Exhibits
05-S-1376
OEE
OHAOR

conEdison
a conEdison, Inc. company

Marc Richter
Associate General Counsel

January 11, 2006

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By Overnight Delivery
Hon. Robert Garlin
Administrative Law Judge
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 05-S-1376

Dear Judge Garlin:

I am enclosing a hard copy of the testimony and various exhibits that the Company provided to you and to the active parties in electronic form during the past two weeks, and also providing six copies to Secretary Brilling for the Commission's files.

These materials include (i) the three additional exhibits, to be sponsored by Company witnesses Reyes, Hutcheson and the Accounting Panel, which are attachments A, B & C to my December 27, 2005 letter to you, (ii) the testimony of Company witness Gonnella and exhibits of Company witnesses Gonnella and the Accounting Panel, provided on January 6, 2006, and (iii) and the additional exhibits of the Accounting Panel and Company witness Northup provided today.

I have not included the summaries of testimony provided on January 4, 2006, since these summaries were previously provided in hard copy to both you and to the Secretary.

Sincerely

Marc Richter

cc: Secretary Brilling (via overnight delivery service)

Consolidated Edison Company of New York, Inc.
4 Irving Place - Room 1815-S New York NY 10003 212 460 4615 212 677 5850 fax richterm@coned.com

Dalton, Maria

From: Krayeske, Mary - Regulatory
Sent: Wednesday, January 11, 2006 7:15 PM
To: Dalton, Maria
Subject: FW: Case 05-S-1376

From: Richter, Marc - Regulatory
Sent: Wednesday, January 11, 2006 7:13 PM
To: 'robert_garlin@dps.state.ny.us'; Lang, Kevin; 'Victoria_Galsterer@dps.state.ny.us'; 'Jeffrey_Hogan@dps.state.ny.us'; Padula, Marco; 'John_Scherer@dps.state.ny.us'; 'dprestemon@consumer.state.ny.us'; Elfner, Douglas; 'rloughney@couchwhite.com'; 'mbonder@couchwhite.com'; Delaney, Michael; Daniels, Tim; Glass, Stewart M.; 'fradigan@aol.com'; Diamatopoulos, George; 'david_bomke@nyecc.com'; Luthin, Catherine; 'jdowling@nycap.rr.com'; 'clint.plummer@redwoodpower.com'; Damaskos, Deno; 'Darrell_Thornley@equityoffice.com'; 'sml@readlaniado.com'; 'rck@readlaniado.com'
[redacted] Krayeske, Mary - Regulatory; Lubling, Chanoch - Regulatory; Miller, Richard B. - Regulatory; Richter, Marc - [redacted]ulatory
Subject: RE: Case 05-S-1376

Pursuant to my January 6, 2006 e-mail (below) regarding an exhibit referenced in Mr. Gonnella's testimony to be sponsored by Company witness Northup regarding the benefits of ERRP to customers, the Company hereby provides two additional exhibits comprising such analysis, one sponsored by the Accounting Panel (first attachment) and one sponsored by Company witness Northup (second attachment). The Company also plans to correct a statement on p. 7, line 5 of Mr. Gonnella's testimony when he takes the stand as follows: Replace "Included in this analysis is the benefit customers receive..." to "This analysis does not include the additional benefit customers receive..."


AP-15 ERRP Cost Vs. Benefit An...


IN-5 ERRP Savings 2006.pdf

-----Original Message-----
From: Richter, Marc - Regulatory
Sent: Friday, January 06, 2006 4:02 PM
To: 'robert_garlin@dps.state.ny.us'; Lang, Kevin; 'Victoria_Galsterer@dps.state.ny.us'; 'Jeffrey_Hogan@dps.state.ny.us'; Padula, Marco; 'John_Scherer@dps.state.ny.us'; 'dprestemon@consumer.state.ny.us'; Elfner, Douglas; 'rloughney@couchwhite.com'; 'mbonder@couchwhite.com'; Delaney, Michael; Daniels, Tim; Glass, Stewart M.; 'fradigan@aol.com'; Diamatopoulos, George; 'david_bomke@nyecc.com'; Luthin, Catherine; 'jdowling@nycap.rr.com'; 'clint.plummer@redwoodpower.com'; Damaskos, Deno; 'Darrell_Thornley@equityoffice.com'; 'sml@readlaniado.com'; 'rck@readlaniado.com'
Cc: Krayeske, Mary - Regulatory; Lubling, Chanoch - Regulatory; Miller, Richard B. - Regulatory; Richter, Marc - Regulatory
Subject: Case 05-S-1376

Pursuant to Mr. Lubling's e-mail to Mr. Lang on December 27, 2005, the Company hereby provides the testimony of Mr. Victor Gonnella, as updated from the last steam case, and updated, where appropriate, responses to various ERRP-related interrogatories posed by parties in the last steam case, as exhibits to this testimony (attachments 1 and 2). Mr. Gonnella is also sponsoring (jointly with the Operations Panel) as an additional exhibit the Company's response to Staff's discovery request 2 in this proceeding (included in the second attachment). As indicated in Mr. Lubling's e-mail, Mr. Gonnella will be made available for cross-examination on his testimony and exhibits. Please note that Mr. Gonnella's testimony references two additional ERRP-related exhibits that will be sponsored by other Company witnesses. The exhibit to be sponsored by the Company's Accounting Panel is also attached (third attachment). The exhibit to be sponsored by Company witness Northup will be provided next week.

<< File: Gonnella testimony.pdf >> << File: Gonnella Exhibits.pdf >> << File: Gonnella Allocation of ERRP Plant Investment.pdf >>

2006 Steam Rate Case Data - Estimated Total Fuel Costs - Including and Excluding ERRP

(Rate Year - October, 2006 to September, 2007)

(Steam System - Only)

		Excludes ERRP - Includes Waterside						Includes ERRP - Excludes Waterside						
		Oil Alongside ($1000)	Gas Alongside ($1000)	Oil Stor. & Hand. ($1000)	Gas Trans. Charges ($1000)	BNYCP Energy Charges ($1000)	Total Fuel Costs ($1000)	Oil Alongside ($1000)	Gas Alongside ($1000)	Oil Stor. & Hand. ($1000)	Gas Trans. Charges ($1000)	BNYCP Energy Charges ($1000)	Total Fuel Costs ($1000)	Total Fuel Savings ($1000)
2006	Oct	5,840.3	10,326.7	583.6	59.7	6,343.7	23,154.0	5,101.1	4,267.1	583.6	59.7	5,103.8	15,115.3	**8,038.7**
	Nov	10,880.9	16,179.3	1,086.6	59.7	8,881.4	37,087.9	10,199.4	8,178.9	1,086.6	59.7	8,872.5	28,397.1	**8,690.8**
	Dec	22,619.6	23,934.0	1,736.8	59.7	11,989.5	60,339.6	20,862.8	14,252.7	1,736.8	59.7	11,446.8	48,358.8	**11,980.8**
2007	Jan	36,596.0	29,721.2	1,721.1	59.7	12,444.6	80,542.6	31,030.2	21,450.3	1,721.1	59.7	12,282.5	66,543.8	**13,998.8**
	Feb	27,375.7	25,157.3	1,413.0	59.7	11,565.8	65,571.5	20,311.5	19,443.7	1,413.0	59.7	11,463.5	52,691.4	**12,880.1**
	Mar	19,520.5	20,274.1	1,241.6	59.7	9,970.2	51,066.1	20,053.2	10,994.3	1,241.6	59.7	10,052.6	42,401.4	**8,664.7**
	Apr	5,861.5	15,162.5	731.5	59.7	5,491.1	27,306.3	5,646.1	5,673.8	731.5	59.7	5,180.9	17,292.0	**10,014.3**
	May	8,701.8	7,211.3	505.2	59.7	7,353.0	23,831.0	7,951.1	3,237.3	505.2	59.7	5,952.1	17,705.4	**6,125.6**
	Jun	8,868.0	13,244.2	710.3	59.7	5,736.7	28,618.9	8,889.9	6,117.4	710.3	59.7	5,932.8	21,710.1	**6,908.8**
	Jul	9,525.3	15,889.2	880.9	59.7	6,672.3	33,027.4	9,238.8	7,651.5	880.9	59.7	6,606.9	24,437.8	**8,589.6**
	Aug	9,454.4	16,086.0	864.5	59.7	6,422.6	32,887.2	9,152.8	7,844.9	864.5	59.7	6,339.1	24,261.0	**8,626.2**
	Sep	6,953.3	13,303.2	674.9	59.7	5,825.1	26,816.2	6,927.2	5,888.9	674.9	59.7	5,921.1	19,471.8	**7,344.4**
	Total	172,197.3	206,489.0	12,150.0	716.4	98,696.0	**490,248.7**	155,364.1	115,000.8	12,150.0	716.4	95,154.6	**378,385.9**	**111,862.8**

Exhibit__(IN-5)

Consolidated Edison Company of New York, Inc.
East River Repowering Project
Monthly Revenue Requirement and Fuel Savings *
($000s)

Fixed Costs	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Rate Year
Book Depreciation	$ 2,697	$ 2,703	$ 2,709	$ 2,721	$ 2,715	$ 2,715	$ 2,716	$ 2,716	$ 2,717	$ 2,717	$ 2,718	$ 2,718	$ 32,562
Property Tax	398	398	398	398	398	398	398	398	398	460	460	460	4,962
Income Tax	326	326	326	378	377	378	378	377	378	377	378	377	4,376
Rate of Return	6,486	6,472	6,459	6,431	6,403	6,374	6,346	6,318	6,290	6,262	6,233	6,205	76,279
Total Carrying Charg	9,907	9,899	9,892	9,928	9,893	9,865	9,838	9,809	9,783	9,816	9,789	9,760	118,179
Rent from Electric (1)	(6,583)	(6,578)	(6,574)	(6,597)	(6,574)	(6,555)	(6,537)	(6,519)	(6,501)	(6,522)	(6,504)	(6,485)	(78,529)
Carrying Cost allocate	3,324	3,321	3,318	3,331	3,319	3,310	3,301	3,290	3,282	3,294	3,285	3,275	39,650
Variable O&M													
Plus: Incremental ERRP O&M													
Labor (2)	33	33	33	33	33	33	33	33	34	34	34	34	400
Water Treatment & Me	522	523	523	522	523	523	522	523	523	522	523	523	6,272
Water (4)	504	504	504	504	504	504	504	504	504	504	504	504	6,048
Chemicals (4)	53	53	53	53	53	53	53	53	53	53	53	54	637
Interdepartmental Ren	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal ERRP O&M (	1,112	1,113	1,113	1,112	1,113	1,113	1,112	1,113	1,114	1,113	1,114	1,115	13,357
Less: Waterside & Other Plants													
Labor (5)	122	122	122	122	122	122	122	122	122	122	123	123	1,466
Water (6)	154	155	154	155	155	154	155	154	155	154	155	155	1,855
Chemicals (6)	77	77	77	78	77	78	77	78	77	78	77	78	929
Other O&M (6)	2	2	2	2	2	2	2	2	2	2	2	2	24
Interdepartmental Ren	128	128	128	128	128	128	128	128	128	128	128	128	1,536
Subtotal Waterside & (	483	484	483	485	484	484	484	484	484	484	485	486	5,810
Less: Fuel Savings (d)	8,038	8,691	11,981	13,999	12,880	8,665	10,014	6,126	6,909	8,590	8,626	7,344	111,862
Monthly Revenue Requirement and Fuel Savings (a+	$ (4,085)	$ (4,741)	$ (8,033)	$(10,041)	$ (8,932)	$ (4,726)	$ (6,085)	$ (2,207)	$ (2,997)	$ (4,667)	$ (4,712)	$ (3,440)	$(64,665)

Notes:
(1) Reference Exhibit___ (AP-7), Schedule 1, Page 2 of 4, Line 2 - Interdepartmental Rents: East River Repowering Project (ERRP)
(2) Reference Exhibit___ (OP-2) Company Labor - East River 10/20 (ERRP)
(3) Reference Exhibit___ (OP-2) East River 10/20 (ERRP) (excl. Company Labor)
(4) Reference Exhibit___ (OP-2) Water and Water Chemicals. Amounts shown above represent ERRP portion of total.
(5) Reference Exhibit___ (OP-2) Company Labor - Waterside. Labor charges were discontinued 4/1/05. Amounts shown represent 9 months of savings.
(6) Reference Exhibit___ (OP-2) Waterside Station (excl. Labor). Charges were discontinued 4/1/05. Amounts shown represent 9 months of savings.
(7) Reference Exhibit___ (AP-7) Schedule 7, Line 4. Amounts shown represent annualized rents charged to Steam Department for Waterside Station. Rents discontinued 4/1/05.

* Excludes related revenue taxes

Exhibit__(AP-15)

conEdison
a conEdison, Inc. company

Marc Richter
Associate General Counsel

December 27, 2005

Hon. Robert Garlin
Administrative Law Judge
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 05-S-1376

Dear Judge Garlin:

At the prehearing conference held on December 6, 2005, in Case No. 05-S-1376, Staff counsel asserted that additional information on certain matters should have been included in the Company's direct case. Staff counsel identified those areas to be the pension policy statement, depreciation, executive compensation, return on equity, steam business development, and the East River Repowering Project (ERRP). Staff counsel requested that the Company be required to provide this information as part of the requirement established by the December 5, 2005 Order on Consolidated Edison Company of New York, Inc.'s Steam Business Development Plan, in Case 03-S-1672 ("SBD Order"). (Tr. 55).

First, this letter should not be construed as Con Edison's acknowledging any deficiency in its direct case filing. The Company's filing meets all of the requirements of the Commission's regulations for a major rate filing, including associated policy statements, which, as implemented through years of practice before this Commission, has provided for the record to be developed through a combination of testimony, exhibits and workpapers (on many, but certainly not all, issues), and the opportunity for extensive discovery to supplement testimony, exhibits and workpapers.

The Company has submitted extensive information in support of its rate request in the form of testimony, exhibits and workpapers, as supplemented by responses to discovery, which will be further supplemented with the additional exhibits and filings discussed below. In short, the Company is prepared to formally defend the sufficiency of its filing should it become necessary to do so.

Consolidated Edison Company of New York, Inc.
4 Irving Place - Room 1815-S New York NY 10003 212 460 4615 212 677 5850 fax richterm@coned.com

However, in order to address Staff's request for additional information and its concern that Staff not be confronted in the Rebuttal Testimony phase of this proceeding, for the first time, with information that Staff believes should have been provided as part of the Company's filing, the Company hereby advises your Honor, Staff, and the other Active Parties, as follows:

Pensions, Depreciation and Executive Compensation. The issues raised by Staff with respect to the pension policy statement, depreciation, and executive compensation are the subject of Staff discovery requests 290 (pension expense), 287 (depreciation), and 178-179 (executive compensation), respectively. The Company has provided responses to each of these requests. In response to Staff's request that the Company make a supplemental filing with respect to this information, the Company hereby advises that its Accounting Panel will sponsor the response to 290R as an additional exhibit to its testimony, Company witness Hutcheson will sponsor the response to Staff 287 as an additional exhibit to his testimony, and that Company witness Reyes will sponsor the responses to Staff 178 and 179 as additional exhibits to his testimony (copies attached as Appendices A, B and C). These Company witnesses will therefore be available for cross-examination as to these matters at any hearing held on the Company's rate filing.

Return on Equity. Staff asserted the Company has "only proposed a multi-year rate of return. They have not proposed anywhere in their testimony a rate of return specifically for the test year." (Tr. 50). Staff is mistaken on this point. Company witness Fitzmartin's testimony includes the following two Q&As (at pp. 2 and 8, respectively):

> Q. What is the purpose of your testimony?
> A. I present the rate of return required in the rate year (the 12 months ending September 30, 2007)("Rate Year"), fund requirements and sources in the rate year, and interest coverage.
>
> ********
>
> Q. What cost rate has the Company reflected as the rate of return for common equity?
> A. Based upon the recommendation of Company witness Robert Rosenberg, I have utilized a return for common equity of 11.0%. I therefore told the Accounting Panel to use an overall rate of return of 8.36%, which assumes an 11.0% return on common equity, in determining the revenue requirement for this filing.

Staff may, of course, explore the basis for Mr. Fitzmartin's conclusions through discovery and/or cross-examination during any hearing held on the Company's filing.

Steam Business Development. With respect to the action items in the steam business development ("SBD") plan, Staff asserted that the Company has "an affirmative obligation . . . to put in a good faith estimate of what its expenses are." (Tr. 52).

As background, the SBD plan is a 145-page document, exclusive of appendices, that contains 19 action items. It is the result of approximately nine months of work and review. The New York City Economic Development Corporation, as Chair of the SBD Task Force, filed the SBD plan with the Commission for review on August 26, 2005. The Commission issued its order on the SBD plan on December 5, 2005, one month after the Company filed its rate case. The Company had previously designated project managers to develop work plans to implement these 19 action items, and has accelerated its efforts following issuance of the order adopting the SBD plan.

The Company, however, has not yet finalized the work plans and therefore has not yet determined for which items it will need to hire outside consultants or the potential cost of such consultants. The Company has informed the parties that it will provide these work plans as they are available. It is primarily the cost of consultants to aid in SBD implementation that the Company would seek to recover from ratepayers. The Company proposed in this case a placeholder of $50,000 for consultant expenses related to SBD implementation items, because it believes that it will have to spend at least that amount on consultants for SBD implementation. The Company also proposed that it be permitted to recover any additional expenses above $50,000 through the steam fuel adjustment clause ("FAC"), recognizing that the recovery of such costs would be subject to Commission disapproval. This information is contained in the Company's filing (Gerritsen Testimony, pp. 17-21), which has been supplemented by the responses to Staff discovery requests 101, 278, and 279. The Commission recognizes that the work plans are a work-in-progress and, therefore, provided for the Company to file quarterly status reports on its implementation of the SBD Plan items, commencing January 2006.[1]

East River Repowering Project. Staff pointed to the absence of testimony justifying the reasonableness of the expenses of the ERRP that the Company proposes to shift from the FAC to rate base and contended that the Company is required to make a supplemental filing as to those expenses if it seeks to shift them to rate base. (Tr. 53). As Staff itself recognized (Tr. 53), the Company provided testimony (and extensive responses to interrogatories) in the last steam case on the reasonableness of the bulk of the ERRP capital costs. The rate plan adopted in that proceeding allowed the Company to recover through the FAC the capital costs presented in that case, up to a cap, and allocated those costs between the electric and steam departments. In response to Staff discovery request 2 in this proceeding, the Company has already provided information to Staff regarding capital costs associated with the ERRP that were not reviewed in the Company's last steam rate proceeding, and the Company is prepared to have the Operations Panel sponsor this data response as an additional exhibit to its testimony (copy attached as Appendix D). In addition, the Company is updating the testimony and many of the discovery responses it submitted in the last steam rate case on ERRP and will be prepared to provide a witness to sponsor the updated information as exhibits in this proceeding.

[1] *See* SBD Order at 15.

Staff also raised a concern regarding the Company's obligation to update the parties as to material changes during the course of this proceeding. (Tr. 54). The Company has since clarified with Staff its intention to provide such updates during the course of this proceeding (as was indicated in the Company's initial response to Staff discovery request 28 (copy attached as Appendix E)), and agreed to provide Staff (and all Active Parties) a preliminary update of the exhibits of its Accounting Panel by January 31, 2006 (as indicated in the Company's revised response to Staff discovery request 28 (copy attached as Appendix F)).

Sincerely

Marc Richter/RDM

cc: Active Parties (via electronic mail)

ATTACHMENT A

Question No. : 290R
Con Edison claims that the EBCAP adjustment sought in this matter is consistent with the adjustment made in Case 03-S-1672. Is this statement in reference to the adjustment proposed in that case by Con Edison, Staff, or that approved by the Commission.

Response:
The Company's initial response to this data request stated the following:

- "The EBCAP adjustment made by the Company is consistent with the calculation included in the Joint Proposal that was approved by the Commission in Case 03-S-1672."

Based on statements made by Staff counsel at the Pre-Hearing Conference held on Tuesday, December 6, 2005 (Transcript, at 44-46), the Accounting Panel is expanding upon its response to Staff 290 to further clarify the basis for the Company's including approximately $81 million of prepaid pension expense in rate base.

As indicated in the Accounting Panel's Exhibit ___ (AP-10), page 2 of 2, the Accounting Panel included approximately $81 million of prepayments for Pensions. Since the Joint Proposal was effective October 1, 2004, the prepaid pension balance shown in the first column of Exhibit___(AP-10) represents only a nine-month balance or roughly 71% of the annual amount (8.5 months/12 months). Column 2 includes the annualization of the historic balance ($22.131 million) and the projected growth in the balance between the normalized test year and the rate year of $2.883 million. The Company also reflected a rate base reduction of approximately $5 million for accrued OPEB costs.

