

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
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1 Q. Would the members of the Municipal Infrastructure
2 Support Panel please state your names and business
3 address.

4 A. Thomas M. Gencarelli and Paul Cherian. Our business
5 address is 1610 Matthews Avenue, Bronx, NY 10462.

6 Q. What are your current positions with Con Edison?

7 A. (**Gencarelli**) I am employed by Consolidated Edison
8 Company of New York, Inc. ("Con Edison" or the
9 "Company") as the General Manager of Public
10 Improvement.

11 (**Cherian**) I am the Section Manager of Engineering
12 Services in Public Improvement.

13 Q. Please describe your educational background.

14 A. (**Gencarelli**) I graduated from New York Institute of
15 Technology with a Bachelor's Degree in Mechanical
16 Technology in 1970.

17 (**Cherian**) I received a Bachelor's Degree in Electrical
18 Engineering from University of Kerala, India in 1976.

19 Q. Please describe your work experience.

20 A. (**Gencarelli**) I have been employed by Con Edison since
21 1972. I have held the positions of Engineer in Power
22 Generation, Project Superintendent at Indian Point
23 Generating Station, Department Manager of Nuclear

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1 Projects Department at Indian Point, and Department
2 Manager of Public Improvement. I currently hold the
3 position of General Manager for the Public
4 Improvement/Engineering Department within the Company's
5 Construction organization.

6 (Cherian) I have been employed by Con Edison since
7 1987. I have held the positions of Engineer in the
8 Estimating group, Engineer in Central Construction and
9 Superintendent at the Indian Point Generating Station.
10 I currently hold the position of Section Manager of
11 Engineering Services within the Public Improvement
12 Department.

13 Q. Please generally describe your current
14 responsibilities.

15 A. (Gencarelli) My current responsibilities are to
16 maintain the integrity of Con Edison's electric, gas
17 and steam systems during the course of municipal
18 construction projects in a cost effective-manner. This
19 requires planning, coordinating, engineering and
20 negotiating with municipalities and the contractors
21 assigned to work for them to ensure the timely
22 completion of their projects.

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1 (Cherian) I currently manage the Municipal
2 Infrastructure Support O&M and Capital budgeting and
3 expenditure tracking process. I also manage the
4 Engineering Estimating process, which prepares
5 estimates for interference related O&M and Capital
6 projects. In addition, I manage the Emergency
7 Sewer/Water and Test pit contracts.

8 Q. What is the purpose of your testimony?

9 A. Our testimony addresses: (1) the meaning of
10 "interference" as it relates to Con Edison's Electric
11 system; (2) Operation and Maintenance ("O&M")
12 interference costs associated with the Company's
13 electric facilities for the rate years RY1, RY2 and
14 RY3; (3) Capital interference costs associated with the
15 Company's electric facilities for the period 2009-2012;
16 (4) Lower Manhattan O&M interference costs for the rate
17 years RY1, RY2 and RY3 and Capital interference costs
18 for the period 2009-2012; and (5) a proposal for full
19 reconciliation of interference costs and expenses.

20 Q. Please provide a summary of your testimony.

21 A. When a municipality performs work, such as installation
22 or repairs to water mains, sewers and drainage
23 facilities, reconstruction of roadways, curbs and

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1 sidewalks, and if the work affects the Company's
2 Electric facilities, Con Edison must bear the costs to
3 support and protect its facilities. The forecasted
4 amount of O&M interference costs for the rate year,
5 twelve months ending March 31, 2010, is approximately
6 \$76.5 million, and \$96.5 million and \$80.8 million for
7 rate years RY2 and RY3, respectively. The calculation
8 for this forecast is a four-step process (described
9 later in our testimony) based on New York City's
10 forecast of its infrastructure expenditures as
11 reflected in the City's Capital Commitment Plans.
12 The Company's capital interference costs are the
13 capital expenditures incurred when the Company is
14 required to remove and relocate Company electric
15 facilities to a new location due to direct interference
16 with proposed City or other municipal facilities. The
17 Company's forecast for capital interference costs for
18 calendar years 2009-2012 is \$33.65 million, \$34.35
19 million, \$35.11 million and \$35.25 million,
20 respectively.

21 Since the provision for reimbursement from federal
22 funds for Lower Manhattan reconstruction expired on
23 December 31, 2007, the Company commenced recovering the

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1 costs associated with this municipal support program in
2 base rates effective April 1, 2008. The forecast for
3 Lower Manhattan (World Trade Center "WTC") interference
4 O&M expenditures for RY1, RY2 and RY3 is approximately
5 \$13.85 million, \$14.28 million and \$15.27 million,
6 respectively. The forecast for Lower Manhattan Capital
7 expenditures for calendar year 2009 through 2012 is
8 approximately \$18.1 million, \$16.12 million, \$18.3
9 million and \$21.5 million, respectively.

10 Our testimony also explains the steps the Company takes
11 to mitigate the costs associated with interference
12 work, including using Joint Bidding for Lower Manhattan
13 projects.

14 Finally, since the Company's interference forecast is
15 based on municipal infrastructure programs that the
16 municipalities determine, programs over which the
17 Company has no direct control, the Company is proposing
18 a full reconciliation mechanism for interference costs
19 and expenses, including Lower Manhattan expenses.

