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05-S-1376  
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OSEC-FILES-ALBANY

2005 DEC 28 PH 2:35  
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

RECEIVED

DEC 28 2005

Office of Hearings and  
Alternative Dispute Resolution

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.

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.

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- 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.<sup>1</sup>

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.

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<sup>1</sup> 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 LEASEHOLD
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	17
Aug-05	264,196	477,704	734,673	88,160	0.3346	0.2086	0.3428	0.1002	882	994	2,506	88	17
Sep-05	265,237	478,719	738,364	88,160	0.3346	0.2086	0.3428	0.1002	884	996	2,518	88	17
Oct-05	270,779	480,135	743,286	88,160	0.3346	0.2086	0.3428	0.1002	887	999	2,531	88	17
Nov-05	276,269	481,951	757,152	88,160	0.3346	0.2086	0.3428	0.1002	906	1,002	2,548	88	17
Dec-05	286,040	483,767	771,797	88,160	0.3346	0.2086	0.3428	0.1002	924	1,005	2,596	88	17
Jan-06	291,305	484,884	773,463	88,160	0.3346	0.2086	0.3428	0.1002	957	1,009	2,646	88	17
Feb-06	292,568	486,000	775,129	88,160	0.3346	0.2086	0.3428	0.1002	975	1,011	2,651	88	17
Mar-06	293,411	487,117	776,795	88,160	0.3346	0.2086	0.3428	0.1002	979	1,014	2,657	88	17
Apr-06	298,018	488,233	778,461	88,160	0.3346	0.2086	0.3428	0.1002	982	1,016	2,663	88	17
May-06	300,600	489,350	780,127	88,160	0.3346	0.2086	0.3428	0.1002	997	1,018	2,669	88	17
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	17
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	17
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	17
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	17
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	17
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	17
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	18
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	19
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	20
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	21
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	22
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	23
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	24
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	25
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	26
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	27
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	28
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	17
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
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	0
Nov-10	442,498	577,075	795,172	88,160	0.3346	0.2086	0.3428	0.1002	1,473	1,200	2,726	88	0
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	0

12 Months Ended October 2006	11,933	12,202	31,858	1,056	204
12 Months Ended October 2007	13,880	12,601	32,577	1,056	270
12 Months Ended October 2008	15,824	13,110	32,863	1,056	204
12 Months Ended October 2009	16,625	13,612	32,710	1,056	153
12 Months Ended October 2010	17,254	14,125	32,712	1,056	-