The inclusion of the amounts in rate base is pursuant to the terms of rate plan adopted by the Commission in Case No. 03-S-1672, which provide the justification and support for the inclusion of the prepaid pension balance in the Company's rate ("earnings") base. The inclusion of these amounts is not based on Staff or the Company's proposal in the prior case, but rather on the negotiated position, approved by the Commission. The negotiated agreement resolved many complicated issues related to the Company's prior accounting for pension credits. As a result of the negotiations, the Company agreed to record a one-time charge to income of $6.2 million (pre-tax), begin accounting for pensions under the Commission's policy statement, and bring closure to the issue of past pension credits. Specifically, Section E (Reconciliations), Subsection 4 (Pension/OPEBs) of the Joint Proposal (pp. 19-20) discusses the accounting and rate treatment to be afforded pension/OPEB expenses. The last paragraph of the section specifically addressed the EBCAP treatment and states:

> The gas and steam pension/OPEB expense or credit recorded prior to October 1, 2004 will not be eliminated from the Company's earnings base or capitalization for ratemaking purposes.

The EBCAP adjustment set forth in the Accounting Panel's Exhibit 10 ___ (AP-10), page 1 of 2, line 11, of ($10,790 million), reflects the Company's addition to rate base of approximately $76 million of pension/OPEB expenses pursuant to the Rate Plan (i.e., absent the direct addition to rate base of these expenses, the EBCAP adjustment would have increased by approximately $76 million).

The provisions of the rate plan also provided for the Company to implement the Pension Policy Statement for its gas and steam operations, effective October 1, 2004. In furtherance of that commitment, the Accounting Panel has "trued up" the Company's pension/OPEB expenses since October 1, 2004, pursuant to the Commission's Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other Than Pensions, issued and effective September 7, 1993. The growth in the prepaid balance of $2.883 million indicated above was calculated using the estimated pension plan contributions and expense accruals developed by the Company's actuary, buckconsultants. The studies were part of the workpapers provided in this case.

ATTACHMENT B

Question No. :287
Please provide a verifiable link from the test year depreciation expense to the rate year forecast of depreciation expense. In this presentation, please separately identify ERRP related depreciation expense.

Response:
The attached file contains the book cost and depreciation expense forecasts for the period July 2005 through December 2010 using the current and proposed depreciation rates. The June 2005 book cost is the actual book cost as of that date.

It should be noted that the depreciation calculation excludes amortization of the proposed reserve deficiency. This adjustment is shown on Exhibit ___ (AP-11), Schedule 3, page 2 of 2. The adjustment does not impact the linking period and is based on the depreciation study discussed in the testimony of Mr. Hutcheson.

PSC Request Depreciation.pdf

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
STEAM CASE 05-S-1376
FORECAST DEPRECIATION EXPENSE BY MONTH @ PROPOSED RATES

	PLANT BALANCES				PROPOSED DEPR. RATES				DEPRECIATION EXPENSE				
	PROD.	DIST.	ERRP	PROD. ST 74TH ST.	PROD.	DIST.	ERRP	PROD. ST 74TH ST.	PROD.	DIST.	ERRP	PROD. ST 74TH ST.	PROD. ST LEASEHOLI
Jun-05	263,697	475,046	725,638	88,160	0.3346	0.2086	0.3428	0.1002					
Jul-05	263,555	476,688	730,982	88,160	0.3346	0.2086	0.3428	0.1002	882	991	2,487	88	
Aug-05	264,196	477,704	734,673	88,160	0.3346	0.2086	0.3428	0.1002	882	994	2,506	88	
Sep-05	265,237	478,719	738,364	88,160	0.3346	0.2086	0.3428	0.1002	884	996	2,518	88	
Oct-05	270,779	480,135	743,286	88,160	0.3346	0.2086	0.3428	0.1002	887	999	2,531	88	
Nov-05	276,269	481,951	757,152	88,160	0.3346	0.2086	0.3428	0.1002	906	1,002	2,548	88	
Dec-05	286,040	483,767	771,797	88,160	0.3346	0.2086	0.3428	0.1002	924	1,005	2,596	88	
Jan-06	291,305	484,884	773,463	88,160	0.3346	0.2086	0.3428	0.1002	957	1,009	2,646	88	
Feb-06	292,568	486,000	775,129	88,160	0.3346	0.2086	0.3428	0.1002	975	1,011	2,651	88	
Mar-06	293,411	487,117	776,795	88,160	0.3346	0.2086	0.3428	0.1002	979	1,014	2,657	88	
Apr-06	298,018	488,233	778,461	88,160	0.3346	0.2086	0.3428	0.1002	982	1,016	2,663	88	
May-06	300,600	489,350	780,127	88,160	0.3346	0.2086	0.3428	0.1002	997	1,018	2,669	88	
Jun-06	309,142	490,466	781,793	88,160	0.3346	0.2086	0.3428	0.1002	1,006	1,021	2,674	88	
Jul-06	311,317	491,583	783,459	88,160	0.3346	0.2086	0.3428	0.1002	1,034	1,023	2,680	88	
Aug-06	313,491	492,700	785,125	88,160	0.3346	0.2086	0.3428	0.1002	1,042	1,025	2,686	88	
Sep-06	323,350	493,816	786,791	88,160	0.3346	0.2086	0.3428	0.1002	1,049	1,028	2,691	88	
Oct-06	326,378	494,933	788,457	88,160	0.3346	0.2086	0.3428	0.1002	1,082	1,030	2,697	88	
Nov-06	332,481	496,049	790,123	88,160	0.3346	0.2086	0.3428	0.1002	1,092	1,032	2,703	88	
Dec-06	339,005	497,172	791,797	88,160	0.3346	0.2086	0.3428	0.1002	1,112	1,035	2,709	88	
Jan-07	340,556	498,905	791,943	88,160	0.3346	0.2086	0.3428	0.1002	1,134	1,037	2,714	88	
Feb-07	342,107	500,638	792,089	88,160	0.3346	0.2086	0.3428	0.1002	1,139	1,041	2,715	88	
Mar-07	343,658	502,371	792,234	88,160	0.3346	0.2086	0.3428	0.1002	1,145	1,044	2,715	88	
Apr-07	345,442	504,104	792,380	88,160	0.3346	0.2086	0.3428	0.1002	1,150	1,048	2,716	88	
May-07	347,051	505,837	792,526	88,160	0.3346	0.2086	0.3428	0.1002	1,156	1,052	2,716	88	
Jun-07	351,449	507,570	792,672	88,160	0.3346	0.2086	0.3428	0.1002	1,161	1,055	2,717	88	
Jul-07	354,723	509,303	792,817	88,160	0.3346	0.2086	0.3428	0.1002	1,176	1,059	2,717	88	
Aug-07	356,798	511,036	792,963	88,160	0.3346	0.2086	0.3428	0.1002	1,187	1,062	2,718	88	
Sep-07	368,730	512,769	793,109	88,160	0.3346	0.2086	0.3428	0.1002	1,194	1,066	2,718	88	
Oct-07	371,900	514,502	793,255	88,160	0.3346	0.2086	0.3428	0.1002	1,234	1,070	2,719	88	
Nov-07	382,737	516,235	793,401	88,160	0.3346	0.2086	0.3428	0.1002	1,244	1,073	2,719	88	
Dec-07	389,755	517,977	793,547	88,160	0.3346	0.2086	0.3428	0.1002	1,281	1,077	2,720	88	
Jan-08	391,462	519,627	793,682	88,160	0.3346	0.2086	0.3428	0.1002	1,304	1,081	2,720	88	
Feb-08	393,169	521,276	793,818	88,160	0.3346	0.2086	0.3428	0.1002	1,310	1,084	2,721	88	
Mar-08	394,876	522,926	793,953	88,160	0.3346	0.2086	0.3428	0.1002	1,316	1,087	2,721	88	
Apr-08	396,583	524,576	794,088	88,160	0.3346	0.2086	0.3428	0.1002	1,321	1,091	2,722	88	
May-08	398,291	526,225	794,224	88,160	0.3346	0.2086	0.3428	0.1002	1,327	1,094	2,722	88	
Jun-08	399,998	527,875	794,359	88,160	0.3346	0.2086	0.3428	0.1002	1,333	1,098	2,723	88	
Jul-08	401,705	529,525	794,495	88,160	0.3346	0.2086	0.3428	0.1002	1,338	1,101	2,723	88	
Aug-08	403,412	531,174	794,630	88,160	0.3346	0.2086	0.3428	0.1002	1,344	1,105	2,724	88	
Sep-08	405,119	532,824	794,765	88,160	0.3346	0.2086	0.3428	0.1002	1,350	1,108	2,724	88	
Oct-08	406,826	534,474	794,901	88,160	0.3346	0.2086	0.3428	0.1002	1,356	1,111	2,724	88	
Nov-08	408,534	536,124	795,036	88,160	0.3346	0.2086	0.3428	0.1002	1,361	1,115	2,725	88	
Dec-08	410,250	537,782	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,367	1,118	2,725	88	
Jan-09	411,382	539,490	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,373	1,122	2,726	88	
Feb-09	412,515	541,198	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,376	1,125	2,726	88	
Mar-09	413,648	542,906	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,380	1,129	2,726	88	
Apr-09	414,781	544,614	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,384	1,133	2,726	88	
May-09	415,914	546,322	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,388	1,136	2,726	88	
Jun-09	417,047	548,030	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,392	1,140	2,726	88	
Jul-09	418,179	549,738	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,395	1,143	2,726	88	
Aug-09	419,312	551,446	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,399	1,147	2,726	88	
Sep-09	420,445	553,154	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,403	1,150	2,726	88	
Oct-09	421,578	554,862	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,407	1,154	2,726	88	
Nov-09	422,711	556,570	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,411	1,157	2,726	88	
Dec-09	423,850	558,287	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,414	1,161	2,726	88	
Jan-10	425,486	559,995	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,418	1,165	2,726	88	
Feb-10	427,123	561,703	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,424	1,168	2,726	88	
Mar-10	428,760	563,411	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,429	1,172	2,726	88	
Apr-10	430,397	565,119	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,435	1,175	2,726	88	
May-10	432,034	566,827	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,440	1,179	2,726	88	
Jun-10	433,670	568,535	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,446	1,182	2,726	88	
Jul-10	435,307	570,243	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,451	1,186	2,726	88	
Aug-10	436,944	571,951	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,457	1,190	2,726	88	
Sep-10	438,581	573,659	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,462	1,193	2,726	88	
Oct-10	440,217	575,367	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,467	1,197	2,726	88	
Nov-10	442,496	577,075	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,473	1,200	2,726	88	
Dec-10	444,200	578,792	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,481	1,204	2,726	88	
12 Months Ended October 2006									11,933	12,202	31,858	1,056	20
12 Months Ended October 2007									13,880	12,601	32,577	1,056	27
12 Months Ended October 2008									15,824	13,110	32,663	1,056	20
12 Months Ended October 2009									16,625	13,812	32,710	1,056	15
12 Months Ended October 2010									17,254	14,125	32,712	1,058	

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
STEAM CASE 05-S-1376
FORECAST DEPRECIATION EXPENSE BY MONTH @ CURRENT RATES

	PLANT BALANCES			CURRENT DEPR. RATES			DEPRECIATION EXPENSE			
	PROD.	DIST.	ERRP	PROD.	DIST.	ERRP	PROD.	DIST.	ERRP	PROD. ST LEASEHOLD
Jun-05	263,697	475,046	725,638	0.2280	0.1719	0.3243				
Jul-05	263,555	476,688	730,982	0.2280	0.1719	0.3243	601	817	2,353	1
Aug-05	264,196	477,704	734,673	0.2280	0.1719	0.3243	601	819	2,371	1
Sep-05	265,237	478,719	738,364	0.2280	0.1719	0.3243	602	821	2,383	1
Oct-05	270,779	480,135	743,286	0.2280	0.1719	0.3243	605	823	2,395	1
Nov-05	276,269	481,951	757,152	0.2280	0.1719	0.3243	617	825	2,410	1
Dec-05	286,040	483,767	771,797	0.2280	0.1719	0.3243	630	828	2,455	1
Jan-06	291,305	484,884	773,463	0.2280	0.1719	0.3243	652	832	2,503	1
Feb-06	292,568	486,000	775,129	0.2280	0.1719	0.3243	664	834	2,508	1
Mar-06	293,411	487,117	776,795	0.2280	0.1719	0.3243	667	835	2,514	1
Apr-06	298,018	488,233	778,461	0.2280	0.1719	0.3243	669	837	2,519	1
May-06	300,600	489,350	780,127	0.2280	0.1719	0.3243	679	839	2,525	1
Jun-06	309,142	490,466	781,793	0.2280	0.1719	0.3243	685	841	2,530	1
Jul-06	311,317	491,583	783,459	0.2280	0.1719	0.3243	705	843	2,535	1
Aug-06	313,491	492,700	785,125	0.2280	0.1719	0.3243	710	845	2,541	1
Sep-06	323,350	493,816	786,791	0.2280	0.1719	0.3243	715	847	2,546	1
Oct-06	326,378	494,933	788,457	0.2280	0.1719	0.3243	737	849	2,552	1
Nov-06	332,481	496,049	790,123	0.2280	0.1719	0.3243	744	851	2,557	1
Dec-06	339,005	497,172	791,797	0.2280	0.1719	0.3243	758	853	2,562	1
Jan-07	340,556	498,905	791,943	0.2280	0.1719	0.3243	773	855	2,568	1
Feb-07	342,107	500,638	792,089	0.2280	0.1719	0.3243	776	858	2,568	1
Mar-07	343,658	502,371	792,234	0.2280	0.1719	0.3243	780	861	2,569	1
Apr-07	345,442	504,104	792,380	0.2280	0.1719	0.3243	784	864	2,569	1
May-07	347,051	505,837	792,526	0.2280	0.1719	0.3243	788	867	2,570	1
Jun-07	351,449	507,570	792,672	0.2280	0.1719	0.3243	791	870	2,570	1
Jul-07	354,723	509,303	792,817	0.2280	0.1719	0.3243	801	873	2,571	1
Aug-07	356,798	511,036	792,963	0.2280	0.1719	0.3243	809	875	2,571	1
Sep-07	368,730	512,769	793,109	0.2280	0.1719	0.3243	813	878	2,572	1
Oct-07	371,900	514,502	793,255	0.2280	0.1719	0.3243	841	881	2,572	1
Nov-07	382,737	516,235	793,401	0.2280	0.1719	0.3243	848	884	2,573	1
Dec-07	389,755	517,977	793,547	0.2280	0.1719	0.3243	873	887	2,573	1
Jan-08	391,462	519,627	793,682	0.2280	0.1719	0.3243	889	890	2,573	1
Feb-08	393,169	521,276	793,818	0.2280	0.1719	0.3243	893	893	2,574	1
Mar-08	394,876	522,926	793,953	0.2280	0.1719	0.3243	896	896	2,574	1
Apr-08	396,583	524,576	794,088	0.2280	0.1719	0.3243	900	899	2,575	1
May-08	398,291	526,225	794,224	0.2280	0.1719	0.3243	904	902	2,575	1
Jun-08	399,998	527,875	794,359	0.2280	0.1719	0.3243	908	905	2,576	1
Jul-08	401,705	529,525	794,495	0.2280	0.1719	0.3243	912	907	2,576	1
Aug-08	403,412	531,174	794,630	0.2280	0.1719	0.3243	916	910	2,577	1
Sep-08	405,119	532,824	794,765	0.2280	0.1719	0.3243	920	913	2,577	1
Oct-08	406,826	534,474	794,901	0.2280	0.1719	0.3243	924	916	2,577	1
Nov-08	408,534	536,124	795,036	0.2280	0.1719	0.3243	928	919	2,578	1
Dec-08	410,250	537,782	795,172	0.2280	0.1719	0.3243	931	922	2,578	1
Jan-09	411,382	539,490	795,172	0.2280	0.1719	0.3243	935	924	2,579	1
Feb-09	412,515	541,198	795,172	0.2280	0.1719	0.3243	938	927	2,579	1
Mar-09	413,648	542,906	795,172	0.2280	0.1719	0.3243	941	930	2,579	1
Apr-09	414,781	544,614	795,172	0.2280	0.1719	0.3243	943	933	2,579	1
May-09	415,914	546,322	795,172	0.2280	0.1719	0.3243	946	936	2,579	1
Jun-09	417,047	548,030	795,172	0.2280	0.1719	0.3243	948	939	2,579	1
Jul-09	418,179	549,738	795,172	0.2280	0.1719	0.3243	951	942	2,579	1
Aug-09	419,312	551,446	795,172	0.2280	0.1719	0.3243	953	945	2,579	0
Sep-09	420,445	553,154	795,172	0.2280	0.1719	0.3243	956	948	2,579	0
Oct-09	421,578	554,862	795,172	0.2280	0.1719	0.3243	959	951	2,579	0
Nov-09	422,711	556,570	795,172	0.2280	0.1719	0.3243	961	954	2,579	0
Dec-09	423,850	558,287	795,172	0.2280	0.1719	0.3243	964	957	2,579	0
Jan-10	425,486	559,995	795,172	0.2280	0.1719	0.3243	966	960	2,579	0
Feb-10	427,123	561,703	795,172	0.2280	0.1719	0.3243	970	963	2,579	0
Mar-10	428,760	563,411	795,172	0.2280	0.1719	0.3243	974	966	2,579	0
Apr-10	430,397	565,119	795,172	0.2280	0.1719	0.3243	978	969	2,579	0
May-10	432,034	566,827	795,172	0.2280	0.1719	0.3243	981	971	2,579	0
Jun-10	433,670	568,535	795,172	0.2280	0.1719	0.3243	985	974	2,579	0
Jul-10	435,307	570,243	795,172	0.2280	0.1719	0.3243	989	977	2,579	0
Aug-10	436,944	571,951	795,172	0.2280	0.1719	0.3243	993	980	2,579	0
Sep-10	438,581	573,659	795,172	0.2280	0.1719	0.3243	996	983	2,579	0
Oct-10	440,217	575,367	795,172	0.2280	0.1719	0.3243	1,000	986	2,579	0
Nov-10	442,496	577,075	795,172	0.2280	0.1719	0.3243	1,004	989	2,579	0
Dec-10	444,200	578,792	795,172	0.2280	0.1719	0.3243	1,009	992	2,579	0
12 Months Ended October 2006							8,130	10,055	30,138	204
12 Months Ended October 2007							9,458	10,386	30,819	204
12 Months Ended October 2008							10,783	10,802	30,900	204
12 Months Ended October 2009							11,329	11,216	30,946	153
12 Months Ended October 2010							11,757	11,640	30,948	

ATTACHMENT C

Question No. :178
Please provide the analysis of Con Edison's executive compensation as compared to that of its peers.

Response:
Towers Perrin, a compensation consultant, compared the compensation of 13 Con Edison top management positions to benchmark matches from the Towers Perrin General Industry Executive Compensation Database. Towers Perrin data were regressed to size adjust to Con Edison's $8.5 billion revenue scope. Competitive levels of pay were developed for total cash (base salary and annual bonus) and total direct compensation (total cash with long term incentives). The comparison shows that Con Edison executive total cash compensation falls on average 20 percent below general industries and Con Edison's executive total direct compensation falls on average 45 percent below general industries.

In the attached document, we reviewed the five highest paid executives at Con Edison with other similar sized utility companies. Using 2005 proxy data, Con Edison's total cash compensation was below the median for the thirteen-company comparison.

DPS 178 - PSC 112905.pdf

Question No. :179
How does the executive compensation for steam management compare to the executive compensation at other large steam companies in the United States.

Response:
Since there are no steam companies in the United States with a steam system comparable in size to Con Edison's steam system, the Company relies on the executive compensation analysis conducted by Towers Perrin as described in the answer to question 178.

2005 Proxy Data of the Five Highest Paid Executives
Con Edison vs. Other Similar Sized Utility Companies
Total Cash Compensation of Top Five Execuvtive as of December 31, 2004

COMPANY	1ST	2ND	3RD	4TH	5TH	TOTAL ANNUAL
Texas Utilities	$16,970,871	$1,633,333	$992,867	$1,009,533	$763,700	$21,370,304
Public Service Enterprise Grp.	2,961,530	1,855,230	1,110,926	1,141,244	884,679	7,953,609
Southern	2,526,246	1,560,580	1,277,048	1,262,446	1,200,738	7,827,058
Edison International	3,065,000	1,308,000	1,250,500	1,164,000	891,000	7,678,500
Entergy	2,628,769	990,001	984,806	953,631	853,000	6,410,207
F P L Group	2,520,000	1,021,257	996,209	981,189	866,259	6,384,914
Cinergy	2,508,007	970,754	846,257	934,386	808,512	6,067,916
Reliant Energy	1,993,800	1,152,185	1,124,998	561,317	521,961	5,354,261
CMS	1,506,615	1,153,100	948,772	610,149	575,816	4,794,452
First Energy	1,977,326	654,093	590,522	756,394	589,848	4,568,183
DTE Energy	1,679,423	763,731	682,531	668,331	545,615	4,339,631
Dominion Resources	1,100,000	687,981	480,000	428,077	350,000	3,046,058
Company Average excluding Con Ed	$3,453,132	$1,145,854	$940,453	$872,558	$737,594	$7,149,591
Consolidated Edison Co. of N.Y.	$2,556,166	$879,000	$840,000	$826,000	$715,000	$5,816,166

ATTACHMENT D

Question No. :2
Please explain the increase in capital costs for ERRP from $735 million to $792 million.

