

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY - ENVIRONMENT, HEALTH AND SAFETY PANEL

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1

PANEL INTRODUCTION

2 Q. Would members of the Environment, Health and Safety Panel
3 ("Panel") please state their names and business
4 addresses?

5 A. Venetia Lannon, 4 Irving Place, New York, NY 10003 and
6 Anita Ma, 31-01 20th Avenue, Astoria New York 11105.

7 Q. By whom are you employed and in what capacity?

8 A. (Lannon) I am employed by Consolidated Edison Company of
9 New York, Inc. ("Con Edison" or the "Company") where I
10 hold the position of Vice President, Environment, Health
11 and Safety ("EH&S").

12 (Ma) I am employed by Con Edison where I hold the
13 position of Director, EH&S Field Services & Remediation.

14 Q. Please briefly outline your educational and business
15 experience.

16 A. (Lannon) I joined Con Edison in April 2021. Prior to
17 joining the Company, I was Vice President at Matrix New
18 World Engineering, with market development
19 responsibilities including climate adaptation services
20 with a focus on nature-based systems for waterfront
21 facilities, green infrastructure, and renewable energy.
22 Before joining the private sector, I spent 20 years in

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1 public service, most recently as former Governor Cuomo's
2 Deputy Secretary for the Environment. In this capacity, I
3 served as environmental policy advisor to the Governor
4 and his cabinet and oversaw the operations of the state's
5 environmental agencies, including the Department of
6 Environmental Conservation ("DEC"), the Office of Parks
7 Recreation & Historic Preservation, the Environmental
8 Facilities Corporation and the Adirondack Park Agency.

9 Previously, I was appointed by former Governor Cuomo
10 as Regional Director for the DEC, overseeing 200 staff
11 and all aspects of the DEC's work in New York City.

12 Prior to that, I held several positions working for the
13 City of New York, as a Senior Vice President of the New
14 York City Economic Development Corporation ("EDC") and as
15 Deputy Director of the Recycling Bureau at the New York
16 City Department of Sanitation, was responsible for the
17 composting program. I hold a Bachelor of Arts degree
18 from Vassar College and a Master's degree in Public
19 Administration, focusing on environmental policy, from
20 Columbia University.

21 (Ma) I joined Con Edison in 1989 and have held positions
22 of increasing responsibility in a variety of operating
23 and support positions including: Management and Assistant

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1 Engineer Intern, Associate Engineer A in Construction,
2 System Engineer at Astoria Generating Station, Account
3 Executive in Manhattan Energy Services, Engineer in
4 Energy Management, and various positions within Electric
5 Operations including General Manager in Central Energy
6 Services and General Manager in Manhattan Electric
7 Operations. In November 2016, I assumed the duties of
8 Director, EH&S Field Services. In May 2020, EH&S
9 Remediation merged with EH&S Field Services. Since May
10 2020, I have responsibilities for both departments, which
11 include Laboratory Services, Response & Planning,
12 Asbestos Response and the Company's Site Investigation
13 and Remediation ("SIR") Program. The added
14 responsibility for EH&S Remediation in 2020 includes the
15 management of a diverse set of remediation programs,
16 including manufactured gas plant and manufactured gas
17 storage holder ("MGP") Sites, Superfund Sites,
18 Underground Storage Tanks, Appendix B Sites (Historic
19 Fuel and Dielectric Oil Spills), and real estate sites.
20 I hold a Bachelor of Science degree in Mechanical
21 Engineering from Columbia University and a Master of
22 Science degree in Management from Rensselaer Polytechnic
23 Institute.

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1 Q. Have any members of the Panel previously submitted
2 testimony to the New York State Public Service Commission
3 ("Commission")?

4 A. (Lannon) No.

5 (Ma) No.

6 **SUMMARY OF TESTIMONY**

7 Q. Please summarize your testimony.

8 A. Our testimony focuses on the following EH&S-related
9 activities and their projected costs: SIR Program
10 activities that are mandated by law, agreements,
11 regulations, consent orders, permit requirements, and
12 environmental due diligence. In particular, we describe
13 Con Edison's program for the investigation and
14 remediation of MGP Sites. We also discuss Superfund
15 sites for which Con Edison is responsible, as well as the
16 requirements of the Appendix B section of the November
17 1994 Consent Order between Con Edison and the DEC, as
18 modified by the December 2006 Consolidated Consent Order
19 ("Appendix B"). In addition, we address the Resource
20 Conservation and Recovery Act ("RCRA") corrective action
21 requirements of the hazardous waste management facility
22 operating permit that was initially issued by the DEC in
23 May 1994 and subsequently renewed in March 2001 and July

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1 2008 for the Company's Polychlorinated Biphenyl
2 ("PCB")/Hazardous Waste Storage Facility at its Astoria
3 Site. The Company has submitted a permit renewal and it
4 is under review by the DEC. We discuss underground
5 storage tank ("UST") sites, which the Company must
6 address under Federal and New York State regulations. We
7 also discuss other sites with known or potential
8 contamination that Con Edison is addressing. In total,
9 Con Edison expects to spend approximately \$61,870,000 for
10 these SIR Program activities during the Rate Year
11 (January 1, 2023 through December 31, 2023) and
12 \$45,728,000 during the Linking Period (the five quarters
13 from October 1, 2021 through December 31, 2022). We
14 explain the steps the Company takes to control and
15 mitigate its SIR Program costs, and we detail the process
16 for site investigation and remediation, including the
17 development of work plans, Company and contractor
18 staffing for the Company's SIR Program, and the Company's
19 internal controls. We also address the Company's
20 compliance with the Commission's rate case filing
21 requirements.

SIR PROGRAM

22
23 Q. Please provide an overview of Con Edison's SIR Program.

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1 A. Con Edison has a comprehensive ongoing program for
2 managing its SIR sites and verifying that required
3 remedial response measures (investigations followed by
4 any necessary remedial action) are properly performed for
5 sites that have been contaminated by past releases of
6 hazardous wastes and hazardous substances, including
7 petroleum products, from Con Edison's and its predecessor
8 companies' facilities and/or operations. This program
9 encompasses the following types of sites, each of which
10 is discussed more fully below: (1) MGP Sites; (2)
11 Superfund Sites; (3) oil and dielectric fluid spill sites
12 subject to the investigation and cleanup requirements of
13 Appendix B; (4) the areas of the Astoria Site subject to
14 the RCRA corrective action requirements imposed under the
15 DEC's hazardous waste management facility operating
16 permit for the Company's PCB/Hazardous Waste Storage
17 Facility at that site; (5) UST Sites; and (6) other sites
18 with known or potential contamination that Con Edison is
19 addressing and that do not fall under the aforementioned
20 five programs.

21 Q. Please describe the Company's SIR programs and projects.

22 A. The Company's SIR programs and projects are described in
23 the sections of our testimony concerning MGP Sites,

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1 Superfund Sites, Appendix B Sites, the Astoria
2 PCB/Hazardous Waste Storage Facility, UST Sites, and
3 Other Sites.

4 Q. Are the costs and schedules presented in your testimony
5 and exhibits for the Company's SIR programs subject to
6 change?

7 A. Yes. They are projections based upon the best
8 information available to the Company at the time they
9 were made regarding the extent of the investigation and
10 remediation likely to be required for the Company's SIR
11 sites. As is the case for any projection, the SIR-
12 related costs and schedules presented in our testimony
13 and exhibits are subject to change due to various types
14 of contingencies, including: variation between
15 anticipated and actual remedial investigation ("RI")
16 results; the discovery of different or more extensive
17 contamination during pre-design investigations ("PDIs")
18 or remedy implementation; delays in applicable regulatory
19 review/approval processes; changes to anticipated
20 remedies due to regulatory agency, community, or affected
21 landowner concerns and changes in projected future land
22 use; delays in obtaining required federal, state, and/or
23 local agency permits for remedy implementation; access

1 and cooperation issues with affected property owners for
2 the implementation of investigation or remediation
3 activities; and unanticipated field conditions and/or
4 force majeure events, including currently unanticipated
5 delays that could stem from the ongoing COVID-19
6 pandemic. The Company internally reviews and evaluates
7 its projected schedules for its SIR programs at least
8 annually and more frequently for active projects. The
9 Company's SIR cost projections are reviewed internally
10 and updated as necessary, but at least quarterly.

11 **MGP SITES**

12 Q. Before describing Con Edison's investigation and
13 remediation efforts for its MGP Sites, please provide a
14 brief background on Con Edison's and its predecessor
15 companies' former MGPs.

16 A. MGPs provided energy in the form of combustible gases of
17 varying composition to municipal street lighting systems
18 and to homes and businesses in cities and towns across
19 the more densely populated regions of the United States.
20 In the case of the areas served by Con Edison and its
21 predecessor companies, MGPs operated from the late 1820s
22 through the early 1960s. The earliest of these plants
23 produced illuminating gases from whale oil and/or rosin.

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1 The plants constructed during and after the 1830s
2 converted coal (oven gas) or a combination of coke or
3 coal, oil and water in the form of steam (carbureted
4 water gas) into a gas product that could be used for
5 lighting, cooking, and heating. There were more than 250
6 MGPs in New York State and an estimated 3,000 to 5,000 in
7 the United States prior to these plants becoming obsolete
8 due to the construction of natural gas pipelines and
9 large electric generating stations. Holder stations were
10 used for the storage of manufactured gas that had been
11 produced at MGPs. They consisted of large storage tanks
12 (holders) of varying composition and design.

13 Q. What are the present environmental concerns related to
14 MGP Sites?

15 A. Manufactured gas production was a complex process that
16 entailed the handling and storage of significant
17 quantities of feedstock materials, by-products, and
18 residuals that contain organic and inorganic chemical
19 constituents that are now considered to be hazardous
20 substances under federal and New York State laws and
21 regulations and that, when released to soil, groundwater,
22 or waterways, may pose a threat to human health or the
23 environment. The materials of primary concern at MGP

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1 Sites include carbureting oils, scrubber oils, coal tar,
2 coal tar-related emulsions and sludges, and gas
3 purification wastes. At manufactured gas storage holder
4 sites, these materials include oils (which were used in
5 hydraulic systems as lubricants or to maintain airtight
6 seals between holder tank bases, bellows and shells) and
7 coal tar (which at times condensed out of stored
8 manufactured gas or was used to maintain airtight seals
9 between holder tank bases, bellows, and shells).