20 **INTERFERENCE**

21 Q. Please explain interference.

22 A. Con Edison has an extensive system of electric cables,
23 conduits, structures and poles in addition to services

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1 and appurtenances of various sizes and operating
2 voltages, within the streets of its service
3 territories, which includes Manhattan, Queens, Bronx,
4 Brooklyn, Staten Island and Westchester County. These
5 facilities share the space under the streets with other
6 facilities, such as telephone and cable TV, owned by
7 private utility companies, and sewer, water and traffic
8 facilities owned by New York City and other
9 municipalities. In addition, electric overhead
10 facilities share space above the streets with private,
11 City and municipal facilities. When an entity plans to
12 perform work -- either underground or overhead -- and
13 is prevented from completing the proposed plan due to
14 other facilities being in the way, the term
15 "interference" is used.

16 Q. Is there more than one kind of interference?

17 A. Yes. Interference can be direct or indirect. A direct
18 interference is where an existing Con Edison facility
19 must be located and identified and must be removed and
20 reinstalled at a new location in order to accommodate
21 and provide space for a new City or other municipal
22 facility.

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1 An indirect interference requires the Company to
2 identify the location of Company facilities, monitor
3 construction work, and take steps necessary to support
4 and protect Company facilities, which sometimes
5 requires the Company to temporarily relocate its
6 facilities.

7 Q. Please explain interference expenses as they relate to
8 Electric Operations.

9 A. If a private entity, like the telephone company,
10 performs work in the vicinity of the Company's electric
11 facilities, and Con Edison determines that the electric
12 conduit and structures need to be supported, protected,
13 adjusted or relocated to accommodate the work of the
14 private entity, then the private entity is required to
15 bear this cost.

16 However, if the City of New York or another
17 municipality performs work, such as installing a sewer
18 or water main or repairs to a sewer or water main in
19 the vicinity of Con Edison's electric conduit or
20 structure, then Con Edison must bear the costs to move,
21 replace, support and protect its facilities affected by
22 the construction activity.

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1 Another component of interference expense is the cost
2 the Company incurs to support and protect or modify its
3 facilities during the course of a municipal public
4 improvement project. For example, when a City street
5 is repaved or the pavement around Con Edison's
6 facilities is modified, raising or lowering of
7 structures (e.g., castings of electric manholes) may be
8 required. The costs that the Company incurs to raise
9 or lower these castings or modify these structures are
10 considered to be an Electric interference expense.

11 Q. What type of municipal construction activities cause
12 interference with electric facilities?

13 A. The typical public improvement activities that affect
14 Company Electric facilities are the installation of
15 water, sewer and drainage facilities, reconstruction of
16 roads, bridges, curbs and sidewalks, and, as mentioned
17 above, the repaving of roadways.

18 Q. How often does the Company have to support, protect
19 and/or relocate its electric facilities?

20 A. On any given day, there are hundreds of municipal
21 projects being planned, engineered, or constructed
22 within our service area. These projects are initiated
23 by such organizations as the Department of Design and

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1 Construction ("DDC"), Department of Transportation,
2 Department of Environmental Protection, Department of
3 Parks, Bureau of Bridges and the Economic Development
4 Corporation, in addition to the various cities and
5 towns in Westchester County. The projects may be
6 planned or may be emergency activities, such as a
7 response to a sewer or water main break. However, any
8 excavation for any City/Municipal project needed for
9 these activities can potentially impact the electric
10 facilities located in that area and, therefore, may
11 present interference.

12 The Company's engineering groups work with these state
13 and local agencies to try to minimize the impact of
14 municipal projects on electric facilities. However,
15 due to the heavy congestion of various underground
16 facilities within the streets, there is simply no way
17 to avoid the interference in many cases.

18 Q. Is there a primary municipality that drives the level
19 of the Company's interference expenditures?

20 A. Yes. The City of New York's Capital Infrastructure
21 Improvement Program is the primary driver of these
22 costs for the Company. Other municipalities do perform
23 such work but on a smaller scale.

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1 **O&M INTERFERENCE FORECAST FOR THE RATE YEAR**

2 Q. Was the exhibit entitled "ELECTRIC INTERFERENCE O&M AND
3 CAPITAL EXPENDITURE FORECAST EXCLUDING LOWER MANHATTAN"
4 prepared under your supervision or direction?

5 A. Yes, it was.

6 MARK FOR IDENTIFICATION AS EXHIBIT ___ (MISP-1)

7 Q. What does this exhibit show?

8 A. This exhibit shows the Company's forecast of electric
9 interference O&M expenses for the rate year and the
10 capital interference forecast for the period 2009-2012.
11 For O&M, it is forecasted that the Company will spend
12 approximately \$76.5 million, excluding labor, in the
13 rate year. This is approximately \$25.0 million higher
14 than O&M expenditures in the historic year (calendar
15 year 2007), but it is at approximately the same level
16 as the amount that was allowed by the Commission in
17 Case 07-E-0523. The variance between the historic year
18 expenditures and the rate year projection is
19 attributable to an anticipated substantial increase in
20 City infrastructure activity during the rate year,
21 similar to the situation in the Company's recently-
22 concluded electric case.

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1 Q. Have you prepared an exhibit entitled "NEW YORK CITY
2 CAPITAL COMMITMENT & EXPENDITURES AND CON EDISON'S
3 INTERFERENCE O&M FORECAST 2009 - 2012?"

4 A. Yes, it was prepared under our supervision and
5 direction.

6 MARK FOR IDENTIFICATION AS EXHIBIT __ (MISP-2)

7 Q. Does this exhibit demonstrate the methodology used to
8 forecast interference expenses stated above?

9 A. Yes.

10 Q. Is the methodology the Panel uses to forecast
11 interference expenses consistent with the methodology
12 applied in Case 07-E-0523?

13 A. Yes. With a few minor modifications, the methodology
14 used in this filing is consistent with the Staff's
15 suggested modification to the Company's methodology and
16 was accepted by the Commission in Case 07-E-0523.