Response:

East River Repowering Project

Plant in Service as of August 31, 2005	$ 735.0
Plant Completion Tasks	20.0 (See below)
Post-Operational Projects	29.0 (See below)
Contingency	8.0
Total	$792.0

Plant Completion Tasks - The tasks listed below comprise the "follow-up" activities associated with placing the plant in commercial operation in April 2005:

PLANT COMPLETION TASKS
(Millions)

Project Title	Estimate	Project Description
Construction Work in Progress (CWIP)	$10.9	Consists of completed construction tasks, services rendered, or purchased equipment delivered and accrued but not paid ($6.7M); Construction contractor/ vendor invoices paid but not booked to Plant and Company Labor, M&S costs incurred but not booked to Plant ($4.2M)
HRSG 10/20 Modify Gas Duct Burners	1.0	Gas duct was modified to reduce emissions
HRSG 10/20 Replace CO Catalyst	0.6	In addition to the duct modifications above, replaced 2" catalyst with 3.5" catalyst to further assist in reducing emissions
HRSG 10/20 View Port Modification	0.1	View ports modified to provide better visualization of flame
HRSG 20 Bumper Replacement	0.1	Tube bundle bumper replaced to correct Alignment
Install Nitrogen Piping System.	0.3	Nitrogen system installed to facilitate purges
Perform Site Restoration	0.5	Restoration of 15th Street, site cleanup, removing trailers, replacing sidewalks, trees, etc.
Complete Lighting	0.5	This scope covers the installation of lighting fixtures throughout the ERRP area

Complete Insulation	0.3	This scope covers the completion of small miscellaneous insulation and lagging work throughout the ERRP area
Complete Painting	0.1	This scope covers the completion of final painting work in miscellaneous ERRP areas
Inspect, Test and Repair Silos for Storage of Treated Water	0.5	Former coal silos were converted into treated water storage tanks. This scope covered final testing and repair work following initial hydrostatic testing
Provide a 480 Volt Supply to MCCs WT2 and WT4 from Switchgear 2-1L	0.1	Alternate power supply for MCC
Instll Fuel Oil Transfer Pumps for Fuel Oil Tank # 1	0.1	Oil pump work had to be held pending completion of cleaning and repairs to Fuel Oil Tank # 1
Trench Drain Cleaning	0.1	Remove debris created during construction
Ventilation Package - Install Fans and Ductwork in the HRSG Area	0.1	Work held until louvers were installed in building wall
HRSG 10/20 Dearator Spray Header Mod -	0.1	Extra header was added to reduce Emissions
HRSG 10/20 Steam Drum Modification	0.1	Wide range level indicators modified in each drum for better readings
HRSG 10/20 Economizer Re-rate	0.2	Replaced large bore valves to increase economizer capacity rating
11th Street Steam Main Modifications	0.2	Modification was performed to help reduce vibrations
Install Cable Tray Covers	0.1	Installation of the remaining cable tray covers mostly in difficult access areas
Complete Installation of Gantry Cranes over both CTG's	0.1	Completes commissioning of Gantry Cranes for maintenance of Gas Turbines
Various other Electrical/Mechanical Tasks	3.9	Consists of several dozen remaining Plant Completion Tasks; construction and technical support and purchased equipment
TOTAL	**$20.0**	

Post-Operational Projects – The following projects constitute work associated with maintaining and/or upgrading the plant post-commercial operation.

POST OPERATIONAL PRJECTS
(Millions)

Project Title	Estimate	Project Description
Spare Transformers	$2.0	This project includes the purchasing of spare auxiliary transformers for Units 1 & 2. These auxiliary transformers are unique to East River Unit Nos. 1 and 2. There are currently no spare transformers available. In the event of a failure in one of these transformers, a replacement unit would take between four months to one year to design, fabricate and deliver. This condition could have a severe impact on plant operations.
Access Platforms	8.8	This project includes the installation of permanent platforms, stairways and ladders to improve access to essential operating equipment by station personnel. Some essential components are located in areas that are difficult and unsafe to access or require erecting temporary scaffolding and ladders.
Interior Masonry Walls	1.0	Internal masonry walls will be modified based on a structural inspection. This inspection will be performed to assess the conditions of the walls due to current construction work, degradation due to age and to ensure that current building code requires are met.
Steel and Concrete Repairs	0.6	This project will primarily correct pre-existing structural deterioration and deficiencies in the Unit #1 and 2 area.
Emergency Diesel Generators	1.0	This project will provide an emergency diesel generator that will power the critical ERRP systems during a blackout. The new EDG will ensure a more rapid startup to meet the expected winter steam demand during the recovery from a blackout.

Upgrade Ammonia Blowers	0.1	This project includes the upgrading of the ammonia blowers to increase their capacity. The existing ammonia skid blowers are undersized. With the upgraded blowers, one unit would be running and the other blower would be in auto standby mode during normal operations. Currently, due to the limited blower capacity it is necessary to run two skid blowers during high load operation.
GPS Time Stamp on Protective Relays	0.3	The scope of work covered by this project involves the retrofit of existing protection system relays with IRIG (Inter-Range Instrumentation Group) Code B compliant digital relays utilizing modern microprocessor based control, communication and protection. With this capability electric system operators will be able to accurate determine the time the relays actuate during abnormal conditions and expedite corrective troubleshooting and corrective actions.
Install Reinforced Concrete Floor and Sump Pump	3.4	This project includes the resurfacing of the ground floor at elevation 10'-6" bounded by column lines A & M and 1 & 45 using concrete in uneven areas and epoxy coating in all locations. Repaint egress path lines on the floor. Install new drainage systems to direct water accumulations to existing water separator. Refurbishment of the floor at elevation will eliminate tripping hazards and water accumulation. This project will significantly enhance access and egress safety throughout the operating area.
Emergency Public Address System	2.1	This project will install a new emergency notification public address system for Units 1 & 2. Company procedures CSP 24.01 and 24.02 require compliance with OSHA regulation 29CFR 1910.120(q) and 29CFR 1910.39(a) pertaining to emergency response and evacuation. OSHA and Company procedures require an audiovisual notification system to evacuate the station in case of an emergency. East River 1 & 2 does not have an emergency notification system.

Electric Space Heaters	2.1	This project includes the installation of space heaters in the Water Treatment and general areas of Units 1 & 2. These space heaters are needed to protect the Treatment Plant and other piping from freezing in case the units are in an outage during the winter months.
CEMS	0.9	This project includes the installation of Continuous Emission Monitoring System (CEMS) instrumentation to monitor exhausts emission from the HRSG (Heat Recovery Steam Generators) 1 & 2, and the CTG (Combustion Turbine Generator). This instrumentation will allow the operators to monitor emissions from this equipment such as NOX, CO and O2.
Uninterruptible Power Supply (UPS)	0.5	This project consists of installing a second Uninterruptible Power Supply (UPS) to provide redundant power supply to Control Room equipment. Currently there is only one UPS that provides power to all the control room consoles. In the event this UPS fails, the operators would lose visual display of all operating parameters and all control room consoles and workstations would be out of service. If this condition could not be corrected quickly, the units would have to be shut down.
Multimedia Filter Press	2.9	This work involves the design, procurement and installation of a filter press system to treat the wastewater generated from the East River Station Units 1 and 2 water treatment systems. The filter press system is required to de-water the multimedia filter backwash waste prior to disposal. This new system will significantly lower annual disposal cost of multimedia filter backwash waste.
Security Enhancements	3.3	These security measures will improve access limitation and control. The measures include vehicle barriers, cable gates, fencing, barrier walls, and electronic security and personnel access systems

TOTAL	$29.0

ATTACHMENT E

Question No. :28
When and how frequently does Con Edison intend to provide updated information on its accounting adjustments?

Response:
The Company intends to provide all parties with a preliminary update to the Accounting Panel's exhibits for material changes to its accounting adjustments, if any, approximately two weeks before the date established for Staff and Intervener Testimony. As in any rate case, the Company will support these and any other accounting adjustments (including material changes arising or identified after the preliminary update) when the Company submits its Update/Rebuttal Testimony. The Company will, of course, also notify the parties in a timely manner, as appropriate, in the event of a material update resulting from an unexpected and/or extraordinary event.

ATTACHMENT F

Question No. :28R
When and how frequently does Con Edison intend to provide updated information on its accounting adjustments?

Response:
The Company intends to provide all parties with a preliminary update to the Accounting Panel's exhibits for material changes to its accounting adjustments, if any, by January 31, 2006. As in any rate case, the Company will support these and any other accounting adjustments (including material changes arising or identified after the preliminary update) when the Company submits its Update/Rebuttal Testimony. The Company will, of course, also notify the parties in a timely manner, as appropriate, in the event of a material update resulting from an unexpected and/or extraordinary event.

Dalton, Maria

From: Krayeske, Mary - Regulatory
Sent: Wednesday, January 11, 2006 7:21 PM
To: Dalton, Maria
Subject: FW: Case 05-S-1376

From: Richter, Marc - Regulatory
Sent: Friday, January 06, 2006 4:02 PM
To: 'robert_garlin@dps.state.ny.us'; Lang, Kevin; 'Victoria_Galsterer@dps.state.ny.us'; 'Jeffrey_Hogan@dps.state.ny.us'; Padula, Marco; 'John_Scherer@dps.state.ny.us'; 'dprestemon@consumer.state.ny.us'; Elfner, Douglas; 'rloughney@couchwhite.com'; 'mbonder@couchwhite.com'; Delaney, Michael; Daniels, Tim; Glass, Stewart M.; 'fradigan@aol.com'; Diamatopoulos, George; 'david_bomke@nyecc.com'; Luthin, Catherine; 'jdowling@nycap.rr.com'; 'clint.plummer@redwoodpower.com'; Damaskos, Deno; 'Darrell_Thornley@equityoffice.com'; 'sml@readlaniado.com'; 'rck@readlaniado.com'
Cc: Krayeske, Mary - Regulatory; Lubling, Chanoch - Regulatory; Miller, Richard B. - Regulatory; Richter, Marc - Regulatory
Subject: Case 05-S-1376

Pursuant to Mr. Lubling's e-mail to Mr. Lang on December 27, 2005, the Company hereby provides the testimony of Mr. Victor Gonnella, as updated from the last steam case, and updated, where appropriate, responses to various ERRP-related interrogatories posed by parties in the last steam case, as exhibits to this testimony (attachments 1 and 2). Mr. Gonnella is also sponsoring (jointly with the Operations Panel) as an additional exhibit the Company's response to Staff's discovery request 2 in this proceeding (included in the second attachment). As indicated in Mr. Lubling's e-mail, Mr. Gonnella will be made available for cross-examination on his testimony and exhibits. Please note that Mr. Gonnella's testimony references two additional ERRP-related exhibits that will be sponsored by other Company witnesses. The exhibit to be sponsored by the Company's Accounting Panel is also attached (third attachment). The exhibit to be sponsored by Company witness Northup will be provided next week.


Gonnella testimony.pdf


Gonnella Exhibits.pdf


Gonnella Allocation of ERRP Pl...

Q. Please state your name and business address.

A. My name is Victor Gonnella and my business address is 1610 Matthews Avenue, Bronx, New York, 10462.

Q. Who is your employer and what is your job title?

A. I am employed by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") as Vice President, Maintenance & Construction Services.

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

A. I have been employed by Con Edison for 40 years and have held many different positions throughout the company including General Manager in Construction Management (where, for six years, I was responsible for a 400 person engineering and construction organization), General Manager in Transportation and Stores, and Director in Purchasing. Prior to my promotion to Vice President in 2004, I was a General Manager in the Steam Business Unit and served as the Project Manager for the East River Repowering Project ("ERRP").

Q. Briefly describe your educational background.

A. I received a Bachelor of Civil Engineering Degree from Manhattan College in 1965. I am a registered Professional Engineer in the State of New York.

Q. Please summarize your testimony in this proceeding.

A. I project the capital cost of ERRP to be $755 million and provide information about the design, construction, schedule, and costs of the project.

I provide a breakdown of the total projected costs by describing eight different categories of activities that comprise the construction of ERRP and the costs associated with the activities by category.

Through a series of 16 exhibits, I provide additional information relating to the construction of ERRP, including a further breakdown of certain construction costs, based on inquiries made by parties to the Company's last steam rate proceeding.

I then direct the parties to other Company witnesses that address, in this proceeding, the financial benefits to customers from ERRP and the allocation of ERRP costs between the Company's electric and steam customers.

Finally, I note that the cost of ERRP is reasonable when compared to the costs of other plants recently constructed in New York City.

Q. Is ERRP currently operating?

A. Yes. Unit #1 came on line on April 1, 2005 and Unit #2 came on line on April 5, 2005.

Q. What is the projected capital cost of ERRP?

A. The projected capital cost is $755 million.

Q. Have you prepared an exhibit that explains the major components of ERRP that comprise the $755 million?

A. Yes. Although I describe these major components below, I have also prepared an exhibit showing these components, entitled "Major Components of Capital Costs of ERRP", Exhibit __ (VG-1).

MARK FOR IDENTIFICATION AS EXHIBIT ___ (VG-1)

Q. Please explain the major components of the $755 million.

A. As shown on Exhibit ___ (VG-1), the $755 million covers the following eight major activities:

1. $46 million to alter the existing, original East River power plant facility to create the space for the new equipment. This work consists of modifying

existing building structural steel framing, as well as relocating electrical and mechanical systems to provide the required space.

2. $146 million for the purchase of the new ERRP equipment. This includes $70 million for the General Electric Combustion Turbines, $22 million for the Vogt Nem Heat Recovery Steam Generators, and $10 million for the US Filter Water Treatment Equipment.
3. $245 million for construction contracts to install the new equipment.
4. $95 million for the engineering, construction management, start up, legal and outreach costs associated with the plant work.
5. $78 million for the engineering, design, and construction of a 30 inch steam main that takes the 3 Million pounds per hour of steam output from ERRP and delivers it to 40th Street and 1st Avenue, the location where the then-existing output from Waterside Station was connected. Included in this cost is the construction of a tunnel, 10 feet in

diameter, 4,100 feet long, under 1st Avenue from 20th Street to 36th Street.

6. $31 million for the engineering, design and construction of a 30,000 foot long, high pressure gas main from East River Station to a tie-in point at 75th Street and West End Avenue.

7. $17 million for the electrical construction work required to connect the output of the two Combustion Turbine Generators to the 138KV and 69 KV substations.

8. $97 million for corporate overheads ($5 million) and allowance for funds during construction ("AFUDC") ($92 million).

Q. Did you prepare a series of exhibits identified as Exhibit ___ (VG-2) through Exhibit ___ (VG-15)?

A. Yes. These 14 exhibits were prepared under my direction and supervision.

MARK FOR IDENTIFICATION EXHIBIT __ (VG-2)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-3)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-4)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-5)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-6)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-7)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-8)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-9)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-10)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-11)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-12)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-13)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-14)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-15)

Q. Please describe these exhibits.

A. These exhibits are responses to various interrogatories related to ERRP that were posed in the last steam rate case (Case No. 03-S-1672), updated where appropriate. These exhibits contain substantial information on matters relating to the project that were of interest and concern to the parties in the last steam rate proceeding, including information about the design, construction, schedule and costs of the project. For example, Exhibit ___ (VG-2) explains some of the cost increases following the submission of the Article X application.

Q. Has the Company made an estimate of the financial benefits of ERRP to customers?

A. Company witness Northup will sponsor an exhibit, Exhibit __ (IN-5), containing an analysis of the benefits of ERRP to customers. Included in this analysis is the benefit customers receive from the gain from the sale of the First Avenue Properties, as noted by the Commission in the order approving the current steam rate plan. The Accounting Panel explains that the steam customers' share of the net gain from this sale lowers the revenue requirement by nearly $26 million in the rate year from what it would have been otherwise.

Q. How is the Company proposing to allocate the ERRP capital costs between steam and electric customers?

A. The Accounting Panel will sponsor an exhibit, Exhibit __ (AP-14), presenting the allocation of the ERRP costs, which implements the allocation method that was reflected in the steam rate plan that was approved by the Commission in Case 03-S-1672, including adjustments ordered by the Commission.

Q. You stated that the total cost of the ERRP is $755 million, yet the Accounting Panel includes $792 in rate base for the rate year. Please explain the difference in the two amounts.

A. As explained in the Company's response to Staff 2 submitted in this proceeding, the additional $37 million above $755 million is for work associated with maintaining and/or upgrading the plant after commercial operation had begun.

The Operations Panel and I are jointly sponsoring the Company's response to this discovery request as an exhibit to our testimonies, which is being marked as an exhibit to my testimony.

MARK FOR IDENTIFICATION AS EXHIBIT __ (VG-16)

Accordingly, I am prepared to answer questions relating to the follow-up activities that were associated with placing the plant into commercial operations in the top portion of the exhibit and the Operations Panel is prepared to answer questions and address the expenditures detailed on the bottom part of that exhibit.

Q. How does the cost of ERRP compare to the costs of other new in-City plants?

A. I do not have detailed cost knowledge of other plants but based on publicly available information, including Con Edison's System Reliability Assurance Study, which was completed pursuant to the Company's electric rate plan in Case 04-E-0572, ERRP is in the same range of capital costs on a dollar per kilowatt basis as the costs of the new Keyspan-Ravenswood plant, the new NYPA-Polleti plant as well as a new generic combined cycle plant in New York City based on a reasonable set of assumptions. Moreover, I note that ERRP was built in Manhattan in an existing operating space.

Q. Does this conclude your testimony?

A. Yes.

Exhibit ____ (VG-1)

MAJOR COMPONENTS OF THE CAPITAL COSTS OF ERRP

The $755 million of ERRP capital costs covers the following eight major activities:

1. $46 million to alter the existing, original East River power plant facility to create the space for the new equipment. This work consists of modifying existing building structural steel framing, as well as relocating electrical and mechanical systems to provide the required space.

2. $146 million for the purchase of the new ERRP equipment. This includes $70 million for the General Electric Combustion Turbines, $22 million for the Vogt Nem Heat Recovery Steam Generators, and $9 million for the US Filter Water Treatment Equipment.

3. $245 million for the construction contracts to install the new equipment.

4. $95 million for the engineering, construction management, start up, legal and outreach costs associated with the plant work.

5. $78 million for the engineering, design, and construction of a 30 inch steam main that takes the 3 Million pounds per hour of steam output from ERRP and delivers it to 40th Street and 1st Avenue, the location of the existing output from Waterside Station. Included in this cost is the construction of a tunnel, 10 feet in diameter, 4,100 feet long, under 1st Avenue from 20th Street to 36th Street.

6. $31 million for the engineering, design and construction of a 30,000 foot long, high pressure gas main from East River Station to a tie-in point at 75th Street and West End Avenue.

7. $17 million for the electrical construction work required to connect the output of the two Combustion Turbine Generators to the 138KV and 69 KV Substations.

8. $97 million for corporate overheads -- $5 million and allowance for funds during construction (AFUDC) -- $92 million.

Q. Please explain some of the cost increases since submission of the Article X application?

A. At the time the Company submitted its Article X application, the Company estimated the cost of the ERRP to be $406 million (including $ 46 million for the gas main). In several instances, the full extent of the eight project components described in Exhibit ___ (VG-1) above were not known at the time of the Article X application, and in other instances, there have been work scope and scheduling effects that could not have been anticipated previously, prior to the completion of detailed design work and subsequent vendor bidding. The following shows, for each the eight major components described on Exhibit ___ (VG-1), the comparable budgeted amount in the Article X proceeding and the reasons for the cost increases:

Component	Article X Budget ($ millions)	Reasons for Increase
1	5	Preliminary design did not reflect need for relocation of existing systems; Article X estimate made prior to start of engineering and examination of actual field conditions.
2	128	Original estimate based on preliminary design.
3	80	Increases in the cost of construction contracts are based on detailed designs completed after Article X estimates and reflect competitive conditions for construction of large project such as ERRP in New York City market and contract extras.
4	28	Original estimate based on the assumption of an engineer/procure/construct (EPC) contract that would require less oversight; design changes and environmental enhancements.
5	50	Preliminary design of steam main did not reflect as-found field/environmental conditions which necessitated design and route changes.

