proper heat transfer in the boiler tubes at East River to sustain plant reliability and availability. Based on an assessment of the boiler tubes completed in November 2007, the boiler for East River Unit 60 was determined to be dirty and, based on the condition of the boiler tubes at that time, the Company projected that this boiler would require a chemical cleaning in 2009. This program change reflects the need for one chemical cleaning for East River Unit 60. Based on the time required to set up and coordinate the chemical cleaning, this work is expected to be completed during the next major Unit 60 outage scheduled during the rate year. For the rate year commencing April 1, 2008, the Company's rates include $350,000 for a chemical cleaning for East River Unit 70, resulting in no incremental change in rates to accommodate the cleaning for Unit 60.
Q. Please explain the program change increase of $2,500,000 for Scheduled Overhauls.

A. This program includes the costs related to the refurbishment of a spare rotor to replace the equipment in service for East River Unit 6, which was manufactured in 1949 and installed at that time. This program is necessary to maintain the reliability and safe operations of the equipment by replacing the rotor prior to the end of its service life, as recommended by General Electric, the original equipment manufacturer. The most recent rotor inspections indicated that the metallurgical properties of this rotor are being challenged. The Company has a spare rotor for this unit which needs work to refurbish it and prepare it to replace the original rotor, which includes rewinding the rotor, removing all surface oxidation and polishing all critical surfaces, mapping all critical dimensions of couplings, journals, bolt hole and making any corrections as needed, performing a Bore visual examination, a Bore magnetic particle test, radial and angle beam Bore-sonic tests, periphery and axial ultrasonic tests, a testing of coil slots and a low speed balance test after completion of all other refurbishment efforts.
Q. Please explain the program change increase of $2,244,000 for Gas Turbines.

A. This program is the continuation of a three-year program that commenced in 2008 with annual O&M expenses of $2,244,000 to complete required maintenance of the GT equipment at the Hudson Avenue, 59th Street, and 74th Street generating stations. This maintenance program includes such activities as the removal and replacement of GT engines, inspection and repair of free turbines and blades, inspection and repair of electric generator rotors and associated equipment, replacement of free turbine and gas generator lube oil coolers, replacement of torn and deteriorated asbestos, disassembly, cleaning and inspection of electric generator ventilation air ducts, inspection and 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 and repair or replacement of combustion liners and fuel nozzles, and additional repairs as needed to various other GT equipment.

Q. Are there any other reasons for this program change?
A. Yes. The enhanced reliability of the GTs will support critical service during peak summer electric demand. Additionally, 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 one GT at each of these three generating stations as part of its restoration plan to provide critical electric service for the accelerated restoration of the steam system. To achieve optimum reliability and re-start capability, the Company created this planned maintenance and repair program, as recommended by the equipment manufacturers.

As noted above, for the rate year commencing April 1, 2008, the Company’s rates include $2,244,000 for this three-year program. Accordingly, no additional funding is required to continue this program.

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

A. Facilities Maintenance is maintenance that is performed to facility structures, structural components and infrastructure that keeps the facility in an acceptable
state of repair. This program change is comprised of
two separate items for the East River generating
station, namely: (1) Local Law 11, amounting to
$1,640,000; and (2) Stack Repairs, amounting to
$1,300,000.

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

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

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

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

This program includes the repairs required for Unit 60
stack #3 and Unit 70 stack #4 at East River. In 2004,
these stacks were inspected comprehensively. At that
time, the exterior shell and attached structures were
evaluated for corrosion and coating integrity, which
were found to be in fair condition. The recommended
repairs include the recoating of the stack exteriors
and attached structures (i.e., service platforms and
ladders) to prevent rusting or external corrosion,
which could compromise the structural integrity of the
stacks, repairs to the service platforms and rain
hoods, replacement of the upper 20 feet of the ladder
on stack #3, the installation of safety gates, the
repair of door hinges, and the replacement of PM ports.
The inspection recommended that the Company complete
all repairs within three to five years.
For the rate year commencing April 1, 2008, the
Company’s rates include $3,200,000 for similar
Facilities Maintenance efforts at East River, resulting
in an overall minor decrease in rates for such repairs
as compared to the rates currently in effect.
Q. Please describe the long-term major maintenance
strategy for the new gas turbines at East River Units 1
and 2, resulting in a program change increase of $2.6
million.
A. 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
Con Edison 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. The Company
was negotiating with a vendor to establish a
Contractual Service Agreement ("CSA") through which
this vendor would have been the single-service provider
for each of these five categories. In 2006, the vendor
withdrew from those negotiations, at which time the
Company developed a Self-Managed Maintenance Strategy.
The Self-Managed Maintenance Strategy effectively means
that the Company will work, either through in-house
forces or through the competitive bid process, to
manage and undertake the maintenance of this equipment.
The Maintenance Strategy consists of five components,
described as follows:

