

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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**Proceeding on Motion of the Commission as to the Rates,  
Charges, Rules and Regulations of Consolidated Edison  
Company of New York, Inc. for Electric Service** **Case 13-E-0030**

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**Proceeding on Motion of the Commission as to the Rates,  
Charges, Rules and Regulations of Consolidated Edison  
Company of New York, Inc. for Gas Service** **Case 13-G-0031**

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**Proceeding on Motion of the Commission as to the Rates,  
Charges, Rules and Regulations of Consolidated Edison  
Company of New York, Inc. for Steam Service** **Case 13-S-0032**

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**POST-HEARING REPLY BRIEF SUBMITTED BY  
THE NEW YORK STATE OFFICE OF THE ATTORNEY GENERAL**

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September 23, 2013

TABLE OF CONTENTS

	<u>Page</u>
I. Overview.....	1
II. Argument .....	1
A. The Commission Has Recognized the Value of Reducing Greenhouse Gas Emissions.....	2
B. Con Edison Should Replace 60 Miles of Leak-Prone Pipe in the Rate Year .....	3
C. Con Edison Should Reduce Its Total Natural Gas Leak Backlog to 900, or Less .....	4
III. Conclusion .....	5

## I. Overview

It is undisputed in this proceeding that leaky pipes in Consolidated Edison Company of New York's ("Con Edison" or "Company") natural gas distribution system leak and release methane, a potent greenhouse gas, into the atmosphere. It is also undisputed that leaking natural gas can lead to explosions and fires, and poses a safety risk to ratepayers and communities. In light of these significant public safety and welfare concerns, the Public Service Commission ("PSC") should order Con Edison to accelerate its leak repair and pipe replacement program as recommended by PSC staff and thereby reduce methane emissions from its natural gas distribution system.

## II. Argument

Con Edison should reduce its methane emissions as much as possible through aggressive leak-prone pipe replacement and gas-leak repair programs. While carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>) emissions are the two largest contributors to climate change, the global warming potential of a given mass of methane released is 25 times greater than the same mass of carbon dioxide for a one hundred year time interval. Methane emissions have both short- and long-term impacts. Methane released in rate year 2014 will have negative impacts in 2014 – and impacts from those 2014 releases will continue into the future. Notably, methane's relative potency as a greenhouse gas is greatest in the first twenty years after it is released, when its global warming potential is 72 times greater than that of carbon dioxide.<sup>1</sup> As highlighted by Superstorm Sandy, the effects of changing climate conditions and storm surges can have an enormous impact on

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<sup>1</sup> See, e.g., Forster P., et al. (2007) Changes in Atmospheric Constituents and in Radiative Forcing. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, eds. S. Solomon, et al. (Cambridge Univ. Press, New York), pp. 210–214, as cited in Hearing Exhibit 682, footnote 10.

Con Edison operations, as well as the safety and welfare of the general public. Reducing gas leaks would also have an immediate public benefit by increasing public safety and welfare in rate year 2014. The Public Service Commission has considerable power to protect the public interest. Public Service Law § 66. The Commission should therefore exercise its broad authority to require Con Edison to reduce its methane emissions as much, and as quickly, as practicable. The PSC staff has recommended that the Commission require Con Edison to replace 60 miles of natural gas pipes and reduce its current gas leak repair backlog to 900. The OAG supports the 60 mile pipe replacement and 900 gas leak backlog conditions recommended by the PSC staff.

A. The Commission Has Recognized the Value of Reducing Greenhouse Gas Emissions

Regardless of whether reducing greenhouse gas emissions is viewed as a “safety” benefit or an “environmental” benefit,” the Commission has recognized the importance of emissions reductions associated with Con Edison’s utility operations. In the Company’s last gas and steam rate order, the Commission noted with approval that the East River Repowering Project (“ERRP”) “resulted in substantial reductions in emissions” and made possible “the use of cogeneration by the steam system [that] reduces carbon dioxide emissions by approximately 1.5 million tons compared with stand-alone generation to serve the same loads.”<sup>2</sup> The Commission observed that although the “environmental benefits” (*i.e.*, air quality and fuel efficiency) of the ERRP and steam systems were not directly relevant to rate allocation, they were relevant to the systems’ long-term viability. In this case, methane emissions reduction achieved through aggressive pipe replacement and leak repair programs is a benefit that contributes both to the

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<sup>2</sup> PSC Case 09-S-0794 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service *et seq.*, *Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology* (issued and effective September 22, 2010), pp. 102 - 103.

long-term sustainability of Con Edison's energy systems and the short- and long-term welfare and safety of the general public.