6	48	The cost of the various construction components was less than anticipated.
7	12	Changes to the scope of the 138 kv feeder routes.
8	55	Increase in AFUDC due to change in service date and increase in project cost, plus addition of AFUDC to gas and steam main work subsequent to preparation of original estimate. There are offsetting decreases in construction contingency and corporate overheads.

Q. Please provide a further breakdown of the $245 million construction contract cost shown for Component No. 3 on Exhibit ___ (VG-1).

A. Of the $245 million, $164.2 million is for the base contract work performed by Slattery Skanska, Inc.; $37 million for work performed pursuant to change orders issued to Slattery; $7.1 million for ERRP project worker's compensation and general liability insurance placed with Marsh/AIG for the Slattery work; and $36.7 million for a series of smaller contracts required to complete ERRP.

Q. Please segregate the $95 million cost for engineering, construction management, start up, legal and outreach costs associated with the plant work, as shown for Component No. 4 on Exhibit ___ (VG-1).

A. The following table shows a breakdown of the $95 million into eleven component elements:

Engineering/Environmental	$ 36.7
Construction Management	26.0
Start Up Vendors/Labor Support	14.5
Legal	2.2
Outreach	1.1
Security	1.4
Fees, Permits, Air Credits	1.3
Safety Program	0.8
Office Maintenance	0.5
Various Station Support	2.2
Miscellaneous Other Vendors	8.3
Total	$ 95.0

It should be noted that, in many cases, the figures are for a combination of in-house Company labor plus outside contractors. For example, the $26 million for Construction Management is made up of $4 million for in-house staff and $22 million for outside support (Pike and DMJM Harris). The $36.7 million for Engineering/Environmental is made up of $6 million for in-house staff and $30.7 million for outside consultants, the most significant of which is the Washington Group ($16 million).

Q. Please provide the reasons for the $28 million increase in the steam main that resulted from the final analysis of field/environmental conditions, as shown for Component No. 5 on Exhibit _____ (VG-1).

A. Three principal reasons for the $28 million increase associated with the steam main are as follows:

1. $16 million is due to the construction cost of the steam tunnel. The original tunnel estimate was based on the assumption that the tunnel would be installed in bedrock at a depth of approximately 50 feet below the street surface. Based on actual rock borings and reports from geologists/engineers, it became necessary to install the tunnel 130 feet below the street, or 80 feet deeper. The tunnel project was bid twice in an effort to lower the bid levels. Nonetheless, the added tunnel depth and actual bids received resulted in a cost exceeding original estimates by $16 million.

2. The original steam main route contemplated a path north from ERRP under the FDR Drive to a tunnel inlet at 20th Street. However, test pits along the route revealed oil contaminated groundwater, which would have made this route prohibitively expensive. An alternative route was selected south on Avenue C and across 11th Street -- using microtunnel technology -- to reach a tie-in point at 11th Street and 1st Avenue. This route, while less expensive than going under the FDR Drive, required the installation of additional piping inside the plant and across 14th Street connecting to the microtunnel. The additional costs of the new route, together with the construction and engineering effort associated with the original FDR Drive route until it was determined not to be feasible, amounted to $6-7 million more than the original projected cost of a clean route under the FDR Drive.

3. Extensive congestion is the vicinity where piping work was required to connect the tunnel piping at 20th Street and 36th Street to the existing steam piping system, as well as to exit the plant, necessitated approximately $5-6 million of additional piping.

Q. Please explain why a detailed design of the ERRP was not prepared at the time the company filed its Article X application.

A. In order to initiate and complete this project within a reasonable time frame, numerous project-related activities were conducted in parallel, including the submission of the Article X application while the project architect/engineer was being selected and retained. It was projected in the Article X application that the detailed engineering phase would take eight to ten months to complete, see section 3.2.11.1 (entitled "Plan Assumptions and Schedule" at pages 3-24 and 3-25. The Article X application was submitted in May 2000, and the Washington Group International was retained in June 2000. The design of ERRP was completed approximately two years later in the Spring of 2002, at which time cost projections were updated and the PSC Staff advised as to then-current project status and budget.

Q. Please describe the process by which the ERRP construction contract vendor(s) were selected and contract terms established.

A. Con Edison conducted extensive outreach efforts to identify candidate ERRP contractors in 2001. Requests for firm lump sum proposals were issued to three companies in September 2001. Previous to this, seventeen other companies had been contacted by Con Edison but did not express an interest in bidding. In response to Con Edison's requests, the three contractors indicated that additional engineering work would be required before they could determine whether, and on what terms, they might be prepared to submit a firm lump sum proposal. After recanvassing the contractor pool, four companies were identified that preliminarily indicated they would be prepared to submit a bid prepared on a cost plus fixed fee basis. In November 2001, requests for submission of cost plus proposals were sent to these four firms. One firm subsequently declined to submit such a bid, and the other three firms submitted target prices that were significantly higher than Con Edison's internally-prepared contract cost estimate. In January 2002, Con Edison decided to conduct additional project engineering and seek rebidding, with a targeted construction start date of September 2002 and a 24-month project schedule. This plan was reviewed with the PSC Staff in April 2002. Starting in January, two parallel paths were followed. One path contemplated rebidding, and the other path contemplated negotiations with Slattery Skanska, Inc., the contractor who had submitted the proposal receiving the highest internal Con Edison evaluation among the proposals submitted in response to the November 2001 invitation. In April 2002, Con Edison met with twelve candidate contractors,

including Slattery Skanska, Inc. Slattery Skanska was advised that, absent its submission of a firm lump sum proposal, Con Edison was inclined to proceed with the rebid. Slattery Skanska, Inc. agreed to submit a fixed-price quote based on the engineering drawings then available. Slattery Skanska and Con Edison negotiated price and terms between April and September 2002, leading to the execution of the contract, dated September 19, 2002.[1]

[1] A copy of the pertinent portions contract and copies of purchase orders for ERRP-related construction contracts were provided to interested parties in Case 03-S-1672. Another set of copies can be provided to parties who request them.

Q. (a) What was Con Edison's experience as to the competitive conditions in the market for construction of large projects such as ERRP ? (b) What steps did Con Edison take to increase contractor interest in the project?

A. (a) The contractor procurement history for the ERRP project shows that the project was perceived within the contracting community as presenting significant risk factors. Among the risk factors identified by contractors were the need to perform work activities in Manhattan, trades issues in the New York City labor market, transportation issues including job area parking, limited laydown space in the East River facility work area, and the need to retrofit a new facility into an existing operating plant within a confined space. Based on the above concerns and the perception that they might be cumulative, contractors displayed a reticence to bid the ERRP on a firm fixed price basis.

(b) As part of its ERRP contractor recruitment effort, Con Edison prepared a comprehensive orientation document for the purpose and with the intent of demonstrating to prospective bidders that the Company had thought through many of the issues that were of concern to the contracting community. For example, Con Edison prepared a complete ERRP worksite laydown plan showing space for material storage and contractor workout facilities. At least a half-day was devoted to each of a dozen contractors in order to individually present the job to them and respond to their questions. The steps taken by Con Edison were intended to address perceived contractor concerns, but were not intended to reorder the allocation of risks between candidate contractors and Con Edison. Despite these efforts, the great majority of prospective contractors expressed substantial reservations about quoting ERRP on a fixed price basis.

Q. Please identify and describe the reasons that contributed to the delay of the in-service date of the ERRP beyond the original timetable.

A. The original timetable was based on a construction schedule of about 14 months. During the initial contractor procurement process, Con Edison received feedback from the three contractors that had responded to our cost-plus invitation in November 2001 to the effect that a compressed construction schedule of approximately 14 months was a significant contributing cause to the high quotes. All three contractors expressed support for a more reasonable and cost-effective construction schedule of 20 months. Based on this bidder feedback, the ERRP rebidding effort advertised a targeted 20-month construction schedule and a targeted 4-month start up schedule. In addition, contract award occurred in September 2002, rather than in February 2002 as originally contemplated, following the completion of significant additional engineering design work that contractors who had expressed interest indicated would be necessary for submission of a firm lump sum bid. The February 2002 contract award date of the original timetable did not presume that such engineering work would occur prior to contract award. Based on milestones that envisioned issuance of bids in May 2002, receipt of bids in July 2002, contract award in September 2002, completion of construction in May 2004, it was estimated that ERRP startup would occur about September 2004. However, in early 2004, Slattery Skanska, Inc., the ERRP contractor, advised Con Edison that it is unlikely to be able to meet the original planned substantial completion date, claiming that it had experienced inefficiencies in conducting its work, some of which were due to circumstances beyond its

control. In effect, this resulted in the completion date being slipped from October 2004 to April 2005.

Q. Please identify and describe all measures taken by Con Edison to minimize the slippage of the in-service date of the ERRP.

A. Con Edison has taken numerous measures to proactively minimize slippage to the in-service date of ERRP. From an overall project perspective, Con Edison has engaged The Pike Company to act as Con Edison's consultant in scheduling issues relating to the ERRP repowering construction effort. The Pike Company team consists of seasoned industry experts that provide guidance to Con Edison with the aim of ensuring that Slattery Skanska follows the contract requirements and performs its work in accordance with recognized industry norms. When deficiencies in Slattery Skanska's performance or project control documents were identified by Con Edison, those deficiencies were either documented in a letter, meeting minutes, or orally provided to Slattery Skanska management.

When issues arose that had the potential for delaying the project, Con Edison worked with the contractor to mitigate any impact. Where appropriate, change orders were issued to Slattery Skanska, and the change orders expressed, per the contract, that the change order work was to be performed without impacting the planned substantial completion date. Further, where appropriate, overtime and/or second shift work was authorized. Slattery Skanska had on occasion performed overtime and second shift work at its own initiative and for its own account. Frequent meetings were held between Con Edison and Slattery Skanska to cooperate, as appropriate under the parties' contract, to minimize any potential schedule delays. The Con Edison senior site construction management team met for an hour every morning with their counterparts from the contractor's staff for the

purpose of attempting to identify and resolve, and then to stay ahead of, issues that could impact the ERRP project schedule. In addition, a team of Con Edison construction and engineering staff members met daily with the contractor and its mechanical and electrical subcontractors to address issues at a working level. Further, Con Edison conducted weekly meetings, attended by the contractor and its major subcontractors, to monitor progress and attempt resolution of open issues. Finally, in addition to working with Slattery Skanska to mitigate schedule slippage, Con Edison had taken affirmative actions to minimize the time required to complete the start-up and commissioning activities necessary to bring the ERRP facility into commercial operation. These activities include hiring specialist consultants and evaluating the potential for advance simulations of some start-up and commissioning activities prior to start-up and commissioning, with the aim of predicting or avoiding problems that might arise during the actual start-up and commissioning phase.

Q. Please identify, describe, and explain the reason(s) for significant changes in the design of the ERRP that were made after the company received its Article X certificate.

A. The Article X certificate was issued in August 2001. Subsequently, the 138kv feeder from the ERRP Unit 1 step-up transformer to the East 13th Street Substation has been rerouted. Previously, this feeder was intended to cross 14th Street under the street, and under the revised routing was installed above ground across the existing East Bridge. The rerouting was necessary because of subsurface interferences along 14th Street. There have been no changes in the location of the associated step-up transformer or the termination point of the feeder at the East 13th Street Substation. Other changes in the ERRP design since issuance of the Article X certificate in August 2001 were made primarily to address field conditions found at the site during construction. The location and design of all ERRP major components remained essentially unchanged after receipt of the Article X certificate.

Q. Please explain when and how the Company determined that the existing structural steel could not support the ERRP?

A. At the outset of the project, Con Edison confirmed that existing building foundations would support ERRP equipment as necessary, and that structural steel would be adequate from a weight-bearing perspective and was, therefore, capable of being used as a part of ERRP. What was less clear until the completion of detailed design drawings and ERRP configuration and interference analyses was the extent to which relocation of pre-existing structural components, both temporary and permanent, would be needed in order to avoid physical interferences and accommodate ERRP component transport, placement, installation and operation.

During peer design reviews for new structural design analysis conducted in early 2001, it was recognized that additional design changes to existing structural components would be necessary for both interference and loading purposes. It was ultimately determined that structural modifications would be required to satisfy space requirements for ERRP components, particularly the combustion turbine generators (CTGs) and the heat recovery steam generators (HRSGs). This involved relocation of existing structural members, the installation of trusses to allow removal and relocation of columns, and the reinforcement of existing members for the purpose of supporting new loads associated with the trusses. Although existing structural steel has been utilized--most notably all of the building columns--many of the columns, especially those along the M line, were determined following analysis of load-bearing requirements and in-situ condition analysis to

require reinforcement in order to support new truss loads associated with the final design.

The reconfiguration of the existing East River station structural components to the extent required to accommodate ERRP also required extensive analysis and, in some instances, redesign to satisfy NYC Building Code seismic requirements. Because of the complexities and interdependencies of ERRP design with existing structural constraints, together with Code compliance requirements, the full nature and extent of the structural changes that would be required to make everything work, as well as satisfy Code requirements, could not be fully determined at the outset of the project. The final design resulted in an increase in the tonnage of structural steel needed to accommodate ERRP components in a manner that satisfied applicable Code requirements from 1,100 tons to 2,800 tons.

Q. For each category of structural alterations that was not included in the original Article X budget, please provide its incremental costs.

A. As shown on Exhibits ___ (VG-1) and (VG-2), costs for structural alterations and related items were $46 million, as compared to $5 million projected in the Article X budget. Of the aggregate incremental cost differences amounting to $41 million, the incremental cost for the structural alteration work was $24 million, the electrical system incremental cost was $6 million, the mechanical system incremental cost was $7 million, and the architectural/civil engineering incremental cost was $4 million.

Q. Please identify and quantify all architectural, engineering, design, consulting, legal and other similar costs associated with the ERRP Article X proceeding.

A.

ERRP Article X Cost

Raytheon	Feasibility Study	$ 124,000
Raytheon	Article X Support	385,000
Robinson/Silverman	Legal Support	2,004,708
ENSR	Article X Application	1,619,386
ENSR	PM 2.5 Hearings	470,000
APCO	Public Relations - Outreach	341,000
Fox & Fowle	Concept Master Plan	80,000
Covello Group	Community Outreach	77,000
New York State	Application Filing Fee	300,000
Cantor Fitzgerald	Air Credits	394,000
Sheehan Associates Inc	Media/Public Affairs Training	11,000
Con Edison	Support	797,390
	Total	$ 6,603,484

Q. Please describe the project to install gas transmission main to provide gas transportation service to the ERRP referred to as either the Westside Loop Transmission Main or the 10th Avenue Project.

A. This project consisted of installing approximately 30,000 feet of gas piping that will have an MAOP (Maximum Allowable Operating Pressure) of 350 psig at the following locations:

- Approximately 600 feet of 20" pipe were installed on Avenue D in Manhattan from 13th Street to the East River Plant on 14th Street. This pipe is considered the service to the plant and connects to an existing main on 13th Street. A Remote Operated Valve (ROV) was installed on this piping.
- Approximately 17,000 feet of 20" pipe was installed on 10th Street from Avenue D to 5th Avenue, on 5th Avenue from 10th Street to 15th Street, on 15th Street from 5th Avenue to 10th Avenue, and on 10th Avenue from 15th Street to 33rd Street. Two ROVs were installed on this piping. It connects to an existing main on 10th Street and Avenue D.
- Approximately 13,000 feet of 24" pipe was installed on 10th Avenue from 33rd Street to 70th Street, on 70th Street from 10th Avenue to West End Avenue, and on West End Avenue from 70th Street to 75th Street. Two ROVs were installed on this piping. It connects to an existing main on 75th Street and West End Avenue.

The cost for the engineering, design and construction of the gas main was $31 million, which also includes the cost of the pipe capacity increase. Although the primary purpose of the gas main is solely to provide ERRP with gas as a fuel, Gas Operations expended approximately $1.6 million to increase the capacity of a portion of the gas main from 20" to 24," as set forth above, to support potential future uses which would be unrelated to ERRP.

Question No. :2

Please explain the increase in capital costs for ERRP from $735 million to $792 million.

Response:

East River Repowering Project

Plant in Service as of August 31, 2005	$ 735.0
Plant Completion Tasks	20.0 (See below)
Post-Operational Projects	29.0 (See below)
Contingency	8.0
Total	$792.0

Plant Completion Tasks - The tasks listed below comprise the "follow-up" activities associated with placing the plant in commercial operation in April 2005:

PLANT COMPLETION TASKS
(Millions)

Project Title	Estimate	Project Description
Construction Work in Progress (CWIP)	$10.9	Consists of completed construction tasks, services rendered, or purchased equipment delivered and accrued but not paid ($6.7M); Construction contractor/ vendor invoices paid but not booked to Plant and Company Labor, M&S costs incurred but not booked to Plant ($4.2M)
HRSG 10/20 Modify Gas Duct Burners	1.0	Gas duct was modified to reduce emissions
HRSG 10/20 Replace CO Catalyst	0.6	In addition to the duct modifications above, replaced 2" catalyst with 3.5" catalyst to further assist in reducing emissions
HRSG 10/20 View Port Modification	0.1	View ports modified to provide better visualization of flame
HRSG 20 Bumper Replacement	0.1	Tube bundle bumper replaced to correct Alignment
Install Nitrogen Piping System.	0.3	Nitrogen system installed to facilitate purges
Perform Site Restoration	0.5	Restoration of 15th Street, site cleanup, removing trailers, replacing sidewalks, trees, etc.

Complete Lighting	0.5	This scope covers the installation of lighting fixtures throughout the ERRP area
Complete Insulation	0.3	This scope covers the completion of small miscellaneous insulation and lagging work throughout the ERRP area
Complete Painting	0.1	This scope covers the completion of final painting work in miscellaneous ERRP areas
Inspect, Test and Repair Silos for Storage of Treated Water	0.5	Former coal silos were converted into treated water storage tanks. This scope covered final testing and repair work following initial hydrostatic testing
Provide a 480 Volt Supply to MCCs WT2 and WT4 from Switchgear 2-1L	0.1	Alternate power supply for MCC
Instll Fuel Oil Transfer Pumps for Fuel Oil Tank # 1	0.1	Oil pump work had to be held pending completion of cleaning and repairs to Fuel Oil Tank # 1
Trench Drain Cleaning	0.1	Remove debris created during construction
Ventilation Package - Install Fans and Ductwork in the HRSG Area	0.1	Work held until louvers were installed in building wall
HRSG 10/20 Dearator Spray Header Mod -	0.1	Extra header was added to reduce Emissions
HRSG 10/20 Steam Drum Modification	0.1	Wide range level indicators modified in each drum for better readings
HRSG 10/20 Economizer Re-rate	0.2	Replaced large bore valves to increase economizer capacity rating
11th Street Steam Main Modifications	0.2	Modification was performed to help reduce vibrations
Install Cable Tray Covers	0.1	Installation of the remaining cable tray covers mostly in difficult access areas
Complete Installation of Gantry Cranes over both CTG's	0.1	Completes commissioning of Gantry Cranes for maintenance of Gas Turbines
Various other Electrical/Mechanical Tasks	3.9	Consists of several dozen remaining Plant Completion Tasks; construction and technical support and purchased equipment
TOTAL	**$20.0**	

Post-Operational Projects – **The following projects constitute work associated with maintaining and/or upgrading the plant post-commercial operation.**

POST OPERATIONAL PRJECTS

(Millions)

Project Title	Estimate	Project Description
Spare Transformers	$2.0	This project includes the purchasing of spare auxiliary transformers for Units 1 & 2. These auxiliary transformers are unique to East River Unit Nos. 1 and 2. There are currently no spare transformers available. In the event of a failure in one of these transformers, a replacement unit would take between four months to one year to design, fabricate and deliver. This condition could have a severe impact on plant operations.
Access Platforms	8.8	This project includes the installation of permanent platforms, stairways and ladders to improve access to essential operating equipment by station personnel. Some essential components are located in areas that are difficult and unsafe to access or require erecting temporary scaffolding and ladders.
Interior Masonry Walls	1.0	Internal masonry walls will be modified based on a structural inspection. This inspection will be performed to assess the conditions of the walls due to current construction work, degradation due to age and to ensure that current building code requires are met.
Steel and Concrete Repairs	0.6	This project will primarily correct pre-existing structural deterioration and deficiencies in the Unit #1 and 2 area.

