

SHARED SERVICES PANEL - GAS

CONSOLIDATED EDISON COMPANY OF NEW YORK

SHARED SERVICES PANEL

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I. INTRODUCTION

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Q. Would the members of the Shared Services Panel please state your names and business addresses?

A. Our names are Saddle L. Smith, Kenneth Jack, Terrence J. Walsh, Michelle Campanella, and Matthew Ketschke. Our business addresses are 4 Irving Place, New York, NY 10003 (for Smith, Walsh, and Campanella), 43-82 Vernon Blvd, Long Island City, New York 11101 (for Ketschke), and 31-01 20th Avenue, Astoria, New York 11105 (for Jack).

Q. By whom are the panel members employed?

A. We are all employed by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company").

Q. Please explain your educational backgrounds, work experience, and current general responsibilities.

A. (Smith) I am currently the Vice President of Facilities for the Company. I have been employed by Con Edison since 1982, holding positions of increasing responsibility in a variety of support and operating positions including: Senior Attorney, Law Department; Director of Equal Employment Opportunity Affairs; Director of Facilities Management; Vice President, Electric Operations - Staten Island; and Secretary and Associate General Counsel.

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1 Effective April 2008, I was elected to my current
2 position, Vice President of Facilities. As Vice
3 President of Facilities, I am responsible for operating
4 and maintaining over 40 facilities (office buildings
5 and field operations locations/service centers) within
6 the service territories of Con Edison and Orange &
7 Rockland ("O&R") including: planning and project
8 management; engineering services; environment, health
9 and safety; and office services. I earned a Juris
10 Doctorate from Columbia University in 1978 and a
11 Bachelor's Degree in Classics from Bowdoin College in
12 1975.

13 (Jack) I have been employed by Con Edison since 1994.
14 I started my career with Con Edison as an engineering
15 aide and then entered its management intern program.
16 After completing the intern program, I held a variety
17 of management positions of increasing responsibility in
18 Central Field Services ("CFS"), including Field
19 Engineer, Senior Engineer, Manager, and Section Manager
20 of Regional Operations. In 2004, I transferred to
21 Substation Operations where I was the Section Manager
22 of Operations Planning. In 2006, I was promoted to the
23 position of General Manager, Transportation Operations.
24 I am responsible for all the garages throughout CECONY
25 and O&R as well as Automotive Engineering and Fleet

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Administration. I received a Bachelor of Science degree in Mechanical Engineering from Polytechnic University in 1999.

(Walsh) I have been employed by Con Edison since 1980. I have served as Director of Information Technology Planning in the Company's Information Resources Department for the past 8 years. Prior to my current position, I was Manager of Network Systems, Technical Specialist, and MVS System Programmer. My responsibilities include establishing hardware and software standards for the computing, networking and communications environments. In addition, my area is responsible for defining and implementing cyber security policy for the Company. Prior to that, I managed the Network Systems group. I received a Bachelor of Science in Economics from Albany University in 1980.

(Ketschke) I have been employed by Con Edison since 1995. I was hired as a management intern and have held positions of increasing responsibility within Electric Operations, from Operating Supervisor in Manhattan Electric Construction to General Manager of Brooklyn and Queens Electric Operations. On October 1, 2009, I was assigned the position of Director of the Learning Center. In that position, I am responsible for all of

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1 the technical and skills training at The Learning
2 Center. I also am responsible for the oversight and
3 preparation of the O&M and capital budgets for Human
4 Resources. I hold a Bachelor of Engineering in
5 Mechanical Engineering from Stevens Institute of
6 Technology, a Master of Science in Management from
7 Stevens Institute of Technology, and an MBA from
8 Columbia University.

9 (Campanella) I graduated from Clarkson University,
10 Potsdam, New York with a Bachelor of Science degree in
11 Accounting in 1978 and from New York Law School, New
12 York, New York, with a Juris Doctor degree in 1989.
13 I was a Special Agent of the Federal Bureau of
14 Investigation ("FBI") from 1980 to 2008. Among other
15 duties, I served as the Assistant Special Agent in
16 Charge ("ASAC") in the Washington Field Office, a
17 position that included oversight of the Security
18 Branch. As the ASAC, I was responsible for the
19 protection of the Attorney General of the United States
20 and the Director of the FBI, the physical security of
21 the properties within the Washington Field Office
22 territory, and the investigative services related to
23 personnel security, including polygraphs, background
24 investigations, and clearances. Since September 2008,
25 I have been the Director of Security Services for Con

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1 Edison. As the Director of Security Services, I
2 formulate and direct security policies, practices and
3 procedures for the Company. I direct the investigative
4 and security related activities of twenty-two
5 investigators and staff; act as a liaison with Federal,
6 State and local law enforcement agencies; advise senior
7 executives on security-related matters; direct physical
8 security surveys of Company facilities; and make and
9 implement security recommendations throughout the
10 Company. In addition, I develop specifications and
11 monitor the performance of contract guard services and
12 implement training requirements for Company security
13 personnel.

14 Q. Have any of you previously submitted testimony in a
15 proceeding before the New York State Public Service
16 Commission ("PSC" or the "Commission")?

17 A. All panel members submitted testimony in Case 09-E-0428
18 and some of us testified in Case 08-E-0539.

19 II. PURPOSE OF TESTIMONY

20 Q. Please summarize the Panel's testimony.

21 A. We describe numerous Shared Services efforts needed to
22 support common capital and O&M programs throughout the
23 Company. The dollar amounts reflected in this
24 testimony represent the total dollars for each of the
25 programs. Our request is for the allocated share of

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1 these common programs costs for Con Edison's gas
2 service. The Accounting Panel reflects Gas' allocated
3 share of these common costs in their calculations.

4 Q. Please continue.

5 A. First, we explain the Company's 2011 \$75.6 million
6 capital request for General Equipment. As is
7 demonstrated in our testimony, General Equipment is
8 necessary for the day-to-day operations of the Company.
9 Second, we describe approximately \$500,000 in capital
10 projects for CFS in 2011. These projects are:

11 Warehouse Management System Upgrade and the Logistic
12 Management System.

13 Third, we address Information Technology ("IT") related
14 programs including: Mainframe Operating costs,
15 Computer Hardware and Software costs, ICON Radio
16 Wireless System Improvements, Data Warehousing &
17 Business Intelligence, Data Center Renovation, and
18 Other Business Projects. The total request for IT
19 capital in 2011 for IT programs is \$11.2 million and we
20 have an incremental O&M request of \$2.3 million for the
21 rate year.

22 Fourth, we describe the Company's request for recovery
23 of strike contingency expenses. Additionally, we
24 describe our ongoing capital program that supports our

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1 training programs. We expect to spend \$1.1 million in
2 capital for these programs in 2011.

3 Fifth, we provide information in support of the
4 \$475,000 request in 2011 for Phase 2 efforts of the
5 Single Entry Point Ordering System for the Purchasing
6 Department along with the Department's efforts to
7 minimize costs.

8 Sixth, we addresses the essential topic of building
9 upon the Company's existing security programs by
10 enhancing the capabilities of our Security Operations
11 Center, and hiring two additional technical systems
12 specialists.

13 Seventh, we explain the need to modernize, upgrade, and
14 improve various equipment and infrastructures
15 associated with the various buildings coming under
16 Facilities' responsibilities. Over the next four
17 years, Facilities is planning to undertake nearly 150
18 projects, some small, others large, in the following
19 areas: (1) compliance with environmental, health &
20 safety and regulatory requirements ("compliance
21 projects"), (2) upgrading or improving building
22 infrastructure ("critical infrastructure projects"),
23 (3) improving work space ("programmatic site
24 improvements"), and (4) addressing user requests ("user
25 requests"). We also discuss the Company's on-going

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1 efforts to evaluate and repair the Astoria and
2 Waterside dock facilities. In total, Facilities is
3 requesting \$25.0 million in O&M in the rate year, an
4 increase of \$12.3 million over the historic year, and
5 \$50.9 million in capital in 2011. The O&M increase is
6 attributable to Local Law 10-11 Façade Repairs and
7 Floor renovations at Irving Place, Contractual rent
8 increases at various regional facilities, and the
9 Waterside Dock Repair Project.

10 Finally, throughout this testimony, we also discuss
11 measures that Shared Services is taking to mitigate
12 costs now, in the rate year, and beyond.

13 Q. Have these programs been previously addressed by the
14 Company in other rate proceedings?

15 A. Yes. All of the common programs were addressed in Case
16 09-E-0428 or 08-E-0539. The Panel is not requesting
17 funding for any new programs in this proceeding. We
18 would also note that all of the programs sponsored by
19 the Panel in this proceeding were either previously
20 approved or proposed and not opposed.

21 Q. Before beginning to explain the various programs,
22 please explain the relationship of shared services
23 efforts to the Company as a whole.

24 A. Shared Services efforts are comprised of a number of
25 different functions that support Company operations.

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1 They include logistical support activities, business
2 software development, maintaining and improving
3 computing, communications, and the supply chain
4 infrastructure throughout the Company, hiring and
5 training employees, and maintaining all of the
6 Company's properties. Most Shared Services efforts are
7 common to the Company's Electric, Gas and/or Steam
8 businesses, and, in some cases, to O&R.

9 III. GENERAL EQUIPMENT

10 Q. Please explain the Company's category of capital
11 expenditures known as General Equipment.

12 A. General Equipment represents specific categories of
13 capital equipment that are classified under the Uniform
14 System of Accounts as General Plant. This category is
15 basically all the equipment that is necessary for the
16 day-to-day functioning of the Company. In general,
17 these items have a purchase cost equal to or greater
18 than \$500 and have a life expectancy of more than one
19 year as detailed in Corporate Instruction CI-610-2
20 Section 3.3.

21 Q. Do you have an exhibit, entitled "Capital General
22 Equipment Budgeting, Ordering, and Control," detailing
23 the procedures for General Equipment?

24 A. Yes.

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1 Q. Was this exhibit prepared under your direction and
2 supervision?

3 A. Yes, it was.

4 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-1)

5 Q. What are the categories of General Equipment?

6 A. General Equipment consists of nine main categories of
7 capital plant or "tools." Each is commonly referred to
8 as an XM, which is a unique budget reference coding for
9 the Company's General Equipment. The following is a
10 list of the Company's XM's.

11	Office Furniture	(XM-1)
12	Transportation Equipment	(XM-2)
13	Stores Equipment	(XM-3)
14	Shop Equipment	(XM-4)
15	Laboratory Equipment	(XM-5)
16	Tools & Work Equipment	(XM-6)
17	Miscellaneous Equipment	(XM-7)
18	Communication Equipment	(XM-8)
19	Computer Equipment	(XM-10)

20 Q. Please provide additional detail regarding the nature
21 of, and need for, General Equipment.

22 A. General Equipment represents the tools and work
23 equipment needed to keep the Company functioning. It
24 ranges from desks in the office, trucks for field
25 operations, store room shelving, test equipment to

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1 measure for gas leaks, jack hammers and safety hoists
2 to microwave communication equipment and even the
3 computer used to write this testimony. These "work"
4 tools are necessary and critical for employees to
5 perform their job functions. Normal replacement for
6 use and wear of this equipment or changing operations'
7 requirements create a constant replacement demand to
8 provide the tools for the employees to complete their
9 tasks in a safe and efficient manner.

10 Q. Please discuss the manner in which General Equipment
11 requirements are developed.

12 A. To begin, the Company has identified organizations that
13 act as Control Agencies to meet corporate standards for
14 quality and compatibility for this equipment and also
15 provide for economies of scale in the purchase of this
16 capital equipment. The Control Agencies are:

- 17 • Transportation (XM-2), Stores (XM-3), Laboratory
18 (XM-5), and Tools & Work (XM-6) Equipment - Central
19 Field Services.
- 20 • Communication (XM-8) and Computer (XM-10) Equipment
21 - Information Resources.
- 22 • Office Furniture (XM-1) and Safety & Miscellaneous
23 (XM-7) Equipment - Facilities Management.

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- 1 • Shop (XM-4) Equipment - Maintenance and Construction
- 2 - Van Nest Shops.

3 Q. Please explain how the General Equipment budgeting
4 process works.

5 A. On an annual basis, each Control Agency develops
6 projected costs of capital tools in each XM category.
7 The projected spending levels are based on our
8 historical needs for such equipment and the budget
9 review process in which each organization forecasts
10 their capital equipment needs for five years. A price
11 list is provided to user organizations to assist them
12 in developing their General Equipment requirements.
13 The user organizations notify the Control Agencies of
14 their expected needs by XM category over the next five
15 year period. The Control Agencies review the
16 submissions and compile all the requests. While a
17 final budget is approved for a one-year period each
18 November for each XM category, the finalized list
19 remains fluid because of missing, broken or changing
20 equipment needs from the field and other operating
21 needs.

22 Q. Once the list is finalized, what does the Control
23 Agency do?

24 A. Each Control Agency issues purchase requisitions for
25 its responsible category of General Equipment

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1 throughout the year. The Control Agency function is to
2 standardize the equipment purchased to ensure quality,
3 reliability and the safety of the employees using the
4 equipment. This function also involves the aggregation
5 of all General Equipment purchases to allow for the
6 most competitive pricing. For example, CFS provides
7 for a listing of transportation equipment that can be
8 purchased, such as cars, trucks and mini-vans.

9 Q. Does the Control Agency have a monitoring function for
10 the XM budgets under its responsibility?

11 A. Yes. The Control Agency monitors commitments and
12 expenditures to avoid exceeding the authorization
13 levels established in the approved XM Budgets for each
14 user organization.

15 Q. How much does the Company plan on spending for General
16 Equipment in 2009?

17 A. So far in 2009 (through September), we have expended
18 \$45.7 million in General Equipment, and project
19 spending \$77.4 million in total for General Equipment
20 for 2009. This amount is \$3.8 million lower than the
21 4-year historical average (2005-2008) and \$21.5 million
22 below 2008 actual spending levels.

23 Q. What is the Company requesting for General Equipment
24 over the next three years, starting in 2010?

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1 A. In 2010, we project to expend \$75.5 million, followed
2 by \$75.6 million in 2011 and \$74.1 million in 2012.

3 Q. Are the 2010 forecasted expenditures higher than the
4 2009 projected spending or the 4-year historical
5 average (2005-2008)?

6 A. No. Our forecasts demonstrate that we are trying to
7 keep these expenditures from increasing year over year.
8 This is evidenced by comparing the 2010 request to 2008
9 actual spending, 2009 projected spending, and the 4-
10 year historical average (2005-2008). 2010 is forecast
11 to be \$23.4 million below 2008 actual spending levels,
12 approximately \$2.0 million lower than the 2009
13 projection, and \$5.7 million lower than the 4-year
14 historical average of General Equipment expenditures
15 (2005-2008). These same projections were reflected in
16 Cases 08-E-0539 and 09-E-0428. We would also note that
17 for the five year forecast (2010-2014), the Company's
18 projected spending is at an average of \$76.9 million
19 over the period, which is \$4.3 million lower than the
20 4-year historical average (2005-2008).

21 Q. Do you expect any upcoming year to have a higher than
22 average level of expenditures?

23 A. Yes. In 2013, we project an increase in XM-2 for the
24 replacement of cranes and heavy hauling vehicles for
25 CFS. This vehicle equipment will be coming to the end

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1 of its service life, resulting in a spike in budgeted
2 expenditures in 2013. While the Company strives to
3 levelize routine purchases of vehicles to replace those
4 that have reached the end of their useful economic
5 life, highly specialized equipment, such as cranes, are
6 one-time purchases that appear as anomalies in the 5-
7 year capital plan. These specialized machines can cost
8 between \$500,000 and \$1.5 million. Their replacement
9 is based on the economics of continuing to maintain
10 existing equipment and evaluation of the specific
11 nature of upcoming construction projects.

12 Q. Have you prepared an exhibit, entitled "General
13 Equipment Trends," detailing historic and projected
14 expenditures for XM equipment?

15 A. Yes.

16 Q. Was this exhibit prepared under your direction and
17 supervision?

18 A. Yes, it was.

19 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-2)

20 Q. Do you have additional comments regarding funding XM
21 requirements?

22 A. Yes. The significance of General Equipment is
23 interwoven into the Company's daily operations from the
24 standpoints of reliability, efficiency and safety, and
25 is apparent when visiting a typical work site. As an

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1 example, a Gas Construction crew requires, among other
2 fusing and pipe tapping equipment such as a plastic
3 pipe fusing machine, a step van towing a Termite (small
4 backhoe) on a trailer (XM-2) to deploy the crew to the
5 site. After breaking the concrete with a Jack Hammer
6 (XM-6), the Termite (XM-2) will be used to remove the
7 debris. A requisite examination of the site with the
8 use of a Drager, which is a gas detector (XM-5), tests
9 the atmospheric conditions before proceeding with work
10 and a Gas Measurement Instrument (XM-5) to test for
11 natural gas. The actual work of fusing the pipe
12 requires the mechanic to use different size fusion
13 equipment (XM-6) to install the new section of pipe. If
14 a new service is being installed, tapping equipment
15 (XM-6) will be used to make an opening on the existing
16 supply pipe. The work is recorded into the work
17 management system through a personal computer (XM-10)
18 and then the crew will be routed to the next location
19 through the use of a radio (XM-8) mounted in their van.
20 From this example, it is easy to see how General
21 Equipment is interwoven throughout the Company's daily
22 operations.

23 Q. Do you have exhibits that explain each category of
24 General Equipment?

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1 A. Yes. This information is included as part of Exhibit
2 ____ (SSP-1).

3 Q. Can you now please explain for each category, the type
4 of equipment purchased, the amounts expended in recent
5 years, any mitigation steps taken to control the
6 budget, and the effects of denying recovery for these
7 costs?

8 A. Yes, we can.

9 Q. Please describe the categories of equipment known as
10 XM-3, XM-5, and XM-6.

11 A. CFS' Capital Equipment Group is the Control Agency for
12 XM-3, XM-5, and XM-6. The XM-3 Budget category is
13 designated for the replacement of warehouse and
14 material handling equipment, including storage bins,
15 pallet racks, pipe racks, shelving, and
16 strapping/wrapping equipment. This equipment is used
17 in the central warehouse/ distribution facility and
18 regional storerooms to operate and maintain materials
19 and supplies for electric, gas and steam distribution
20 equipment. The Company maintains a central warehouse
21 to provide materials needed in the routine maintenance
22 and construction of the Company's system, including the
23 gas infrastructure. It also operates approximately 15
24 smaller satellite warehouses at various major workout
25 locations. Some of the key warehouses are located at

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1 Van Nest (Bronx), College Point Boulevard (Queens),
2 Bruckner Boulevard (Bronx), and Eastview (Westchester).
3 All these warehouse facilities are linked via work-
4 processes and computer systems to facilitate the
5 effective use of inventory and critical spare
6 components. Materials are moved to and from the main
7 warehouse as well as to field locations, such as
8 specific street jobs or other electric locations where
9 the material is needed such as a substation. The
10 equipment in the XM-3 budget is necessary for proper
11 storage conditions and to prepare items for secure
12 shipment to their ultimate use.

13 Q. Please continue.

14 A. The XM-5 Budget is designated for the replacement of
15 laboratory testing equipment, which includes volt
16 meters, atmospheric testers, recorders, and pressure
17 gauges. These devices are used by field forces to test
18 and evaluate gas, electric and steam systems
19 components.

20 The XM-6 Budget is designated for the replacement of
21 tools and equipment including portable pumps, chain
22 saws, and hydraulic jacks, pneumatic saws and hammers,
23 parts washers, tire repair equipment, etc. These
24 devices are used by field forces to assist in the
25 installation, repair and maintenance of gas, electric

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1 and steam systems components as well as for the repair
2 of fleet vehicles. Additional information describing
3 the various tools and instruments is included in
4 Exhibit __ (SSP-1).

5 Q. What is the procedure or process associated with the
6 replacement requirements for XM-3, XM-5 and XM-6
7 category?

8 A. Items covered under the XM-3, XM-5 and XM-6 categories
9 are typically replaced when they are deemed beyond
10 economical repair or if a procedure or specification is
11 changed. Procedure and/or specification changes are
12 initiated by the operating department due to operating
13 or work practice changes and can be related to new
14 tasks, improvements in safety, quality or productivity.

15 Q. Can you provide some examples of these changes?

16 A. Yes. An example of this is the replacement of
17 atmospheric gas detectors. The atmospheric gas
18 detectors, included in the XM-5 budget, are used by
19 field mechanics in many organizations throughout the
20 Company to monitor the atmospheric conditions in the
21 areas that they work in, which are typically
22 underground structures. In the past, when the electro-
23 chemical sensors in the older detectors failed, they
24 did not provide an indicator to the operator that it
25 had stopped working. Corporate EH&S addressed this

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1 concern and technology was identified to replace the
2 existing instruments. The new devices not only have
3 sensors that provide an indicator when it fails, they
4 also have the ability to test for additional types of
5 gases, such as hydrogen sulfide.

6 Q. Please explain the ramifications if the Company is
7 unable to acquire and have available the tools and
8 equipment in these categories.

9 A. The current inventory of tools and equipment would need
10 to be maintained beyond their useful life. This would
11 result in increased maintenance and repair costs on
12 older tools and in potential delays to the operating
13 organizations. In addition, if the Company is unable
14 to take advantage of new tool and equipment
15 technologies, such as noise reduction and ergonomics,
16 this could potentially have an adverse affect on
17 employee safety.

18 Q. Do the projected spending levels included in this case
19 reflect any efforts by the Company to minimize
20 expenditures for these tools and equipment?

21 A. Tools and equipment are evaluated before being
22 replaced. Only those that are deemed un-repairable are
23 replaced, except when the equipment is purchased due to
24 operating or work practice changes requiring a new type
25 of device that addresses the new requirement. In

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1 addition, the majority of contracts utilized to
2 purchase new tools and equipment are competitively bid
3 and, where possible, orders are consolidated to take
4 advantage of volume discounts.

5 Q. How much has been spent on these categories in 2009?

6 A. So far in 2009 (through September) we have no spending
7 on XM-3, approximately \$2.6 million in XM-5, and \$2.5
8 million in XM-6.

9 Q. What is the projected spending for 2010 for these
10 categories?

11 A. We project to spend \$598,000 in XM-3, \$5.5 million in
12 XM-5, and \$6.8 million in XM-6 in 2010.

13 Q. How much do you project to spend on these categories in
14 2011-2013?

15 A. For XM-3 we project to spend \$598,000 in 2011, \$598,000
16 in 2012, and \$850,000 in 2013.

17 For XM-5 we project to spend \$5.4 million in 2011, \$5.3
18 million in 2012, and \$5.6 million in 2013.

19 For XM-6, we project to spend \$6.7 million in 2011,
20 \$6.8 million in 2012, and \$6.7 million in 2013.

21 Q. Can you provide, by category, the projected number of
22 devices that you are planning to purchase in 2010?

23 A. Yes. The numbers of devices projected to be purchased
24 by category for 2010 are based upon the historic
25 average for each category (2006 to 2008).

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1 Projected devices are as follows:

2	<u>Budget Category</u>	<u>2010</u>
3	XM-3	113
4	XM-5	1,124
5	XM-6	2,920

6 Q. Can you provide, by category, the projected number of
7 devices that you are planning to purchase in the years
8 2011-2013?

9 A. The projected quantities for 2010 were based on
10 historical purchases. Since expenditures for these
11 categories of equipment are projected to remain level
12 for the years 2011-2013, it can be expected that the
13 quantities for the major categories (identified during
14 2010) will remain relatively constant since the
15 projected level of expenditures for these three
16 categories will also remain constant.

17 Q. Can you also provide the actual historic spending
18 levels for these categories?

19 A. Yes, this information is included as part of Exhibit __
20 (SSP-2).

21 Q. Please discuss the next category of XM equipment.

22 A. The next category is items covered in General Equipment
23 XM-2, which is for Vehicles. The XM-2 category
24 provides for the purchase of mobile equipment, such as
25 trucks, cars, cranes, construction equipment and

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1 forklifts used throughout our operations. The Control
2 Agency for this equipment is CFS Fleet Administration
3 group. Under this category of expenditures, the
4 Company owns approximately 4,300 over-the-road self
5 propelled vehicles, including passenger vehicles, light
6 duty, medium duty and heavy duty trucks and tractor-
7 trailers. Factoring in other pieces of mobile
8 equipment, like backhoes, dump trucks, forklifts and
9 trailers used to move equipment and materials, the
10 Company owns close to 6,300 items of transportation
11 equipment. This figure includes highway, non-highway
12 powered equipment, trailers and mounted equipment for
13 tracking purposes.

14 Q. Please describe the manner in which this equipment is
15 budgeted.

16 A. The XM-2 expenditures, detailed in Exhibit __ (SSP-2),
17 are historical and projected spending related to the
18 replacement of existing equipment. The Company has a
19 pre-determined methodology for selecting mobile
20 equipment based on age, maintenance, and reliability.
21 The methodology is based on the equivalent, uniform,
22 annual cost ("EUAC") method. The method combines
23 factors related to capital cost, residual value and
24 cost of maintenance over the life of a representative
25 asset to determine an appropriate point at which it

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1 makes financial sense to replace an asset. The
2 Company's Transportation department maintains a
3 database of these assets and their associated operating
4 costs. It reviews the information annually to
5 determine which assets to replace based on suggestions
6 from the EUAC model as well as case-by-case evaluations
7 of certain assets.

8 Q. Can you please explain in more detail the methodology
9 employed for that review?

10 A. The Company uses a vehicle replacement methodology
11 referred to as "LC," "life-cycle," optimization model
12 or "the model." The Company uses historical, actual
13 and expected maintenance data as well as cost-of-money
14 considerations to determine the point at which it is
15 most economical to replace an asset rather than face
16 increasing maintenance costs and reduced reliability
17 that would impact our ability to respond to the
18 maintenance of the Gas T&D system. The model reviews
19 the change in maintenance costs as the asset ages and,
20 more specifically, it looks at the rate-of-change for
21 maintenance costs. This optimizes the Company's
22 overall cost to own and maintain these assets since the
23 EUAC method minimizes the area underneath a total cost
24 curve.

25 Q. Is vehicle mileage a consideration for replacement?

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1 A. Since vehicle replacement criteria is driven more by
2 age, maintenance cost and reliability, mileage is not a
3 major consideration for replacement of trucks and
4 equipment. However, mileage plays a more direct role
5 in the replacement decision of smaller passenger
6 vehicles that are used primarily for transportation
7 between locations. Those vehicles typically have
8 between 75,000 and 125,000 miles at the time of
9 replacement.

10 Q. How is that analysis used to budget from year to year?

11 A. The Company maintains a table of various asset-types
12 and their ideal/economic replacement age. This is a
13 starting point and is further refined by looking at the
14 specific assets chosen as candidates for replacement.
15 Based on that review, the Company may either retain an
16 asset that has performed better than its peer group or
17 accelerate the replacement of an asset that is
18 performing poorly. For instance, the current expected
19 life-cycle analysis for a gas step-van indicates it is
20 advantageous to replace these types of assets roughly
21 every 8 years. That analysis, as well as those
22 performed for other classes of assets, is based on
23 nearly 30 years of accumulated maintenance data. The
24 budget process includes a joint review of assets

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1 flagged as beyond their life cycle by CFS and the
2 operating areas.

3 Q. Can you provide the actual historic spending levels?

4 A. Yes, this information is included as part of Exhibit ____
5 (SSP-2).

6 Q. Can you also provide how many vehicles, by category,
7 that you are planning to purchase in 2010-2013?

8 A. Yes, they are set forth in Exhibit ____ (SSP-1) on the
9 pages entitled XM-2 Vehicles.

10 Q. How much has been spent on this category in 2009?

11 A. So far in 2009 (through September) we have spent
12 approximately \$25.5 million in XM-2.

13 Q. How much do you project to spend on vehicles in 2010-
14 2013?

15 A. We project to spend \$35.8 million in 2010, \$34.4
16 million in 2011, \$33.3 million in 2012, and \$43.4
17 million in 2013.

18 Q. What would be the ramifications of not meeting the
19 purchase requirements in this category?

20 A. The cost to operate mobile equipment beyond its
21 economic life quickly compounds. The cost to maintain
22 this equipment can rise substantially in a short period
23 of time, if the replacement of equipment is deferred or
24 delayed. These costs would be flowed through to the
25 operations responsible for maintaining the Gas T&D

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1 systems. Reduced spending on replacement equipment
2 would also mean higher polluting, older and less
3 reliable mobile equipment would be kept in service.
4 Vehicle availability may decrease and, in some cases,
5 equipment would age beyond our ability to purchase
6 replacement parts, the consequence of which would be
7 the introduction of an adverse effect on Gas T&D
8 personnel's ability to respond to emergencies and
9 effect construction of needed Gas T&D projects. The
10 Company cannot operate vehicles, such as step-vans,
11 dump trucks or backhoes that are not road worthy or
12 capable of performing their functions. If adequate
13 numbers of vehicles are not available it directly
14 impacts the Company's ability to perform routine
15 maintenance, complete projects and respond to gas
16 emergencies. Some equipment, were it to fail, could
17 also put the employee operating it at risk. While some
18 vehicles can feasibly be maintained longer than the
19 life-cycle would suggest as "average" performance, some
20 critical equipment can begin to suffer structural
21 failures due to age. These failures can not reasonably
22 be prevented through maintenance programs. Heavy
23 trucks and backhoes are examples of where a
24 catastrophic mechanical failure could result in
25 injuries to equipment operators and the public.

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1 Q. Is there mobile equipment that the Company cannot
2 purchase spare parts for because of the age of the
3 equipment?

4 A. Roughly 20 percent of the Company's fleet is beyond
5 "life-cycle." Replacement vehicles compete with other
6 capital needs of the company. Roughly 7 percent of the
7 fleet is more than 13 years old, and includes about 80
8 pieces of equipment that are more than 20 years old.
9 The issue is not so much not being able to purchase
10 parts, it is primarily the delay in returning equipment
11 to service, where, for example, we need to have some
12 parts fabricated. The intent of our policies is to
13 avoid situations where assets are unavailable due to
14 maintenance. From a cost mitigation standpoint, the
15 Company prioritizes equipment whose replacement can be
16 economically deferred in light of other needs. The
17 Company's exhibits for planned spending in this area
18 already consider several million dollars of deferred
19 replacements that have been rolled forward from year to
20 year.

21 Q. Do the proposed spending levels include any cost
22 additional reduction efforts?

23 A. Yes, the Company's Transportation department
24 periodically evaluates the life-cycle model described
25 earlier. In some cases, Transportation employees have

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1 been able to work with manufacturers and engineer-out
2 high maintenance designs and common causes of failures.
3 For instance, several years ago Transportation's
4 engineers eliminated the use of split-shaft mounted
5 air-compressors on Gas Department step-vans by changing
6 the design to a direct mount unit which eliminated the
7 need for a gear box. The gear box units were high
8 maintenance items and by changing the design,
9 maintenance costs were reduced for these types of
10 vehicles. The department strategically designs
11 purchase agreements to best leverage its buying power,
12 reducing the up-front cost of the equipment. The
13 department also employs highly-skilled mechanics,
14 supervisors and managers, armed with the appropriate
15 systems and technology to effectively diagnose and
16 repair equipment. These three factors reduce initial
17 cost, cost-to-maintain and MTBF (mean-time between
18 failures), all of which translate into being able to
19 prolong the life of our assets and/or maximizing the
20 effect of our capital replacement programs.

21 Q. What effect does prolonging the expected life of an
22 asset have on capital spending?

23 A. Prolonging the life of capital assets allows the
24 Company to maintain or reduce projected spending levels
25 in this category, notwithstanding the need for things

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1 like new diesel-emissions control equipment required
2 since 2007. The 2007 EPA diesel emissions regulation
3 added roughly \$5,000-\$7,000 to the purchase price of
4 every diesel vehicle. The Company purchases roughly
5 170 diesel vehicles that were affected by this
6 regulatory change, at a total cost of roughly \$1
7 million annually. Over the next 5 to 10 years, the
8 cost of the technology and improvements in
9 manufacturing may reduce this cost; however, today it
10 represents a very real constraint on the XM-2 budget.
11 Transportation endeavors to find other ways to extend
12 the economic life of other equipment, or consider
13 simply deferring replacement of equipment that will
14 result in increased costs to customers in the long-run.

15 Q. How are these costs estimated?

16 A. Transportation continually monitors its asset-
17 management systems and projects what equipment will
18 require replacement. This is used to develop a 5-year
19 capital plan.

20 Q. How specific are those estimates?

21 A. The estimates are largely for planning purposes.
22 Transportation uses this information to suggest
23 allocation of annual XM-2 spending among various
24 operating areas for budgeting purposes. However, the
25 specific assets that will be replaced and their

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1 ultimate invoice price are not known that far in the
2 future. The Transportation department develops more
3 specific estimates for the current and the upcoming
4 budget year, whereas later years include only
5 estimates.

6 Q. What does the Company do with vehicles that are
7 replaced?

8 A. Retired equipment is almost exclusively auctioned off
9 by out-of-state, third-party auctioneers to the public.
10 The auction companies are selected based on the type of
11 equipment, and the auctioneer's respective specialties,
12 in order to maximize return to Con Edison. Some
13 specialty equipment has been sold in sealed-bid
14 auctions. In other cases, retired equipment is used
15 for spare parts to maintain other in-service equipment.
16 Vehicles totaled in accidents are sent to a metal
17 recycler or used for spare parts. In rare instances,
18 retired equipment may be donated under a strict
19 internal policy. For instance, Con Edison donated a
20 retired natural-gas powered vehicle to FDNY for
21 training exercises at their Randall's Island training
22 facility.

23 Q. Please continue.

24 A. The next category is for items covered in General
25 Equipment XM-1 "General Office Equipment" and XM-7

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1 "Miscellaneous Equipment." The XM-1 budget category
2 represents the portion of the Capital Budget devoted to
3 the purchase of general office furniture, business
4 machines, modular office partitions, floor carpeting
5 and window air conditioners. The XM-7 budget purchases
6 the Company's miscellaneous equipment, such as
7 cafeteria and kitchen equipment, safety and training
8 equipment, fire protection, audio visual and
9 photographic equipment as well as sign and advertising
10 displays.

11 Q. Please explain the ramifications if the Company is
12 unable to acquire the needed equipment in these
13 categories.

14 A. Our work forces would be prevented from meeting their
15 objectives in an efficient and safe manner. It would
16 also create personnel issues with those employees who,
17 due to their medical conditions, require ergonomic
18 ("ERGO") furniture to be able to perform their duties.
19 Also included in the XM-7 equipment category is the
20 safety lifting devices for employee protection if
21 overcome in confined space to allow lifting out by
22 fellow employees from above. Self Contained Breathing
23 Apparatus ("SCBA") and Respirators with Escape Bottles
24 for entry by employees in work areas where atmosphere
25 suspect to support human life are part of this budget.

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1 Other XM-7 equipment includes ice machines at work out
2 locations to provide ice to keep crews with cool
3 drinking water in the summer and portable respirator
4 mask fit testing devices to ensure no leaks when
5 conditions require employees to wear respirators.

6 Q. What items have historically been purchased in XM-1?

7 A. Over the period 2006 to 2008 we have spent, on average,
8 \$1.9 million for the replacement of furniture. The mix
9 has been on average 40% modular furniture, 24% chairs,
10 12% file cabinets, 12% for ERGO chairs, 6% for tables,
11 3% for window air conditioners and 3% miscellaneous
12 furniture. We believe this mix will remain constant
13 for both 2010 and 2011 as well as into the future.

14 Q. How much do you project to spend on XM-1 equipment in
15 2010-2013?

16 A. We project to spend \$2.2 million in 2010, \$2.1 million
17 in 2011, \$2.0 million in 2012, and \$1.9 million in
18 2013.

19 Q. How much has been spent on this category in 2009?

20 A. So far in 2009 (through September) we have spent
21 approximately \$900,000 in XM-1.

22 Q. Do the levels included in this case reflect any cost
23 reduction efforts by the Company?

24 A. Tools and office equipment are evaluated before being
25 replaced and only those that are deemed un-repairable

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1 are replaced. As a general practice, Facilities
2 recycles desks, chairs and office partitions whenever
3 possible. In addition, the majority of contracts
4 utilized to purchase new tools and equipment are
5 competitively bid and where possible orders are
6 consolidated to take advantage of volume discounts.
7 Note that at any given time, organizational
8 requirements are shifted to meet organization's
9 priorities. Thus, ergonomic chairs or safety lifting
10 and SCBA devices would take priority over office
11 furniture when ordering.

12 Q. What is the mix of equipment purchased in XM-7?

13 A. In 2008, we purchased \$2.6 million in XM-7 equipment.
14 The mix of equipment was 55% Audio and video, 20%
15 Security cameras/card access controls, 15% training
16 equipment and 10% Safety equipment. We expect this mix
17 to remain constant for 2010 and 2011 as well as in the
18 future. So far in 2009 (through September), we have
19 spent approximately \$200,000 in XM-7.

20 Q. How much do you project to spend on XM-7 from 2010 to
21 2013?

22 A. We project to spend \$2.0 million in 2010, \$2.0 million
23 in 2011, \$1.9 million in 2012, and \$1.9 million in
24 2013.

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1 Q. Please describe the category of equipment known as XM-4
2 and its use.

3 A. Construction is the Control Agency for Shop Equipment
4 XM-4. The XM-4 Budget is designated for the replacement
5 of Shop equipment at the Van Nest Shops Operations
6 Facility, the Transformer Shop in Astoria, and Electric
7 Operations Metering Facility located at Van Dam Street
8 in Long Island City. The equipment includes floor
9 grinders, lathes, milling machines, welding equipment,
10 drill presses, jib cranes and hoists, and specialized
11 equipment to repair network transformers and switch
12 gear equipment. The equipment requirement is based
13 upon the work load, which includes emergency
14 fabrication of specialized parts. The mentioned
15 facilities support the electric and gas distribution
16 operations, sub-station operations, and steam
17 generating stations. The impact of not having funds to
18 perform this support work could have adverse impact on
19 delivery time of repairs and fabricating new parts.

20 Q. What are some of the planned equipment replacement for
21 Van Nest's Shop Operations in 2009?

22 A. The Bridgeport Milling Machine, which is heavily used
23 and shows signs of wear, needs to be replaced as it is
24 over thirty years old. A milling machine that exhibits
25 wear will affect accuracy in fabricating parts. We are

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1 also planning to replace the welding machines due to
2 end of life cycle.

3 Q. What is the mix of equipment purchased in XM-4?

4 A. In 2008, we purchased \$645,000 in XM-4 equipment. The
5 mix of equipment was 54% Milling Machines, 32% Flow
6 Jet/ Welding and Cutters, 11% saws and 3% Sanders. We
7 expect this mix to continue in the years 2010 and 2011
8 as well as into the future years. So far in 2009
9 (through September), we have spent approximately
10 \$26,000 in XM-4.

11 Q. How much do you project to spend on XM-4 equipment from
12 2010 to 2013?

13 A. We project to spend approximately \$200,000 in each
14 year.

15 Q. Please describe the categories of equipment known as
16 XM-8 and XM-10.

17 A. The equipment in XM-8 and XM-10 provide the means for
18 Company employees to communicate and access business
19 systems, including the Customer Information System,
20 Outage Management systems, electric, gas and steam
21 monitoring and control systems as well as financial,
22 Human Resource and legal systems. Information
23 Resources' Operations Support Group is the Control
24 Agency for XM-8 and XM-10. The equipment in XM-8 is
25 capital communications equipment, including fiber optic

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1 cables, electronic and optical communications protocol
2 components, transmitters, receivers, amplifiers,
3 reflectors, towers, radio telephones, vehicle mounted
4 radios, walkie-talkies, telephone switches, microwave
5 equipment. The equipment in XM-10 comprises computer
6 equipment used throughout the Company, including
7 laptops, desktops, mobile data terminals, servers,
8 storage, UPS devices, mainframes, printers, plotters
9 and LAN/WAN network equipment, called routers and
10 switches.

11 Q. What is the procedure or process associated with the
12 replacement requirements for XM-8 and XM-10 category?

13 A. Items covered under the XM-10 categories are typically
14 replaced on industry standard practice of 5 - 8 years
15 or as business requirements dictate new technology
16 specifications. XM-8 equipment has an extended life
17 and is replaced at 10-15 year increments. This
18 equipment is mostly carrier grade communications
19 equipment to support voice and other communication
20 requirements.

21 Q. Please provide a summary of the approximate number of
22 PCs, Servers, and Networks within Con Edison.

23 A. As of September 30, 2009:

24 - Number of Desktops: 8,533

25 - Number of Laptops: 5,808

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1 Number of servers: 881

2 - Number of Networks: 1 Logical IP network

3 The numbers are showing a small decrease since March
4 31, 2009. The numbers are strictly a snap shot of the
5 inventory at any given time and are susceptible to
6 routine declines and increases. The higher March
7 numbers included a population of devices that were
8 scheduled to be retired. At the same time, new
9 purchases were entered into the system which also
10 included units slated for retirement but not yet
11 removed.

12 In addition to the corporate network, there are control
13 networks that are separated by firewalls. Firewalls
14 are devices that provide security between networks.
15 Firewalls are used to protect the Gas Control Center
16 and Gas Emergency Response Center ("GERC").

17 Q. How many computer devices are purchased on a yearly
18 basis?

19 A. There has been a steady growth in the total purchase of
20 computer units beginning in 2007 through the current
21 time frame. We anticipate this growth to continue.
22 The projected growth is based on historical trends with
23 an emphasis on the increase in Laptops/MDTs (Mobile
24 Data Terminals) offset by a lessening demand for
25 desktops. The rising number of Laptops/MDTs is based

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on the need for mobile dispatch applications to access corporate data from remote locations. Our mobile workforce requires immediate access to maps and procedures to perform their jobs wherever their work takes them.

Our purchases are identified as:

Category	2007	2008	2009	2010	2011	2012	2013
Desktops	1,774	1,728	1,715	1,700	1,685	1,675	1,660
Laptops/Mdts	1,581	1,732	1,780	1,850	1,900	1,925	1,950
Servers	85	105	113	120	125	125	125
Total	3,440	3,565	3,608	3,670	3,710	3,725	3,735

Q. What is the budgeted level for XM-10 in 2009?

A. The budgeted level for XM-10 is \$21.1 million in 2009. The budgeted costs are based on each organization's forecast for replacement of equipment in the Five Year Capital Plan. Typically, prices for electronics go down offsetting any inflation concerns. So far in 2009 (as of September), we have spent approximately \$11.7 million in XM-10.

Q. How much do you project to spend on XM-10 from 2010 to 2013?

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1 A. We project to spend approximately \$19.8 million in
2 2010, \$20.4 million in 2011, \$20.3 million in 2012, and
3 \$20.5 million in 2013.

4 Q. Please explain the ramifications for the Company if it
5 is unable to meet its projected needs in the XM-8 and
6 XM-10 categories?

7 A. In XM-8, failure to perform upgrades and expansion of
8 the Company's communication systems would result in an
9 increased failure rate and limit performance and
10 capacity of communication services affecting systems,
11 and voice communications. Reliable communications
12 systems and distribution automation systems are
13 required to support field restoration activities and
14 the automation of the distribution system to maintain
15 electric, gas and steam services. Con Edison operates
16 a wireless communication system for distribution data
17 services. The system provides above-street radio
18 coverage and is used to minimize outage duration and
19 provided more rapid restoration during system
20 disturbances, like storms and Gas leak emergencies.
21 Con Edison operates a single master site wireless
22 communication system for voice service. The system
23 provides on-street radio coverage for Con Edison's
24 operations personnel throughout its 660-square mile
25 service territory. The system is essential to Con

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1 Edison's public utility services in both routine and
2 emergency situations, such as Gas outages and Gas leak
3 emergencies. This equipment is essential to provide
4 both system reliability and employee/public safety. If
5 the needed equipment in the XM-10 category were not
6 available, the Company's ability to provide reliable
7 access to all Company computing systems would be
8 adversely impacted. This equipment is necessary and
9 essential to the operations, maintenance and expansion
10 of the electric, gas, and steam transmission and
11 distribution systems, and is also an integral part of
12 other infrastructure and business systems used by other
13 Company organizations, including Customer Operations,
14 Finance and Transportation.

