

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Consolidated Edison Company Of New York, Inc.

Case 07-S-1315

February 2008

Prepared Exhibits of:

SAFETY PANEL

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State of New York
Department of Public Service

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Safety Panel
Exhibit____(SP-1)
List of Information Requests

Staff Requests

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Exhibit page

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Company Name: Con Edison
Case Description: Steam Rate Filing
Case: 07-S-1315

Response to DPS Interrogatories – Set DPS3
Date of Response: 01/03/2008
Responding Witness: Operations Panel

Question No. :41

Subject: Mechanical Equipment Replacement Program - The Panel's testimony, page 11, describes the planned expenditures for the Mechanical Equipment Replacement Program, including demineralization water treatment systems for the E. 74th Street and W. 59th Street stations. 1) Please describe the necessity for the demineralization equipment as related to age and capabilities of the existing water treatment system. 2) Is it true that in 1999, Con Edison eliminated demineralization and introduced softening as a means of water treatment with the intent to increase overall cost savings? If so, please provide the following: a) all costs associated with implementation of softening as water treatment including any costs associated with studies recommending the conversion; b) actual cost savings (if any) attained for the period the new treatment process was in place; and c) reasons for the most recent/current reversal of treatment process back to demineralization.

Response:

1. See 1.c below.
2. In 1999 the water treatment system for the high pressure boilers at the East 74th Street Station was changed from a full demineralization system to a sodium softening system. This change was made to save on the costs of upgrading the bulk acid and caustic storage systems as a result of the DEC 599 regulation that went into effect on December 1, 1999. This change was possible at that time because the boiler operating pressures were lowered due to the retirement of the Station's steam turbines. The water quality obtained with sodium softening is acceptable at lower boiler pressures. A similar modification was also done for the boilers at the West 59th Street Station.
 - a. The total capital costs for the installation of the current softening systems at the East 74th and West 59th Street Stations were approximately \$1,699,000 and \$663,000.
 - b. Responding to this question requires a study that the Company is not obligated to perform. However, to the Company's knowledge, the pre

1999 operating cost information that would be needed to perform this study, is no longer available.

- c. The new demineralization system being implemented at both the East 74th Street and West 59th Street Station is required to protect the in steam distribution piping system. Improved water quality will also protect the boilers and auxiliary systems at the stations. In recent years leaks in the distribution piping system have developed at the 6 o'clock position. These leaks have been attributed to the stations' water quality. It was determined that the steam the distribution piping has depressed pH and the presence of carbonic acid. The steam condensate (water) normally collects in the piping at the 6 o'clock position and leaks develop due higher corrosion rates resulting from the lower pH and carbonic acid concentration. New ion exchange water treatment systems will be installed at both Stations. This system uses resin to remove ionic species present in the raw water and exchange them with hydrogen and hydroxyl ions which combine to form very pure water.

Company Name: Con Edison
Case Description: Steam Rate Filing
Case: 07-S-1315

Response to DPS Interrogatories – Set DPS7
Date of Response: 02/08/2008
Responding Witness: Accounting Panel

Question No. :97

Subject: July 18, 2007 Steam Incident Costs - 1) Please provide a detailed accounting of all costs related to the July 18, 2007 Steam Incident and the company's restoration efforts. 2) Of the costs identified in 1, please indicate which those that have been included in the company's rate case filing 3) Regarding capitalized costs, please provide the level of costs included in plant-in-service and the costs charged to the depreciation reserve for the retirement of damaged equipment as of 10/31/2007. 4) Please verify if the costs identified in response to question 3 have or have not been included in the company's rate base request. 5) Please provide the amount of any payments received from insurance companies in regard to losses incurred as a result of the July 18, 2007 steam incident 6) Please provide details on all insurance claims made by the company in regard to any losses incurred as a result of the July 18, 2007 steam incident 7) What are the ceiling limits on the company's insurance recovery? 8) Does the insurance cover infrastructure work or just personal injury? 9) How are the insurance premiums collected from ratepayers?