10 Q. Please describe the DEC's level of activity regarding MGP
11 Sites.

12 A. The DEC continues to require New York State's investor-
13 owned utilities to investigate and, when necessary to
14 protect human health and the environment, undertake
15 remedial response actions for the sites of their or their
16 predecessors' former MGPs. Most New York State utilities
17 have entered into administrative consent orders ("ACOs"),
18 or cleanup agreements with the DEC under which the
19 utilities have agreed to address their MGP Sites. In
20 some cases (such as Con Edison), these ACOs or cleanup
21 agreements cover multiple sites. Under the DEC's MGP
22 program, investigations and/or remedial action work have
23 been undertaken or are planned at more than 200 former

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1 MGP Sites across the State. The DEC's MGP program is
2 grounded in a federal initiative to address former MGP
3 Sites throughout the country. The New York State
4 Department of Health ("DOH"), which works with the DEC in
5 evaluating the results of MGP Site investigations and
6 determining the need for remedial response actions for
7 them, views the primary goal of these investigations as
8 assessing potential human exposure to MGP-related
9 contaminants.

10 Q. Please provide the background for Con Edison's MGP SIR
11 Program.

12 A. Con Edison and its predecessor companies formerly
13 produced gas and maintained storage holders for
14 manufactured gas at 51 MGP Sites located throughout
15 Manhattan, the Bronx, Westchester County, and western
16 Queens, New York. Many of these sites are now owned by
17 parties other than Con Edison and have been redeveloped
18 by their new owners for other uses, including schools,
19 residential and commercial developments, public parks,
20 and hospitals. The DEC requires the Company to
21 investigate and, if necessary, develop and implement DEC
22 and DOH approved remedial action plans for all of its and
23 its predecessor companies' confirmed MGP Sites, which

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1 presently include 34 MGP Sites and 17 storage holder
2 sites. Of these 51 sites, only 16 are still owned in
3 whole or in part by the Company. In addition, most of the
4 sites have been subdivided into separate properties, with
5 different owners. As a result, the 51 sites currently
6 comprise more than 150 different properties.

7 Q. Has a listing been prepared of the former MGP Sites that
8 the DEC is requiring Con Edison to investigate and, if
9 deemed necessary by the DEC and/or the DOH, to implement
10 remedial action plans?

11 A. Yes. The table entitled "CONSOLIDATED EDISON COMPANY OF
12 NEW YORK, INC. MGP SITE LISTING" provides a listing of
13 those sites, the current or contemplated use of the
14 sites, and the required investigation and remediation
15 activities that have been completed for these sites as of
16 December 31, 2021.

17 Q. Was this exhibit prepared under your direction or
18 supervision?

19 A. Yes, it was.

20 MARK FOR IDENTIFICATION AS EXHIBIT __ (EHS-1)

21 Q. Please describe the Company's agreements with the DEC for
22 the cleanup of the Company's former MGP Sites.

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1 A. On August 15, 2002, Con Edison entered into a cleanup
2 agreement with the DEC under the DEC's Voluntary Cleanup
3 Program ("VCP") to conduct investigations and, if
4 necessary, DEC/DOH-approved remediation at 45 of the 51
5 MGP Sites listed in Exhibit ___ (EHS-1) (the "2002
6 Agreement"). Of the remaining six sites listed in that
7 exhibit, two sites were added to the 2002 Agreement after
8 the Company had entered into the 2002 Agreement - East
9 14th Street Gas Works (Stuyvesant Town) Site in January
10 2003 and Hastings-on-Hudson Gas Works Site in September
11 2007. The remaining four sites are covered by either
12 individual cleanup agreements with the DEC (Tarrytown and
13 White Plains Gas Works Sites), an individual DEC consent
14 order (Farrington Street Holder Station Site), or the
15 RCRA corrective action requirements of the previously
16 discussed DEC hazardous waste management facility
17 operating permit (Astoria Site).

18 Due to the large number of sites covered by the 2002
19 Agreement, the DEC and the Company agreed on a
20 prioritization strategy under which MGP Sites that were
21 the location of schools or residential properties would
22 be investigated first. Other priority sites besides
23 schools and residential properties can and have surfaced

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1 primarily as a result of proposed redevelopment projects
2 by present property owners or subsurface construction
3 activities. The Company and the DEC reassess these
4 priorities as sites are completed.

5 In 2017, the DEC notified the Company that, as an
6 administrative matter, all cleanup agreements under the
7 VCP statewide, including the 2002 Agreement, would be
8 terminated in 2018 and transitioned into an alternative
9 DEC oversight program. As a result, Con Edison entered
10 into an Order on Consent and Administrative Settlement
11 effective July 23, 2018 with the DEC ("2018 Agreement").
12 As with the 2002 Agreement, the 2018 Agreement covers the
13 investigation and, if necessary, DEC/DOH approved
14 remediation of the Company's MGP Sites. Those sites for
15 which Con Edison successfully completed a remedy and
16 received a No Further Action ("NFA") determination from
17 the DEC under the 2002 Agreement are not included in and
18 are not affected by the 2018 Agreement. Similarly, MGP
19 Sites, or portions of sites, that had been taken into the
20 New York State Brownfield Cleanup Program ("BCP") by
21 individual property owners or were otherwise covered by a
22 program other than the 2002 Agreement, are not included
23 in the 2018 Agreement. For those sites with ongoing

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1 investigation and remediation work, all prior DEC
2 approvals of work plans or work completed under the 2002
3 Agreement remain valid. The table in Exhibit __ (EHS-1)
4 identifies the current DEC oversight program for each MGP
5 Site or portion of an MGP Site.

6 Q. What is the current status of Con Edison's MGP Program?

7 A. Because of the significant progress Con Edison has made
8 investigating and, when necessary, remediating its MGP
9 Sites, of the 47 MGP Sites covered under the 2002
10 Agreement, only 13 MGP Sites, portions of 6 MGP Sites,
11 and 3 offsite areas (associated with the East 21st Street
12 Site, Pelham Site, and Hunts Point Site) remain to be
13 completed under the 2018 Agreement. Under other
14 regulatory programs described earlier in this testimony,
15 2 additional MGP Sites remain in the Company's
16 Remediation Program (Farrington Street Holder Station
17 under its own Consent Order and Astoria MGP under the
18 RCRA program). In addition, 2 MGP Sites (Hunts Point MGP
19 (onsite only) and Ludlow MGP) and a portion of a third
20 MGP Site (E. 11th Street MGP) were transferred out of the
21 2002 Agreement and into the BCP to be addressed by the
22 property owners.

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1 The status of each of Con Edison's MGP Sites as of
2 November 9, 2021 is summarized in an exhibit entitled,
3 "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
4 PROJECTION OF MGP SITE ACTIVITIES".

5 Q. Was this exhibit prepared under your direction or
6 supervision?

7 A. Yes, it was.

8 MARK FOR IDENTIFICATION AS EXHIBIT __ (EHS-2)

9 Q. What does this exhibit show?

10 A. As discussed above in this testimony and indicated in
11 Exhibit __ (EHS-2), Con Edison has made significant
12 progress in investigating and, when found to be
13 necessary, remediating its 51 MGP Sites. To date, based
14 on investigations performed and, as necessary,
15 remediation, the DEC has issued site-wide NFA
16 determinations for 26 MGP Sites (one of which was
17 completed under the BCP by the property owner), NFA
18 determinations for 2 onsite areas, and NFA determinations
19 for portions of 5 sites. Long-term operation,
20 maintenance and monitoring of remedies by the Company
21 will be ongoing at 16 of the sites or portions of the
22 sites (encompassing 72 properties) that have received NFA
23 determinations. For two additional sites (Rye Gas Works

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1 and Hastings-on-Hudson Gas Works - 8 Washington Avenue),
2 the DEC's review and approval of the Environmental
3 Easement application and Site Management Plan ("SMP"),
4 already submitted by the Company, are anticipated to be
5 the final steps remaining prior to NFA determinations.

6 The investigation and, if necessary, remediation of
7 the outstanding 15 MGP Sites, 3 offsite areas, and
8 portions of 6 sites in the Company's Remediation Program
9 (collectively encompassing 68 properties) will take
10 several years to complete. Through the end of December
11 31, 2021, at a minimum, site characterization study
12 ("SCS") or RI work plans, covering all or portions of the
13 remaining MGP Sites have been submitted to the DEC.
14 Remediation work at sites where such action is deemed
15 necessary by the DEC and DOH based on the results of the
16 investigation work performed, will take longer to
17 complete. At some sites, the remediation may not be
18 completed until after the buildings and structures
19 present on the sites are demolished.

20 The status of the required SIR activities for the 68
21 properties is as follows: site characterization studies
22 or RIs are ongoing at 28 properties and remediation is
23 currently required at 22 properties, including pre-design

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1 investigations and design activities, with remediation
2 commenced at Pemart Avenue Former MGP. The remedial
3 action at the Pemart Avenue Former MGP Site Operable Unit
4 1 ("OU-1") began in the fourth quarter of 2021 and is
5 expected to be completed mid-2022. Establishment of
6 institutional controls (deed restrictions or
7 environmental easements and site management plans) are
8 currently necessary for 18 properties.

9 Q. What specific MGP Site investigation and remediation
10 activities does the Company expect to conduct during the
11 Rate Year?

12 A. During the Rate Year, the Company plans to: (1) conduct
13 supplemental investigations at several sites where
14 additional information is required to characterize and
15 delineate MGP-related or gas holder station-related
16 contamination, (2) proceed into the remediation phase at
17 those sites where investigations have found that remedial
18 action is warranted and sufficient information exists to
19 determine the appropriate remedy, and (3) complete site
20 characterization studies at one site where such
21 investigations have not yet been completed.
22 Additionally, we expect to conduct remedial action
23 planning activities for several other sites. Exhibit

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1 EHS-2 identifies the current projection of activities at
2 each of these MGP sites.

3 Q. Do you expect the Company to continue to conduct similar
4 MGP Site investigation and remediation activities during
5 the Linking Period, Rate Year and two subsequent years?

6 A. Yes, but it is expected that the number of sites being
7 investigated will decrease during that period and the
8 number of sites for which remedial planning/design
9 activities or remediation work is performed will
10 increase.

11 Q. What role does the DEC play in decisions relating to the
12 scheduling of investigation and remediation activities
13 for Con Edison's MGP Sites?

