

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 Testimony of:

Matthew F. Cinadr
Power Systems Operations
Specialist
Office of Electric, Gas and
Water
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

1 Q. Please state your name, business addresses, and
2 title.

3 A. My name is Matthew F. Cinadr. My address is NYS
4 Department of Public Service, Three Empire State
5 Plaza, Albany, NY 12223. My title is Power
6 Systems Operations Specialist.

7 Q. Please describe your experience regarding
8 electric-generating facilities.

9 A. I have worked in the field of power systems and
10 electric-generating facilities for over 30
11 years. I am employed by the Office of Electric,
12 Gas and Water in the Bulk Electric Systems
13 Section. I have testified in numerous
14 administrative hearings before the Commission.
15 As a staff member of the Department of Public
16 Service, I have provided testimony on numerous
17 capital additions, power plant performance,
18 operation, and maintenance matters.

19 Q. Please state your professional qualifications,
20 work experience, and educational background.

21 A. I received a bachelor degree in mechanical
22 engineering from Cleveland State University.
23 After graduating, I began my engineering career
24 as a field engineer with General Electric's

1 Installation and Service Engineering Department.
2 Various field assignments led to promotions to
3 the Schenectady Large Steam Turbine Department
4 and to the Apparatus Service Business Division
5 where I was Manager of the Mechanical-Turbine
6 Unit at the Charlotte, North Carolina Service
7 Shop. I left General Electric to become the
8 Manager of the Service Department for Stock
9 Equipment Company. Power plant equipment
10 startup and service was the main responsibility
11 for the 12 graduate engineers in my department.
12 In this capacity, I reported to the Manager of
13 Engineering and thus became involved with design
14 improvement projects and new project designs. I
15 was promoted and joined Stock's Sales Department
16 with responsibilities for a seven-state sales
17 territory. I joined Stone & Webster's
18 Operations Services Division and for over two
19 years was responsible for a variety of tasks.
20 As an engineer at Stone & Webster, I was
21 responsible for evaluating, selecting, and
22 applying standard engineering techniques,
23 procedures, and criteria. I served as a
24 Principal Engineer on a project for a 670 MW

1 nuclear plant and was Division Specialist in
2 coal handling. I joined the Department of
3 Public Service, System Operations Section, in
4 March 1982 and have been assigned a variety of
5 work related to the construction, operation and
6 performance of generating stations and the
7 siting of new ones.

8 Q. Have you previously submitted testimony before
9 the Commission?

10 A. I have prepared testimony before the Public
11 Service Commission for the Consolidated Edison
12 Company of New York, Inc. (Con Edison) Rate Case
13 28211 and 04-E-0572; Rochester Gas and Electric
14 Corporation Rate Cases 28313 and 29426; Niagara
15 Mohawk Power Corporation Rate Cases 29327 and
16 29728; Central Hudson Gas & Electric Corporation
17 Case 29433

18 Q. What are some of your duties and activities on
19 which you are currently engaged?

20 A. My duties have required me to review every
21 Article X application made downstate, in NYISO
22 Zones J and K. My reviews have had a broad
23 scope and generally covered all mechanical
24 engineering aspects of project operations, and

1 design. For example, I testified in Case
2 99-F-1314 "In the Matter of the Application of
3 Consolidated Edison Company of New York, Inc.
4 for a Certificate of Environmental Compatibility
5 and Public Need to Re-power the East River
6 Generating Station to Replace the Waterside
7 Generating Station in Manhattan, New York
8 County, New York". My current assignments
9 include the ongoing work on the compliance
10 filing review in Case 00-F-2057 - Application by
11 Besicorp-Empire Development Company, LLC for a
12 Certificate of Environmental Compatibility and
13 Public Need to construct and operate a 505
14 megawatt, combined cycle cogeneration plant in
15 the City of Rensselaer, Rensselaer County.

16 Q. What will this testimony address?

17 A. My testimony will address the Company's Capital
18 spending and Operations and Maintenance
19 (O&M) budget requests for steam production. I
20 will also present my findings with respect to
21 the proposed Research and Development activities
22 aimed at improving Steam Production/Generation
23 activities. Finally, my testimony addresses the

1 ongoing distribution of proceeds from the sale
2 of certain surplus plant emission allowances.

3 Q. Are you sponsoring any exhibits?

4 A. Yes, please see exhibits Exhibit____(MFC-1)
5 through Exhibit____(MFC-7). These are aimed at
6 presenting detailed levels of the Company's
7 planned and actual expenditures. They form the
8 basis for my review of historic spending and the
9 reasonableness of the proposed expenditures.