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	17
Aug-05	264,196	477,704	734,673	0.2280	0.1719	0.3243	601	819	2,371	17
Sep-05	265,237	478,719	738,364	0.2280	0.1719	0.3243	602	821	2,383	17
Oct-05	270,779	480,135	743,286	0.2280	0.1719	0.3243	605	823	2,395	17
Nov-05	276,269	481,951	757,152	0.2280	0.1719	0.3243	617	825	2,410	17
Dec-05	286,040	483,767	771,797	0.2280	0.1719	0.3243	630	828	2,455	17
Jan-06	291,305	484,884	773,463	0.2280	0.1719	0.3243	652	832	2,503	17
Feb-06	292,568	486,000	775,129	0.2280	0.1719	0.3243	664	834	2,508	17
Mar-06	293,411	487,117	776,795	0.2280	0.1719	0.3243	667	835	2,514	17
Apr-06	298,018	488,233	778,461	0.2280	0.1719	0.3243	669	837	2,519	17
May-06	300,600	489,350	780,127	0.2280	0.1719	0.3243	679	839	2,525	17
Jun-06	309,142	490,466	781,793	0.2280	0.1719	0.3243	685	841	2,530	17
Jul-06	311,317	491,583	783,459	0.2280	0.1719	0.3243	705	843	2,535	17
Aug-06	313,491	492,700	785,125	0.2280	0.1719	0.3243	710	845	2,541	17
Sep-06	323,350	493,816	786,791	0.2280	0.1719	0.3243	715	847	2,546	17
Oct-06	326,378	494,933	788,457	0.2280	0.1719	0.3243	737	849	2,552	17
Nov-06	332,481	496,049	790,123	0.2280	0.1719	0.3243	744	851	2,557	17
Dec-06	339,005	497,172	791,797	0.2280	0.1719	0.3243	758	853	2,562	17
Jan-07	340,556	498,905	791,943	0.2280	0.1719	0.3243	773	855	2,568	17
Feb-07	342,107	500,638	792,089	0.2280	0.1719	0.3243	776	858	2,568	17
Mar-07	343,658	502,371	792,234	0.2280	0.1719	0.3243	780	861	2,569	17
Apr-07	345,442	504,104	792,380	0.2280	0.1719	0.3243	784	864	2,569	17
May-07	347,051	505,837	792,526	0.2280	0.1719	0.3243	788	867	2,570	17
Jun-07	351,449	507,570	792,672	0.2280	0.1719	0.3243	791	870	2,570	17
Jul-07	354,723	509,303	792,817	0.2280	0.1719	0.3243	801	873	2,571	17
Aug-07	356,798	511,036	792,963	0.2280	0.1719	0.3243	809	875	2,571	17
Sep-07	368,730	512,769	793,109	0.2280	0.1719	0.3243	813	878	2,572	17
Oct-07	371,900	514,502	793,255	0.2280	0.1719	0.3243	841	881	2,572	17
Nov-07	382,737	516,235	793,401	0.2280	0.1719	0.3243	848	884	2,573	17
Dec-07	389,755	517,977	793,547	0.2280	0.1719	0.3243	873	887	2,573	17
Jan-08	391,462	519,627	793,682	0.2280	0.1719	0.3243	889	890	2,573	17
Feb-08	393,169	521,276	793,818	0.2280	0.1719	0.3243	893	893	2,574	17
Mar-08	394,876	522,926	793,953	0.2280	0.1719	0.3243	896	896	2,574	17
Apr-08	396,583	524,576	794,088	0.2280	0.1719	0.3243	900	899	2,575	17
May-08	398,291	526,225	794,224	0.2280	0.1719	0.3243	904	902	2,575	17
Jun-08	399,998	527,875	794,359	0.2280	0.1719	0.3243	908	905	2,576	17
Jul-08	401,705	529,525	794,495	0.2280	0.1719	0.3243	912	907	2,576	17
Aug-08	403,412	531,174	794,630	0.2280	0.1719	0.3243	916	910	2,577	17
Sep-08	405,119	532,824	794,765	0.2280	0.1719	0.3243	920	913	2,577	17
Oct-08	406,826	534,474	794,901	0.2280	0.1719	0.3243	924	916	2,577	17
Nov-08	408,534	536,124	795,036	0.2280	0.1719	0.3243	928	919	2,578	17
Dec-08	410,250	537,782	795,172	0.2280	0.1719	0.3243	931	922	2,578	17
Jan-09	411,382	539,490	795,172	0.2280	0.1719	0.3243	935	924	2,579	17
Feb-09	412,515	541,198	795,172	0.2280	0.1719	0.3243	938	927	2,579	17
Mar-09	413,648	542,906	795,172	0.2280	0.1719	0.3243	941	930	2,579	17
Apr-09	414,781	544,614	795,172	0.2280	0.1719	0.3243	943	933	2,579	17
May-09	415,914	546,322	795,172	0.2280	0.1719	0.3243	946	936	2,579	17
Jun-09	417,047	548,030	795,172	0.2280	0.1719	0.3243	948	939	2,579	17
Jul-09	418,179	549,738	795,172	0.2280	0.1719	0.3243	951	942	2,579	17
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	-

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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 Executives as of December 31, 2004**

<u>COMPANY</u>	<u>1ST</u>	<u>2ND</u>	<u>3RD</u>	<u>4TH</u>	<u>5TH</u>	<u>TOTAL ANNUAL</u>
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
<b>Company Average excluding Con Ed</b>	<b>\$3,453,132</b>	<b>\$1,145,854</b>	<b>\$940,453</b>	<b>\$872,558</b>	<b>\$737,594</b>	<b>\$7,149,591</b>
<b>Consolidated Edison Co. of N.Y.</b>	<b>\$2,556,166</b>	<b>\$879,000</b>	<b>\$840,000</b>	<b>\$826,000</b>	<b>\$715,000</b>	<b>\$5,816,166</b>

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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	<u>\$792.0</u>

**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)**

<u>Project Title</u>	<u>Estimate</u>	<u>Project Description</u>
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
<b>TOTAL</b>	<u><u>\$20.0</u></u>	

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

**POST OPERATIONAL PRJECTS**  
(Millions)

<u>Project Title</u>	<u>Estimate</u>	<u>Project Description</u>
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 accurately 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	<p>This project includes the installation of space heaters in the Water Treatment and general areas of Units 1 &amp; 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.</p>
CEMS	0.9	<p>This project includes the installation of Continuous Emission Monitoring System (CEMS) instrumentation to monitor exhausts emission from the HRSG (Heat Recovery Steam Generators) 1 &amp; 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.</p>
Uninterruptible Power Supply (UPS)	0.5	<p>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.</p>
Multimedia Filter Press	2.9	<p>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.</p>
Security Enhancements	3.3	<p>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</p>

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.