Emergency Diesel Generators	1.0	This project will provide an emergency diesel generator that will power the critical ERRP systems during a blackout. The new EDG will ensure a more rapid startup to meet the expected winter steam demand during the recovery from a blackout.
Upgrade Ammonia Blowers	0.1	This project includes the upgrading of the ammonia blowers to increase their capacity. The existing ammonia skid blowers are undersized. With the upgraded blowers, one unit would be running and the other blower would be in auto standby mode during normal operations. Currently, due to the limited blower capacity it is necessary to run two skid blowers during high load operation.
GPS Time Stamp on Protective Relays	0.3	The scope of work covered by this project involves the retrofit of existing protection system relays with IRIG (Inter-Range Instrumentation Group) Code B compliant digital relays utilizing modern microprocessor based control, communication and protection. With this capability electric system operators will be able to accurate determine the time the relays actuate during abnormal conditions and expedite corrective troubleshooting and corrective actions.
Install Reinforced Concrete Floor and Sump Pump	3.4	This project includes the resurfacing of the ground floor at elevation 10'-6" bounded by column lines A & M and 1 & 45 using concrete in uneven areas and epoxy coating in all locations. Repaint egress path lines on the floor. Install new drainage systems to direct water accumulations to existing water separator. Refurbishment of the floor at elevation will eliminate tripping hazards and water accumulation. This project will significantly enhance access and egress safety throughout the operating area.

Emergency Public Address System	2.1	This project will install a new emergency notification public address system for Units 1 & 2. Company procedures CSP 24.01 and 24.02 require compliance with OSHA regulation 29CFR 1910.120(q) and 29CFR 1910.39(a) pertaining to emergency response and evacuation. OSHA and Company procedures require an audiovisual notification system to evacuate the station in case of an emergency. East River 1 & 2 does not have an emergency notification system.
Electric Space Heaters	2.1	This project includes the installation of space heaters in the Water Treatment and general areas of Units 1 & 2. These space heaters are needed to protect the Treatment Plant and other piping from freezing in case the units are in an outage during the winter months.
CEMS	0.9	This project includes the installation of Continuous Emission Monitoring System (CEMS) instrumentation to monitor exhausts emission from the HRSG (Heat Recovery Steam Generators) 1 & 2, and the CTG (Combustion Turbine Generator). This instrumentation will allow the operators to monitor emissions from this equipment such as NOX, CO and O2.
Uninterruptible Power Supply (UPS)	0.5	This project consists of installing a second Uninterruptible Power Supply (UPS) to provide redundant power supply to Control Room equipment. Currently there is only one UPS that provides power to all the control room consoles. In the event this UPS fails, the operators would lose visual display of all operating parameters and all control room consoles and workstations would be out of service. If this condition could not be corrected quickly, the units would have to be shut down.

Multimedia Filter Press	2.9	This work involves the design, procurement and installation of a filter press system to treat the wastewater generated from the East River Station Units 1 and 2 water treatment systems. The filter press system is required to de-water the multimedia filter backwash waste prior to disposal. This new system will significantly lower annual disposal cost of multimedia filter backwash waste.
Security Enhancements	3.3	These security measures will improve access limitation and control. The measures include vehicle barriers, cable gates, fencing, barrier walls, and electronic security and personnel access systems.
TOTAL	**$29.0**	

Exhibit___(AP-14)

Consolidated Edison Company of New York, Inc.
Summary of ERRP Plant Costs Allocated to Steam
$ millions

Steam Allocation - (Fuel Adjustment Charge)	Total 100%	Steam 33.33%	Electric 66.67%
Balance to be allocated	$ 682.4	$ 227.5	$ 454.9
Staff Adjustment for HRSG foundations, etc.	2.6	2.6	-
Plant Balance (Case 03-S-1672)	$ 685.0	$ 230.1	$ 454.9
Steam Allocation - Rate Year			
Balance to be allocated	$ 789.4	$ 263.1	$ 526.3
Staff Adjustment for HRSG foundations, etc.	2.6	2.6	-
Plant Balance (Case 05-S-1376)	$ 792.0	$ 265.7	$ 526.3

Dalton, Maria

From: Krayeske, Mary - Regulatory
Sent: Wednesday, January 11, 2006 7:21 PM
To: Dalton, Maria
Subject: FW: Case 05-S-1376

From: Richter, Marc - Regulatory
Sent: Friday, January 06, 2006 4:02 PM
To: 'robert_garlin@dps.state.ny.us'; Lang, Kevin; 'Victoria_Galsterer@dps.state.ny.us'; 'Jeffrey_Hogan@dps.state.ny.us'; Padula, Marco; 'John_Scherer@dps.state.ny.us'; 'dprestemon@consumer.state.ny.us'; Elfner, Douglas; 'rloughney@couchwhite.com'; 'mbonder@couchwhite.com'; Delaney, Michael; Daniels, Tim; Glass, Stewart M.; 'fradigan@aol.com'; Diamatopoulos, George; 'david_bomke@nyecc.com'; Luthin, Catherine; 'jdowling@nycap.rr.com'; 'clint.plummer@redwoodpower.com'; Damaskos, Deno; 'Darrell_Thornley@equityoffice.com'; 'sml@readlaniado.com'; 'rck@readlaniado.com'
Cc: Krayeske, Mary - Regulatory; Lubling, Chanoch - Regulatory; Miller, Richard B. - Regulatory; Richter, Marc - Regulatory
Subject: Case 05-S-1376

Pursuant to Mr. Lubling's e-mail to Mr. Lang on December 27, 2005, the Company hereby provides the testimony of Mr. Victor Gonnella, as updated from the last steam case, and updated, where appropriate, responses to various ERRP-related interrogatories posed by parties in the last steam case, as exhibits to this testimony (attachments 1 and 2). Mr. Gonnella is also sponsoring (jointly with the Operations Panel) as an additional exhibit the Company's response to Staff's discovery request 2 in this proceeding (included in the second attachment). As indicated in Mr. Lubling's e-mail, Mr. Gonnella will be made available for cross-examination on his testimony and exhibits. Please note that Mr. Gonnella's testimony references two additional ERRP-related exhibits that will be sponsored by other Company witnesses. The exhibit to be sponsored by the Company's Accounting Panel is also attached (third attachment). The exhibit to be sponsored by Company witness Northup will be provided next week.


Gonnella testimony.pdf


Gonnella Exhibits.pdf


Gonnella Allocation of ERRP Pl...

VICTOR GONNELLA - STEAM

Q. Please state your name and business address.

A. My name is Victor Gonnella and my business address is 1610 Matthews Avenue, Bronx, New York, 10462.

Q. Who is your employer and what is your job title?

A. I am employed by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") as Vice President, Maintenance & Construction Services.

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

A. I have been employed by Con Edison for 40 years and have held many different positions throughout the company including General Manager in Construction Management (where, for six years, I was responsible for a 400 person engineering and construction organization), General Manager in Transportation and Stores, and Director in Purchasing. Prior to my promotion to Vice President in 2004, I was a General Manager in the Steam Business Unit and served as the Project Manager for the East River Repowering Project ("ERRP").

Q. Briefly describe your educational background.

A. I received a Bachelor of Civil Engineering Degree from Manhattan College in 1965. I am a registered Professional Engineer in the State of New York.

Q. Please summarize your testimony in this proceeding.

A. I project the capital cost of ERRP to be $755 million and provide information about the design, construction, schedule, and costs of the project.

I provide a breakdown of the total projected costs by describing eight different categories of activities that comprise the construction of ERRP and the costs associated with the activities by category.

Through a series of 16 exhibits, I provide additional information relating to the construction of ERRP, including a further breakdown of certain construction costs, based on inquiries made by parties to the Company's last steam rate proceeding.

I then direct the parties to other Company witnesses that address, in this proceeding, the financial benefits to customers from ERRP and the allocation of ERRP costs between the Company's electric and steam customers.

Finally, I note that the cost of ERRP is reasonable when compared to the costs of other plants recently constructed in New York City.

Q. Is ERRP currently operating?

A. Yes. Unit #1 came on line on April 1, 2005 and Unit #2 came on line on April 5, 2005.

Q. What is the projected capital cost of ERRP?

A. The projected capital cost is $755 million.

Q. Have you prepared an exhibit that explains the major components of ERRP that comprise the $755 million?

A. Yes. Although I describe these major components below, I have also prepared an exhibit showing these components, entitled "Major Components of Capital Costs of ERRP", Exhibit __ (VG-1).

MARK FOR IDENTIFICATION AS EXHIBIT ___ (VG-1)

Q. Please explain the major components of the $755 million.

A. As shown on Exhibit ___ (VG-1), the $755 million covers the following eight major activities:

1. $46 million to alter the existing, original East River power plant facility to create the space for the new equipment. This work consists of modifying

existing building structural steel framing, as well as relocating electrical and mechanical systems to provide the required space.

2. $146 million for the purchase of the new ERRP equipment. This includes $70 million for the General Electric Combustion Turbines, $22 million for the Vogt Nem Heat Recovery Steam Generators, and $10 million for the US Filter Water Treatment Equipment.
3. $245 million for construction contracts to install the new equipment.
4. $95 million for the engineering, construction management, start up, legal and outreach costs associated with the plant work.
5. $78 million for the engineering, design, and construction of a 30 inch steam main that takes the 3 Million pounds per hour of steam output from ERRP and delivers it to 40th Street and 1st Avenue, the location where the then-existing output from Waterside Station was connected. Included in this cost is the construction of a tunnel, 10 feet in

diameter, 4,100 feet long, under 1st Avenue from 20th Street to 36th Street.

6. $31 million for the engineering, design and construction of a 30,000 foot long, high pressure gas main from East River Station to a tie-in point at 75th Street and West End Avenue.

7. $17 million for the electrical construction work required to connect the output of the two Combustion Turbine Generators to the 138KV and 69 KV substations.

8. $97 million for corporate overheads ($5 million) and allowance for funds during construction ("AFUDC") ($92 million).

Q. Did you prepare a series of exhibits identified as Exhibit ___ (VG-2) through Exhibit ___ (VG-15)?

A. Yes. These 14 exhibits were prepared under my direction and supervision.

MARK FOR IDENTIFICATION EXHIBIT __ (VG-2)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-3)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-4)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-5)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-6)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-7)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-8)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-9)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-10)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-11)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-12)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-13)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-14)

MARK FOR IDENTIFICATION EXHIBIT __ (VG-15)

Q. Please describe these exhibits.

A. These exhibits are responses to various interrogatories related to ERRP that were posed in the last steam rate case (Case No. 03-S-1672), updated where appropriate. These exhibits contain substantial information on matters relating to the project that were of interest and concern to the parties in the last steam rate proceeding, including information about the design, construction, schedule and costs of the project. For example, Exhibit ___ (VG-2) explains some of the cost increases following the submission of the Article X application.

Q. Has the Company made an estimate of the financial benefits of ERRP to customers?

A. Company witness Northup will sponsor an exhibit, Exhibit __ (IN-5), containing an analysis of the benefits of ERRP to customers. Included in this analysis is the benefit customers receive from the gain from the sale of the First Avenue Properties, as noted by the Commission in the order approving the current steam rate plan. The Accounting Panel explains that the steam customers' share of the net gain from this sale lowers the revenue requirement by nearly $26 million in the rate year from what it would have been otherwise.

Q. How is the Company proposing to allocate the ERRP capital costs between steam and electric customers?

A. The Accounting Panel will sponsor an exhibit, Exhibit __ (AP-14), presenting the allocation of the ERRP costs, which implements the allocation method that was reflected in the steam rate plan that was approved by the Commission in Case 03-S-1672, including adjustments ordered by the Commission.

Q. You stated that the total cost of the ERRP is $755 million, yet the Accounting Panel includes $792 in rate base for the rate year. Please explain the difference in the two amounts.

A. As explained in the Company's response to Staff 2 submitted in this proceeding, the additional $37 million above $755 million is for work associated with maintaining and/or upgrading the plant after commercial operation had begun.

The Operations Panel and I are jointly sponsoring the Company's response to this discovery request as an exhibit to our testimonies, which is being marked as an exhibit to my testimony.

MARK FOR IDENTIFICATION AS EXHIBIT __ (VG-16)

Accordingly, I am prepared to answer questions relating to the follow-up activities that were associated with placing the plant into commercial operations in the top portion of the exhibit and the Operations Panel is prepared to answer questions and address the expenditures detailed on the bottom part of that exhibit.

Q. How does the cost of ERRP compare to the costs of other new in-City plants?

A. I do not have detailed cost knowledge of other plants but based on publicly available information, including Con Edison's System Reliability Assurance Study, which was completed pursuant to the Company's electric rate plan in Case 04-E-0572, ERRP is in the same range of capital costs on a dollar per kilowatt basis as the costs of the new Keyspan-Ravenswood plant, the new NYPA-Polleti plant as well as a new generic combined cycle plant in New York City based on a reasonable set of assumptions. Moreover, I note that ERRP was built in Manhattan in an existing operating space.

Q. Does this conclude your testimony?

A. Yes.

Exhibit ____ (VG-1)

MAJOR COMPONENTS OF THE CAPITAL COSTS OF ERRP

The $755 million of ERRP capital costs covers the following eight major activities:

1. $46 million to alter the existing, original East River power plant facility to create the space for the new equipment. This work consists of modifying existing building structural steel framing, as well as relocating electrical and mechanical systems to provide the required space.

2. $146 million for the purchase of the new ERRP equipment. This includes $70 million for the General Electric Combustion Turbines, $22 million for the Vogt Nem Heat Recovery Steam Generators, and $9 million for the US Filter Water Treatment Equipment.

3. $245 million for the construction contracts to install the new equipment.

4. $95 million for the engineering, construction management, start up, legal and outreach costs associated with the plant work.

5. $78 million for the engineering, design, and construction of a 30 inch steam main that takes the 3 Million pounds per hour of steam output from ERRP and delivers it to 40th Street and 1st Avenue, the location of the existing output from Waterside Station. Included in this cost is the construction of a tunnel, 10 feet in diameter, 4,100 feet long, under 1st Avenue from 20th Street to 36th Street.

6. $31 million for the engineering, design and construction of a 30,000 foot long, high pressure gas main from East River Station to a tie-in point at 75th Street and West End Avenue.

7. $17 million for the electrical construction work required to connect the output of the two Combustion Turbine Generators to the 138KV and 69 KV Substations.

8. $97 million for corporate overheads -- $5 million and allowance for funds during construction (AFUDC) -- $92 million.

Q. Please explain some of the cost increases since submission of the Article X application?

A. At the time the Company submitted its Article X application, the Company estimated the cost of the ERRP to be $406 million (including $ 46 million for the gas main). In several instances, the full extent of the eight project components described in Exhibit ___ (VG-1) above were not known at the time of the Article X application, and in other instances, there have been work scope and scheduling effects that could not have been anticipated previously, prior to the completion of detailed design work and subsequent vendor bidding. The following shows, for each the eight major components described on Exhibit ___ (VG-1), the comparable budgeted amount in the Article X proceeding and the reasons for the cost increases:

Component	Article X Budget ($ millions)	Reasons for Increase
1	5	Preliminary design did not reflect need for relocation of existing systems; Article X estimate made prior to start of engineering and examination of actual field conditions.
2	128	Original estimate based on preliminary design.
3	80	Increases in the cost of construction contracts are based on detailed designs completed after Article X estimates and reflect competitive conditions for construction of large project such as ERRP in New York City market and contract extras.
4	28	Original estimate based on the assumption of an engineer/procure/construct (EPC) contract that would require less oversight; design changes and environmental enhancements.
5	50	Preliminary design of steam main did not reflect as-found field/environmental conditions which necessitated design and route changes.

6	48	The cost of the various construction components was less than anticipated.
7	12	Changes to the scope of the 138 kv feeder routes.
8	55	Increase in AFUDC due to change in service date and increase in project cost, plus addition of AFUDC to gas and steam main work subsequent to preparation of original estimate. There are offsetting decreases in construction contingency and corporate overheads.

Q. Please provide a further breakdown of the $245 million construction contract cost shown for Component No. 3 on Exhibit ___ (VG-1).

A. Of the $245 million, $164.2 million is for the base contract work performed by Slattery Skanska, Inc.; $37 million for work performed pursuant to change orders issued to Slattery; $7.1 million for ERRP project worker's compensation and general liability insurance placed with Marsh/AIG for the Slattery work; and $36.7 million for a series of smaller contracts required to complete ERRP.

Q. Please segregate the $95 million cost for engineering, construction management, start up, legal and outreach costs associated with the plant work, as shown for Component No. 4 on Exhibit ___ (VG-1).

A. The following table shows a breakdown of the $95 million into eleven component elements:

Engineering/Environmental	$ 36.7
Construction Management	26.0
Start Up Vendors/Labor Support	14.5
Legal	2.2
Outreach	1.1
Security	1.4
Fees, Permits, Air Credits	1.3
Safety Program	0.8
Office Maintenance	0.5
Various Station Support	2.2
Miscellaneous Other Vendors	8.3
Total	$ 95.0

It should be noted that, in many cases, the figures are for a combination of in-house Company labor plus outside contractors. For example, the $26 million for Construction Management is made up of $4 million for in-house staff and $22 million for outside support (Pike and DMJM Harris). The $36.7 million for Engineering/Environmental is made up of $6 million for in-house staff and $30.7 million for outside consultants, the most significant of which is the Washington Group ($16 million).

Q. Please provide the reasons for the $28 million increase in the steam main that resulted from the final analysis of field/environmental conditions, as shown for Component No. 5 on Exhibit _____ (VG-1).

A. Three principal reasons for the $28 million increase associated with the steam main are as follows:

1. $16 million is due to the construction cost of the steam tunnel. The original tunnel estimate was based on the assumption that the tunnel would be installed in bedrock at a depth of approximately 50 feet below the street surface. Based on actual rock borings and reports from geologists/engineers, it became necessary to install the tunnel 130 feet below the street, or 80 feet deeper. The tunnel project was bid twice in an effort to lower the bid levels. Nonetheless, the added tunnel depth and actual bids received resulted in a cost exceeding original estimates by $16 million.

2. The original steam main route contemplated a path north from ERRP under the FDR Drive to a tunnel inlet at 20th Street. However, test pits along the route revealed oil contaminated groundwater, which would have made this route prohibitively expensive. An alternative route was selected south on Avenue C and across 11th Street -- using microtunnel technology -- to reach a tie-in point at 11th Street and 1st Avenue. This route, while less expensive than going under the FDR Drive, required the installation of additional piping inside the plant and across 14th Street connecting to the microtunnel. The additional costs of the new route, together with the construction and engineering effort associated with the original FDR Drive route until it was determined not to be feasible, amounted to $6-7 million more than the original projected cost of a clean route under the FDR Drive.

3. Extensive congestion is the vicinity where piping work was required to connect the tunnel piping at 20th Street and 36th Street to the existing steam piping system, as well as to exit the plant, necessitated approximately $5-6 million of additional piping.

Q. Please explain why a detailed design of the ERRP was not prepared at the time the company filed its Article X application.

A. In order to initiate and complete this project within a reasonable time frame, numerous project-related activities were conducted in parallel, including the submission of the Article X application while the project architect/engineer was being selected and retained. It was projected in the Article X application that the detailed engineering phase would take eight to ten months to complete, see section 3.2.11.1 (entitled "Plan Assumptions and Schedule" at pages 3-24 and 3-25. The Article X application was submitted in May 2000, and the Washington Group International was retained in June 2000. The design of ERRP was completed approximately two years later in the Spring of 2002, at which time cost projections were updated and the PSC Staff advised as to then-current project status and budget.

Q. Please describe the process by which the ERRP construction contract vendor(s) were selected and contract terms established.

A. Con Edison conducted extensive outreach efforts to identify candidate ERRP contractors in 2001. Requests for firm lump sum proposals were issued to three companies in September 2001. Previous to this, seventeen other companies had been contacted by Con Edison but did not express an interest in bidding. In response to Con Edison's requests, the three contractors indicated that additional engineering work would be required before they could determine whether, and on what terms, they might be prepared to submit a firm lump sum proposal. After recanvassing the contractor pool, four companies were identified that preliminarily indicated they would be prepared to submit a bid prepared on a cost plus fixed fee basis. In November 2001, requests for submission of cost plus proposals were sent to these four firms. One firm subsequently declined to submit such a bid, and the other three firms submitted target prices that were significantly higher than Con Edison's internally-prepared contract cost estimate. In January 2002, Con Edison decided to conduct additional project engineering and seek rebidding, with a targeted construction start date of September 2002 and a 24-month project schedule. This plan was reviewed with the PSC Staff in April 2002. Starting in January, two parallel paths were followed. One path contemplated rebidding, and the other path contemplated negotiations with Slattery Skanska, Inc., the contractor who had submitted the proposal receiving the highest internal Con Edison evaluation among the proposals submitted in response to the November 2001 invitation. In April 2002, Con Edison met with twelve candidate contractors,

including Slattery Skanska, Inc. Slattery Skanska was advised that, absent its submission of a firm lump sum proposal, Con Edison was inclined to proceed with the rebid. Slattery Skanska, Inc. agreed to submit a fixed-price quote based on the engineering drawings then available. Slattery Skanska and Con Edison negotiated price and terms between April and September 2002, leading to the execution of the contract, dated September 19, 2002.[1]

[1] A copy of the pertinent portions contract and copies of purchase orders for ERRP-related construction contracts were provided to interested parties in Case 03-S-1672. Another set of copies can be provided to parties who request them.