15 Q. Do the levels included in this case reflect any cost
16 reduction efforts by the Company?

17 A. Computer hardware is purchased in bulk and
18 competitively bid to take advantage of volume
19 discounts. Information Resources has initiated
20 programs to optimize its mainframe costs. One such
21 program leverages IBM hardware and software products
22 against non-IBM vendors suggesting suitable IBM
23 replacement products. Through the usage of monitoring
24 tools, we have discovered duplicate functionality
25 between software products as well as products not being

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1 utilized. For products for which there are no suitable
2 IBM replacements, Information Resources has been
3 utilizing contract negotiation best practices from an
4 industry consulting expert, Gartner group, for price
5 and duration of contracts. In addition, through
6 performance tuning, Information Resources has been
7 attempting to improve the run time efficiencies of
8 several of the largest production batch jobs. Con
9 Edison has instituted the use of virtual server and
10 Storage Area Network ("SAN") technology which allows
11 more efficient use of computer hardware and reduces
12 costs.

13 Virtualization of servers allows multiple logical
14 servers to reside on a single physical server and
15 reduce unused computer cycles by 10%, which, in turn,
16 reduces hardware purchases by \$176,000 per year. SAN
17 technology allows storage to be shared by multiple
18 servers instead of dedicated to a single server to
19 reduce stranded storage by 15%, which, in turn, reduces
20 hardware purchases by \$172,000 per year.

21 Q. How are computers used at Con Edison?

22 A. Computers have become critical to business
23 applications. There are over 500 business applications
24 accessed via the Company computers and the number grows
25 each year. E-mail and Calendaring functions are

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1 essential communication and time management tools for
2 employees. Computers provide access to the information
3 and control of the energy management systems used in
4 control centers and customer billing information is
5 accessed directly from the computers.

6 IV. CENTRAL FIELD SERVICES

7 Q. Please explain the services CFS provides.

8 A. CFS is a support organization made up of three major
9 groups: Stores Operations, which operates and manages
10 a central warehouse/distribution facility and regional
11 storerooms that provide materials and supplies for
12 electric, gas and steam distribution equipment,
13 Transportation Operations, which provides maintenance
14 and repairs to the corporate fleet and manages the
15 fleet vehicle replacement program, and Astoria
16 Operations, which provides crane and rigging services,
17 tanker support and material delivery service company
18 wide. CFS also provides logistics and support services
19 during contingencies and other emergencies and manages
20 and operates a hazardous waste storage facility in
21 Astoria.

22 Vehicle Fuel

23 Q. Please explain the recent history associated with the
24 Company's vehicle fuel expenses.

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1 A. In 2007, the Company expended \$10.3 million for 3.8
2 million gallons of vehicle fuel used to run the
3 Company's fleet of 4,300 vehicles. In 2008, the
4 Company expended \$14.7 million for 4 million gallons of
5 fuel for a similar level of vehicles. The price per
6 gallon of gasoline experienced dramatic shifts during
7 2008 alone, ranging from a low of \$2.07 to a high of
8 \$4.35. In 2009, gasoline prices have fluctuated
9 between \$2.35 and \$3.01. Similarly, in 2008 biodiesel
10 fuel ranged from a low of \$3.19 to a high of \$5.40. In
11 2009, biodiesel costs have ranged between \$2.18 and
12 \$2.88.

13 Q. Does Con Edison see any pattern to these costs?

14 A. There was a lot of volatility in 2008; however, we do
15 see an overall trend upwards over the last couple of
16 decades, almost without exception. The Company has
17 seen price-per-gallon increases of 16 percent annually
18 from 2003 through 2007. In 2003, the Company paid
19 \$1.62 per gallon. In 2004, the Company paid \$1.88 per
20 gallon. In 2005, the Company paid \$2.37 per gallon.
21 In 2006, the price was \$2.78 per gallon, and in 2007,
22 it was \$2.90 per gallon. In 2008, despite
23 significantly lower prices in the last quarter, the
24 Company paid an average of \$3.63 per gallon. While
25 prices at the end of 2008 and early in 2009 were

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1 substantially lower (January 2009 average was below
2 \$2.20/gallon), the average price has increased to
3 \$2.88/gallon for the month of September alone and
4 \$2.50/gallon as of September 30, 2009.

5 Q. Can you please explain some of the drivers of vehicle
6 fuel prices seen by the company?

7 A. There are various drivers - world events and economics
8 drive crude-oil prices. To a lesser extent, mandated
9 reformulation of fuels for certain markets has also
10 caused increased prices. The U.S. EPA enacted
11 requirements in 2006 that effectively required all new
12 on-highway diesel vehicles to dramatically reduce
13 harmful emissions. This was accomplished, in part, by
14 requiring a reduction in sulfur content of on-highway
15 diesel fuel. The new formulation (referred to as
16 ultra-low sulfur diesel or "ULSD") requires some
17 differences in the refining process that increased the
18 cost. Additionally, the Department of Energy regulates
19 the fleets of "fuel providers." We are obliged to use
20 an increasing portion of alternate or renewable fuels
21 annually. The Company considered several options and
22 has chosen biodiesel as part of its plan to meet
23 Department of Energy regulations. This fuel comes at
24 an additional premium.

25 Q. What is the situation with vehicle fuel prices now?

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- 1 A. While the existing economic situation may have
2 precipitated the decline in oil and petroleum
3 distillate prices in the last six months of 2008, all
4 indications are that markets hit bottom at the
5 beginning of 2009 and that prices will rise throughout
6 2009, 2010 and the RYE 2011.
- 7 Q. Please explain the Company's philosophy for estimating
8 vehicle fuel costs for the purpose of reflecting an
9 appropriate forecasted amount in rates.
- 10 A. Based on the foregoing, the rate request reflects the
11 amount in the historic year that was expended for
12 vehicle fuel. Due to the volatile changes in this
13 market, the Company proposes that it update these costs
14 during this proceeding at the latest date permissible.
15 Waiting until a later date will provide the most
16 accurate forecast of this volatile commodity and allow
17 incorporation of later forecasts when they become
18 available. In fact, the Commission's Order in Case 08-
19 E-0539 (p. 76, footnote 109) used the March 10, 2009
20 DOE forecast to develop the revenue requirement in the
21 current rate year. By adopting this logic, the
22 September 2010 DOE forecast will provide timely fuel
23 pricing information relative to the rate year.
- 24 Q. Is the Company suggesting it requires additional
25 funding for vehicle fuel? If so, can you explain why?

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1 A. The Company is not necessarily suggesting it needs
2 additional rate relief. The Company is only seeking to
3 develop a viable methodology to describe expectations
4 and revenue requirements associated with the expected
5 cost of fuel. This method may produce an increase or a
6 decrease in the revenue requirement. However,
7 ultimately, the Company seeks to recover the actual
8 expenses for fuel. We would note that this same
9 methodology was proposed in Case 09-E-0428 and the
10 testimony of the Staff Accounting Panel (p. 84)
11 accepted using this methodology.

12 Q. Have you prepared an exhibit detailing historic and
13 projected expenditures, entitled "VEHICLE FUEL COSTS?"

14 A. Yes, we have.

15 Q. Was this exhibit prepared under your direction and
16 supervision?

17 A. Yes, it was.

18 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-3)

19 Q. What is your estimate of rate year vehicle fuel costs
20 based on?

21 A. We have developed a formula to account for the
22 Company's cost of vehicle fuel based on the Department
23 of Energy, Energy Information Administration's - Short-
24 Term Energy Outlook (DOE EIA-STEO) report. As we
25 explained in Cases 08-E-0539 and 09-E-0428, we believe

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the STEO report provides the most useful independent reference for future fuel prices. Our formula considers the net effect of our bulk purchase agreements, effect of local taxes and fees and in the case of biodiesel, the bio additive. The method expressed as formulas are shown below for gas and diesel. For consistency with DOE reference data, the "historic year" in this context is the calendar year 2008.

Gasoline:

$$\left[\frac{\text{Con Edison Historic Year (Calendar 2008) Average } \$/\text{gallon}}{\text{DOE Historic Year (Calendar 2008) PADD-1 } \$/\text{gallon}} \right] * (\text{DOE Future PADD-1}) = \text{Con Edison Future } \$/\text{gallon}.$$
 The product of this calculation would be multiplied times the gallons of fuel used.

Using this formula for the rate year, we would have the following calculation -- $(\$3.482/\$3.248) * (\$2.392) = \$2.564$; then $\$2.564 * 2,000,000 \text{ gallons} = \$5,128,000$ expected gasoline expenditures for RYE 2011

Diesel (B20 Biodiesel):

$$\left[\frac{\text{Con Edison Historic Year (Calendar 2008) Average } \$/\text{gallon}}{\text{DOE Historic Year (Calendar 2008) National Average } \$/\text{gallon}} \right] * (\text{DOE Future National$$

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1 Average) = CECONY Future \$/gallon. The product is
2 again multiplied times the gallons.

3 So, for diesel, we would have $(\$4.028/\$3.80) * (\$2.69)$
4 = \$2.851; and then $\$2.851 * 1,950,000$ gallons =
5 \$5,560,230 expected B20 biodiesel expenditures for RYE
6 2011.

7 Q. Please explain the basis for this formula.

8 A. This formula basically develops a relationship between
9 Con Edison's cost for fuel and the federal government's
10 actual and projected price for fuel. By comparing the
11 two, a relationship is drawn between the average cost
12 as projected in the STEO, and the local prices that the
13 Company expects to pay for fuel. It also accounts for
14 any discounts the Company receives for its bulk
15 purchases.

16 Q. Is this methodology displayed anywhere?

17 A. Yes. Exhibit __ (SSP-3, at B-1 and B-2) demonstrates
18 how actual historical gasoline and biodiesel
19 expenditures track against the DOE references. The
20 Company has described this relationship as a formula
21 and used that formula to project fuel expenditures.

22 Q. Has the Company also prepared a spreadsheet that
23 enables it to quickly calculate future projections?

24 A. Yes. Exhibit __ (SSP-3, pp. 6-7) was prepared in
25 response to DPS28-250 in 09-E-0248. This response

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1 demonstrates the link between DOE projections and
2 projected CECONY fuel costs based on past relationships
3 between those data-points and confirms that the
4 Company's formula is a reasonable method for
5 determining vehicle fuel costs in the rate year.

6 Q. Do you suggest using the information directly from the
7 EIA STEO report to develop prices?

8 A. No. This is simply because the EIA STEO report does
9 not project prices on a regional basis. While the
10 DOE/EIA reports local information retrospectively, its
11 forecasts are regional in nature at-best. DOE data
12 points can be used as a basis for future projections,
13 but they must be corrected for New York State, the
14 terms of our bulk fuel contracts and the use of
15 biodiesel using historical data available from the
16 company and through organizations like the DOE, Oil
17 Price Information Service ("OPIS") and American
18 Automobile Association ("AAA").

19 Q. Are there any ways you mitigate fuel cost?

20 A. We mitigate cost by operating private fueling stations
21 and through our bulk purchase agreements. For
22 instance, those purchase agreements reduced the cost of
23 vehicle fuel by approximately \$472,000, or
24 \$0.24/gallon, in 2008 compared to what would have been
25 seen in the retail market. For the 9 months ending

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1 September 2009, the cost of in-house fuel was roughly
2 \$600,000 less than had we purchased fuel in retail
3 outlets.

4 Q. Are there any ways you can mitigate fuel consumption?

5 A. Behavioral management plays a role in conserving fuel.
6 Employees who operate Company-owned vehicles are
7 reminded periodically about ways to improve their fuel
8 economy. Some newer vehicles automatically shut off
9 the vehicle if it idles too long and we are examining
10 other technologies to provide a better use of petroleum
11 resources, however even if a product is found to meet
12 all our requirements, it will take some time to
13 implement throughout the fleet and to an extent
14 sufficient to impact consumption in any meaningful way.

15 Q. Are there other initiatives that might have a greater,
16 quantifiable impact?

17 A. We continue to examine the possible benefits of using
18 Compressed Natural-Gas ("CNG"), hybrid vehicles and
19 other technologies to reduce the amount of fuel used by
20 mobile equipment as we construct and maintain our gas
21 infrastructure. We have purchased some hybrid vehicles
22 to be used by employees, but there are no commercially
23 available and cost-justified hybrid offerings for the
24 biggest consumers of fuel - trucks and other heavy
25 equipment. We are working with R&D to develop

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1 technologies to facilitate our crews working with
2 electrically powered equipment on job-sites, but that
3 is also a few years at best from a production
4 technology.

5 CFS - Capital Projects

6 Q. Please identify the capital projects CFS is projecting.

7 A. CFS is projecting work on two computer systems: an
8 upgrade to the existing Warehouse Management System
9 ("WMS") and additional operating modules for the
10 existing Logistics Emergency Management System
11 ("LEMS").

12 Q. What are the costs of these systems and what are the
13 anticipated in-service dates?

14 A. The LEMS project is estimated to cost \$1.8 million and
15 the estimated completion date is during 2013. The
16 upgrade to the WMS system is estimated to cost
17 approximately \$525,000 and is estimated to be completed
18 in 2012. The \$750,000 in 2013 for the WMS system is
19 the cost estimate associated with conducting a Phase
20 "0" study for the implementation of a work management
21 system for CFS.

22 Q How much do you project to spend on these projects in
23 2010-2013?

24 A For the WMS System upgrade, projected spending amounts
25 to \$250,000 in 2011, \$275,000 in 2012 and \$750,000 in

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1 2013. For the LEMS system, spending is projected to be
2 \$250,000 in years 2010 and 2011 and \$275,000 in 2012.

3 Q. Have you prepared exhibits entitled "Logistics
4 Emergency Management System and Warehouse Management
5 System" detailing these projects?

6 A. Yes.

7 Q. Were these exhibits prepared under your direction and
8 supervision?

9 A. Yes, they were.

10 MARK FOR IDENTIFICATION AS EXHIBIT ____ (SSP-4)

11 Q. Can you please explain WMS?

12 A. The WMS, installed in 2004, is a vendor-based product
13 used by Astoria Stores personnel to assist in managing
14 the materials received, inventoried and picked at the
15 warehouse. It is a wireless system that uses portable
16 devices for the recording of material received and
17 removed from the warehouse. The material removed from
18 the Astoria warehouse is then transported from Astoria
19 to the Company's satellite storeroom facilities for
20 disbursement to ultimate user organizations.

21 Q. How does this system assist stores personnel in the
22 daily operation of the warehouse?

23 A. Smartinfo is the system's main reporting tool. The
24 reporting function produces shipping manifests, vendor
25 performance reports and a significant number of reports

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1 related to the management and movement of material.
2 The system is a valuable tool for managing material
3 flow in and out of the Astoria Warehouse.

4 Q. Why do you need to upgrade the WMS?

5 A. Like most computer systems produced by vendors, the
6 life expectancy of the product is limited. New
7 versions are produced that incorporate updates that
8 impact the performance of the system. Support for the
9 older version from the vendor will end in 2011 and the
10 only alternative is to upgrade to the current release
11 (new version).

12 Q. Do you have an exhibit that provides additional details
13 associated with WMS?

14 A. Yes. The details are shown in Exhibit ____ (SSP-4), on
15 the page entitled "Warehouse Management System."

16 Q. Please discuss the LEMS.

17 A. LEMS is an application that will source, track, and
18 monitor Company-owned or rented equipment or services
19 for emergency or non-emergency conditions, planned or
20 unplanned outages, system support, or system
21 enhancements. Additional details are shown in Exhibit
22 ____ (SSP-4), on the page entitled "Logistics Emergency
23 Management System."

24 Q. Please continue.

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1 A. LEMS will provide improved management and real time
2 tracking of resources, such as mobile electric
3 generators ("MEGS"), tankers, mobile command vehicles,
4 cranes, and light towers, and the ability for upper
5 management, requesting organizations (Control Center
6 Shift Managers, General Managers, Energy Services, and
7 Incident Commander) and external agencies to monitor
8 this information. The application will also be able to
9 provide financial reporting for projected requirements
10 and actual utilization.

11 Q. What will this system do for the operating
12 organizations within the Company?

13 A. The system will provide operating organizations the
14 ability to request logistical support in a more
15 efficient manner by entering the request directly into
16 a web-based application without having to call the CFS
17 Operations Control Center. This system also allows the
18 operating organization to view the status of the
19 request and resource activity in real time. This will
20 enhance the operating organization's ability to plan
21 work and manage resources more effectively. Without
22 LEMS, the ordering, tracking and overall management of
23 logistical resources required by operating
24 organizations is handled via phone calls from the
25 requesting organization to the CFS Control Center.

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1 This sometimes leads to delays in ordering material as
2 well as time lags in the obtaining information, which
3 can negatively impact planning and work management.
4 LEMS will significantly improve on the current practice
5 primarily by providing more complete, accurate and
6 timely information.

7 Q. What benefit does the Company receive from this system?

8 A. Currently, the Company uses various manual processes
9 to manage the deployment and tracking of resources,
10 such as MEGS, tankers, cranes and light towers. These
11 processes require numerous interactions and hand-offs,
12 with the potential of creating delays and duplicative
13 efforts. Furthermore, a significant amount of effort
14 is spent documenting and reporting this information
15 with the possibility of reporting inaccurate data.
16 While performing post-event reconciliation, the
17 manpower required is extensive to respond to inquiries
18 as well as for financial reporting purposes. The need
19 for this type of system is evident during large scale
20 emergencies as well as other smaller events and drills
21 the Company periodically conducts to test its ability
22 to respond to incidents. The development of this
23 system will provide Con Edison with a significantly
24 more efficient and effective means of managing
25 resources and communicating the status of these

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1 resources with operational areas, which is an important
2 component of the Incident Command System. This is
3 particularly critical during emergencies when time is
4 of the essence and the failure to deliver the correct
5 resources in a timely manner could have serious adverse
6 consequences.

7 Q. Can you provide additional information on cost savings
8 associated with LEMS?

9 A. Anticipated cost savings associated with LEMS fall into
10 two primary areas as follows: reduction in overtime and
11 direct vendor O&M costs. LEMS will result in reduced
12 overtime because it will allow the Company to more
13 efficiently respond to external agency inquiries,
14 perform data compilation and analysis, and approve
15 invoices. In the past, overtime may have been required
16 to perform tasks such as completing documentation
17 required for environmental reporting, reporting
18 performance metrics, maintaining historical archives as
19 well as providing complete and accurate information for
20 payment of invoices.

21 A second area of anticipated savings includes a
22 reduction in vendor related costs. This is because
23 LEMS will provide improved data compilation and
24 reporting functions, which, in turn, will allow for
25 better management of vendor related costs. This is

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1 because having this information will allow for
2 optimizing vendor selection and the utilizing of in-
3 house versus vendor resources.

4 Q. How specifically will LEMS support the gas system?

5 A. LEMS provides for the improved management of equipment
6 and resources used by all of the Company's commodities.
7 As it relates to the gas system, LEMS is used to manage
8 generators that could be called into service at gas
9 tunnel head houses, the LNG facility, and gas pumping
10 stations. Furthermore, LEMS will be utilized for
11 managing the deployment of mobile command vehicles in
12 support of gas emergencies, managing transport vehicles
13 for drip water drums, light tower deployments, and the
14 like.

15 Q. What progress has been made on the development of the
16 system?

17 A. The initial module of the system has already been
18 completed and is being utilized for the sourcing,
19 mobilizing and tracking of Company-owned and leased
20 MEGS. Rate relief is being requested to continue the
21 development of LEMS to include other modules for
22 tankers, cranes, command vehicles and other logistics
23 equipment, such as light towers, and arrow boards. By
24 adding these additional modules to LEMS, CFS will be
25 able to manage all of the resources cited with a single

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1 automated system. If we do not add in the other
2 modules, there will be different systems used for each
3 resource, e.g., LEMS for generators, a spreadsheet for
4 tankers and command vehicles, and other handwritten or
5 ad hoc spreadsheets for the other resources. By having
6 LEMS manage all resources, we expect to be able to
7 service the operating departments better, which will
8 ultimately benefit the customer through improved
9 operations. Limiting LEMS to generators alone will
10 also result in the sub-optimal use of the LEMS
11 platform.

12 CFS Cost Mitigation

13 Q. What does CFS do to minimize costs?

14 A. As described earlier, CFS is a large organization
15 comprising many areas, including vehicle garages,
16 storerooms, trucking, cranes and rigging, and waste
17 processing. Over the past several years, CFS has
18 expanded its operational support without significant
19 staffing increases. In addition, the following
20 initiatives achieved cost savings/avoidances in either
21 capital or O&M.

- 22 • Fleet Vehicles - Roughly 75 hybrid vehicles were
23 integrated into the fleet in 2008 and, in 2009, an
24 additional 47 units were purchased. Transportation

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1 has also re-entered the CNG market with the purchase
2 of 15 CNG cars in 2008 and an additional 10 CNG cars
3 were purchased in 2009. These fuel efficient
4 vehicles are expected to lower fuel costs slightly
5 over the life of the vehicle. More of these
6 vehicles are required to make a significant impact
7 on annual fuel consumption in the near-term.

8 Transportation is using its relationship with
9 several suppliers and manufacturers to obtain skills
10 training for our staff of mechanics. Improved
11 skills have allowed Transportation to address a
12 larger and more demanding fleet with no staffing
13 increases.

- 14 • Stores has consolidated Supply Rooms in several
15 regional locations. This has improved the supply
16 chain process, eliminated double handling of
17 materials and gained better control of inventory.
18 For example, in Van Nest, the Electric Operations
19 supply room was consolidated with the Regional
20 Storeroom and it has resulted in the elimination of
21 one full time stores position. Similar
22 opportunities are being explored with Gas
23 Operations.

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1 • Waste Stream Processing - As explained in the
2 Facilities portion of this testimony, Environmental
3 Operations received a renewed and expanded Part 373
4 Hazardous Waste Storage Permit from the New York
5 State Department of Environmental Conservation
6 ("DEC"). Astoria is now authorized to accept
7 additional waste streams, such as lead, cadmium,
8 chromium, benzene, and other federal ("RCRA")
9 hazardous waste streams. The new process
10 consolidates and bulks waste at Astoria before
11 sending it directly to final disposal or recycling
12 facilities and will reduce costs through economies
13 and efficiencies of scale and shared service.

14 • In support of Con Edison's Resource Conservation
15 Policy, CFS entered into an agreement with Hydrodec
16 North America, LLC for them to buy our used
17 transformer oil and have it refined and reused.
18 Although this supports the electric system, it
19 results in an economic savings by eliminating a
20 company waste stream.

21 Q. Does CFS have any cost minimization plans for 2009 and
22 beyond?

23 A. Yes, Transportation plans to continue buying fuel
24 efficient vehicles, including hybrid vehicles and CNG

1 powered units. Transportation is also working to
2 automate several administrative functions. In
3 addition, Stores plans on continuing to consolidate
4 storerooms throughout the regions. Also, the
5 Environmental Operations area is finalizing plans to
6 introduce barcode scanning technology that will improve
7 the productivity of the group as it manages additional
8 waste streams.

9 V. INFORMATION RESOURCES

10 Q. What is the organizational structure of Information
11 Resources?

12 A. Information Resources provides all the computer support
13 for the Company. The group is divided into five
14 sections. They are the Application Services section,
15 Information Technology Planning, Technology Services,
16 Quality Assurance/Contract Administration, and
17 Operation Support.

18 Q. Please describe the functional responsibilities of the
19 five sections.

20 A. Application Services provides and maintains computer-
21 based applications for Con Edison. This group
22 facilitates change of business practices and processes
23 through the use of enabling technologies, and
24 information and application software. Examples of this
25 include the Human Resources' Payroll System, Customer

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1 Bill Redesign effort, and the Computer Dispatch
2 Timecard ("CAD") project.

3 Information Technical Planning establishes hardware and
4 software standards for the computing and communications
5 infrastructure introduces new technology into the
6 architecture and is responsible for cyber security
7 policy. Information Technology Planning also provides
8 planning and operations support for the Corporate
9 Communication Transmission Network ("CCTN"), a private
10 communications network as well as multiple Company
11 owned radio and telephone systems.

12 Technology Services provides the organizational support
13 and operations for the Company's information technology
14 in the areas of data and visual communication,
15 equipment, and infrastructure. This includes design
16 implementation, maintenance and technical support.

17 This group also maintains the corporate data centers
18 and supports disaster recovery.

19 The Quality Assurance/Contract Administration group
20 assures quality for Information Resources processes in
21 areas of EH&S, operational security and audit
22 management. They provide administrative services for
23 corporate computing and telecommunications contracts,
24 and managing the telecommunications budget, including
25 clearing accounts that charge IR work to using

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1 departments. The group also satisfies various requests
2 for communications hardware, including pagers, cellular
3 phones and blackberries.

4 The Operations Support group plans and coordinates
5 areas relating to finance, budget, and personnel. They
6 also administer contracts for computer hardware and
7 services.

8 Q. Please describe the program changes addressed in this
9 testimony.

10 A. We will provide the status of five previously approved
11 Capital programs in Case 09-E-0428 as well as two O&M
12 programs from the same case. The five Capital programs
13 include SCADA Net, ICON Radio Wireless System, Network
14 Operations Center, Data Warehousing and Business
15 Intelligence, and Other Business. The O&M programs
16 include the Computer Cost Program and the Mainframe
17 Operating & Maintenance Cost Program. In total, we are
18 asking for \$13.0 million in capital for IT programs in
19 2010, \$11.2 million in 2011, \$9.2 million in 2012 and
20 \$13.9 million in 2013. Our O&M request includes \$11.5
21 Million in RYE 2011, \$11.9 Million in RYE 2012, and
22 \$12.3 Million in RYE 2013.

23 Q. Do you have exhibits detailing these programs?

24 A. Yes.

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1 Q. Were these exhibits prepared under your direction and
2 supervision?

3 A. Yes, they were.

4 MARK FOR IDENTIFICATION AS EXHIBITS __ (SSP-5, SSP-6)

5 Q. Please explain the SCADA Net Program.

6 A. Supervisory Control and Data Acquisition ("SCADA") is
7 an application that provides remote control and
8 monitoring of a class of assets, in this case, gas
9 utility assets (e.g., valves, sensors), which are used
10 to deliver gas reliably, efficiently and safely. The
11 SCADA Network program is a program to design and build
12 a single secure electronic network to support SCADA
13 applications for the differing operations of the
14 Company. The network will link control centers and
15 plants using a private Company network and provide
16 secure ingress points to access field assets using
17 secure wireless communications to control assets in the
18 field and collect critical data to support the
19 operation.

20 Q. Have you prepared exhibits that provide further
21 information on the SCADA Program?

22 A. Yes. Additional information is shown in Exhibit __
23 (SSP-5) on the pages entitled "SCADANET."

24 Q. Why is the SCADA Network required now?

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1 A. Con Edison currently maintains multiple SCADA networks
2 to provide reliable energy delivery systems for
3 electric, gas and steam. These systems can be
4 maintained individually because they use serial point
5 to point connections (phone lines, mechanical field
6 assets) and limited amounts of data from field devices
7 is available for analysis. However, today, new
8 technology has added microprocessors, both in the field
9 and throughout the Company's environment, that have new
10 capabilities to improve control and access real-time
11 operational data not previously available. This new
12 technology introduces the need for a holistic cyber
13 security approach on a single network infrastructure.
14 As these new technologies are deployed, a single secure
15 SCADA Network is required to securely operate the
16 Company's systems.

17 Q. Has the Company already started working on SCADA Net
18 applications?

19 A. Yes. In fact, proof of concept field installations
20 began appearing during the latter part of the past
21 year.

22 Q. Please provide a description of the proposed network
23 design.

24 A. The proposed network will link Electric transmission,
25 distribution and gas control centers in a ring topology

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1 via private fiber that is already available. Each
2 control center will have firewall and Intrusion
3 Detection Systems at the ingress/egress points. Gas
4 plant locations and Electric substations will be
5 connected to the core ring at two points for redundancy
6 and diversity. Less secure connections entering the
7 network from non-Company locations (carrier services or
8 field assets) will require additional security scrutiny
9 before entering the core.

10 Q. Is this a multi-year program and if so, what additional
11 costs are associated with this request?

12 A. Yes, we are projecting capital expenditures for the
13 years 2010 - 2012 totaling \$4.9 million. The amounts
14 are broken out in 2010 for \$1.9 million, in 2011 for
15 \$1.63 million, and in 2012 for \$1.37 million. No work
16 has been initiated on the SCADA Network to date, only
17 on Smart Grid Proof of Concept applications. The plan
18 was developed during the second half of 2008 after
19 meetings with electric, gas, steam, R&D and other
20 utilities. This will provide a more reliable and
21 secure infrastructure. The expectation is to begin
22 implementation of this project in the first quarter of
23 2010.

24 Q. Please describe the Company's existing radio.

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1 A. The Company has an 800 MHZ iDEN radio system that is
2 used for communication between field crews and control
3 centers, and for emergency communications by Electric,
4 Gas & Steam. The radio system consists of 23 cell
5 sites dispersed throughout the service territory and
6 one master site which are located at 4 Irving Place.

7 Q. Please describe the improvement projects associated
8 with the 800 MHZ system.

9 A. Over the upcoming three year period, five projects have
10 been identified to improve performance and extend
11 coverage:

12 **Mount Vernon Site:** A new iCON omni-directional radio
13 site is proposed to provide reliable coverage and
14 improved quality of service for voice communications in
15 the Mount Vernon area. This will add additional
16 benefits to the Distribution Automation System ("DAS")
17 which controls the overhead distribution network.

18 • **Replacement of 800 MHZ Portable Radios:** In total,
19 the existing iCON user radio population consists
20 of 3,500 Motorola radios, either mobile (in
21 vehicles) or portable (handheld). There are 2,500
22 portable radios, and 1,000 mobile, desk base and
23 dispatch radios. The 2,500 portable radios were
24 purchased and deployed when the radio system was

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installed in 2002. Replacement will result in an estimated annual savings of \$70,000 in repair costs. The cost of repairing the radios has increased over the years and the cumulative costs will soon approach that of a new portable radio for the majority of the radios. In fact, for those that are used in the most demanding operating environments, the costs for repair already exceeds replacement. A program to replace the 2,500 portable radios is proposed to provide continued reliable communications, improved voice quality and to avoid the increasing costs associated with maintaining the aging population. A single portable device will also simplify the maintenance and support processes. The expectation is that maintenance costs and needs will remain flat based on increasing number of radios and newer units. Costs for additional radio units required for future years have been incorporated into the Five Year Capital Forecast.

• **Replacing United Hospital with iCON at Rye Service**

Center: The existing United Hospital Residence (assisted living) building located at United Hospital is scheduled for demolition. The

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1 hospital is closed and the property has been sold.
2 The scope of work includes construction of a 180'
3 tower, installation of local power, direct
4 connection to CCTN at Rye, and relocation of a
5 fully operational shelter, including an integrated
6 back-up generator. Secondary benefits of
7 relocation to Rye include the elimination of
8 rental fees for a commercial property, discussed
9 below, and the savings of utilizing existing
10 Bedford iCON shelter and equipment, which is
11 scheduled for decommissioning. This includes an
12 additional savings of rental fees.

- 13 • **Consolidating Empire State Building ("ESB") &**
14 **Buchanan Substation:** Consolidation and upgrades
15 for these two sites are essential to replacing
16 obsolete and near obsolete infrastructure, improve
17 radio reliability, reduce rent costs, and increase
18 safety of sites.
19 At ESB, the plan is to: reduce the overall room
20 footprint; replace inadequate HVAC systems;
21 modernize electrical distribution; decrease energy
22 usage; rebuild the grounding system; and improve,
23 fortify, and upgrade lightning protection for

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1 personnel safety and reliability of network
2 systems.

3 At the Buchanan Substation, the plan is to retire
4 and relocate all communication facilities located
5 at Buchanan Service Center to a prefabricated
6 communications shelter at Buchanan Substation,
7 which will support all telecommunications and
8 radio systems in the area.

9 • **Implementing Microwave Backhaul Links:** iCON Radio
10 and DAS remote sites require backhaul circuits to
11 link voice and data to back end systems and users.
12 The majority of our sites must rely on a single
13 public carrier circuit for this function.
14 Microwave backhauls at these locations would
15 provide a redundant and diverse communications
16 link needed for reliability of these systems. By
17 adding additional private links, availability and
18 reliability is increased through carrier
19 diversity.

20 Q. Is this a multi-year program?

21 A. Yes, we are projecting capital spending for the years
22 2010 - 2012 of \$3.8 million for the radio systems
23 projects. The amounts are broken out in 2010 for \$2.17

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1 million, in 2011 for \$1.14 million, and \$500,000 in
2 2012.

3 Q. Please summarize the costs and expected savings for the
4 radio system programs.

5 A. The Company is proposing 5 projects at a total cost of
6 \$3.8 million. The programs described below are
7 intended to improve reliability of critical voice
8 communications, and radio coverage to field crews. The
9 proposed programs will result in decreased costs to
10 support the existing radio systems of \$320,000,
11 annually, however, the total costs for future
12 maintenance are expected to remain flat as a result of
13 increased use and expanded coverage and capacity. The
14 expectation is that these savings will offset other
15 increases needed to improve coverage, increase capacity
16 and purchase additional radios. As such, there are
17 effectively no savings.

18 Q. Have you prepared an exhibit that provides further
19 information on Radio Systems?

20 A. Yes. Additional information is shown in Exhibit __
21 (SSP-5) on the pages entitled "ICON Radio Wireless
22 System (iCON, & Microwave) Improvements."

23 Q. Please describe any mitigation efforts that could defer
24 the cost of the proposed programs.

25 A. The following efforts were identified:

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- 1 • iCON radios - Implement radio inspection refurbishing
2 program and battery replacement program. The cost of
3 this program will be \$500 per radio compared with the
4 \$1,000 to replace each of the estimated 2,500 radios in
5 service on the iCON system. This could defer
6 replacement for two years, at which time the radios
7 would need replacement. Additionally, replacement at
8 this time will result in an estimated annual savings of
9 \$70,000 in repair costs.
- 10 • RYE-SC iCON site - Supplement with Sprint/Nextel
11 service. The annual savings will be the avoided annual
12 rent for United Hospital (\$60,000) and Bedford
13 (\$40,000) for a total annual savings of \$100,000 over
14 the lease term.
- 15 • ESB Consolidation - Replace HVAC & DC plant. The cost
16 to implement the interim solution is \$120,000 compared
17 with the \$250,000 estimated to consolidate the existing
18 equipment in a smaller footprint and remove the three
19 large microwave dishes. The consolidation will result
20 in reduction in the annual rent cost from \$578,000 to
21 \$428,000, for an annual savings of \$150,000 over the 10
22 year lease term.
- 23 • BUC Consolidation - Implement grounding remediation
24 plan. The cost to implement an interim grounding

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1 solution is \$100,000 compared to the \$300,000 estimated
2 to consolidate all telecommunications assets in a new
3 self-contained enclosure. There is no cost savings
4 associated with this portion of the project which is
5 recommended for improvements in reliability and
6 operations management.

7 Q. What is the Network Operations Center ("NOC") project?

8 A. The NOC is a central monitoring center used to monitor
9 all aspects of the computing and communications
10 environment including servers, networks, communication
11 lines and business applications. This is an on-going
12 Capital program that was first introduced in Case 08-E-
13 0539.

14 Q. What is the status of the NOC project?

15 A. Planning and functional scoping of the project are
16 complete and we are on track to expend the projected
17 \$2.7 million allocated for this project in 2009. The
18 IT monitoring tool has been purchased and
19 configuration, testing, and implementation of the tool
20 are scheduled to be completed in 2009. Facilities
21 design and engineering for the physical location of the
22 NOC are in progress. Construction of the physical
23 location is scheduled to begin and be completed in
24 2011. Construction will coincide with the Facilities 4
25 Irving Place Master Restacking Project and \$909,000 has

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1 been included in 2011 in the Five Year Capital
2 forecast.

3 Q. Have you prepared an exhibit that provides further
4 information on the NOC project?

5 A. Yes. Additional information is shown in Exhibit ____
6 (SSP-5) on the pages entitled "Data Center Renovation /
7 Network Operations Center."

8 Q. What is the status of the Data Warehousing & Business
9 Intelligence Project ("DWBI") ("Business Project")?

10 A. The DWBI Project is currently in its second year.
11 The requirements for a highly available DWBI Enterprise
12 Environment was defined, designed, and purchased. The
13 DWBI Enterprise Environment includes Web application
14 and database servers for development, test and
15 production platforms. The physical environment
16 includes multi terabytes of SAN storage to satisfy the
17 Company's large data warehousing storage needs. The
18 storage and servers are spread across multiple physical
19 locations for high availability and disaster recovery.
20 The licensing for all operating and database management
21 systems was also purchased. In order for all DWBI
22 Enterprise Environment solutions are defined and
23 developed to meet industry standards and satisfy
24 customer needs, a rigorous DWBI methodology was put in
25 place. This methodology is based on Cognos best

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1 practices and other industry standards and encompasses
2 the full project life cycle from requirements gathered
3 through deployment and support. The time table for
4 this project is 2010 - 2013.

5 Q. Was this a multi-year program that was presented in
6 Case 09-E-0428?

7 A. Yes, and we are still projecting capital spending for
8 the years 2010 - 2013 of amounts identical to what was
9 projected in Case 09-E-0428. The electric case request
10 was for \$2.3 million in 2010, \$2.1 million in 2011, and
11 \$1.8 million in 2012.

12 Q. Have you prepared an exhibit that provides further
13 information on the Data warehousing and business
14 intelligence project?

15 A. Yes. Additional information is shown in Exhibit __
16 (SSP-5) on the pages entitled "Data Warehousing &
17 Business Intelligence."

18 Q. What is the status of the Other Business program?

19 A. The Other Business request was made for multiple IT
20 projects over the next four years to introduce new
21 technologies, communications networks, and server farm
22 enhancements. These projects are critical to providing
23 the business areas with IT tools and systems to
24 operate. The projects include the implementation of
25 technology in the following areas: Cyber Security,

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1 Collaboration, Network Infrastructure, and Server and
2 Storage.

3 Q. Was this a multi-year program that was presented in
4 Case 09-E-0428?

5 A. Yes and we are projecting the same overall level of
6 capital spending for the years 2010 - 2013. The total
7 estimate is identical to what was presented in Case 09-
8 E-0428, although changes in projected expenditures
9 among the years were made to address our priority of
10 work. The amounts are broken out in 2010 for \$6.4
11 million, in 2011 for \$5.4 million, in 2012 for \$5.6
12 million and 2013 for \$13.9 million. The large increase
13 in 2013 is due to additional spending for CCTN
14 expansion and an additional Server Farm.

15 Q. Have you prepared an exhibit that provides further
16 information on Other Business projects?

17 A. Yes. Additional information is shown in Exhibit ____
18 (SSP-5) on the pages entitled "Other Business."

19 Q. What is the Computer Program?

20 A. The Computer Program is the mechanism via which
21 computer hardware and software maintenance costs are
22 budgeted and charged to the user organizations.

23 Q. What are the costs associated with this program?

24 A. Costs for this program include expenses for maintenance
25 on desktop, laptop, and server computers and license

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1 related maintenance for applications on the computers.
2 The costs annually are estimated to be \$7.5 million in
3 2010, and \$7.5 million in 2011, reflecting an increase
4 of \$900,000 compared to the projected 2009 budget and
5 an increase of \$2.0 million compared to the 2008 actual
6 spend for this category.

7 Q. What are the reasons for this increase?

8 A. The increase reflects a growth in the number of
9 computers - mostly in field and vehicle laptop units
10 (\$1 million), software licenses for new applications
11 (\$500,000), and network equipment and software licenses
12 coming off of warranty and requiring maintenance
13 agreements (\$500,000). There has been an increase of
14 2,435 (19%) computers between the years of 2006 and
15 2008, which is projected to continue. The increase in
16 the number of computers results in the need for
17 additional software licenses. Each additional computer
18 requires an additional license purchase. A portion of
19 this increase (or \$500,000) is the necessary software
20 licenses and maintenance costs associated with these
21 licenses. Additionally, Cisco hardware equipment is
22 coming off of warranty and necessary maintenance
23 support has been included. Licenses, such as Cisco,
24 are capitalized upon initial purchase. When these
25 licenses come up for renewal, the costs cannot be

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1 capitalized and are thus adding to the increase in this
2 program. These types of licenses contribute \$500,000
3 to this program change.

4 Q. Have you prepared an exhibit that provides further
5 information on computer costs?

6 A. Yes. Additional information is shown in Exhibit ____
7 (SSP-6) on the pages entitled "Computer costs."

8 Q. What is the status of the Mainframe Operating and
9 Maintenance Costs Program that was submitted in Case
10 09-E-0428?

11 A. Costs for this program include the annual expenses for
12 maintenance on the IBM z/OS operating system platform.
13 This platform serves three mainframe IBM database
14 management systems -- IMS, CICS, and DB2, which manage
15 the Company's critical data, as well as non-IBM
16 Independent Software Vendor ("ISV") monitoring tools
17 and system utilities, which are utilized to manage and
18 support the mainframe environment and data. The
19 projected costs are \$4.0 million in 2010, \$4.4 million
20 in 2011 and \$4.8 million in 2012. The mainframe costs
21 have increased in the current year and are projected to
22 increase on an annual basis. The increased cost is
23 attributed to the increased utilization measured by
24 MIPS (Millions of Instructions per second) and the
25 annual increases in mainframe software. The MIPS have

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1 increased from 801 MIPS in 2008 to 927 in 2009. We
2 expect this trend to continue in the next several
3 years.

4 Q. Have you prepared an exhibit that provides further
5 information on mainframe costs?

6 A. Yes. Additional information is shown in Exhibit __
7 (SSP-6) on the pages entitled "Mainframe Operating &
8 Maintenance Costs."

9 Q. Please describe other cost minimization efforts under
10 way.

11 A. Information Resources has established an internal team
12 to improve energy efficiency for IT assets. Some of
13 the programs are listed below with estimated percentage
14 savings.

15 • Evaluate software to control PC power settings to
16 reduce electric costs for Company PCs by 20%.

17 This technology allows PCs to be powered down and
18 up from a central console. The software would
19 provide additional operational benefits by
20 enabling security patches to be delivered to PCs
21 immediately after business hours.

22 • Introduce default duplex printing on network
23 printers reducing paper costs by 10%. New model
24 printers provide duplex capability without user

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1 intervention. We have set these printers to
2 default duplex to reduce paper usage. Duplex
3 printing can be overridden if necessary by the
4 user.

- 5 • Introduce "Green" Font to reduce ink and toner
6 costs by 5%. This font is intended to be used for
7 day to day printing needs. Official documents can
8 still be printed by using a different font.
- 9 • Perform data center air flow analysis to reduce
10 cooling and energy costs. This analysis to
11 provide a more efficient use of limited HVAC
12 facilities in our large data centers, through, for
13 example, modifications to air flow and reductions
14 in HVAC equipment to reduce energy costs.