14 A. In order to coordinate work flow and resources with the
15 DEC, under the 2002 Agreement, the Company was required
16 to submit by November 15th of each calendar year for DEC
17 approval a proposed schedule for the development and
18 filing of draft investigation and remediation work plans
19 during the following calendar year. Under the 2018
20 Agreement, although not specifically required to do so,
21 the Company has submitted and plans to continue
22 submitting a proposed schedule to the DEC at least
23 annually by November 15th. The Company also submits to

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1 the DEC three-year site-specific projections of its
2 planned activities for each of its MGP Sites, including
3 the MGP Sites formerly covered by the 2002 Agreement and
4 now covered by the 2018 Agreement. The projected
5 schedule for the first year is presented on a quarterly
6 basis and the projected schedule for the second and third
7 years is presented for the entire year. These
8 projections are also presented by work task type, such
9 as: site characterization, RI, remedial planning, and
10 remedial action implementation. The purpose of these
11 projections is two-fold. First, they serve as a critical
12 planning tool for the Company so that it can proceed with
13 its required SIR activities in an orderly manner and make
14 appropriate provision for the services and resources it
15 needs to meet its obligations under the 2018 Agreement.
16 Second, it provides the DEC with a workflow estimate that
17 allows the DEC to best manage its resources.

18 Q. Has Con Edison submitted its proposed schedule of 2022
19 work plan submissions and its projected schedule of MGP
20 site activities to the DEC for the period 2022 - 2024?

21 A. Yes. The Company made this submittal to the DEC on
22 November 9, 2021. A copy is provided as EXHIBIT __ (EHS-
23 2)

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1 Q. Has the Company prepared a table comparing the projected
2 calendar year 2021 MGP site activities specified in its
3 October 30, 2020 submittal to the DEC under the MGP
4 Agreement to the MGP Site activities actually performed
5 in 2021?

6 A. Yes. A copy of this table is provided as an exhibit
7 entitled, "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
8 2021 MGP SITE ACTIVITIES AND VARIATION FROM PROJECTIONS".

9 Q. Was this exhibit prepared under your direction or
10 supervision?

11 A. Yes, it was.

12 MARK FOR IDENTIFICATION AS EXHIBIT ___ (EHS-3)

13 Q. What does this exhibit show?

14 A. Exhibit ___ (EHS-3) shows for each active MGP Site
15 covered in the projected schedule the Company submitted
16 to the DEC in 2020 for calendar year 2021 the
17 investigation/remediation activities projected in the
18 schedule, whether there was any variation or anticipated
19 variation as of December 31, 2021 from the projected
20 schedule (yes or no), and the reason(s) for any such
21 variation.

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1 Q. What were the primary reasons for the variations between
2 the projected activities and the activities actually
3 completed during calendar year 2021?

4 A. Variations were due to: a third-party property owner's
5 several month delay in granting access, which has now
6 been provided and has allowed a major MGP project to
7 proceed in 2021; changes in anticipated timing for an MGP
8 remediation project to be performed at the Company's
9 Astoria facility in conjunction with a capital
10 improvement project that originally had been planned for
11 2021 and is now expected to begin in mid-2022; extended
12 timing associated with a complex permitting process for a
13 river sediments remediation project, which is now
14 expected to commence in 2022; remedial design revisions
15 that were necessary to address DEC comments, resulting in
16 an MGP remediation originally expected to start in late
17 2021 being re-scheduled to 2022; and a deed restriction
18 pending final property owner approval.

19 Q. Has the Company discussed the schedule variations
20 identified in Exhibit ___ (EHS-3) with the DEC?

21 A. Yes. Based upon discussions with the DEC, it is our
22 understanding that the DEC is satisfied with the progress
23 Con Edison has made implementing the SIR activities

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1 required for its MGP Sites. Of course, the DEC may
2 comment on or recommend changes to our projected
3 activities table, in which case Con Edison will evaluate
4 the DEC's comments and recommendations and make any
5 appropriate changes.

6 Q. What are the costs included in the Linking Period and
7 Rate Year for MGP Sites?

8 A. The estimated costs for the Linking Period are
9 approximately \$25.0 million and for the Rate Year are
10 approximately \$41.6 million.

11 Q. Has the Company prepared a table identifying the
12 projected MGP Program expenditures and activities during
13 the Linking Period and the Rate Year?

14 A. Yes. A table is provided as an exhibit entitled
15 "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. SIR
16 PROGRAM COST PROJECTIONS FOR THE LINKING PERIOD AND RATE
17 YEAR (2023)."

18 Q. Was this exhibit prepared under your direction or
19 supervision?

20 A. Yes, it was.

21 MARK FOR IDENTIFICATION AS EXHIBIT ___ (EHS-4)

22 Q. What does this exhibit show?

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1 A. Exhibit ____ (EHS-4) provides a summary of quarterly cost
2 projections for the Linking Period and Rate Year for each
3 Con Edison remediation program and site and a brief
4 description of the projected activities for each site
5 with projected expenditures during each of these time
6 periods, including projected expenditures and activities
7 for the MGP Sites.

8 **SUPERFUND SITES**

9 Q. What types of sites are covered by Con Edison's Superfund
10 Site investigation and remediation program?

11 A. Con Edison's Superfund Program covers the following
12 categories of sites:

- 13 • Third-party-owned sites to which Con Edison shipped
14 hazardous substances or waste for treatment,
15 storage, or disposal and for which Con Edison has
16 been designated a potentially responsible party
17 ("PRP") for the investigation and remediation of
18 site contamination by the United States
19 Environmental Protection Agency ("EPA"), DEC, or
20 another government environmental agency pursuant to
21 the federal Comprehensive Environmental Response,
22 Compensation and Liability Act ("CERCLA") or
23 comparable state statutes, including statutes that

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1 impose liability for the costs of investigating and
2 cleaning up oil spills;

3 • Sites formerly owned by Con Edison and for which
4 the current site owners assert claims against Con
5 Edison for investigation and remediation costs
6 pursuant to CERCLA or comparable state statutes;
7 and

8 • Sites (whether or not owned by Con Edison) at which
9 Con Edison is required to conduct cleanup work
10 because of releases of oil, dielectric fluid, PCBs,
11 or hazardous substances from its or its predecessor
12 companies' equipment, facilities, or operations.

13 Q. What is the status of the Superfund Program?

14 A. Con Edison has managed 31 Superfund sites under its SIR
15 Program. These include six sites for which Con Edison is
16 not part of a group of PRPs and 25 where Con Edison was
17 or presently is part of a group of PRPs. Of the six
18 Superfund Sites for which Con Edison is not part of a
19 group PRPs, the DEC has issued NFA determination for two
20 sites; remediation has been completed and an NFA is
21 expected for one site; remediation has been completed and
22 post-remediation operation, maintenance and monitoring
23 ("OM&M") activities are being implemented at two sites

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1 (one of which is currently subject to a supplemental
2 investigation); and supplemental investigation is
3 expected to be conducted at one site.

4 Of the 25 sites where Con Edison is part of a group
5 of PRPs, seventeen have been closed out and are inactive
6 with no additional costs anticipated, and eight remain
7 active.

8 Q. What are the costs included in the Linking Period and
9 Rate Year for Superfund Sites?

10 A. The expected costs for the Linking Period are
11 approximately \$3.1 million and for the Rate Year are
12 approximately \$4.1 million.

13 Q. Has the Company prepared a table identifying the
14 projected Superfund Program expenditures and activities
15 during the Linking Period and the Rate Year?

16 A. Yes. The table provided in Exhibit __ (EHS-4) shows for
17 each active Superfund site covered in the projected
18 schedule the Company portion of anticipated expenditures
19 for the stated activities.

20 Q. Please discuss the Company's anticipated investigation
21 and remediation activities during the Linking Period or
22 Rate Year for its Superfund Sites with anticipated costs
23 over \$100,000.

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- 1 A. The following activities are anticipated during the
2 Linking Period or Rate Year at the Company's Superfund
3 Sites with projected costs over \$100,000 in either or
4 both of those periods:
- 5 1. Maspeth Substation Site: Con Edison sold this site
6 in 1996. Subsequently, oil containing elevated
7 levels of PCBs was found floating on the groundwater
8 table beneath the site's former outdoor transformer
9 yard area. Con Edison began remediating PCB-
10 contaminated soil in 2005 under a Voluntary Cleanup
11 Agreement ("VCA") with the DEC, including removal of
12 PCB-contaminated soil and groundwater monitoring.
13 In January 2012, the DEC issued a limited liability
14 release to the Company, requiring continued
15 groundwater monitoring and, if necessary, oil
16 recovery, in wells located outside the former
17 substation property. During 2018, the DEC directed
18 Con Edison to undertake an additional investigation
19 and remediation related to residual non-aqueous
20 phase liquid ("NAPL") more recently detected in off-
21 site wells. In response, Con Edison conducted a
22 supplemental investigation off-site to identify
23 potential remaining preferential pathways for

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1 contaminant migration. Based on the results of this
2 investigation and DEC feedback, Con Edison will
3 perform a pre-design investigation to delineate
4 permeable soil layers and assess preferential
5 pathways for the migration of NAPL. The results of
6 this investigation will be used to identify and
7 evaluate remedial alternatives and enable the DEC to
8 select a remedy to address the NAPL and associated
9 impacted soils in the off-site area. Until the DEC
10 selects a remedy, Con Edison will continue to
11 conduct routine groundwater monitoring and
12 reporting. The Company estimates that it will spend
13 approximately \$150,000 during the Linking Period for
14 implementation of the pre-design investigation and
15 remedial selection and design process. If the DEC
16 remedy selection and the design proceed on the
17 currently anticipated timetable, the Company
18 anticipates spending approximately \$275,000 during
19 the Rate Year to implement the remedy and perform
20 routine groundwater monitoring and reporting. Upon
21 receipt of an NFA determination from the DEC, the
22 monitoring wells will be decommissioned.

23 2. Gowanus Canal - On March 2, 2010, the EPA added the

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1 Gowanus Canal in Brooklyn (the "Canal") to its
2 National Priorities List ("NPL") of Superfund sites.
3 Before the site was listed, in August 2009, Con
4 Edison received an EPA Notice of Potential Liability
5 and Request for Information regarding its and its
6 predecessors' operations at three facilities that
7 are located adjacent to or near the 1.8 mile Canal:
8 the Third Avenue Yard, the Gowanus Substation and
9 the Gowanus Gas Turbines Site (which the Company
10 sold in 1999). The EPA has identified 35 parties,
11 including Con Edison (which EPA has indicated has
12 facilities that may be a source of PCBs at the site)
13 and four federal entities, as PRPs.