Q. (a) What was Con Edison's experience as to the competitive conditions in the market for construction of large projects such as ERRP ? (b) What steps did Con Edison take to increase contractor interest in the project?

A. (a) The contractor procurement history for the ERRP project shows that the project was perceived within the contracting community as presenting significant risk factors. Among the risk factors identified by contractors were the need to perform work activities in Manhattan, trades issues in the New York City labor market, transportation issues including job area parking, limited laydown space in the East River facility work area, and the need to retrofit a new facility into an existing operating plant within a confined space. Based on the above concerns and the perception that they might be cumulative, contractors displayed a reticence to bid the ERRP on a firm fixed price basis.

(b) As part of its ERRP contractor recruitment effort, Con Edison prepared a comprehensive orientation document for the purpose and with the intent of demonstrating to prospective bidders that the Company had thought through many of the issues that were of concern to the contracting community. For example, Con Edison prepared a complete ERRP worksite laydown plan showing space for material storage and contractor workout facilities. At least a half-day was devoted to each of a dozen contractors in order to individually present the job to them and respond to their questions. The steps taken by Con Edison were intended to address perceived contractor concerns, but were not intended to reorder the allocation of risks between candidate contractors and Con Edison. Despite these efforts, the great majority of prospective contractors expressed substantial reservations about quoting ERRP on a fixed price basis.

Q. Please identify and describe the reasons that contributed to the delay of the in-service date of the ERRP beyond the original timetable.

A. The original timetable was based on a construction schedule of about 14 months. During the initial contractor procurement process, Con Edison received feedback from the three contractors that had responded to our cost-plus invitation in November 2001 to the effect that a compressed construction schedule of approximately 14 months was a significant contributing cause to the high quotes. All three contractors expressed support for a more reasonable and cost-effective construction schedule of 20 months. Based on this bidder feedback, the ERRP rebidding effort advertised a targeted 20-month construction schedule and a targeted 4-month start up schedule. In addition, contract award occurred in September 2002, rather than in February 2002 as originally contemplated, following the completion of significant additional engineering design work that contractors who had expressed interest indicated would be necessary for submission of a firm lump sum bid. The February 2002 contract award date of the original timetable did not presume that such engineering work would occur prior to contract award. Based on milestones that envisioned issuance of bids in May 2002, receipt of bids in July 2002, contract award in September 2002, completion of construction in May 2004, it was estimated that ERRP startup would occur about September 2004. However, in early 2004, Slattery Skanska, Inc., the ERRP contractor, advised Con Edison that it is unlikely to be able to meet the original planned substantial completion date, claiming that it had experienced inefficiencies in conducting its work, some of which were due to circumstances beyond its

control. In effect, this resulted in the completion date being slipped from October 2004 to April 2005.

Q. Please identify and describe all measures taken by Con Edison to minimize the slippage of the in-service date of the ERRP.

A. Con Edison has taken numerous measures to proactively minimize slippage to the in-service date of ERRP. From an overall project perspective, Con Edison has engaged The Pike Company to act as Con Edison's consultant in scheduling issues relating to the ERRP repowering construction effort. The Pike Company team consists of seasoned industry experts that provide guidance to Con Edison with the aim of ensuring that Slattery Skanska follows the contract requirements and performs its work in accordance with recognized industry norms. When deficiencies in Slattery Skanska's performance or project control documents were identified by Con Edison, those deficiencies were either documented in a letter, meeting minutes, or orally provided to Slattery Skanska management.

When issues arose that had the potential for delaying the project, Con Edison worked with the contractor to mitigate any impact. Where appropriate, change orders were issued to Slattery Skanska, and the change orders expressed, per the contract, that the change order work was to be performed without impacting the planned substantial completion date. Further, where appropriate, overtime and/or second shift work was authorized. Slattery Skanska had on occasion performed overtime and second shift work at its own initiative and for its own account. Frequent meetings were held between Con Edison and Slattery Skanska to cooperate, as appropriate under the parties' contract, to minimize any potential schedule delays. The Con Edison senior site construction management team met for an hour every morning with their counterparts from the contractor's staff for the

purpose of attempting to identify and resolve, and then to stay ahead of, issues that could impact the ERRP project schedule. In addition, a team of Con Edison construction and engineering staff members met daily with the contractor and its mechanical and electrical subcontractors to address issues at a working level. Further, Con Edison conducted weekly meetings, attended by the contractor and its major subcontractors, to monitor progress and attempt resolution of open issues. Finally, in addition to working with Slattery Skanska to mitigate schedule slippage, Con Edison had taken affirmative actions to minimize the time required to complete the start-up and commissioning activities necessary to bring the ERRP facility into commercial operation. These activities include hiring specialist consultants and evaluating the potential for advance simulations of some start-up and commissioning activities prior to start-up and commissioning, with the aim of predicting or avoiding problems that might arise during the actual start-up and commissioning phase.

Q. Please identify, describe, and explain the reason(s) for significant changes in the design of the ERRP that were made after the company received its Article X certificate.

A. The Article X certificate was issued in August 2001. Subsequently, the 138kv feeder from the ERRP Unit 1 step-up transformer to the East 13th Street Substation has been rerouted. Previously, this feeder was intended to cross 14th Street under the street, and under the revised routing was installed above ground across the existing East Bridge. The rerouting was necessary because of subsurface interferences along 14th Street. There have been no changes in the location of the associated step-up transformer or the termination point of the feeder at the East 13th Street Substation. Other changes in the ERRP design since issuance of the Article X certificate in August 2001 were made primarily to address field conditions found at the site during construction. The location and design of all ERRP major components remained essentially unchanged after receipt of the Article X certificate.

Q. Please explain when and how the Company determined that the existing structural steel could not support the ERRP?

A. At the outset of the project, Con Edison confirmed that existing building foundations would support ERRP equipment as necessary, and that structural steel would be adequate from a weight-bearing perspective and was, therefore, capable of being used as a part of ERRP. What was less clear until the completion of detailed design drawings and ERRP configuration and interference analyses was the extent to which relocation of pre-existing structural components, both temporary and permanent, would be needed in order to avoid physical interferences and accommodate ERRP component transport, placement, installation and operation.

During peer design reviews for new structural design analysis conducted in early 2001, it was recognized that additional design changes to existing structural components would be necessary for both interference and loading purposes. It was ultimately determined that structural modifications would be required to satisfy space requirements for ERRP components, particularly the combustion turbine generators (CTGs) and the heat recovery steam generators (HRSGs). This involved relocation of existing structural members, the installation of trusses to allow removal and relocation of columns, and the reinforcement of existing members for the purpose of supporting new loads associated with the trusses. Although existing structural steel has been utilized--most notably all of the building columns--many of the columns, especially those along the M line, were determined following analysis of load-bearing requirements and in-situ condition analysis to

require reinforcement in order to support new truss loads associated with the final design.

The reconfiguration of the existing East River station structural components to the extent required to accommodate ERRP also required extensive analysis and, in some instances, redesign to satisfy NYC Building Code seismic requirements. Because of the complexities and interdependencies of ERRP design with existing structural constraints, together with Code compliance requirements, the full nature and extent of the structural changes that would be required to make everything work, as well as satisfy Code requirements, could not be fully determined at the outset of the project. The final design resulted in an increase in the tonnage of structural steel needed to accommodate ERRP components in a manner that satisfied applicable Code requirements from 1,100 tons to 2,800 tons.

Q. For each category of structural alterations that was not included in the original Article X budget, please provide its incremental costs.

A. As shown on Exhibits ___ (VG-1) and (VG-2), costs for structural alterations and related items were $46 million, as compared to $5 million projected in the Article X budget. Of the aggregate incremental cost differences amounting to $41 million, the incremental cost for the structural alteration work was $24 million, the electrical system incremental cost was $6 million, the mechanical system incremental cost was $7 million, and the architectural/civil engineering incremental cost was $4 million.

Q. Please identify and quantify all architectural, engineering, design, consulting, legal and other similar costs associated with the ERRP Article X proceeding.

A.

ERRP Article X Cost

Raytheon	Feasibility Study	$ 124,000
Raytheon	Article X Support	385,000
Robinson/Silverman	Legal Support	2,004,708
ENSR	Article X Application	1,619,386
ENSR	PM 2.5 Hearings	470,000
APCO	Public Relations - Outreach	341,000
Fox & Fowle	Concept Master Plan	80,000
Covello Group	Community Outreach	77,000
New York State	Application Filing Fee	300,000
Cantor Fitzgerald	Air Credits	394,000
Sheehan Associates Inc	Media/Public Affairs Training	11,000
Con Edison	Support	797,390
	Total	$ 6,603,484

Q. Please describe the project to install gas transmission main to provide gas transportation service to the ERRP referred to as either the Westside Loop Transmission Main or the 10th Avenue Project.

A. This project consisted of installing approximately 30,000 feet of gas piping that will have an MAOP (Maximum Allowable Operating Pressure) of 350 psig at the following locations:

- Approximately 600 feet of 20" pipe were installed on Avenue D in Manhattan from 13th Street to the East River Plant on 14th Street. This pipe is considered the service to the plant and connects to an existing main on 13th Street. A Remote Operated Valve (ROV) was installed on this piping.
- Approximately 17,000 feet of 20" pipe was installed on 10th Street from Avenue D to 5th Avenue, on 5th Avenue from 10th Street to 15th Street, on 15th Street from 5th Avenue to 10th Avenue, and on 10th Avenue from 15th Street to 33rd Street. Two ROVs were installed on this piping. It connects to an existing main on 10th Street and Avenue D.
- Approximately 13,000 feet of 24" pipe was installed on 10th Avenue from 33rd Street to 70th Street, on 70th Street from 10th Avenue to West End Avenue, and on West End Avenue from 70th Street to 75th Street. Two ROVs were installed on this piping. It connects to an existing main on 75th Street and West End Avenue.

The cost for the engineering, design and construction of the gas main was $31 million, which also includes the cost of the pipe capacity increase. Although the primary purpose of the gas main is solely to provide ERRP with gas as a fuel, Gas Operations expended approximately $1.6 million to increase the capacity of a portion of the gas main from 20" to 24," as set forth above, to support potential future uses which would be unrelated to ERRP.

Question No. :2

Please explain the increase in capital costs for ERRP from $735 million to $792 million.

Response:

East River Repowering Project

Plant in Service as of August 31, 2005	$ 735.0
Plant Completion Tasks	20.0 (See below)
Post-Operational Projects	29.0 (See below)
Contingency	8.0
Total	$792.0

Plant Completion Tasks - The tasks listed below comprise the "follow-up" activities associated with placing the plant in commercial operation in April 2005:

PLANT COMPLETION TASKS
(Millions)

Project Title	Estimate	Project Description
Construction Work in Progress (CWIP)	$10.9	Consists of completed construction tasks, services rendered, or purchased equipment delivered and accrued but not paid ($6.7M); Construction contractor/ vendor invoices paid but not booked to Plant and Company Labor, M&S costs incurred but not booked to Plant ($4.2M)
HRSG 10/20 Modify Gas Duct Burners	1.0	Gas duct was modified to reduce emissions
HRSG 10/20 Replace CO Catalyst	0.6	In addition to the duct modifications above, replaced 2" catalyst with 3.5" catalyst to further assist in reducing emissions
HRSG 10/20 View Port Modification	0.1	View ports modified to provide better visualization of flame
HRSG 20 Bumper Replacement	0.1	Tube bundle bumper replaced to correct Alignment
Install Nitrogen Piping System.	0.3	Nitrogen system installed to facilitate purges
Perform Site Restoration	0.5	Restoration of 15th Street, site cleanup, removing trailers, replacing sidewalks, trees, etc.

Complete Lighting	0.5	This scope covers the installation of lighting fixtures throughout the ERRP area
Complete Insulation	0.3	This scope covers the completion of small miscellaneous insulation and lagging work throughout the ERRP area
Complete Painting	0.1	This scope covers the completion of final painting work in miscellaneous ERRP areas
Inspect, Test and Repair Silos for Storage of Treated Water	0.5	Former coal silos were converted into treated water storage tanks. This scope covered final testing and repair work following initial hydrostatic testing
Provide a 480 Volt Supply to MCCs WT2 and WT4 from Switchgear 2-1L	0.1	Alternate power supply for MCC
Instll Fuel Oil Transfer Pumps for Fuel Oil Tank # 1	0.1	Oil pump work had to be held pending completion of cleaning and repairs to Fuel Oil Tank # 1
Trench Drain Cleaning	0.1	Remove debris created during construction
Ventilation Package - Install Fans and Ductwork in the HRSG Area	0.1	Work held until louvers were installed in building wall
HRSG 10/20 Dearator Spray Header Mod -	0.1	Extra header was added to reduce Emissions
HRSG 10/20 Steam Drum Modification	0.1	Wide range level indicators modified in each drum for better readings
HRSG 10/20 Economizer Re-rate	0.2	Replaced large bore valves to increase economizer capacity rating
11th Street Steam Main Modifications	0.2	Modification was performed to help reduce vibrations
Install Cable Tray Covers	0.1	Installation of the remaining cable tray covers mostly in difficult access areas
Complete Installation of Gantry Cranes over both CTG's	0.1	Completes commissioning of Gantry Cranes for maintenance of Gas Turbines
Various other Electrical/Mechanical Tasks	3.9	Consists of several dozen remaining Plant Completion Tasks; construction and technical support and purchased equipment
TOTAL	**$20.0**	

Post-Operational Projects – **The following projects constitute work associated with maintaining and/or upgrading the plant post-commercial operation.**

POST OPERATIONAL PRJECTS

(Millions)

Project Title	Estimate	Project Description
Spare Transformers	$2.0	This project includes the purchasing of spare auxiliary transformers for Units 1 & 2. These auxiliary transformers are unique to East River Unit Nos. 1 and 2. There are currently no spare transformers available. In the event of a failure in one of these transformers, a replacement unit would take between four months to one year to design, fabricate and deliver. This condition could have a severe impact on plant operations.
Access Platforms	8.8	This project includes the installation of permanent platforms, stairways and ladders to improve access to essential operating equipment by station personnel. Some essential components are located in areas that are difficult and unsafe to access or require erecting temporary scaffolding and ladders.
Interior Masonry Walls	1.0	Internal masonry walls will be modified based on a structural inspection. This inspection will be performed to assess the conditions of the walls due to current construction work, degradation due to age and to ensure that current building code requires are met.
Steel and Concrete Repairs	0.6	This project will primarily correct pre-existing structural deterioration and deficiencies in the Unit #1 and 2 area.

Emergency Diesel Generators	1.0	This project will provide an emergency diesel generator that will power the critical ERRP systems during a blackout. The new EDG will ensure a more rapid startup to meet the expected winter steam demand during the recovery from a blackout.
Upgrade Ammonia Blowers	0.1	This project includes the upgrading of the ammonia blowers to increase their capacity. The existing ammonia skid blowers are undersized. With the upgraded blowers, one unit would be running and the other blower would be in auto standby mode during normal operations. Currently, due to the limited blower capacity it is necessary to run two skid blowers during high load operation.
GPS Time Stamp on Protective Relays	0.3	The scope of work covered by this project involves the retrofit of existing protection system relays with IRIG (Inter-Range Instrumentation Group) Code B compliant digital relays utilizing modern microprocessor based control, communication and protection. With this capability electric system operators will be able to accurate determine the time the relays actuate during abnormal conditions and expedite corrective troubleshooting and corrective actions.
Install Reinforced Concrete Floor and Sump Pump	3.4	This project includes the resurfacing of the ground floor at elevation 10'-6" bounded by column lines A & M and 1 & 45 using concrete in uneven areas and epoxy coating in all locations. Repaint egress path lines on the floor. Install new drainage systems to direct water accumulations to existing water separator. Refurbishment of the floor at elevation will eliminate tripping hazards and water accumulation. This project will significantly enhance access and egress safety throughout the operating area.

Emergency Public Address System	2.1	This project will install a new emergency notification public address system for Units 1 & 2. Company procedures CSP 24.01 and 24.02 require compliance with OSHA regulation 29CFR 1910.120(q) and 29CFR 1910.39(a) pertaining to emergency response and evacuation. OSHA and Company procedures require an audiovisual notification system to evacuate the station in case of an emergency. East River 1 & 2 does not have an emergency notification system.
Electric Space Heaters	2.1	This project includes the installation of space heaters in the Water Treatment and general areas of Units 1 & 2. These space heaters are needed to protect the Treatment Plant and other piping from freezing in case the units are in an outage during the winter months.
CEMS	0.9	This project includes the installation of Continuous Emission Monitoring System (CEMS) instrumentation to monitor exhausts emission from the HRSG (Heat Recovery Steam Generators) 1 & 2, and the CTG (Combustion Turbine Generator). This instrumentation will allow the operators to monitor emissions from this equipment such as NOX, CO and O2.
Uninterruptible Power Supply (UPS)	0.5	This project consists of installing a second Uninterruptible Power Supply (UPS) to provide redundant power supply to Control Room equipment. Currently there is only one UPS that provides power to all the control room consoles. In the event this UPS fails, the operators would lose visual display of all operating parameters and all control room consoles and workstations would be out of service. If this condition could not be corrected quickly, the units would have to be shut down.

Multimedia Filter Press	2.9	This work involves the design, procurement and installation of a filter press system to treat the wastewater generated from the East River Station Units 1 and 2 water treatment systems. The filter press system is required to de-water the multimedia filter backwash waste prior to disposal. This new system will significantly lower annual disposal cost of multimedia filter backwash waste.
Security Enhancements	3.3	These security measures will improve access limitation and control. The measures include vehicle barriers, cable gates, fencing, barrier walls, and electronic security and personnel access systems.
TOTAL	**$29.0**	

Exhibit___(AP-14)

Consolidated Edison Company of New York, Inc.
Summary of ERRP Plant Costs Allocated to Steam
$ millions

Steam Allocation - (Fuel Adjustment Charge)	Total 100%	Steam 33.33%	Electric 66.67%
Balance to be allocated	$ 682.4	$ 227.5	$ 454.9
Staff Adjustment for HRSG foundations, etc.	2.6	2.6	-
Plant Balance (Case 03-S-1672)	$ 685.0	$ 230.1	$ 454.9
Steam Allocation - Rate Year			
Balance to be allocated	$ 789.4	$ 263.1	$ 526.3
Staff Adjustment for HRSG foundations, etc.	2.6	2.6	-
Plant Balance (Case 05-S-1376)	$ 792.0	$ 265.7	$ 526.3

05-S-1376
Testimony
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conEdison
a conEdison, Inc. company

Marc Richter
Associate General Counsel

January 4, 2006

Via E-mail and U.S. Mail
Hon. Robert R. Garlin
Administrative Law Judge
New York State Public
Service Commission
Three Empire State Plaza
Albany, NY 12223

RE: Case 05-S-1376
Con Edison Steam Rates

Dear Judge Garlin:

Pursuant to the December 23, 2005 Procedural Ruling and Pre-hearing Conference Report (pp. 2-3) in the referenced proceeding, attached are Con Edison's summaries of its witnesses' direct testimony (in accordance with current practice before the Federal Energy Regulatory Commission), in the form of additional exhibits to the witnesses' testimony.

The Company would note that these summaries are provided for the convenience of the parties. They paraphrase material aspects of the testimonies but do not replicate all of the matters and details addressed by the witnesses. Accordingly, they should not be relied upon in lieu of the witnesses' testimonies and exhibits and in the event any party perceives a conflict between any summary and testimony, the testimony would govern.

If you have any questions on this, please contact me.

Respectfully submitted,

Marc Richter

C: Hon. Jaclyn Brilling, via e-mail and original and 5 copies via US Mail
Active Parties to Case No. 05-S-1376

Summary of Testimony of Steam Accounting Panel

The Accounting Panel's testimony covers several areas:

1) An overview of the items driving the Company's request for a steam rate increase, for the rate year ending September 30, 2007. The Company's filing requests a $102.1 million increase, of which $34.5 million represents the roll-in of the carrying charges for the East River Repowering Project ("ERRP") currently collected from steam customers through the Fuel Adjustment Clause ("FAC"). The net bill impact to steam customers of $67.6 million is primarily due to: higher operation and maintenance expenses ($39 million); the transfer of the operating costs of the 59th and 74th Street steam plants from electric to steam customers ($24 million); higher depreciation expense ($28 million); increases in property taxes ($11 million); carrying costs on higher rate base items excluding ERRP-related rate base items currently recovered through the FAC and from the electric department ($10 million); and an increase in the rate of return ($5 million). These cost increases are mitigated by some $50 million attributable to: higher estimated revenues ($10 million); gains from the sale of the First Avenue properties ($26 million); and other customer credits ($14 million).