Response:

- 1) Attached is a summary of the steam incident costs which shows expenditures for this incident through December 2007. These costs were accumulated on work orders that were set up to capture all direct costs related to the incident. On a monthly basis, operation and maintenance expenses (O&M) recorded in these work orders are cleared to O&M. Capital expenditures accumulated in the work orders are cleared to Non-Interest Bearing Construction Work in Progress and when the work is completed will move to Plant In Service accounts.
- 2) None of the costs related to the steam incident was included in the Company's rate case filing as the historic period in this proceeding is the twelve months ended June 30, 2007. With respect to capital costs, see responses to 3 and 4 below.
- 3) None of the capitalized costs were included in plant-in-service, and there was no depreciation reserve as of 10/31/2007. These costs are currently recorded as construction-work-in-progress.

- 4) None of the costs related to the steam incident have been included in plant in service in the historical period of the current case. The forecast of plant expenditures used for the period covering July through December 2007 was developed using the Company's 2007 budget and did not include any spending for the steam incident. For 2008 and later years the Company included \$5 million per year in distribution plant for projects related to the steam incident. At this point the \$5 million expenditure per year is a place holder to provide for projects that may arise from the steam incident. See attached file "Estimated Net Plant" for a schedule of the estimated plant balances and applicable depreciation for the period January 2008 to December 2012.
- 5) To date, the Company has been reimbursed \$3,105,682.93.
- 6) The Company submitted a claim for \$8,105,682.93 on October 1, 2007, of which the first \$5 million is the Company's deductible. The Company submitted a second claim for \$5,345,487.96 on January 30, 2008. The attached spreadsheet details by category the original October 2007 and January 2008 claim.
- 7) The Company had in effect \$750 million of excess liability insurance above the \$5 million retention.
- 8) This insurance covers third party claims/litigation for property damage or bodily injury. It includes coverage for claims or litigation for clean up and/or repair to third party property of others contaminated or damaged in the incident. The Company expects the bodily injury and property damage claims/litigation here to be significant. The Company has historically self-insured any damage to our underground infrastructure.
- 9) Insurance premiums are recorded as operation and maintenance expense and are reflected in base rates along with O&M expenses. Prepaid insurance is included in the working capital component of the average rate base.

Steam Incident

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ESTIMATED NET PLANT - STEAM
JUNE 31, 2007 - SEPTEMBER 31, 2008
(\$1000)**

	<u>BOOKCOST OF PLANT</u>	<u>ACCRUED DEPRECIATION</u>	<u>NET PLANT</u>
JUNE 31, 2007	0	0	0
JULY 31, 2007	0	0	0
AUGUST 31, 2007	0	0	0
SEPTEMBER 30, 2007	0	0	0
OCTOBER 31, 2007	0	0	0
NOVEMBER 30, 2007	0	0	0
DECEMBER 31, 2007	0	0	0
JANUARY 31, 2008	350	0	350
FEBRUARY 28, 2008	700	1	699
MARCH 31, 2008	1,050	2	1,048
APRIL 30, 2008	1,400	4	1,396
MAY 31, 2008	1,750	7	1,743
JUNE 30, 2008	2,100	10	2,090
JULY 31, 2008	2,450	14	2,436
AUGUST 31, 2008	2,800	19	2,781
SEPTEMBER 30, 2008	3,300	24	3,276

Steam Incident

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ESTIMATED NET PLANT - STEAM
TWELVE MONTH AVERAGE ENDING SEPTEMBER 30, 2009
(\$1000)**

	<u>BOOKCOST OF PLANT</u>	<u>ACCRUED DEPRECIATION</u>	<u>NET PLANT</u>
SEPTEMBER 30, 2008 *	\$1,650	\$12	\$1,638
OCTOBER 31, 2008	3,800	30	3,770
NOVEMBER 30, 2008	4,400	37	4,363
DECEMBER 31, 2008	5,000	46	4,954
JANUARY 31, 2009	5,350	56	5,294
FEBRUARY 29, 2009	5,700	66	5,634
MARCH 31, 2009	6,050	77	5,973
APRIL 30, 2009	6,400	89	6,311
MAY 31, 2009	6,750	101	6,649
JUNE 30, 2009	7,100	114	6,986
JULY 31, 2009	7,450	128	7,322
AUGUST 31, 2009	7,800	143	7,657
SEPTEMBER 30, 2009 *	4,150	79	4,071
TOTAL	71,600	978	70,622
AVERAGE	\$5,967	\$82	\$5,885