15 VI. HUMAN RESOURCES

16 Q. What is the role of the Human Resources organization?

17 A. Human Resources' ("HR") overall strategy focuses on
18 developing programs around the following four
19 imperatives: attraction, development, retention and
20 the "Way We Work Environment." In support of the
21 attraction imperative, HR continues to refine its
22 corporate hiring program through strategic sourcing,
23 partnership with schools, and Con Edison-only career
24 fairs, the latest of which attracted over 1,600

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1 applicants. The Company's focus on the employee
2 development imperative is achieved through varied
3 training programs. These programs support leadership,
4 skills and technical development. Career path training
5 for our large trainee population has increased and HR
6 has developed technical training programs for new
7 supervisors in several organizations. The Company uses
8 both traditional training at The Learning Center
9 ("TLC") and online training sessions. Nearly 13,000
10 Con Edison employees attended skills, compliance,
11 information technology, and leadership training
12 programs at TLC in 2008. Through September 2009,
13 11,231 employees have attended training at the Learning
14 Center. Online training for employees is also an
15 important component of our overall process.
16 Through September 2009, the number of eLearning
17 sessions completed is over 55,000 which is a 15%
18 increase over where we were in September of 2008.
19 In 2008, employees use exceeded 78,000 eLearning
20 sessions, which is a 13% increase in the number of
21 eLearning sessions completed over the previous year.
22 In 2008, HR successfully negotiated a new contract with
23 Local 1-2 to continue our labor agreement with our
24 largest union workforce through June 2012.
25 Additionally, we have successfully negotiated a new

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1 contract with Local 3 for our Staten Island union
2 workforce this year. This contract runs through June
3 2013.

4 HR addresses the retention imperative by managing the
5 Company's compensation and benefits programs to be
6 competitive with the marketplace. The Company has
7 developed guiding standards for how we manage our work.
8 They embody our corporate values and are essential to
9 achieving the level of excellence we want in our
10 corporate culture. HR has integrated these principles
11 in the Way We Work Environment. These six principles
12 are Plan the Work, Work the Plan; Seek and Accept
13 Responsibility; Communicate Openly; Work in Teams;
14 Improve Continuously and Celebrate Success.

15 Q. Does Con Edison currently have a recruiting, testing,
16 hiring, and training program for new employees?

17 A. Yes. The HR department works closely with the
18 Company's operating departments to determine the
19 staffing levels and skills required to meet operational
20 needs. Based on these needs, HR is responsible for
21 recruiting, testing, hiring, and training new and
22 existing employees. This effort involves several
23 groups within HR, including Occupational Health,
24 Recruitment, Testing Services, Human Resource Services,
25 and TLC.

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1 Q. Please describe TLC.

2 A. TLC, Con Edison's central training and education
3 facility, is responsible for handling the Company's
4 training needs. Located in Long Island City, Queens,
5 TLC was built in 1993 as a state-of-the-art training
6 center. This represents approximately 90 percent of
7 Con Edison's workforce.

8 Q. Where does the employee go after the classes at TLC?

9 A. After his or her initial training at TLC, the employee
10 then goes out into the field to begin performing their
11 job function. The Company continues to train its
12 employees through such methods as on-the-job training,
13 safety talks, online training, "Technically Speaking"
14 and "Strategic Issues" Seminars, and by taking
15 additional classes at TLC.

16 **Strike Contingency**

17 Q. Please discuss the Company's strike contingency
18 expenses.

19 A. The Company and its two local unions, UWUA Local 1-2
20 and IBEW Local 3, have collective bargaining agreements
21 that expire on June 30, 2012, and June 30, 2013,
22 respectively. In the event of a labor stoppage, the
23 Company has developed a planned approach to provide for
24 the continued safe operation of its facilities and its

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1 services. This approach is updated and refined prior
2 to the expiration of each contract.

3 Q. Are there costs associated with these preparations?

4 A. Yes. The Local 1-2 Contingency Programs are ongoing
5 initiatives that occur once every four (4) years. As a
6 result, for rate case filings, the cost for these
7 initiatives is priced out at one-fourth of the
8 estimated cost. The estimated cost of the next round
9 of union contract negotiations is \$1.3 million for
10 Local 1-2 and \$200,000 for Local 3, or a total of \$1.5
11 million. One-fourth, or \$375,000, is included in each
12 year of the rate filing. The Accounting Panel advises
13 us that 13.21% is allocable to Gas for each rate year.

14 Q. Have you provided additional details for this program?

15 A. Yes. Additional details can be found in the Exhibit
16 entitled "Strike Contingency."

17 Q. Was this prepared under your direction and supervision?

18 A. Yes, it was.

19 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-7)

20 **Human Resources Capital Program**

21 Q. Please describe the planned capital program in HR for
22 the rate period.

23 A. As described above, HR must upgrade and enhance various
24 aspects of training to meet future training needs. To
25 accomplish this, we have three on-going capital program

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1 initiatives, the development of eLearning courses,
2 improving TLC and upgrading the TLC registration
3 system.

4 Q. Please continue.

5 A. As to the first program, the use of eLearning helps to
6 address the increase training need associated with a
7 new generation of workers. Presently, 51% of our
8 workforce has less than 10 years of service. This
9 inexperience has created an increased training need.
10 To meet this need, we are developing a robust eLearning
11 process. This process consists of creating the IT
12 infrastructure to deliver eLearning programs and also
13 to design and develop content to be delivered through
14 electronic mediums.

15 Secondly, we have an ongoing program to improve our
16 training facility. In order to provide effective
17 training to our employees, it is necessary to maintain
18 an up-to-date educational facility. Technology is
19 rapidly changing how people work. In addition, as
20 equipment and process improvements take place in our
21 operating areas, our training facilities and course
22 curriculum must also change to insure that the training
23 experience reflects the field environment. The
24 requested rate relief will allow the Learning Center to

1 upgrade its facilities to modernize classroom space by
2 increasing space utilization with modern designs.
3 Finally, our capital plan provides for us to complete
4 the upgrade of the Learning Center Registration system
5 that began in 2009. The current Registration system
6 has fallen behind with our new corporate standard 2003
7 server/Windows XP desktop environment and therefore, we
8 will be unable to support the integration of new
9 applications/software as well as new eLearning
10 technologies. This upgrade will extend the life of the
11 Registration System. This upgrade will be completed at
12 the end of 2010.

13 Q. Have you provided additional details for each of these
14 programs and the costs associated with the Capital
15 Program?

16 A. Additional details can be found in the Exhibit entitled
17 "2010 CAPITAL - HUMAN RESOURCES."

18 Q. Was this prepared under your direction and supervision?

19 A. Yes, it was.

20 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-8)

21 **VII. PURCHASING**

22 Q. Please describe the Single Entry Point Ordering System.

23 A. The single entry point ordering system, which is
24 expected to be completed by the end of 2009, will

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1 streamline the process of ordering materials and
2 services.

3 Q. Please explain why there is still some projected
4 spending in 2010-2011 if the project will be completed
5 by 2009.

6 A. During 2010, we expect to spend approximately \$1.6
7 million to upgrade the software package to a release
8 level that the vendor will support since the vendor
9 plans to discontinue support on the release of the
10 product currently in use at Con Edison during 2010. We
11 began implementation of the system at the end of 2005
12 and the new version was released in 2008.

13 Q. Is there a way to avoid the software upgrade?

14 A. Ariba will cease to provide any support for the version
15 of software we are currently using at the end of 2010.
16 The support received from the vendor includes access to
17 its vendor supplier network. This network is a
18 critical element in the efficiencies provided by the
19 system in that it connects Con Edison to its vendors
20 for electronic ordering and invoicing. The vendor will
21 not allow Con Edison access to the network once the
22 system is not under maintenance, so allowing the system
23 to be unsupported essentially means that it would not
24 be operational. This is an alternative that is not
25 acceptable because the system handles some critical

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1 company transactions and this would result in a
2 significant loss to the Company's supply chain
3 functionality. Some consequences include:

- 4 - Reverting to manual GOI's
- 5 - Inability to conduct e-procurement transactions
- 6 and increased spending via p-card (paying retail)
- 7 while alternate arrangements are made
- 8 - Reduced ability to handle electronic invoices
- 9 - Extended system outages with the risk of loss of
- 10 information that would require manual re-entry.

11 Q. Have you prepared an exhibit detailing costs for the
12 Single Entry Point Ordering System?

13 A. Yes, we have.

14 Q. Was this exhibit prepared under the Panel's direction
15 and supervision?

16 A. Yes, it was.

17 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-9)

18 **Purchasing Cost Mitigation**

19 Q. Please describe the Company's attempts to minimize
20 costs through its Purchasing programs.

21 A. On an on-going basis, there are a number of practices
22 that we engage in to reduce operating and capital costs
23 across the Company. We consistently try to leverage
24 the amount of spending associated with purchasing by
25 consolidating specifications and contracts and buying

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1 jointly for Con Edison and O&R, wherever possible.
2 Examples include procurements for computer hardware and
3 telephone equipment.
4 As part of a focused initiative to accelerate these
5 efforts, a Purchasing-led team was assembled in 2008 to
6 examine the possibility of consolidating Con Edison and
7 O&R term contracts, including those for Code 753 mark-
8 outs, anodes and paving. To date, the team has been
9 successful in facilitating the consolidation of
10 specifications for anodes for both companies and Code
11 753 mark-outs within Con Edison. Savings from these
12 consolidations are projected to be \$1.1 million over
13 the two year life of the contract and \$700,000 over the
14 three year life of the contract, respectively. Paving
15 is in the final stages of completion. In addition, the
16 consolidation of specifications for gas trenching,
17 envelopes, furniture, traffic cones and barricades, and
18 security are also in process and are expected to be
19 addressed and completed during 2010.
20 We also actively search for more competition and work
21 with our users to qualify a greater number of
22 suppliers. During the first nine months of 2009, we
23 qualified approximately 170 new vendors.
24 Con Edison's policy is to procure equipment, materials,
25 and services necessary for the conduct of its business

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1 through the solicitation of competitive bids or
2 proposals from vendors who have been previously
3 qualified by the Company. The Company decides which
4 vendors are solicited for bids/proposals based on a
5 variety of factors including the vendor's capability,
6 prior job performance, dollar value of the procurement,
7 and other work being performed. An example of where
8 this practice benefited the Company is in the revenue
9 the Company receives under its contract with a disposal
10 vendor for the disposal of its scrap paper insulated
11 lead covered cable ("PILC") containing less than 50
12 parts per million of PCBs. The sale of scrap cable is
13 credited to a retirement order, which increases the
14 reserve for depreciation and decreases rate base.
15 We introduced two new qualified vendors to the bid
16 list, which increased competition and may potentially
17 increase revenue by approximately 38% to the Company
18 based on the projected volume of cable that will be
19 scrapped by the Company and purchased by the vendor.
20 We constantly seek opportunities for lowering costs.
21 Negotiations with suppliers are conducted when it is
22 determined that negotiations between the vendor and the
23 Company will more effectively achieve an acceptable
24 contract in an effort to further reduce costs.
25 Negotiations with Verizon Wireless, which resulted in

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1 an 18.4% overall reduction in pricing for broadband and
2 air card usage and Blackberry service, is an example of
3 this.

4 In addition, Con Edison's Bid Check Estimating ("BCE")
5 section provides data for comparison award purposes for
6 construction contracts. The BCE provides accurate,
7 competitive construction costs estimates, analysis and
8 advice to Purchasing. BCE provides a check of the
9 competitive bidding process and pursues cost savings
10 through bid negotiations. Should the initial bid price
11 exceed ten percent of the Company estimate,
12 negotiations will commence to try and achieve bid
13 prices that are within ten percent of the Company
14 estimate.

15 Q. What monitoring and oversight of contracts is
16 performed?

17 A. We monitor contractor performance through our
18 Contractor Oversight System ("COS") where Contractor
19 performance, good or poor or any level in between, can
20 be reported, documented and addressed. We monitor
21 contractor performance because it can affect employee
22 and public safety, the cost to provide service and the
23 Company's bottom line.

24 This is a three-step progressive process. It begins
25 with a Contractor Field Observation Report, progresses

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1 to an Infraction Report and then to an Action Line, in
2 each case addressing repetitive contractor infractions.
3 Contractor Evaluation Reports are also generated by
4 using groups to document other performance criteria
5 such as environment and safety, quality of work,
6 timeliness, administration, and conduct of work. Based
7 on the performance information, the COS produces a bid
8 multiplier, which is used in the commercial evaluation
9 of bids/proposals. The bid multiplier is then applied
10 to a contractor's price, and can either reward or
11 penalize a contractor by as much as ten percent.

12 Q. What, if anything, is the Company doing to address
13 changes in commodities prices relating to metals and
14 resins?

15 A. The Company has developed a multi-faceted approach to
16 deal with changing market prices for commodities such
17 as metals and resins. Purchasing monitors prices of
18 key commodities to develop different courses of action
19 as it plans contract strategies. Some new or renewal
20 contracts are created for shorter durations to allow
21 market conditions to stabilize and to avoid locking in
22 pricing at higher rates. In some cases, existing
23 contracts have also been extended when a supplier was
24 willing to hold pricing and commodity forecasts
25 indicated a major increase in the near future. Lastly,

1 some term contracts for commodity driven products such
2 as cable and cable connectors contain pricing
3 adjustments linked to published indices such as COMEX
4 for copper and the Bureau of Labor Statistics index for
5 resins used to manufacture cable connectors.

6 VIII. SECURITY

7 Q. Turning to Security, what projects and costs are being
8 requested in this case?

9 A. We are requesting rate relief to build upon the
10 Company's existing security programs by enhancing the
11 capabilities of our Security Operations Center, and
12 hiring two additional technical systems specialists.

13 Q. Please briefly describe the organizational structure
14 and role of the Security organization.

15 A. The Security organization is divided into three major
16 components: a guard oversight section; an
17 investigative section; and a technical section. In
18 addition, there is a department manager who is
19 responsible to oversee mandatory security compliance
20 matters.

21 Q. What is the projected capital cost for enhancing the
22 SOC requested in this filing?

23 A. The projected capital cost is \$1,427,000. This project
24 was discussed in Company witness Campanella's testimony
25 in Case 09-E-0428.

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Q. Please explain the genesis of the SOC and what it does for the Company.

A. In August 2002, the Commission issued an Order directing all New York State utility companies to retain consultants to evaluate the physical security of their systems. The Company hired Safir-Rosetti, an international security consulting firm, to conduct an extensive assessment of Con Edison's critical facilities and operations, its general security protocols and procedures, and its planning and capabilities for emergency/disaster recovery and business continuity. In their confidential report, issued on January 17, 2003, Safir-Rosetti recommended "All physical security control, including access management systems, CCTV systems and real-time site intrusion detection monitoring, should be conducted from a consolidated, company-wide Security Control Center. This will provide a central communications and response point for all security events and alarms for all of Con Edison's critical facilities."

Q. Did the Company implement Safir-Rosetti's recommendations?

A. Yes. In 2007, the Company's Corporate Security team designed and oversaw the construction of the SOC. The

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1 SOC monitors, controls and manages the security of
2 disparate technologies from one central location on a
3 video wall on a real-time basis. The video wall is a
4 giant screen much like a television. It displays
5 either the activity from one camera or is subdivided in
6 numerous configurations to show activity at over one
7 hundred camera locations.

8 Q. What exactly is monitored at the SOC?

9 A. At the SOC, on a 24 hour, seven day per week basis, two
10 contract security guard specialists monitor:

- 11 • A card access system consisting of 61 locations;
- 12 • 249 control panels and 928 readers (the number of
- 13 card access locations and cameras installed
- 14 increases every month);
- 15 • A CCTV system comprised of 730 cameras at 51
- 16 locations;
- 17 • Three hundred zones for intrusion detection; and
- 18 • Six locations and 60 zones for burglar alarms, and
- 19 three locations, at customer service centers, for
- 20 threats to the tellers.

21 Q. You spoke about enhancing the capabilities of the SOC.
22 How do you propose to accomplish this?

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1 A. We plan to enhance the capabilities of the SOC by
2 adding a Geo-Spatial Management and Access Control
3 automation system.

4 Q. Why do you need this system?

5 A. As noted earlier, every month additional access control
6 panels, cameras, and alarms are connected to the SOC.
7 As more Company sites are interfaced with the SOC, the
8 amount of information increases exponentially. With
9 the increasing amount of data coming into the SOC, the
10 Company relies on the two SOC console operators to
11 first detect and then manually maneuver cameras to
12 focus on any incidents occurring. The need for the two
13 console operators to process these large volumes of
14 information could lead to potential omissions, delayed
15 response times, and possibly, inaccurate input. These
16 potential issues could have significant security
17 ramifications.

18 Q. How would the Geo-Spatial Management and Access Control
19 automation system address these potential problems?

20 A. This system would automate the access control and
21 intrusion detection alarms. If a door were to be
22 forced open, the program would move the corresponding
23 mapped location to the foreground on the video wall for
24 the console operators to immediately see. The camera
25 at the subject location would automatically focus on

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1 the situation and would alert the operator at the SOC.
2 This would provide immediate notification, maximizing
3 the efficiency of the operator by reducing both
4 response time and the necessity for human data parsing.
5 In addition, it would automatically alert the SOC if a
6 camera failed and provide advanced notification of
7 nuisance type alarm activity to protect against
8 unnecessary outages.

9 Q. Why was this system not implemented in the original
10 design?

11 A. This is a new technology not available when we designed
12 and implemented the SOC. Since learning of the system,
13 we have researched various prototypes to determine if
14 the product we selected could be integrated to fit our
15 needs.

16 Q. What are the requirements of this system?

17 A. This is a software system that will require integration
18 into the three existing security systems of the
19 Company: the MSSQL card access; Activu; and the Keltron
20 Alarm systems. There are no software systems that will
21 interface with our current systems without considerable
22 modification. We have determined this to be the most
23 cost-efficient solution to meet our needs. Staff
24 accepted this solution in Case 09-E-0428.

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1 Q. What are the costs associated with installing and
2 implementing this system?

3 A. The system and related costs are expected to cost
4 \$1,427,000, including \$1,400,000 for the system;
5 Information Resource labor for network wiring of
6 \$2,000; and the use of a contractor to assist in the
7 integration of the system estimated at \$25,000. The
8 system would be installed in the rate year.

9 Q. Do you have an exhibit that provides additional
10 information regarding this system?

11 A. Yes, entitled "Security Operations Geo-Spatial Camera
12 and Access Control Automation."

13 Q. Was this exhibit prepared under your direction and
14 supervision?

15 A. Yes.

16 MARK FOR IDENTIFICATION AS EXHIBIT ____ (SSP-10)

17 EMPLOYEE SUPPORT FOR SECURITY

18 Q. Does the Company require any additional employees for
19 the security department?

20 A. Yes. The Company requires two additional employees at
21 an estimated annual cost of \$179,000.

22 Q. Please explain how the mission of corporate security
23 has evolved in recent years.

24 A. Corporate Security's mission has evolved and grown
25 since September 11, 2001. Almost all of this growth

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1 has focused on technical aspects of security, which
2 includes evaluating, analyzing, recommending and
3 installing effective electronic security systems to
4 better protect our critical infrastructure.

5 Q. Please explain the need for the two additional
6 personnel.

7 A. The two employees are required to maintain a reliable
8 and secure workplace for our employees and contractors.
9 They are also required for the enhanced security of our
10 customers at our customer service centers. The Company
11 has an operational need for two highly specialized
12 Systems Specialists proficient in internal and external
13 electronic security protection systems not just for
14 connecting new systems to the SOC, but for a myriad of
15 security-related technical projects.

16 Q. Can you please expand on that?

17 A. Yes. The Company determined, through a review of prior
18 construction projects, it was more cost-efficient to
19 include security measures in the design of a new or
20 upgrade of a facility as opposed to adding those
21 measures after the construction. In December 2008, a
22 Corporate Instruction was approved which mandates
23 Corporate Security to evaluate security drawings and
24 specifications for new facilities or facilities which
25 will be upgraded, prior to the Company submitting these

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1 to bidders. This technical review also includes
2 software setup, programmed matrices for CCTV systems
3 and associated networking for the security associated
4 with each facility. The involvement by security
5 specialists also includes review of submitted bids to
6 ensure the technical merits have been addressed. This
7 provides subject matter expertise to enhance risk
8 aversion and avoid cost overruns.

9 The two additional technical security specialists would
10 also be utilized to conduct critical site assessments
11 with members of the Department of Public Service Staff.
12 In January 2009, the Company added three more sites to
13 our list of critical sites for a total of 40 critical
14 sites. By December 2009, ten more sites will be added
15 to our list of critical sites for a new total of 50
16 critical sites. At present time, 25 of the Company's
17 critical sites have some component of their security
18 connected to the SOC. As time permits, the additional
19 manpower would be utilized to integrate more of these
20 critical sites to the SOC.

21 Q. Are there any other functions additional specialists
22 would address?

23 A. Yes. Additional personnel would enable Corporate
24 Security to expand the scope of work we currently do to
25 include: corrective and preventative maintenance; test

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1 technical security systems; determine optimal equipment
2 logistics and inventory; and bench repair of defective
3 technical security system to the component level.

4 These additional tasks would prove to be cost effective
5 methods to extend the life of the equipment and ensure
6 the reliability of the system.

7 Q. Do you have an exhibit that provides additional
8 information regarding the hiring of the two
9 specialists?

10 A. Yes, entitled "Security Operations- Additional Human
11 Resources."

12 Q. Was this exhibit prepared under your direction and
13 supervision?

14 A. Yes.

15 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-11)

16 IX. FACILITIES PROGRAMS

17 Q. Please explain the services Facilities provides.

18 A. Facilities plans, directs, and controls the maintenance
19 of all building systems and the day-to-day building and
20 yard operations at the CECONY owned and leased office
21 buildings and service centers. We perform periodic
22 assessments and inspections of all buildings and
23 prepare corrective action plans. We provide
24 engineering support to assure critical building systems
25 are operated and maintained appropriately. We also are

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1 responsible for seeing that all required fire and life
2 safety equipment is operational and emergency
3 procedures are communicated to organizations.

4 Q. Have you prepared an exhibit, entitled "CONSOLIDATED
5 EDISON COMPANY OF NEW YORK, INC., FACILITIES CAPITAL
6 BUDGET PLAN," detailing your projected capital
7 expenditures?

8 A. Yes, we have.

9 Q. Was this exhibit prepared under the Panel's direction
10 and supervision?

11 A. Yes, it was.

12 MARK FOR IDENTIFICATION AS EXHIBIT __ (SSP-12)

13 Q. What are the forecasted capital spending levels for
14 facilities programs?

15 A. For Irving Place and the Regional Facilities, the
16 Company plans to spend approximately \$48.6 million in
17 2010, \$50.9 million in 2011, \$44.8 million in 2012,
18 \$42.7 million in 2013 and a forecasted \$42.0 million in
19 2014. In 2008, Facilities spent approximately \$33.5
20 million on such capital projects and in 2009,
21 Facilities plans to spend approximately \$44.6 million.
22 As of September 2009, \$23.8 million has been expended.

23 Q. Have you prepared other exhibits detailing the
24 Facilities O&M programs you are describing in this
25 testimony entitled "Irving Place" and "Regions?"

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1 A. Yes, we have.

2 Q. Were these exhibits prepared under the Panel's
3 direction and supervision?

4 A. Yes, they were.

5 MARK FOR IDENTIFICATION AS EXHIBITS __ (SSP-13, SSP-14)

6 Q. Please discuss O&M spending for Facilities.

7 A. As for O&M, the Company's Regions Facilities groups
8 plan to spend approximately \$14.4 million in RYE 2011,
9 \$12 million in RYE 2012 and \$11.9 million in RYE 2013.
10 The historic year O&M spending level was \$9.9 million
11 for the Regional Facilities' buildings. The rate year
12 increase is primarily attributable to the Waterside
13 Dock Repair and increases in the Structural Inspection
14 and Repair program, contractual rent increases, as well
15 as other various maintenance programs.

16 For the Company's Irving Place facility, Facilities
17 projects to spend approximately \$10.6 million in RYE
18 2011, \$5.6 million in RYE 2012 and \$5.1 million in RYE
19 2013, as compared to the historic year O&M spending
20 level of \$2.8 million. The increase from the historic
21 year is \$7.8 million, which is primarily attributable
22 to LL11 Façade repairs of \$2.5 million and rental of
23 alternate locations for personnel so that the Company
24 can continue renovating in order to be in compliance

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1 with Local Law 26 ("LL26") in 2019, including the cost
2 to prepare the alternate location of \$5.5 million.
3 The total O&M funding requested for both the Regional
4 Facilities' buildings and Irving Place for RYE 2011 is
5 \$25.0 million, for RYE 2012 \$17.6 million, and for RYE
6 2013, \$17.0 million.

7 Q. What is the forecasted level of O&M spending?

8 A. For the RYE September 2011, the Company is projecting
9 \$26.2 million in total for Irving Place and the
10 Regional Facilities' Buildings. This includes
11 programs, such as Air Quality Improvements, Flooring
12 Upgrades, Building Infrastructure and Restorations and
13 Maintenance Associated with Capital (to implement Local
14 Law 26 programs) at the 4 Irving place facility; and in
15 the regions, Indoor Air Quality, Flooring upgrades,
16 Structural inspects and Repairs, Building
17 Infrastructure Restoration Programs, and workout
18 locations at Sherman Creek, 3rd Avenue Yard and
19 Exterior Street.

20 Q. Please explain measures that Facilities is taking to
21 minimize costs associated with their programs.

22 A. Facilities identifies its projects via programmatic
23 assessments, such as the Facilities Roof Inspection,
24 Steel/Concrete/Façade Inspection, Emergency Diesel
25 Generator, Bathroom/Locker Room and HVAC Evaluation

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1 Programs and the Engineering Service Request ("ESR")
2 process, which evaluates a particular problem and then
3 provides a conceptual scope of work/budgetary order of
4 magnitude cost estimate. Facilities uses this
5 information to then prioritize projects appropriately
6 by applying one of the "compliance," "critical
7 infrastructure projects," "programmatic site
8 improvements," or "user requests" definitions. By
9 studying, evaluating and assessing the condition of its
10 equipment and systems, and developing work scopes and
11 cost estimates, categorizing and prioritizing its
12 projects accordingly, Facilities develops an
13 understanding of where to most efficiently allocate its
14 funding and personnel resources. This method has
15 identified compliance and critical infrastructure
16 projects as targets for funding in the earlier years of
17 its program with programmatic and user request projects
18 being deferred until later years.

19 Compliance Projects

20 Q. Please explain the first category of projects,
21 compliance projects.

22 A. Compliance projects are required to address potentially
23 unsafe conditions and environmental issues as well as
24 to comply with the latest local, state or federal
25 regulatory requirements and building codes.

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- 1 Q. Is there one project that accounts for much of the
2 spending in the compliance category?
- 3 A. Yes. In terms of expenditures and time, the largest
4 and most complicated regulatory requirement project
5 involves compliance with NYC Department of Buildings
6 LL26. LL26 requires full sprinklering, which is a
7 water based fire suppression system, of office
8 buildings 100 feet or more in height no later than July
9 1, 2019. Under this law, water based sprinkler systems
10 are required in all office areas and other areas such
11 as electrical closets, mechanical/fan rooms,
12 computer/LAN/UPS rooms, and tower stages of buildings.
- 13 Q. To which Company facilities does LL26 apply?
- 14 A. LL26 applies to the Company's headquarters at 4 Irving
15 Place as it is greater than 100 feet tall.
- 16 Q. What is the basis for this new requirement?
- 17 A. LL26 is based on recommendations made by the World
18 Trade Center Building Code Task Force in February 2003
19 and signed into law by Mayor Bloomberg on June 24,
20 2004. LL26 implements this requirement through
21 amendments to the NYC Building Code and Fire Prevention
22 Code.
- 23 Q. What steps are necessary for the Company to timely
24 satisfy these new requirements?

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1 A. At the present time, the Company has determined that
2 the most efficient means for meeting the LL26
3 requirement is to continue to install the required
4 sprinkler systems for a certain number of floors each
5 year between now and 2019. We would note that a few
6 floors at 4 Irving Place have already undergone full
7 renovations and have been sprinklered, except for
8 various mechanical/electrical rooms on those completed
9 floors. However, in order to meet LL26's 2019
10 deadline, the Company needs to accelerate its plans.
11 This acceleration, which is described below in light of
12 those floors completed and those remaining, in turn,
13 creates the need for additional space for temporary
14 relocation of employees during the renovation.

15 Q. Please explain.

16 A. Currently, when the Company renovates a floor, it
17 temporarily relocates the affected employees to another
18 part of 4 Irving Place. This is because it is
19 logistically difficult or practically impossible to
20 maintain employees in their current work area during
21 the renovation process. This is due to the physical
22 arrangements of ceilings and other building
23 infrastructure and the presence of environmentally
24 sensitive materials (such as lead and asbestos) that
25 need to be addressed during the renovation process.

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1 Q. Please detail the issues associated with performing
2 renovations while floors are occupied.

3 A. It would be neither safe nor practical or efficient to
4 perform the required renovation and sprinkler
5 installation during off-shifts, when personnel have
6 vacated the space, and allow the affected personnel to
7 return to work during their normal work hours (thereby
8 requiring a set-up and take-down of the work area on a
9 daily basis). Most importantly, the safe removal of
10 environmentally sensitive materials while the area is
11 occupied is logistically extremely difficult. Having
12 personnel completely vacate the space until the
13 renovation (and any required abatement) is finished
14 enables the Company to completely abate the
15 environmentally sensitive materials in a safe and
16 efficient manner.

17 Q. Can sprinklering be accomplished absent full floor
18 renovations?

19 A. No. To install sprinklers, one must remove all the
20 asbestos and other materials from the ceiling. This
21 project basically requires renovations on the floors.
22 There is no practical manner to install sprinklers
23 without doing extensive ceiling renovation work.
24 In addition, other compliance methods, such as
25 installing exposed pipe on un-renovated floors were

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1 evaluated but these options were not chosen; exposed
2 pipe installed below a hung ceiling is unsightly in a
3 commercial building. More important, based on the
4 recently completed 6th floor renovation project, the
5 capital costs to gut renovate a floor and then install
6 a sprinkler system to comply with LL26 are
7 approximately \$11 million. The cost to "run sprinkler
8 pipe", without performing a gut renovation, are
9 approximately \$9,200,000.

10 Note that the effort to "run the sprinkler pipe" in a
11 non-gut renovated floor still requires that
12 ceiling/lighting systems be removed in order to install
13 the pipe supports/pipe above the ceiling. Since there
14 are known asbestos hazards above the ceilings at Irving
15 Place, this, in turn, requires that the removed systems
16 be disposed of as ACM and that furniture be
17 removed/stored/reinstalled and that personnel be
18 temporarily relocated from the floor. Carpeting would
19 also become contaminated and need to be
20 removed/replaced as would the ceiling/lighting systems.
21 Other systems would also be affected by the piping
22 installation and that would need to be restored, including
23 HVAC and IR systems.

24 Q. Are there other advantages to renovating a full floor?

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- 1 A. Complying with LL26 in an efficient manner is one of
2 the advantages of the open plan renovations that the
3 Company has been doing for the last ten years or so.
- 4 Q. What are the immediate benefits of doing the open plan
5 renovation along with the LL26 sprinklering?
- 6 A. Con Edison's policies emphasize open communication and
7 working in teams, and the open plan concept reflects
8 and supports this approach. The renovations that are
9 undertaken are complete slab-to-slab projects that
10 bring the floors to the energy efficiency and space use
11 standards for new office buildings. The focus is on
12 providing a productive work environment that is easy to
13 maintain and that will require minimal additional
14 investment for many years into the future. We would
15 note that much of the Facilities infrastructure at
16 Irving Place is outdated and not energy efficient. The
17 air conditioning system is essentially unchanged since
18 it was installed in the 1950's and, as such, has
19 inefficient temperature controls. As part of the
20 renovations, all the distribution ductwork back to the
21 source at the fan room and all the controls, including
22 a Variable Air Volume ("VAV") system that varies the
23 air flow depending on need, are installed. The
24 controls installed on all the new floors are the latest
25 technology and are tied in with a building management

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1 system that monitors and controls performance.

2 Similarly, lighting is completely replaced with an
3 energy-efficient system that responds to a central
4 controller and dims at the perimeter to respond to
5 available daylight. All data lines are replaced and
6 now we use VoIP ("Voice over Internet Protocol")
7 technology which would be difficult to install
8 retroactively on an existing floor.

9 Q. Are there also long range benefits of the open floor
10 plan?

11 A. Yes. During the years that the open office furniture
12 systems have been in use, there have been changes to
13 the population, including additions and deletions to
14 departments and moves of whole groups of people. All
15 changes that are necessary to reflect these alterations
16 to department sizes are accomplished simply by moving
17 employees among workstations. Occasionally, the
18 furniture layout has to be reconfigured, which is done
19 very easily. There is no need for physical
20 reconstruction. Because the furniture system selected
21 uses only two types of workstations, these changes can
22 be achieved quickly and seamlessly, and at a minimum
23 cost.

24 Q. What other benefits exist from the open plan system?

25 A. Another important benefit is environmental.

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1 The floors are designed to use energy efficient
2 products that are green. In addition, renovated floors
3 are completely abated as part of the demolition
4 process, and all asbestos and lead-containing paint are
5 removed. Because there are no interior walls
6 separating groups and defining offices, use of metal
7 stud and drywall is minimal. Because the design
8 provides for open spaces, there are no offices and
9 thus, any painting is only required of perimeter walls
10 and the building core walls. This minimizes the amount
11 of paints used and thus VOC's ("Volatile Organic
12 Compounds") emitted to the atmosphere. As we have
13 standardized on colors and finishes, the vendor has
14 agreed to maintain our selections in the line for the
15 duration of the contract and subsequent contracts; this
16 minimizes paint storage and waste.

17 Q. If the Company were to continue to renovate only one
18 floor per year, would it be in compliance with the LL26
19 requirement by 2019?

20 A. No. At the current rate of floor renovations (i.e.,
21 one floor per year), the Company will not meet the 2019
22 deadline. Accordingly, the Company has developed an
23 accelerated plan to install required sprinkler systems
24 in conjunction with the conversion of floors at 4
25 Irving Place to restack the building (realign

1 adjacencies) to improve synergies, and renovate to
2 provide more flexibility. In order to meet the needs
3 of this accelerated program, some of the affected
4 personnel would need to be relocated out of 4 Irving
5 Place because there is insufficient swing space
6 currently available in the building (i.e., there is
7 currently less than one full floor of available swing
8 space). At the present time, office renovation and
9 associated sprinklering projects have been mostly
10 completed on seven floors (i.e., the 2nd, 6th, 9th, 10th,
11 17th, 20th and 21st floors.) Twenty un-
12 renovated/partially renovated floors and eight tower
13 stages currently remain but projects associated with
14 the basement, 15th, 23rd, 25th and 27th floors and the
15 tower stages A through H are scheduled to be completed
16 in 2010. Yet, if the Company does not accelerate its
17 rate of completion schedule of one floor per year
18 (i.e., in 2009, only the 6th floor was completed), it
19 would fall short of compliance by six to eight floors.

20 Q. How does the Company plan to accelerate this schedule
21 in order to comply with LL26?

22 A. We are planning to accelerate the program (i.e., double
23 the current rate of one renovation annually) by
24 performing "gut renovations" of two floors every year.

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1 The 5th, 11th and 22nd floor renovations are planned for
2 2010.

3 Q. What impact does this acceleration have on the
4 temporary relocation of employees?

5 A. In order to meet the needs of this accelerated program,
6 some of the affected personnel will be relocated out of
7 4 Irving Place for three to five years because there is
8 insufficient space to move the personnel in the
9 building.

10 Q. What are the costs associated with LL26 compliance?

11 A. There are both O&M and capital costs associated with
12 this project. For O&M costs, Company-wide, the
13 expenses associated with the temporary relocations of
14 personnel are projected to be approximately \$2.3
15 million in annual off-site office space rental costs
16 and \$5.5 million in the rate year to build out and
17 outfit the temporary space. This estimated cost
18 includes preparing the space, i.e., furniture, computer
19 and associated local area network relocation; placing
20 items into storage; and moving personnel and files off-
21 site to temporary swing space. The Company currently
22 leases approximately 15,000 square feet at 111
23 Broadway, Manhattan and has already relocated employees
24 to that location. The Company is also negotiating a
25 lease for approximately 37,529 square feet at 1

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1 Pierrepoint Plaza in Brooklyn. This combined temporary
2 space will cost between \$2.1-\$2.3 million in annual
3 rent. The rent prices consist of a base lease and
4 infrastructure rents, which include fiber leases,
5 cooling surcharges and building management charges.
6 Current lease prices range from \$40 to \$45 a square
7 foot. The 111 Broadway property was occupied in the
8 2nd quarter of 2009 and pending execution of a lease
9 agreement, the Brooklyn location is targeted for
10 occupancy in the 1st Quarter of 2010.

11 Q. Has the Company done anything to minimize the costs
12 associated with these renovations?

13 A. Yes. The Company will renovate the 6th and 7th floors at
14 its Flatbush Avenue location, making 28,000 square feet
15 (from the 6th floor) available for temporary space by
16 the end of 2010. This reduces the total amount of
17 temporary space required outside of the Company from
18 80,000 square feet to 52,000 square feet and the total
19 cost to rent and fit-up the space by approximately \$1
20 million. We would also note that the Company is
21 responsible for all costs at Flatbush Avenue.

22 Q. Please explain the capital costs associated with
23 complying with LL26.

24 A. We project Company-wide common capital costs of
25 approximately \$26.4 million in 2010 and \$22 million

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1 annually in the years 2011, 2012 and 2013 and forecast
2 \$33 million in 2014.

3 Q. What benefits are associated with accelerating these
4 renovations now?

5 A. Many buildings in the City must comply with LL26. As
6 compliance time gets closer to the deadline, we believe
7 that temporary space in other buildings will become
8 more expensive and less available. In addition,
9 contractors performing these types of renovations will
10 become more in demand, which impacts their availability
11 as well as their costs.

12 Q. Are there any additional projects at 4 Irving Place
13 necessary to meet LL26 requirements?

14 A. Yes. There is one other project concerning the
15 creation of an additional 10,000 gallon Fire Protection
16 Water storage capacity at Irving Place at a cost of
17 \$1.2 million to be spent in 2010. The project began in
18 2009 and will be completed in 2010.

19 Q. Please explain the Fire Protection Water storage tank
20 project required under LL26.

21 A. The project involves the 25th, 27th floor & all Stages
22 Sprinklering, along with the 20th floor East Penthouse
23 Tank and 22nd floor Salvage Water Tank Refurbishment
24 and is needed to meet the 15,000-gallon Fire Protection
25 water storage requirement necessary for New York City

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1 Department of Buildings to meet the sprinklering
2 system. This NYC building code requires that there be
3 30 minutes of available sprinkler water flow. Because
4 the 15th floor is being decompartmentized with the open
5 floor-type renovation, this fire protection water
6 storage upgrade project must be completed prior to
7 occupation of that floor (i.e., 2010). Presently, the
8 existing Stage G storage tank (which feeds the 15th
9 floor) is 5,000 gallons which equates to approximately
10 10 minutes of water flow. To achieve the 15,000
11 gallon/30 minute water flow requirement, the existing
12 Fire Protection and Salvage Water tanks that comprise
13 the 20th Floor East Penthouse tank, will be tied
14 together. New booster pumps will then be needed to
15 supply adequate water pressure to the various floors
16 immediately below the building storage tanks and also
17 to the floors, tower and stages above the East
18 Penthouse Tank. As part of this project, the un-
19 renovated 25th, 27th floors, and all stages of the
20 Irving Place tower will be provided with the LL26
21 sprinklers and required heating/heat tracing. The 22nd
22 floor Salvage Water Tank and portions of the East
23 Penthouse tank will be refurbished/restored to service.
24 The 22nd floor Salvage Water Tank will take the place

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1 of the salvage water function now provided by the 20th
2 Floor East Penthouse Tank.

3 **Local Laws 10-11**

4 Q. Are there any other major compliance projects
5 associated with local laws?

6 A. Yes. There are projects needed to remain in compliance
7 with Local Law 11. Local Law 11 projects were also
8 discussed in recent cases and projected expenditures
9 for these projects were similarly approved by the
10 Commission.

11 Q. Please describe Local Law 11.

12 A. Local Law 11 was instituted in the early 1980's as
13 LL10. The law, which was amended and renamed LL11 in
14 1998, requires the periodic inspection of the exterior
15 facades of buildings in NYC greater than six stories in
16 height. Upon completion of the inspection, a report
17 must be filed by a Licensed Professional Engineer or
18 Registered Architect with the New York City Department
19 of Buildings ("DOB"). These inspections primarily act
20 as a safety measure to protect the public from falling
21 building materials and improve awareness of the
22 importance of maintaining and restoring the City's
23 architecture.

24 Q. Has the Company recently completed a LL11 review cycle?

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1 A. In 2006, the Company's engineering department (through
2 an outside consultant it hired) completed its report to
3 the DOB on the LL11 Cycle 6 inspections. This report
4 identified façade repairs that must be completed within
5 five years and prior to the Cycle 7 inspection which is
6 scheduled for 2011.

7 Q. What façade repairs are necessary under the Cycle 6
8 inspection?

9 A. No unsafe conditions were reported during this
10 inspection; however, several items identified as "safe
11 with a repair and maintenance program" ("SWARMP") were
12 discovered. These items include cracked stone,
13 replacing old masonry sealant, and sealing open masonry
14 joints. In addition to normal façade and/or parapet
15 repairs, the report recommended replacing the caulking
16 on all the building windows, with the intent of
17 eliminating water infiltration into the building, which
18 can create an issue of public safety.

19 Q. Please explain further.

20 A. Window caulking that has either deteriorated or eroded
21 creates areas that permit water infiltration into the
22 building. This water travels behind the façade stone
23 and masonry. During cold months of the year, this
24 water can freeze, which then expands against the back
25 of the stone/masonry, resulting in cracked, loosened

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1 stone, masonry and mortar. This broken stone, masonry,
2 and loosened mortar have the potential to fall from the
3 side of the building to the street below, creating a
4 public safety concern.

5 Q. Please continue.

6 A. Recognizing the public safety concern and other
7 potential water infiltration issues, Facilities
8 Engineering performed a comprehensive assessment in
9 July 2008 and evaluated almost all the window
10 assemblies at 4 Irving Place in order to identify
11 window deficiencies beyond caulking. Facilities
12 engineering hired a civil engineer with expertise in
13 architectural façades and this person, recognizing that
14 deficient window caulking was but one possible means of
15 the water infiltration, performed a comprehensive study
16 of all window assemblies to identify other sources.
17 The plan was to then coordinate the 6th Cycle Local Law
18 Report recommendations with those in this engineering
19 study.

20 Q. Please explain the results of the comprehensive
21 assessment.

22 A. The comprehensive assessment revealed the following
23 additional categories of defects:

- 24 • Defective/corroded metal window lintels

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- 1 • Some defective caulking around the window perimeters
- 2 both inside and outside. This included necessary
- 3 Asbestos Containing Material ("ACM") abatement
- 4 • Cracked stone window sills
- 5 • Defective metal cladding due to water ingress
- 6 • Missing window weather-stripping causing drafts and
- 7 heat loss
- 8 • Broken window panes allowing air/water infiltration
- 9 and heat loss

10 We propose that this work be accomplished in stages
11 over a three-year period and that it be completed prior
12 to the Cycle 7 inspections, which will be scheduled in
13 mid 2011, so that the required inspection report can be
14 filed by February 2012. Note that if the "SWARMP"
15 repairs identified in the Cycle 6 inspection are not
16 addressed by 2012, they will automatically become the
17 more severe condition defined as "UNSAFE" and any
18 repairs will need to be completed immediately.

19 Q. What is the total cost of this program?

20 A. The total O&M cost estimate is approximately \$4
21 million. This work began in 2009 and should be
22 completed in 2011. Anticipated costs are \$3.5 million
23 in RYE 2011 and approximately \$500,000 in RYE 2012.

24 Q. When does Cycle 7 occur?

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1 A. In accordance with Local Law 11 regulations, the Cycle
2 7 Inspection will begin after completion of the façade
3 repairs identified in the previous Cycle 6 engineering
4 inspection/report. This will not result in any
5 reduction in funding request during the next several
6 years. It is also highly possible that additional work
7 will need to be performed after the Cycle 7 inspections
8 are completed.