2) Historic financial statements and other statistical data. Balance sheet data are for the years ended December 31, 2001 through 2004 and as of June 30, 2005, while details of income accounts are for the years 2002 through 2004 and the twelve months ended June 30, 2005. Such financial data include balance sheets, income statements and unappropriated retained earnings.

3) Steam operating income for the historic year and the impacts of various program changes, normalizations and escalations sponsored by various Company witnesses to this proceeding, including the Accounting Panel, that were used to forecast conditions in the rate year ending September 30, 2007, are summarized in Exhibit __ (AP-7). The forecasted increase of approximately $35 million in Other Operating Revenues (Schedule 1, page 2 of the exhibit) is primarily attributable to the carrying charges for ERRP ($58 million) to be charged to the electric department offset by the elimination of electric operations funding for the costs of the 74/59th St. steam stations operating expenses ($23 million). The increase in Taxes, Other (Schedule 1, page 4 of the exhibit) of $15.9 million is primarily attributable to expected increases in New York City property taxes. In addition, the Panel summarizes the normalizations and program

changes sponsored by various Company witnesses. Those discussed by the Accounting Panel equate to a net $12 million.

4) Normalizing adjustments totaling ($8,455,000) to the historic year (Exhibit___(AP-7), Schedule 7) include the cost of the ERRP to be placed into base rates ($6.4 million), the retirement of Waterside (negative $4.3 million), which was sold, and a program re-insulating manhole covers in the historic year (negative $9.6 million) as testified to by the Operations Panel. Of the other normalizing adjustments, the Panel specifically sponsors the adjustments for Interdepartmental Rents (negative $1.3 million), Rate Case Accounting for Interference (negative $179,000) and Pension/OPEBs expenses ($1.2 million), the normalization of the historic year for non-recurring write-offs of expenses ($44,000), Regulatory Commission expense ($134,000), steam Uncollectibles ($84,000), and the elimination of executive incentives (negative $815,000), for a total of ($809,000). Company witness Reyes discusses employee welfare expense.

5) The Accounting Panel addresses specific program changes totaling approximately $13 million (Exhibit __(AP-7), Schedule 8) for various elements of expenses,

such as: additional human resources resulting from steam operations' increased needs ($300,000); fringe benefits related to all additional human resources resulting from program changes sponsored by other Company witnesses ($97,000); the allocation of Company witness Price's program change for environment, health and safety ($193,000) as well as his estimate of rate year MGP/Superfund expenditures (of which ($1.8 million is allocable to steam operations); the forecast of interdepartmental rents for shared facilities between electric, gas and steam operations (negative $39,000); increased postage costs ($2,000); the net billing of costs from Con Edison and Consolidated Edison, Inc. for administrative and general services provided to O&R (negative $37,000); an estimated increase in injuries and damages claims based on actual historic payments ($1.046 million); increased cost of insurance primarily for property and liability insurance premiums ($381,000); the forecast of pension/OPEBs expense based on the actuary's latest study ($9 million); an increase in miscellaneous financing costs, fees and services for the Company's expected increase in financing needs to support its increased capital and operational needs as testified to by various witnesses in this proceeding ($134,000); and,

an increase in Regulatory Commission Expense based on the latest Commission assessment and other expenses ($51,000). The other program changes listed on Schedule 8 are sponsored by various other Company witnesses. The Accounting Panel also explains the labor (7.14%) and general escalation (5.50%) factors used in projecting overall costs from the historic year to the rate year (Exhibit___(AP-7), Schedules 2 and 9, respectively).

6) The average rate base for the rate year and the impact of the current construction and retirement programs on the steam department's rate base (Exhibit___(AP-8) to Exhibit__(AP-10)) (average balances of $1,445,043,000 for net plant and $14,771,000 for non-interest bearing construction work in progress). The largest increase in average rate base from the historic year to the rate year is due to net plant additions of some $700 million, which is primarily due to ERRP.

7) The revenue requirement exhibit (Exhibit__(AP-11)) reflects a traditional adjustment to sales revenues, fuel costs and revenue taxes to reflect 365.25 billing days in the rate year (which reflects the fact that a leap year occurs every four years), the elimination of the over-recovery of fuel rider revenues in the rate year, and the increase in depreciation expense resulting from the

Company's proposed changes in steam depreciation rates. It also reflects various proposed accounting changes to operating income and the average rate base resulting from the Company's proposal to amortize the depreciation reserve deficiency and various previously deferred balances and estimated deferred balances over 36 months for items that were deferred pursuant to Commission orders and reconciliation provisions of current and previous rate plans (Schedule 4 of the exhibit) totaling a net of $86 million. The exhibit also shows that the Company's forecasted earned overall return for the twelve months ending September 30, 2007 at current rates is 4.40% as compared to a 8.36% return at the proposed rates, assuming an increase of $102 million in the Company's revenue requirement.

8) The Company's alternative proposal for a three-year steam rate plan (Exhibit___(AP-12)), among other reasons, to provide the Company with the flexibility to schedule and execute critical programs in the most cost effective manner. The Company estimates that under a three-year steam rate plan, the second rate year incremental revenue requirement would be $15.1 million, or 2.2%, and the third rate year incremental revenue requirement would be $12.2 million, or 1.7%. These estimates are primarily

due to increases in net operating expenses for labor ($2 million/ year) and general escalation ($2.4 million/year), depreciation ($2.6 million and $1.4 million, respectively), and NYC property tax increases ($6.6 million and $5.9 million, respectively).

9) An outline of the Company's proposal to continue the use of true-up mechanisms and deferral accounting for property tax expense, interference, pension/OPEBs, environmental remediation, and costs incurred as a result of the World Trade Center attack, as previously authorized by the Commission, and to request authorization to utilize a new true-up mechanism for interest rates. In addition, the Company is seeking authorization to reopen the rate plan if the earned return on equity falls below an 8.50% minimum level, to somewhat mitigate the risk of unreasonable returns, as has been approved for other utilities.

10) A proposal to recover water, water chemicals and station electric usage costs through the FAC, instead of through base rates as is currently the case, because they are variable production related costs and as such should be recovered in the same manner as fuel costs.

11) A proposal to recover or pass back new deferrals if they exceed $10 million in aggregate through the FAC, in

order to help minimize the potential build up of large net deferrals or credits that would be collected or passed back at some time in the future.

Summary of Testimony of Kevin F. Fitzmartin

My testimony presents the Rate of Return required in the rate year (ending September 2007), Fund Requirements and Sources in the rate year, and Interest Coverage.

First, Exhibit KF-1 shows that Con Edison's total weighted cost of capital (COC) for the Rate Year is 8.36%. My testimony explains my calculations and adjustments from June 30, 2005 to get to this rate, including the amount of long-term debt outstanding, by month, through the end of the rate year; the absence of short-term debt in the projected capital structure; the average cost of preferred stock for the rate year; the average cost of long-term debt; the average cost rate of Con Edison preferred stock; and the cost rate assigned to customer deposits. Based on the recommendation of Company witness Rosenberg, I utilized a return for common equity of 11% on the forecasted rate year common equity.

Second, my testimony describes the funding requirements, including construction expenditures of $1,818 million, $527 million of non-cash pension expense, and $56 million of working capital, internally generated sources of funds, including $306 million of retained earnings, depreciation, deferred tax accruals and the sale of plant, and my assumption regarding an estimated per annum dividend increase for CEI,

that result in a Company-wide need for external financing of $1,125 million in the rate year (Exhibit KF-2).

Third, my testimony also addresses the calculation of interest coverage and its components (Exhibit KF-3), including interest on long-term debt and "other interest" (which is comprised of customer deposits, commercial paper, customer overpayments and other miscellaneous items).

Summary of Testimony of Robert G. Rosenberg

In my testimony, I determine the cost of equity capital for Consolidated Edison Company of New York, Inc. (hereinafter referred to as CECONY or the Company). I begin my testimony by putting rate of return and regulation in the context of financial community commentary on these issues. In estimating CECONY's cost of common equity, I employ four separate approaches including: (1) a discounted cash flow (DCF) analysis; (2) a capital asset pricing model (CAPM); (3) two risk premium analyses; and (4) a comparable earnings analysis.

Since CECONY is not, itself, publicly traded, I employ a proxy group of electric utility companies in my cost of equity analyses. Selection criteria for the proxy group were based on bond rating, lack of major merger activity, mostly regulated operations and no dividend reduction.

Turning first to the DCF approach, I employed a two-stage DCF analysis. In the first stage, the average of growth projections from Value Line and FirstCall were employed. In the second stage, three alternative long-run growth rates were utilized. The DCF analyses resulted in a 9.0-10.0 percent range for the cost of equity.

I perform CAPM calculations using two formulations of the CAPM method (the "traditional" and "zero-beta") and two

different estimates of the expected market risk premium (Ibbotson and S&P 500). Employing historic data from Ibbotson Associates to estimate the expected market risk premium, I obtain CAPM cost of equity estimates of 9.7-10.2 percent. Employing data for the S&P 500 to estimate the market risk premium, the CAPM cost of equity estimate is in the range of 10.8-11.4 percent. To account for this phenomenon, I add a size premium of 50 basis points to the CAPM results reported above. Based on these analyses, I employed a CAPM cost of equity range of 10.0-11.0 percent in my further calculations.

I also perform two risk premium analyses directly on electric utilities. The first analysis uses the historic spread between Moody's electric utility common stock returns and utility bond yields. I obtain a cost of equity estimate of about 10.0 percent using this approach. The second risk premium analysis measures the risk premium implied by allowed returns on equity since 1980. I perform a regression analysis wherein I calculate the risk premium as a function of the (lagged) level of interest rates. Under this approach I obtain a 10.1 percent cost of equity estimate.

My fourth calculation is based on a comparable earnings analysis. The *Hope* and *Bluefield* decisions

stated, in part, that a fair rate of return to a regulated company is one that is equal to that earned in enterprises of similar risk. I gather a sample of companies of similar risk (i.e., a Safety Rank of 1) and find that recent historic and projected returns for these companies are in the 16.0-18.0 percent range.

I noted that there are three additional factors to consider in reaching a recommendation concerning the return on equity to be allowed in this proceeding. First, projected interest rates are significantly higher than the current level of interest rates. Second, a cost of issuance adjustment is necessary because CECONY's parent, Consolidated Edison, Inc., has had common stock offerings in 2003 and 2004 and is projected to be issuing common equity to provide equity infusions for CECONY in 2006, 2007 and 2008. Finally, CECONY's filing proposes a three-year rate plan and in the past, the Commission has recognized that this imparts a risk to the utility and has awarded a "stay-out premium."

Based on the above discussion and analyses, I conclude that a return on equity for CECONY of not less than 11.0 percent would be reasonable.

Summary of Testimony of John E. Perkins

My testimony explains the credit ratings of Con Edison, the credit rating agency process, and the importance of improvement in certain financial ratios if Con Edison is to maintain these ratings.

With respect to credit ratings, I explain that Con Edison's current ratings are A1, A, and A+ by Moody's, Standard and Poors ("S&P") and Fitch, respectively. I then discuss the specific credit rating process undertaken by S&P, including how S&P generally looks at several qualitative factors (including regulation, markets, competition, operations, and management) first to determine a business profile score. I discuss how, for a regulated transmission and distribution ("T&D") company, regulation may account for 30-40% of the business profile score, that the score ranges from 1 (least risk) to 10 (most risk), with T&D companies generally ranging from 1-3, and that Con Edison ranks as a 2.

I then describe the quantitative financial measures used by S&P to determine credit ratings. Specifically, my testimony addresses the key financial ratios used by S&P: Funds from Operations to Average Total Debt, Funds from Operations Interest Coverage, and Total Debt to Total Capital, of which the first two are most important; that

the weaker the business profile score, the more rigorous the target for each financial ratio; that a company with a "2" business profile would be expected to have stronger ratios to achieve a given credit rating than one with a "1" score; and, thus, regulation, which is such an important component of the business profile score for a T&D company, can influence the needed ratios to achieve or maintain a certain credit rating.

My testimony details the current S&P opinion of Consolidated Edison, Inc. ("CEI") credit ratios, including S&P's view that the near-term ratios are considered weak for the ratings that are currently on the debt securities.

I discuss the key role played by regulation in each of the three credit ratios, explaining that an adequate return on equity increases Funds for Operations by increasing net income; that the increased net income also reduces debt (and thus interest) by supplying cash otherwise obtained through borrowing; and that net income is particularly important to Con Edison because it expects to have relatively low depreciation levels as compared to capital expenditures in the next few years, and relatively low deferred taxes compared to the recent past.

I then discuss the importance of credit ratings to customers in that a higher rating means less expensive

borrowing and less need to borrow to post collateral for energy transactions in this time of volatile prices.

My testimony concludes with a discussion of the positive effects of a higher level of allowed equity in that it reduces the need for debt and increases the net income, both of which positively affect the rating agency ratios.

Summary of Testimony of Charles D. Hutcheson

My testimony covers two areas -- depreciation and property taxes.

In my depreciation testimony, I recommend changes to average service lives, net salvage factors, and h-curves for the Company's steam plant accounts. My conclusions are based primarily on my review and analysis of the Company's historical data comprising plant mortality and net salvage studies. These annual studies compute average service lives, h-curves, and net salvage percentages employing actuarial methods based on past experience.

My testimony identifies the significant changes to lives and salvage factors as well as compares the total annual depreciation expense of $16.9 million at existing rates to the annual depreciation expense of $23.2 million at proposed rates. My testimony also identifies the Accumulated Provision for Depreciation per Books at December 31, 2004 of $231.9 million; the computed reserve based on existing rates amounting to $254.6 million; and the computed reserve based on proposed rates totaling $287.2 million.

I also discuss the steam reserve variation and the amount of the reserve deficiency for each year since 1984. I identify the variation based on proposed rates in this case, amounting to approximately $55 million, and describe the recent regulatory

history in connection with recognition of the variation. I base my conclusion to propose recovery of this variation on past regulatory practice that has recognized the need to recover (or return to customers) variations above or below a 10% range of reasonableness.

I also describe "other considerations" specific to steam that have influenced my conclusions as to selection of depreciation rates. These considerations include multi-million dollar plant transfers from electric plant to steam amounting to approximately $190 million that have occurred since the mid-1980's, and the handling of these transfers in the development of the statistical studies. I concluded that studies prepared prior to 2004 were not properly computing service lives because they did not include the plant's full retirement history and I therefore ran adjusted studies to include that history.

I also describe a proposal to recover future net salvage costs related to the 74th Street facility, which was moved to steam as a "fully recovered" plant, but, I concluded that in fact is not fully recovered because of a lack of a mechanism to recover future net salvage costs. This proposal results in increased annual depreciation expense of just over $1 million.

My testimony on property taxes provides some background information on property taxes in general, the level of property taxes experienced recently by the Company, and a description of

the methodology used to forecast future taxes. The testimony states that in 2004, the property taxes applicable to steam were $40.8 million. In 2005, I forecasted $41.9 million, and in the rate year, the forecasted amount is $57.6 million. Within the testimony I describe that my forecast was based on actual assessments known for year 2005 and changes to that level of tax based on net plant changes and estimated tax rates. I based the estimated tax rates on past experience. I concluded that an existing tax reduction for economic obsolescence should be eliminated from the forecast because I am unsure whether the Company will receive the reduction in the future. I also discuss a tax abatement that the Company has applied for in connection with the East River Re-powering Project (which is reflected in the forecast) and propose that any difference between what I have included in the forecast for this tax benefit and what is actually received (if approved) be fully reconciled. I recommend this approach because of the uncertainty involved with securing this major tax abatement.

I also discuss the Company's efforts to keep property taxes to a minimum and give examples of recent successes resulting from those efforts. In addition, I describe pending actions on property taxes in the court system.

Lastly, I describe how property taxes and property tax refunds are treated in the Company's current steam rate plan and

propose that the existing treatment for both remain unchanged. The Company's current rate plan allows deferral of 100% of changes in the level of taxes included in rates above or below a 2.5% dead-band. The rate plan allows the Company to retain 14% of property tax refunds (including credits or assessment reductions against future taxes in lieu of cash refunds), in order to encourage the Company to challenge questionably imposes taxes, with 86% of the amount deferred for the benefit of customers.

Summary of Testimony of Frank C. Yaegel

My testimony presents the Company's forecast of steam sales and revenues for the rate year, the twelve months ending September 30, 2007. My testimony addresses the development of the sales forecast utilizing actual sales in the historic year, the twelve months ended June 30, 2005, adjusted to normal weather conditions. Key components expected to affect the level of rate year sales include: new business, lost business due to demolition and on-site generation, reduced sales resulting from the efficient use of waste heat from distributed generation units anticipated to be installed by steam customers to meet their electric needs, reduced sales to air conditioning customers who are projected to install more energy efficient equipment, and the anticipated rate of employment growth. The forecasted sales level for the 12 months ending September 30, 2007 is 26,066 MMlbs (which also reflects an adjustment for abnormally high customer usage during the historic year that is not anticipated to continue in the future). This represents an overall 3.6% increase (1.8% annual increase) over the sales forecast upon which current rates were set. The Company's forecast of steam sales was determined using price relationships of historic revenue (modified to reflect the most recent rate changes) to sales.

The estimate of base revenues for the rate year,

exclusive of increase in rates and charges, is $399,949,000. The estimate of fuel related revenues over and above the amount included in base rates were provided to me by Company witness Northrup. Revenues associated with increase in rates and charges were provided to me by the Accounting Panel.

Based on detailed rate design data provided to me by the Rate Panel, I estimate that the proposed base rate change impact on rate year sales will be $67,619,000 (inclusive of an increase in rates and charges) and will equate to an overall estimated bill impact of 9.6%. This estimated base rate change excludes the revenue associated with East River Re-Powering Project costs, which is currently collected in the Company's Statement of Fuel Adjustment, which the Company proposes to collect in base rates.

Summary of Testimony of Irina Northup

My testimony covers several areas.

First, I provide estimates of steam sendout, and fuel and purchased steam costs for various periods including the rate year, and describe how the estimates were prepared. I describe how steam sendout is determined by a computer model that includes as variables forecasts of unit maintenance schedules, heat rates, fuel prices, availability of natural gas, and volumes and prices of steam purchases. I conclude that the amount of steam sendout as projected for the rate year has remained relatively flat compared to that in the historic year since the steam sales have remained relatively flat over the same period. I also explain that total fuel and purchased steam costs for the rate year are estimated to be $383 million, which is approximately 55% higher than those during the historic year, primarily related to higher fuel prices.

Second, I present Con Edison's estimates of future prices of delivered gas and residual fuel oil as well as the measures taken by the Company to mitigate fuel costs and price volatility, including steam's participation in the Company's gas hedging program and reliance on firm gas transportation agreements and injections into production area storage facilities to mitigate the volatility of the

natural gas market, and the use of a combination of long term and spot purchases and competitive bidding processes to maintain cost effective pricing for gas and fuel oil. I explain that the forecast prices for natural gas and fuel oil associated with the respective volumes of fuel as projected to be consumed in order to generate the steam for that period result in the rate year projection of $288 million in fuel costs.

Third, I describe the apportionment of fuel usage between electric and steam production for the combined electric-steam stations. Also, I describe how processing charges, which include the water, chemical and associated labor costs, are projected based on actual production data from the previous year.

Finally, I discuss the factors the Company considers in estimating fuel oil inventory, the determination of the target inventory, the current storage capability and needs and how other fuel related expenses are estimated. I describe how the Company maintains storage capacity of approximately 970,000 barrels of residual fuel oil, 350,000 on site and the remainder under lease, to ensure it meets at least 30 consecutive days of maximum oil burn, per recent history, without having to tap into the market, and how the Company determines its inventory level based upon

forecasted oil burn, fuel availability and projected weather and market conditions. I also explain why overall oil consumption projections have decreased due to the introduction of ERRP and the conversion of East River South package boilers to natural gas.

Summary of Testimony of Ronald H. Bozgo

My testimony covers three areas.