* ONE HALF OF ENDING BALANCE

Steam Incident

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ESTIMATED NET PLANT - STEAM
TWELVE MONTH AVERAGE ENDING SEPTEMBER 30, 2010
(\$1000)**

	<u>BOOKCOST OF PLANT</u>	<u>ACCRUED DEPRECIATION</u>	<u>NET PLANT</u>
SEPTEMBER 30, 2009 *	\$4,150	\$79	\$4,071
OCTOBER 31, 2009	8,800	174	8,626
NOVEMBER 30, 2009	9,400	191	9,209
DECEMBER 31, 2009	10,000	209	9,791
JANUARY 31, 2010	10,350	228	10,122
FEBRUARY 29, 2010	10,700	248	10,452
MARCH 31, 2010	11,050	269	10,781
APRIL 30, 2010	11,400	291	11,109
MAY 31, 2010	11,750	313	11,437
JUNE 30, 2010	12,100	336	11,764
JULY 31, 2010	12,450	360	12,090
AUGUST 31, 2010	12,800	384	12,416
SEPTEMBER 30, 2010 *	6,650	205	6,446
TOTAL	131,600	3,287	128,314
AVERAGE	\$10,967	\$274	\$10,693

* ONE HALF OF ENDING BALANCE

Steam Incident

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ESTIMATED NET PLANT - STEAM
TWELVE MONTH AVERAGE ENDING SEPTEMBER 30, 2011
(\$1000)**

	<u>BOOKCOST OF PLANT</u>	<u>ACCRUED DEPRECIATION</u>	<u>NET PLANT</u>
SEPTEMBER 30, 2010 *	6,650	205	6,446
OCTOBER 31, 2010	13,800	435	13,365
NOVEMBER 30, 2010	14,400	462	13,938
DECEMBER 31, 2010	15,000	490	14,510
JANUARY 31, 2011	15,350	519	14,831
FEBRUARY 29, 2011	15,700	549	15,151
MARCH 31, 2011	16,050	580	15,470
APRIL 30, 2011	16,400	611	15,789
MAY 31, 2011	16,750	643	16,107
JUNE 30, 2011	17,100	676	16,424
JULY 31, 2011	17,450	709	16,741
AUGUST 31, 2011	17,800	743	17,057
SEPTEMBER 30, 2011 *	9,150	389	8,761
TOTAL	191,600	7,011	184,590
AVERAGE	\$15,967	\$584	\$15,382

* ONE HALF OF ENDING BALANCE

OCTOBER 31, 2011	18,800	814	17,986
NOVEMBER 30, 2011	19,400	851	18,549
DECEMBER 31, 2011	20,000	889	19,111
JANUARY 31, 2012	20,350	928	19,422
FEBRUARY 29, 2012	20,700	968	19,732
MARCH 31, 2012	21,050	1,008	20,042
APRIL 30, 2012	21,400	1,049	20,351
MAY 31, 2012	21,750	1,091	20,659
JUNE 30, 2012	22,100	1,133	20,967
JULY 31, 2012	22,450	1,176	21,274
AUGUST 31, 2012	22,800	1,220	21,580
SEPTEMBER 30, 2012	23,300	1,264	22,036
OCTOBER 31, 2012	23,800	1,309	22,491
NOVEMBER 30, 2012	24,400	1,355	23,045
DECEMBER 31, 2012	25,000	1,403	23,597

Attachment DPS-97

CECONY Steam Incident Expenses
Summary of Insurance Reimbursements
Original Claim- July to September 2007
(In thousands of dollars)

Claims paid to individuals and businesses	\$	2,519
Accounts Payable items*		5,587
	\$	<u>8,106</u>

*Summary of Accounts Payable items:

Environmental Remedial Costs	\$	3,023
Steam Plant Rental/Equipment		868
Consultant Fees		393
Security- Parts & Services		323
Other A/P Accruals		314
Asbestos Removal		172
Contract Labor		146
Settlement Of Claims		91
Misc Parts & Supplies		50
Architect and Survey Services		48
Permits, Licenses & Fees		38
Decontamination Services		36
Photo Parts & Services		28
Medical Services & Supplies		18
Maintenance & Inspection		13
Freight		13
All Other Payments		6
Transportation Flagging Services		4
Programming Services		1
Contractor-hired Vehicle		1
Total	\$	<u>5,587</u>