9 **Additional Compliance Projects**

10 Q. What other compliance projects need to be undertaken?

11 A. Additional examples of compliance projects that are
12 capital in nature include:

- 13 • Flatbush Ave - 6th & 7th Floor Renovation (LL26
14 Temporary Space) for a capital cost of \$5.8 million
15 in 2009 and \$3.2 million in 2010. This project
16 calls for renovation of the two floors at the
17 Brooklyn/Queens Headquarters building to provide
18 for temporary personnel space associated with the
19 LL26 office renovation projects at Irving Place.
- 20 • Installation of various Backflow Preventor Devices
21 at a capital cost of \$375,000/year in 2010. In
22 accordance with the NYC Plumbing Codes, New York
23 Department of Health Regulations and DEP
24 Regulations, domestic water service installations

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1 must be provided with backflow prevention devices.
2 The type of device, whether a double check valve or
3 reduced pressure zone device, depends on the degree
4 of hazard at the particular facility. Each
5 facility has been analyzed and the type of device
6 identified will be installed to comply with the
7 above regulations and codes.

- 8 • Modification of the Crosswalk at Old Saw Mill River
9 Road near Eastview Service Center to comply with
10 the recommendations of the site's Safety Committee.
11 The cost is approximately \$100,000 to relocate the
12 pedestrian crossing request button/associated
13 signage and the crosswalk markings.

14 Q. What are the projected costs of all of the compliance
15 projects that you have addressed?

16 A. The estimated capital costs for this category of
17 projects are \$26.8 million in 2010, \$22.0 million in
18 2011, \$22.1 million in 2012, \$22.0 million in 2013 and
19 \$33.0 million in 2014. The 2010 costs are primarily
20 for LL26 projects and other compliance related work
21 discussed above while the 2011, 2012, and 2013 costs
22 are almost exclusively for the continued need to
23 address LL26 compliance.

24 Q. What additional compliance projects are expected to be
25 undertaken that are O&M in nature?

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1 A. The Company needs to undertake projects for the purpose
2 of improving air quality at all of the Company's
3 facilities.

4 Q. Please describe your plans for improving air quality at
5 the Company's facilities.

6 A. The Company intends to inspect, clean and remove
7 sensitive materials associated with air and water
8 distribution equipment and systems in the buildings to
9 mitigate the spread of potential infectious diseases
10 and/or health dangers. This program involves several
11 various sub-programs that systematically address the
12 quality of indoor air by removing sensitive materials
13 from building systems and improving the operation of
14 any associated equipment. Programs include, but are
15 not limited to, cleaning HVAC duct and units;
16 inspecting and repairing roof and piping systems to
17 remove mold; and abating and replacing ACM insulation
18 throughout the buildings. We are continuing to
19 implement the indoor air quality program at Irving
20 Place and the Regional Facilities' buildings at an
21 annual cost of approximately \$1.1 million for RYE's
22 2011, 2012 and \$1.2 million for RYE 2013. In 2009, the
23 Company estimates the program will be \$0.9 million for
24 Irving Place and \$0.2 million for the Regional
25 Facilities.

Critical Infrastructure Projects

1
2 Q. Please explain critical infrastructure projects.

3 A. These are projects that have been initiated because
4 they are deemed necessary to maintain the structural
5 integrity of the Facilities' buildings, to allow them
6 to operate as designed, or to protect critical
7 equipment (e.g., failed roof, whereby bubbling is
8 evident underneath the membrane, indicating that water
9 has infiltrated the system and saturated the associated
10 insulation/decking; corroded/thin-walled chilled water
11 piping, as indicated during ultrasonic testing ("UT");
12 high maintenance HVAC systems; and LAN Room AC
13 Installations). The projects in this category are
14 projected to be undertaken primarily in 2010 but other
15 projects that are anticipated to be added to the list
16 as requests are made and reviewed and programmatic
17 assessments are performed. Projects of this nature,
18 despite planning, and preventative maintenance, are
19 generally identified when systems, equipment and
20 components are at or close to failure. Projects that
21 address replacement of critical infrastructure usually
22 need to be completed in a quick time frame.

23 Q. How much are you planning to expend in capital costs
24 for these types of projects?

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1 A. We plan to spend \$4.7 million in 2010 and then \$200,000
2 annually in the years 2011-2014. Exhibit __ (SSP-12)
3 identifies the projects for this category. Some of the
4 largest critical infrastructure jobs, completed in 2007
5 and 2008, include the Van Nest Air Compressor Upgrade
6 project, the WEA East and West Control Room Renovation
7 projects, The Learning Center 315 and 500 ton Chiller
8 Replacement projects, the Eastview Platform Rebuild
9 project, the Astoria EDG Power Feed Supply project, the
10 Foster Avenue and Jamaica Customer Service Center
11 Renovation projects and the Flatbush Ave 7th floor and
12 Davis Ave Roof Replacement projects.

13 Q. What are some other examples of the capital projects
14 included in this group?

15 A. Examples and descriptions of such capital projects are:

- 16 • Irving Place - HVAC Piping Replacement Program -
17 \$200,000/year for years 2011 through 2013. This
18 project provides for the programmatic replacement
19 of HVAC piping throughout Irving Place. The
20 existing chilled and secondary cooling water
21 systems are approximately forty years old. A 2007
22 metallurgical study of a failed pipe section
23 indicated 80 percent exterior corrosion and 20
24 percent interior corrosion. Representative samples
25 of the building's piping system have been examined

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1 in 2008 and 2009 via UT in order to determine the
2 full extent of the system's deterioration
3 throughout Irving Place and which piping should be
4 replaced accordingly. Thus far, the UT program has
5 only shown three relatively small areas of
6 significant pipe deterioration and these systems
7 have been replaced. The Company continues to
8 assess the piping system throughout the building
9 and anticipate potential problem areas as the
10 systems were installed in the 1960's.

11 • TLC - Critical LAN & Uninterrupted Power Supplies
12 ("UPS") AC & Back-Up Power - \$2.4 million in 2010.
13 Not all critical Information Resources' equipment
14 located at TLC is connected to the site's Emergency
15 Diesel Generator ("EDG") or has cooling sufficient
16 to dissipate its heat loads. This project installs
17 new Air Conditioning equipment in critical LAN &
18 UPS rooms and connects these critical loads to the
19 EDG.

20 Q. Please explain the O&M projects in this category.

21 A. The Company plans to undertake projects to upgrade
22 existing floors and address building infrastructure
23 restorations for all Company facilities. We will
24 expend approximately \$2.8 million for floor replacement

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1 and building infrastructure renovation on a system-wide
2 basis.

3 Q. Please explain the floor replacement program.

4 A. The Company intends to replace carpeting and resurface
5 floors during the next several years. Normal wear and
6 stretching of floor carpeting and severely worn tile or
7 floor surfaces result in tripping hazards. In many
8 cases, carpeting has worn beyond any economical or
9 reasonable cleaning method, resulting in extremely
10 dirty carpets that contribute to unhealthy air quality.
11 In addition, resealing certain floor surfaces, such as
12 fan room floors, eliminates any water seepage or
13 leakage to lower elevations during equipment failures.
14 In 2009, we are continuing this program with \$687,000
15 for 4 Irving Place and \$417,000 in the Regions. The
16 main corridors have been completed on Floors 3, 4, 8,
17 11, 14 and 18; the entire carpet has been replaced on
18 Floors 9 and 10. We will continue this program in RYE
19 2011 through RYE 2013 at an estimated cost of
20 approximately \$687,000 for Irving Place and \$417,000
21 for the Regional Facilities in RYE 2011 and \$425,000 in
22 RYE 2012 and 2013.

23 Q. Please explain the Building Infrastructure Restoration
24 project.

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1 A. The Building Infrastructure Restoration project
2 involves programs and sub-programs for the restoration
3 of offices, roadways, equipment and systems that are
4 approaching the generally accepted life expectancies
5 and require upgrading to maintain continual operation.
6 These various sub-programs include, but are not limited
7 to, restoration of wall, ceiling and floor systems in
8 areas of extreme traffic, such as main lobbies,
9 entrances and corridors; repainting of office areas and
10 related rooms due to deterioration; restoration of
11 Cooling Towers; replacing steam, water and chill water
12 valves for the buildings' HVAC and water systems; and,
13 due to excessive deterioration of pavement in our
14 facilities, increased repair of paved surfaces. For
15 example, we are currently engaged in a Piping
16 Inspection and Replacement Program at 4 Irving Place.
17 Pipes are identified for replacement after undergoing
18 UT in which the pipe is scanned to determine its
19 current wall thickness as compared to minimum allowable
20 standards. Cooling Tower Outer Casing Replacement has
21 been completed on Towers 1, 2 and 3; Towers 4 and 5 are
22 scheduled for replacement this year. Further work that
23 has been completed is the replacement of the Cooling
24 Coils for air handling units and related isolation
25 valves and strainers; restoration of the marble in the

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Lobby of 4 Irving Place and the roof window canopy. We will continue to implement this program at an annual cost of approximately \$0.7 million in RYE 2011 through RYE 2013 in the Regions. The Irving Place program is \$1.0 million in RYE 2011, and \$0.8 million in RYE 2012 and 2013.

Programmatic Site Improvements

Q. Please describe your next category of costs, Programmatic Site Improvements work.

A. These capital projects are to maintain and improve on overall conditions at the buildings and yards and are intended to upkeep the facilities. The program addresses efficiency improvements and/or equipment modernization or upgrades and projects that are evaluated/prioritized based on facility assessments. These projects generally involve yard paving/resurfacing, roof replacements identified in the Facilities' roof inspection program, HVAC systems nearing the end of their normally useful life, general office renovations for buildings other than 4 Irving Place, elevator upgrades, etc.

Concerning roofs, Engineering has in place a roof inspection program, which assesses each building roof once every five years. The inspection reports, generated as a result of this effort, specify the

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1 extent of the repair work necessary or if a complete
2 roof replacement is required. The roof project is then
3 budgeted for and scheduled accordingly.

4 In order to group, evaluate and prioritize other
5 building systems and equipment, Facilities has
6 established various programs to address: yard and road
7 paving/resurfacing, loading platforms, sidewalks,
8 fences/gates, garage doors, windows, office
9 renovations, HVAC systems, lighting, electrical
10 systems, security systems, emergency diesel generator,
11 etc. Projects are listed in Programmatic Site
12 Improvements Category either as a result of a completed
13 request or program assessment or as a placeholder based
14 on engineering or historical knowledge of the systems
15 and equipment (e.g., since the expected life of a
16 freon-based HVAC system is approximately 20 years,
17 units that are 15 years or older will be listed in the
18 five year plan.) A completed request provides a scope
19 of work and budgetary order of magnitude cost estimate
20 required to address a particular system problem.

21 Q. Please provide some examples of this type of capital
22 work.

23 A. There are currently over one hundred projects
24 identified in the Programmatic Site Improvements
25 category, which were presented to the Commission in

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1 Cases 07-E-0523, 08-E-0539 and 09-E-0428. Examples of
2 such projects are:

- 3 • College Point Boulevard (CPB) - 2nd Floor
4 Renovation - \$4 million over 2011 and 2012.
- 5 • Various Site Security Improvements that were
6 reviewed and approved by Security Services (16th
7 Street Service Center, TLC, 110th Street Service
8 Center, Irving Place MECC, TLC, CPB S/C, etc.) -
9 \$5.2 million in years 2010 through 2013 and \$1.5
10 million in 2014.
- 11 • Irving Place - Window Replacement ~ \$3 million in
12 2011 and approximately \$6 million in 2012 and an
13 additional \$3 million in 2013.
- 14 • Van Nest S/C Bldg 1 - 1st floor Mezzanine
15 Bathrooms/Locker rooms renovation - \$500,000 in
16 2011 and \$300,000 in 2012.
- 17 • Bruckner Boulevard - Yazaki HVAC Replacement -
18 \$300,000 in 2010.
- 19 • Irving Place - G Stairwell Washroom renovations ~
20 \$600,000 in 2011.
- 21 • College Point Boulevard - Paving/Resurfacing
22 Program Phase 2 ~ \$250,000 in 2011.
- 23 • Astoria - Paving/Resurfacing Program ~ \$600,000 in
24 2012.

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- 1 • Regional Storerooms, Bronx - Lighting Improvements
- 2 ~ \$100,000 in 2011.

3 Q. What are the projected costs for this category of
4 projects?

5 A. The estimated capital costs for this category are \$0.3
6 million in 2009 for one ladies locker room renovation
7 at 110th Street Service Center, \$9.2 million in 2010,
8 \$18.3 million in 2011, \$19.0 million in 2012, \$10.8
9 million in 2013 and \$7.0 million in 2014.

10 **User Requests**

11 Q. Please describe the final category, user requests.

12 A. Any projects that do not meet the criteria of the three
13 categories explained above and are generally done at
14 the request of the user are considered to be user
15 requests. They are prioritized on a "first-come,
16 first-served" basis and budgeted/engineered/scheduled
17 subject to an engineering evaluation of the need for
18 the project.

19 Q. Are these capital or O&M projects?

20 A. Generally, these are capital projects but there are
21 some O&M requests.

22 Q. Please provide examples of these types of projects.

23 A. There are currently almost thirty projects identified
24 in the User Request category, similar to those

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discussed in Cases 08-E-0539 and 09-E-0428. They are forecasted for 2013 at a cost of \$7.7 million and \$2.0 million in 2014. We do not expect to incur costs for this category from 2009 to 2012 as we will be concentrating on the other project categories.

Examples of such projects are:

- TLC - Enclose gas pavilion for training
- College Point Blvd. S/C- New Heated Flush Truck Shed
- 16th St S/C - Enlarge Ave C gate for truck traffic
- TLC - Employee/student notification system
- Irving Place - Additional Points for Alarm Panel in Control Room
- Irving Place - Additional Pressure Switches for Chilled & Secondary Water Pumps.

Astoria Dock Repairs

Q. Please explain the Astoria dock repair program.

A. In late 2007, as part of the Company's five-year waterfront inspection program and in order to determine the condition of its docks, Ocean and Coastal Consultants ("OCC"), an outside engineering consultant hired by the Company, identified various deteriorated and degraded conditions at the Astoria A-11 and A-12 docks.

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1 The OCC report recommends an over-sheeting bulkhead
2 repair method for A-11 Dock Area A and replacement of
3 pump house intake grating for Area B Repairs costing
4 approximately \$3.0 million. The OCC report recommends
5 for the A-11 Dock Area D, a Rip Rap Revetment repair
6 method (i.e., sloped natural stone to secure the
7 waterfront and prevent erosion), estimated to cost
8 approximately \$4.8 million. For the A-12 Luyster Creek
9 Bulkhead, a Rip Rap Revetment repair method estimated
10 at approximately \$3.0 million is recommended. The work
11 is scheduled for expenditures of \$2.5 million in 2010,
12 \$3.5 million in 2011, \$3.5 million in 2012 and 2.0
13 million in 2013.

14 Q. Have you provided additional detail for the Astoria
15 dock repairs?

16 A. Yes. This information is shown in Exhibit __ (SSP-12),
17 on the page entitled "Astoria Site: A-11 Dock and A-12
18 Luyster Creek Bulkhead." Note that the waterfront
19 inspection program discussed above identified the
20 various deteriorations/degradations of the A-11 Dock
21 and A-12 Luyster Creek Bulkhead and these were
22 categorized from "Poor" to "Serious." The American
23 Society of Civil Engineers recommends that such
24 conditions be carried out "with urgency." A one or two
25 year delay in the project increases the probability of

1 the dock collapsing into the waterway. Such a collapse
2 could have an adverse impact not only on the coastal
3 waters but also poses a hazard to those navigating the
4 waterways. Moreover, if the dock were to collapse, the
5 NYS DEC would issue an emergency authorization
6 requiring the Company to address the situation
7 immediately as it did with the August 2002 dock
8 collapse. Having to repair the dock on an emergency
9 basis could result in incremental expenditures above
10 those projected.

11 **Waterside Dock Repairs**

12 Q. Please explain the Waterside dock repair program.

13 A. The Waterside Dock is a high-level relieving platform
14 structure adjacent to former Con Edison Waterside
15 generating station and bordered by FDR Drive, E38th and
16 E41st Street with East River on the eastern edge of the
17 dock. The structure was inspected as a part of five
18 year waterfront inspection program in November 2008 by
19 McLaren Engineering, an outside consultant for the
20 Company. The "south portion" is approximately 473 feet
21 long and is in overall "Fair" condition. The "north
22 portion" is approximately 362 feet long and is in
23 overall "Critical" condition. The inspection findings
24 revealed the loss of support at the concrete
25 platform/deck "drop beams" in the northern portion of

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1 the dock due to severe damage of timber pile caps by
2 marine borers; loss of support at the dock's south-east
3 and north-east corners due to damaged or missing timber
4 piles and pile cap beams; various damage to exterior
5 and interior timber piles; missing support at most of
6 the dock structure's east edge due to
7 missing/deteriorated north-south timber cap beams;
8 deteriorated dock's fender timber members which are
9 loose and could fall into the river (note that this
10 represents a hazard to river navigation and is also
11 environmental concern); concrete deck damages (e.g.,
12 spalling at concrete deck soffit surfaces and exposed
13 and corroded concrete reinforcement).

14 Q. What were the recommendations of the inspection report?

15 A. The inspection report recommends various repairs to
16 critical members of the dock to ensure structural
17 stability and the removal of loose and deteriorated
18 portions of the timber fender system. The American
19 Society of Civil Engineers recommends that these
20 critical conditions be carried out "with urgency."

21 Q. Please continue.

22 A. Based on the McLaren study, the Company proposed to the
23 City a work plan whose estimated cost is \$2.8 Million.
24 Additional detail for the Waterside dock repairs is
25 shown in Exhibit (SSP-14), on the page entitled

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1 "Waterside Dock Repair." After repairs are completed,
2 the site will be turned back to the City.

3 Q. Has the City reviewed the McLaren study?

4 A. Yes. The City has recently completed its review of the
5 report and indicated to the Company its view that more
6 extensive repairs are required. The Company will be
7 discussing this matter with the City and will report on
8 the results of those discussions no later than the
9 update stage of this proceeding.

10 **Manhattan Work Out Location (Service Center)**

11 Q. Please discuss the West 28th Street project.

12 A. In Case 08-E-0539, the Company discussed the NJT Access
13 to the Region's Core ("ARC") a major mass transit
14 project. The Company will likely be required to
15 relocate several of the functions and facilities
16 currently housed at the Company's West 28th Street
17 Work-Out Service Center in the near future. At this
18 location, Gas Construction occupies approximately one-
19 third of the space in order to provide Company field
20 forces with convenient access to the West side of
21 Manhattan.

22 Q. What is the status of the ARC Project?

23 A. As was noted in our rebuttal testimony in Case 09-E-
24 0428, the ARC project received a Record of Decision of
25 the Federal Transit Administration's approval and land

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1 use permission approval from New York City in January
2 2009. The Company has been negotiating with the Port
3 Authority regarding the terms and conditions for the
4 Port Authority's use and occupancy of the Company's
5 West 28th Street workout location (the "Site") in
6 connection with the ARC project, including, without
7 limitation, temporary relocation of the Company's 28th
8 Street operations to an alternate location, temporary
9 easement rights for the Port Authority's proposed
10 construction activities, and permanent easement and
11 other property rights for the installation and
12 permanent location of the Port Authority's shaft,
13 tunnel, fan plant and related facilities. These
14 negotiations are on-going and we expect they will
15 continue into 2010. No construction has commenced at
16 this time, however, the Port Authority has performed
17 geotechnical investigations and soil borings on the
18 Site pursuant to an Access Agreement between the
19 parties.

20 Q. When do you expect this move to occur?

21 A. At this point, we are forecasting second quarter of
22 2010.

23 Q. Do you have any estimates of the costs associated with
24 such relocation?

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1 A. At this time, we have no estimates for these costs,
2 which depend on the outcome of the negotiations. The
3 Company will provide a further update when the
4 agreements are finalized.

5 Q. Was there any resolution of the treatment for these
6 costs in Case 08-E-0539?

7 A. Yes. The Commission advised (at pp. 74-75) that the
8 "Company may defer for future recovery those costs that
9 it can show it reasonably incurred to accommodate the
10 project and used its best efforts to have reimbursed,
11 without success."

12 Q. Is the Company requesting any reimbursement in this
13 case?

14 A. No. The Company continues to work with the PANYNJ and
15 NJT on this project. We are requesting the same
16 accounting treatment that was allowed in Case 08-E-0539
17 and re-requested in Case 09-E-0428. As such, we will
18 defer any unreimbursed costs incurred, whether in the
19 current rate year or in future rate years (RY1-RY3) and
20 petition for recovery of the deferral at the
21 appropriate time. It is important to note that we do
22 not have an estimate for any potential reimbursements
23 at this time.

24 West 125th Street

25 Q. Please discuss the West 125th Street relocation.

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1 A. The Company will be moving certain operations from W.
2 125th Street to a proposed leased property at E. 124th
3 Street. This move is necessary as a result of the
4 pending sale of 32-42 West 125th Street, which the
5 Commission approved on October 28, 2008 in Case 08-M-
6 0930. The average annual operating costs of the 125th
7 Street location over the last three years (2006 to
8 2008) have been \$315,000. The Company projects the
9 same level of operating costs at the new location for
10 the rate year. In addition, the Company will incur
11 incremental costs for the rent of East 124th Street,
12 which is projected to be \$330,000 per year from 2010
13 through 2013. The capital cost to renovate the new
14 location, as well as the avoided costs of the planned
15 renovations of the West 125th Street property, will be
16 reconciled and reflected in the net sales proceeds of
17 West 125th Street property.

18 **Astoria Hazardous Waste Storage Facility Upgrades**

19 Q. Please explain the function of the Astoria Hazardous
20 Waste Storage Facility upgrades.

21 A. During the maintenance, repair and upgrade of its
22 energy systems, Con Edison generates different types of
23 hazardous waste. Examples of the waste generated by
24 the Company includes PCBs, lead, cadmium, chromium, and
25 benzene. In 1994, the New York State Department of

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1 Environmental Conservation ("NYSDEC") issued Con Edison
2 a permit to store only PCB-contaminated waste at the
3 Astoria Hazardous Waste Facility, which is used to
4 store this waste before transporting it to an approved
5 landfill.

6 Q. Please describe the upgrades to the facility and why
7 they are needed.

8 A. As explained earlier, in July 2008, the NYSDEC revised
9 the permit to allow the Astoria Hazardous Waste
10 Facility to accept all the hazardous waste streams that
11 the Company generates, not just PCBs. As a result,
12 several modifications to the facility are needed in
13 order to improve the processes involved with managing
14 these additional hazardous waste streams.

15 Modifications include expanding the existing shed
16 canopy and installing a new pad and secondary
17 containment area to prevent rainwater from entering the
18 proposed secondary containment area and impacting
19 stored materials. Also included is the installation of
20 insulation with improved lighting and heating to
21 facilitate the storage of drums containing liquid.

22 Q. Can you provide information on the costs of the
23 upgrades and the cost savings associated with the
24 upgrades?

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- 1 A. Yes. The estimated cost of the upgrades to the
2 facility is \$450,000 in 2010 and \$650,000 in 2011.
3 Once the new processes are fully implemented, the
4 facility will accept an additional 2,000 to 3,000
5 drums/year which will result in \$350,000 in estimated
6 waste management cost avoidance.
- 7 Q. Have you provided additional detail for the costs
8 associated with the Astoria Hazardous Waste Storage
9 Facility?
- 10 A. Yes. The costs are shown in Exhibit __ (SSP-12), on
11 the page entitled "Astoria's Hazardous Waste Storage
12 Facility Upgrades."
- 13 Q. Does this conclude the Panel's testimony?
- 14 A. Yes it does.

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conEdison

Corporate Instruction

SUBJECT

CAPITAL GENERAL EQUIPMENT BUDGETING, ORDERING, AND CONTROL

- 1.0 PURPOSE** -- To establish procedures for ordering, receiving, and controlling capital general equipment.
- 2.0 APPLICATION** -- This Instruction applies to all organizations and individuals of the Company who use or have a requirement for capital general equipment.
- 3.0 DEFINITIONS** --
- 3.1 User Organization** is the section or group that will ultimately use the general equipment items.
- 3.2 Control Agency** is that department or organization responsible for managing the specific general equipment line item in the Capital Budget. (EXHIBIT A identifies the organization acting as control agent by XM.)
- 3.3 Capital General Equipment** represents specific categories of equipment that are classified under the Uniform System of Accounts as General Plant (EXHIBIT A indicates the applicable account codes, account code descriptions, and company plant account) and are generally those items having a purchase cost of \$500 or more and a usage (life) expectancy of more than one year. The XM Budget represents that portion of the Capital Budget devoted to the purchase of general equipment. Control Agencies will purchase furniture and communication and computer equipment costing less than \$500 (consumable items) even though they are not capital items. This ensures that Corporate standards for quality and compatibility are met and provides for economies of scale.
- 4.0 PROCEDURES** --
- 4.1 User Organizations** -
- All organizations on an annual basis will develop their capital general equipment requirements for the next budget year. They will forward their requests to their respective Budget Coordinator who will coordinate the assignment of priorities and prepare one consolidated XM Budget encompassing the entire organization that is submitted with the organization's Capital Budget request.
 - When capital general equipment approved in the budget is required, the organization requiring the equipment will request the item from the Control Agency. In the case of computer equipment (XM-10) the request must be processed via the organization's Computer Resource

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SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL**

Coordinator (CRC). (Reference Corporate Instruction CI-310-5, "Computer Resource Coordinator.") Computer equipment available via e-procurement can be ordered directly by authorized CRCs in accordance with Corporate Instruction CI-320-13, "E-Procurement System." Upon written approval from the Computer Equipment Control Agency a CRC can order capital equipment using a Corporate Procurement Card (P-Card), as covered in Corporate Instruction CI-320-11, "Corporate Procurement Card." Substitute items may be requested within the limitations of the organization's funds and the availability of the equipment within the budget year.

- c. If a user organization requires additional equipment beyond its budget allotment, it will provide for the transfer of capital funds to cover the additional requested items via a transfer submitted to Financial Forecasting and Corporate Budgeting, Corporate Accounting.
- d. EXHIBIT B sets forth by XM budget which categories of equipment require inventories, the frequency of inventories, and the methodology for conducting inventories. EXHIBIT B details which XM items require Company-issued tracking numbers and systems available to track equipment.
- e. All general equipment items identified as "missing" should be reported via a *Security Incident Report* form (Outlook/Tools/Forms), with a copy to the Control Agency for appropriate action.
- f. The user organization is responsible for attempting to resolve problems pertaining to general equipment purchase and should call the appropriate XM Control Agent for advice and counsel. If the user organization reports the problem to the Action Line (Corporate Instruction CI-240-2, "The Action Line"), they should also copy the Control Agency.
- g. Where an organization has been assigned responsibility for a specific capital budget line item (other than as Control Agency), it will assume the duties and functions of a Control Agency for that equipment for its department.

4.2 Control Agency -

- a. The Control Agency will prepare a monthly status report of each budget line item. Additionally, each April, September, and November it will assemble a document showing by organization, funds used, items ordered, and uncommitted funds, to be used in managing available funds for the remainder of the year.

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SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL**

- b. Upon approval of the Capital Budget, the Control Agency will verify XM budget by organization with Financial Forecasting and Corporate Budgeting.
- c. Each Control Agency will issue Purchase Requisitions for general equipment. Purchasing will not honor requisitions for general equipment that do not have the approval of the responsible Control Agency or its designee. Control Agencies, if approved in accordance with Corporate Instruction CI-320-11, may use the P-Card for the purchase of general equipment.
- d. The Control Agency will monitor commitments and expenditures to avoid exceeding the authorization levels established in the approved XM Budgets. It will facilitate any transfer of funds between Capital Budget line items when initiated by a user organization to support its requirements.

4.3 Corporate Accounting -

- a. Property Record, Corporate Accounting, will provide written accounting rulings and advice and counsel to the Control Agencies and user organizations to resolve questions of accounting related to general equipment.
- b. Property Record will prepare and process Transfer and Correction Memorandums and/or journal entries as requested by the Control Agency via written requests.
- c. Property Record will periodically review the capitalization dollar level for XM items (refer to paragraph 2.2).
- d. Financial Forecasting and Corporate Budgeting will submit the Control Agency's budget requirements to the Board of Trustees for approval as part of the annual Capital Budget process.

5.0 EXHIBITS --

5.1 EXHIBIT A - Summary of General Equipment for Capital Accounts and Control Agency by XM.

5.2 EXHIBIT B - Matrix of XM Inventory Controls Required

6.0 ADVICE AND COUNSEL -- The Vice President and Controller, Corporate Accounting, will provide advice and counsel on this instruction.



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SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL****EXHIBIT A****SUMMARY OF GENERAL EQUIPMENT FOR CAPITAL ACCOUNTS**

CAPITAL BUDGET ITEM	ACCOUNT CODE	ACCOUNT CODE DESCRIPTION	COMPANY PLANT ACCOUNT	EXAMPLES	CONTROL AGENCY
XM1	3719 3720	OFFICE FURNITURE BUSINESS MACHINES, MODULAR OFFICE PARTITIONS, CARPETING, SAFES	9816	DESKS, CHAIRS, TABLES, COPYING MACHINES, CABINETS, BOOK CASES, DRAFTING ROOM EQUIPMENT, SAFES, WINDOW TYPE AIR CONDITIONERS, SAFES AND SECURITY CONTAINERS, ETC.	FACILITIES
XM2	3731	TRANSPORTATION EQUIPMENT	9820	VEHICLES, CARS, TRUCKS, HEAVY TRAILERS (FLATBED, DROP DECK, BOX, VAN TYPE, ETC.), BOATS (INBOARD TYPES), BARGES, ETC., STOREROOM FORKLIFTS & REACH TRUCKS AND VEHICLE MOUNTED EQUIPMENT THAT IS PERMANENTLY ATTACHED.	CENTRAL FIELD SERVICES
XM3	3740	STORES EQUIPMENT	9824	INCLUDES THE COST OF PORTABLE AND INSTALLED <u>EQUIPMENT USED FOR THE RECEIVING, SHIPPING, HANDLING, AND STORAGE OF M&S AND CAPITAL ITEMS</u> : STORAGE BINS, ELEVATING AND STACKING EQUIPMENT, COUNTER, CHAIN FALLS, HOISTS, WHEEL BARROWS, STENCIL MACHINES, BATTERY CHARGERS, ETC.	CENTRAL FIELD SERVICES
XM4	3750	SHOP EQUIPMENT	9830	<u>EQUIPMENT USED SOLELY IN GENERAL SHOPS (GENERATING STATION SHOPS EXCLUDED)</u> : FLOOR GRINDERS, LATHES, MILLING MACHINES, SCRIBERS, BRAZING AND WELDING EQUIPMENT, DRILL PRESSES, SHAPERS, JIB CRANES, HOISTS, VISE BAND SAWS, AIR COMPRESSORS, PORTABLE TOOLS, ETC.	CONSTRUCTION
XM5	3760	LABORATORY EQUIPMENT (TESTING)	9828	PORTABLE ELECTRIC, CHEMICAL AND MECHANICAL INSTRUMENTS AND LABORATORY EQUIPMENT USED FOR SYSTEM-WIDE TESTING PURPOSES SUCH AS VOLTMETERS, AMMETERS, WATTMETERS, GAS AND VAPOR TESTERS, ANALYZERS, AMPLIFIERS, RECORDERS, VIBROMETERS, TACHOMETERS, PRESSURE GAUGES, ANAMOMETERS, LABORATORY BENCHES, ETC.	CENTRAL FIELD SERVICES

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**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL****EXHIBIT A (Cont'd)**

CAPITAL BUDGET ITEM	ACCOUNT CODE	ACCOUNT CODE DESCRIPTION	COMPANY PLANT ACCOUNT	EXAMPLES	CONTROL DEPARTMENT
XM6	3770	TOOLS & WORK EQUIPMENT	9830	<u>TOOLS USED IN GENERAL CONSTRUCTION OR REPAIR WORK:</u> PNEUMATIC HAMMERS, DRILLS, TOOL CARTS, SUBMERSIBLE & PORTABLE PUMPS, CHAIN SAWS, LAWN MOWERS, GRAVELY TRACTORS, CONCRETE MIXERS, SMALL TRENCHERS, SURVEYING EQUIPMENT, HEAVY DUTY FLOOR CLEANING EQUIPMENT, ROWBOATS, HDRAULIC JACKS, BATTERY CHARGER, STEAM CLEANERS, PARTS WASHERS, WORK BENCHES, VISES, ENGINE STANDS, POWER PAK, TIRE REPAIR EQUIPMENT, BODY SHOP TOOLS AND PAINTING EQUIPMENT, GRINDERS, DRILLS, LATHES, PRESSES, GREASING AND LUBE EQUIPMENT, GASOLINE PUMPS AND STORAGE TANKS, DYNOMETERS, ETC.	CENTRAL FIELD SERVICES
XM7	3790	MISCELLANEOUS EQUIPMENT	9834	RECREATIONAL, CAFETERIA, AND KITCHEN EQUIPMENT, MEDICAL (INCLUDING HOSPITAL AND INFIRMARY), WATCHMANS CLOCKS, SAFETY EQUIPMENT, TRAINING EQUIPMENT, INHALATORS, RESUSCITATORS, SIGN AND ADVERTISING DISPLAYS, FIRE PROTECTION EQUIPMENT, AUDIO VISUAL EQUIPMENT, PHOTOGRAPHIC EQUIPMENT, ETC.	FACILITIES
XM8	3780	COMMUNICATION EQUIPMENT	9832	<u>ALL COMMUNICATIONS EQUIPMENT</u> USED ANYWHERE IN GENERAL COMPANY OPERATIONS: TRANSMITTERS, RECEIVERS, AMPLIFIERS, REFLECTORS, TOWERS, RADIO TELEPHONES, VEHICLE MOUNTED RADIOS, WALKIE TALKIES, MICROWAVE EQUIPMENT INCLUDING SWITCHING EQUIPMENT, FIBER OPTIC EQUIPMENT, ETC.	INFORMATION RESOURCES
XM10	3721	COMPUTER EQUIPMENT	9815	ALL ELECTRONIC DATA PROCESSING EQUIPMENT AND RELATED COMPUTER EQUIPMENT	INFORMATION RESOURCES

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**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL**

EXHIBIT A (Cont'd)

CAPITAL BUDGET ITEM	ACCOUNT CODE	ACCOUNT CODE DESCRIPTION	COMPANY PLANT ACCOUNT	EXAMPLES	CONTROL DEPARTMENT
XM13	3771	POWER OPERATED EQUIPMENT	9829	<u>SELF PROPELLED UNITS OF A MAJOR NATURE (WITH UNIT COSTS IN EXCESS OF \$5,000):</u> FORK LIFTS, PORTABLE COMPRESSORS, BULLDOZERS, CRANES, TRACTORS, LARGE STREET SWEEPERS, PAYLOADERS, BACKHOES, HUGHES AND THE "TERMITE" EARTH BORING MACHINES, LARGE TRENCHERS, ETC.	CENTRAL FIELD SERVICES
XM15	3761	LABORATORY EQUIPMENT (CHEMICAL)	9828	<u>EQUIPMENT PURCHASED SOLELY FOR USE BY THE CHEMICAL LABORATORY:</u> GAS, STEAM, AND ELECTRIC TESTING EQUIPMENT, VOLTMETERS, ANALYZERS, LAB BENCHES, MICROSCOPES, ETC.	CENTRAL FIELD SERVICES

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CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL**EXHIBIT B**

<u>Matrix Equipment By XM</u>	<u>Inventory Tag Required</u>	<u>Inventory Required</u>	<u>Inventory Method Cycle for Inventory</u>	<u>Tracking System</u>	<u>Monitored for Maintenance</u>
XM-1 Office Furniture	No	No	Not applicable	Not applicable	No
XM-2 Transportation Equipment	Vehicle # Assigned	Yes	Annual State Inspection	VMS	Yes
XM-3 Stores Equipment	No	No	Not applicable	Not applicable	No
XM-4 Shop Equipment	No	No	Not applicable	Not applicable (1)	No
XM-5 Lab Equipment (Testing)	Yes	Yes	Every Two Years (2)	Metrack	Yes
XM-6 Tools & Work Equipment	No	No	Not Applicable	Not Applicable	No
XM-7 Safety & Miscellaneous Equipment	No	No	Not Applicable	Not Applicable	No
XM-8 Communication Equipment					
Portable (Faxes, Radios)	No	Yes	Every Three Years	ET/TEMS (3)	Yes
Stationary (Hubs, Switches)	No	No	N/A	Not applicable	Yes
XM-10 Computer Equipment – Mainframes, Servers, Desktop & portable PCs, and printers	No	Yes	Every Year via SMS for PC's	SMS/ET (4)	Yes
XM-13 Power Operated Equipment	Vehicle # Assigned	Yes	Annual State Inspection	VMS	Yes
XM-15 Lab Equipment (Chemical)	Yes	Yes	Every Two Years (2)	Metrack	Yes

1. Applicable to Construction for less than 100 pieces of equipment used at Van Nest Shops.
2. Equipment calibrated by Tech Services will be inventoried as part of the calibration process, which represents 80% of inventory. All other remaining equipment not calibrated will not be inventoried during the two-year cycle.
3. See Corporate Instruction CI-330-10, "Security and Use of Mobile and Portable Communications Equipment," which calls for full inventory of radios every three years. Inventory of telephone lines covered in Corporate Instruction CI-310-11, "Inventory of Telecommunication Lines" calls for inventory of telephone lines every three years when the FAX Machine should be verified with the line.
4. Information Resources daily inventories servers and personal computers on the network for software patches deployment. Portable personal computers will be inventoried by System Management Server (SMS) when they attach to the network to receive the software patches.

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2010 Capital – Shared Services – General Equipment - Overview

Project/Program Title	General Equipment – XM
Status	Ongoing
Estimated Service Date	N/A
Work Plan Category	N/A

Capital General Equipment represents specific categories of equipment that are classified under Uniform System of Accounts as General Plant. This category is basically all the equipment that is necessary for the day-to-day functioning of the Company. In general, these items have a purchase cost of \$500 or more with a life expectancy of more than one year. General Equipment consists of nine main categories (XMs):

Office Furniture	(XM-1)
Transportation Equipment	(XM-2)
Stores Equipment	(XM-3)
Shop Equipment	(XM-4)
Laboratory Equipment	(XM-5)
Tools & Work Equipment	(XM-6)
Miscellaneous Equipment	(XM-7)
Communication Equipment	(XM-8)
Computer Equipment	(XM-10)

The Company has identified organizations that act as Control Agencies to meet corporate standards for quality and compatibility for this equipment and also provide for economies of scale. The Control Agencies are:

- Transportation (XM-2), Stores (XM-3), Laboratory (XM-5), and Tools & Work (XM6) Equipment - Central Field Services.
- Communication (XM-8) and Computer (XM-10) Equipment - Information Resources.
- Office Furniture (XM-1) and Safety & Miscellaneous (XM-7) Equipment – Facilities Management.
- Shop (XM-4) Equipment - Maintenance and Construction - Van Nest Shops.

General Equipment is fundamental to our ability to deliver safe and efficient energy to our customers and provide for the safety of our employees. It represents the tools and work equipment needed to keep the Company functioning. It ranges from desks in the office, bucket trucks for overhead operations, stores shelving, electrical test equipment, jack hammer sand safety hoists to microwave communication equipment and even the computer used to write this testimony. These “work” tools are critical for employees to perform their job functions. Normal replacement for use and wear of this equipment or changing operations’ requirements create a constant replacement demand to provide the best tools for the employees to complete their tasks in a safe and efficient manner.

On an annual basis, each user organization develops their capital General Equipment requirements for the next year. Because of changing priorities in the requirements of the user

2010 Capital – Shared Services – General Equipment - Overview

organization, a final request is provided to the Control Agency after the Capital Budget has been approved. This finalized list is fluid because of missing, broken or changing equipment needs from the field. The Control Agencies review the submissions and compile all the requests. Each Control Agency will issue Purchase Requisitions for General Equipment. Purchasing will not honor requisitions for General Equipment that do not have the approval of the responsible Control Agency or its designee. The Control Agency function is to standardize the equipment purchased to ensure quality, reliability and the safety of the employees using the equipment. This also allows the aggregation of all General Equipment purchases to allow for the most competitive pricing. The Control Agency will monitor commitments and expenditures to avoid exceeding the authorization levels established in the approved XM Budgets.

2010 Capital – Shared Services – General Equipment – XM-1

Project/Program Title	XM – 1 (Furniture)
Status	On-going
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

The XM-1 budget represents the portion of the Capital Budget devoted to the purchase of general office furniture, business machines, modular office partitions, floor carpeting, drafting room equipment, safes, security containers, book cases & cabinets, and window air conditioners.

An organization requiring purchase of capital General Equipment classified as XM-1 must submit a written request to Facilities Management as the Control Agency responsible for purchasing of such equipment. The Facilities XM-1 budget coordinator reviews each request and notifies the requesting organization of any items that may be available on our recycle inventory. Additionally, the request is reviewed to ensure that its total cost is within the requesting organization's budget allotment and then initiates the procurement process via our existing purchasing tools available.

Justification:**Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. Facilities as a general practice recycle desks, chairs and office partitions, whenever possible. Furniture and office equipment are evaluated before being totally replaced; items found to be in good operating conditions are stored away onsite and become part of our recycled inventory to be re-used in temporary work assignments, remote office trailers, shops, etc. Only those items that are deemed un-repairable are replaced.

In addition, there are several contracts available to purchase new furniture; these contracts were competitively bid and, whenever possible, new orders are consolidated to take advantage of volume discounts.

It should also be noted that at any given time organizational priorities are shifted to meet organization's requirements. Each organization anticipates their budget needs by identifying their future furniture requirements. This would include forecasting temporary deployment of extra crews in the field that would require office furniture. They submit corresponding appropriation requests for next year's General Equipment in their capital budget request.

2010 Capital – Shared Services – General Equipment – XM-1Risk of No Action:

Our work forces would be prevented from meeting their objectives in an efficient and safe manner. It would also create personnel issues with those employees who, due to their medical conditions, require ergonomic furniture to be able to perform their duties. As the Control Agency for XM-1 Budget, Facilities Management is committed to continue providing each user organization with adequate office furniture required to perform their daily job functions by replacing broken, damaged, and obsolete furniture or by replacing items that are no longer useful due to normal wear and tear.

Status:

On- going

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
2,207	2,247	1,267	2,258

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
2,176	2,077	2,042	1,925	1,925	\$10,145

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	-	-	-	-
M&S	-	-	-	-
A/P	2,008	2,045	1,153	2,055
Indirects	199	202	114	203
Contingency	-	-	-	-
Total	2,207	2,247	1,267	2,258

EOE	2010	2011	2012	2013	2014
Labor	-	-	-	-	-
M&S	-	-	-	-	-
A/P	1,980	1,890	1,858	1,752	1,752
Indirects	196	187	184	173	173
Contingency	-	-	-	-	-
Total	2,176	2,077	2,042	1,925	1,925

2010 Capital – Shared Services - General Equipment – XM - 2

Project/Program Title	XM-2 (Vehicles)
Status	On-going
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

The XM2 category provides for the purchase of mobile equipment such as trucks, cars, cranes, construction equipment and forklifts used throughout our operations. The Control Agent for this equipment is Central Field Services' Fleet Administration group. For example, the Company owns approximately 4,300 over the road self propelled vehicles.

Factoring in other pieces of mobile and mounted equipment, like backhoes, forklifts and trailers used to move equipment and materials, the Company owns close to 5,500 pieces.