17 Q. Does the City develop a forecast for its infrastructure
18 expenditures?

19 A. Yes. New York City publishes its five-year Capital
20 Commitment Plan ("Commitment Plan") three times a year,
21 in April, September and January. This plan describes
22 anticipated infrastructure projects and includes all
23 project costs that are expected to be committed in each

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1 of the upcoming fiscal years for all the different
2 categories of reconstruction work that the City expects
3 to undertake.

4 The Commitment Plan also includes a commitment target.
5 Commitment targets are set because the City realizes
6 that not all planned projects will actually be
7 undertaken and completed.

8 Q. Does the Company base its forecast on the City's
9 Commitment Plan?

10 A. Yes. The Company reviews the City's proposed forecast
11 for the categories in the Commitment Plan defined as
12 Water, Sewer, Highway and Bridge projects. Since these
13 four categories have the greatest impact on Company
14 facilities, the projected expenditures for these
15 categories are extracted from the Commitment Plan.

16 Q. Why does the Company use the City's Commitment Plan in
17 developing the Company's forecast for O&M interference
18 expenditures?

19 A. Over the years, Con Edison has determined that its
20 gross interference expenditure is relatively
21 proportional to the City's forecast of Capital
22 infrastructure improvement expenditures and that the
23 relationship is a useful predictor in calculating the

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1 City's forecast for those items that impact the Company
2 facilities.

3 Q. Please explain the methodology used to calculate the
4 rate year interference forecast.

5 A. The Company has developed a four step process for
6 developing interference O&M costs. The four steps are
7 as follows:

8 First, the Company computes the average of the
9 Commitment Targets that the City has issued in January
10 of each of the past five years (2003-2007) and applies
11 that percentage (64 percent) to the total level of the
12 City's proposed expenditures for specified
13 infrastructure categories.

14 Second, to determine the City's infrastructure
15 expenditure forecast, the Company developed a factor
16 which compares the City's actual expenditures in a
17 particular year to the City's forecast expenditures
18 (based on the previous fiscal year January Commitment
19 Plan) in that year. The average of these factors
20 (expressed as a percentage of actual costs) over the
21 last five years is 97.6 percent.

22 Third, to determine the Company's overall level of
23 interference expenditures, the Company reviewed

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1 historical data and determined that the Company's total
2 spending on interference is approximately 11.6 percent
3 of the City's infrastructure expenditure forecast.

4 Fourth, out of the Company's total spending on
5 interference, approximately 75 percent is then
6 allocated to electric, which reflects that most of the
7 Company's interference work is performed for electric
8 facilities.

9 Q. Please further explain the first step, the development
10 of the modified Commitment Target.

11 A. The City's commitment target forecast reflects the
12 projects that are expected to be engineered, bid, and
13 awarded for each fiscal year. For the latest City
14 Commitment Plan, published in January 2008, the target
15 is 66 percent, which effectively means that the City
16 forecasts that it will expend 66 percent of the entire
17 commitment plan (i.e., the City realizes that not every
18 project in the plan will be undertaken).

19 For purposes of developing the interference O&M
20 forecast, the Company extracted from the latest
21 published City Commitment plan, issued January 2008,
22 the City's forecast amounts for four specific
23 categories that impact Company facilities. As

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1 discussed above, these categories are Water, Sewer,
2 Highway and Bridges. (For bridges, as described below,
3 a separate adjustment was made.) The total amount for
4 these four categories was \$1.3 billion, which was then
5 multiplied by 64 percent, the average of the Commitment
6 Targets in each of the last five January Commitment
7 Plans for the years 2003-2007. The Company took an
8 average as a representation of the Commitment Plan
9 targets, instead of simply relying on the current year
10 because we believe that this average better reflects
11 the typical commitment target level. This first step
12 produced a projected expenditure level of \$852 million.

13 Q. Please describe the adjustment made to the bridges
14 category that is mentioned above.

15 A. The City's Commitment level for Bridges is the sum of
16 expenditures forecasted for highway bridges and
17 waterway bridges. Historically, we know bridges over
18 waterways have a minimum number of Company facilities,
19 depending upon the individual bridges involved. Based
20 on this information and in reviewing the work proposed
21 by the City in this category, we determined that the
22 work for the water way bridges would have a relatively
23 small impact on our facilities for 2008 and 2009,

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1 thereby reducing the numbers accordingly, which are
2 shown on Exhibit __ (MISP-2). In the exhibit, the
3 numbers in parentheses for bridges are the numbers
4 shown on the Commitment Plan, and the numbers outside
5 the parenthesis are the amounts forecasted by the
6 Company based on our review of the bridge projects.
7 The calculation for the interference forecast is based
8 on the adjusted numbers. The projected expenditure
9 level of \$852 million discussed above reflects the
10 bridge adjustment.

11 Q. Please describe the second step, development of the
12 City's "actual" infrastructure expenditure forecast.

13 A. In the second step, in order to further refine the
14 forecast, the Company compared the City's forecast (as
15 reflected in the Commitment Plan from January of the
16 previous fiscal year) to the City's actual expenditures
17 and averaged the results of this comparison for the
18 past five years to develop a factor of 97.6 percent.
19 This comparison shows that, on average, over the last
20 five years (2003-2007), 97.6 percent of the City's
21 Commitment Plan forecasted expenditures resulted in
22 actual expenditures. This calculation is shown in

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1 Exhibit __ (MISP-2, p. 2 of 4) and results in a
2 projected expenditure of \$832 million.

3 Q. For the third and fourth steps, has the Company found
4 any correlation between the City's infrastructure
5 expenditures and the Company's interference costs?