14 In September 2013, the EPA issued a Record of
15 Decision ("ROD") that documented the agency's final
16 decision on the scope and type of remediation
17 required. EPA selected a remedy for the site that
18 includes dredging and disposal of some contaminated
19 sediments and stabilization and capping of
20 contamination that will not be removed. At that
21 time, EPA estimated the cost of the selected remedy
22 to be approximately \$506.1 million (and has
23 indicated the actual cost could be significantly

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1 higher).

2 In 2014, the EPA issued orders to Con Edison
3 and the other PRPs (with the exception of the
4 federal PRPs) to be jointly and severally
5 responsible for the performance of the remedial
6 design, which is currently estimated to cost
7 approximately \$112 million. EPA stated that it
8 expected National Grid to perform the remedial
9 design under the order and for the other PRPs,
10 including Con Edison, to help fund the work.

11 In 2019, 20 PRPs, including Con Edison,
12 concluded a binding allocation process before a
13 neutral allocator to determine each PRP's share of
14 the liability for the remedial design costs on a
15 confidential basis. Because the final remedial
16 design allocation percentage assigned to the Company
17 during this binding allocation process is lower than
18 the interim share that the Company had been funding
19 since 2015, the Company was credited approximately
20 \$3,862,000. This "true-up" credit was provided to
21 the Company during the period 2019 - 2021 in the
22 form of credits against biennial remedial design
23 assessments and cash refunds. Going forward, Con

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1 Edison anticipates receiving assessments for the
2 remedial design work based on its final allocated
3 share.

4 In 2019, EPA issued a Unilateral
5 Administrative Order (the "Bulkheads UAO") to 25
6 PRPs, including the Company, which was subsequently
7 amended and requires the PRPs to: (1) design and
8 perform bulkhead structural support work, including
9 associated access dredging, along certain portions
10 of the upper reaches of the Canal; and (2) complete
11 the design work for bulkhead structural support
12 along certain portions of the middle part of the
13 Canal. The EPA has estimated that implementation of
14 this Bulkheads UAO will cost approximately \$25
15 million, although the actual cost may be higher.

16 In 2020, the EPA issued a Unilateral
17 Administrative Order (the "RTA-1 UAO") that requires
18 six PRPs, including the Company, to initiate the
19 remedial action work in the upper reaches of the
20 Canal (in an area designated as Remediation Target
21 Area 1 ("RTA-1")) following the completion of the
22 bulkheads upgrade in RTA-1. The EPA currently
23 estimates that this work will cost approximately

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1 \$125 million, although the actual cost may be
2 higher, and require about 30 months to complete. In
3 November 2020, the PRPs began implementation of the
4 work required under this order. Cleanup in other
5 areas of the Canal is not addressed by this order.

6 Going forward, Con Edison expects to
7 contribute to the remedial design work based on the
8 final remedial design allocation percentage assigned
9 to the Company through the binding allocation
10 process in 2019. With respect to the remedial
11 action work (including under the Bulkheads UAO and
12 RTA-1 UAO), there has been no formal allocation
13 process or agreement reached to date regarding the
14 Company's allocation percentage. In 2021, the
15 Company contributed to the remedial action costs
16 based on its 2019 remedial design allocation
17 percentage and may continue to do so going forward
18 until such time that it has a basis to do otherwise.
19 Therefore, at this time, Con Edison projects that it
20 will incur costs during the Linking Period and the
21 Rate Year for its allocated share of the remedial
22 design costs, a share of the remedial action costs
23 based on its remedial design allocation percentage,

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1 and costs for ongoing outside consultant and legal
2 support. During the Linking Period and Rate Year
3 the Company estimates that it will incur
4 approximately \$2.3 million and \$3.5 million,
5 respectively.

6 3. Newtown Creek - Newtown Creek is a 3.8 mile long
7 water body on the border between Queens and
8 Brooklyn. It is a tributary of the East River and
9 itself includes five branches (or tributaries) along
10 its 3.8-mile reach. The EPA designated Newtown
11 Creek a Superfund site in September 2010 to address
12 extensive pollution stemming from a long history of
13 adjacent industrial operations (many involving oil
14 and gas refineries and petrochemical businesses,
15 among other historical industries).

16 To date, the EPA has identified 20 PRPs with
17 respect to the site, including Con Edison. The
18 Newtown Creek PRP Group, consisting of Phelps Dodge,
19 Texaco, BP, National Grid, and ExxonMobil, has been
20 conducting the RI and Feasibility Study ("FS") of
21 the site under EPA's oversight pursuant to an
22 Administrative Settlement Agreement and Order on
23 Consent with the EPA since July 2011.

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1 In May 2012, Con Edison received a request for
2 information from the EPA under Section 104(e) of the
3 federal Superfund statute (CERCLA) requesting
4 information concerning Company facilities and
5 activities within 1,000 feet of Newtown Creek and
6 its tributaries that may have resulted in spills or
7 releases of hazardous substances into the Creek.
8 The information request identified two Con Edison
9 facilities of interest: the "11th Street Conduit
10 Facility" (a utility tunnel that traverses the
11 Creek), and the Brooklyn head house of the tunnel.
12 The Company submitted its response to the EPA's
13 information request on October 5, 2012. The EPA
14 served similar information requests on dozens of
15 other parties at that time.

16 In June 2017, Con Edison, along with 7 other
17 named parties, received a Notice of Potential
18 Liability pursuant to CERCLA from the EPA. EPA's
19 Notice generally alleged that Con Edison may be
20 liable for releases of hazardous substances from the
21 11th Street Conduit Facility and Brooklyn head
22 house, and from other electrical distribution
23 infrastructure located within the Newtown Creek

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1 sewershed. Following receipt of the EPA notice
2 letter, the Newtown Creek PRP Group contacted Con
3 Edison and other named parties regarding possible
4 participation in the RI/FS for the site. In 2020,
5 Con Edison submitted comments to the EPA on the
6 Newtown Creek PRP Group's Draft RI Report,
7 particularly with respect to factual and technical
8 errors in the Report, and updated data gathered by
9 the Company, pertaining to the nature and limited
10 volume of effluent from the permitted discharge
11 point for the 11th Street Conduit Facility. While
12 the Newtown Creek PRP Group continues to develop the
13 RI Report in consultation with EPA, the current
14 schedule anticipates completion of a Feasibility
15 Study for the site during 2023 or 2024 and issuance
16 of the EPA's Record of Decision selecting a remedy
17 for the site several years thereafter.

18 On a separate track, the Newtown Creek PRP
19 Group proposed to EPA a potential early action
20 remedy that would involve the targeted removal of
21 contamination "hot spots" from surficial sediments
22 in the first two miles of the Creek. In 2019, the
23 members of the Newtown Creek PRP Group entered into

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1 an Administrative Settlement Agreement and Order on
2 Consent governing a Focused Feasibility Study of
3 this potential remedy. The members of the Newtown
4 Creek PRP Group also contacted Con Edison and other
5 PRPs in connection with this potential early action
6 remedy. In 2021, after the EPA's technical review
7 and consultation with stakeholders, the EPA
8 determined that the selection of an early action
9 remedy should be deferred pending completion of the
10 studies on the whole Creek.

11 During the Linking Period and Rate Year the
12 Company expects that it will incur costs of
13 approximately \$148,000 and \$160,000, respectively,
14 to evaluate factual and legal issues in response to
15 the EPA notice letter and to continue evaluating the
16 Company's potential responsibility for contamination
17 at the site.

18 4. Third Avenue Yard: In 1925 a Con Edison predecessor
19 Company purchased a 6.77 acre lot in Brooklyn. The
20 lot has been used since then as a utility service
21 center and work out yard for electric operations.
22 Beginning in 1996, Con Edison investigated and
23 remediated various portions of the property under

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1 the DEC's UST, spills, and remediation programs. In
2 October 2016, at the DEC's suggestion, Con Edison
3 submitted an application to enter the Third Avenue
4 Yard into the BCP so that Con Edison could
5 investigate and, if necessary, address any remaining
6 contamination at the property through a single DEC
7 program that would provide environmental closure for
8 the entire property. In March 2017, the DEC
9 executed a Brownfield Cleanup Agreement ("BCA") with
10 Con Edison for the entire Third Avenue Yard
11 property.

12 During 2018 and 2019, Con Edison completed an
13 RI and prepared and submitted an RI Report to the
14 DEC, which the DEC approved in December 2020. In
15 March 2021, the DEC approved a Supplemental RI Work
16 Plan. The field investigation for the Supplemental
17 RI was initiated in June 2021. Based on the lack of
18 historic documentation/knowledge on the storage of
19 PCBs within the on-site warehouse, the DEC requested
20 chip sampling of the concrete floor of the building.
21 The first floor chip sampling took place in November
22 2021. Both the second floor concrete sampling for
23 PCBs and the remaining SRI field investigation is

1 scheduled for first and second Quarter 2022 with a
2 draft report to the DEC in fourth quarter 2022.

3 The Company estimates that it will spend
4 \$265,000 during the Linking Period and \$175,000
5 during the Rate Year for this site.

6 **APPENDIX B SITES**

7 Q. Please explain the requirements that the 1994 DEC Consent
8 Order, as amended by the 2006 Consolidated Consent Order,
9 imposes upon Con Edison for "Appendix B" sites.

10 A. Appendix B addresses spills and leaks of "petroleum
11 products" from the Company's fuel oil storage tanks, No.
12 6 fuel oil pipeline system, high-pressure pipe-type
13 electric feeders, and other types of oil-filled
14 equipment. For sites at which such spills and leaks
15 occurred, Con Edison is required to complete an
16 investigation and remediation process pursuant to
17 procedures and specifics set out in Appendix B. For each
18 of those sites, the first step in the process is for Con
19 Edison to identify the specific response measures that it
20 implemented at the site when it first became aware of the
21 release. If the DEC is satisfied that those completed
22 measures are sufficient to support a determination on its
23 part that no further action is required under the New

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1 York Environmental Conservation Law and Navigation Law,
2 the DEC will close out the spill. For sites for which
3 the DEC is unwilling to make such a finding, Con Edison
4 must either conduct additional cleanup work, additional
5 investigation work, or both. The 2006 Consolidated
6 Consent Order streamlined the administrative aspects of
7 the Appendix B program to conform to the DEC's current
8 guidance and eliminated reference to sites that had
9 already been closed out. It did not reduce the number of
10 sites that remained to be addressed and did not
11 materially affect priorities and projected costs.

