



Law Department

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Consolidated Edison Company
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July 12, 2012

Via Electronic Mail

Hon. Jaclyn A. Brillling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

**Re: Consolidated Edison Company of New York, Inc:
Case 09-S-0794 – Steam Rates
Case 09-G-0795 – Gas Rates**

Dear Secretary Brillling:

Consolidated Edison Company of New York, Inc. submits for filing, in each of the proceedings identified above, the attached *Report on Estimated Costs to Comply With the Astoria Consent Order* pursuant to the Commission's September 22, 2010 order (at Attachment 1, page 26 as to steam rates and Attachment 2, page 24 as to gas rates) in those proceedings.

Thank you.

Respectfully submitted,

/s/ Thomas P. Riozzi

Attachment

cc: Active Parties

Consolidated Edison Company of New York, Inc.

Report on Estimated Costs to Comply

With the Astoria Consent Order

July 12, 2012

I. Introduction

The Joint Proposals adopted by the Commission in connection with the current steam and gas rate plans¹ for Consolidated Edison Company of New York, Inc. (“Con Edison“ or “the Company”) require the Company to file a report with the Commission (and provide a copy to Staff and the parties to Cases 09-S-0794 and 09-G-0795) setting forth the nature and amount of the costs needed to comply with that certain *Order on Consent*, effective April 22, 2010, issued by the New York State Department of Environmental Conservation (“DEC”) and consented to by the Company, regarding the Company’s Astoria site located in Queens, New York (“Consent Order”) when a reasonable estimate of such costs is available.² The Company submits this *Report on Estimated Costs to Comply With the Astoria Consent Order* (“Report”) pursuant to the foregoing.

II. Nature of Capital Compliance Costs

The Consent Order addresses stormwater runoff discharges from the Astoria site into the East River and Luyster Creek. Stormwater drainage systems on the site associated with two outfalls (designated as Outfalls B and G) are in need of upgrade. The work to be done is pursuant to work plans that were developed in connection with the Consent Order and approved by the DEC.

The focus of the work regarding Outfall B is the replacement of the existing stormwater pipes, manholes and catch basins in order to eliminate groundwater infiltration into the system

¹ These rate plans were established by the Commission’s *Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology*, issued September 22, 2010, in Case 09-S-0794 – Consolidated Edison Company of New York, Inc. – Steam Rates; Case 09-G-0795 - Consolidated Edison Company of New York, Inc. – Gas Rates; and Case 09-S-0029 – Consolidated Edison Company of New York, Inc. – Steam Resource Plan and East River Repowering Project cost Allocation Study and Steam Energy Efficiency Programs.

² Cases 09-S-0794 and 09-S-0029, Joint Proposal, May 18, 2010, p. 26; Case 09-G-0795, Joint Proposal, May 18, 2010, p. 24.

and connections to abandoned systems,³ improve drainage and conveyance capabilities of the system and provide the means for sediments and oil/grease to separate out from stormwater flow. In the process of replacing the system pipes and related facilities, connections to existing structures will be replaced. Pipe sizes will be upgraded as required to reduce occurrences of flooding. The system will also be outfitted with two oil/grit separators for catching and holding oil from spills and contaminated runoff sediment and solids.

Work related to Outfall G is of similar purpose and nature as that related to Outfall B. An improved drainage system consisting of a new trunk and some lateral pipes, manholes and/or valve pits will be installed within two substations at the Astoria site⁴ to collect and discharge stormwater through an oil/water separator to the outfall at Luyster Creek. A curb to contain stormwater surface flow will be installed around the entire perimeter of the two substations and full containment moats will be installed around two series reactors within the Astoria East substation. The Outfall G discharge will also be improved by the installation of a precast concrete headwall.