6 A. Yes. The Company's actual interference costs as a
7 percentage of the City's actual expenditure averaged
8 approximately 11.6 percent over the last five years
9 2003-2007. The factor of 11.6 percent, as shown in
10 Exhibit __ (MISP-2, p. 4 of 4), is the five-year
11 average (2003-2007) of the Company's gross interference
12 expenditure compared to the City's actual expenditures
13 for the four categories mentioned above.

14 The Company has also developed a ratio for electric
15 expenditure to total Company interference expenditures.
16 The most current five-year average, 2003-2007, of
17 actual electric interference expenditures to the
18 Company's actual gross interference expenditures is 75
19 percent. The 75 percent factor, as shown in Exhibit __
20 MISP-2, p. 3 of 4, is the percentage of the Company's
21 interference expenditure associated with electric
22 facilities compared to the gross interference

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1 expenditure for all items combined. This process is
2 demonstrated in Exhibit ___ (MISP-2), p. 1 of 4.

3 Q. What is the forecast that results from these
4 computations?

5 A. By applying these percentages to the last three
6 quarters of 2009 and the first quarter of 2010, the
7 Company derived the total Electric interference
8 forecast of \$76.5 million for RY1, excluding Company
9 labor. Exhibit __ (MISP-2) also provides the forecast
10 for RY2 and RY3 without the Company labor component.

11 Q. Does the Company propose to update the forecast of
12 interference expenses during this rate case?

13 A. Yes. New York City's Capital Commitment Plan is
14 generally published in January, April and September of
15 each calendar year. Our testimony and exhibits were
16 prepared based on the City's most recent commitment
17 plan, which was published in January 2008. We will
18 update the forecast during the update phase of this
19 proceeding if there are substantial changes to the
20 City's plan, that materially impact our interference
21 O&M forecast.

22 CAPITAL EXPENSES

23 Q. What is the interference capital expenditure forecast?

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1 A. The interference capital expenditure forecast for the
2 period 2009-2012 is \$33.65 million in 2009, \$34.35
3 million in 2010, \$35.1 million in 2011 and \$35.25
4 million in 2012, as shown on Exhibit __ (MISP-1).

5 Q. Is the methodology for forecasting capital expenses the
6 same as that of O&M?

7 A. No. Unlike O&M projection, which is a calculated
8 number based on the City's forecast, the forecast for
9 capital interference expenses is the estimated cost of
10 projects based on a review of projects contained within
11 the New York City Commitment Plan and from meetings
12 with various City agencies, specifically the Department
13 of Design and Construction ("DDC"), concerning future
14 projects. Most of these projects however, are still in
15 their preliminary design stages, precluding a finite
16 assessment of capital related costs.

17 LOWER MANHATTAN EXPENDITURES

18 Q. Was the exhibit entitled "LOWER MANHATTAN ELECTRIC O&M
19 AND CAPITAL FORECAST" prepared under your supervision
20 and direction?

21 A. Yes, it was.

22 MARK FOR IDENTIFICATION AS EXHIBIT __ (MISP-3)

23 Q. What does this exhibit demonstrate?

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1 A. This exhibit shows the projected Lower Manhattan
2 Interference O&M expenditure for RY1 through RY3 and
3 Capital expenditure forecast for the period 2009 to
4 2012.

5 Q. What is the electric interference forecast associated
6 with Lower Manhattan?

7 A. The Company's O&M expenditure forecast for Lower
8 Manhattan is \$13.85 million, \$14.28 million, and \$15.27
9 million for RY1, RY2 and RY3, respectively. The Capital
10 expenditure forecast is \$18.07 million, \$16.14 million,
11 \$18.3 million and \$21.55 million for the period 2009 to
12 2012.

13 Q. Explain the methodology used to calculate the
14 interference cost for Lower Manhattan.

15 A. The City provided a listing of projects with potential
16 starting dates and the type of projects for the Lower
17 Manhattan area. We then developed order of magnitude
18 estimates for O&M and Capital work for each project
19 based on past experience of similar jobs in the Lower
20 Manhattan area. We based this estimate on the type of
21 work that it required in Lower Manhattan, which is
22 different than other interference work.

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1 Q. Please explain the difference in the work in Lower
2 Manhattan.

3 A. Through the years, most of the new facilities installed
4 in Lower Manhattan are on top of existing active and
5 abandoned facilities. As a result, there are layers
6 upon layers of facilities in Lower Manhattan. The
7 federal financing, which is being used to defray the
8 costs to the City for the rebuilding of Lower Manhattan
9 roadways, requires the roadways to be constructed to
10 meet Federal DOT specifications. This means a 7 inch
11 curb reveal (the distance between the top of the curb
12 and the roadway surface) be achieved. To attain the 7
13 inch curb reveal the roadway has to be lowered, which
14 requires the lowering of Company facilities. This will
15 require the removal of abandoned facilities and then
16 rearranging and lowering active facilities to provide
17 adequate space for lowering the roadway. Consequently,
18 extensive removal work is required for these projects,
19 which generally comes at a higher cost to perform
20 interference work relative to areas outside of Lower
21 Manhattan.

22 Q. Are there any other reasons why the methodology used
23 for calculating Lower Manhattan interference expenses

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1 is different from the methodology used to calculate all
2 other interference expenses?