10 Q. Please generally describe the contents of your
11 exhibits relied upon in your testimony on Steam
12 Production Capital.

13 A. Exhibit____(MFC-1) is extracted from the summary
14 of capital figures presented by the Company.
15 Exhibit____(MFC-2) is a chart detailing
16 individual and total Steam Production Plant in
17 Service as of December 31st for the years 2000
18 through 2006 and as of October 31, 2007. Each
19 of the 7 major steam production locations is
20 further reported with the sub accounts shown.
21 Exhibit____(MFC-3) is a chart used to present
22 and compare historic actual and budgeted amounts
23 of capital expenditures for the years 2003
24 through 2007. Nine production capital programs

1 further detail the overall spending areas for
2 the five yearly periods shown. (MFC-4) is taken
3 from the Company's current five-year capital
4 plan. It is a listing of steam production
5 program and projects.

6 Q. Please generally describe the contents of your
7 exhibits used in your testimony on Steam
8 Production O&M?

9 A. Exhibit___(MFC-5) is extracted from the summary
10 of O&M figures presented by the Company.
11 Exhibit___(MFC-6) is a chart of what the Company
12 reported as steam elements of expense. The
13 current and previous rate case allocations for
14 each element of expense are shown.
15 Exhibit___(MFC-7) is the response to Staff IR
16 DPS-1. For the 12 months ending June 30 for the
17 years 2003 through 2006 maintenance expenses
18 were provided.

19 **Production Capital and O&M Budget**

20 Q. Do you have any observations about the Company's
21 expected capital or O&M expenditures beyond the
22 rate year?

23 A. No, I am testifying on a one-year rate case, and
24 it is not appropriate to address any expenses

1 beyond the rate year in the context of a one-
2 year rate case.

3 **Production Capital Budget**

4 Q. Please explain your overall approach for
5 reviewing and analyzing the Company's proposed
6 production capital budget.

7 A. In reviewing the Company's proposed production
8 capital expenditures, I looked at the
9 reasonableness of the proposed budget relative
10 to recent historic spending. I also looked at
11 necessity, timing, scheduling and projected
12 costs of specific programs and projects. In
13 addition I reviewed the Company's formal
14 budgeting methods, procedures, internal review
15 and approval processes and, and in my judgment,
16 found them to be reasonable.

17 Q. Do you have any comment on the overall budget
18 request submitted by the Company?

19 A. Yes, the Company's projected steam production
20 Capital budgets of \$51.8 million in 2008 and
21 \$66.1 million in 2009 as presented in
22 Exhibit__(MFC -1), are relatively small compared
23 to the recent historic levels of spending on
24 steam production. (Exhibit__(MFC -3)

1 Additionally, two major projects, both of them
2 for new water treatment systems, explain the
3 majority of the capital budget.

4 Q. Please continue to explain your discovery
5 process and how information gathered was used
6 for reviewing and analyzing the Company's
7 projected production capital budget.

8 A. After reviewing and studying the Company's
9 testimony, exhibits and work papers, a series of
10 formal information requests were issued.
11 Further clarification on some requests was
12 sought. Building on available information,
13 initial conclusions were drawn.

14 Q. What did you do to verify the reasonableness of
15 your initial conclusions?

16 A. I visited the company's facilities on numerous
17 occasions during the discovery phase of this
18 proceeding. These visits built upon the many
19 site visits I have made over the last several
20 years. Most recently, over a two day period, I
21 toured the Company's facilities at its 59th
22 Street and East River Plants. These inspection
23 tours were done in conjunction with extensive
24 discussions with plant managers, technical and

1 operations managers, environmental, health and
2 safety managers, engineering managers and
3 members of the Steam Operations and Corporate
4 accounting and finance organizations. Numerous
5 systems were inspected and both capital and O&M
6 expenditures were discussed and evaluated at the
7 facilities.

8 Q. Please explain how the information obtained
9 during your site visits has affected your
10 conclusions.

11 A. I'll use the East River station as an example.
12 That station has undergone many changes and
13 additions over the years. The most recent
14 addition of the East River Re-powering Project
15 has ended a very ambitious capital spending
16 project. Currently, however several much
17 smaller, related projects are being undertaken
18 to modify and improve this new part of the
19 facility.¹ For example, the company has
20 projected that a trolley system and other
21 modifications to permanently improve the safety
22 and ease of handling water treatment chemicals
23 and materials are needed.