12 Q. How many sites are covered by Appendix B?

13 A. Appendix B covered a total of 85 historical oil spill
14 sites (not including the Appendix B site associated with
15 the Astoria Site, which is addressed separately herein).
16 At many of the sites, more than one spill occurred. Some
17 of the sites are Con Edison facilities, although most
18 sites are street locations where there were leaks from
19 the Company's fuel oil pipelines or dielectric fluid-
20 filled equipment or feeders.

21 Q. What is the current status of the sites covered by
22 Appendix B?

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- 1 A. As of December 31, 2021, 63 sites have been determined by
2 the DEC to require no further action. Additionally,
3 seven sites have been transferred with divested
4 properties, with the new owners of the affected
5 properties assuming responsibility for the required
6 investigation/cleanup work. As a result, there are 15
7 open Appendix B sites, which are being addressed in
8 accordance with a DEC-approved Appendix B site
9 prioritization schedule, as reflected in the 2006
10 Consolidated Consent Order. Investigation and
11 remediation activities at the Astoria Site, which
12 includes an Appendix B site, are being performed under
13 the Astoria RCRA corrective action requirements of the
14 DEC hazardous waste management facility operating permit
15 for Con Edison's PCB Waste Storage Facility at the
16 Astoria Site. Accordingly, the Astoria Site is not
17 included in the 15 open Appendix B sites noted above.
- 18 Q. Please identify the open Appendix B sites that Con Edison
19 must address under the 2006 Consolidated Consent Order.
- 20 A. The open Appendix B sites are listed in Exhibit __ (EHS-
21 5), entitled, "CONSOLIDATED EDISON COMPANY OF NEW YORK,
22 INC. LISTING OF OPEN APPENDIX B SITES," which also

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1 specifies the location, DEC-approved priority, and status
2 of each site as of December 31, 2021.

3 Q. Was that exhibit prepared under your direction or
4 supervision?

5 A. Yes, it was.

6 MARK FOR IDENTIFICATION AS EXHIBIT __ (EHS-5)

7 Q. Please discuss the Company's anticipated investigation
8 and remediation activities during the Linking Period and
9 Rate Year for its Appendix B sites.

10 A. As indicated in Exhibit __ (EHS-5), the Company has
11 submitted investigation work plans to the DEC for 13 of
12 the 15 remaining open sites. These 13 sites are either
13 actively undergoing investigation and/or remediation,
14 such as product recovery, or will have investigation or
15 remediation work started as soon as the DEC approves the
16 Company's proposed work plans for those activities. The
17 Company presently projects that many of these
18 investigations will be partially or completely performed
19 during the Linking Period and Rate Year. With respect to
20 the two other remaining open sites, which are associated
21 with the former operation of two fuel oil pipelines, the
22 Company expects to prepare investigation work plans
23 during the Linking Period and Rate Year. The ultimate

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1 timing of the Appendix B projects depends on the findings
2 of the ongoing and planned investigations and the status
3 of DEC review and approval of work plans and reports.

4 Q. Do you expect the Company to continue to conduct similar
5 Appendix B Site investigation and remediation activities
6 during the Linking Period and Rate Year?

7 A. Yes.

8 Q. What are the expected Linking Period and Rate Year costs
9 for the Appendix B sites?

10 A. The expected costs for the Linking Period and Rate Year
11 are approximately \$3.1 million and \$1.8 million,
12 respectively (excluding the Appendix B Site located on
13 the Astoria Site, which is described in the next
14 section).

15 Q. Has the Company prepared a table identifying the
16 projected Appendix B expenditures and activities during
17 the Linking Period and the Rate Year?

18 A. Yes. The table provided in Exhibit __ (EHS-4) shows, for
19 each active Appendix B site covered in the projected
20 schedule, the planned activities and projected associated
21 costs during the Linking Period and Rate Year.

1

ASTORIA SITE

2

Q. Please describe the nature of the investigation and
remediation program for the Astoria Site.

3

4

A. On May 1, 1994, the DEC issued Con Edison a hazardous
waste management facility operating permit for its
PCB/Hazardous Waste Storage Facility at the Astoria Site.

5

6

7

The DEC subsequently issued renewal permits on March 2,

8

2001 and July 7, 2008. A permit renewal has been

9

submitted and is under review by the DEC. One of the

10

conditions of this permit is to investigate and, if

11

necessary, remediate, several Solid Waste Management

12

Units ("SWMUs") and Areas of Concern ("AOCs") at the

13

Astoria Site, including those with potential MGP

14

residuals. These areas also encompass an Appendix B site

15

with several spills at the Astoria Site, which is one of

16

the remaining open sites identified in the December 2006

17

Consolidated Consent Order between Con Edison and the

18

DEC. The Company has investigated spills and several

19

SWMUs and AOCs at the Astoria Site, including the site's

20

North Storage Yard, Pipe Yard, Blue Dog Lake, Southwest

21

Storm Sewer, Central Waste Treatment Facility, East Yard,

22

Eastern Parcel, Former Pond Area, Athletic Fields, and

23

former MGP operating areas. Con Edison has performed

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1 interim corrective measures ("ICMs") at the Astoria Site
2 pursuant to DEC-approved work plans to: (1) recover oil
3 from groundwater; (2) line a brick sewer that had
4 provided a pathway for oil to enter the East River; (3)
5 remove contaminated soil or install a clean soil cover in
6 various areas of the site's Athletic Fields; (4) remove
7 coal-tar contaminated soil from certain areas of the
8 site's Pipe Yard, including measures in response to
9 periodic coal tar seeps; (5) remove wastewater and sludge
10 from two former manufactured gas holder tanks that were
11 converted into neutralization, chemical precipitation and
12 sedimentation facilities for the treatment of boiler
13 chemical cleaning and other wastewater containing
14 suspended solids and heavy metals; (6) install, operate
15 and maintain a storm sewer treatment system to treat
16 groundwater that infiltrates into the sewer from April
17 2010 through January 2014 during the replacement of the
18 Outfall B storm sewer conveyance pipe; (7) remove soil
19 contaminated with PCBs and other substances in the North
20 Storage Yard and unpaved areas around the Transformer
21 Repair Shop; and (8) encapsulate PCB-containing soil by
22 constructing a containment wall in an area near the

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1 Transformer Shop to prevent the soil from running off
2 into a storm sewer.

3 Q. Please discuss the Company's anticipated investigation
4 and remediation activities during the Linking Period and
5 Rate Year at its Astoria Site.

6 A. During the Linking Period and Rate Year, the Company
7 expects to do the following work at the Astoria Site:
8 (1) Finalize bid specifications and initiate the DEC-
9 approved ICM and repaving of the East Yard to address
10 PCB-contaminated soil, in coordination with the capital
11 improvement project to pave the East Yard and install
12 improved drainage structures; (2) Build on its completion
13 of pre-design investigations at the Pipe Yard and Blue
14 Dog Lake AOCs and submittal of the PDI reports during the
15 beginning of the Linking Period by conducting the
16 associated feasibility studies and initiating the
17 remedial design for these two AOCs; (3) Continue to
18 implement oil recovery ICMS at various SWMUs and AOCs;
19 and (4) Continue to perform operations, maintenance and
20 monitoring of remediated areas.

21 Although other MGP-related activities are not
22 currently anticipated during the Linking Period or Rate
23 Year, they may occur depending on the findings of an

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1 additional MGP investigation that is expected to be
2 completed during the Linking Period and as required by
3 the DEC.

4 Q. What are the expected Rate Year SIR costs for the Astoria
5 Site?

6 A. The expected SIR costs for the Linking Period are
7 approximately \$11.0 million and for the Rate Year are
8 approximately \$13.1 million.

9 Q. Did you prepare a table of the projected Astoria Site
10 activities and estimated expenses during the Linking
11 Period and Rate Year?

12 A. Yes. The planned activities and associated costs during
13 the Linking Period and Rate Year are listed in Exhibit __
14 (EHS-4).

15 **UST SITES**

16 Q. Please summarize the regulatory requirements applicable
17 to the Company's UST Program.

18 A. Con Edison's underground storage tanks are regulated
19 under both EPA and DEC regulations. EPA's regulations at
20 40 CFR 280 ("Technical Standards and Corrective Action
21 Requirements For Owners and Operators of Underground
22 Storage Tanks (UST)") require UST owners and operators to
23 investigate known or suspected releases from their UST

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1 systems and, if necessary, to remediate the contamination
2 caused by those releases under the direction of the
3 implementing state agency (the DEC in New York). New
4 York State regulations require UST owners and operators
5 to report known or suspected releases from their UST
6 systems and to address such releases to the DEC's
7 satisfaction. Both EPA and the DEC have issued guidance
8 documents describing these requirements. Although the
9 Company is not under a formal agreement (e.g., an ACO
10 with the DEC) to investigate/remediate these sites, it is
11 obligated to do so under these federal and New York State
12 regulatory requirements.

13 Q. How many UST sites has the Company investigated and/or
14 remediated?

15 A. Since the Company's UST program began in the late 1990s,
16 the Company has investigated and/or remediated a total of
17 44 UST sites.

18 Q. Of these 44 sites, how many has the Company completed?

19 A. As of December 31, 2021, the Company has completed, and
20 the DEC has issued NFA determinations for, 39 sites.

21 Q. How many UST sites are currently being addressed under
22 the Company's UST Program?

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1 A. Of the five remaining UST Sites, two sites (Third
2 Avenue Yard and Rye Service Center) are being addressed
3 in conjunction with work under other SIR programs
4 (Superfund and MGP, respectively), and the Company is
5 investigating or remediating the three other remaining
6 sites under the UST Program. At one site (Atlantic
7 Avenue Service Center) the USTs have been removed, and
8 the Company remediated soil containing residual petroleum
9 during the Linking Period via in-situ chemical oxidation
10 ("ISCO"), with subsequent short-term groundwater
11 monitoring to document the effectiveness of the remedy
12 ongoing. At a second site (Newtown Substation), the
13 Company anticipates conducting a PDI during the Linking
14 Period to assess further and develop a remedy for
15 residual light non-aqueous phase liquid ("LNAPL"). The
16 third UST site, (357 Tuckahoe Road, Yonkers, New York)
17 has been remediated by a third-party former operator and,
18 based on groundwater monitoring results, the Company has
19 submitted a report to the DEC recommending closure.
20 During the Linking Period, the Company anticipates
21 finalizing and resubmitting a groundwater monitoring
22 report to address DEC comments and seeking an NFA
23 determination from the DEC for this site.

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1 Q. Have you prepared a table identifying projected
2 activities at UST sites and associated costs during the
3 Linking Period and Rate Year?