3 A. Yes. For areas outside of Lower Manhattan, the
4 majority of interference work is being done under the
5 bid protocol called Section "U", which is Section U of
6 the DDC contract. However, the work in Lower Manhattan
7 is being implemented under a recently introduced but
8 different protocol called "Joint Bid." Unlike Section
9 "U", under Joint Bid the utility interference work is
10 included in the City bid document and is competitively
11 bid by the contractors bidding the City project. This
12 protocol was introduced by State Legislation,
13 specifically for Lower Manhattan and was accepted by
14 the City of New York and all the major utility
15 companies operating in the City. The City and the
16 utilities spent approximately two years establishing
17 the detailed process for Joint Bidding and the first
18 project under this protocol was bid in late 2007.
19 Therefore, there is no historic data available to
20 develop a methodology to forecast future interference
21 expenditures as a percentage of the City's forecast.
22 In addition, the complexity in performing utility
23 interference work in Lower Manhattan due to higher

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1 levels of underground congestion and narrower than
2 normal roadways are some of the factors which preclude
3 the development of a mathematical formula to forecast
4 future expenditures. Therefore, we are forecasting our
5 future interference costs on an individual project
6 estimate basis.

7 Q. Please explain Section U.

8 A. Section U is the section in the City contract for
9 infrastructure work, where the utilities identify and
10 quantify the interference scope of work. The protocol
11 for Section U is established jointly by the City of New
12 York and the major utilities operating in the City.
13 Under the protocol, the contractor of record for any
14 Section U project should negotiate and reach an
15 agreement with the utilities prior to the start of the
16 project. If an agreement can not be reached, the
17 matter is submitted for arbitration and the result is
18 final and binding.

19 Q. Turning back to the forecast for Lower Manhattan,
20 please explain the significance of Exhibit __MISP-4

21 A. Exhibit __ (MISP-4) shows the Company's estimated cost
22 for the first Joint Bid project, Beekman Street
23 project, in Lower Manhattan is consistent with the

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1 awarded low bid amount. Page 4 of 4 shows the
2 Company's overall estimate for the Beekman Street
3 project, (O&M, Electric, Gas and Steam capital
4 expenditures) totals \$13.408 million. Page 3 of 4 of
5 the same exhibit is the City document showing the
6 project Cost shared by each participating party based
7 on the low bid, and Company's share of the project as
8 \$13.748 million. The order of magnitude method we
9 apply for forecasting costs for other upcoming projects
10 in Lower Manhattan is consistent with this estimating
11 approach. We, therefore, expect that the Lower
12 Manhattan projects will be in the range of estimates
13 included in this filing.

14 MITIGATION MEASURES

- 15 Q. Please describe any mitigation measures that the
16 Company takes to decrease interference costs.
- 17 A. In addressing interference costs, the Company is
18 required to adhere to state and municipal statutes,
19 codes, regulations and other established protocols,
20 which limit the Company's flexibility in implementing
21 mitigation measures. In addition and as discussed in
22 more detail below, given the nature of interference
23 work and the fact that this work (and related

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1 expenditures) is largely driven by factors outside of
2 the Company's control, the opportunities for mitigation
3 measures are, consequently, limited. However, over the
4 past seven or so years, the Public Improvement
5 department has taken multiple aggressive initiatives to
6 mitigate interference costs, and they are as follows:
7 Strengthening Public Improvement Engineering:
8 Engineering is our first line of defense in cost
9 mitigation and therefore, we have increased our in-
10 house resources and structured engineering's
11 functioning to realize maximum efficiency. Engineering
12 interfaces with various agencies during the initial
13 design and planning phases of a project, and has the
14 first opportunity to study the agencies scope of work.
15 They perform an in-depth analysis of the work scope to
16 determine the type and nature of the interference and
17 to quantify it. Meeting with the agencies during the
18 planning phase to suggest/request and discuss possible
19 scope changes to minimize interferences and to request
20 accommodations is another important engineering
21 function. Then the Section-U package is prepared
22 quantifying the interference items and identifying
23 their locations. This package is submitted to the

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1 agency to be included in the Section-U of their
2 contract document. Almost always, the time available
3 to perform the above mentioned functions is thirty days
4 or less and hundreds of projects of varying size and
5 complexity are engineered by various agencies during
6 any given fiscal year. Recognizing the importance of
7 performing a thorough engineering analysis and issuing
8 a quality Section-U package for every project, led to
9 the initiative to increase internal resources and
10 established access to external resources, if required.

11 Maximize Number of Section-U Projects: The Section - U
12 protocol provides the Company with certain limited
13 leverage to negotiate, with the City agency
14 contractors, a fair market price for the Company's
15 portion of interference work. Projects are not
16 automatically classified as Section-U unless certain
17 engineering requirements are met. Through the efforts
18 of the engineering department, the Company has been
19 able to maximize the number of interference projects
20 under Section U.

21 Conduct Studies and Surveys: Since the protocol of
22 dealing with underground and overhead interferences is
23 unique particularly in the City of New York, it does

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1 not easily lend to benchmarking with other similar
2 utilities. This led Public Improvement to seek the
3 assistance of experts in the field, to conduct
4 independent studies to provide guidance in determining
5 fair market value for interference items of work and
6 best construction practices are applied based on the
7 latest technology. In addition, we also conducted
8 periodic surveys utilizing internal Company resources
9 to ascertain the latest methodology utilized by roadway
10 contractors in implementing certain tasks. This allows
11 the updating of our estimating pricing structure and
12 keeps current with the latest technology and
13 methodologies.

14 Negotiating Team: The negotiating team concept has
15 been extremely successful since its inception in 2001.
16 The team consists of the estimator, the project
17 engineer, the borough manager and the borough project
18 specialist. The estimator is the lead and the common
19 individual for all negotiations irrespective of the
20 borough. This helped the enforcement of uniform pricing
21 for same work items through out the boroughs and also
22 forced the reduction of prices for certain items which
23 resulted from the studies and surveys.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC

1 Maximize Lump Sum Agreements: From experience we have
2 come to the conclusion that lump sum agreements
3 generally results in lower total project cost when
4 compared to unit price agreements. Therefore, we prefer
5 and promote lump sum agreements. For the past three
6 years, approximately 76 percent of agreements are of
7 the lump sum type. The added advantage of lump sum
8 agreements is that it allows our field personnel to
9 concentrate primarily on preventing damage to our
10 facilities.