I begin by discussing the value of the steam system to the New York City metropolitan area and the competitive challenges that the steam system faces. My testimony highlights that the steam system provides advantages to customers that cannot be provided by alternative energy sources, is a clean energy alternative, and helps to reduce the need for peak summer electric generating capacity by providing customers an alternative to electric air conditioning. I specify that the main factor that materially contributes to Steam's weakened competitive position is sales tax. Specifically, steam customers are subject to two separate sales taxes as compared to customers who are served by on-site boilers and are subject to only one sales tax. Further, I identify other inequities, such as the inadequate demand side management incentives for steam chilling as compared to distributed generation. I note that these inequities must be corrected in order for the steam system to continue its vital role.

I continue by discussing the efforts that the Company is pursuing to improve steam's competitive position, such as continuing to invest in the infrastructure to provide high quality and reliable steam service to our customers, seeking

increased incentives from NYSERDA, and exploring various methods for reducing the system peak demand. And, in order to increase the number of steam customers without necessarily increasing steam production capacity costs, the Company proposes to implement demand charges and two pilot voluntary demand reduction programs.

Next, I discuss that the filing proposes changes to the current Steam Tariff regarding Special Services at a Charge. These proposals include: the establishment of fixed charges for different types of services, adding an investigation service charge for steam-related conditions at a customer's site (e.g., leak investigation), and updating the charges for existing services. These charges require updating to reflect the current cost of providing these optional, customer-requested services. The accurate accounting for these services avoids having other customers subsidize these costs. Finally, the Company is proposing to extend the period for accepting applications from SC 2 and SC 3 customers that install a new or replacement steam air-conditioning system under the current air-conditioning incentive program.

Finally, I identify that the need for rate relief is to address: (i) the ongoing need for infrastructure investments and associated O&M programs, which is further explained in the testimony of the Operations Panel; (ii) increased costs of

doing business -- property taxes, pensions and other items--which are further explained by the Accounting Panel; and (iii) the elimination of the rent paid by the electric department for the 74th and 59th Street stations, which is further explained by the Accounting Panel. My testimony also notes that the Company is investigating long-term options for steam production and has contracted for a long-term production options study in coordination with the DPS Staff and the NYC Economic Development Corporation, with input from the Steam Business Development Task Force members.

Summary of Testimony of Steam Operations Panel

Our testimony discusses seven areas, including the Capital and Operations and Maintenance (O&M) expenditures for Steam Production, Steam Distribution and Steam Operations Information Technology programs, and the Capital expenditures for the Steam Operations Security program.

First, we describe the Steam Production Construction Program. We explain the need for expenditures totaling approximately $50 million during the rate year to maintain and improve the reliability of steam generating plants; to maintain the generating capacity of the Company's aging boilers to meet customer load demands; and to comply with various regulatory requirements. Some of the significant projects planned include the installation of water treatment systems at the 74th Street station to minimize degradation to boiler components and piping systems due to corrosion; the sectionalized maintenance of low pressure boilers at the Hudson Avenue station; and the refurbishment of steel and concrete at Hudson Avenue, East River South Steam station, and other stations. The testimony also notes that some of the planned expenditures may be changed based on the results of the Steam Production Study required by the Company's last Steam Rate Plan in Case No. 03-S-1672.

Second, we discuss the Steam Production O&M expenditure forecast. We explain the reasons for $9.8 million of net incremental O&M costs to meet service requirements for customers, the major components of which include a $5.1 million increase in Water expenses attributable principally to the requirement for water for steam sendout from ERRP resulting from the increase in operations at the station; projected increases in the New York City water rate in the rate year and future years; and a $6.1 million increase in Water-Related Activities due to the operations of ERRP (e.g., to remove sludge from the water systems, to clean and replace the membranes in the water system, and to use ammonia in the production process to reduce NOx emissions). These increases are offset partially by a $1.2 million decrease in Company Labor resulting from a decrease in labor attributable to the Waterside shutdown offset partially by an increase in labor attributable to annualizing the demineralization plant labor required for ERRP, which was operational for only three months in the historic year; and a $2.8 million decrease in Waterside expenses representing the elimination of the water and water chemicals expenses incurred in the historic year. The remaining $2.6 million increase is attributable to various activities, including, among other

items, Boiler Cleaning; Electric Used for Company purposes; Asbestos Removal and Abatement; and the implementation of a Steam Systems Advanced Training program.

Third, we describe the Steam Distribution Construction Program. We explain the need for expenditures totaling approximately $21 million in the rate year to accommodate new steam customers and/or expected additional steam load; to relocate underground steam facilities that are in the vicinity of the City's roadway construction and public improvement projects; to maintain and upgrade the steam distribution system to provide safe and reliable service to customers; to install steam meters and associated equipment (including meters for the Demand Metering program included in the Company's current rate plan); and to purchase steam meters for new business and the Demand Metering Program. Some of the significant projects include steam leak repairs (e.g., repairs to services, valves, joints, traps cooling chambers and mains); the manhole cover replacement program to replace all steam manhole covers more than 8" in diameter; and the Expansion Joint program to systematically remove internally pressurized expansion joints from the steam system in order to reduce the consequences of expansion joint failure.

Fourth, we address the Steam Distribution O&M expenditure forecast. The testimony discusses the net decrease of $9.6 million from the historic year expenditures for Steam Distribution. We explain the need for incremental O&M costs of $3.4 million to be incurred in the rate year to implement an on-going maintenance program to more aggressively identify and repair potential heat conditions in and around steam manholes, which is generally offset by the elimination of $13 million spent in the historic year for the Manhole Inspection program, which included the inspection of manholes, the coating of all existing cast iron covers with an epoxy coating, and the re-insulation of approximately 2,000 steam structures.

Fifth, we describe the Steam Operations Security capital costs. We explain the need for expenditures projected to be $3.3 million during the rate year at steam generating facilities to enhance security and control access to these facilities. These expenditures are principally for the East River Complex to permanently close several New York City streets to vehicular and pedestrian traffic by installing vehicle barriers, cable gates, fencing, barrier walls and electronic security and personnel access systems. We also discuss that through a program developed by the United States Office of Homeland

Security, the Company has applied for a grant for reimbursement of 50 percent of the costs of the security improvements noted above, and that the Company will provide an update on the status of its funding application during the update phase of this proceeding.

Sixth, we describe the capital costs for Steam Operations Information Technology programs. We explain the need for expenditures totaling $5.4 million to make operating data more readily available for analysis to improve Steam Operations; allow the Company to more effectively and efficiently plan, schedule and track various work functions; and to replace items that are technologically obsolete. The significant projects planned include an upgrade to the Steam Mapping system and an upgrade to the MAXIMO work management and asset-tracking system.

Seventh, we address O&M expenditures for the Steam Operations Information Technology programs. We explain the need for expenditures totaling $170,000 for on-going costs for programmers/analysts to support the capital efforts for Information Technology noted above.

Summary of Testimony of George Gerritsen

My testimony discusses: (1) a proposal for two pilot demand management programs, (2) an update regarding the Negotiated Steam Fuel Cost program; and (3) the Steam Business Development programs and the Company's recovery of associated costs.

First, with respect to the demand response pilot programs, I explain that the Company has been exploring methods for reducing the steam system peak demand in order to be able to increase the number of new customers without increasing steam production capacity and I propose two voluntary demand reduction offerings - a Steam Demand Limiting Program ("SDLP") and a General Voluntary Demand Reduction Program ("GVDRP") to be implemented in the winter season of 2006-2007. I explain that participation in both programs will be limited to commercial buildings (SC-2 customers) and residential buildings (SC-3 customers) that have demand meters and at least one winter season of demand data; that the objective of the SDLP is to test the effectiveness of the demand limiting technology within twelve (12) buildings representative of various peak demands and load profiles; that the total cost of the SDLP is estimated to be $1.3 million for the installation of demand limiting equipment and $70,000 for annual

incremental customer operating costs that would be reimbursed by the Company; that the objective of the GVDRP is to test customer interest in reducing demand when requested by the Company in return for incentive payments; that the Company estimates that it will pay customers participating in the GVDRP an incentive equal to $275 per Mlb per hour reduced for each occurrence; and that the total estimated annual incremental operating costs that would be incurred by the Company for GVDRP is about $120,000.

Second, as a part of the Steam Business Development effort, the Company agreed to provide an update on the status of the Negotiated Steam Fuel Cost program in its next rate filing and to provide a report by April 1, 2006 concerning the status of its efforts to determine whether changes to the program are appropriate. Accordingly, I explain that the Company developed and implemented a Negotiated Steam Fuel Cost program that offered customers a fixed fuel adjustment prices based upon financial hedges obtained in the natural gas markets to help moderate the volatility of fuel costs and that the Company has already completed two fixed price offerings and has made another offering.

Third, I describe the $364,000 O&M program change for Steam Business Development, as discussed in the testimony of the Operations and Accounting Panels, which includes: (i) $189,000 for customer retention and attraction, and the need for additional efforts and costs to network with vendors (e.g., increasing advertising in various publications and participation in trade shows and conferences); utilize resources of outside organizations (e.g., IDEA conferences); and maintain software and programs (e.g., chiller optimization package); (ii) $175,000 on consultants in connection with the Business Development Group's customer retention efforts and implementing recommendations in the Steam Business Development ("SBD") Plan, and that the current Rate Plan provides that reasonable incremental costs incurred by the Company as a result of the SBD Plan will first be offset by steam sales growth realized during the Steam Rate Plan that is incremental to the sales forecast and directly attributable to the SBD Plan, with the balance deferred for later recovery, noting that, to date, the Company has not realized any incremental sales, and, at this time, is not forecasting an increase in sales during the rate year as a result of those activities.

Finally, my testimony notes that the Company is proposing to recover the cost of the SBD Plan study of $366,000. I explain that the Company expects to incur additional costs as part of the SBD task force, such as the hiring of consultants to conduct a number of studies required by the SBD Plan, and that because it is difficult to reasonably estimate the cost of these items, the Company proposes that they be recovered through the FAC, as incurred, to the extent they are incremental to the $50,000 of O&M costs requested in this rate filing.

Summary of Testimony of Thomas M. Gencarelli

My testimony addresses the Company's interference forecasts.

First, I provide a description of interference, which is when the City of New York or a municipality plans to perform work within the streets and is prevented from completing the proposed plan due to utility or other facilities being in the way.

Second, I explain that when the City performs work such as installation or repairs to water mains, sewers and drainage facilities, reconstruction of roadways, curbs and sidewalks and if this work affects Company Steam facilities, Con Edison must bear the costs to support and protect its facilities. I explain that the forecasted amount of Operation and Maintenance interference costs for the rate year, twelve months ending September 30, 2007, are $4,001,920, excluding Company labor, and that the methodology used to calculate the rate year forecast is based on the City's Capital Commitment plan, the details of which is explained in my testimony and exhibits.

Third, I estimate the Company's Capital interference costs, which are the capital expenditures incurred when the Company is required to remove and relocate Company steam facilities to a new location, and that the Company's

forecast for Capital interference costs for the rate year is $1,000,000.

Fourth, I discuss the Lower Manhattan reconstruction program that resulted from the World Trade Center incident, that the Company has spent approximately $19 million from 2002 to 2005 under this program, and that the Company considers the interference expenditures resulting from this program as a special case and therefore created a special account for this work so that these costs can be accumulated and submitted for reimbursement from federal funds. I further explain that it appears unlikely that federal funding and other sources of reimbursement will be adequate to provide for recovery of all anticipated expenditures.

Fifth, since the Company's interference expenditure forecast is based on the City capital program, over which the Company has no control, I propose to continue the existing reconciliation mechanism for interference costs and expenses, which provides that the Company would recover from customers or credit customers the level of actual non Company labor interference expenses in any rate year by more than 2.5% (plus or minus) from the levels provided in the rates, and that any variation will be deferred and recovered or credited to customers after the expiration of the rate case.

Summary of Testimony of Hector J. Reyes

My testimony addresses the Company's forecast of employee welfare expenses, executive compensation, and World Trade Center medical testing.

I explain that the forecast of employee welfare expenses is based upon the historical costs and includes the costs of new programs and the expansion of existing programs. Employee welfare expenses are estimated to increase $652,446 between the historic year (12 months ending June 30, 2005) and the rate year (12 months ending September 30, 2007). I discuss how projected health care costs for the rate year are developed by applying the number of employee contracts at September 1, 2005 to forecasted contract rates that reflect premium increases through the rate year and how the Company has taken steps to control the costs of health insurance by negotiating greater prescription drug discounts with our pharmacy benefit manager, and using generally accepted healthcare standards to determine the medical necessity of hospital, surgical and medical procedures. I also discuss a new program called Active Health, which will be available to our employees and their dependents in 2006, that is designed to assist in mitigating adverse health events and

manage health care costs through evidence-based clinical information.

For executive compensation, I have concluded that the level of compensation for the Company's executives is reasonable when compared to a peer group of other U.S. utilities. My conclusion is based upon a comparison made by Towers-Perrin, a compensation consultant, which is described in detail in a supplemental exhibit to my testimony, and which generally shows the compensation paid to Con Edison executives to be below general industries of comparable size.

As to World Trade Center medical testing, I explain that the Company has been conducting yearly medical exams of employees for early detection of physical and mental health symptoms as a result of working at the World Trade Center site; that the cost for these exams is expected to be $105,000 for the rate year; and that of the 4,000 employees that worked at the site and have been examined, approximately 15% had physical conditions requiring a referral to a specialist, that about 20% of the employees have been diagnosed with post-traumatic stress disorder, and that employees have been offered treatment for both physical and mental health conditions.

Summary of Testimony of Edward Ecock

My testimony covers three areas related to steam research and development activities.

Initially, I describe the current Con Edison Steam R&D programs and projects, the purpose of which is to develop and demonstrate new processes, methodologies, and technologies that will improve operations and meet business needs; and that for steam operations, its primary focus is on steam production facilities and the associated underground distribution system. My testimony indicates that the proposed programs are designed to continue to address the needs of an aging steam system and ensure public and worker safety in a cost-effective manner.

Further, I describe some recent, successful Steam R&D projects that demonstrate the importance of maintaining and improving the R&D program. I also discuss current Steam R&D projects that focus on the latest issues that affect Steam operations, like the development and deployment of composite and hybrid steam manhole covers.

Lastly, I propose a rate year funding level for both the continuing and new initiatives for Steam R&D of $1 million, which amounts to an increase of $454,000 from the historic year. My testimony includes a brief description of each of the new steam R&D programs, which will enhance

reliability, improve safety, and reduce operating and maintenance costs.

Summary of Testimony of Randolph S. Price

My testimony focuses on the following Environment, Health & Safety ("EH&S") related activities and their projected costs during the rate year (October 1, 2006 through September 30, 2007):

First, I discuss Remediation Program expenditures that are mandated by agreements, regulations, consent orders, or permit requirements. In particular, I describe Con Edison's program for the investigation and remediation of former manufactured gas plant and manufactured gas storage holder sites ("MGP Sites").

I also discuss Superfund sites for which Con Edison is responsible as well as the requirements of the Appendix B section of the November 1994 Consent Order between Con Edison and the New York State Department of Environmental Conservation ("DEC").

In addition, I address some of the requirements of the hazardous waste management facility permit that was initially issued by the DEC in May 1994 and subsequently renewed in March 2001 for the Company's PCB Waste Storage Facility at its Astoria site.

For the rate year, a Company-wide expenditure of approximately $41 million is projected for all of these programs. Per my Exhibit __(RSP-3), estimates for the rate

years ending September 30, 2007 and 2008 are $38 million per year. The Accounting Panel assumed these amounts, net of prepaid amounts, will be recovered from customers over three rate years. Based on an allocation of 5.1% to steam operations, the Accounting Panel included $1.751 million in the calculation of revenue requirement per rate year.

Second, I discuss the need to increase EH&S staffing by 10 people to provide continued support for the Company's environmental, health and safety compliance programs. These 10 additional people are targeted to work in the following program areas: Safety (3); Fire Protection (1); Industrial Hygiene (1) Environmental Response Team (1); Environment and Chemical Management (3); and EH&S Programs (1). The contemplated activities for each program area associated with this increased staffing are detailed in my testimony.

The total annual salaries of these additional employees are estimated to be $952,000. The allocation to steam is $193,000.

Summary of Testimony of Steam Rate Panel

The Steam Rate Panel testimony covers six areas:

First, the Embedded Cost of Service (ECOS) Study section of the testimony presents the Company's ECOS study for the calendar year 2004 which:

- functionalizes and classifies various costs for the steam system to their operating functions;
- allocates these functionalized costs to the customer classes;
- demonstrates each ECOS study class's surplus or deficiency based on the application of a ±10% tolerance band around the calculated total system rate of return; and
- shows that the classes have the following rates of return: SC 1 - 6.94%; SC 2 - 8.97% ; SC 3 - 9.90%. Based upon a 10 percent tolerance band around the total system return of 9.05%, only SC 1 is deficient, with a revenue deficiency of $903,629.

Second, the Revenue Allocation section of the testimony proposes that:

- the ECOS Study results be employed to align the class revenue responsibilities at the current October 1, 2005 rate levels based on an application

of a 10% tolerance band around the system rate of return, i.e., SC 1 rate year pure base revenues were increased to bring the class's return to the lower level of the tolerance band in recognition of this class's being revenue deficient while SC 2, 3 and 4 rate year pure base revenues were proportionally reduced to offset the SC 1 revenue deficiency;

- the total base rate increase, excluding gross receipts taxes and the steam customers' share of the annual carrying charges related to the capital investment in ERRP, be allocated to each service class based on an overall pure base rate percentage increase and the service class's Rate Year pure base revenues, as adjusted for the ECOS Study results; and
- the steam customers' share of the ERRP annual carrying charges, before the rate increase, be rolled into base rates on a volumetric basis, which is consistent with the manner by which such costs are presently recovered through the steam Fuel Adjustment Clause ("FAC").

Third, the Rate Design section of the testimony:

- demonstrates the methodology for allocating each class's respective historical increased revenue

requirement, except the ERRP roll-in of the annual carrying charges, between its customer charge and summer and winter block rates. For example, in recognition of the costs to provide service, (1) SC 1 and 3 customer charges, excluding fixed fuel costs, were increased by 1.5 times each class's overall pure base revenue percentage increase while the SC 2 customer charge was increased by only one-half times its pure base revenue percentage increase, and (2) the SC 1, 2 and 3 summer and winter block rates, as applicable, were then increased to recover the balance of each class's respective historical revenue requirement;

- explains the methodology for rolling into base rates the current ERRP annual carrying costs associated with its capital costs and O&M expenses based on each class's respective rate year sales volumes;
- presents a proposal to implement winter-period demand rates for SC 2 and SC3 customers with an annual steam consumption greater than 22,000 Mlbs commencing the winter 2007/2008; and
- explains that the demand charges will be designed to recover 25% of winter base revenues, net of base fuel, and electric, water, water chemicals and

Customer charge, which establishes the proper balance between recovering costs through a demand charge to elicit a demand response and mitigating bill impacts in this case resulting from the imposition of this change. This demand related winter pure base revenue requirement will then be allocated 90 percent to the winter on-peak period (weekdays from 6 AM to 11 AM) and 10 percent to the winter all-time peak period (any time any day). The balance of the remaining winter pure base revenue requirement will be allocated to energy charges.

Fourth, the Bill Analysis section of the testimony sponsors various exhibits that:

- show the steam sales and revenues for the historical period, i.e., the twelve months ending June 30, 2005 reflecting the present rate level;
- compare the present October 1, 2005 rates and charges with the proposed rates and charges;
- present monthly bill comparisons at present rates and at the proposed rates;
- demonstrate what the estimated annual impact on customers' bills would be under the proposed rates; and

- show the estimated effect on customers' bills and Company revenues resulting from the proposed steam rates based on sales and revenues for the twelve months ending June 30, 2005.

Fifth, the Base Cost of Fuel section of the testimony proposes, if warranted, that the base cost of fuel included in the Company's base rates be revised at the conclusion of this proceeding.

Sixth, the Tariff Changes section of the testimony presents the proposed additional revisions to the steam tariff resulting from proposals made by Company witnesses such as:

- updating the hourly labor and material handling rates and costs for the Steam Repair Service and for a customer requesting a temporary service disconnection and service reconnection;
- adding a charge for investigating a leak, pressure problem, or other steam-related conditions at a customer's premises, when the Company determines that there is a problem with the Customer's piping and/or equipment;
- modifying the Special Monthly Adjustment to the FAC to:

- provide for recovery of costs associated with the steam business development activities proposed in the current rate plan;
- delete text related to ERRP credits and recovery of non-fuel operations costs of the 74th Street and 59th Street stations, which no longer apply during the rate year that commences October 1, 2006;
- provide for recovery of lost revenues associated with implementation of a new steam demand reduction pilot program;
- clarify that ERRP carrying charges incurred prior to October 1, 2006 will continue to be recovered through the FAC; and
- amend the SC 2 and SC 3 Special Provision Sections to allow the Company to continue accepting applications for the air-conditioning incentive program until September 20, 2007.