Class	Inventory count (April 15, 2009)
Cars	756
Mini-Vans	1,189
Pickups/Vans	824
Small Trucks	861
Medium Trucks	268
Large Trucks	435
Trailers	696
Construction Equipment	418
Grand Total	5,447

Justification:

- Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. The Company's Transportation department periodically evaluates the life-cycle model described below. In some cases they've been able to engineer-out high maintenance designs and common causes of failures. This reduces the maintenance cost stream over the life of the asset, increases the age at which it should economically be replaced, and therefore reduces long-term capital expenditures associated with replacement. The department strategically designs purchase agreements to best leverage its buying power, reducing the up-front cost of the equipment. The department also employs highly-skilled mechanics, supervisors and managers, armed with the appropriate systems and technology to effectively diagnose and repair equipment. These three factors reduce initial cost and the cost-to-maintain while increasing the MTBF (mean-time between failures); all of which translate into being able to prolong the life of our assets. These offsets in capital requirements have allowed the Company to compensate for items such as new diesel-emissions control equipment required in 2004 and 2007 that added incremental cost to many of its purchases and to begin funding the incremental cost of new energy-efficient vehicles such as hybrids.

2010 Capital – Shared Services - General Equipment – XM - 2

- Risk of No Action:

The cost to operate mobile equipment beyond its economic life quickly compounds. The cost to maintain this equipment can rise substantially in a short period of time, if the replacement of equipment is deferred. These costs would be flowed through to the operations responsible for maintaining the T&D systems. Reduced spending on replacement equipment would mean older and less reliable equipment would be kept in service. Without corresponding increases to maintenance staff and budgets, vehicle availability would likely fall by several percentage points and in some cases equipment would age beyond our ability to purchase replacement parts, the consequence of which would be the introduction of an adverse effect on T&D personnel's ability to respond to emergencies and efficiently effect construction of needed T&D projects. Currently, approximately 20% of the fleet is beyond "life-cycle". A portion of this is acceptable when considering that the optimization of XM2 purchases must be weighed against other capital needs. However, 7% of the fleet is over 13 years old and 80 pieces of equipment are more than 20 years old. Extrapolated out, if vehicles are not available to respond to emergencies, it is possible that this could adversely affect many, if not all, of our ability to achieve RPM targets. It would also be conceivable that continuing to operate aged equipment could put the public at risk were a piece of equipment to fail catastrophically. Some equipment, were it to fail could also put the employee operating it at risk.

- Technical Evaluation/Analysis:

The XM2 expenditures are historical and projected spending related to the replacement of existing equipment. The Company has a pre-determined methodology for selecting mobile equipment based on age, maintenance, reliability, etc., for replacement. The Company's Transportation department maintains a database of these assets and their associated operating costs. It reviews the information annually to determine which assets to replace.

The Company uses a method referred to as "LC", "life-cycle" or "the model." The method is essentially a EUAC (equivalent, uniform, annual cost) analysis. The Company uses historical, actual and expected maintenance data as well as cost-of-money considerations to determine a point at which it is most economical to replace an asset rather than face increasing maintenance costs and reduced reliability that would impact our ability to respond to the maintenance of the T&D system. It looks at the change in maintenance costs as the asset ages and more specifically, it looks at the rate-of-change. This optimizes the Company's overall cost to own and maintain these assets. In addition to this quantitative review, the Transportation engineering staff also performs a slightly more subjective review of the EUAC model and assets being considered for replacement. This review develops appropriate opportunities to defer investment in new or replacement assets without adversely impacting the cost to maintain these assets.

The Company maintains a table of various asset-types and their ideal/economic replacement age. This is a starting point and is further refined by looking at the specific assets chosen as candidates for replacement. Based on that review, the Company may decide to retain an asset that has performed better than its peer group or accelerate the replacement of an asset that is performing poorly.

Current Working Estimate (if applicable):

Transportation projects the equipment requiring replacement and the associated capital spending over a 5-year horizon. For planning purposes, it shares this information along with suggested allocation between various operating areas for budgeting purposes. However, the specific assets that will be replaced and

2010 Capital – Shared Services - General Equipment – XM - 2

their ultimate invoice price are not known that far in the future. The Company typically knows more specifically what units should be replaced in the current year and perhaps the next year.

Below is a list of how many vehicles, by category, that we are planning to purchase in 2010.

Class	2010 Replacements	Total Estimated Cost
Cars	150	\$ 3,359,600
Mini-Vans	139	\$ 3,789,400
Pickups/Vans	102	\$ 3,939,200
Small Trucks	91	\$ 10,357,600
Medium Trucks	22	\$ 3,378,700
Large Trucks	37	\$ 8,839,600
Trailers	18	\$ 469,800
Construction Equipment	28	\$ 1,661,900
Grand Total	587	\$ 35,795,800

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$33,388	\$32,409	\$52,165	\$32,075

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$35,796	\$34,417	\$33,286	\$43,386	\$33,286	\$180,171

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	\$586	\$749	\$763	\$740
M&S	\$1			
A/P	\$29,493	\$28,322	\$46,704	\$28,202
Indirects	\$3,308	\$3,338	\$4,698	\$3,133
Contingency				
Total	\$33,388	\$32,409	\$52,165	\$32,075

EOE	2010	2011	2012	2013	2014
Labor	\$760	\$760	\$750	\$780	\$750
M&S					
A/P	\$31,536	\$30,292	\$29,206	\$38,266	\$29,206
Indirects	\$3,500	\$3,365	\$3,330	\$4,340	\$3,330
Contingency					
Total	\$35,796	\$34,417	\$33,286	\$43,386	\$33,286

2010 Capital – Shared Services – General Equipment – XM - 3

Project/Program Title	XM-3 (Stores Equipment)
Status	Ongoing
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

Central Field Services' Capital Equipment Group is the Control Agency for XM-3.

The XM-3 Budget is designated for the replacement of Stores equipment including storage bins, pallet racks, pipe racks, shelving, and strapping/wrapping equipment. This equipment is used for store room operations.

Items covered under the XM-3 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed. For example, in 2008, Stores purchased 67 units that were either replacement for or upgrades of existing equipment. Some examples of this are the Remstar parts system, Cousins wrapping and banding machines, and prime movers.

Justification:

- **Alternatives:**

Maintain the existing equipment

- **Risk of No Action:**

The tools and equipment purchased through the XM-3 budget would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. In addition, without these funds our ability to take advantage of new equipment technologies, such as advanced shelving systems would limit our ergonomic and operational efficiencies, potentially having an adverse affect on employee productivity.

- **Technical Evaluation/Analysis:**

Equipment is evaluated before being replaced and only those that are deemed un-repairable are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new equipment are competitively bid and where possible, orders are consolidated to take advantage of volume discounts.

Current Working Estimate (if applicable):

Specific stores equipment that will be replaced and their ultimate invoice price are not known for future years. The Company typically knows more specifically what units should be replaced in the current year and perhaps the next year.

2010 Capital – Shared Services – General Equipment – XM - 3

Below is a list of how many devices, by major category, that we are projecting to purchase in 2010.

Major Category	Projected Quantity - 2010	Estimated Cost
Hoppers	10	\$22,000
Storage Racks and Shelving	36	\$271,000
Wrapping/Strapping Machines	9	\$129,000
Scissor Lifts	12	\$7,800
Scale/Weighing Equipment	4	\$13,900
Pallet Trucks	8	\$66,000
Reach Trucks	2	\$44,000
Label/Marking Equipment	20	\$5,500
Misc. Items	12	\$38,800
Total	113	\$598,000

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$502	\$444	\$491	\$672

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$598	\$598	\$598	\$850	\$850	\$3,494

Historical elements of expense (EOE's in \$000)

EOE	2006	2007	2008	2009
Labor		\$23		
M&S	\$4			
A/P	\$473	\$395	\$471	\$639
Indirects	\$25	\$26	\$20	\$33
Contingency				
Total	\$502	\$444	\$491	\$672

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	\$568	\$568	\$568	\$808	\$808
Indirects	\$30	\$30	\$30	\$42	\$42
Contingency					
Total	\$598	\$598	\$598	\$850	\$850

2010 Capital – Shared Services – General Equipment – XM - 4

Project/Program Title	XM – 4 (Shop Equipment)
Status	On-Going
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

Construction Service's Shop Operations is the Control Agency for XM4 Shop equipment. The XM4 budget is designated for the purchase of new replacement of shop equipment utilized at the Van Nest Shop Operations' facility. The equipment includes floor grinders, lathes, milling machine, scribers, brazing and welding equipment, CNC machinery, jib cranes and hoists. The purchase and use of the equipment is based upon the work load, which includes emergency fabrication of specialized parts. The Van Nest Shop supports the steam generating stations, electric and gas distribution operations, sub-station and transmission operations. The impact of not having equipment funding to support this work would have a severe impact on steam production, electric and gas distribution as well as substation and transmission operations.

Justification:

- Alternatives:**

An economic and time base comparison is made between contracting the work out vs. performing the work in house. In most cases, on an emergency basis, contracting out is not cost effective. This is due to the premiums applied because of such short notice. Another factor is the time lag involved with getting a contractor and equipment on-site. Within the specified time frame needed to perform the work on the emergency basis.

- Risk of No Action:**

No action would have an adverse effect to the electric, gas and steam system reliability. The risk of not restoring equipment in a timely and cost effective fashion during an emergency will likely occur.

Current Working Estimate (if applicable):**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$226	\$(26)	\$645	\$314

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$173	\$198	\$198	\$203	\$203	\$975

2010 Capital – Shared Services – General Equipment – XM - 4

Historical elements of expense (EOE's in \$000)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P	\$206	\$(26)	\$587	\$286
Indirects	\$20		\$58	\$28
Contingency				
Total	\$226	\$(26)	\$645	\$314

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	\$157	\$180	\$180	\$185	\$185
Indirects	\$16	\$18	\$18	\$18	\$18
Contingency					
Total	\$173	\$198	\$198	\$203	\$203

2010 Capital – Shared Services – General Equipment – XM - 5

Project/Program Title	XM-5 (Lab & Test equipment)
Status	Ongoing
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

Central Field Services' Capital Equipment Group is the Control Agency for XM-5.

The XM-5 Budget is designated for the replacement of laboratory testing instrumentation and equipment which includes volt meters, gas testers, recorders, pressure gauges, etc. These devices are used to manage and operate the gas, electric and steam systems.

Items covered under the XM-5 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed. An example of this is the normal replacement of items such as Doble test sets, hi-pot test sets and the technological advances in gas detectors covered under XM-5. The gas detector devices are used by field mechanics in many organizations throughout the company to monitor the atmospheric conditions that they work in. When the electro-chemical sensors in the older detectors would fail, they did not provide an indicator to the operator which could result in personnel operating in dangerous environments. Corporate EH&S addressed this concern and newer technology was identified to replace the existing instruments. The new devices not only have sensors that provide an indicator when one fails, they also have the ability to test additional types of gases. The units will also deny access to use of the instrument when its calibration interval has expired. Since 2004, we have purchased 2,519 new detectors to date as part of the XM-5 budget. A listing by serial number is attached.

Justification:

- Alternatives: Maintain existing equipment
- Risk of No Action:

The instrument and equipment purchased through the XM-5 budget would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. In addition, without these funds our ability to take advantage of new instrument and equipment technologies, such as noise reduction, ergonomics, and operational efficiencies would be limited, potentially having an adverse affect on employee and public safety.

- Technical Evaluation/Analysis:

Instruments and equipment are evaluated before being replaced and only those that are deemed un-repairable are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new tools and equipment are competitively bid and where possible orders are consolidated to take advantage of volume discounts.

Current Working Estimate (if applicable):

Specific lab and test equipment that will be replaced and their ultimate invoice price are not known for future years. The Company typically knows more specifically what units should be replaced in the current year and perhaps the next year.

2010 Capital – Shared Services – General Equipment – XM - 5

Below is a list of how many devices, by major category, that we are projecting to purchase in 2010.

Major Category	Projected Quantity – 2010	Estimated Cost
Calibration Equipment	35	\$105,000
Cameras (Infrared, Imaging)	35	\$350,875
Voltage Detectors	65	\$65,000
Atmospheric Gas Analyzers	150	\$675,000
Gauges (Pressure, Thickness)	40	\$41,200
Hi-Pot Test Sets	40	\$332,000
Load Units	20	\$53,800
Locators (Cable, Fault, Pipe)	100	\$290,000
Meters (Ohm, Multi, Current)	300	\$1,080,000
Power Supply	5	\$10,700
Power System Integrity (PSI) Units	15	\$249,000
Data Recorders	4	\$23,600
Test Sets (Dielectric, Network, Relay)	150	\$1,455,000
Testers (Pressure, Breakers, Impedance)	100	\$540,000
Misc. Equipment	65	\$208,000
Total	1124	\$5,479,175

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$10,229	\$4,437	\$7,524	\$5,392

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$5,479	\$5,444	\$5,304	\$5,634	\$5,634	\$27,495

Historical elements of expense (EOE's in \$000)

EOE	2006	2007	2008	2009
Labor		\$4	\$119	
M&S				
A/P	\$9,892	\$4,220	\$6,815	\$5,122
Indirects	\$337	\$213	\$590	\$270
Contingency				
Total	\$10,229	\$4,437	\$7,524	\$5,392

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	\$5,205	\$5,172	\$5,039	\$5,352	\$5,352
Indirects	\$274	\$272	\$265	\$282	\$282
Contingency					
Total	\$5,479	\$5,444	\$5,304	\$5,634	\$5,634

2010 Capital – Shared Services – General Equipment – XM - 6

Project/Program Title	XM-6 (Tools)
Status	On-Going
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

Central Field Services' Capital Equipment Group is the Control Agency for XM-6.

The XM-6 Budget is designated for the replacement of tools and equipment including portable pumps, chain saws, hydraulic jacks, pneumatic hammers, parts washers, tire repair equipment, etc. These devices are used to manage and operate the gas, electric and steam systems.

Items covered under the XM-6 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed.

Justification:

- Alternatives:

Maintain the existing equipment

- Risk of No Action:

The tools and equipment purchased through the XM-6 budgets would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. Without these funds, the ability to take advantage of new tool and equipment technologies, such as noise reduction and ergonomics and operational efficiencies would be limited, potentially having an adverse affect on employee and public safety.

- Summary of Financial Benefits and Costs: N/A

- Non-financial Benefits (if applicable): N/A

- Technical Evaluation/Analysis:

Tools and equipment are evaluated before being replaced and only those that are deemed un-repairable are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new tools and equipment are competitively bid, and where possible, orders are consolidated to take advantage of volume discounts.

- Sensitivity Analysis (if applicable): N/A

2010 Capital – Shared Services – General Equipment – XM - 6

- Project Relationships (if applicable): N/A

Estimated Completion Date: N/A

Status: On-going

Current Working Estimate (if applicable): Specific work tools and equipment that will be replaced and their ultimate invoice price are not known for future years. The Company typically knows more specifically what units should be replaced in the current year and perhaps the next year.

Below is a list of how many devices, by major category, that we are projecting to purchase in 2010.

Major Category	Projected Quantity - 2010	Estimated Cost
Blowers/Ventilators/AC units	125	\$175,000
Breakers/Demolition Drills	400	\$380,000
Cable Cutting/Crimping Equipment	850	\$1,997,500
Pipe Fusion Equipment	125	\$381,500
Generators	75	\$110,000
Hoists	30	\$55,500
Hydraulic Pumps/Presses	100	\$218,000
Lifts	20	\$198,500
Maintenance/Storage Equipment	325	\$680,000
Pipe Bending/Fabricating Equipment	150	\$385,500
Pumps – De-Watering	220	\$284,900
Retriever Devices	100	\$175,000
Saws	150	\$230,250
Tool Carts	45	\$757,125
Vacuums	25	\$33,750
Welding Equipment	50	\$132,500
Impact/Torque Wrenches	45	\$131,850
Misc. Items	85	\$431,000
Total	2,920	\$6,757,875

2010 Capital – Shared Services – General Equipment – XM - 6**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$6,719	\$5,274	\$7,211	\$7,259

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$6,758	\$6,724	\$6,758	\$6,703	\$6,703	\$33,646

Historical elements of expense (EOE's in \$000)

EOE	2006	2007	2008	2009
Labor		\$1		
M&S			\$16	
A/P	\$6,368	\$5,026	\$6,558	\$6,534
Indirects	\$351	\$247	\$637	\$725
Contingency				
Total	\$6,719	\$5,274	\$7,211	\$7,259

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	\$6,083	\$6,054	\$6,083	\$6,033	\$6,033
Indirects	\$675	\$670	\$675	\$670	\$670
Contingency					
Total	\$6,758	\$6,724	\$6,758	\$6,703	\$6,703

2010 Capital – Shared Services – General Equipment – XM - 7

Project/Program Title	XM – 7 (Miscellaneous Equipment)
Status	On-going
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

The XM-7 budget is devoted to the purchase of miscellaneous equipment such as cafeteria and kitchen equipment, medical, defibrillator, safety and training equipment, fire protection, audio visual and photographic equipment as well as sign and advertising displays.

An organization requiring purchase of capital General Equipment classified as XM-7 must submit a written request to Facilities Management as the Control Agency responsible for purchasing of such equipment. The Facilities XM budget coordinator reviews each request to ensure that its total cost is within the requesting organization's budget allotment and then initiates the procurement process via our existing purchasing tools available.

Justification:**Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. All miscellaneous equipment are evaluated before being replaced and only those that are deemed un-repairable are replaced. Facilities as a general practice recycle this equipment whenever possible. In addition, the majority of contracts utilized to purchase new equipment are competitively bid and where possible orders are consolidated to take advantage of volume discounts.

It should also be noted that at any given time organizational priorities are shifted to meet organization's requirements. Each organization anticipates their budget needs by identifying their future requirements. This would include forecasting deployment of extra crews in the field that would require additional safety equipment, such as emergency lifting devices. They submit corresponding appropriation requests for next year's General Equipment in their capital budget request.

Risk of No Action:

Our work forces would be prevented from meeting their objectives in an efficient and safe manner. It would also create personnel issues with those employees who, due to their daily work conditions, require safety, audio visual and training equipment to be able to perform their duties. For example, the safety lifting devices are used for employee protection in the event that a mechanic is overcome in a confined space to allow lifting out by fellow employees from above. As the Control Agency for XM-7 Budget, Facilities Management is committed to continue providing each user organization with the work tools required to perform their daily job functions by replacing broken, damaged, and

2010 Capital – Shared Services – General Equipment – XM - 7

obsolete equipment or by replacing items that are no longer useful due to normal wear and tear.

Status:

On –going

Current Working Estimate (if applicable):**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$999	\$1,440	\$2,572	\$1,622

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$1,959	\$1,992	\$1,892	\$1,860	\$1,860	\$9,563

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	-	-	-	-
M&S	-	-	-	-
A/P	909	1,310	2,340	1,476
Indirects	90	130	232	146
Contingency	-	-	-	-
Total	\$999	\$1,440	\$2,572	\$1,622

EOE	2010	2011	2012	2013	2014
Labor	-	-	-	-	-
M&S	-	-	-	-	-
A/P	1,783	1,813	1,722	1,693	1,693
Indirects	176	179	170	167	167
Contingency	-	-	-	-	-
Total	\$1,959	\$1,992	\$1,892	\$1,860	\$1,860

2010 Capital – Shared Services – General Equipment – XM -8

Project/Program Title	XM-8 (Telecommunications equipment)
Status	Ongoing
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

The equipment categorized in XM8 provide the means for Company employees to communicate and access business systems including the Customer Information System, Outage Management systems, electric, gas and steam monitoring and control systems as well as financial, HR and legal systems. Information Resources' Operations Support Group is the Control Agency for XM8. The equipment in XM8 is all capital communication equipment including fiber optic cables, SONET and DWDM communications components, transmitters, receivers, amplifiers, reflectors, towers, radio telephones, vehicle mounted radios, walkie-talkies, telephone switches, microwave equipment.

Justification:

- **Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. Telecommunication equipment is purchased in bulk and competitively bid to take advantage of volume discounts. Information Resources has initiated programs to optimize its costs. Equipment standardization is one of these programs. Using the same manufacturer (i.e. Motorola, Nextel) has given leverage to obtain larger discounts. Information Resources has been utilizing contract negotiation best practices for price and duration of contracts. A third party provider, Gartner Group, has also been retained to formulate more strategic negotiation tactics.

- **Risk of No Action:**

Support for communications systems could not be provided. Reliable communications systems and distribution automation systems are required to support field restoration activities and the automation of the distribution system to maintain electric, gas and steam services. Con Edison operates a wireless communication system for distribution data services. The system provides above-street radio coverage and is used to minimize outage duration and provided more rapid restoration during system disturbances like storms and feeder trip-outs due to peak loading and faults. Con Edison operates a single master site wireless communication system for voice service. The system provides on-street radio coverage for Con Edison's operations personnel throughout its 660-square mile service territory. It incorporates a man-down safety feature that alerts control center

2010 Capital – Shared Services – General Equipment – XM -8

personnel to substation operators in distress during switching operations on the transmission and distribution substation equipment and is essential to Con Edison's public utility services in both routine and emergency situations. This equipment is essential to provide both system reliability, as well as, employee safety

- **Summary of Financial Benefits and Costs:**

- **Non-financial Benefits (if applicable):**

- **Technical Evaluation/Analysis:**

XM8 equipment has an extended life and replaced at 10-15 year increments. This equipment is mostly carrier grade communications equipment to support voice and other communication requirements.

- **Sensitivity Analysis (if applicable):**

- **Project Relationships (if applicable):**

- **Estimated Completion Date:**

- **Status:**

Ongoing

- **Current Working Estimate (if applicable):**

N/A

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
6,129	3,297	5,608	4,719

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
2,774	3,751	3,665	3,780	3,780	17,750

2010 Capital – Shared Services – General Equipment – XM -8

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P	5,362	2,885	4,907	4,129
Indirects	767	412	701	590
Contingency				
Total	6,129	3,297	5,608	4,719

Forecast

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	2,428	3,282	3,208	3,308	3,308
Indirects	346	469	457	472	472
Contingency					
Total	2,774	3,751	3,665	3,780	3,780

2010 Capital – Shared Services – General Equipment – XM-10

Project/Program Title	XM-10 (Computers)
Status	Ongoing
Estimated Service Date	N/A
Work Plan Category	N/A

Work Description:

The equipment categorized in XM10 provides the means for Company employees to communicate and access business systems including the Customer Information System, Outage Management systems, electric, gas and steam monitoring and control systems as well as financial, HR and legal systems. Information Resources' Operations Support Group is the Control Agency for XM10. The equipment in XM10 would be all computer equipment including laptops, desktops, mobile data terminals, servers, storage, UPS devices, mainframes, printers, plotters and LAN/WAN network equipment called routers and switches.

Justification:

- **Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. Computer hardware is purchased in bulk and competitively bid to take advantage of volume discounts. Information Resources has initiated programs to optimize its mainframe costs. One such program leverages IBM hardware and software products against non-IBM vendors suggesting suitable IBM replacement products. Through the usage of monitoring tools we have discovered duplicate functionality between software products as well as products not being utilized. For products of which there are no suitable IBM replacements, Information Resources has been utilizing contract negotiation best practices for price and duration of contracts. A third party provider, Gartner Group, has also been retained to formulate more strategic negotiation tactics. In addition, through performance tuning, Information Resources has been attempting to improve the run time efficiencies of several of the largest production batch jobs. Con Edison has adopted the use of virtual server and Storage Area Network (SAN) technology which allows more efficient use of computer hardware and reduces costs.

- **Risk of No Action:**

If funds were not available for the XM-10 Budget it would impact the ability to provide reliable access to all Company computing systems. This equipment is necessary and essential to the operations, maintenance and expansion of the electric, gas, and steam transmission and distribution systems. This equipment is also an integral part of other infrastructure and business systems such as Customer Operations, Finance and Transportation. As technology changes, state of the art computer and electronic data processing equipment will increase the reliability of the system, as well as, enable expanded use of preventive maintenance programs and productivity improvements.

2010 Capital – Shared Services – General Equipment – XM-10

- **Summary of Financial Benefits and Costs:**

N/A

- **Non-financial Benefits (if applicable):**

N/A

- **Technical Evaluation/Analysis:**

Items covered under the XM10 categories are typically replaced on industry standard practice of 5 - 8 years or as business requirements dictate new technology specifications.

- **Sensitivity Analysis (if applicable):**

N/A

- **Project Relationships (if applicable):**

N/A

Estimated Completion Date:

N/A

Status:

On-going

Current Working Estimate (if applicable):

N/A

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
26,250	12,948	21,452	21,069

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
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2010 Capital – Shared Services – General Equipment – XM-10

19,835	20,358	20,316	20,461	20,461	101,431
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Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P	22,969	11,329	18,770	18,435
Indirects	3,281	1,619	2,682	2,634
Contingency				
Total	26,250	12,948	21,452	21,069

Forecast

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	17,356	17,813	17,776	17,903	17,903
Indirects	2,479	2,545	2,540	2,558	2,558
Contingency					
Total	19,835	20,358	20,316	20,461	20,461

As of September 30, 2009:

- Number of Desktops: 8,533
- Number of Laptops/MDT's: 5,808
- Number of servers: 881

	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Forecast 2010
Desktops	N/A	8,288	8,603	8,339	8,873
Laptops/MDT's	N/A	4,274	5,593	5,921	6,300
Servers	N/A	783	978	1,027	1,093
Total	12,739	13,345	15,174	15,287	16,266

General Equipment Trends (\$000s)

	Historical Expenditures				Budget	Budget	Request	Request	Request	Request
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
XM1 - Furniture, Partitions	1,190	2,207	2,247	1,267	2,258	2,176	2,077	2,042	1,925	1,925
XM2 - Vehicles	34,194	33,388	32,409	52,165	32,075	35,796	34,417	33,286	43,386	33,286
XM3 - Stores Equipment	116	502	444	491	672	598	598	598	850	850
XM4 - Shop Equipment	20	226	(26)	645	314	173	198	198	203	203
XM5 - Lab & Test Equipment	7,731	10,229	4,437	7,524	5,392	5,479	5,444	5,304	5,634	5,634
XM6 - Tools	5,061	6,719	5,274	7,211	7,259	6,758	6,724	6,758	6,703	6,703
XM7 - Miscellaneous (AC's, VCR's, etc.)	658	999	1,440	2,572	1,622	1,959	1,992	1,892	1,860	1,860
XM8 - Telecommunications	6,314	6,129	3,297	5,608	4,719	2,774	3,751	3,665	3,780	3,780
XM10 - Computers	21,350	26,250	12,948	21,452	21,069	19,835	20,358	20,316	20,461	20,461
Total General Equipment	\$ 76,634	\$86,649	\$ 62,470	\$98,935	\$ 75,380	\$ 75,547	\$ 75,559	\$ 74,059	\$ 84,802	\$ 74,702

4 Year Historical Average (2005-2008)

\$81,172

5 Year Projected Average (2010-2014)

\$76,934

2010 O&M – Shared Services - Central Field Services

Project/Program Title	Vehicle Fuel Costs
Status	Future Costs
Estimated Service Date	
Work Plan Category	Efficiency and Process Improvement

Work Description:

Funding for vehicle fuel both unleaded and bio-diesel.

Note: data for gallons and price are for total Company

Justification:

Due to the dynamic nature of the commodities market and the corresponding effects on vehicle fuel, the Company seeks to have adopted a projection methodology that allows appropriate recovery of costs associated with vehicle fuel. Changes over historic years' actual expenditures can be due in part to changes in the volume of fuel consumed. However, in recent years, volatility in the commodities market has had a much greater affect on prices. There is no absolute predictor of fuel prices, especially over a 24 month horizon. It is important to develop a methodology that reflects expected prices as closely as possible. Unique considerations in the CECONY market area include the effect of local taxes on the total cost of fuel. Additionally, CECONY is subject to DOE EPAct regulations, requiring us to use B20 biodiesel fuel which is an additional premium over traditional diesel fuel.

The Department of Energy uses the most sophisticated model that we are aware of to incorporate data about the commodities markets, supply, demand and production capabilities over the appropriate planning-horizon. By combining historical and forward-looking price information published by the Department of Energy's, Energy Information Administration (EIA) and internal actual expenditures at CECONY – we intend to demonstrate the expected differential between DOE projections and what should be expected in CECONY's market region.

Actual prices paid by CECONY for gasoline average \$0.04/gallon more than the corresponding DOE data-point, and account for slight variations in taxes and transportation in the CECONY service area, compared to the DOE (PADD1) historical average for the same cost components. This incremental cost should be applied to any DOE projections of that data-point.

Actual prices paid by CECONY for diesel average \$1.04/gallon more than the corresponding DOE data-point, and account for slight variations in taxes and transportation in the CECONY service area, and the cost premium for a 20% bio-fuel blend, compared to the DOE (national) historical average for the same cost components. This incremental cost should be applied to any DOE projections of that data-point.

Exhibit A – shows 2008 fuel data gallons and average annual price

Exhibit B(1) – shows historic national average gasoline prices as reported by DOE and actual CECONY gasoline prices

Exhibit B(2) – shows historic national average diesel prices as reported by DOE and actual CECONY diesel prices

- Alternatives: N/A

2010 O&M – Shared Services - Central Field Services

- Risk of No Action: N/A
- Summary of Financial Benefits and Costs: N/A
- Non-financial Benefits (if applicable): N/A
- Technical Evaluation/Analysis: N/A
- Sensitivity Analysis (if applicable): N/A
- Project Relationships (if applicable): N/A

Estimated Completion Date: N/A

Status: On-Going

Current Working Estimate (if applicable): N/A

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$9,746	\$10,358	\$13,886	* \$8,569

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
-	-	-	-

* PSC ALJ Recommendation

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S	\$9,746	\$10,358	\$13,886	
*A/P				
Contingency				
Total	\$9,746	\$10,358	\$13,886	

2010 O&M – Shared Services - Central Field Services

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P				
Contingency				
Total				

* Note A/P requires further identification such as A/P – Contract Labor, A/P - Equipment Maintenance, A/P - Corrective Maintenance, etc.

Exhibit A

Vehicle Fuel Costs

12 Months Ending June 2009

	Diesel	Unleaded	Total
Gallons	1,951,865	1,928,836	3,880,701
Price/Gal.	\$3.265	\$2.696	\$2.982
Cost	\$6,373,504.62	\$5,200,471.25	\$11,573,975.87

Assumption - 2011 RYE - fuel usage remains constant Average price used from DOE 2008 Forecast

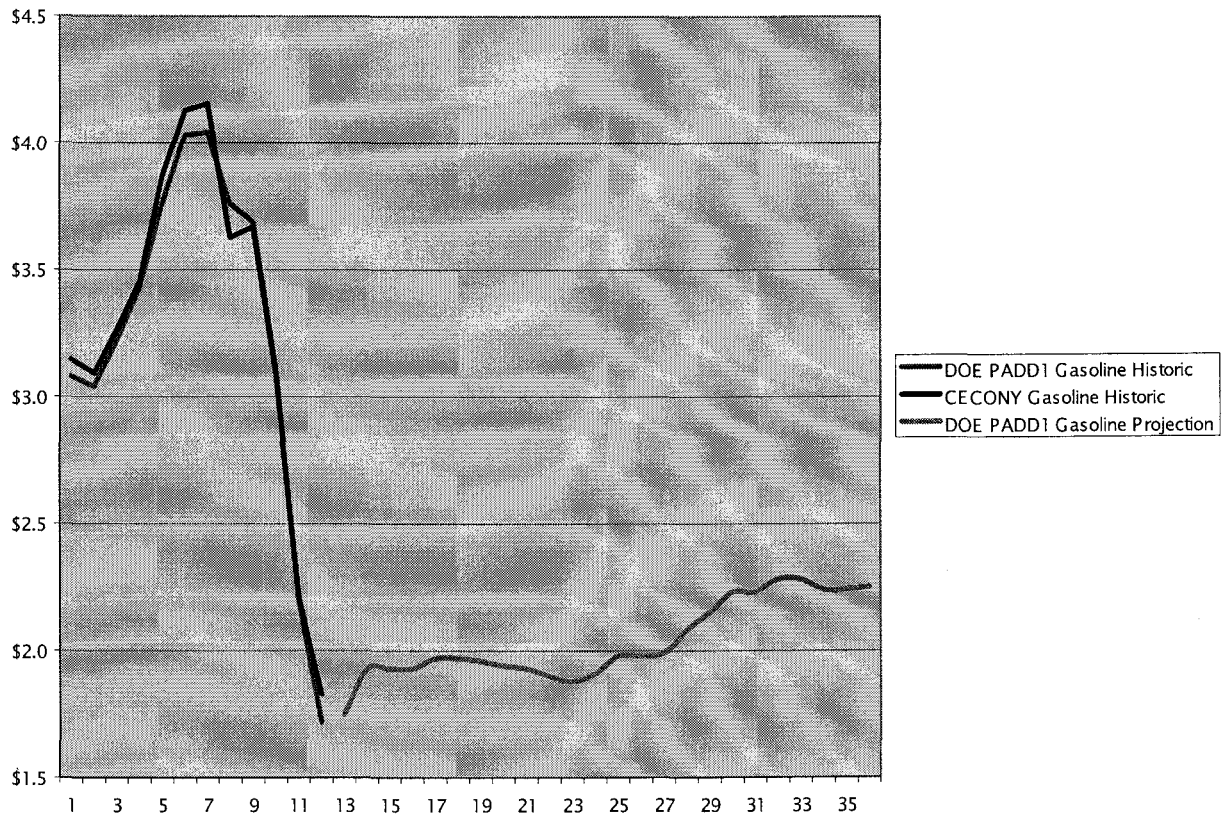
2011 (RYE - Forecast)

	Diesel	Unleaded	Total
Gallons	1,900,000	1,900,000	3,800,000
Price/Gal.	\$2.20	\$3.59	\$2.895
Cost	\$4,180,000	\$6,821,000	\$11,001,000

2010 O&M – Shared Services - Central Field Services

Exhibit B(1)

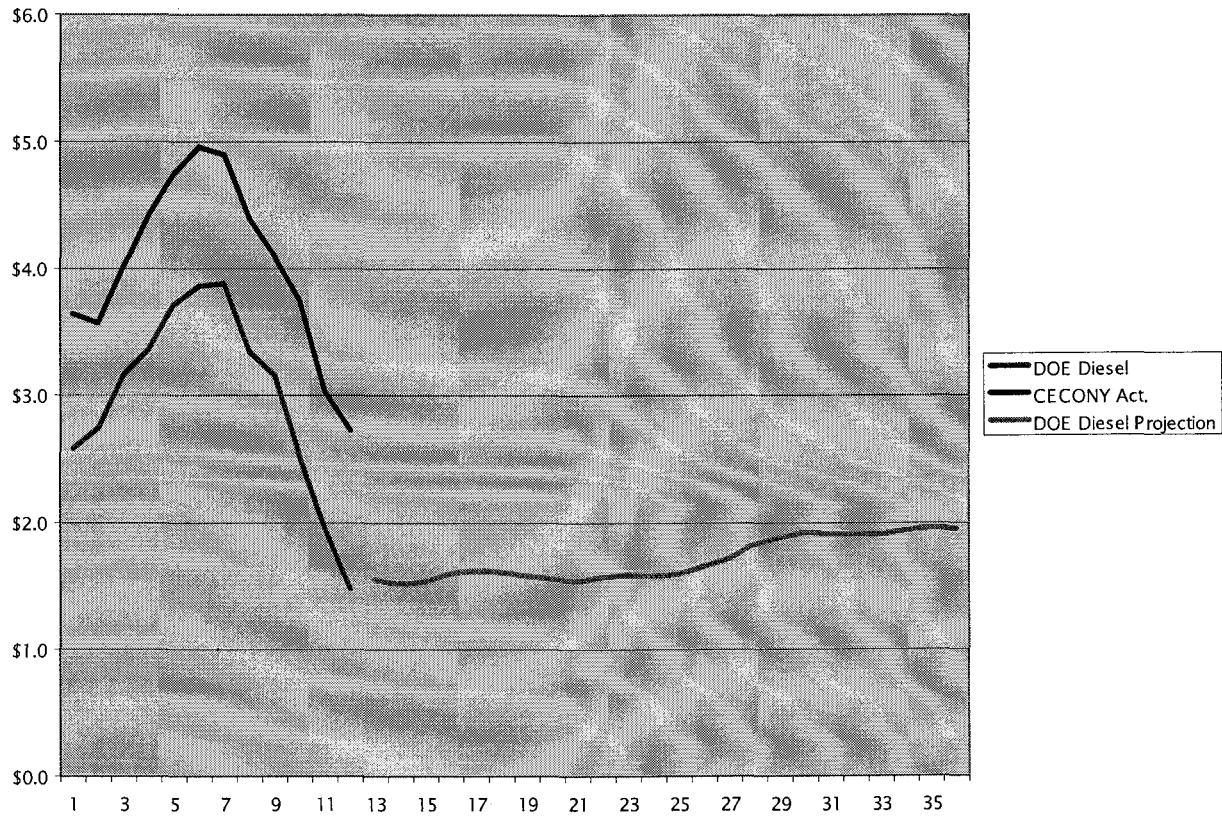
Chart shows historical difference between DOE PADD1 gasoline, the data point also used for projection of rate-year expenditure, and CECONY actual prices paid for gasoline during 2008 versus DOE projection through 2010.



2010 O&M – Shared Services - Central Field Services

Exhibit B(2)

Chart shows historical difference between DOE PADD1 diesel, the data point also used for projection of rate-year expenditure, and CECONY actual prices paid for B20 biodiesel during 2008 versus DOE projection through 2010.



Central Field Services

EXHIBIT __ (SSP-3)

Vehicle Fuel

PAGE 6 of 7

In-House 2009

Month	Biodiesel			Unleaded			Total		
	Dollars	Gallons	Cost/Gal.	Dollars	Gallons	Cost/Gal.	Dollars	Gallons	Cost/Gal.
January	\$461,183.90	180,119	\$2.560	\$256,095.22	148,306	\$1.727	\$717,279.12	328,425	\$2.184
February	\$486,828.10	180,282	\$2.700	\$306,886.92	150,774	\$2.035	\$793,715.02	331,056	\$2.398
March	\$457,068.48	194,833	\$2.346	\$348,542.15	172,010	\$2.026	\$805,610.63	366,843	\$2.196
April	\$430,023.02	165,019	\$2.606	\$318,545.98	153,153	\$2.080	\$748,569.00	318,172	\$2.353
May	\$323,635.65	127,864	\$2.531	\$285,850.16	127,728	\$2.238	\$609,485.81	255,592	\$2.385
June	\$329,151.35	122,754	\$2.681	\$322,199.09	126,891	\$2.539	\$651,350.44	249,645	\$2.609
July									
August									
September									
October									
November									
December									
YTD	\$2,487,890.50	970,871		\$1,838,119.52	878,862		\$4,326,010.02	1,849,733	
Average	\$414,648.42	161,812	\$2.563	\$306,353.25	146,477	\$2.091	\$721,001.67	308,289	\$2.339

Central Field Services
Vehicle Fuel
Vendor - 2009

Month	Diesel			Unleaded			Total		
	Dollars	Gallons	Cost/Gal.	Dollars	Gallons	Cost/Gal.	Dollars	Gallons	Cost/Gal.
January	\$20,437.35	6,745	\$3.03	\$26,628.21	13,797	\$1.93	\$47,065.56	20,542	\$2.29
February	\$18,775.04	6,176	\$3.04	\$25,214.40	12,240	\$2.06	\$43,989.44	18,416	\$2.39
March	\$18,410.44	6,178	\$2.98	\$29,952.00	14,400	\$2.08	\$48,362.44	20,578	\$2.35
April	\$14,098.59	4,747	\$2.97	\$28,732.97	13,241	\$2.17	\$42,831.56	17,988	\$2.38
May	\$13,484.56	4,618	\$2.92	\$27,683.37	11,583	\$2.39	\$41,167.93	16,201	\$2.54
June	\$13,991.05	4,570	\$3.06	\$35,349.54	12,686	\$2.79	\$49,340.59	17,256	\$2.86
July									
August									
September									
October									
November									
December									
YTD	\$99,197.03	33,034		\$173,560.49	77,947		\$272,757.52	110,981	
Average	\$16,532.84	5,506	\$3.00	\$28,926.75	12,991	\$2.23	\$45,459.59	18,497	\$2.46

2010 Capital – Shared Services - Central Field Services

Project/Program Title	Emergency Operations - Logistics Emergency Management System
Status	In Progress
Estimated Service Date	2013
Work Plan Category	Efficiency and Process Improvement

Work Description:

Con Edison responds to significant events and incidents utilizing the Incident Command System (ICS) as defined under the National Incident Management System (NIMS). Within this structure, Central Field Services is tasked with managing the overall logistical response functions for CEI in support of the Corporate Emergency Management Strategy.

To help facilitate this process, the Logistics Emergency Management System (LEMS) application was developed. The initial module of this system has already been completed and it supports the sourcing, mobilizing and tracking of company-owned and leased mobile electric generators (MEGs). These units are utilized to provide system support during emergency and non-emergency conditions such as planned and unplanned outages.

Subsequent modules of the LEMS will be designed to support the following areas: the deployment of command vehicles; requests for cranes and rigging support; requests for Fleet Operations support including the deployment of tankers and the management of transporting drums of hazardous and non-hazardous waste; and requests for other logistical support such as light towers, ice and hoteling. The application will provide improved control and visibility in real time and assist with the management of resources and response efforts through readily available information for upper management, requesting organizations and external regulatory agencies. The application will also provide financial reporting capability.

Justification:

Currently, various manual processes exist for managing the deployment of resources to support planned and unplanned responses. These processes require numerous interactions and hand-offs that have the potential to cause delays and duplication of efforts. There is also a significant amount of resources dedicated to documenting and reporting this information to internal and external organizations to ensure data accuracy.

Operating departments have enhanced their IT systems to better manage work activities and they continue to move forward in this area. They also require immediate and self-service access to follow the status of their requests. Upper management and regulatory agencies have also increased their expectations towards immediate access to information. The development of this system will provide Con Edison with the ability to effectively manage resources and enhance the communication with operating areas. In addition, LEMS is being designed to classify resources following the FEMA format where applicable.

- **Alternatives:** Maintain the current processes that are in place

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- Risk of No Action:
Continued use of manual processes and paper documents will negatively impact CFS' ability to manage their assets and communicate effectively with their customers.
- Summary of Financial Benefits and Costs:
- Non-financial Benefits (if applicable):
Self-service access for operating groups to monitor status of their requests
Timely reporting to upper management and regulatory agencies
Improved ability to efficiently reconcile vendor invoices

Estimated Completion Date: 2013**Status:** Several modules in progress**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	\$300	\$250

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$250	\$250	\$275	\$0	0	\$775

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			117K	63K
M&S				
A/P			150K	170K
Indirects			33K	17K
Contingency				
Total			300K	250K

EOE	2010	2011	2012	2013	2014
Labor	60K	60K	65K		
M&S					
A/P	170K	170K	185K		
Indirects	20K	20K	25K		
Contingency					
Total	250K	250K	275K		

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Project/Program Title	Warehouse Management System Upgrade
Status	Planning
Estimated Service Date	2012
Work Plan Category	Efficiency and Process Improvement

Work Description:

This request is to upgrade the software of both the Warehouse Management System (WMS) and the Smartinfo reporting tool to the current release. The existing release of the products will have reached their end of their useful life and the vendor does not support releases beyond a certain time. As part of this upgrade, new functionality would also be available in the product that can be used by Central Field Services (CFS) including the ability to use RFID (Radio Frequency ID) tags and Electronic Product Code scanning. The product has also been enhanced to incorporate non RF based tasks, the ability to handle cross company/division processes and enhanced space optimization calculations.

In addition, \$750,000 is forecast in 2013 for the cost of conducting a Phase “0” study for the development of a Work Management System for departments with CFS. The estimate includes the cost of engaging the services of a systems integrator and the product vendor, plus internal resources from Central Field Services and Information Resources.

