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Approved as Recommended
and so Ordered
by the Commission

JEFFREY C. COHEN
Acting Secretary

Issued and Effective May 22, 2013

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

April 30, 2013

TO: THE COMMISSION

FROM: OFFICE OF ELECTRIC, GAS, AND WATER

SUBJECT: CASE 04-M-0159 – Proceeding on Motion of the Commission to Examine the Safety of Electric Transmission and Distribution Systems.

RECOMMENDATION: Staff recommends that the Commission allow Con Edison a three month extension to March 31, 2015 to complete the current five-year inspection cycle.

INTRODUCTION

The Electric Safety Standards were adopted in 2005 and established proactive steps for ensuring the safety of the public from stray voltage and enhancing the reliability of the electric systems in the State of New York. The mandate requires each utility to inspect all of its facilities once every five years. Consolidated Edison Company of New York, Inc. (Con Edison or the Company) is subject to a negative revenue adjustment equal to 75 basis points in equity earnings (approximately \$100 million) for failing to meet the inspection requirements.

On January 24, 2013, Con Edison filed a petition seeking an extension of time to complete the five year inspection cycle of its electric facilities. The current inspection cycle runs from January 1, 2010 through December 31, 2014. Pursuant to the

State Administrative Procedure Act (SAPA) §202(1), a notice of proposed rulemaking concerning Con Edison's petition was published in the State Register on February 20, 2013. The SAPA comment period expired on April 8, 2013 and no comments were received.

BACKGROUND

According to the Company, Superstorm Sandy (Sandy) which struck the northeast region on October 29 and 30, 2012 significantly impacted the Company's electric operations throughout its service territory. Con Edison claims that its efforts to restore the electric system to pre-storm condition have delayed the completion of the five year inspection program, which must be completed by December 31, 2014, by over 32,000 inspections. Con Edison states that it has implemented a plan to complete the inspections by December 31, 2014 but that required the Company to allocate needed Company resources "that could otherwise materially assist in meeting vital operating needs, such as, restoring crucial storm-damaged facilities, preparing the electric system for the 2013 summer peak, and addressing system repair work and new business requests" to perform additional inspections and repairs. The Company further claims that with limited resources available to it, a six-month extension of the current inspection cycle would allow the Company to better allocate resources and meet the five year inspection requirement. The Company is not proposing any delay for the next five-year cycle which runs from January 1, 2015 through December 31, 2019. Any inspections that are performed during the extension period will not be counted toward the inspections required for the next five-year cycle.

Therefore, Con Edison requests that the Commission authorize a six month extension of the current inspection cycle to June 30, 2015 to fully complete the five year inspection program. Granting the request would allow the Company to better allocate resources otherwise needed to complete all inspections by December 31, 2014.

The Safety Standards require Con Edison to visually inspect at least 20% of its electric facilities each year during the five-year cycle. By the end of the fifth year, the Company would have inspected 100% of its facilities. Company crews and existing contractors (incumbents) are used to perform the inspections. Con Edison reports that in 2010, 2011, and 2012, it has inspected 24.3%, 20.1%, and 20.6%, respectively, of its overall facilities. The Company has approximately 278,000 underground structures, of which 158,363 still need to be inspected in order to meet the current inspection cycle requirements. In addition, 8,350 structures previously inspected will have to be inspected again for storm flood damage due to Sandy, bringing the total required inspections to 166,713. Con Edison's plan is to inspect 98,361 and 68,352 facilities in each of its last two years of the cycle. If the relief sought by its petition is granted, the Company proposes to perform 71,115, 66,856 and 28,742 inspections in 2013, 2014, and 2015, respectively. Con Edison claims this proposal to be more manageable and achievable.

According to Con Edison, it manages its inspection program by utilizing various resources, including Company field personnel and contractors. Company field personnel includes overhead and underground crews, managers, planners, supervisors, and meter readers. Classroom training is provided to new contractors at the Company's Learning Center as well as periodic on the job training. The Company claims that its field personnel typically complete about 1,000 inspections per month.¹ However, these crews had been involved in post-Sandy restoration activities and did not resume facility inspections until February 2013. This delay resulted in, according to Con Edison, the loss of about three months of inspection time, an equivalent of 3,000 inspections.