4 A. Yes. The planned activities and projected associated
5 costs during the Linking Period and Rate Year are listed
6 in Exhibit __ (EHS-4).

7 Q. How much does the Company project it will spend on UST
8 sites during the Linking Period and Rate Year?

9 A. The Company projects that it will spend: \$599,000 during
10 the Linking Period; and \$305,000 during the Rate Year.

11 Q. Do you expect the Company to continue to conduct similar
12 UST site investigation and remediation activities over
13 the next five years?

14 A. Yes, the Company currently anticipates conducting a PDI at
15 the Newtown Substation UST site during the Linking Period
16 and subsequently developing a remedy to address LNAPL.
17 The Company expects to seek NFA determinations from the
18 DEC for the other two remaining UST sites that are
19 managed under the UST Program (Atlantic Avenue and 357
20 Tuckahoe Road) during the Linking Period or Rate Year.

21 **OTHER SITES**

22 Q. Are there sites in the Company's SIR Program that are not
23 included in the programs described above?

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1 A. Yes.

2 Q. Please identify those sites for which the Company
3 projects that it will incur costs during the Linking
4 Period and the Rate Year.

5 A. These other sites include six former substations,
6 Dielectric Fluid Spill Sites that are not included in the
7 Appendix B program (described further below), one former
8 generating station (Richmond Terrace), one former Public
9 Utility Regulating Station ("PURS"), and one active
10 substation (Hudson Avenue East Substation) that was added
11 to the SIR Program in 2021 due to the discovery of
12 elemental mercury contamination related to historical
13 operations on the property predating the Company's
14 ownership. All these sites have projected costs during
15 the Linking Period and the Rate Year.

16 Q. Please describe the Dielectric Fluid Spill Sites.

17 A. Dielectric fluid is pumped through the Company's pipe-
18 type transmission feeder cables for cooling. Most of
19 these fluids consist of synthetic oils containing
20 alkylbenzene and alkylbenzene/polybutene mixtures,
21 although some contain some amount of mineral oil. As
22 discussed previously, historical Con Edison dielectric
23 fluid spills are being addressed under the Appendix B

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1 program. However, some more recent spills, which the
2 Company cleaned up by excavation and disposal of impacted
3 media (e.g., soil, sediment) to the extent feasible, but
4 require long-term groundwater monitoring and/or fluid
5 recovery, are being addressed under the SIR program.
6 During the Linking Period and Rate Year, the Company will
7 continue to conduct monitoring and product recovery and
8 address residual contamination from these spills.

9 Q. Please describe the recent discovery of mercury
10 contamination at the Hudson Avenue East Substation.

11 A. Con Edison owns and operates the Hudson Avenue East
12 Substation located at 164 John Street in Brooklyn on a
13 parcel of land approximately 1.1 acres in size. As an
14 active substation, electrical distribution equipment is
15 installed throughout this property, including overhead
16 and underground electric utility lines and associated
17 structures. In August 2021, while excavating a trench in
18 preparation for installation of a new electrical feeder,
19 a subterranean historic brick and concrete wall
20 associated with operations that pre-dated Con Edison's
21 ownership of the property was discovered below ground.
22 Shortly after being exposed, silver beads were observed
23 on the subterranean wall, and were confirmed to be

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1 elemental mercury. In coordination with the New York
2 City Department of Environmental Protection and the DEC,
3 stockpiled materials that had already been extracted from
4 the excavation area were properly prepared, transported
5 and disposed at a licensed off-site facility as mercury-
6 contaminated waste. Pending further investigation of the
7 source and extent of mercury associated with the
8 subterranean wall, which may be part of an underground
9 structure, the excavation was lined with a geotextile
10 layer and backfilled with clean fill as an interim
11 measure.

12 Q. What is the believed source of the mercury contamination?

13 A. The mercury contamination is believed to pre-date Con
14 Edison's ownership and operation of the property. Prior
15 to Con Edison's acquisition, the property and the
16 surrounding areas had a long history of various industrial
17 uses dating back to the late 1800s through the mid-1900s
18 that may have used mercury, including paint, varnish and
19 shellac manufacturing. Con Edison acquired the property
20 in 1966 and subsequently redeveloped it into the
21 electrical substation. Based on records and information,
22 the substation has not used, stored or released mercury.

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1 Q. What are the anticipated next steps for delineating and
2 addressing the historical mercury discovered underground
3 at the Hudson Avenue East Substation?

4 A. Presently, pending further assessment, an area of
5 approximately 760 square feet associated with the
6 historical underground structure, is considered to be an
7 area of concern potentially contaminated with elemental
8 mercury. This area is located within the northwest
9 corner of the Property near the west access gate. Con
10 Edison is currently working with the DEC to finalize an
11 approach for investigating and, if deemed necessary by
12 the DEC, remediating the elemental mercury within the
13 area of concern. In general, the currently anticipated
14 steps would include a historical records search, an SCS
15 and associated reporting, and development of an Interim
16 Remedial Measure ("IRM"). In late 2021, Con Edison
17 completed the historical records search and conducted
18 some non-intrusive delineation, including geophysical and
19 mercury-vapor surveys. In early 2022, Con Edison
20 anticipates submitting a draft SCS Work Plan to the DEC
21 for review. It is presently anticipated that both the
22 draft SCS Work Plan would be finalized and implemented
23 and an IRM would be developed and implemented during the

1 Linking Period. At this time, the Company estimates that
2 it will spend approximately \$900,000 to investigate and
3 remove the historic subsurface structure and soil
4 containing elemental mercury. Depending on the actual
5 results and timing of this investigation and remediation
6 work, no remedial work may be needed during the Rate
7 Year. It is uncertain at this time what, if any,
8 institutional or engineering controls may be necessary
9 following the completion of this work.

10 Q. Have you prepared a table describing the projected
11 activities and associated costs for these additional
12 sites during the Linking Period and Rate Year?

13 A. Yes. The projected costs and activities during the
14 Linking Period and Rate Year are listed in Exhibit __
15 (EHS-4).

16 Q. How much does the Company project it will spend on these
17 additional sites during the Linking Period and Rate Year?

18 A. The Company anticipates that it will spend approximately
19 \$3.0 million during the Linking Period and approximately
20 \$980,000 during the Rate Year.

21 **SIR PROGRAM PROJECTED EXPENDITURES**

22 Q. How much does the Company expect to spend during the
23 Linking Period and the Rate Year for its SIR Program?

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1 A. For the Linking Period, the total expenditure for these
2 programs is projected to be approximately \$45.7 million.
3 For the Rate Year, the Company projects an expenditure of
4 approximately \$61.9 million for its SIR Program.

5 Q. Has the Company estimated projected SIR costs for any
6 time periods after the Rate Year?

7 A. Yes. As discussed by the Company's Accounting Panel,
8 while the Company is not proposing a multi-year rate
9 plan, in addition to providing projections for the Rate
10 Year, the Panel also provides projected expenditures for
11 the two years following the Rate Year in this proceeding.
12 The Company projects SIR costs to be approximately \$54.0
13 million from January 1, 2024 through December 31, 2024
14 and approximately \$10.3 million from January 1, 2025
15 through December 31, 2025. All projected costs (for the
16 Linking Period, Rate Year, and two subsequent years) are
17 rounded to the nearest \$100,000.

18 Q. Has an exhibit entitled "CONSOLIDATED EDISON COMPANY OF
19 NEW YORK, INC. SITE INVESTIGATION AND REMEDIATION
20 EXPENDITURES (\$ X 1000) FOR THE LINKING PERIOD (October
21 1, 2021 through December 31, 2022) RATE YEAR (January 1,
22 2023 through December 31, 2023) and TWO SUBSEQUENT TWELVE
23 MONTH PERIODS BEGINNING JANUARY, 2024 AND THROUGH

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1 DECEMBER 31, 2025 BASED ON November 30, 2021 COST
2 PROJECTIONS)" been prepared under your direction or
3 supervision?

4 A. Yes.

5 MARK FOR IDENTIFICATION AS EXHIBIT __ (EHS-6)

6 Q. Has the Company summarized the SIR Program cost
7 projections for the Linking Period and Rate Year?

8 A. Yes. Exhibit __ (EHS-4) includes a summary of quarterly
9 cost projections for the Linking Period and Rate Year for
10 each Con Edison remediation program and site and a brief
11 description of the projected activities for each site
12 with projected expenditures during each of these time
13 periods. Exhibit __ (EHS-6) provides a summary of cost
14 projections for the Linking Period, Rate Year and next
15 two twelve month periods by program.

16 Q. How did you determine the projected expenditures?

17 A. The projections are based on forecasted spending levels
18 for investigation or remediation-related activities that
19 are expected to be required as part of these programs
20 during the Linking Period and the Rate Year. They are
21 based on best estimates by the Company's project managers
22 in conjunction with support teams such as Central
23 Engineering Estimating and the Company's environmental

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1 and engineering consultants. These cost projections are
2 updated on at least a quarterly basis to reflect newly
3 acquired information and changes in the status of the
4 sites. As previously discussed, the Company reviews and
5 evaluates projected schedules at least annually and more
6 frequently for active projects. Cost projections for the
7 Linking Period, Rate Year and the following twelve month
8 period (2024) largely reflect planned significant
9 remedial construction activities for that time period.
10 The cost projections for the next twelve month period
11 (2025) largely reflect anticipated remedial planning and
12 remedial design activities in preparation for the next
13 phase of significant remedial construction work in later
14 years.

15 Q. What factors could cause revisions in projected schedules
16 and estimated costs?

17 A. The projected schedules and estimated costs presented in
18 our testimony are subject to change based upon design and
19 construction-related contingencies, which may include
20 regulatory review, approval schedules, permitting
21 processes, and access/cooperation issues with property
22 owners, results of site investigations, unanticipated
23 field conditions and/or force majeure events, including

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1 currently unanticipated delays that could stem from the
2 ongoing COVID-19 pandemic. Delays in a project may
3 result in acceleration or substitution of other projects.

4 Q. Has an exhibit providing more detailed information on the
5 basis of the Company's forecasted SIR Program
6 expenditures been prepared under your direction or
7 supervision for sites listed in Exhibit ____ (EHS-7) with
8 projected expenditures of at least \$1 million during
9 either the Linking Period or the Rate Year?

