

STATE OF NEW YORK

Public Service Commission

Garry Brown, Chairman

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08013/07-S-0984

PSC Order to Show Cause Against Con Edison Regarding Steam Operations -PSC Rigorous Review Process of Steam Pipe Incident-

Albany, NY—1/16/08—The New York State Public Service Commission (Commission) will require Consolidated Edison Company of New York, Inc. (Con Edison) to show cause why the Commission should not initiate a prudence proceeding to determine whether the company was imprudent with respect to the management of its steam system prior to the July 18, 2007 steam pipe incident at the intersection of 41st Street and Lexington Avenue in Manhattan.

Also, the Commission decided to direct Con Edison to explain why additional procedures should not be implemented to improve the operation of the steam system, and to cease the use of a certain leak sealant procedure which contributed to the incident, unless the company can demonstrate why it should be permitted to continue the use of leak sealant injections.

“The Commission finds there is cause to inquire as to the reasonableness and adequacy of Con Edison’s steam system procedures,” said Commission Chairman Garry Brown. “The Commission today concluded it is appropriate, based on the findings of the company’s consultants, to issue this show cause order. Additionally, I want to emphasize that this is only one aspect of our regulatory response. The Department of Public Service Staff is conducting an independent investigation of the steam incident which may lead to further enforcement and/or rulemaking actions.”

Chairman Brown continued: “Our review of Con Edison’s consultant reports regarding the July 18 steam incident raises concerns about the company’s safe and adequate operation of the steam system prior to the incident. The Commission believes Con Edison should take all reasonable steps to ensure the steam system operates safely. The findings of Con Edison’s consultants indicate that the company was, or should have been, aware of the existence of unsafe conditions, particularly at the location of the July 18 incident.”

The company’s consultants prepared two reports with respect to the July 18 incident, and these reports were made available to the public on December 27, 2007. These reports determined that the steam pipe rupture was the result of excessive internal pressure from a condensate induced water hammer.

According to Con Edison and its consultants, the cooling and build up of condensation was caused by:

- 1) Flooding of the steam system piping at the location of the July 18 incident due to heavy rain; and
- 2) Substantially compromised steam traps which were unable to remove condensate from the steam pipe quickly enough to avoid this dangerous accumulation.

Both conditions, according to the Commission, raises questions as to whether the steam system was operated in a prudent manner on July 18.

Accordingly, the Commission today decided to direct Con Edison to show cause why a prudence investigation should not take place to determine whether the company had adequate system surveillance and response procedures. More specifically, Con Edison will be directed to demonstrate within 10 days of the issuance of the Commission order:

- 1) Why the visual inspections it conducted at the steam main flood areas were sufficient to determine the presence of dangerous levels of excess water in a manhole area;
- 2) Why the timing and frequency of patrols under the company's procedures were sufficient to safely identify any dangerous subsurface conditions;
- 3) Whether the company has in the past investigated practices beyond vapor patrols, such as the use of automatic pumps and water level detection monitors or other means of directly observing water levels, and if so, why those other practices were not employed at this site;
- 4) Whether the company's inspection procedures and related record-keeping should have led to further analysis of the steam pipe indentations near the site of the incident so as to determine the cause and to implementation of necessary corrective actions; and
- 5) What additional practices and procedures were in place and, if there were any, why such procedures failed to ensure the safe operation of the company's steam system.

To focus on the company's practices and procedures going forward, the Commission also decided to direct Con Edison to demonstrate that the scope, timing and frequency of its new vapor and manhole inspection procedures will be adequate to ensure the safety of the steam system.

Additionally, the Commission decided to direct Con Edison to demonstrate, within 10 days of its order:

- 1) Why the company's leak sealing procedures for flange repairs were safe and acceptable and in conformance with industry practices;

2) Why the company's trap inspection procedures were adequate to identify traps which were compromised by sealant materials used nearby; and

3) Whether the company's failure to timely replace the flange at issue was not unreasonable.

To improve the operation of the system, the Commission will also direct Con Edison within 10 days of issuance of its written order to:

1) Discontinue the use of leak sealant injections as a method to seal pipe leaks unless the company can demonstrate why it should be permitted to continue the use of leak sealant injections; and

2) Demonstrate that its trap monitoring and inspection procedures are adequate to determine that the traps are working properly.

A copy of the Commission's written decision in Case 07-S-0984, when issued, will be available on the Commission's www.dps.state.ny.us Web site by accessing the File Room section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-7080).