11 Aggressive Arbitration Strategy: The Section-U
12 protocol directs the utility and the contractor to
13 arbitrate if a negotiated agreement cannot be reached.
14 Another goal served by the studies/surveys and the
15 negotiating team concept is to support efforts to
16 successfully challenge contractors in arbitration if
17 the pricing offered by the contractor is out of line
18 with fair market value. To date, the Company has an
19 approximate 90% success rate when we have arbitrated
20 these projects.

21 Structure Department Functions for Maximum Efficiency:
22 We restructured the Public Improvement Department to
23 maximize efficiency. One recent example of this

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC

1 restructuring was the creation of an independent sub-
2 section in Engineering Services to focus on Emergency
3 Sewer and Water projects as well as borough wide Test
4 Pitting. The Emergency Sewer and Water personnel focus
5 on "assuring that when a sewer can be relined rather
6 than open cut, we pursue this technical solution with
7 the DEP. Timely rigorous test pitting in advance of
8 Engineering to properly identify interference
9 relationships with other utilities and verify the
10 accuracy of our maps and records. As a result, we
11 benefit through consistent pricing of contractor work
12 as the section uses a "borough wide" approach rather
13 than each borough being independent.

14 We have also created an office in Lower Manhattan that
15 focuses on work in this area as their primary mission.

16 Working Clearance near Overhead Conductors: We
17 requested OSHA to provide clarification on safe
18 clearance guide lines for working near live electric
19 overhead conductors (approach distances). This enabled
20 us to address some contractor's refusal to use certain
21 types of mechanized equipment in proximity of electric
22 overhead conductors while performing City
23 infrastructure work.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC

1 projection and are predominately outside of the
2 Company's direct control. While the Company does take
3 aggressive actions to mitigate these expenses to the
4 extent practicable, as we just described, the magnitude
5 and timing of municipal projects is driven by municipal
6 plans and processes totally outside of our control that
7 can cause the scope and timing of actual expenditures
8 to vary significantly from forecasted amounts.
9 Therefore, the Company proposes full reconciliation for
10 O&M interference expenditures, consistent with the
11 historical treatment of these expenses, until the most
12 recent electric rate order.

13 Q. What did the Commission decide on this issue in its
14 most recent order?

15 A. The Commission implemented a one-way downward
16 reconciliation mechanism where the Company would be at
17 risk for actual costs above the forecasted amount and
18 customers would be made whole for actual expenditures
19 below the forecasted amounts.

20 Q. Do you agree with that determination?

21 A. No, we do not. Especially in light of the aggressive
22 actions that the Company takes to mitigate these
23 expenses, as well as now relying on an historical

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC

1 average of the City's January Commitment Plan and
2 performing a more detailed evaluation of the City's
3 waterway bridge program, a one-way downward
4 reconciliation is grossly unfair to the Company. If
5 the Commission is not receptive to reinstating a two-
6 way reconciliation for interference expense, which has
7 been a staple of multi-year rate plans, supported by
8 Commission Staff in such context, and no less
9 applicable in theory to one-year rate determinations
10 due to the volatility of such expenses, the Commission
11 must, at a minimum, eliminate the one-way downward
12 reconciliation in the context of a one-year plan to
13 provide the Company a fair opportunity to share in the
14 fruits of its actions to mitigate interference costs,
15 which will, in any event, be captured for the long-term
16 benefit of customers when rates are reset.

17 Q. Is the Company also proposing to reconcile electric
18 interference costs for Lower Manhattan projects?

19 A. Yes. Like other interference costs, the Company's
20 forecast of expenditures for Lower Manhattan projects
21 is driven by the City's forecasted projects and
22 estimated costs and the City's actual execution of its
23 program. Accordingly, these costs are not directly

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC

1 within the Company's control. Therefore, the Company
2 proposes to utilize the same reconciliation mechanism
3 for interference expenditures for Lower Manhattan.

4 Q. Does this conclude the Panel's testimony?

5 A. Yes, it does.

**CONSOLIDATED EDISON COMPANY OF NEW YORK INC.
ELECTRIC INTERFERENCE O&M AND CAPITAL EXPENDITURE FORECAST
EXCLUDING LOWER MAHATTAN**

O&M FORECAST	
<u>Rate year 1</u>	
Electric Interference expenditure forecast for rate year including Company labor	\$80,238,000
Company Labor 4.6% (Labor % of Historic Year)	\$3,690,948
Net expenditure forecast excluding labor	\$76,547,052
Historic year	
Electric interference expenditure for historic year, twelve months ending Dec 31st 2007	\$53,981,422
Company labor	\$2,500,483
Net expenditure	\$51,480,939
Program change	\$25,066,113

CAPITAL FORECAST

Electric Interference capital expenditure forecast	2009	2010	2011	2012
	\$33,655,000	\$34,355,000	\$35,115,000	\$35,250,000

**CONSOLIDATED EDISON COMPANY OF NEW YORK INC.
NEW YORK CITY CAPITAL COMMITMENT & EXPENDITURES
AND CON EDISON O&M INTERFERENCE FORECAST 2008 - 2011**