System Description:

The WMS and its reporting tool (Smartinfo) is a vendor based product that is used by the Stores Operations department, of Central Field Services, to manage the Astoria Distribution Center (ADC) which serves as its’ central warehouse. The system is wireless based and uses portable devices to receive stocked material and pick stocked material and cross-dock vendor materials for shipping. When information is entered into the WMS, it is automatically directed to Purchasing’s Materials Management System (MMS) which updates the MMS in real-time. All materials transactions are stored in the WMS database and are retained there electronically for reporting purposes. The reporting function produces shipping manifests, vendor performance reports and a significant number of reports related to the management and movement of material.

When deliveries are received at the ADC the material and corresponding shipping papers are checked to ensure accuracy and that it corresponds to the WMS information. Once the material has been received and processed, it is then placed into inventory. CFS’ customers place requisitions for material via MMS 24-hours a day and these orders are received by the WMS and are printed for picking. A stores employee, utilizing a forklift with an on-board radio frequency (RF) computer, enters material information and then picks the requested item(s) from the warehouse, labels the carton(s), and packages them for delivery.

2010 Capital – Shared Services - Central Field Services**Justification:**

The current release of the Warehouse Management products will have reached their end of life by 2011 and will require replacement. The vendor does not support releases beyond a certain time. In order to get the proper support, we must upgrade the system at regular intervals. Additionally, upgrades allow us to use newer features that increase productivity and enhance system use. This includes the ability to use the new functionality of RFID tags and space optimization.

- Risk of No Action: The system will no longer be supported by the vendor and may not operate properly in future years.

Estimated Completion Date: 2012

Status: Project to begin in 2011

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
-	\$250	\$275	\$750	0	\$1,275

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

EOE	2010	2011	2012	2013	2014
Labor		35K	48K	210K	
M&S					
A/P		174K	180K	432K	
Indirects		30K	36K	118K	
Contingency		11K	11K		
Total		250K	275K	750K	

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Project/Program Title	ICON Radio Wireless System (iCON, & Microwave) Improvements
Status	Planned
Estimated Service Date	
Work Plan Category	Strategic IT Enhancements

Work Description:**Wireless Systems Improvements****Establishment of a Mount Vernon Site:**

The increased use of wireless in the area around Mount Vernon in lower Westchester boundary with the Bronx has raised the radio frequency noise floor and interference to the iCON radio infrastructure deployed in 2002.

This situation has led to marginal radio coverage in the area which makes it difficult for work crews to communicate using the iCON radio system.

A new iCON omni-directional radio site is proposed to provide reliable coverage and improved quality of service for voice communications in Mount Vernon and environs. Such benefits have already been realized on the DAS radio system from its radio equipment at Mount Vernon.

Replacement of iCON Portable Radios:

The existing iCON user radio population consists of 3,500 Motorola iDEN radios altogether. There are 2,500 portable radios, and 1,000 mobile, desk , base and dispatch radios. The portable radios are i1000, i550, and r750 models and the others are m470 and m370 models.

The radios have been in service since 2002. The cost of repairing the radios has increased over the years and the cumulative costs will soon approach that of a new portable for the majority of the radios, having already exceeded it for those that are used in the most demanding operating environments.

Motorola has developed a new portable, the r765, that will provide the added capabilities and performance described below. Moreover, the r765 will replace the i1000, i550 and r750 models.

A program to replace the 2500 portable radios is proposed to provide reliable communications, improved voice quality and to avoid the increasing costs associated with maintaining the aging population. Also, a single portable will vastly simplify the maintenance and support processes.

r765 Features many of which do not exist on current units :

Improved RF Performance; Professional Series Connector; Antenna Port; Top Controls; Removable Fixed Antenna; Improved Battery; Top Controls; Assignable Function of Controls; Dual System Capability (Two SIM Cards); Improved Screen (Color); GPS; Bluetooth; Improved; Phone Book; Hands Free.

Replacement of United Hospital with iCON at Rye Service Center:

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The existing residence building located at United Hospital is facing eminent demolition, as the hospital is closed, and the property has been sold.

Relocation of the iCON/DAS radio site to a permanent secure facility providing equal or improved coverage is imperative. A comprehensive study was commissioned to identify possible sites within an acceptable radius; Rye Service Center (Con Edison site) met all conditions, and exceeded expectations. Additionally, a Geotech analysis site survey has proven the property is within all norms for tower construction.

Secondary benefits of relocation to Rye, elimination of rental fees for a commercial property, and the savings of utilizing existing Bedford iCON shelter and equipment, which is scheduled for decommission. This includes an additional savings of rental fees.

The scope of work includes, Construction of a 180' tower, installation of local power, direct connection to CCTN at Rye, relocation of fully operational shelter including integrated back-up generator to site.

Consolidation of Empire State Building & Buchanan SS:

Empire State Building, (ESB), and Buchanan SC/SS, (BUC), consolidation and upgrades are essential to replacing obsolete, and near obsolete infrastructure, improve site reliability, reduce rent costs, and increase safety of sites.

ESB, Reduce overall room footprint, replace inadequate HVAC systems, modernize electrical distribution, lower energy usage, rebuild grounding system, and most important, improve, fortify, and upgrade lightning protection for personnel and reliability of network systems.

BUC, Retire and relocate all communication facilities located at Buchanan Service Center, Install a prefabricated CCTN shelter at BUC SS which will contain all CCTN, Microwave Radios, including existing link to Graymoor iCON/DAS site, and planned link to Hudson River East iCON/DAS site. This will improve BackHaul reliability.

All CCTN currently located in Control Room and temporary trailers on SS property to be relocated in same shelter, full backup power, including generator, will enhance the network reliability.

Implementation of Microwave BackHaul Links:

iCON Radio and DAS remote sites require BackHaul circuits to link voice and data to their respective networks served. Currently this connection, for the majority of sites rely on commercial carrier, i.e., Verizon, etc., some redundancy exists where CCTN is available, or Microwave BackHaul has been installed.

These are the most reliable sites in the system, as the CCTN system is second to none in reliability factor. The installation of new microwave radios at the remaining sites will provide the "Hardening" factor which is not possible from the common carriers, either land line or wireless.

Site design includes Path Analysis, for signal integrity, Structural Analysis for construction integrity, and efficiency consideration of each location.

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Physical installation is a typical small Parabolic, (3') or Panel type antenna. Cabling, with mechanical supports vary by structure. Power is supplied from existing 48VDC plant.

Radio is typically located within existing shelter.

An added benefit, WAN connection remote monitoring of power supplies, real time environmental conditions, security, including video, and verification of all entry.

Alternatives:

Increased costs for carrier communications to supplement iCON communication resulting in limited diversity for critical communications.

Increased costs for repairs, difficulty in acquiring parts and service once the new radio is more widely deployed and adopted by other users. There are no alternative manufactures of iDEN equipment.

Risk of No Action:

Failure to improve radio system performance in the area will result in lower productivity of work crews and unnecessary delays in the area because of the inconvenience of using multiple communications devices.

Diminish manufacturer's support as more resources are invested in the newer radio.

Summary of Financial Benefits and Costs:

Financial benefits will result from co-locating the iCON equipment with the existing DAS equipment at Mount Vernon as opposed to developing a new site from scratch.

Cost avoidance to repair radios.

Non-financial Benefits (if applicable):

Work crews will not lose the advanced emergency communications functionality available with iCON by having to resort to carrier based communications devices that do not provide this advanced capability.

Provides a radio that is better suited to our work due to the Con Edison's input during the development phase of the r765.

Technical Evaluation/Analysis:

Initial technical analysis is inferred from the efficacy of the existing DAS radio site at Mount Vernon, which provides excellent radio coverage for the SCADA system in spite of the fact that the DAS system transmits one-tenth the power capable from an iCON radio site and that the iCON 800 MHz spectrum has better propagation characteristics than the DAS 900 MHz.

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If the DAS performs this well at Mount Vernon, the iCON is expected to do better.

Preliminary On-Air testing of i765 show improved receiver sensitivity, increased processor speed, improved audio quality on both uplink and downlink. (Transmit and Receive).

There are many options, which require further research to “Customize” to Con Edison’s needs and preferences, total lock-out of Off System Point to Point, a.k.a. “Moto-Talk”

Improved accessory connector, compatibility with Professional Series desktop chargers (HT-1250 UHF), is a welcome improvement.

Addition of top controls for quick access to Talk Groups, and Private ID’s is a major improvement.

Same for top mounted volume control. We are awaiting a comparable Vehicle Install Kit to evaluate with this product.

Full function results will be available soon.

Sensitivity Analysis (if applicable): Not applicable.

Project Relationships (if applicable):

There is a direct relationship between establishing an iCON site at Mount Vernon and replacing the site at United Hospital with one at Rye Service center and the project to replace the iCON portable radios. They are both approaches to improving radio communications on the iCON system – infrastructure and subscriber units respectively.

Justification:

iCON, & Microwave Systems Improvements:

The project will:

- Improve communications reliability and availability
- Expand radio coverage of the iCON system
- Maintain workforce productivity and safety
- Improve voice quality
- Avoid increasing repair costs
- Simplify maintenance & support

2010 Capital – Shared Services – Information Resources**Site Consolidations:**

The project will:

- Improve communications reliability and availability
- Reduce lease and operational costs

Estimated Completion Dates:

Establish iCON Site at Mount Vernon	03/31/2011
Replace iCON Portable Radios	12/31/2013
Establish iCON Sites at Rye Service center	12/31/2010
Empire State Building Consolidation	12/31/2010
Buchanan Substation Consolidation	12/31/2010
Microwave Backhaul	06/30/2011

Status:

Planned

Current Working Estimate (if applicable):**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		0

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
2,167	1,145	500	0	0	3,812

Project	Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2010-2013
iCON Site at Mount Vernon	0	90	90	0	0	180
iCON Portables Replacement	0	1,000	1,000	500	0	2,500
iCON Site at Rye Service Center	0	450	0	0	0	450
ESB Consolidation	0	250	0	0	0	250
BUC Consolidation	0	300	0	0	0	300
Microwave Backhaul	0	77	55	0	0	132
TOTALS	0	2,167	1,145	500	0	3,812

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Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

Forecast

EOE	2010	2011	2012	2013	2014
Labor	300	100	0		
M&S					
A/P	1,700	972	480		
Indirects	167	73	20		
Contingency					
Total	2,167	1,145	500		

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Project/Program Title	Data Warehousing & Business Intelligence
Status	Working
Estimated Service Date	2012
Work Plan Category	Strategic IT Enhancements

Work Description:

A Data Warehousing and Business Intelligence (*BI*) program will be implemented in key operational areas for Con Edison. The fundamental goal of the program will be to improve Con Edison's business intelligence to further achieve customer and management goals. The data warehouse /BI project will improve both strategic and operational decision-making by providing analytical information (historical and predictive) that can be managed by members of the business areas. For the program, the following major components will be developed:

- An Enterprise Data Warehouse architecture to address data quality, timeliness, availability and accessibility of information.
- A Metadata layer to enforce information consistency by allowing data within the data warehouse to be defined in business terms and using business rules.
- A framework that aligns operations and management strategy and communicate performance results and actions at all levels, and to respond to internal and external stimuli in real time.
- Business scorecards and dashboards, designed in cooperation with business users, which provide "at-a-glance" information.

Justification:

The objective of the Data Warehousing and Business Intelligence program is to provide Con Edison operations personnel and management with better insight across operational groups and systems, with the help of data warehousing and business intelligence technologies, leading to:

- Improved understanding of our customers
- Business optimization through greater operational efficiency and cost control
- Improved management reporting and the ability to "drill down" to details
- Effective leveraging of information stored in disparate systems
- Improved information reliability and timeliness for compliance reporting

The Data Warehousing and Business Intelligence program will enable the business to:

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- View the organization from a customer, financial, business process and learning perspective (consistent with the concepts of a Balanced Scorecard)
- Respond to compliance reporting requirements with greater information accuracy, timeliness and traceability.
- Increase productivity by providing self-help capabilities and enabling users to spend more time in decision-making
- Focus on targets and goals through improved visibility and measures and reduced time to action
- Share quality and timely information across the organization
- Measure critical success factors such as productivity, profitability, quality, safety, compliance, customer service/satisfaction and employee satisfaction
- Provide the ability to mine data – predict future performance based on past behavior, and identify patterns and trends to predict performance

Alternatives:

- None. There is no real alternative to bringing information together for meaningful reporting and analysis.

Risk of No Action:

- Lack of timely, quality information for operational users and management
- Information that supports strategic insight more difficult to obtain or not available
- Compliance reporting is more difficult to accomplish and less reliable
- Lack of information lineage (i.e. traceability of information)

Estimated Completion Date:

2012

Status:

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Working

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	793	2,300

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
2,300	2,100	1,800	0	0	6,200

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			160	200
M&S			0	0
A/P			591	1,800
Indirects			42	300
Contingency			0	0
Total			793	2,300

EOE	2010	2011	2012	2013	2014
Labor	400	400	400		
M&S					
A/P	1,815	1,625	1,335		
Indirects	85	75	65		
Contingency					
Total	2,300	2,100	1,800		

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Project/Program Title	Data Center Renovation / Network Operations Center
Status	Working
Estimated Service Date	2011
Work Plan Category	Strategic IT Enhancements

Work Description:

One of the goals of the data center renovation project is to construct facilities that would support a Network Operations Center (NOC). The NOC would be constructed in the data center in close proximity to critical corporate IT resources. The NOC facility would be staffed 24/7/365 by experienced systems analysts who would conduct enterprise-wide predictive, condition-based monitoring of Business Application, servers, networks, communications, and infrastructure in order to meet expectations for 24/7 availability of critical computing and communications resources.

The major objectives of the NOC implementation include:

- Design and implement the physical control room structure that will achieve monitoring objectives through the efficient use of audio/video technology and location of personnel resources.
- Evaluate and implement enterprise monitoring software tools that will enable real-time predictive and proactive monitoring capabilities.
- Centralize the organizational roles for monitoring of infrastructure, applications, telecommunications, facilities, Help Desk and mainframe operations.
- Consolidate routine operational maintenance activities.

A future phase of this project would include an alternate NOC back-up location

Justification:

Information Resources currently performs decentralized monitoring of its telecommunications, mainframe and distributed systems, with limited monitoring of facilities related resources.

The current decentralized monitoring model is not operating at optimal operational efficiency. Centralizing and consolidating operational staff into one physical location would enable Information Resources to focus on strategic initiatives that support business goals and Con Edison's commitment to electric, gas and steam customers.

Establishing a centralized monitoring model through a NOC will also:

- Reduce the risks and vulnerabilities associated with network outages by consolidating monitoring responsibilities under one organization.
- Reduce the likelihood of downtime of IT resources through proactive and predictive monitoring.
- Improve operational efficiency through enhanced controls and improved operating processes.
- Improve communications and coordination between internal support groups
- Improve scheduling and change management strategies.

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- Improve the coordination of third party circuit carriers, i.e., Verizon, response by evaluating current outages and prioritizing their repair.

Alternatives:

Failure to improve monitoring capabilities will result in reduced availability of critical business applications. As more applications become integrated failures in any application will affect others but recovery and impact will be delayed without the focus prescribed in this project.

Risk of No Action:

Failure to improve monitoring capabilities will result in reduced availability of critical business applications. As more applications become integrated failures in any application will affect others but recovery and impact will be delayed without the focus prescribed in this project.

Summary of Financial Benefits and Costs:

See below

Non-financial Benefits (if applicable):

See above

Technical Evaluation/Analysis:

Organizational structure planning is in progress, monitoring tools have been identified for selection.

Estimated Completion Date:

2011

Status:

Working

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Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		2,726

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
0	909	0	0	0	909

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				515
M&S				0
A/P				1,865
Indirects				346
Contingency				0
Total				2,726

EOE	2010	2011	2012	2013	2014
Labor		69			
M&S		0			
A/P		786			
Indirects		54			
Contingency		0			
Total		909			

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Project/Program Title	SCADANet
Status	Planned
Estimated Service Date	2012
Work Plan Category	Strategic IT Enhancements

Work Description:**Design and Implement SCADANet**

The increased use of microprocessors in the energy delivery environment has greatly increased the ability to collect important operating data and improve automation and control of assets from control centers. A new, physically diverse SCADANet operations communications network is proposed to provide reliable access from control centers to energy assets in substations and in the field. The network will be designed and implemented using TCP/IP. A private high-speed core network will link control centers and, using a combination of company owned private communication circuits and carrier services, provide the means to run multiple SCADA applications across a single infrastructure. Substations and other locations will have multiple connections to the core. Public networks and carrier links will enter the network at 2 core locations and have additional layers of security. The project will utilize existing fiber assets from the Company's private network and be complimented by wireless technology.

Justification:

The electric industry is undergoing a radical change in the use of technology. Field components now come equipped with microprocessors and the capability to collect power quality and load data. On the other hand, FERC and NERC are enforcing new cyber and physical security regulations that affect the ability to achieve the benefits from this new technology. Con Edison is currently designing and piloting multiple new SCADA and Smart Grid applications. In addition, a February 2009 PSC order requires Con Edison to pilot AMI to determine its value in the future. The following initiatives have been identified:

- Pilot of Smart Meters and AMI
- Home Area networks for demand management
- Feeder Reconfiguration
- Secondary Model validation
- Transformer Monitoring
- Distributed Generation control

Smart Grid initiatives which monitor and control energy delivery assets require secure, reliable and high-speed communications. These applications and the data acquisition cannot be merged onto existing Corporate networks and compete against large file transfers or email. Designing and implementing individual communications for each initiative will result in the duplication of network components, increased operating costs and ultimately reduced reliability. Combining the requirements into a redundant

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and diverse high-speed network will provide the most efficient and effective solution. The proposed network will include designs to allow Smart Grid initiatives:

- High speed network with redundancy and diversity
- Leverage existing investment in Company private network
- Grow as needed without large network expenditures
- Operate securely and within regulatory guidelines
- Provide a private wireless solution to enable last mile connectivity with incremental costs with only incremental costs for field devices
- Establish security layers for public network (Internet and carrier) interconnections

Alternatives:

Alternative networks for providing Smart Grid solutions will require extended use of the Internet and other public networks. This will increase security and reliability risks associated with using public networks. A carrier based network will also increase costs associated with providing scalability, redundancy and diversity. Installation and support costs increase due to duplication of network components.

Risk of No Action:

The failure to implement new smart grid technologies due to security and reliability exposures. The proliferation of multiple critical and unmanageable networks to support energy delivery

Estimated Completion Date:

2012

Status:

Planned

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Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
1,900	1,630	1,370	0	0	4,900

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

Forecast

EOE	2010	2011	2012	2013	2014
Labor	0	0	0		
M&S	0	0	0		
A/P	1,810	1,560	1,310		
Indirects	90	70	60		
Contingency	0	0			
Total	1,900	1,630	1,370		

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Project/Program Title	Other Business
Status	Working
Estimated Service Date	
Work Plan Category	Reliability

Replacement of Unsupported Technologies

Work Description:

The application portfolio and infrastructure technologies will remain current and supportable by Company resources. Security, functionality and reliability necessitate maintaining software and hardware components at version levels that are supported by vendors, manufacturers and market work force. Technologies that are unsupported are targeted for replacement or upgrade. Scheduled projects in this category include:

- Ramis
- SQL Windows
- Cobol Upgrade

Justification:

The project will provide for:

- Improve system reliability and availability
- Maintain secure computing environment
- Align skills with market workforce availability

Completion Date:

On-going

User Technology Plan

Work Descriptions

Create an environment where computer users are informed of available technology, how to use it and how to incorporate into business processes. Ensure personnel receive maximum gain from software and other technology purchases. Develop and implement applications to improve employee productivity and efficiency. Provide awareness about security and IT procedures, and provide self service processes to improve productivity. Provide access to assistance and information about the best ways to use technology including user guides and web sites. Improve access to procedures to allow more employees to access security and IT information. This will include

- Develop and implement desktop applications
- Implement Microsoft Office 2007 and train employees on new features

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- Expand the computer security website
- Program for employee technology notifications and awareness
- Develop and implement a web based computer security awareness quiz for all users

Completion Date:

On-going

Enterprise Software & Collaboration

Work Description:

Provide an environment for employees to collaborate and communicate using latest desktop and office tools. Enable employees and teams to collaborate and share information in an efficient and organized fashion. Efficiently use computing hardware and network assets by minimizing duplication and dated files. Improved communications among employees by providing other alternatives to email and traditional telephone.

Justification: Implement the following technologies to maximize employee productivity through collaboration and workflows. Enable trusted outside entities a secure method to access limited but required information. Provide improved methods of communications among mobile employees. Planned projects include:

- Sharepoint development
- Enterprise Instant Messaging architecture
- Web Conferencing
- Electronic Whiteboarding and file collaboration
- Single File repository for email

Completion Date:

On-going

CCTN Expansion

Work Description:

Con Edison owns and operates a private communications network called Corporate Communications Transmission Network (CCTN). This network is the vehicle that enables the computing and storage for consolidation, disaster recovery, computing efficiencies and cost savings. The expansion scheduled for the years 2010 – 2013 include the following:

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- Implement fiber connectivity between O&R and CECONY
- Implement WiMax technology to compliment existing fiber infrastructure across the network
- Fiber expansion between Dunwoodie and 4 Irving Place to provide needed capacity and diversity for continued voice, data and protection circuits
- Increase capacity and more efficient use of existing fiber plant by upgrading legacy Lucent Sonet equipment to Cisco DWDM technology

Justification:

- CCTN will continue to provide the Company with a high-speed, reliable and cost effective alternative and compliment to public carriers. Communications requirements for data, voice, protection, SCADA and video circuits will result in the installation and deployment of modern communication technologies to many Company facilities. CCTN will provide protection and data services to all critical substations necessitating capital projects to improve diversity and capacity to those locations. CCTN will far surpass the use of public carriers for communications in the next 3 years and will provide a corporate backbone for all communication services for the foreseeable future. All major CCTN nodes will possess diverse Points of Entry (POE) and redundant components including power sources to eliminate any single point of failure and provide redundancy and diversity. Substations will be interconnected to the core CCTN network with fiber runs to support high speed services. Wireless microwave will be considered when fiber is not feasible or justified. A new wireless technology called WiMax has created a new opportunity for high speed data networking.

Completion Date:

On-going

Other XC Projects

Included in this section are smaller projects which are part of the 2009 – 2013 Five Year Budget. They are:

- Server Room (IRIS) inventory and inspection system
- Telecom Central/Computer Cost Central to control asset lifecycle
- TEMS Enhancements to improve communication cost tracking
- Server Farm Enhancements to ensure continued reliable environments during sustained growth in capacity
- Data Protection initiatives of critical and sensitive Company information
- Identity Management to improve role based access controls to business applications

Justification:

- Alternatives: Increased costs for carrier communications, resulting in limited diversity for critical communications.

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- **Risk of No Action:** Risk of failure to replace obsolete technologies will result in frequent and extended outages of production systems. Failure to invest in CCTN infrastructure will result in increased hardware failures and performance necessary for new business and operations applications.

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
5,465	4,499	6,601	5,331

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
6,427	5,397	5,565	13,853		

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

EOE	2010	2011	2012	2013	2014
Labor	2,000	1,500	1,500	2,000	
M&S					
A/P	3,789	3,358	3,515	10,467	
Indirects	638	539	550	1,386	
Contingency					
Total	6,427	5,397	5,565	13,853	

2010 O&M – Shared Services – Information Resources

Project/Program Title	Computer Hardware & Software Costs
Status	Ongoing
Estimated Service Date	
Work Plan Category	

Work Description:

A number of contracts with a variety of vendors are in place to provide desk top and laptop computer hardware and software maintenance, licenses and related expenses. Examples of the contracts included are pc, server, and printer repairs, software such as the Microsoft and Oracle products enterprise agreements, several antivirus, security and firewall protections, laptop network connectivity and several process specific products (Hyperion, Impromptu). These contracts are administered by Information Resources.

This program change has three segments: growth, mostly in field laptops; new software licenses, and software and network equipment coming off of warranty. The growth in laptops can be attributed to the expansion of a number of applications for field force work management. Examples of new software and software coming off warranty include emergency messaging, laptop security, penetration testing, monitoring, firewall, and server certificates. This equipment is part of numerous planned programs, projects and work force growth. Issuance of computing hardware requires providing the association hardware and software and related support.

Justification:

Failure to provide necessary maintenance and support may impact operational and monitoring functions. The figures below indicate the level of growth has been consistent.

Units							
Measurement Point	Year	Total #	Laptop	Desktop	Server	Growth	Growth %
	2006 Year End	12,739	n/a	n/a	n/a		
2007 Year End	2007 Year End	13,345	4,274	8,288	783	606	5%
	2008 Year End	15,174	5,593	8,603	978	1,829	14%
Budget	2009 Budget	15,287	5,921	8,339	1,027	113	1%
2008 Year End	2009 Projection	16,307	6,124	9,128	1,055	1,020	7%
as of 2/23/09	2010 Projection	17,384	6,248	9,439	1,697	1,077	7%

Estimated Completion Date:

Ongoing

Status:

Ongoing

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Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
4,247	4,654	5,524	6,620

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
7,524	7,524	7,524	22,572

2010 O&M – Shared Services – Information Resources

Project/Program Title	Information Resources – Mainframe Operating & Maintenance Costs
Status	Ongoing
Estimated Service Date	
Work Plan Category	

Work Description:

The Corporate Mainframe computing environment hosts critical applications for CECONY, including the Customer Information System and critical financial applications. The mainframe software environment must be upgraded to meet vendor support specifications and to support new hardware implementations which are driven by business and utilization requirements. The mainframe environment requires software licenses which are leased from a variety of software development companies. The software lease is required to provide use of the software, upgrades to the software and support for the software. The lease charges are based on the capacity of the mainframe computer. Mainframe software costs are driven by the MIPS (millions of instructions per second) or MSU (millions of service units) ratings of their respective mainframe processors. Accordingly, software and hardware maintenance support services increase on a yearly basis and/or when contract terms are renewed. The software includes the operating system, database management systems and system tools and utilities.

Justification:

To maintain the quality and availability of the mainframe environment for support of critical corporate data, hardware capacity upgrades and software maintenance for operating system, application development, database management systems and associated utilities, must be implemented and managed effectively. Fundamental to its effective operation, is properly maintained hardware as well as a properly maintained and managed operating system, database management systems, and mainframe system tools and utilities.

Alternatives:

Alternative options include implementation and utilization of distributed, Windows-based and/or Web-based software solutions and technologies to bypass the mainframe computing environment, where possible. Through the elimination of further mainframe capacity requirements and by decreasing mainframe utilization, additional MIPS would not be required. These alternatives are used by CECONY where possible, however cannot be easily or cost effectively implemented because of legacy systems whose databases reside on the mainframe platform.

Risk of No Action:

Due to vendor software maintenance agreements and contractual obligations, failure to not appropriately account with the vendor for the mainframe MIPS and MSU ratings would result in software product failure on the new or upgraded mainframe hardware platform. Many vendors

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include software authorization keys with their products which validate the mainframe hardware type and capacity in order for the software product to function properly.

Estimated Completion Date:

Ongoing

Status:

In Progress

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
2,830	3,509	3,043	3,677

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
4,023	4,383	4,759	13,165

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Project/Program Title	Strike Contingency
Status	Ongoing
Estimated Service Date	Ongoing
Work Plan Category	Employee Development

Work Description:

The Local 1-2 contract is for the period June 29, 2008 through June 30, 2012 and the Local 3 contract is for the period June 26, 2009 through June 27, 2009. Contractual negotiations planned for 12 months ended June 30, 2011 will not require the Company to incur costs for consultants, hotels, food procurement and supplies, instructors, course materials, electronic data processing, reproduction and forms, telephone/communication and other miscellaneous items.

Justification:

This program is required for the company to conduct contract negotiations with both Local 1-2 and Local 3.

Estimated Completion Date:

Local 1-2 June 2012 and Local 3 June 2013.

Status:

The Local 1-2 & Local 3 Contingency Programs are ongoing initiatives that occur once every four (4) years. As a result, for rate case filings, the cost for these initiatives is priced out at one-fourth. The estimated cost of the next round of union contract negotiations is \$1.3 million for Local 1-2 and \$0.2 million for Local 3, or a total of \$1.5 million. One-fourth, or \$375,000 is included in the rate filing.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$0	\$0	\$1,301	\$200

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$0	\$0	\$1,301	\$1,301

2010 O&M – Shared Services - Human Resources

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	\$0	\$0	\$34	\$0
M&S	0	0	23	0
*A/P	0	0	1,244	200
Contingency	0	0	0	0
Total	\$0	\$0	\$1,301	\$200

- Note A/P requires further identification such as A/P – Contract Labor, A/P - Equipment Maintenance, A/P - Corrective Maintenance, etc.

Identification of Accounts Payable Charges (\$200)

Accounts Payable Charges	2009 Budget
Consultants	\$ 57
Telephone & Communication Charges	6
Materials & Supplies/ System Contracts	6
Contract Programmers	4
Guard Service	2
Hotels, Food, Printing & Other Items	120
Sales & Use Tax	5
Total	\$ 200

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor	\$0	\$0	\$34	\$34
M&S	0	0	23	23
*A/P	0	0	1,244	1,244
Contingency	0	0	0	0
Total	\$0	\$0	\$1,301	\$1,301

Identification of Accounts Payable Charges (\$1,244)

2010 O&M – Shared Services - Human Resources

Accounts Payable Charges	2008	
Consultants	\$	144
Office Temporaries		23
Petty Cash		4
Telephone & Communication Charges		6
Environmental Services		42
EDP Equipment & Software		33
Medical Services & Supplies		19
Training & Development		26
Miscellaneous Equipment, Parts & Services		43
Hotels, Food, Printing & Other Items		893
Sales & Use Tax		11
Total Accounts Payable Charges	\$	1,244

2010 Capital – Shared Services - Human Resources

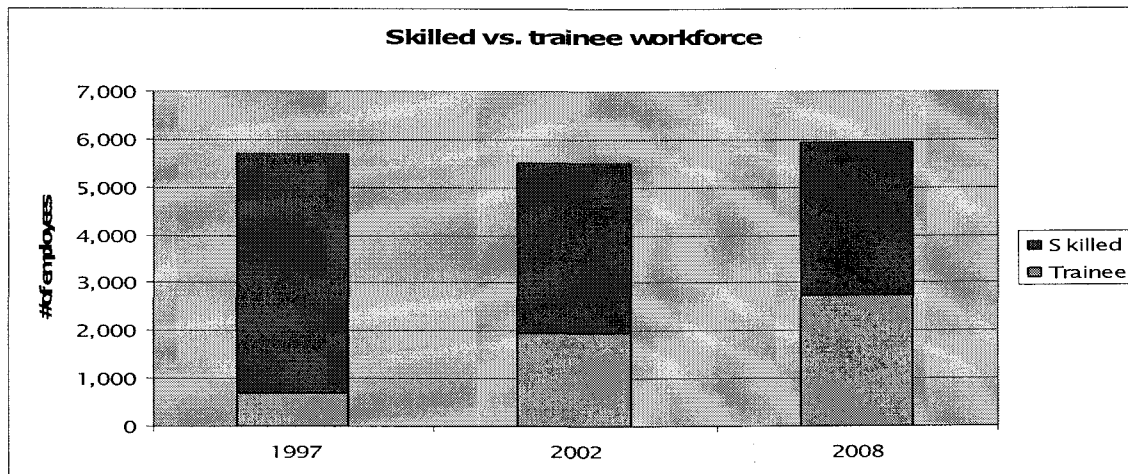
Project/Program Title	HR – Enterprise Shared Services – Projects
Status	Ongoing
Estimated Service Date	Ongoing
Work Plan Category	Employee Development

Work Description:

Human Resources must upgrade and enhance various aspects of training to ensure that future training needs are met. Our current 5 year Capital budget plan includes 4 projects. A description which details the justification and benefits of each of these is discussed below.

1. ELearning course development

The needs for training and developing employees have risen dramatically in the last several years. This increased need is largely driven by the number of new hires that has been brought on board since 2005 to replace a workforce that has lost over 4,000 employees, most of them experienced, since then. The chart below demonstrates the increasing population of trainees as compared to skilled employees. This chart represents various operating groups of our union employees.



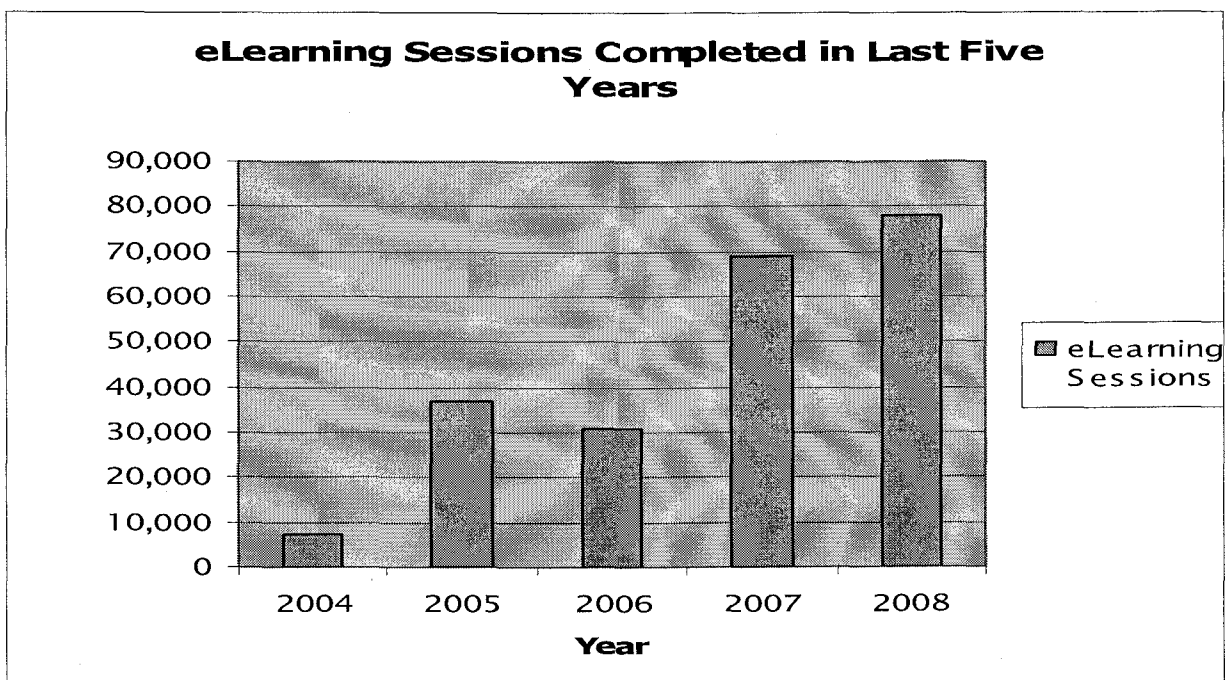
Employees hired into Con Edison are trained exclusively by Con Edison instructors according to curriculum designed and developed by these instructors. Traditional costs associated with instructor led training are:

1. Instructors time in preparing and teaching employees (Labor Cost)
2. Student and instructor materials (Materials Cost)
3. Costs associated with scheduling training classes (Labor Cost)
4. Travel time to the training facility (Expenses)
5. Facility costs associated with maintaining classrooms (Labor Cost)
6. Class duration that is generally scheduled to accommodate the employee with the longest learning pace. (Labor)

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In order to address this increased training need, one direction we have invested in is to develop a robust eLearning process. This process consisted of creating the IT infrastructure to deliver eLearning programs and also to design and develop content to be delivered through electronic mediums. The eLearning program is one of our training initiatives to meet the need of the increased training needs of the workforce.

The use of eLearning is not a process that can be deployed to take the place of all learning. It is useful when you are attempting to inform employees about some information relative to their job duties. It doesn't work well when learning takes place as a result of the interaction in class or when you need to demonstrate some hands on physical learning, i.e. climbing an overhead pole. As an illustration of how we have used eLearning in the past we would cite the training we were required to conduct as a result of an audit that was conducted by a consultant commissioned by the Public Service Commission to look at our response to storm emergencies. We were required to train over 5,000 employees in a short period of time on the Storm Overview process. We were able to conduct this training by creating an eLearning course and then following up with operating groups to complete the training by taking the eLearning course. We avoided instructor time, reduced scheduling activity; eliminated costs associated with material for the course and reduced costs associated with tracking completions. In the last several years our use of the eLearning process has grown substantially in use. The chart below illustrates the amount of training that has been completed using eLearning.



We have been steadily growing in the use of elearning. In 2008, we grew by 14% over usage in 2007 and now in 2009, thru June, we have grown by 12% over usage in 2008. Since 51% of our workforce is under 10 years of service, we expect to maintain a consistent need to annually train a large number of new and soon to be promoted employees. Many of these employees are now

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obtaining some of their training through the use of eLearning. We expect this increase in usage to continue for the foreseeable future.

Usage in elearning has grown largely due to the number of elearning courses we create and offer each year. In the past several years, we have created an average of 50 elearning courses. We expect to create this number of course again in the upcoming years. By creating additional eLearning courses we have eliminated the need to create additional instructor led courses. As can be seen from the usage chart above, many employees are now use to getting their training through eLearning.

In 2009, we expect to spend \$500K to create these courses. There are several components of cost that go into creating a course. The first is vendor costs. On average it costs \$7,780 for the vendor activity related to course creation. The vendor activity consists of the following:

- Storyboarding
- Review and Edits
- Playable course creation
- Course programming to run on our Learning Management System
- Project Management

For 2009, we estimate we would spend approximately \$400K on vendor costs, which is approximately 79% of the total costs.

The second cost consists of the following:

- Programming services
- Indirect costs
- Materials and supplies

These costs amount to 16% of the total costs or \$80K.

Finally, the last cost is company labor, which account for 5% of the total costs. This amount would be \$20K. The activities associated with company labor include:

- Testing
- Proposal review
- Edits and review

In 2010, we expect to spend \$400K to create these courses. Our estimate is as follows:

- Vendor creates 40 courses at an average cost of \$7,800 per course - \$312K
- Programming services, Indirect costs & material and supplies - \$68K
- In House labor - \$20K

In 2011, we expect to spend \$750K to create these courses. Our estimate is as follows:

- Vendor creates 50 courses at an average cost of \$7,800 per course - \$400K
- Programming services, Indirect costs & material and supplies - \$80K
- In House labor - \$20K

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- Create simulation - \$250K

The creation of simulation training is an added cost component in this years estimate. Our Research and Development department created a simulation training tool on Manhole Safety Setup and Entry in 2008. The course of this simulation with Indirects was \$244K. We have found this training tool useful and expect to create additional simulations.

In 2012, we expect to spend \$1M to create these courses. Our estimate is as follows:

- Vendor creates 40 courses at an average cost of \$7,800 per course - \$312K
- Programming services, Indirect costs & material and supplies - \$68K
- In House labor - \$20K
- Create simulation - \$250K
- eLearning Management System Upgrade - \$350K

The eLearning Management System (LMS) upgrade deals with upgrading the current SCORM (Shareable Content Object Reference Model) wrapper we use for eLearning which tracks course completions automatically for students, tracks bookmarking of courses and other automatic features of employees completing eLearning courses. Our current LMS dates back to 2004. We expect by 2012 we will need to update this LMS due to enhancements made in these systems and addressing the issues that have developed over the years with these systems. We will be investigating the purchasing of a system or the creation of our own system using in house programmers. If we purchase a new SCORM wrapper the cost would be \$75K and we would have to purchase two clustered servers with associated software at \$250K. Additional Indirects would be \$25K for a total cost of \$350K.

In 2013, we expect to spend \$700K to create these courses. Our estimate is as follows:

- Vendor creates 50 courses at an average cost of \$7,800 per course - \$400K
- Programming services, Indirect costs & material and supplies - \$80K
- In House labor - \$20K
- Create simulation - \$200K

No formal cost benefit analysis was conducted at the time of the implementation of this project. We concluded from the following analysis of costs and benefits, that the benefits would outweigh the costs over time.

Some of the benefits that clearly stand out in using eLearning are:

1. A self-paced and self-directed, approach, allowing students to choose content and tools appropriate to their differing interests, needs, and skill levels
2. Accommodation of multiple learning styles using a variety of delivery methods geared to different learners
3. Content that is designed around the learner
4. 24/7 accessibility making scheduling easier and allows a greater number of people to attend classes
5. On-demand access where learning can happen precisely when needed
6. Reduction or elimination of travel time and associated costs (parking, fuel, vehicle maintenance)

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7. Instruction cost avoidance
8. Content that is standard and the lesson does not deviate from the stated objectives
9. Elimination of material costs associated with student book and instructors guide

In 2009, we conducted an analysis of 2008 elearning costs and benefits to determine the level of savings this project was yielding. We have attached this document.

2. Learning Center Infrastructure Improvements

In order to provide effective training to our employees, it is necessary to maintain an up-to-date educational facility. Technology is rapidly changing how people work. In addition, as equipment and process improvements take place in our operating areas, our training facilities and course curriculum must also change to insure that the training experience reflects the field environment. The requested funding will allow the Learning Center to upgrade the Facilities to modernize classroom space by increasing space utilization with modern designs.

We have established an Infrastructure Improvement program at The Learning Center to address the increased training required for our population of new, less experienced employees and to address the improvements needed in our training environment. The Learning Center was built and opened in the early 1990's at a time when hiring was on the decline. The training environment was constructed to address the needs at that time. Since then our training needs have increased due to the growing trainee population and the need to reorganize our space to address these needs. We have found a need to reduce space on activities that are no longer as relevant as they use to be such as the library and our gas parts training. We have also found we need to increase classroom space for Customer Operations and Environmental, Health and Safety training. We also need to increase our space associated with lab training. Additionally some of the hands on training labs over time have required upgrades either due to overuse or upgrades to address environmental concerns.

This program consists of a series of small projects intended to address these concerns. A list of projects we are currently focusing on is provided below with a description of the project, the year we expect to conduct the work and the costs associated with each of these projects.

2009 - \$300K

Library consolidation – This completed a project started in 2008 which cost \$300K. We created an On-Line testing Center in the rear of the library and consolidated the existing library to the space in the front. The work entailed installing a glass partition between the two areas of space. We installed new furniture, upgraded lighting, installed computers and associated connections, carpeting and upgraded the HVAC work. In 2009 we completed spending of \$100K.

TLC room 104 renovation - After 15yrs of operation and changing needs of our Corporation a room renovation is requested. This space is currently used as a shop and hand on lab for training lab for Gas Operations. It was originally designed as a hands on classroom for the parts plus

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program and the appliance repair program which are now both defunct due to rulings by the PSC. The room is currently under utilized and has a very low frequency of daily usage. The new space would be converted into two standard classrooms with training available for cross functional use.

Scope of work:

- Remove the appliances from the space and re install in room 102 if units are in better shape than current units in that space. (note: 2 gas refrigerators in the space have ACM wiring insulation inside the unit.)
- Remove the sheetrock partition walls
- Repair ceiling
- Install new carpeting over tile floor
- Cap floor drain
- Relocate gas meters to 102
- Install a new sheetrock wall to separate the room into 2 classrooms - currently 1/2 the room is a classroom.
- Install 2 doors
- Install new lighting and switch drops
- Modify HVAC ductwork and balance.
- Install a/v equipment
- Purchase tables and chairs

The estimated cost of this project would be \$250K to be spent in 2009 and 2010.

2010 - \$300K

Room 104 renovation – complete project started in 2009 – Additional cost \$50K

Upgrade Welding Booths in Van Nest – the welding school is located in Building #1 at Van Nest Service Center but is considered part of the Learning Center, The welding booths and the cross-cutting table are equipped with a dedicated welding fume exhaust system to remove harmful vapors from the work area. The existing exhaust system was designed, fabricated and installed by Van Nest shop personnel. With the passing of time the system has become obsolete and is no longer effective in removing welding fumes from the work area and containing sparking conditions. Intake hoods at the welding stations are undersized for the application and difficult to adjust/position by students, especially those with less experience. This design problem has resulted in poor air quality in the work area, sparking conditions and complaints from the personnel. Additionally, the existing exhaust system is designed to service either the welding stations or cross-cutting table via a dedicated selector switch and is not suitable for simultaneous operation.