CECONY Steam Incident Expenses
Summary of Insurance Reimbursements
January 30, 2008 Claim- October to December 2007
(In thousands of dollars)

Claims paid to individuals and businesses	\$ 134
Accounts Payable items*	5,211
	\$ 5,345

*Summary of Accounts Payable items:

Litigation defense - outside counsel	1,992
Clean-up and inspection of third party facilities	1,279
Consultants- EGINEERING, Document Management, and misc.	641
Analytical and Investigative services	443
Air monitoring and analysis	281
Security at incident site	256
Incident site emergency carpentry services	83
Barricades	80
Forensic recovery, evidence chain of custody, monitoring system, and security	53
Camera & video services - testing & monitoring forensic analysis	32
Land surveyor - incident site	21
Equipment rental	21
3D animation of steam system	20
Weld testing	6
Computer Support	2
Co-ordinate with PSC - investigation protocols	1
Total:	5,211

Consolidated Edison Company of New York, Inc.
Steam Incident Cost Summary - As of December 2007

	YTD	O&M	Other Than O&M			
		Total	Capital	Retirement	Other	Total
84493 Steam Incident - Response & Clean Up	2,509,291	2,163,126	215,528	130,636	-	346,165
84494 Steam Oper .Asbestos Abatement/Clean Up	19,170,582	8,271,835	5,912,532	1,640,388	3,345,827	10,898,747
84498 CERC (includes Misc. Expenses)	703,888	703,888	-	-	-	-
84500 Gas Operations	173,088	73,130	79,486	20,473	-	99,958
84536 To Collect Non-labor Engineering Costs 7/07	73,193	-	-	-	73,193	73,193
84670 Collect Legal & Investigative Costs	5,068,792	5,068,792	-	-	-	-
89397 Customer Contact	132,759	132,759	-	-	-	-
89398 Customer Claims Paid	2,788,211	2,788,211	-	-	-	-
89399 Substations / S&TO	104,666	104,666	-	-	-	-
16957 Underground Transformer Installations	38,949	-	38,949	-	-	38,949
17987 Underground Primary	2,005,898	-	2,005,898	-	-	2,005,898
17988 Underground Secondary	413,052	-	413,052	-	-	413,052
17989 Underground Services	8,919	-	8,919	-	-	8,919
20711 Replacement Steam Mains - Steam Explosion	2,528,093	-	2,528,093	-	-	2,528,093
20714 Installation Replacement of Steam Manholes	7,882	-	7,882	-	-	7,882
21256 Conduit - For Emergency Use	75,478	-	75,478	-	-	75,478
42146 Underground Primary	256,753	-	-	256,753	-	256,753
42147 Underground Secondary	42,446	-	-	42,446	-	42,446
42148 Underground Services	5,507	-	-	5,507	-	5,507
47083 Replacement of Steam Mains	65,054	-	-	65,054	-	65,054
96779 Underground Burnout Primary Feeder/Other Mtc.	4,159,000	4,159,000	-	-	-	-
96001 Underground Burnout Secondary Main Distribution	30,000	30,000	-	-	-	-
96002 Underground - Service Burnout and No-Lights	25,000	25,000	-	-	-	-
Total Expenses	40,386,502	23,520,407	11,285,817	2,161,257	3,419,021	16,866,095

PROPOSED R&D SPENDING RELATED TO THE JULY 18, 2007 STEAM INCIDENT

Title	Rate Year Ending
NEW INITIATIVES	9/30/2009
	(in thousands of dollars)
DEVELOPMENT OF A PREDICTIVE MODEL FOR CONDENSATE ACCUMULATION	100
DEVELOPMENT AND DEMONSTRATION OF HIGH TEMPERATURE AND ADVANCED TECHNOLOGY SENSORS	100
DEMONSTRATION OF REMOTE WATER LEVEL MONITORING IN STEAM MANHOLES	15
DEMONSTRATION OF LASER BASED TOOL FOR STEAM MAIN STRUCTURAL INTEGRITY	75
DEMONSTRATION OF A TRANSIENT PRESSURE MONITOR	50
TOTAL	340