NYC Capital Commitment (Jan 2008 Publication)		2008	2009	2010	2011	2012
(millions)						
Water (WM - 1 & WM - 6 Budget Categories)		112	59	269	296	
Sewer		199	178	355	250	
Highway (Excluding WTC)		600	593	445	428	
Bridges**		(1091)	411	(1668)	1080	
Total Commitment		1332	1910	1720	1077	
Five year Average Commitment Target 64% (See calc. below)		852	1222	1101	689	
City Expenditure Forecast calculated @97.6% of target (Worksheet 1)			832	1193	1074	673

** -Forecast expenditures adjusted. See written testimony.

Con Edison's Interference Forecast:

2009	2010	2011	2012
------	------	------	------

Con Edison's gross Interference forecast @ 11.6% of City forecast (5 Yr Avg)

96.51 138.40 124.63 78.04

Electric O&M Interference @ 75% of Con Ed gross forecast(5 Yr.Avg)

72.39 103.80 93.47 58.53

RATE YEAR FORECAST

Electric Interference forecast for rate year 4/01/09 - 3/31/10 (RY1)	With Lab.	W/O Lab
Electric Interference forecast for rate year 4/01/10 - 3/31/11 (RY2)	80.238	76.547
Electric Interference forecast for rate year 4/01/11 - 3/31/12 (RY3)	101.215	96.559
	84.735	80.838

Five year average Commitment target calculation for January Commitment Plans

Year	Target
2003	62%
2004	66%
2005	63%
2006	63%
2007	65%
Avg	63.80%

Say five year Avg target 64%

CONSOLIDATED EDISON COMPANY OF NEW YORK
 NYC's ACTUAL EXPENDITURE AS A % OF NYC's
 COMMITMENT TARGET FROM JAN COMMITMENT PLAN

Fiscal Year	NYC's Actual Expenditure	NYC's Comm. target from previous FY Jan. Commitment Plan	NYC Actual Exp. as a % of Previous Years Commitment Target
2003	624	629**	99%
2004	\$695	\$664	105%
2005	\$716	\$771	93%
2006	\$635	\$610	104%
2007	\$644	\$721	89%
Five Year Average	\$3,314	\$3,395	97.61%
			Say 97.6%

** Used actual commitment due to unavailability of detailed data to calculate commitment target for 2002

COMMITMENT TARGET CALCULATION			
Items	City's Comm. Plan - Jan 2003 Pub.	City's Comm. Plan - Jan 2004 Pub.	City's Comm. Plan - Jan 2005 Pub.
Water Main (WM1 & WM 6)	167	\$151	\$117
Sewer	288	272	222
Highway	303	382	348
Bridges	313	363	281
Total Comm. Plan	1071	1168	968
Commitment Target @	664	\$771	610
62% - 2003			721
66% - 2004			
63% - 2005			
63% - 2006			

**CONSOLIDATED EDISON COMPANY OF NEW YORK INC
STEAM INTERFERENCE EXPENDITURE
AS A PERCENTAGE OF GROSS INTERFERENCE EXPENDITURE**

Analysis based on 2003 Thru 2007 data

DISCIPLINE	2003 Expenditure	% of Total	2004 Expenditure	% of Total	2005 Expenditure	% of Total	2006 Expenditure	% of Total	2007 Expenditure	% of Total
Electric	56,004,791	81.67%	56,171,355	76.90%	69,665,085	80.38%	53,969,294	66.89%	53,981,422	69.58%
Gas	9,354,897	13.64%	14,019,604	19.19%	14,238,308	16.43%	23,083,953	28.61%	21,601,323	27.84%
Steam Interference	1,409,328	2.08%	1,177,383	1.61%	730,201	0.84%	1,049,951	1.30%	582,795	0.75%
Steam Op's Interference	1,806,148	2.63%	1,680,684	2.30%	2,034,816	2.35%	2,578,472	3.20%	1,413,997	1.82%
Total	68,575,164	100.00%	73,049,027	100.00%	86,668,409	100.00%	80,681,670	100.00%	77,579,537	100.00%

DISCIPLINE	Total Expenditure 2003-2007 by discipline	% of Total 2003-2007
Electric	289,791,947	74.97%
Gas	82,298,085	21.29%
Steam Interference	4,949,658	1.28%
Steam Op's Interference	9,514,117	2.46%
Total	386,553,807	100.00%

Say **75%**

CONSOLIDATE EDISON COMPANY OF NEW YORK INC

CON EDISON'S EXPENDITURE AS A PERCENTAGE OF NYC'S EXPENDITURE

Analysis based on 2003 Thru 2007

Description	2003 Expenditure	CE Expenditure As a % Of NYC's	2004 Expenditure	CE Expenditure As a % Of NYC's	2005 Expenditure	CE Expenditure As a % Of NYC's	2006 Expenditure	CE Expenditure As a % Of NYC's	2007 Expenditure	CE Expenditure As a % Of NYC's
City Expenditure	623,801,000		695,054,000		715,775,000		635,305,000		644,367,000	
Con Edison O&M	68,575,164	10.99%	73,049,027	10.51%	86,668,409	12.11%	80,681,670	12.70%	77,579,537	12.04%

Description	5 yr Total Expenditure	CE O&M as a % of City Exp.
City Expenditure	3,314,302,000	
Con Edison O&M	386,553,807	11.66%

Use 11.6% of City's Projected Expenditure to derive at Con Edison's O&M Expenditure.