The project work will consist of removing the existing exhaust system and install one designed to properly remove fumes created by the welding operation and cross-cutting table. There will be three new exhaust systems: two to service the six welding stations and one dedicated to the cross-cutting table. The new exhaust systems will be equipped with large individual intake hoods

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and flexible connectors to ensure the complete capture of fumes, along with advance system controls and several oxygen sensors to ensure a safe environment during the welding processes. The estimated cost of this project is \$300K of which \$250K will be spent in 2010.

2011 - \$300K

Upgrade Welding Booths in Van Nest - project would be completed in 2011 at a cost of \$50K.

Power Plant Control Room Simulator – Room 213 – The existing room constructed in 1993 no longer represents the training that is need at the current plants. Current plant control rooms are different then the training offered in this room. We will modify the existing simulator to represent the current conditions in our plants. The work will involve removing existing simulator and computers, install new simulator equipment, modify ceiling and HVAC ductwork, and install new raised floor, remove 40 feet of sheetrock wall and door to small office and add additional space to main room, reuse existing electrical feeds. Estimated cost \$250K.

2012 - \$600K

Renovate room 125 - After 15yrs of operation and changing needs of our Corporation a room renovation is requested. This space is currently used as a classroom for OSHA training and other large groups. It was originally designed as a hands on classroom for auto mechanic instruction. The room is the 2nd largest room in the facility and has a 90% usage frequency.

Scope of work:

- Engineer a method to sound proof the space from machine shop 124 and fire school 126.
- Engineer a better method of heating and cooling the space.
- Modify the door swing to swing out - so we can use the room for groups over 50 people to meet code.
- Install a more efficient lighting system to meet current needs.
- Design a space that is cross functional - multi usage that can be used for exhibits and displays as needed by the corporation.

Estimated cost \$600K

2013 - \$600K

Renovate rooms 202/203/205/206 – we are expanding the Protective System Training Lab in 202 by adding space from 203. In doing this we will move the Customer Field Representative training lab in room 203 to rooms 205 and 206 and expand this lab.

We would upgrade the lab equipment in each room to reflect current field equipment. Additional costs associated with these projects include the installation of audio visual equipment, computer installations and the associated work such as computer drops, venting capability, wiring and lighting upgrades, class instructional equipment such as white boards, labor associated with these activities, engineering design costs, etc,
The estimated cost of this project would be \$500K.

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Establish connectivity for voice and data for both Electric and Gas Pavillions. Current estimate for this work is \$100K. A scope of work will be developed to itemize the cost of this work.

We did not look at alternative solutions such as renting space in other locations because on the surface it was obvious to us that renovating existing owned space would be cheaper than renting or constructing and then renovating these spaces. We concluded the renovation of existing space that we owned would be at a lower cost than having to rent hotel space. If we rented space, we would pay for the rental and additionally we would incur costs to customize the classrooms to meet the training needs the classroom would be used for. The classroom training would require customization of the room with such items as lab equipment, machinery, etc. By using existing space we would not incur rental costs and only incur renovation or upgrade costs.

We also felt that constructing new classrooms at other locations would not be economically feasible as well. We would incur costs to first determine if existing space was available. If we found space we would have to incur construction costs to customize the classroom to include such items as lab equipment, machinery, etc. Even finding space and constructing new classrooms at other locations would increase the cost to our operation. We would be charged with a space allocation in addition to the costs we would incur in constructing and customizing the new classroom.

Additional factors involved in our decision was that fixed costs would remain the same by using existing space such as IT support, cooling and heating costs and facility services. We would also keep training centrally located which reduces travel and scheduling costs.

3. Learning Center Registration System Upgrade.

The current Registration system has fallen behind with our new corporate standard 2003 server/Windows XP desktop environment. We will not be able to support the integration of new applications/software as well as new eLearning technologies. This may hinder the processing of training data and the development of eLearning training modules. This upgrade will extend the life of the Registration System.

The TLC Registration System is Con Edison's corporate Learning Management System (LMS). It provides all functionality required to schedule and enroll employees into mandatory and non-mandatory training. As an enterprise wide application this system is used by employees, contractors, and external customers who need the use of Con Ed sponsored training. The cost of the Registration System upgrade is driven by both technological and functional obsolescence.

On the technology side there are several issues with the Registration System:

- Its current technology platform is in Visual Basic and needs to be upgraded to the Microsoft .NET platform to conform to the corporate standard for desktop applications.
- The current TLC Registration System has fallen behind with our new corporate standard 2003 server/Windows XP desktop environment.

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- Users are unable to access the application remotely since the software requires a local installation.
- The application requires the purchase of costly dedicated servers that need to be replaced every 3 years. If the application was in the .NET environment it could run in a shared environment on the corporate intranet servers.
- The servers and the software need to be maintained manually instead of remote upgrades via a central installation server.

On the functional side there are also issues with the Registration System:

- The current platform does not provide for the inclusion of self-service applications such as conferencing and self-enrollment in courses.
- The current platform does not provide for an integration of O&R training data, a critical need as a result of Shared Services.
- The tracking of training for the Contingency is done on a separate system and cannot be tracked through the Registration System to the level that is required.

The costs associated with the current system that will be avoided include:

1. Reduction in future programming services to handle system upgrades
2. Manual intervention to capture Orange and Rockland employees in the current Registration system
3. Elimination of the purchase and maintenance of costly dedicated servers

The benefits to be realized from this upgrade include:

1. Roll-out will be quicker, giving users and administrators real-time access to the information they need anytime and anywhere.
2. System expansion to include Orange & Rockland will support our shared services initiative.
3. The application, designed specifically to run inside an Internet browser. This advanced network architecture requires zero client maintenance and provides unlimited access over an existing LAN or Internet connection.
4. Users will benefit from the same, consistent user interface with data safely stored on a corporate server.
5. The new architecture requires zero client maintenance and provides unlimited access over an existing LAN or Internet connection. Users will benefit from the same, consistent user interface with data safely stored on a corporate server.
6. One system to track training for the Contingency

The cost estimate for Learning Center Registration System Upgrade follows:

The cost estimate to upgrade the Registration System is spread over a 2-year period and funded in the HR Capital Budget for \$800,000 as per the following schedule:

- 2009 - \$200,000
- 2010 - \$600,000

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Based on prior projects of this nature we estimate the programming time needed to complete the work to be approximately 9,600 hours. These estimates would cover the following costs based on the hourly rate for an IR contract programmer at approximately \$85 per hour:

- 2009 – One contract programmer for 12 months and one contract programmer for two months
 - In the first year, we estimated the need for 2,500 hours of programming skill.
- 2010 – Three contract programmers for 12 months
 - In the second year, we estimated the need for 7,100 hours of programming skill.

Learning Center Registration System Upgrade – We have just completed phase zero of the project which involved the scoping out of the project details. In this process, we have revised the name of the project to E training. We have attached this scoping assessment which provides an in depth plan of the work to be completed and the schedule in which this will be carried out.

4. HR Payroll

The integrated HR/Payroll system was implemented in 2009 and will improve our capabilities in various Human Resource functions.

Among the benefits of this system are to (1) provide a common systems platform for CECONY and O&R, (2) allow older, high maintenance legacy systems to be retired, (3) provide employees and managers with easy access to personal, compensation, payroll, and benefits information, and (4) streamline HR, payroll, and time transaction processing by having them initiated and routed/approved electronically through employee and manager self-service applications.

We integrated this application in 2009 and it successfully upgrades our Payroll process. We expect that in the future, four to five years out, additional costs will develop related to upgrades and improvements. We have planned for this in 2013.

Currently we do not have a detailed cost estimate of the “additional costs” related to upgrades and improvements in the HR Payroll Program five years from now in 2013. This estimate of \$1.3M is a high level estimate based on industry experience. These types of “packaged” applications require upgrades - upgrades usually include new functionality, improved technology and ensure we remain on a “supported” version. Currently, we have installed Version 9.0 of the Oracle/Peoplesoft Human Capital Management enterprise wide application. Oracle has already released Version 9.1 and we expect to upgrade to their latest version prior to 2013. The cost for the upgrade include programming and configuration work required to retrofit any of our existing customizations, interfaces, conversion and reports to meet our current business practices.

Estimated Completion Date:

See each projected listed above

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Status: Ongoing

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$1,442	\$13,064	\$17,387	\$5,055

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast Total 2010-2014
\$1,300	\$1,050	\$1,600	\$2,600	\$800	\$7,350

Projects	2010	2011	2012	2013	2014
HR Payroll System and future upgrades	\$ 0	\$ 0	\$ 0	\$ 1,300	\$ 0
eLearning	400	750	1,000	700	500
TLC Infrastructure Improvements	300	300	600	600	300
Registration System Upgrade	600	0	0	0	0
Total Requests	\$ 1,300	\$ 1,050	\$1,600	\$ 2,600	\$ 800

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Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	435,956.02	1,898,909.65	2,886,586.72	702,843.28
M&S	0.00	54,000.00	0.00	797.43
A/P	926,953.39	10,011,217.79	11,935,683.67	3,694,384.02
Other	-53,152.00	105,074.87	529,302.11	-919,756.63
Indirect	132,712.45	994,760.65	2,035,695.61	363,110.54
Total	1,442,469.86	13,063,962.96	17,387,268.11	3,841,378.64

Forecast

EOE	RYE 2010	RYE 2011	RYE 2012	RYE 2013	RYE 2014	Total
Labor	103,899.07	0.00	0.00	223,000.00	0.00	0.00
M&S	0.00	0.00	0.00	0.00	0.00	0.00
A/P	1,000,084.05	904,269.04	1,373,722.62	2,012,833.35	686,861.31	686,861.31
Other	132,967.01	111,539.15	170,389.79	159,776.69	85,194.90	85,194.90
Indirect	63,049.87	34,191.81	55,887.58	204,389.96	27,943.79	27,943.79
Total	1,300,000.00	1,050,000.00	1,600,000.00	2,600,000.00	800,000.00	7,350,000.00

2010 Capital – Shared Services - Purchasing

Project/Program Title	Single Entry Point Ordering System Phase 2
Status	Planning
Estimated Service Date	3/15/2011
Work Plan Category	Efficiency and process improvement

Work Description:

In 2005, a project was initiated to install a Single Point Entry procurement system for Con Edison materials. This enabled a single front end process for most of the Company's purchases of materials – including stock and non-stock materials. It was deployed during the third quarter of 2007 and the functionality will be upgraded in 2009 as part of this project.

The vendor product on which the system is based will need to be upgraded to the new version. The existing version will cease to be supported after 2010. This will entail determining what new functionality Con Edison wishes to implement, re-engineering the system interfaces to A/P, FDA/Care, PCards, MMS, and Accruals. At this time, the computer servers should be replaced as well as the Oracle Database software. The Computer Based Training modules will also be updated to reflect the new user interface and any changes in business processes.

Justification:

- Alternatives: A critical feature of the system is the access it provides to a vendor network, which provides for electronic ordering and invoicing. Part of system maintenance includes access to this network. The vendor has said that Con Edison would not continue to have access to this network if the system in use is no longer supported. If Con Edison loses access to the network, the system would be mostly unusable and another system would need to be obtained to support critical business functions. This would not be cost effective.
- Risk of No Action: The risk of no action would be a system that does not work, which would result in a significant loss to the Company's supply chain functionality.
- Summary of Financial Benefits and Costs:
- Non-financial Benefits (if applicable):
In order to maintain quality vendor support, Con Edison needs to use the current of the vendor's software. Currently we are using version 8. Ariba announced plans to release version 9 in 2008. Ariba will terminate version 8 support December 2010.
- Technical Evaluation/Analysis: Con Edison's estimates were confirmed by the Ariba implementers. They considered the amount customization and configurations performed.
- Sensitivity Analysis (if applicable):
Contractor labor is the main price determinate.
- Project Relationships (if applicable):
Not applicable

2010 Capital – Shared Services - Purchasing**Estimated Completion Date:**

03/15/2011

Current Working Estimate (if applicable):**Funding (\$000):**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		5,200

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
1,100	475	0	0	0	\$1,575

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				\$ 87
M&S				
A/P				\$2,500
Indirects				\$ 31
Contingency				
Total				\$2,600

EOE	2010	2011	2012	2013	2014
Labor	\$ 279				
M&S	\$ 105	\$ 60			
A/P	\$ 486	\$ 284			
Indirects					
Contingency	\$ 230	\$ 131			
Total	\$1,100	\$ 475			

2010 Capital – Shared Services - Security

Project/Program Title	Security Operations Geo-Spatial Camera and Access Control Automation
Status	Planning
Estimated Service Date	March 31, 2011
Work Plan Category	Regulatory

Work Description:

During January, 2008 the Security Operations Center was opened providing an all inclusive security monitoring system. The Center has enhanced our ability to provide maximum protection of our facilities.

Introduction of Geo-Spatial management

Geospatial mapping provides the user with an interface which will provide a geographical display illustrating:

- Illustrating the exact location via aerial picture
- Insertion of icons which represent camera locations, type, and field of view capability
- Icon representation of Access Control Doors
- Icon representation of Intrusion detection zones

A high resolution aerial photo or floor plan would be inserted in to the system. This would provide the foreground for the map of cameras and other infrastructure. This picture would not be static. The operator would be able to click on any of the active icons (cameras, doors etc.) and automatically pull up the device and take control or monitor.

This system would also automate the access control and intrusion detection alarms. If a door were to be forced open or chucked open, the corresponding mapped location would move to the foreground on the operators desktop. The icon associated with exact door where the intrusion occurred would changed color and the associated camera would automatically open in a window on either or both the operators computer monitor or a portion of the large display wall which would be utilized to display alarm events only. This would provide immediate notification; maximize the efficiency by reducing both response time and the necessity for human data parsing.

There are several other aspects that greatly improve the ability to automate response and improve the reliability of the system such as:

- Automatic camera failure detection
- Advanced notification of possible nuisance type alarm activity thru trend analysis.

Both of these aspects provide information necessary to manage this tremendous amount of equipment and protect the investment against unnecessary outages.

This system will tie into one interface. It will need to be transparent to the user. It will require integration into the MSSQL card access back end, Activu (the display solution in place at the

2010 Capital – Shared Services - Security

SOC) and the Keltron Alarm interface. It will require vast amounts of programming and designing. There currently is no such system that is an off the shelf product, which can be implemented without heavy modification.

Additional installation costs require Information Resource labor for network wiring working approximately 40 hrs. Estimated labor cost is \$2,000.00. The use of a contractor to assist in the integration of the system is estimated at \$25,000.00.

Justification:

The Con Edison Security Infrastructure currently in place is a complex myriad of several types of systems. These systems were implemented as a result of Corporate Security's risk assessments. These findings were then challenged by an outside consultant who performed their own assessments. The consultant's findings were consistent with Corporate Security's and the recommendations were thus implemented. These systems include:

- Card Access – 58 Locations, 171 Control Panels , 766 Readers (Doors)
- CCTV - ~750 cameras, 57 Locations (This number increases with ongoing projects)
- Intrusion detection – ~300 Zones
- Burglar – 6 Locations, 60 Zones
- Duress - 4

These systems which had been implemented over the past decade were originally monitored locally onsite or in the case of Burglar and Duress, by a monitoring service which charged a monthly monitoring fee.

When an event occurred the information necessary to provide real time analysis, and aid in first response was unavailable unless you physically went to the location where the incident was occurring. This was because remote access and monitoring of these devices in a central location was not available at that time.

In 2007 the Con Edison Corporate Security Technical Team designed and constructed the Security Operations Center. This genesis became the Mission Critical Location which currently provides Con Edison Corporate Security the ability to monitor, control, and manage all of the distributed technologies from one centralized location. For the first time ever we are now able to utilize the multi-layer, deter, delay, detect and respond philosophy associated with the design intent of the implemented Security Infrastructure.

With the current technology in place we have the ability to receive real time events that are generated from these systems. This was a crucial step in the overall design topology necessary to advance and increase the efficiency related to incident mitigation. This does not go without some inherent caveats, primarily, extended response time of the operator due to the large amount of data that needs to be parsed by human intervention. There is an apparent necessity to automate how some of these independent systems operate.

2010 Capital – Shared Services - Security

For Example:

Card Access can provide us with the information that a door may have been forced open. It will tell us when and where the event occurred. Verification of the data in order to provide the correct

response action can be further enhanced by being able to view the exact are of the location with one of the CCTV cameras. The primary problem with this is at any given location there may be many cameras. The success rate can vary because the operator is not familiar with any of the locations. The operator at the SOC would have to one by one call up each camera manually in order to try to locate the incident. The operator still will not know what the cameras capable field of view is. The camera may be pointing in one direction however it may be capable of being remotely controlled and pointed at the area of the incident.

- Alternatives: Continue with current interaction, involving two console operators who are working 24 hours - 7 days a week. It requires extensive input and possible error. Provide hard copies of maps, which will delay response and require extensive and possibly inaccurate input from the two 24/7 operators in place.
- Risk of No Action: There will be a zero increase in efficiency, probable increase in error rate and increase in cost of management as the infrastructure grows.
- Summary of Financial Benefits and Costs: None
- Non-financial Benefits (if applicable): The system will reduce risk and increase the opportunities to become an investigative tool used to aid in forensic information gathering. Features of the proposed system will provide us the ability to anticipate security infrastructure outages (CCTV, DVR, Access Control and Intrusion Detection) in a timely fashion improving the quality of service and should mitigate increase maintenance costs. .
- Technical Evaluation/Analysis: The purpose of this system is to aid in the mitigation of incident response errors due to system size and complexity.
- Sensitivity Analysis (if applicable): N/A
- Project Relationships (if applicable): As part of this project any personnel responsible for implementing the design solution will be require

Estimated Completion Date: March 31, 2011

Status: N/A

Current Working Estimate (if applicable): N/A

2010 Capital – Shared Services - Security

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
1427	0	0	0	0	1427

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

Forecast

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P	\$1,427				
Indirects					
Contingency					
Total					

2010 O&M – Shared Services - Security

Project/Program Title	Security Operations- Additional Human Resources
Status	Planning
Estimated Service Date	
Work Plan Category	Demand Growth

Work Description: Corporate Security has an operational necessity to add two highly specialized Systems Specialists (2H) proficient in internal and external electronic security protection systems.

Justification: Corporate Security's mission has evolved since September 11, 2001. The increase in manpower has not kept pace with the increase in risk. Almost all of the growth has originated on the technical side of the business and focuses on evaluating, analyzing, recommending and installing effective electronic security systems to better protect our critical infrastructure and integrate these systems to our Security Operations Center (SOC). The addition of two Systems Specialists will be a Program Change for the Technical Section of Corporate Security.

The organizational structure of Corporate Security is composed of three departments. One of these departments handles all the technical aspects of security. This department is comprised of a manager, two Senior Specialists, and four Systems Specialists. Two of the Systems Specialists handle the day to day operations, including the Information Resources (IR) aspects, of the SOC. One of the Senior Specialists is responsible for the access control within CECONY. The remaining personnel: a Senior Specialist, two System Specialists and the Department Manager are responsible for evaluating, reviewing, proposing and, in limited instances, installing technical security equipment to safeguard personnel and prevent unauthorized access to Company equipment, systems, material and information. In addition they oversee security technical equipment which includes access control systems, alarm systems, recorded CCTV systems, motion detectors, intrusion detection systems, etc.

In addition the technical group conducts site assessments with members of the PSC to address all regulatory, federal, state and homeland security requirements. Each year Corporate Security, accompanied by the PSC, documents their evaluation, review and recommendations for the continued security of these critical sites. To fulfill this goal additional Systems Specialists are necessary.

In December 2008, changes to Corporate Policy 860-1, Security Services Responsibilities, mandate "All Company organizations MUST confer with and obtain the approval of Corporate Security prior to commencement of any anticipated procurement of a security related enhancement or new construction project." This entails designing and engineering state of the art security systems relating to new construction and physical security of company properties, providing security drawings detailing all equipment to be installed, assisting Engineering and IR in developing the seamless integration of all security related equipment into the Con Edison "Corporate Network," and developing and maintaining corporate wide security engineering specification to be utilized by Purchasing, Engineering, IR and Facilities Management for bid purposes.

2010 O&M – Shared Services - Security

Risk of no action:

- 1) Construction projects could be delayed pending Security Systems Specialist review.
- 2) Some site survey work is currently conducted by non technical security specialists. This is minimally acceptable in addressing physical perimeter's addressed by those technologies that have more visible, tactile characteristics such as guards, fences, gates, and other assets used to prevent entry by unauthorized personnel. But at the critical sites there is a need for expertise in additional technology such as video cameras, access cards, and motion detection equipment.
- 3) Costs will continue to rise for the maintenance and labor on technical equipment some of which could be mitigated by either early diagnosis of problem or minor repairs made on the site by the Security Specialists.
- 4) The risk of exposure to theft and sabotage can be mitigated by increased use of technology.

Non-Financial Benefits:

A new area of responsibility (see Corporate Instruction 860-1 supra) includes evaluating security drawings and specifications for the Company including all technical interfaces and system design for submission to contractors and field commissioning (technical direction to site technicians) including software setup (Life Safety and Security), programmed matrices for CCTV systems and associated networking. This involvement by Security is an added layer of oversight and provides subject matter expertise to enhance risk aversion that will be available 24/7 for response to adverse situations.

Additional three sites added to critical infrastructure list for Con Edison of New York. This will entail detailed site assessments to be conducted by the Systems Specialists in conjunction with members of the PSC.

Expand the Scope of Work:

1) Responsibilities will be added to include corrective and preventative maintenance, and testing of technical security systems; equipment logistics and inventory; and bench repair of defective technical security system to the component level. It is anticipated the additional two Security System Specialists would be able to save user organizations critical down time of equipment and mitigate some of the expenses currently paid to contractors for minor repairs.

2) Continue to interface critical sites to the SOC. Currently 23 of the 40 critical sites have aspects that are monitored at the SOC.

3) Add additional alarm systems (fire and burglar) to be monitored by the SOC, which could provide financial benefits to the user organizations by providing higher level of monitoring.

2010 O&M – Shared Services - Security

The two recommended System Specialists will provide the experience and capabilities to handle the additional workload and governmental regulatory compliance requirements to better protect the energy infrastructure. We cannot hire a Contractor for this work as our list of Critical Sites and our potential vulnerabilities is vital information we need to protect.

Status: Planning

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	-	-

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
160	160	160	480

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P				
Contingency				
Total				

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor	160	160	160	480
M&S				
*A/P				
Contingency				
Total				

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. FACILITIES CAPITAL BUDGET PLAN

	2008	2009	2010	2011	2012	2013	2014	Workpaper number
	Actuals	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	
2008 PROJECTS	2,705	-	-	-	-	-	-	
MULTI-YEAR PROJECTS								
Astoria - Water main replacement	1,497	50						
Flatbush Ave - Perimeter HVAC Program	78	3,200						
Irv Pl - Emergency Generator Upgrade (Central Eng)	1,413	-						
3rd Ave Yard - Main Building (new wireless system - NS)	42	25						
3rd Ave Yard - Main Building (\$2,700,000 orig funded for 2008)	6,327	-						
	9,357	3,275 (B)	-	-	-	-	-	
CATEGORY A - Safety; Environmental; Regulatory; Etc.								
Ast PCB Shed - Install Secondary Containment (Deferred pending DEC)								
Rye HQ - FACP and Smoke Detectors Replacement	8							
Flatbush - Rear Loading Dock Heater Relocation	2							
WEA - GOSS Computer Rm Fire Protection	(14)							
Irv Pl - 21st fl Renovation/20th fl sprinkler	42	45						
Irv Pl - 7th fl Renovation for Security	1,712							
Irv Pl - 6th fl Renovation	6,974	5,000						
Irv Pl - LL 26 Fire Prot Tnk/25th, 27th fl & all Stages Sprinkler/Salvage Tnk/Crossover Pipe for Standpipe System	-	4,000	1,200					Comp 1
Irv Pl - 15th & 19th fl (Basement & 23rd fl) Renovations	-	13,000						
Irv Pl - 3rd, 4th, 5th, 11th fl Renovations			22,000	22,000				Comp 2
Irv Pl - 7th, 8th fl Renovations					22,000			
Irv Pl - LL26 Renovations						22,000	33,000	
Flatbush Ave - 6th & 7th Fl Renovation (LL26 Space)	-	5,800	3,200					Comp 3
Van Nest - SPCC Plan Containment for Pad Mounted Transformers	208							
Van Nest 1601 - Renovate for Gas Eng & Use as Temp Space	-	1,155						
Van Nest S/C Bldg 1 - Renovate 2nd fl East & Middle Mezz Offices	-	4,143						
Van Nest - Cable Lab Safety/Alarm System High Voltage Testing Area	33	30						
Davis Ave - Lightning Arrestor (\$190)	40	150						
Davis Ave - Cooling Tower Permanent Ladder System (\$58)	67							
Flatbush - EDG Power Feeds to 419 Server Farm (IR Audit - \$160)	103	60						
Cleveland St - Block Heaters Electric Feeds (\$235)	-	235						
TLC - Green Roof	1,252							
28th St S/C - Haz/Non-Haz/PILC Storage Area - Canopy Replacement	107							
Eastview - Relocation of C&D and Storage Bin Area		575						Comp 4
Eastview - Employee Parking Crosswalk Improvements - deferred					100			
Various Locations - Backflow Preventer Devices	-	375	375					Comp 5
Various Locations - Emergency/Emerging Work	-	-	-	-	-	-	-	
(1) Victory Blvd - Reno for Relocation Underground/Apparatus Supers	55							
	10,589	34,568	26,775	22,000	22,100	22,000	33,000	
CATEGORY B - Critical Infrastructure								
Kissina/Jamaica Renovation	5							
Rockaway/Foster Ave Renovation	10							
Davis Ave - Chiller/Absorber Unit	57							
Irv Pl - Cooling Tower Electrical Upgrades	25							
Sherman Creel - Satellite WOL (budget increase by \$300,000)	19							
Rye HQ - LAN Rm 205 AC	125							
Exterior St - Dock Rehabilitation	298							
Irv Pl - Cooling Towers 2,3,4 Jib Crane Structural Supports	40	50						
Irv Pl - Elevator Cab 13 Controls Upgrade	33							
WEA - E. Control Room Lights/Ceiling/Renovations & AC (\$4,800)	921	3,800						
125th St - Relocation of CSR and Walk-In Center Areas (124th st Reno)	-							
16th St - 2nd Fl Muster Rm/3rd Fl Lockers for Electric Ops FOD	201	250						
TLC - 315 ton Chiller/Cooling Tower/Piping Replacement	1,479	700						
Astoria - MEG Power System	550	70						
Van Nest S/C Building 1 - Compressor modifications/replacement	1,608							
Eastview S/C - Storeroom Platform Rebuild	937							
Flatbush - 7th Fl Roof Replacement	803	-						
Davis Ave - Roof Replacement (New Building)	634	-						
Irv Pl - HVAC Chiller Piping Replacement	-	-		200	200	200		CI 1
Flatbush - Rm 520 UPS Upgrade	-	187						
Flatbush - Rm 520 LAN Rm A/C (tied in Voice Recog/UPS upgrade projects)	293	-						
Flatbush - 3rd fl LAN Rm Closet Ventilation (cancelled)	-	-						
Irv Pl - Conversion of 875-S from LAN rm to office space for Tech Services	-	-						
Irv Pl - LAN rm 1820 exhaust/transfer fan (cancelled)	-	-						
3rd Ave Yd - Paving/Parking/Building 2,3,4 Demo/Wall Preservation		1,000	1,000					CI 2
Flatbush - LAN Rm UPS Consolidation - Rms 312 & 7th Fl Telephone Rms			300					CI 3
Astoria Building 136 - LAN Room AC & IR Office Evaluation			150					CI 4
Astoria - Guard House #5 Roof Replacement (\$150)	137	90						
Van Nest 21 - 2nd Fl AC - 4 & Boiler Removal		375						
Eastview - Concrete Slab for New Lifts for Transportation		25						
Van Nest Building 1 - Air Curtain Replacement		150						
Rye S/C Server Farm - UPS Upgrade for Relocation of TLC ISP Connection		100						
Irv Pl - Cascade Chemical Feed System Upgrade		75						
Irv Pl - 18th Fl Windows Replacement (cancelled)		-						
TLC - Critical LAN & UPS AC & Back-up Power			2,400					CI 5
28th St S/C - Roof Replacement (\$1,460)	1,154							
28th St - Flush WWT Shed Replacement (deferred pending DOB)								
	9,635	6,057 (B)	4,665	200	200	200	-	
(B) Includes Multi-Year/Special Projects Associated w/Hurricane Hardening		10,657						
CATEGORY C - Programs								
PAVING/RESURFACING/PARKING/LOADING PLATFORMS								
Davis & VB - Transportation Garage Floor Resurfacing			-	130				
Bronx Garage - Flooring Resurfacing				125				
CPB - Paving/Resurfacing Program				250				
Astoria - Paving/Resurfacing Program (Continued)				-	600			
Astoria - Transformer Shop Parking Lot Paving				-	100			
Neptune Ave S/C - Parking Area Resurfacing				-	100			
Eastview S/C - Employee parking lot expansion					3,000			Prog 1
Rye HQ - Parking area resurfacing (lots 2,4,5,8,12,13)					110	300		
Various OWS - Replacement of Pneumatic with Electric Driven Pumps			-	150				
Irv Place - Concrete Pads for Trash & Waste Containers	180		-	-	-	-		
Other locations (tbd)			-	-	-	-	300	
SIDEWALKS/GATES/FENCES/GARAGE DOORS								
Other locations (tbd)			-	-	-	-	400	
WINDOWS								
Irv Pl - Window Replacement			-	3,000	6,000	3,000		Prog 2
Davis Ave - Window & Lintel Replacements			-	300	460			
Other locations (tbd)				-	-	-	500	
OFFICE RENOVATIONS								
Irv Pl - Upgrade of Room 420				50				
Irv Pl - 1475 Office Renovation for Shared Services Admin Group								
Van Nest S/C Bldg 1601 - Facilities Office Renovation & Conference Rm								
Van Nest - Car Wash Building Conversion to Offices				700				Prog 3

	2008	2009	2010	2011	2012	2013	2014	Workpaper
	Actuals	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	number
Van Nest Building 1 - Room 100 Reconfiguration of Workstations				35				
Cleveland St - Testing Area for Draeger Gas Detectors				100				
Davis Ave - Call Center Renovation & Window Replacement			0		500			Prog 4
Victory Blvd - Renovation of Electric Ops Space			0		350			Prog 5
110th Street - Technology Upgrades to 2nd Fl Conf Rm			175					
110th St S/C - Conversion of Stores Areas to Office Space			-		100			
28th St - Elect Ops Move into Gas Area				100				
CPB - 2nd Fl Renovation				2,000	2,000			Prog 6
CPB - EQ Planners Office Renovation				30				Prog 7
CPB - 2nd Fl IH Ergonomic Improvements			350					
TLC - Cafeteria Sound System								
TLC - Redesign training areas 123 - 125a			-	1,500	1,500			Prog 8
Astoria - ChemLab Office renovation				300				Prog 9
QB - C/M Office Renovation				-	100			
Rye HQ - New Office for Cafeteria Manager			-		30			Prog 10
Other locations (tbd)				-	-			
BATHROOM/LOCKER ROOM/KITCHEN RENOVATIONS								
Van Nest S/C Bldg 1 - Renovate 1st fl Mezz Bathrooms/Locker rooms			-	500	300			
Van Nest S/C Bldg 1 - Renovate Shop fl Bathrooms/Locker rooms			-	500	500			
Van Nest - Transportation Garage Slop Sink			-		15			
Cleveland St S/C - Locker room/bathroom renovation (men's/ladies)			-	500				
Rye S/C - 2nd fl bathroom renovation			-		150			
Rye S/C - 3rd fl bathroom renovations (Men's/Ladies)			-		300			
WEA - Washroom Upgrades			-	200				
110 th St S/C - Locker room & Bathroom Renovations - 2009	-	325	-					
Victory Blvd S/C - Ladies bathroom/locker room renovation			-			250		
Flatbush Ave - 3rd fl bathroom renovation			-			150		
CPB S/C - 1st Fl Bathroom renovation			-					
TLC - Grease trap replacements			-		100	250		
Irv PI - G Stairwell Washroom upgrades			-	600				
Astoria Building 136 - Expand men's & women's locker areas			-	-		200		
Other locations (tbd)				-	-		1000	
HVAC								
Irv PI - Air Handler Replacement 6SW (included in 6th Floor Reno)	10	-						
Irv PI - Air Handler Replacement 8SE - deferred do with floor renovation		-		-				
Irv PI - Air Handler Replacement 13SE - deferred do with floor renovation			-					
Irv PI - Air Handler Replacement 18NW - deferred do with floor renovation			-					
Irv PI - Air Handler Replacement PA - 2			-		405			
Irv PI - Air Handler Replacement PA - 4			-		250			
Irv PI - Air Handler Replacement 20NW & 20NE			-		150			
Irv PI DC 2 - 10 ton Typhoon clng units 5/6 Repl - deferred do with floor rei			-		-			
Irv PI DC 1 - 10 ton Ed Pack clng unit 9 Repl - deferred do with floor renova			-		-			
Irv PI - Cooling Tower Condenser Water Valves Replace (expense)			-					
Irv PI - Cooling Tower Vibration Sensors Replacement			50					
Irv PI - BMS Upgrades - cancelled see LL26 tank proj								
Irv PI - Rm 228 HVAC/PET Device Room Improved Ventilation			15					
Irv PI - 1452-S Pressure Control Box Installation			25	25				
Irv PI - 1360S HVAC Condensate Pump (Office Leak)								
Irv PI - DC 1 HVAC Temp Variations - deferred do with floor renovation			-					
Irv PI - HVAC Noise Concern in Conf Rm 1328 (ruled expense - \$30K)								
Cleveland St S/C - Yazaki Absorption Unit Replacement			400					
Neptune Ave - 2nd Fl AC Unit Replacement			100					
Van Nest - Main Boiler Replacement			-	4,000	-			
Van Nest Building 1 - HVAC Replacement for 3rd Fl Offices			150					
Van Nest - Planning Office HVAC			150					
Bruckner - Transportation Garage Heating System Upgrade			250					
Bruckner - Yazaki Replacement			300					
Van Nest 21/21A - BMS For HVAC Systems			100					
Fordham Road Customer Payment Center - Vestibule Air Curtain			50					
TLC - Pavillion Ventilation			100					
TLC - LAN Rm AC (various tbd)			-					
CPB - Meter & Test Area HVAC			150					
WEA - W. Control Rm Chiller Replace			800					
WEA - SOCCS/UPS Liebert AC replacement			750					
WEA - BMS Upgrades			400					
WEA & 16th St Cooling Tower Make-up Water Meters			-	10				
28th St - Bathroom Ventilation Improvements			-		50			Prog 11
28th St - Bay #7 Exhaust Fan			-	25				Prog 12
28th St - SSC Office HVAC			100					
Other locations (tbd)				-	-		1500	
LIGHTING & ELECTRICAL UPGRADES								
Regional Storerooms Bronx - Lighting				100				
Irv PI - Electrical Distribution Panel Upgrades			-	530				
Irv PI - Cafeteria Neon Lighting Replacement				15				
Irv PI - 16th Floor Board Room Lighting Replacement - deferred				150				
CPB Storerooms - Lighting upgrade						50		
TLC - Perimeter Lighting for Security Breach - deferred							300	
Other locations (tbd)				-	-		1500	
ROOFS (tbd by roof inspection program)								
SECURITY								
Van Nest - Turnstiles								
16th St S/C - Security relocation/consolidate			1100	-	0			
28th St S/C - Security (Deferred)			0		320			
110 th St S/C - Security			250	180				
Irv PI - MECC Upgrades Associated with Corporate Security Audit			-	480	520			
TLC - Security Upgrades			-	675	675			
CPB - Security Upgrades			-	-	-	1,000		
Neptune Ave - Security Upgrades								
Davis Ave - Security (Walk-in Center project \$2,100)	52	-	2,100	500				Prog 13
Cleveland St - Security Upgrades								
3rd Ave Yd - Security Upgrades (Parent Project)								
Other locations (tbd)				-	-		1500	
EDG UPGRADES								
TLC - EDG CERC & Business continuity upgrades			-	-	-	5,550		
Van Nest Shop - EDG Upgrade (i.e. backup)			600					
Flatbush Ave - EDG Upgrade			-	500				
VB - PST Office EDG Back-up			-		300			
Rye HQ - EDG Upgrade (Possible Relocation from VN)			750					
MISCELLANEOUS								
Eastview - Automation of Chemical Water Treatment System			30					
Irv PI - Stage G FP Tank Level Control Wiring Upgrade - defer			-					
	242	325	9,245	18,260	18,985	10,750	7,000	

CATEGORY D - User Requests

Irv PI - Pressure Switches for Chilled & Secondary Water Pumps	-	-	-	50	UR1
Irv PI - Additional Points for Alarm Panel in Control Room	-	-	-	100	UR2
Irv PI - Alarm for Glycol Systems	-	-	-	150	
CPB - Meter/Test Area HVAC	-	-	-	150	
Irv PI - Alarm panel upgrades	-	-	-	100	
Flatbush Ave - Flood Control Improvements	-	-	-	300	

	2008	2009	2010	2011	2012	2013	2014	Workpaper
	Actuals	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	number
Victory Blvd - Main Bldg Exit ramp Rebuild				-	-	60		
CPB S/C - Addition LPG Storage				-	-	70		
16th St S/C - Enlarge Ave C gate for truck traffic				-	-	150		
TLC - Enclose gas pavilion for training				-	-	-	1500	
CPB S/C- Flush Truck Shed				-	-	1,500		
CPB S/C - Fencing barrier installation				-	-	100		
Eastview S/C - Create new bay in switch area				-	-	300		
Rye HQ - Cafeteria Proposal for New Wall/Doors				-	-	25		
Cleveland St S/C - Garage building - New shape-up room				-	-	300		
Astoria - Front park area refurbishment				-	-	300		
Astoria - Yard salt bins installation				-	-	350		
Astoria Building 136 Cafeteria - Dining area refurbishment				-	-	-	500	
TLC - Arcade area lighting replacement				-	-	150		
TLC - Employee/student notification system				-	-	300		
TLC - Building 1 & 2 assembly area				-	-	500		
WEA - HALON System Alternative Evaluation				-	-	1,500	UR 3	
WEA - Renovate training area				-	-	350		
WEA - Kitchen Upgrade				-	-	100		
Van Nest - Building 1 Winter Shed				-	-	120		
Van Nest - Building 3 Garage Door				-	-	200		
Van Nest - Use of Paint Storage Building for Gasoline Storage Variance				-	-	175		
Van Nest 1601 HVAC - Additional Johnson Controls				-	-	80		
Bruckner Garage - Moisture/Condensation Issue				-	-	250		
	-	-	-	-	-	7,730	2,000	

GRAND TOTAL	32,528	44,225	40,685	40,460	41,285	40,680	42,000
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SPECIAL PROJECTS

Flush Improvements	-	1,200	5,000	6,300	-	-	-
Rye HQ - Emergency Operations Center	-	1,050	-	-	-	-	-
Astoria A-11 & A-12 Dock Restoration	-	-	2,500	3,500	3,500	2,000	-
PCB Shed Upgrade	-	-	450	650	-	-	-

SPECIAL PROJECTS - ASSOCIATED WITH HURRICANE

Irv Pl - Cooling Tower Roof Replacement	438		-	-	-	-	-
Irv Pl - Cafeteria/Auditorium/PA - 3 Fan Roof Replacement	540	300	-	-	-	-	-
WEA - Roof Replacement over Bulk Power Room	-	1,025	-	-	-	-	-
	978	1,325 (B)	-	-	-	-	-

GRAND TOTAL (WITH SPECIAL PROJECTS)	33,506	47,800	48,635	50,910	44,785	42,680	42,000
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2010 Capital – Shared Services - Facilities

Project/Program Title	Facilities - EH&S, Regulatory, Commitment Projects - Category A
Status	With Engineering
Estimated Service Date	Various
Work Plan Category	Public and Employee Safety, Environmental, Regulatory

Work Description:

- **Irv Pl - LL 26 Fire Protection Tank/25th, 27th fl & all Stages Sprinklering/22nd fl Salvage Tank Refurbishment- \$4,000,000 in 2009 and \$1,200,000 in 2010.**

This project is needed to meet the 15,000-gallon Fire Protection water storage requirements, which effectively requires that there be 30 minutes of available sprinkler water flow.

Presently, the existing storage tank is 5,000 gallons which equates to approximately 10 minutes of water flow. To achieve the 15,000 gallon/30 minute water flow requirement, the existing Fire Protection and Salvage Water tanks that comprise the 20th Floor East Penthouse tank, will be tied together. New Booster pumps will now be needed to supply adequate water pressure to the various stage floors immediately below the building storage tanks and also to the floors, tower and stages above the East Penthouse Tank. This project must be completed before the building is completely sprinklered.

As part of this project, the un-renovated 25th, 27th floors/mechanical rooms and all stages of the Irving Place tower will also be provided with the LL26 sprinklers/heating/heat tracing, as required, and the 22nd floor Salvage Water Tank will be refurbished/restored to service, as this will take the place of the salvage water function now provided by the 20th Floor East Penthouse.

Engineering has been completed in 2009 and the schedule is to install this project in 2009/2010.

LL 26 projects described in Testimony

- **Irv Pl – 11th, 5th, 22nd, 4th, 24th, 26th floor Renovations - \$44,000,000** scheduled for installation in 2010/2011..

- **Irv Pl – 3rd and 7th floor Renovations - \$22,000,000** scheduled for installation in 2012.

- **Flatbush Ave - 6th & 7th Fl Renovation (LL26 Temporary Space) - \$9,000,000**

This project calls for renovation of the two floors at the Brooklyn/Queens Headquarters building and is needed to provide for personnel temporary space associated with the LL26 office renovation projects at Irving Place. This project was originally listed as Category C but is now Category A because of its association with the LL26 projects.

Engineering will be completed in 2009 and the schedule is to install this project in 2009/2010 and spend **\$5,800,000 and \$3,200,000**, respectively.

- **Various Locations Backflow Preventer Devices - \$750,000**

In accordance with the NYC Plumbing Codes, New York Department of Health Regulations and DEP Regulations, domestic water service installations must be provided with backflow prevention devices. The type of device, whether a double check valve or reduced pressure zone device, depends on the degree of hazard at the particular facility. Each facility has been analyzed and the type of device identified.

Engineering will be completed in 2009 and the schedule is to install this project in 2009/2010, **\$375,000 each year**, respectively.

2010 Capital – Shared Services - Facilities

Justification:

These projects are strictly associated with correcting unsafe conditions, environmental issues, complying with local, state or federal regulatory requirements or building code and responding to various audit, Independent Monitor, Ombudsman commitments and have received the departments highest priority.

Estimated Completion Date:

These projects will take place over the course of the rate case years. It is the intent of the Facilities Capital Improvement Program to address and mitigate issues and concerns associated with projects identified as Category A as early as possible & reasonable. The thrust of the program is thus in 2009 but continues into 2010, 2011, 2012 and 2013; projects currently identified as Category A in these latter years are associated with compliance with LL26 which requires full sprinklering of 4 Irving Place (the Corporate Headquarters) by 2019 and is thus part of a multi-year program.