III. Estimated Capital Compliance Costs

At this time, future capital compliance costs are estimated to be approximately \$34.0 million consisting of the following (\$million):

Outfall B: Installation \$14.0; Removal \$6.7; Total \$20.7

Outfall G: Installation \$11.5; Removal \$1.8; Total \$13.3

Attachment A to this Report identifies components of these estimates.⁵ It should be noted that Con Edison is required by the Consent Order to sample and test discharges and water flows, during dry and wet weather, related to the Outfall B system. The dry weather testing is to continue until the DEC issues a SPDES discharge permit covering the Astoria site or sooner if the DEC determines that the testing may cease. The wet weather testing is to continue until the DEC determines that the testing may cease. Should the wet weather sampling and testing produce results exceeding discharge action levels specified in the Consent Order, the DEC will

³ As the Astoria site developed and changed over time, portions of the stormwater systems were expanded while others (pipes and catch basins) were abandoned. Some portions of the system are believed to have been constructed more than 100 years ago.

⁴ The Astoria East 138kV substation and the 27kV North Queens area substation.

⁵ The costs shown on Attachment A represent those included in the Company's capital budgets for 2012 and 2013. They do not include capital costs previously incurred of approximately \$638,000 for engineering and approximately \$42,000 to install drain filters.

review the matter and may require Con Edison to evaluate and perhaps implement additional measures to reduce discharge concentrations. Such additional measures could result in capital costs not contemplated at this time.

IV. Estimated SIR and O&M Expenses

Con Edison is required by the Consent Order to perform discharge sampling and testing for an uncertain period relating to the operation of a temporary discharge treatment system associated with Outfall B that was put in place and is operated pursuant to the Consent Order. The temporary treatment system is needed due to historically contaminated soil and groundwater. The system treats contaminants in groundwater that infiltrate into the Outfall B system and PCBs in stormwater runoff from some unpaved areas within the Outfall B drainage area. The temporary system is leased by the Company and is operated by the lessor. The cost to install the temporary system and subsequent lease payments and operating fees amounted to approximately \$2.9 million through May 2012. Ongoing lease payments and operating fees are estimated to be approximately \$1.1 million per year. Sampling and testing costs related to the Astoria site stormwater discharges from January 2010 through May 2012, both before and after the effective date of the Consent Order, total approximately \$300,000. Ongoing testing and sampling costs are estimated to be approximately \$30,000 per year. SIR costs also include approximately \$70,000 previously incurred to clean some transformer storage areas that were a potential source of Outfall B stormwater system contamination.

The Consent Order also requires the Company to perform expanded maintenance activities on an ongoing basis. The costs of doing so constitute Operation and Maintenance (“O&M”) expenses. The work relates to inspecting and cleaning catch basins and manholes and cleaning piping at a cost of approximately \$50,000 per year and inspecting and replacing, as necessary, system drain filters at a cost of up to approximately \$27,000 per year (in the event all such filters need to be replaced). Through May 2012, the Company has incurred expenses of approximately \$150,000 related to both of those requirements combined. The Company has also incurred approximately \$376,000 of O&M expense related to preliminary engineering analyses associated with complying with the Consent Order.

As noted above with respect to capital costs, should the DEC require the Company to implement additional measures to reduce discharge concentrations such additional measures could result in SIR and/or O&M costs not contemplated at this time.

Estimated Capital Compliance Costs

<u>Description</u>	<u>Estimated Cost</u> <u>(\$000)</u>
Outfall B Installation	
Construction Contracts including Material and Equipment	11,990
Company Labor	1,498
Other Direct Costs (e.g., Permits, Testing, Inspection)	300
TOTAL (13,788 rounded)	14,000
Outfall B Removal	
Construction Contracts including Material and Equipment	5,777
Company Labor	722
Other Direct Costs (e.g., Permits, Inspection, Testing)	144
TOTAL (6,643 rounded)	6,700
Outfall G Installation	
Equipment Purchases (Oil/Water Separator and Valves)	686
Construction Contracts including Material and Equipment	8,234
Company Labor	1,485
Material and Supplies	159
Other Direct Costs (e.g., Permits, Testing, Inspection, Security)	924
TOTAL (11,488 rounded)	11,500
Outfall G Removal	
Construction Contracts including Material and Equipment	1,622
Company Labor	136
Other Direct Costs (e.g., Permits, Testing)	31
TOTAL (1,789 rounded)	1,800