- Parts Replacement - The Company has purchased Hot
  Gas Path Parts from the OEM to facilitate
  scheduled maintenance and support forced outages,
ELECTRIC PRODUCTION PANEL - ELECTRIC

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

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

- Outage Services - Scheduled overhauls are divided into three categories: 1) Combustion Inspections, 2) Hot Gas Path Inspections, and 3) Major Inspections. Each inspection is inclusive of the previous and, therefore, larger in scope. East River Units 1 and 2 maintenance expenses vary significantly each year based on the required inspections in that year. Major maintenance on the 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. However, the actual timing of when these durations are achieved is
variable. For example, they may be impacted by weather, unit trips and other unpredictable factors. When these intervals are reached, the machine is disassembled and the major gas turbine components are inspected and repaired and/or replaced. The expenses associated with each overhaul are significant and will vary greatly depending on which outage is being performed. These overhauls will be performed by either Company construction personnel or a third party vendor, based on cost and availability. We are currently in the process of obtaining a contract with a third party to provide these services in the event that Company forces are not available. The third party contract will be a term contract to perform the outage work, either Planned or Unplanned efforts, on a fixed-price basis with the Company retaining the option to use Company forces to perform the work. Essentially, the contract is a contingency when Company forces are unavailable and will protect the Company from time-and-material overruns during a forced outage.

- Additional Maintenance - Company personnel or third party vendors will perform maintenance
associated with the gas turbine and generator auxiliaries. The decision to use Company personnel or a vendor will be based on the scope of work and the associated cost. If specialized training or knowledge is required, the appropriate OEM or vendor will be used for this maintenance.

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

Q. When do you project these costs will be incurred?
A. The Company will continue to incur these costs as we have since the commencement of operations of these units in 2005, with higher costs estimated in the latter half of the 12-year maintenance cycle. At the start of the rate year, we will be approximately four years into this cycle since the units commenced operations in April 2005. The costs will increase progressively over time as the equipment ages and require more extensive repairs and, ultimately, reach their replacement interval. As each of the major parts reaches the end of its useful life, they will need to be replaced, at a significant cost. For example, a full set of combustion parts is approximately $8
million, whereas hot gas path parts are approximately $16 million. The fact that these repair and/or replacement expenses are incurred in the same year as the major overhauls, which are scheduled to occur in the same rate period on both units, contributes further to the variation in the annual O&M expenses.

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

A. The expected costs vary between $7.3 million and $14.0 million in each rate year, for an estimated total of approximately $44.7 million over the next five years (for the rate years ending March 31, 2010 through March 31, 2014, the estimated costs are $7.3 million, $8.1 million, $14.0 million, $7.3 million and $8.0 million, respectively). The actual costs in any one rate year may increase significantly based on unit operation and equipment condition in the event that an outage must be performed in a different year than originally forecasted. In the rate year ending March 31, 2010, this maintenance is expected to total approximately $7.3 million, or $2.6 million higher than the historic year expenditures.
Q. What is the estimated level of expenditures for these maintenance costs for the current rate year (the year ending March 31, 2009)?

A. During the current rate year, the Company projects to spend approximately $14 million for the maintenance of these units, but will collect from customers only $7.5 million based on the rates established in Case 07-E-0523, effectively resulting in a revenue deficiency of approximately $6.5 million for the rate year. However, Case 07-E-0523 allowed the Company to retain funds previously collected from customers for this purpose instead of refunding the amount and recollecting it from customers. As of March 31, 2008, the reserve set aside for these major maintenance costs totaled $8.6 million, which the Company will use to offset these additional maintenance costs above the level allowed in rates. If the costs are incurred as currently projected, there will be approximately $2.1 million remaining in the reserve for future maintenance expenditures. Once this reserve is depleted, rates will need to increase by a commensurate amount to reflect the total maintenance costs. We would note that our request for this work in the rate year is
essentially the same level as the amount the Commission
allowed in rates in Case 07-E-0523.