10 A. Yes, that exhibit is entitled "CONSOLIDATED EDISON
11 COMPANY OF NEW YORK, INC. SIR COST PROJECTION ADDITIONAL
12 INFORMATION ON SITES WITH PROJECTIONS OVER \$1 MILLION IN
13 THE LINKING PERIOD OR RATE YEAR (PROJECTED COSTS UPDATED
14 AS OF NOVEMBER 30, 2021)"

15 MARK FOR IDENTIFICATION AS EXHIBIT ____ (EHS-7)

16 Q. Are there any existing or anticipated insurance proceeds
17 available to off-set SIR expenses?

18 A. Possibly. In December 2014, the Company received a first
19 interim payment of 15% of its \$6,840,000 claim
20 (\$1,026,000) in the Home Insurance Company liquidation
21 proceeding pending in New Hampshire Superior Court for
22 losses associated with the Company's MGP Sites. The
23 Company received a second interim payment of 10% of its

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1 claim (\$683,995) in August 2016 and a third interim
2 payment of 5% of its claim (\$341,998) in April 2019. The
3 Company does not presently know how much more, if any, it
4 will recover on its claim against The Home Insurance
5 Company. Future recoveries, if any, will be determined
6 during the course of the liquidation proceeding by the
7 Insurance Commissioner for the State of New Hampshire,
8 acting as liquidator.

9 Q. Do you expect to receive any other insurance proceeds
10 that could off-set SIR expenses?

11 A. Except as described above, the Company does not currently
12 anticipate receiving any other insurance proceeds.

13 Q. Are there any existing or anticipated third-party
14 contributions available to off-set SIR expenses?

15 A. Yes, pursuant to a confidential settlement agreement with
16 UGI Utilities, Inc. ("UGI"), UGI is required to pay a
17 portion of the Company's future costs for two of the
18 three Yonkers MGP Sites. From time to time, the Company
19 requests payments from UGI as costs are incurred at the
20 two Yonkers MGP Sites.

21 Q. Is there any SIR-related litigation that could affect SIR
22 expenses?

23 A. No.

1 **SIR PROGRAM COST SAVING EFFORTS AND PRACTICES**

2 Q. What is the purpose of this section of your testimony?

3 A. This section describes the Company's efforts and
4 practices to operate a cost-effective SIR program.

5 Q. What steps has Con Edison taken to control its site
6 investigation and remediation costs and liabilities?

7 A. Con Edison has taken several actions and continuously
8 evaluates potential new ways to control its SIR costs and
9 liabilities while also working safely and efficiently to
10 complete the remediation work in cooperation with the
11 DEC. These actions include:

- 12 • Development of Cost Effective Remedies - When
13 permissible under applicable laws and regulations,
14 Con Edison pursues remediation objectives with
15 regulatory agencies based on the present and
16 contemplated future use of sites, so that the
17 remedies selected by the agencies are not more
18 stringent than necessary for such uses. For
19 example, if the present and contemplated future use
20 of a site is for industrial or commercial purposes,
21 the Company attempts to negotiate remediation
22 requirements that are consistent with such uses,
23 rather than the more stringent remediation

1 requirements that would apply at sites with
2 residential uses. When desirable, cost effective,
3 and permissible under applicable laws and
4 regulations, Con Edison attempts to negotiate
5 remediation work plans with regulatory agencies and
6 third-party property owners that rely in whole, or
7 in part, on post-remediation engineering or
8 institutional controls in order to avoid more
9 costly remediation to "unrestricted use" standards.
10 In addition, when investigation results show that
11 remediation may not be necessary to protect human
12 health or the environment, the Company advocates
13 its position to the regulatory agencies that
14 remediation requirements should not be imposed
15 unnecessarily. Below are some examples of the
16 Company developing cost effective remedies in
17 coordination with the DEC or property owners:

- 18 o Pemart Avenue MGP Site OU-1: The Company's
19 Pemart Avenue MGP Site includes two operable
20 units ("OUs"). OU-1 covers the upland areas,
21 and the DEC-selected remedy is a landside
22 excavation remedy. The OU-1 geography and
23 neighborhood pose a number of distinct

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1 challenges for the remedy. First, there are
2 buildings nearby, including an over 100 year
3 old brick building to the south. Second, the
4 topography is varied, with a steep bank to the
5 east (NYS Route 9) and underlying bedrock
6 within the OU-1 excavation area that undulates
7 and slopes relatively steeply from the north to
8 south and east to west. Third, the site has a
9 shallow groundwater table approximately 6 feet
10 below grade generally discharging to the Hudson
11 River, which means that excavation involves
12 working below the watertable and removing
13 water-saturated soils. Lastly, the site is in
14 a mixed commercial and residential area, with a
15 transient lodging center very nearby to the
16 north that operates 24 hours/7 days per week.
17 Due to the proximity of this shelter, the DEC
18 highlighted the need for odor and vapor
19 controls during excavation. To address these
20 complexities in an efficient and cost-effective
21 manner, the Company designed the remedy to use
22 Liquid Supported Excavation. This is an
23 excavation technique (sometimes referred to as

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1 piano key excavation) in which cement-bentonite
2 slurry serves as liquid excavation shoring
3 while impacted soil is excavated through the
4 slurry. The slurry provides a hydrostatic
5 force on the trench wall that serves as the
6 primary stabilizing force supporting the
7 saturated soils. A sufficient amount of slurry
8 is maintained within the removal cell during
9 the excavation to provide excavation support.
10 Some slurry is then left to harden in place to
11 serve as the soil replacement. This excavation
12 technique facilitates impacted or saturated
13 soil removal without the need for expensive
14 dewatering or conventional excavation support
15 systems (such as sheeting and shoring), while
16 reducing odors and vapors. Residual slurry on
17 excavated soils also helps to stabilize
18 saturated soil for transportation and off-site
19 disposal as it cures. The end result of this
20 technique's usage is complete soil removal over
21 the excavation area with a low-strength and
22 low-permeability slurry fill material. In
23 addition to addressing the odor control

1 concerns raised by the DEC, this method
2 provides other advantages for the site-specific
3 conditions of OU-1, consisting of water control
4 (little to no dewatering needed), reduced risk
5 of damaging historic structures (less
6 vibrations), and faster project construction.
7 Costs are generally lower than, or at least in
8 line with, other excavation support methods,
9 and there are significant other productivity
10 and project benefits due to a shorter schedule
11 along with the decreased impact on the local
12 stakeholders. The DEC agreed with this
13 approach and approved its use at this site.

14 o Atlantic Avenue Service Center USTs: The
15 Company used the former USTs at its Atlantic
16 Ave Service Center to store and dispense
17 gasoline and diesel fuel for its fleet
18 vehicles. Following the Company's closure and
19 removal of these USTs in accordance with
20 applicable DEC and EPA regulations in 1998, it
21 was found that residual petroleum remained in
22 soil affecting groundwater quality. As
23 required by the DEC, Con Edison performed

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1 routine groundwater monitoring and reporting
2 for 21 years that showed the concentrations of
3 petroleum compounds in groundwater steadily but
4 very slowly decreasing. In order to eliminate
5 the need and cost for ongoing long-term
6 monitoring and reporting, Con Edison developed
7 an ISCO remedy to expedite treatment of the
8 residual petroleum without the need for costly
9 excavation, soil and liquids disposal, and
10 backfilling. The DEC reviewed and approved
11 this approach in 2021. During late 2021, Con
12 Edison effectively implemented the ISCO
13 treatments with post-remedy monitoring expected
14 for the next two years to evaluate groundwater
15 conditions. It is anticipated that the ISCO
16 treatments will result in the expedited and
17 permanent closure of the UST spills at the
18 Atlantic Avenue property.

- 19 • Pre-Remedial Design Investigation and Treatability
20 Studies - When appropriate, the Company performs
21 PDIs to fill data gaps in order to develop cost-
22 effective remediation work plans and specifications
23 for regulatory agency approval and for competitive

1 bidding. In addition, where appropriate,
2 treatability or pilot studies are performed to
3 demonstrate the applicability of proposed remedies
4 before they are designed and implemented. Examples
5 include:

6 o Pemart Avenue MGP Site: During 2018 and 2021, a
7 PDI was conducted at the Pemart Avenue MGP site
8 to assess the potential impacts of groundwater
9 on the remedial excavations. In addition, this
10 PDI was used to better define the extent
11 (vertical and horizontal) of the remedial
12 excavation and assist in determining the
13 proximity of the excavation to existing
14 buildings. By accounting for field conditions
15 in advance, and better targeting the areas for
16 excavation, the Liquid Supported Excavation
17 design was completed, resulting in what is
18 expected to be a more cost-effective remedial
19 construction project.

20 o Maspeth Substation Site: In an effort to
21 develop a cost-effective permanent remedy for
22 the soil containing residual oil at this Site,
23 Con Edison has developed a PDI scope of work

1 which will use an innovative drilling
2 investigation method that includes a cone
3 penetrometer ("CPT") integrated with an oil
4 interface probe ("OIP"). The CPT contains
5 sensors that allow continuous vertical mapping
6 of soil lithology to identify permeable and
7 impermeable layers. These technologies are
8 used to define the environmental conditions of
9 the site, while simultaneously collecting
10 geologic, hydrogeologic, and information on
11 separate-phase product (oil). This is important
12 in developing a map of the more permeable
13 intervals at which residual oil may occur. The
14 OIP measures, in real time, the occurrence of
15 residual oil. Integration of the information
16 from the two components of this drilling method
17 allows for an efficient understanding of where
18 oil resides and will be instrumental in
19 developing a focused and cost-effective
20 remedial approach. Also, unlike traditional
21 drilling methods, during use of the CPT/OIP, no
22 soil cuttings are generated, eliminating a
23 waste stream.