Inspections by the incumbent (existing) contractors were suspended for five weeks until December 3, 2012. During this five-week period, the incumbent contractors would have inspected 5,750 facilities. Instead, they were assigned to perform post storm restoration work such as pumping water from structures that were submerged by the

¹ Page 8, paragraph 2 of the Company's petition.

flooding. This restoration work resulted in the additional 8,350 structures that will have to be re-inspected. Con Edison stated that the time required for the incumbent contractors to perform these 8,350 inspections is seven weeks -- time that would have otherwise been devoted to inspecting facilities that had not yet been inspected during the current inspection cycle. The incumbent contractors would require a total of twelve weeks or approximately three months to inspect the 14,100 structures that would have already been inspected if it were not for Sandy.

In addition to having Company field personnel and incumbent contractors perform inspections, Con Edison indicates in its petition that it was planning to use additional contractors through a second vendor starting January 1, 2013. With the additional vendor, the incumbent contractors and the Company crews, Con Edison expected to complete 71,115 inspections for 2013. The post-Sandy storm work, however, delayed the training process for the new contractors by approximately three months. The storm surge inundated the Company's Learning Center where contractor training takes place and resulted in the need to shut down the facility. In addition, the Learning Center training personnel have been reassigned to storm restoration field support causing a lack of qualified resources to train the new contractors. The delay in training the new contractors resulted in a loss of about 15,000 inspections and would require three months to make up the lost time. In total, Sandy has impacted 32,100 (3,000 +14,100+15,000) inspections.

The Company resumed its inspection program on November 25, 2012. The crews that were involved in post-storm restoration activities have recently resumed routine inspection work. The new contractors that Con Edison hired to perform inspections for this year have now completed their training. These new contractors are performing underground structure inspections as well. As of May 1, 2013, Con Edison has inspected approximately 141,000 underground structures leaving 137,000 inspections remaining.

DISCUSSION AND CONCLUSION

Con Edison field personnel activities during Sandy restoration delayed 3,000 inspections, but still could complete 9,000 inspections in 2013 at approximately 1,000 inspections per month, even with the loss of three months. Additionally, the recent revisions² to the Standards require that overhead distribution facilities, underground residential distribution (URD) facilities, overhead and underground transmission structures, and substation fences be tested for stray voltage during mandated inspections on a five-year cycle rather than tested annually. The contractor crews that normally would conduct the stray voltage testing would now be freed up to perform facility inspections. Incumbent contractors that were diverted to Sandy assignments and re-inspections will need three months to complete 14,100 inspections. New contractors were delayed training, and as a result would need three months to complete 15,000 inspections. In light of these issues, the Company provides a reasonable basis to extend the inspection program completion deadline. Based upon Staff's calculations, however, Con Edison should need only an additional three months to complete the inspections for the period January 1, 2010 through December 31, 2014 (instead of the requested six months) by March 31, 2015. Any inspections that are performed during the extension period will not be counted toward the inspections required for the next five-year cycle, which runs from January 1, 2015 through December 31, 2019.

It is recommended that:

- 1) The request by Consolidated Edison Company of New York, Inc. for a six-month extension of time to complete the five year inspection cycle of its electric facilities should be denied;

² Case 04-M-0159, Proceeding to Examine the Safety of Electric Transmission and Distribution Systems, Order Granting Petition in Part and Modifying Electric Safety Standards (issued March 22, 2013).

- 2) Consolidated Edison Company of New York, Inc. should be granted a three-month extension of time to complete the five year inspection cycle of its electric facilities such that the current inspection cycle would run through March 31, 2015 instead of December 31, 2014;
- 3) Any inspections that are performed during the extension period will not be counted toward the inspections required for the next five-year cycle, which runs from January 1, 2015 through December 31, 2019; and
- 4) This proceeding is continued.

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