¹ Exhibit___ MFC-4 page 2 of 4 lists 8 such projects in the capital plan.

1 While observing the size, complexity and
2 configuration of the water treatment system,
3 operational challenges due to the system layout
4 became evident. The process is all indoors and
5 physically extends from just under the plant's
6 roof line to the lowest elevations. After
7 extensive site inspections and discussions, and
8 seeing first-hand the operational problems and
9 limits imposed by the existing "vertical" design
10 of the water treatment system at ERRP, my
11 conclusion is that several of the small proposed
12 structural projects are needed.

13 Q. Please explain your review of the production
14 capital programs presented by the Company?

15 A. The numerous programs presented by the Company
16 are all very familiar to me. My review searched
17 for new programs that might be unnecessary but
18 none were discovered. Upon review, I found the
19 programs all contain the traditional engineering
20 and operations and maintenance type of
21 activities one would expect to find.

22 Additionally, some of the Company's programs
23 have elements and practices unique to Con Edison

1 owing to the complexity, age, size and location
2 of the steam system.

3 Q. Please explain your review of the production
4 capital projects presented by the Company?

5 A. In assessing the Company's proposed capital
6 budget from an engineering perspective, I began
7 by reviewing and studying the changes in Steam
8 Production Plant in Service. Eight years of
9 historic change is shown on Exhibit___(MFC-2).

10 Q. There are only 5 sub-accounts shown for each
11 location, has this limited your work?

12 A. No, this exhibit shows the effect of completing
13 capital projects, retiring assets and generally
14 provides a glimpse of the high value of these
15 assets. However, the rate case presentation is
16 a snap shot of an ongoing process. Prioritizing
17 and planning for them is a very dynamic process.
18 Additionally, in my experience, no one key
19 project metric exists. Numerous project
20 management metrics are being tracked.

21 Q. Please continue.

22 A. I reviewed all the Company's projected capital
23 projects as described earlier. Many of the
24 projects and activities of the Company are known

1 to me as part of my on-going, non-rate case,
2 assignments. I have been aware of on going
3 priority changes and emerging problems which I
4 also review outside the rate case schedule. In
5 my opinion, Con Edison Project Managers have
6 provided sufficient information to demonstrate
7 that reasonable capital planning and budgeting
8 processes are in place. Further, all records
9 are subject to my ongoing review and inspection.

10 Q. Please discuss your review of some of the
11 specific Company's proposed major capital
12 expenditures?

13 A. Yes, within the current 5-year capital spending
14 plan, rate year funding is for the most part,
15 consumed with two major projects, both of them
16 are for new water treatment systems. Exhibit____
17 (MFC-4 page 1).

18 Q. What is it about these two projects that you
19 observed?

20 A. I have recently reviewed the Company's
21 justification² for this multi-million dollar
22 spending. In my engineering review, these

² Part of an R&D recommendation, later in this testimony, is to do a comprehensive research report on all water treatment systems.

1 projects are necessary. They were scheduled in
2 series with installation at the 59th Street Plant
3 to be first. Managers at the 74th Street Plant,
4 have since justified a change and the order was
5 switched. Further, the start of each of these
6 major projects has been managed and both appear
7 to be on schedule.

8 **Steam Production Operations and Maintenance**

9 Q. Please explain the scope of your O&M review?

10 A. My review was focused on the major items driving
11 a need for the rate increase; see
12 Exhibit____(MFC 5 page 1). Higher O&M costs were
13 claimed to be around \$29 million dollars for the
14 rate year.

15 Q. Please continue?

16 A. Exhibit____(MFC 5 page 2)provides a breakdown of
17 the \$29 million dollars. My review was narrowed
18 to the Steam Operations amount cited at \$19
19 million dollars.

20 Q. Do those dollars indicate increases in both
21 production and distribution?

22 A. Yes, however, my focus was on steam production
23 O&M net of fuel and purchased steam. Fuel and
24 purchased steam were not identified as cost

1 drivers. In fact, Exhibit____(MFC 6) shows fuel
2 costs, a major cost element, actually decreasing
3 by over \$31 million since the last rate decision
4 in Case 05-S-1376. I did an in-depth review on
5 select activities known to be increasing in
6 expense, recurring and thought to be
7 significant.