Status:

The status of the above projects is provided in the work description section.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
25,903	24,931	22,651	34,568

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
26,775	22,000	22,100	22,000	33,000	125,875

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	2,072	1,995	1,812	2,765
M&S	-	-	-	-
A/P	18,832	17,576	17,011	25,407
Indirects	4,999	5,360	3,828	6,396
Contingency	-	-	-	-

2010 Capital – Shared Services - Facilities

Total	25,903	24,931	22,651	34,568
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EOE	2010	2011	2012	2013	2014
Labor	1,700	1,400	1,414	1,408	2,112
M&S	-	-	-	-	-
A/P	15,148	12,349	12,281	12,236	19,267
Indirects	4,627	3,851	3,985	3,956	5,021
Contingency	5,300	4,400	4,420	4,400	6,600
Total	26,775	22,000	22,100	22,000	33,000

2010 Capital – Shared Services - Facilities

Project/Program Title	Facilities – Critical Infrastructure - Category B
Status	With Engineering
Estimated Service Date	Various
Work Plan Category	System and Component Performance Improvement

Work Description:

These are projects have been initiated because they are deemed necessary to maintain the structural integrity of our buildings or to allow them to operate as designed or to protect critical equipment (e.g. failed roof, high maintenance HVAC or elevator equipment, deteriorated docks/piers, LAN Room AC Installations, etc.) Projects within this category would be evaluated and prioritized based on criticality to the facility and the corporation.

Justification:

These projects are strictly associated with correcting critical infrastructure issues in the various buildings of Facilities. Note that most of the buildings of Facilities are fifteen to twenty years old with certain locations such as Cleveland Street and Rye Service Centers constructed over sixty years ago. Equipment associated with operating these facilities, along with its infrastructures, has aged and reached a point where it is no longer economical or practical to continue to repair. Heating, ventilating and air-conditioning (HVAC) equipment, in most cases, is close to twenty years old and has outlived it useful life. This equipment should be gradually replaced with more efficient systems that utilize more environmentally friendly refrigerants. Interior offices, in certain cases, do not meet current space-use, NYC or Westchester Building Code or present day industry life-safety standards.

These projects address infrastructures issues in the Company headquarter buildings, work-out centers and yards and customer service centers that require almost an immediate response.

Estimated Completion Date:

These projects will take place over the course of the rate case years. It is the intent of the Facilities Capital Improvement Program to address and mitigate issues and concerns associated with projects identified as Category B as early as possible & reasonable, but after Category A projects are mostly addressed. The thrust of the program is thus in 2009 and 2010 but continues into 2011 and 2013; projects currently identified as Category B in these last two years are primarily associated with the Irving Place HVAC Piping Replacement Program.

2010 Capital – Shared Services - Facilities

Status:

At the moment, the Category B projects are being evaluated and engineered, where the scopes of work are defined.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
7,897	7,796	9,635	10,657

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
4,665	200	200	200	0	5,265

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	632	624	771	853
M&S	-	-	-	-
A/P	5,741	5,496	7,236	7,832
Indirects	1,524	1,676	1,628	1,972
Contingency	-	-	-	-
Total	7,897	7,796	9,635	10,657

EOE	2010	2011	2012	2013	2014
Labor	373	16	16	16	0
M&S	-	-	-	-	-
A/P	2,552	109	108	108	0
Indirects	807	35	36	36	0
Contingency	933	40	40	40	0
Total	4,665	200	200	200	0

2010 Capital – Shared Services – Facilities

Project/Program Title	Facilities – Critical Infrastructure - Category C
Status	With Engineering
Estimated Service Date	Various
Work Plan Category	System and Component Performance Improvement

Work Description:

These would be performed each year in order to maintain & improve on overall conditions at the facilities buildings & yards. The program may address efficiency improvements and/or equipment modernization or upgrades and projects are evaluated/prioritized based on facility assessments. These projects generally have to do with Yard Paving/Resurfacing, Roofs identified in the Roof Inspection Program, HVAC systems nearing the end of their normally useful life, general office renovations, elevator upgrades, etc.

Examples of such projects are:

- CPB - Paving/Resurfacing Program Phase 2 ~ \$250,000
- Astoria - Paving/Resurfacing Program ~ \$600,000
- Irv Pl - Window Replacement ~ \$3,000,000 to \$6,000,000/year (multi-year)
- Davis Ave - Window & Lintel Replacements ~ \$300,000 to \$460,000/year (multi-year)
- Irv Pl - G Stairwell Washroom upgrades ~ \$600,000
- Bruckner - Yazaki Replacement - \$300,000
- Cleveland St S/C - Yazaki Absorption Unit Replacement - \$400,000
- Regional Storerooms Bronx – Lighting - \$100,000
- 16th St S/C - Security booth relocation/consolidate (Security Program) - \$1,500,000
- Flatbush Ave – EDG Upgrade - \$500,000/year (multi-year)
- Various Security Projects (dollars transferred from Security funding: \$3,450,000 in 2010 & \$1,835,000 in 2011). Typical projects cover Critical Headquarter Buildings and Service Centers.

Justification:

These projects are strictly associated with correcting critical infrastructure issues in the various buildings & yards of Facilities. Note that most of the buildings of Facilities are fifteen to twenty years old with certain locations such as Cleveland Street and Rye Service Centers constructed over sixty years ago. Equipment associated with operating these facilities, along with its infrastructures, has aged and reached a point where it is no longer economical or practical to continue to repair. Heating, ventilating and air-conditioning (HVAC) equipment, in most cases, is close to twenty years old and has outlived its useful life. This equipment should be gradually replaced with more efficient systems that utilize more environmentally friendly refrigerants. Interior offices, in certain cases, do not meet current space-use, NYC or Westchester Building Code or present day industry life-safety standards.

These projects will programmatically modernize, upgrade, and improve various equipment and infrastructures associated with the Company headquarter buildings, work-out centers and yards and customer service centers.

2010 Capital – Shared Services – Facilities**Estimated Completion Date:**

The thrust of the Facilities Capital Improvement Program is to address Category A, then B projects and then to gradually move from a compliance and emergency response related work to one that programmatically improves the working conditions of the buildings and yards. Therefore, a bulk of the Category C projects takes place in 2010, 2011, 2012 and 2013 with the intent that the majority of the compliance and emergency response work is accomplished by 2010.

Status:

At the moment, the Category C projects are being evaluated and engineered, where the scopes of work are defined.

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
2,234	865	242	325

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
9,245	18,260	18,985	10,750	7,000	64,240

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	179	69	19	26
M&S	-	-	-	-
A/P	1,624	610	182	239
Indirects	431	186	41	60
Contingency	-	-	-	-
Total	2,234	865	242	325

EOE	2010	2011	2012	2013	2014
Labor	740	1,461	1,519	860	560
M&S	-	-	-	-	-
A/P	5,057	9,951	10,252	5,805	3,976
Indirects	1,599	3,196	3,417	1,935	1,064
Contingency	1,849	3,652	3,797	2,150	1,400
Total	9,245	18,260	18,985	10,750	7,000

2010 Capital – Shared Services - Facilities

Project/Program Title	Facilities – User Requests - Category D
Status	With Engineering
Estimated Service Date	Various
Work Plan Category	System and Component Performance Improvement

Work Description:

Any projects which do not meet the criteria of category A, B or C and are strictly at the request of the user are deemed Category D. Each would be evaluated for need and prioritized on a "first-come-first-served" basis and budgeted/engineered/scheduled accordingly. Examples of such projects are:

- Irv Pl – Additional Pressure Switches for Chilled & Secondary Water Pumps - \$50,000
- Irv Pl - Additional Points for Alarm Panel in Control Room - \$100,000
- 16th St S/C - Enlarge Ave C gate for truck traffic - \$150,000
- CPB S/C- New Flush Truck Shed - \$1,500,000
- TLC - Enclose gas pavilion for training - \$1,500,000
- TLC - Employee/student notification system - \$300,000
- Bruckner Garage - Moisture/Condensation Issue - \$250,000

Justification:

These projects are essentially extras that the various Facilities user organizations would like in order to better improve their operation or overall conditions. As mentioned above, these will be addressed as capital funds become available and on a "first-come-first-served" basis. They will be budgeted/engineered/scheduled accordingly.

Estimated Completion Date:

The thrust of the Facilities Capital Improvement Program is to address Category A, then B projects' then to gradually move from a compliance and emergency response related work to one that programmatically improves the working conditions of the buildings and yards (i.e. Category C) and then to Category D.

Status:

These projects are on hold until when and if capital funds become available.

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Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
703	0	0	0

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
0	0	0	7,730	2,000	9,730

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	56	0	0	0
M&S	-	-	-	-
A/P	511	0	0	0
Indirects	136	0	0	0
Contingency	-	-	-	-
Total	703	0	0	0

EOE	2010	2011	2012	2013	2014
Labor	0	0	0	618	160
M&S	-	-	-	-	-
A/P	0	0	0	4,175	1,136
Indirects	0	0	0	1,391	304
Contingency	0	0	0	1,546	400
Total	0	0	0	7,730	2,000

2010 Capital – Shared Services - Facilities

Project/Program Title	Astoria Site: A-11 Dock and A-12 Luyster Creek Bulkhead
Status	Waterfront Inspection Completed/Engineering in Progress
Estimated Service Date	Various
Work Plan Category	Public and Employee Safety, Environmental, Regulatory

Work Description:

The Astoria 5-years waterfront inspection program identified various deteriorations and degradations of the A-11 Dock and A-12 Luyster Creek Bulkhead ranging from “Poor” to “Serious”.

Below are descriptions of the identified deteriorated conditions and recommended repairs:

Astoria A-11 Dock and A-12 Luyster Creek Bulkhead Condition & Recommendations (Poor and Serious Conditions):

- **A-11 Dock Area B, C and E Coating Repair of Steel Sheet Piling in Splash Zone - \$50,000 (Immediate Corrective Action)**

Present condition: The protective coating in the splash zone is flaking off throughout the steel sheet pile bulkhead and up to ¼” of corrosion product covers the steel. *It is recommended to install new protective coating within the splash zone on the sheet pile bulkhead.*

- **Astoria A-11 Dock, Area A and Area B Repairs - \$1,958,000 (allow 1.5 factor for General Conditions, Construction Management Oversight, Corporate Overheads and Contingency) ~ \$2,937,000**

Area A: the timber cribbing and timber bulkhead are in poor to serious condition due to advanced deterioration of the cribbing within the tidal zone, complete loss of connection hardware between transverse and longitudinal cribbing members, and evidence of marine borer activity.

Area B: the intake area for Salt Water Fire Pump House is in poor condition: large area of grating in the outer screen is missing and silt build-up at the bottom of concrete intake enclosure. The outer screen is completely missing in the tidal zone due to corrosion.

Recommendation: The inspection report recommends an over-sheeting bulkhead repair method and replacement of pump house intake grating.

- **Astoria A-11 Dock, Area D Repairs - \$3,215,000 (allow 1.5 factor for General Conditions, Construction Management Oversight, Corporate Overheads and Contingency) ~ \$4,822,500**

Present condition: the timber cribbing and timber bulkhead are in poor to serious condition due to heavy deterioration of the cribbing timbers in the tidal zone, complete loss of connection hardware between transverse and longitudinal cribbing members, evidence of marine borer activity, loss of fill at the interface between the cribbing and each concrete mooring dolphin, and a completely failed timber fender system. Mooring bollards are in critical condition. Due to impact damage, the bollards will not safely support the mooring of any vessel. Concrete mooring dolphins are in poor condition due to spalling of the concrete at

2010 Capital – Shared Services - Facilities

the corners; also concrete in the tidal zone is eroded and steel supports at the offshore face of each dolphin are deteriorated.

Recommendation: The inspection report recommends Rip Rap Revetment repair method.

- **Astoria A-12 Luyster Creek Bulkhead Repairs - \$2,010,000 (allow 1.5 factor for General Conditions, Construction Management Oversight, Corporate Overheads and Contingency) ~ \$3,015,000.**

Present condition: the timber cribbing is in poor to serious condition due to missing or heavy deteriorated timbers, evidence of fill loss, fallen concrete, complete loss of connection hardware between transverse and longitudinal timbers, and dilapidated vertical posts at the locations of some transverse timbers.

Recommendation: The inspection report recommends Rip Rap Revetment repair method

Total Cost ~ 10,774,500 Say \$11,500,000 which was 2009 Rate Case Value

Justification:

The corrective action repairs/recommendations will correct current conditions, prevent continuous deterioration of affected dock structures; and make these structures available for continuous Con Edison operations.

Estimated Completion Date:

This project can be completed in 2010 – 2013.

Status:

With Engineering. A contract was awarded to an outside engineering firm on 1/20/09 and the design package is expected to be completed in the 4th quarter 2009. It is anticipated that with required permits, this project will begin construction in 2010.

Current Working Estimate (if applicable):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
1,786	251	0	0

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Funding (\$000):

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
2,500 (A-11 dock sections A/B)	3,500 (A-11 dock sections B/D)	3,500 (A-11 dock section D & A-12 start)	2,000 (A-12)	0	11,500

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	143	20	0	0
M&S	-	-	-	-
A/P	1,298	177	0	0
Indirects	345	54	0	0
Contingency	-	-	-	-
Total	1,786	251	0	0

EOE	2010	2011	2012	2013	2014
Labor	200	280	280	160	0
M&S	-	-	-	-	-
A/P	1,367	1,907	1,890	1,080	0
Indirects	433	613	630	360	0
Contingency	500	700	700	400	0
Total	2,500	3,500	3,500	2000	0

2010 Capital – Shared Services - Facilities

Project/Program Title	Astoria's Hazardous Waste Storage Facility Upgrades
Status	Pending EPA/DEC approval
Estimated Service Date	Last quarter 2011
Work Plan Category	Environmental

Work Description:

Upgrade Astoria Hazardous Waste Storage Facility

1. Upgrade and expand the existing steel canopy structure, which will involve adding 700 square feet of protected area with new gutters and leaders, improve the perimeter lighting, refurbish the existing roof and install sliding doors. This work is required to prevent rainwater from entering the proposed secondary containment area and impacting stored materials.
2. Upgrade the PCB Shed by installing insulation, improved lighting and heating to facilitate the storage of drums containing liquid.
3. Upgrade a secondary liquid drum storage area by installing new paving and improved perimeter lighting.
4. Install 180 linear feet of concrete secondary containment and the required ramps for access in the canopy area as required by DEC regulations. This work is contingent upon EPA and DEC approval of an EH&S Remediation project which involves the installation of approximately 120,000 square feet of concrete paving. The paving work must be completed in conjunction with the establishment of the secondary containment area.

Background: In 1994, the NYSDEC issued Con Edison a permit to store PCB-contaminated waste in Astoria. In addition, they also issued a consent order which required the company to complete a site investigation to determine if any soil or ground water contamination existed. The investigation was completed and found PCB contamination in the permitted area. This required a corrective measures study to be completed and determine how to remediate the contaminated area. The study was completed in 2001 and an action plan was developed to facilitate the remediation process.

Justification:

In July 2008, the DEC issued Con Edison a revised permit to allow the Astoria facility to accept all the hazardous waste streams that the company generates. The proposed modifications listed above will improve the processes involved with managing these additional hazardous waste streams. The installation of the new pad and secondary containment area will also reduce the group's potential for impacting the environment. Once the new processes are fully implemented, the facility will accept an additional 2,000 to 3,000 drums/year which will result in future cost avoidance.

- **Alternatives:** Manage expanded waste streams under existing conditions

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- Risk of No Action: Impacts the group's abilities to effectively handle the additional waste streams
- Project Relationships (if applicable): Associated with the EH&S Remediation project for this area

Estimated Completion Date: Last quarter of 2011

Status: Planning Stage

Current Working Estimate (if applicable): \$1.100 million - see attached ESR 2009-018

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
\$450	\$650	0	0	0	\$1,100

Historical elements of expense (EOE's in \$000)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

Forecast

EOE	2010	2011	2012	2013	2014
Labor	\$45	\$65			
M&S					
A/P	\$230	\$325			
Indirects	\$65	\$95			
Contingency	\$110	\$165			
Total	\$450	\$650			

Facilities - Corporate Headquarters (Irving Place) - Gas
(\$000's)

	1st Rate Year	2nd Rate Year	3rd Rate Year	2011-2013
	Historic Year	RYE	RYE *	RYE *
	6/30/2009	9/30/2011	9/30/2012	9/30/2013
				Incremental Total
Indoor Air Quality Improvement Programs				
Duct cleaning	360	503	503	503
Induction unit drip tray inspection	0	32	32	32
Roof inspection and repairs	42	200	237	270
Piping inspection and replacement program	0	56	56	56
ACM insulation abatement and replacement program	176	110	110	110
	578	901	938	971
				2,302
Local Law 10-11 Façade Repairs (4 Yr Program)				
	7	2,488	488	0
				481
Flooring Upgrades Programs				
Replace carpeting on approximately two (2) floors annually	576	620	620	620
Seal/epoxy fan room floors	0	67	67	67
	576	687	687	687
				1,485
Building Infrastructure Restoration Programs				
Cooling Towers Restoration and Maintenance Program	188	19	19	19
Valve replacement program (AHUs and PAs)	16	283	283	283
Lobby refurbishment				
restore marble	0	140	140	140
restore ceiling	0	173	26	26
replace turnstiles	0	45	45	45
window replacement	0	20	20	20
refurbish lobby door	0	75	75	75
parking lot re-furbishment	0	28	28	28
Window cleaning	0	153	153	153
Install new window treatment systems along 15th St	0	0	0	0
Seal double hung windows	0	30	30	30
	204	966	819	819
				2,253
MAC				
Floor renovations (Rent)	367	2,340	2,340	2,340
Floor renovations	1,065	3,182	302	302
	1,432	5,522	2,642	2,642
				6,494
Facilities Totals				
	2,797	10,564	5,574	5,119
				13,015
Less Historic Year 2009				
		(2,797)	(2,797)	(2,797)
Incremental 2010 Less Program Changes 2011				
			(455)	(455)
Incremental 2011 Less Program Changes 2012				
				(128)
Incremental				
	2,797	7,767	2,777	2,322
				7,293

* RYE = Rate Year Ending

2010 O&M – Shared Services - Facilities

Project/Program Title	Indoor Air Quality Improvement Programs (4 Irving Place)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	Public & Employee Safety, Environmental

Work Description:

These are programs that systematically address the quality of indoor air such as removing hazardous materials and improving HVAC operating equipment. Programs include, but are not limited to, HVAC duct cleaning and induction unit drip tray cleaning/inspections; inspection and repairs of roof and piping systems; and abatement and replacement of ACM insulation throughout the building.

Justification:

- Alternatives: None
- Risk of No Action: Employees will breathe poor quality air filled with contaminants, particles and dust. This could lead to increase in respiratory illnesses.
- Summary of Financial Benefits and Costs: NA
- Non-financial Benefits (if applicable): NA
- Technical Evaluation/Analysis: NA
- Sensitivity Analysis (if applicable): NA
- Project Relationships (if applicable): NA

Inspecting, cleaning and removal of hazardous materials associated with air and water distribution equipment and systems in the building will mitigate the spread of potential infectious diseases.

Estimated Completion Date: Ongoing

Status: Ongoing

2010 O&M – Shared Services - Facilities

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$419	\$161	\$499	\$790

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$901	\$938	\$971	\$2,810

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	\$419	\$161	\$499	\$790
Contingency				
Total	\$419	\$161	\$499	\$790

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P – Contract				
Labor	\$901	\$938	\$971	\$2,810
Contingency				
Total	\$901	\$938	\$971	\$2,810

2010 O&M – Shared Services - Facilities

Project/Program Title	Irving Place – Local Law 11 Repairs
Status	With Engineering
Estimated Service Date	2011
Work Plan Category	Regulatory - Critical Infrastructure

Work Description:

Repair conditions identified as "safe with repair and maintenance program" (SWARMP) including re-caulking windows to correct building water infiltration problems per Cycle 6 Local Law 11 inspection report filed with NYC Dept. of Buildings.

The Company's 2009 Rate Case testimony indicated that its engineering department (through a hired outside consultant) had completed its report to the DOB on the LL11 Cycle 6 inspections, performed in 2006. This report identified no unsafe conditions but did indicate that several items identified as "safe with a repair and maintenance program" ("SWARMP") were discovered. These items include repairing cracked stone, replacing old masonry sealant, and sealing open masonry joints. In addition to normal façade and/or parapet repairs, the report also recommended replacing the caulking on all the building windows. The estimated cost for this work was \$4,000,000. Recognizing that attempting to accomplish all the work in one year would be extremely intrusive to the building occupants and, due to the required sidewalk bridging surrounding the entire building, the neighborhood as well, it was decided to be accomplish it over a four year period and prior to the Cycle 7 LL 11 inspection required to be completed by February 2012. We thus proposed that the work be accomplished as a program addressing various sections of the Façade on an annual basis.

In July 2008, Facilities Engineering performed a comprehensive assessment of almost all the window assemblies at 4 Irving Place in to order to identify window deficiencies beyond caulking. The plan was to coordinate the 6th Cycle Local Law Report recommendations with those in this engineering study. The assessment revealed the following additional categories of defects and the associated cost estimate (see above):

- Defective/corroded metal window lintels
- Some defective caulking around the window perimeters both inside and outside.
- Cracked stone window sills
- Defective metal cladding due to water ingress
- Missing window weather-stripping causing drafts and heat loss
- Broken window panes allowing air/water infiltration and heat loss

We proposed that this work be accomplished in stages over a three year period (2009, 2010 & early 2011) and that it be completed prior to the Cycle 7 inspections which will be scheduled in mid 2011 so that the required inspection report can be filed by February 2012. Note that if the "SWARMP" repairs identified in the Cycle 6 inspection are not addressed by 2012, they will automatically be downgraded to "UNSAFE" and thus need to be completed immediately.

2010 O&M – Shared Services - Facilities

Justification:

New York City Local Law 11 of 1998 requires that all buildings, 100 feet or taller, be inspected on a 5 year cycle by a licensed architect and an inspection report be filed on behalf of the building owner with NYC Dept. of Buildings. Cycle 6 Inspection was performed in 2006 and filed as per regulation in February 2007. All repairs must be completed prior to next cycle inspection in 2012. We believe that items identified in both the LL 11 Cycle 6 report and the latest engineering assessment report should be completed in the time frame indicated above as these corrective measures will help mitigate water infiltration into the building. As stated in previous testimony, water entering the building travels behind the façade stone and masonry and during cold months of the year, can freeze, which then expands against the back of the stone/masonry, resulting in cracked, loosened stone, masonry and mortar which has the potential to fall from the side of the building to the street below, creating a public safety concern.

Estimated Completion Date:

2009 through 2011.

Status:

Engineering phase.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$1,300	\$355	-	\$530

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$2,488	\$488	-	\$2,976

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	\$1,300	\$355	-	\$530
Contingency				
Total	\$1,300	\$355	-	\$530

2010 O&M – Shared Services - Facilities

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$2,488	\$488	-	\$2,976
Contingency				
Total	\$2,488	\$488	-	\$2,976

2010 O&M – Shared Services - Facilities

Project/Program Title	Flooring Upgrades Program (4 Irving Place)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	Public & Employee Safety, Environmental

Work Description:

Units per Year: 2 Floors (5,335 sq. yd X 2 = 10,670)

Mandatory:

High-level schedule:

Replace carpeting on approximately two (2) floors annually and resurface approximately fifty four (54) fan room concrete floors with epoxy sealer.

Justification:

- Alternatives: None
- Risk of No Action: Hazardous floor conditions will result in injuries.
- Summary of Financial Benefits and Costs: NA
- Non-financial Benefits (if applicable): NA
- Technical Evaluation/Analysis: NA
- Sensitivity Analysis (if applicable): NA
- Project Relationships (if applicable): NA

The normal wear, tear and stretching of floor carpeting results in dangerous tripping hazards. In addition, the carpeting has worn beyond any economic or reasonable cleaning method resulting with extremely dirty carpets. Resurfacing the fan room floors will eliminate any water seepage or leakage to lower elevations during any possible equipment failures.

Estimated Completion Date: 2013

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	\$206	\$614	\$405

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$687	\$687	\$687	\$2,061

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	-	\$206	\$614	\$405
Contingency				
Total	-	\$206	\$614	\$405

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$687	\$687	\$687	\$2,061
Contingency				
Total	\$687	\$687	\$687	\$2,061

2010 O&M – Shared Services - Facilities

Project/Program Title	Building Infrastructure Restoration Programs (4 Irving Place)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement (Critical Infrastructure)

Work Description:

Replace the outer casings and windwalls on Cooling Towers 4 & 5. In addition, sandblast, repair defects and recoat the Cooling Tower's structural steel and piping. These cooling towers, once the windwalls are completed, the maintenance of the indoor mechanicals and structure need annual repairs and maintenance. Other programs include restoration of equipment and systems that have surpassed the generally accepted life expectancies and require replacement or upgrading to ensure continual operation and/or existence. These various programs include, but are not limited to, restoration of wall, ceiling and turnstile systems, front doors and in extreme traffic areas such as the main lobby/corridors; replacing main steam and chill water stop valves for the building's air handling units (54); and sealing/cleaning of building windows.

Justification:

- Alternatives: None
- Risk of No Action: Cooling towers will deteriorate and make tower inoperable and unsafe. If the cooling towers fail, the building will become inoperable in the warm months. The Lobby will continue to deteriorate due the heavy traffic of over 3,900 tenants and 600 visitors daily.

The Cooling Towers are integral pieces of equipment in the building's Central Air Conditioning System at 4 Irving Place. The Cooling Towers are located on the roof of the building. The outer casings and windwalls on Cooling Towers 4 & 5 are deteriorating resulting with pieces breaking off and extensive water leakage. These conditions pose a public safety, negatively impact system efficiency and waste water.

In addition, the existing coating on the structural steel and associated piping for both cooling towers has deteriorated resulting with numerous corroded areas. These corroded areas may eventually result with complete metal failures. Estimate based on actual costs for the refurbishment of cooling towers 2 and 3 and Facilities Engineering estimate of additional repairs needed on Cooling Towers 4 & 5. Other estimates cover the maintenance of all five cooling towers after the windwalls are completed.

Other programs are required since much of the building infrastructure is over 50 years old and has reached the end of its useful life. Failures create additional maintenance problems.

Estimated Completion Date: 2013

Status: Ongoing

2010 O&M – Shared Services - Facilities
Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	\$1,051	\$1,173

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$966	\$819	\$819	\$2,604

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	-	-	\$1,051	\$1,173
Contingency				
Total	-	-	\$1,051	\$1,173

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$966	\$819	\$819	\$2,604
Contingency				
Total	\$966	\$819	\$819	\$2,604

2010 O&M – Shared Services - Facilities

Project/Program Title	MAC (Maintenance Associated with Capital) (4 Irving PL)
Status	2019
Estimated Service Date	Regulatory
Work Plan Category	Category A – Regulatory Compliance

Work Description:

Units per Year:

Mandatory:

High-level schedule: 2 full floors (100,000 sq. ft per year)

The Company has developed a plan to install required sprinkler systems in conjunction with the conversion of floors at 4 Irving Place to open-office plan arrangements (which in and of itself would require sprinkler systems). In order to meet LL26's 2019 deadline, the Company needs to accelerate its plans for open-office space arrangement. This, in turn, creates the need for additional space for temporary relocation of employees during the renovation. Currently, when the Company renovates a floor, it temporarily relocates the impacted employees to another location within 4 Irving Place. This is because it is logistically difficult or practically impossible to maintain employees in their current work area during the renovation process. In order to meet the needs of this accelerated program, some of the affected personnel would need to be temporarily relocated out of 4 Irving Place because there is insufficient swing space currently in the building (i.e., currently less than one full floor of available swing space).

Note that Flatbush 6th/7th floors will be renovated in 2010; 28,000 sq ft (6th Fl) becomes available for temporary space. This reduces the total amount of temporary space required out side of the Company to 52,000 sq ft.

Justification:

- Alternatives: None

This approach is due to the physical arrangements of ceilings and other building infrastructure and the presence of environmentally sensitive materials (such as lead and asbestos) that need to be addressed. It would be neither safe nor practical or efficient to perform the required renovation and sprinkler installation during off-shifts, when personnel have vacated the space, and allow the affected personnel to return to work during their normal work hours (thereby requiring a set-up and take-down of the work area on a daily basis). Most importantly, the safe removal of environmentally sensitive materials while the area is occupied is logistically extremely difficult. Having personnel completely vacate the space until the renovation (and any required abatement) is finished enables the Company to completely abate the environmentally sensitive materials in a safe and efficient manner.

Estimated Completion Date: 2019

The sprinklering of Irving Place in accordance with LL26 is 2019. This is part of that long term effort.

2010 O&M – Shared Services - Facilities

Status:

Ongoing - In the Engineering stage for the floors currently selected for renovation.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$400	\$226	\$263	\$3,952

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$5,522	\$2,642	\$2,642	\$10,806

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	\$400	\$226	\$161	\$3,204
Contingency				
Rent	-	-	\$102	\$748
Total	\$400	\$226	\$263	\$3,952

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$3,182	\$302	\$302	\$3,786
Contingency				
Rent	\$2,340	\$2,340	\$2,340	\$7,020
Total	\$5,522	\$2,642	\$2,642	\$ 10,806

Facilities Operation and Maintenance (Regions) - Gas

(\$000's)

	1st Rate Year	2nd Rate Year	3rd Rate Year	2011-2013 Incremental
Historic Year 6/30/2009	RYE 9/30/2011	RYE * 9/30/2012	RYE * 9/30/2013	Total
Indoor Air Quality Improvement Programs				
Duct Cleaning – Periodic inspection of duct interior by inserting video camera for the purpose of identifying conditions that require attention. Once identified repairs are then scheduled on a priority basis.	\$88	\$50	\$50	\$50
Air Conditioning Charcoal Filter Replacement Use of more efficient Carbon Filters to improve air quality at 16th Street	\$33	\$70	\$70	\$70
HVAC balancing at The Learning Center	\$0	\$60	\$65	\$65
Program Total	\$121	\$180	\$185	\$185
Flooring Upgrades				
Carpeting – 6,000 SY annually includes furniture moving. Programatic approach to address aging carpet throughout the various locations including funding to move furniture in occupied areas. Annual inspection to result in highest priority carpet replacement annually.	\$125	\$417	\$425	\$425
Program Total	\$125	\$417	\$425	\$425
Structural Inspections & Repairs				
Includes facades, sidewalks, parapets, brick repointing, re-caulking, waterproofing, roof repair, leaders and gutters. Repointing is a major expense especially at many of our older brick structures in Astoria and in the Bronx.				
Roof Inspection & repair (including parapets, leaders & gutters)	\$326	\$534	\$557	\$557
Facades and brick re-pointing at various locations.	\$531	\$854	\$854	\$854
Program Total	\$857	\$1,388	\$1,411	\$1,411
Building Infrastructure Restoration Programs				
Yard Resurfacing Resources required at multiple locations to address resurfacing issues for extending the life span and making better use of our properties	\$539	\$90	\$90	\$90
Painting and wall treatment repair/restoration	\$24	\$500	\$500	\$500
Programatic approach similar to carpet program where all locations are walked down annually and required painting is scheduled on a priority basis.				
Environmental – Asbestos (ACM) Funding to cover asbestos survey investigations – (ACM)	\$44	\$100	\$100	\$100
Program Total	\$607	\$690	\$690	\$690
Sherman Creek (new location)				
Additional guard (security officer) post required for the new location	\$76	\$100	\$100	\$100
Additional maintenance items required for new site: custodial contracts, repairs, materials and supplies.	\$68	\$84	\$84	\$84
Program Total	\$144	\$184	\$184	\$184
3rd Ave Yard (new building)				
Additional Emergency Action Plan Director (security officer) (required for all Class E buildings in the City of New York) for the new building at 3rd Avenue	\$58	\$120	\$120	\$120
Additional cleaning services	\$31	\$31	\$31	\$31
Program Total	\$89	\$151	\$151	\$151
Exterior Street (new work out location)				
Guard Service, snow removal, electricity used, rubbish removal	\$57	\$186	\$186	\$186
Program Total	\$57	\$186	\$186	\$186
Waterside Dock Repair				
Costs to repair dock to return property back to owner	\$0	\$2,800	\$0	\$0
Program Total	\$0	\$2,800	\$0	\$0
Contractual Rent & Tax Increases				
	\$7,943	\$8,441	\$8,774	\$8,647
Grand Total Facilities Regions (O&M)	\$9,943	\$14,437	\$12,006	\$11,879
Less Historic Year 2009		(9,943)	(9,943)	
Incremental 2011 Less Program Changes 2012			(127)	(127)
Incremental 2012 Less Program Changes 2013				5,095
Incremental	\$9,943	\$4,494	\$2,063	\$1,936

Note: RYE = Rate Year Ending

2010 O&M – Shared Services - Facilities

Project/Program Title	Indoor Air Quality Improvement Programs (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	Public & Employee Safety, Environmental

Work Description:

Programs that systematically address the quality of indoor air such as removing hazardous materials and improving HVAC operating equipment. Programs include but are not limited to periodic inspection & cleaning of HVAC duct systems, charcoal/carbon filter replacement at 16th Street and HVAC balancing at The Learning Center.

Justification:

- Alternatives: None
- Risk of No Action: Employees will breathe poor quality air filled with contaminants, particles and dust. This could lead to increase in respiratory illnesses.
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Inspecting, cleaning and removal of hazardous materials associated with air ductwork distribution systems in the buildings will mitigate the spread of potential infectious diseases. Charcoal/carbon filter replacement (a manufacturer specification) and HVAC balancing will prolong the life of the equipment and improve the air quality within the buildings.

Estimated Completion Date: 2013

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	\$187	\$196

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$180	\$185	\$185	\$550

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	-	-	\$187	\$196
Contingency				
Total	-	-	\$187	\$196

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$180	\$185	\$185	\$550
Contingency				
Total	\$180	\$185	\$185	\$550

2010 O&M – Shared Services - Facilities

Project/Program Title	Flooring Upgrades Program (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	Public & Employee Safety, Environmental

Work Description:

Carpeting upgrade – 6,000 square yards of carpeting replacement annually and also includes moving furniture so carpeting can be installed. A programmatic approach to address aging carpet throughout various locations plus the cost to move furniture while the work is in progress. Annual carpet inspection will prioritize carpet replacement.

Justification:

- Alternatives: None
- Risk of No Action: **Tripping Hazards**
-
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Normal wear and stretching of floor carpeting creates tripping hazards. In addition, the carpeting has worn beyond any economic or reasonable cleaning method resulting with torn, rolled and extremely dirty carpets.

Estimated Completion Date: 2013

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$123	\$964	\$122	-

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$417	\$425	\$425	\$1,267

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract Labor	\$123	\$964	\$122	-
Contingency				
Total	\$123	\$964	\$122	-

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract Labor	\$417	\$425	\$425	\$1,267
Contingency				
Total	\$417	\$425	\$425	\$1,267

2010 O&M – Shared Services - Facilities

Project/Program Title	Structural Inspections and Repairs (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement - Critical Infrastructure

Work Description:

Includes facades, parapets, brick re-pointing, re-caulking, waterproofing, roof repair, leaders and gutters. Re-pointing is a major expense especially at many of our older brick structures in Astoria and in the Bronx.

Justification:

- Alternatives: None
- Risk of No Action: **Deterioration of exterior façade, water infiltration, mold, lack of structural Integrity (steel corrosion, concrete spalling, efflorescence, open mortar joints Cracked brickwork)**
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Work will prolong the life of the facilities' facades and roofs and prevent damage from infiltration, freeze-thaw cycles, etc.

Estimated Completion Date: 2013

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$669	\$162	\$711	\$982

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$1,388	\$1,411	\$1,411	\$4,210

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	\$669	\$162	\$711	\$982
Contingency				
Total	\$669	\$162	\$711	\$982

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$1,388	\$1,411	\$1,411	\$4,210
Contingency				
Total	\$1,388	\$1,411	\$1,411	\$4,210

2010 O&M – Shared Services - Facilities

Project/Program Title	Building Infrastructure Restoration Programs (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement

Work Description:

Programs include the following at multiple locations: Yard re-surfacing, striping and drainage to address re-surfacing issues, repaint worn striping to more efficiently utilize space and prevent freezing pooled water conditions thereby extending the service life span and making better use of our properties. Painting & wall treatment repair/restoration - programmatic approach similar to carpet program where all locations are inspected annually and required painting is scheduled on a priority basis. Environmental (Asbestos - ACM) funding to cover asbestos surveys and investigations.

Justification:

- Alternatives: None
- Risk of No Action: Inadequate maintenance/ repair of aging infrastructure is problematic and Further delays in repair will result in a greater escalation of costs
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Many of the building infrastructures are old and have reached the end of their service life.

Estimated Completion Date:

Ongoing

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$288	\$17	\$608	\$119

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$690	\$690	\$690	\$2,070

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P- Contract				
Labor	\$288	\$17	\$608	\$119
Contingency				
Total	\$288	\$17	\$608	\$119

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P- Contract				
Labor	\$690	\$690	\$690	\$2,070
Contingency				
Total	\$690	\$690	\$690	\$2,070

2010 O&M – Shared Services - Facilities

Project/Program Title	Sherman Creek (new location) (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement

Work Description:

Sherman Creek is a three lot piece of property that once housed a generating station (now demolished) is currently being used by Electric Operations as a work out location for Cable Operations. There are several trailers on site that require the need for a guard post and maintenance items: custodial contracts, repairs, materials & supplies.

Justification:

- Alternatives: None
- Risk of No Action: Robbery, loss of assets, inability to service customers efficiently
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Guards required at this new locations for employee safety and to protect company property. Also, maintenance items required to maintain new site in a clean and efficient manner.

Estimated Completion Date: Ongoing

Status: Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	\$108	\$123

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$184	\$184	\$184	\$552

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P-Guard Service			\$87	\$100
*A/P-Other			\$21	\$23
Total			\$108	\$123

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P-Guard Service	\$100	\$100	\$100	\$300
*A/P-Other	\$84	\$84	\$84	\$252
Total	\$184	\$184	\$184	\$552

* Note A/P requires further identification such as A/P – Contract Labor, A/P - Equipment Maintenance, A/P - Corrective Maintenance, etc.

2010 O&M – Shared Services - Facilities

Project/Program Title	3rd Avenue Yard (new building) (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement

Work Description:

A new building located at 320 4th Avenue, Brooklyn, NY is required to have on duty Emergency Action Plan Directors (required at all Class “E” buildings by the New York City Fire Department). The Emergency Action Plan Directors (EAPD) will also act as security guards. Also, a custodial contract is needed to clean the building and will be required at the new site.

Justification:

- Alternatives: None
- Risk of No Action: Violation of the NYPD Title 3 Rules of NY, EAP Industry Notice 9
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Guards are required at this new location by the New York City Fire Department, Title 3 of the Rules of the City of New York, EAP industry notice #9. Custodial contract is required to maintain the new site in a clean and efficient manner.

Estimated Completion Date: Ongoing

Status:

Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	\$100	\$94

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$151	\$151	\$151	\$453

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P-Guard Service	-	-	\$69	\$63
* A/P-Other	-	-	31	31
Total	-	-	\$100	\$94

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P-Guard Service	\$120	\$120	\$120	\$360
*A/P-Other	31	31	31	93
Total	\$151	\$151	\$151	\$453

2010 O&M – Shared Services - Facilities

Project/Program Title	Exterior Street (new work out location)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	System & Component Performance Improvement

Work Description:

The site at Exterior Street has been selected for use as a satellite parking area for different field groups within Electric Operations. Previously, the site exhibited deteriorated asphalt and concrete paving, as well as a crushed stone surface left over from a previous demolition of existing structures. The site has been renovated so it can be utilized as a year round, all weather parking facility.

Justification:

- Alternatives: None
- Risk of No Action: Inability to serve our local customers quickly and efficiently.
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Guards required at this new locations for employee safety and to protect company property. Also, maintenance items required to maintain new site in a clean and efficient manner.

Estimated Completion Date: Ongoing

Status:

Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	-	-

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$186	\$186	\$186	\$558

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P				
Contingency				
Total	-	-	-	-

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor	\$14	\$14	\$14	\$42
M&S	15	15	15	45
*A/P-Guard Service	100	100	100	300
*A/P-Other	57	57	57	171
Total	\$186	\$186	\$186	\$558

2010 O&M – Shared Services - Facilities

Project/Program Title	Waterside Dock Repair
Status	Dock Inspection Completed/Engineering in Progress
Estimated Service Date	Various
Work Plan Category	Regulatory compliance/Environmental

Work Description:

The Waterside Dock is a high-level relieving platform structure adjacent to former Con Edison Waterside generating station and bordered by FDR Drive, E38th and E41st Street with East River on the eastern edge of the dock. The structure was inspected as a part of 5-years waterfront inspection program in November 2008.

Overall the structure can be characterized into two portions by their present deteriorated conditions. The “south portion” is approximately 473 ft long and is overall “**Fair**” condition. The “north portion” is approximately 362 ft long and is in overall “**Critical**” condition.

1. Inspection Findings:

- Lost of support at concrete platform/deck “drop beams” in north portion of the dock due to severe damage of timber pile caps by marine borers.
- Lost of support at the dock structure south-east corner (Sta. 4+72) and north –east corner (Sta. 8+35) due to damaged or missing timber piles and pile cap beams.
- Various damages of exterior and interior timber piles.
- Missing support at most of the dock structure east edge due to missing/deteriorated north-south timber cap beams.
- Many of dock’s fender timber members are loose and deteriorated and about to fall into the river. This represents a hazard to river navigation and also environmental concern.
- Concrete deck damages: spalls at concrete deck soffit surfaces, exposed and corroded concrete reinforcement, cracks, efflorescence, top surface wear, etc.

2. Inspection Recommendations:

- Repair critical members of dock’s north portion to insure structural stability and integrity of the dock. Deteriorated timber cap beams and parts of deteriorated timber piles will be repaired by replacement with new timber.
- Restrict vehicular access to north portion of the dock and to entire eastern edge of the dock structure by installation of guardrail barrier.
- Remove loose and deteriorated timber fender system and timber edging along entire eastern edge of the dock.

Order of Magnitude cost estimate – \$2,800,000.

Justification:

The repairs and corrective actions are recommended by the Inspection Report to address present critical condition of key Waterside Dock’s structure members and East River safe navigation concern.

These repairs are recommended to be carried out on a high-priority basis with urgency.

2010 O&M – Shared Services - Facilities

Estimated Completion Date:

This project can be completed in 2010 or ASAP.

Status:

With Engineering. A contract was awarded to an outside engineering firm on 9/18/08 for conducting of Waterside Dock inspection and preparation of design repair package. The design repair package is expected to be completed in April 2009.

Current Working Estimate (if applicable):

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	-	-

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$2,800	-	-	\$2,800

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P				
Contingency				
Total	-	-	-	-

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P-				
Contract				
Labor	\$2,800	-	-	\$2,800
Contingency				
Total	\$2,800	-	-	\$2,800

2010 O&M – Shared Services - Facilities

Project/Program Title	Contractual Rent & Tax Increases (Regions)
Status	Ongoing
Estimated Service Date	2013
Work Plan Category	Regulatory

Work Description:

Rent increases at the following locations: 30 Flatbush Ave., Queens Blvd., Foster Avenue Van Dam Street, and 165th Street Jamaica. Taxes have increased at 30 Flatbush Avenue.

Justification:

- Alternatives: None
- Risk of No Action: Violation of Contractual/Regulatory Requirements
- Summary of Financial Benefits and Costs: n/a
- Non-financial Benefits (if applicable): n/a
- Technical Evaluation/Analysis: n/a
- Sensitivity Analysis (if applicable): n/a
- Project Relationships (if applicable):

Contractual / Regulatory

Estimated Completion Date:

Ongoing

Status:

Ongoing

Current Working Estimate (if applicable):

2010 O&M – Shared Services - Facilities

Funding (\$000):

Actual 2006	Actual 2007	Actual 2008	Budget 2009
\$5,467	\$6,750	\$7,971	\$8,038

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
\$8,441	\$8,774	\$8,647	\$25,862

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P				
Rent & Real Estate Taxes	\$5,467	\$6,750	\$7,971	\$8,038
Total	\$5,467	\$6,750	\$7,971	\$8,038

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P				
Rent & Real Estate Taxes	\$8,441	\$8,774	\$8,647	\$25,862
Total	\$8,441	\$8,774	\$8,647	\$25,862