Q. Does this complete the Panel's testimony?

A. Yes, it does.
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Project/Program Title: EH&S
Status: Ongoing
Estimated Service Date: 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):

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Electric Production
Exhibit EPP-1
Page 3 of 12

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**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)**

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Electric Production

Project/Program Title | Steam Turbines
Status | Ongoing
Estimated Service Date | 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)**

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### Project/Program Title
Mechanical Equipment

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<tr>
<td>Estimated Service Date</td>
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### 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)

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<td>3,400</td>
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</table>
Electric Production

Project/Program Title | Electrical Equipment
Status | Ongoing
Estimated Service Date | 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)

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<td>17,230</td>
<td>21,350</td>
<td>12,900</td>
<td>62,330</td>
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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)

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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

### Funding ($000)

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**Project/Program Title** | Waterfront  
---|---  
**Status** | Ongoing  
**Estimate Service Date** | 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)**

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**Project/Program Title** | Roofs
---|---
**Status** | Ongoing

**Estimate Service Date** | 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)**

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<td>Estimated Service Date</td>
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**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)**

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### CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

**ELECTRIC OPERATIONS**

**SUMMARY OF ELECTRIC OPERATIONS EXPENSES FOR THE RATE YEAR ENDING MARCH 31, 2010**

($ in thousands)

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<td>Boiler Cleaning</td>
<td>Page 2 of 11</td>
<td>124</td>
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<td>Plant Component Upgrade</td>
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<tr>
<td>Asbestos Removal and Abatement</td>
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<td>-</td>
<td>-</td>
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<td>98</td>
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<td>Major Maintenance - East River Units 1/2</td>
<td>Page 4 of 11</td>
<td>4,693</td>
<td>-</td>
<td>2,060</td>
<td>7,763</td>
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<td>Gas Turbines</td>
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<td>2,040 (B)</td>
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<td><strong>Total Electric Operations Expenses</strong></td>
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<td>$</td>
<td>-</td>
<td>$10,989</td>
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**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.
<table>
<thead>
<tr>
<th>Project/Program Title</th>
<th>Water</th>
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</thead>
<tbody>
<tr>
<td>Status</td>
<td></td>
</tr>
<tr>
<td>Estimated Service Date</td>
<td>On-going</td>
</tr>
</tbody>
</table>

**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)**

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<thead>
<tr>
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<td></td>
<td>370</td>
<td>634</td>
<td>634</td>
<td>1,902</td>
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</tbody>
</table>
**Project/Program Title**: Boiler Cleaning  
**Status**: On-going  
**Estimated Service Date**: 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 preformed 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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Historical</th>
<th>Forecast RYE 2010</th>
<th>Forecast RYE 2011</th>
<th>Forecast RYE 2012</th>
<th>Forecast Total</th>
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<td>2007</td>
<td>124</td>
<td>474</td>
<td>474</td>
<td>474</td>
<td>1,422</td>
</tr>
</tbody>
</table>
Project/Program Title | Major Maintenance – East River Units 1/2
---|---
Status | On-going
Estimated Service Date | 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)**

<table>
<thead>
<tr>
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<tr>
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<td>7,293</td>
<td>8,061</td>
<td>14,039</td>
<td>29,393</td>
</tr>
</tbody>
</table>
**Project/Program Title:** Scheduled Overhauls – East River Unit 6 Generator Rewind

**Status**

| Estimated Service Date | 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)**

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<tr>
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<td>2,500</td>
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</tbody>
</table>
Project/Program Title | GT Maintenance Program
---|---
Status | On-going
Estimated Service Date | 2010

**Work Description:**

Required maintenance of GT equipment at Hudson Ave, 59th St. and 74th 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)**

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<tr>
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</table>
Project/Program Title | Facilities Maintenance – East River Stack #3 and #4 Repairs
---|---
Status |    
Estimated Service Date | 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)**

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<thead>
<tr>
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</table>
Project/Program Title | Facilities Maintenance – East River Local Law 11  
--- | ---
Status |  
Estimated Service Date | 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:**

Facade 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 facade materials. This project will also keep the Company in compliance with the laws of New York City.

**Estimated Completion Date:**

2009

**Funding ($000)**

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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.