B. Con Edison Should Replace 60 Miles of Leak-Prone Pipe in the Rate Year<sup>3</sup>

The Public Service Commission should require Con Edison to replace 60 miles of leak-prone natural gas pipes in rate year 2014. This program focuses on the replacement of older pipes that are subject to age-related material degradation and more likely to leak. Con Edison opposes the PSC staff's proposal that the Company increase by 10 miles (to 60 miles) the amount of leak-prone pipe to be replaced in the rate year, and also asks for leak-prone pipe replacement "credit" for pipe that it removes for reasons other than reducing natural gas losses (*i.e.*, pipe replaced in connection with municipal interference projects).<sup>4</sup> Con Edison further claims that the PSC staff has not justified increasing the amount of leak-prone pipe to be removed and that a Company study found that removing 50 miles a year would optimize pipe repair costs.<sup>5</sup> However, Con Edison's position fails to take into account the full range of benefits associated with a more aggressive pipe replacement and leak repair program: reduction of immediate safety hazards, improved system efficiency, as well as reducing its release of climate-change-inducing methane emissions. The Commission should therefore reject the Company's request for leak-prone pipe replacement credit and direct that in the rate year 2014 Con Edison replace 60 miles of pipe selected solely because it is leak-prone.

Con Edison's request for leak-prone pipe replacement credit for natural gas pipe removed for reasons other than reducing natural gas losses (hereinafter "natural gas replacement pipe credits") conflicts with the goal of removing such leak-prone pipe as rapidly as practicable.

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<sup>3</sup> Corresponds to Common Outline § IX.b.iv.

<sup>4</sup> Con Edison August 30, 2013 Initial Brief at 221 - 222.

<sup>5</sup> *Id.* at 221.

Allowing the use of such credits would reduce the total amount of such pipe Con Edison would otherwise be required to remove. Since the purpose of replacing leak-prone pipe is to reduce natural gas leaks, the rate year target of removing 60 miles of such pipe should be independent of the Company's other pipe replacement obligations or priorities.

Con Edison further claims that natural gas replacement pipe credits are an incentive for the company to manage its pipe removal efficiently and minimize cost.<sup>6</sup> The Company needs no such incentive. The "just and reasonable" standard in Public Service Law § 65(1) requires Con Edison, and other electric and gas utilities, to operate efficiently and promote the public interest.

C. Con Edison Should Reduce Its Total Natural Gas Leak Backlog to 900, or Less<sup>7</sup>

The Public Service Commission should require Con Edison to reduce its backlog of natural gas pipeline repairs to 900 or less. Con Edison reported a natural gas leak backlog of 997 for 2012, but objects to the PSC staff's proposal to reduce the Company's natural gas leak backlog goal to 900 for the rate year.<sup>8</sup> Con Edison disputes the PSC staff's position that the Company's natural gas leak backlog goal should be reduced to 900 by arguing that such a reduction is not necessary to provide "safe and adequate service," that other utilities have higher natural gas leak backlog goals, and that reducing the Company's natural gas leak backlog goal would increase its operation and maintenance costs by \$1.2 million in the rate year.<sup>9</sup>

However, Con Edison's arguments concerning safety and cost do not address the fact that reducing the Company's natural gas leak backlog would also have the co-benefit of reducing the amount of methane released by the Company's natural gas emissions into the atmosphere.

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<sup>6</sup> *Id.* at 222.

<sup>7</sup> Corresponds to Common Outline § IX.b.iv.

<sup>8</sup> *Id.* at 217 - 218.

<sup>9</sup> *Id.*

Moreover, as PSC Staff points out, reducing Con Edison's natural gas leak backlog to 900 would further reduce the likelihood of natural gas fires and explosions. Finally, the natural gas leak backlog goals of other utilities are not dispositive for Con Edison. The question here is what is reasonable for Con Edison in the densely populated New York City metropolitan service area.

### III. Conclusion

For the reasons set forth above, OAG respectfully urges the Commission to require Con Edison to replace 60 miles of leak-prone natural gas pipe in the rate year, independent of and in addition to, any other natural gas pipe otherwise replaced or retired, and to set the Company's natural gas leak backlog at 900 leaks – or less. Both of these requirements will serve to reduce Con Edison's methane emissions and resulting contribution to climate change and enhance the safety of Con Edison's natural gas delivery system.

Respectfully submitted,

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