**CONSOLIDATED EDISON COMPANY OF NEW YORK INC.
LOWER MANHATTAN ELECTRIC O&M AND CAPITAL FORECAST**
(millions)

O&M FORECAST;

Description	RY1	RY2	RY3
Lower Manhattan Electric O&M expenditure forecast (excluding Company labor 4.65%)	13,849	14,286	15,271

CAPITAL FORECAST

Description	2009	2010	2011	2012
Lower Manhattan Electric Capital expenditure forecast	18,071	16,139	18,300	21,550



NEW YORK CITY DEPARTMENT OF
DESIGN + CONSTRUCTION

Exhibit - (MISP-4)
Pg. 1 of 4

June 19, 2007

DAVID J. BURNET, AIA
Commissioner

ERIC C. MACFARLANE, P.E.
Deputy Commissioner
Infrastructure

Mr. Michael A. Mobyed, Project Manager
Public Improvement / Engineering
Consolidated Edison Company of New York, Inc.
150 Broadway, Suite 2220
New York, NY 10038

RE: Project ID HWMWTCA6E
Joint Bid Work for Consolidated Edison Company of New York, Inc.
Reconstruction of Beekman Street from Park Row to Gold Street and
Park Place from Broadway to West Broadway
Borough of Manhattan

Dear Mr. Mobyed:

Bids for the referenced contract were opened on March 22, 2007. The City has awarded this contract to the apparent overall low bidder, **TROCOM CONSTRUCTION CORP.** Based on the bidder's price, the total cost of Consolidated Edison Company of New York, Inc.'s share of the work is \$12,036,650.00 which includes construction cost, Resident Engineering Inspection (REI) and Transit Authority Force Account (FA) as shown on Project Cost Shared Summary by Each Participating Party. The Memorandum of Bids, Low Bid Share Breakdown, REI contract, Transit Authority Force Account Agreement and Project Cost Shared Summary by Each Participating Party are attached for your reference.

At your option you may wish to follow the City's example by adding a contingency factor (suggested minimum factor 1.5%) to your budget appropriation.

As per Article 8, Section 8.6 of the Joint Bid Agreement, Consolidated Edison Company of New York, Inc. has the option of submitting payment by check, or if greater than \$250,000.00, by letter of credit. In order for this Department to proceed with the registration of this contract, it is hereby requested that Consolidated Edison Company of New York, Inc. forward a check for the above amount made payable to "THE CITY OF NEW YORK, DIRECTOR OF FINANCE (HWMWTCA6E)" or submit a letter of credit, to Mr. Robert Cleary Assistant Commissioner, NYCDDC, Budget & Finance-Financial Management Unit, 30-30 Thomson Avenue, 4th Floor, Long Island City, NY 11101.

As per Article 8.5 of the Agreement final actual costs reconciliation will be performed at substantial completion of the contract.

Very truly yours,



Eric C. Macfarlane, P.E.

Encl.



June 19, 2007
Mr. Michael A. Mobyed, Project Manager
Consolidated Edison Company of New York, Inc.

RE: Project ID HWMWTCA6E
Joint Bid Work for Consolidated Edison Company of New York, Inc.
Reconstruction of Beekman Street from Park Row to Gold Street and
Park Place from Broadway to West Broadway
Borough of Manhattan

bc: D/C E. Macfarlane, Assoc./C R. Zetterlund,
Assoc./C G. Cowan, W. Svilar
A/C D. Ng, D/A/C Mallick, M. Zargarelahi, J. Wong, Y. Tong
A/C E. Doleyes, T. Foley, S. Jaromi, S. Keshava
A/C N. Venugopalan, M. Jean-Louis, K. Yan, C. Loke
A/C R. Cleary (w/attachment), T. Morrison
S/G/C R. Sottile, G/C D. Varoli

4-28-80

Contract HVMW/CA6E
 Reconstruction of Beekman Street
 Project Cost Shared by Each Participating Party

	Federal	City	Con Edison	ECS	TWC	TOTAL
Construction	2,421,854 16.49%	548,730 3.74%	9,206,361 62.69%	2,348,578 15.99%	161,048 1.10%	14,686,571 100.00%
15% Contingency	363,278 16.49%	82,310 3.74%	1,380,954 62.69%	352,287 15.99%	24,157 1.10%	2,202,986 100.00%
Construction TOT	2,785,132	631,040	10,587,315	2,700,865	185,205	16,889,557

REI	494,552 16.49%	112,053 3.74%	1,879,976 62.69%	479,589 15.99%	32,887 1.10%	2,999,057 100.00%
10% Contingency	49,455 16.49%	11,205 3.74%	187,998 62.69%	47,959 15.99%	3,289 1.10%	299,906 100.00%
REI TOT	544,008	123,258	2,067,974	527,548	36,175	3,298,963

Force Account	249,992 16.49%	56,642 3.74%	950,313 62.69%	242,429 15.99%	16,624 1.10%	1,516,000 100.00%
15% Contingency	37,499 16.49%	8,496 3.74%	142,547 62.69%	36,364 15.99%	2,494 1.10%	227,400 100.00%
Force Account TOT	287,491	65,138	1,092,860	278,793	19,118	1,743,400
						21,931,919

TotalCon/REI/FA	\$ 3,166,398	\$ 717,425	\$ 12,036,650	\$ 3,070,596	\$ 210,559	
Total Contingencies	\$ 450,232	\$ 102,011	\$ 1,711,499	\$ 436,610	\$ 29,939	

GRAND TOTAL	\$ 3,616,630	\$ 819,436	\$ 13,748,149	\$ 3,507,206	\$ 240,498	\$ 21,931,919
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CON EDISON'S ESTIMATE

Proj #	Name	2007	2008	2009	2010	Total
HWMWTCA6E	Beekman St / Park Place	740	1,737	1,740	1,000	5,217
HWMWTCA6E	Beekman St / Park Place 6ED6291	500	1,300	1,300	696	3,796
HWMWTCA6E	Beekman St / Park Place 6GD3301	-	640	643	648	1,931
HWMWTCA6E	Beekman St / Park Place 6SD1471	-	825	825	814	2,464
Total for the project						13,408