8 Q. Please discuss your review of a significant O&M
9 expense.

10 A. The asbestos accounts are shown on
11 Exhibit____(MFC 6) and Exhibit____(MFC 7).
12 Asbestos abatement at the plants is a key
13 element tracked by the Company. This activity
14 is part of a marked increase in proposed
15 spending. The majority of this work is planned
16 to take place at the company's 59th Street
17 station.

18 The age of 59th Street's facilities must be kept
19 in mind. Initial operation began in the early
20 1900's. In the recent past, a pipe support
21 failure led to a serious steam leak and, in
22 turn, the necessary replacement of large
23 quantities of asbestos insulated piping. As a
24 consequence, the plant's management developed a

1 reasonable priority system for managing and,
2 where necessary, replacing or abating asbestos
3 insulation. These efforts are ongoing and most
4 recently completed projects were inspected
5 during my site visits. Additionally, numerous
6 pending priority projects were examined and
7 discussed during the inspections.

8 Q. Is it reasonable to expect that all asbestos
9 will be totally eliminated in the near future?

10 A. No, but this program should be a high priority
11 for the company given the associated
12 operational, environmental and health & safety
13 issues.

14 Q. Do you have additional comments on this
15 activity?

16 A. Yes, during recent site visits, Company
17 representatives brought me to specific areas of
18 the plant at which these projects have been and
19 will continue to be undertaken. I observed the
20 significant amount of scaffolding and placement
21 of monitoring equipment that is needed to
22 undertake this work.

23 Q. Has the Company provided you with adequate
24 evidence and justification for this proposal?

1 A. Yes

2 Q. Please offer some comments on additional
3 spending for proposed programs and projects
4 related to NYC Local Law 11³

5 A. The internal and external masonry repair
6 projects and similarly the steel & concrete
7 projects provide some good examples. On a
8 recent site visit, Company representatives
9 brought me to specific areas of the plant at
10 which these projects have been and would be
11 undertaken. I observed the serious approach and
12 extent of the work that has been completed and
13 currently being undertaken by the Company.

14 Q. Did the Company consider any of these projects
15 when developing its budgets?

16 A. Yes, but this requires some qualification. The
17 process is iterative and inspections may or may

³ The company provides that Building Facades are governed by (Local Law 11), These inspections 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.

1 not lead to projects, this is the nature of this
2 type of activity.

3 Q. What is your opinion regarding the Company's
4 forecast of rate year production capital and O&M
5 costs?

6 A. Acknowledging that the Staff Safety Panel has
7 made recommendations concerning capital
8 expenditures associated with the installation of
9 demineralization water treatment systems and the
10 recommendations proposed by the Staff Accounting
11 Panel concerning asbestos removal and abatement,
12 boiler cleaning, corrective maintenance,
13 facilities maintenance expenses, it is my
14 opinion that Company has, for the other areas,
15 established reasonable forecasts of rate year
16 production capital and O&M costs.

17 Q. Do you have any recommendation in regard to
18 reporting requirements?

19 A. Yes. I recommend that the reporting
20 requirements that currently exist under Section
21 J of the Joint Proposal in Case 05-S-1376
22 continue. Those reporting requirements relate
23 to the Company's production plant capital
24 expenditures, production plant availability and

1 O&M expenditures. These reports are a valuable
2 information source to Staff and the parties.

1 **Production R&D**

2 Q. Have you reviewed the proposed Production R&D
3 program?

4 A. Yes, I have.

5 Q. Do you understand the development of this
6 program?

7 A. Yes I do.

8 Q. What recommendations do you make?

9 A. Because the program is fairly new and since
10 water treatment systems throughout the system
11 are in various states of repair or construction,
12 I recommend the Company's R&D staff, in
13 conjunction with Staff, outline and report on
14 the water treatment technologies in use or
15 planned within 6 months of the new rate year.

16 **Sale of SO2 Allowances**

17 Q. Have you reviewed the proposed sale of SO2
18 Allowances and the distribution of their
19 proceeds?

20 A. Yes, I have.

21 Q. Do you understand the development and history of
22 this program?

23 A. Yes I do.

24 Q. What recommendations do you make?

1 A. Because the program is fairly well established
2 and managed by experienced personnel and since
3 this activity has been ongoing for some time no
4 major modifications to the program are
5 recommended.

6 Q. Please continue?

7 A. The Company, in conjunction with Staff, should
8 outline and report on the environmental
9 remediation activities also presented by witness
10 Price. It is an extensive program and a report
11 on it should be made to Staff within 6 months of
12 the new rate year.

13 Q. Does this conclude your testimony?

14 A. Yes.