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- 1 • Seeking Permit Flexibility - As applicable, the
2 Company seeks appropriate variances from permit
3 requirements to achieve project efficiencies. For
4 example, in connection with the Flushing Creek
5 dredging project, typical permit requirements would
6 have required the suspension of remedial
7 construction activities and demobilization at the
8 beginning of the fish spawning season until the end
9 of the season when activities could have resumed.
10 The Company obtained a variance from the DEC and
11 United States Army Corps of Engineers to allow for
12 installation of a silt curtain in advance of the
13 fish spawning season. This allowed the work to
14 continue uninterrupted without impacting the fish.
15 With this variance, the Company avoided the added
16 costs and delays associated with demobilization and
17 remobilization around the spawning period.
- 18 • Forensic Analysis and Background Level
19 Determinations When appropriate, Con Edison
20 performs forensic analysis of soil, sediment and
21 product (e.g., oil, gasoline, coal tar) to
22 differentiate contamination associated with Company
23 operations or spills from contamination that may

1 have been caused by others. The forensic analysis
2 may involve fingerprinting the type of material
3 present (e.g., MGP waste, various forms of
4 petroleum) or different formulations of PCB
5 mixtures. When appropriate, the Company also
6 performs sampling outside the suspected area of
7 concern to determine site-specific background
8 levels of contaminants for the DEC's consideration
9 in its determination of the required scope of
10 remediation. The Company has used this approach
11 successfully, for example, at the Flushing Creek
12 Site, to demonstrate that impacted media were not
13 impacted by Con Edison's operations. If Con Edison
14 had not performed the forensic analysis for the
15 Flushing Creek site, the Company believes that the
16 DEC would have required the Company to remediate a
17 far larger area and volume of the sediment in the
18 Creek. Con Edison estimates that the cost of such
19 additional remediation of the larger sediment area
20 and volume would have exceeded \$10 million.

- 21 • Evaluating Alternative Work Methods - For remedial
22 construction projects, as appropriate, Con Edison
23 evaluates potential alternative cost-efficient

1 means and methods to meet the DEC's requirements.
2 At the Flushing Creek site, completed in 2018, the
3 DEC-approved remedy included the dredging and
4 removal of sediments containing elevated
5 concentrations of PCBs and placement of a clean
6 cover. The work area for this site posed many
7 logistical challenges due to very constrained
8 access for traditional excavating equipment and
9 watercraft, such as barges and barge-mounted
10 excavators. Therefore, a more cost-effective
11 dredging method using an amphibious excavator was
12 selected with the DEC's approval. This alternative
13 equipment was able to readily maneuver within the
14 dredge area, and the duration of the work was
15 substantially reduced.

16 • Combining Remediation with Site Redevelopment/
17 Construction - Whenever possible, Con Edison seeks
18 to achieve cost savings by coordinating remediation
19 work that requires soil excavation with the
20 excavation work being performed by site developers
21 as part of construction projects. By implementing
22 required remediation work in conjunction with
23 property owners' construction projects, Con Edison

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1 minimizes its expenditures by sharing or
2 allocating, as appropriate, with property owners
3 the costs of activities common to both the
4 remediation work and the construction work, such as
5 sheeting and shoring, excavation dewatering,
6 excavation labor, soil transportation and disposal,
7 and back-filling. The following are several
8 examples:

- 9 o The Hunts Point Gas Works is the location of an
10 approximately 204-acre former MGP that Con
11 Edison operated in the Hunts Point section of
12 the Bronx from 1926 until 1961. In 1968, Con
13 Edison sold the former grounds of the MGP to
14 the City of New York (the "City"). The City
15 has leased large portions of the site for use
16 as the Hunts Point Cooperative Food Market and
17 is seeking to lease additional sections of the
18 site for similar use. The MGP investigation
19 and remediation activities for most of the site
20 are being managed on the City's behalf by the
21 EDC. As discussed in more detail in
22 Exhibit__(EHS-7), Con Edison and the City have
23 entered into multiple agreements whereby Con

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1 Edison has agreed to reimburse the City for
2 certain costs incurred implementing DEC-
3 approved MGP investigation and remediation
4 programs for certain parcels of the Hunts Point
5 site. This approach allows for the
6 investigation and remediation to be conducted
7 in a more cost-effective manner, since the
8 City, as owner and landlord, can coordinate
9 some of this work with redevelopment projects
10 and tenant activities at the Hunts Point
11 peninsula.

12 o At Appendix B, Site 70, site investigation
13 field work was coordinated with a New York City
14 contractor that was installing a substantial
15 water main in the same roadway as the spill
16 site. The City contractor agreed to allow Con
17 Edison's EH&S Remediation team and its drilling
18 subcontractor to work within its existing
19 traffic control area, and under its existing
20 New York City Department of Transportation
21 roadway opening permit. Because the City
22 contractor already had removed the paving and
23 excavated soil to an appropriate depth, the Con

1 Edison contractor had direct access to
2 subsurface soil to complete the required
3 sampling. By coordinating in this manner, Con
4 Edison avoided costs for traffic control, road
5 opening permits, geophysical surveys, hand
6 digging to verify subsurface utilities and the
7 need to deploy a mechanized drill rig.

8 o Another recent example occurred in 2019 in
9 connection with two parcels associated with the
10 West 18th Street MGP Site. The Company
11 conducted its site investigation work under the
12 2002 Agreement and confirmed that MGP
13 contamination was found within underground gas
14 holders beneath an existing paved parking lot.
15 Once a developer purchased the parcels and
16 entered them into the BCP, Con Edison
17 coordinated with the developer to combine its
18 development work with the removal of MGP
19 contamination within the remnant gas holders.
20 This resulted in reduced remediation costs by
21 combining the remediation with excavation work
22 being performed as part of the development
23 project.

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1 o In the offsite coastal areas associated with
2 the East 11th Street MGP Site and East 21st
3 Street MGP Site on the lower east side of
4 Manhattan, designated for each site as OU-2
5 (East River sediments), the City is in the
6 process of implementing a project to protect areas
7 vulnerable to coastal flooding, especially in the
8 wake of Superstorm Sandy and sea level rise
9 associatd with global climate change. In
10 particular, the City is constructing significant
11 storm mitigation structures, which are
12 collectively referred to as the East Side Coastal
13 Resiliency ("ESCR") project. The design of the
14 ESCR project includes a subsurface barrier wall
15 along the East River to help limit flooding to the
16 area. For the nearby East 11th Street and East
17 21st Street MGP Sites, while the DEC has not yet
18 formally selected a remedy for the OU-2 offsite
19 area, a likely component would involve the
20 installation of an underground barrier wall along
21 the East River to cut off possible coal tar
22 product movement into river sediments.
23 Recognizing an opportunity for efficiencies by
24 coordinating the planned ESCR construction and the

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1 offsite MGP remedy, Con Edison and the ESCR design
2 team have coordinated with the DEC on the design
3 of an ESCR barrier wall that would simultaneously
4 function for flood mitigation and MGP coal tar
5 containment. To serve this dual purpose, the DEC
6 has required that the depth of a portion of the
7 ESCR barrier wall adjacent to the MGP sites be
8 extended beyond what is required by the ESCR
9 floodwall design; that sheet piles and joints
10 along the deep underground portion of this barrier
11 wall be sealed with a coal tar compatible sealant;
12 and that coal tar recovery wells, which Con Edison
13 will operate, be installed along the barrier wall
14 in conjunction with the ESCR project. Because
15 this barrier wall is an integral part of the ESCR
16 project and will be constructed as part of that
17 work, Con Edison is not the primary designer or
18 constructor of the barrier and will not bear the
19 total costs for these efforts. Rather, it is
20 anticipated that Con Edison will reimburse the
21 City for those incremental costs paid by the City
22 for the ESCR team's design and construction
23 efforts to incorporate the DEC-required MGP remedy
24 components into the ESCR barrier wall project.

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1 The Company also coordinates remediation work with
2 construction work at Company sites, where possible, to
3 help minimize overall costs. For example, at the Rye
4 Service Center, the Company combined the MGP
5 remediation and UST closure activities with a capital
6 project to upgrade the fuel station on the property,
7 resulting in efficiencies in both cost and schedule.
8 Both projects required excavation within the same area
9 of the property. Therefore, the Company performed the
10 excavation component of the MGP and UST remedies first
11 to remove contaminated soil. The capital project then
12 proceeded in the clean excavation area to install new
13 USTs and an associated filling station, including
14 backfilling and site restoration. By coordinating in
15 this manner, the remediation project did not bear the
16 costs for site restoration. To achieve similar
17 savings at the Company's Astoria facility, the Company
18 is combining the Astoria East Yard remediation field
19 work with a planned capital project to re-pave the
20 Astoria East Yard. This coordinated approach is
21 anticipated to decrease remediation costs while also
22 reducing operational impacts at the Astoria site.

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- 1 • Reuse of Excavated Materials - Whenever feasible
2 and acceptable to the DEC and DOH, the Company
3 reuses excavated soil and stone as backfill at
4 remediation sites. Historically, such reuse
5 resulted in cost savings at several remediation
6 sites. Although material reuse has not been
7 appropriate for more recent projects, the Company
8 continues to consider it and its potential cost
9 savings for Company remediation projects.
- 10 • Cost-Effective Investigations - When appropriate
11 and acceptable to the DEC, Con Edison incorporates
12 "step-out" procedures in its SCS and RI work plans.
13 These procedures allow Con Edison's project manager
14 and the DEC's project manager to expand the scope
15 of an investigation while field work is being
16 performed and helps eliminate remobilization and
17 multiple rounds of investigations and reporting.
18 Broadening the scope of investigation while field
19 work is in progress also helps minimize the need to
20 prepare additional work plans and conduct
21 subsequent rounds of investigation.
- 22 • Competitive Procurement - The Company competitively
23 bids all remediation projects, retains qualified

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1 contractors, performs third-party bid check
2 estimates and follows its comprehensive procedures,
3 including remediation contractor management
4 protocols, so that project work is performed
5 properly and cost effectively.

6 • Engineering/Constructibility Reviews - In an effort
7 to optimize bid documents for complex projects
8 (*i.e.*, those projects that may be using new
9 technology, are multi-engineering disciplined, or
10 require special considerations due to the property
11 use or layout), Con Edison has employed third-party
12 engineering consultants to review draft remediation
13 plans and specifications. For each remediation
14 project, internal constructibility reviews are
15 conducted with the Construction Management ("CM")
16 group and EH&S Remediation project manager.

17 • Bundling Similar Work into One Contract - Bundling
18 similar remediation work into one contract helps
19 provide both cost savings and efficiencies. For
20 example, in April 2020, the Company competitively
21 bid and bundled under a single contract routine
22 groundwater monitoring and reporting at several
23 similar legacy spill sites. This helped streamline

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1 and coordinate field events and provide for
2 consistent reporting. Following a similar
3 approach, monitoring wells which can be
4 decommissioned after receipt of an NFA or after the
5 DEC has determined that such wells are no longer
6 needed at such sites, were bundled across multiple
7 sites and competitively bid under a single contract
8 in March 2021.

9 • Maintaining Experienced Staff - Con Edison
10 continues to staff the EH&S Remediation Department
11 with experienced and dedicated employees. All
12 members are engineers or scientists and hold
13 bachelor's or master's degrees. The team
14 collectively reflects over 175 years of experience
15 in the field of remediation, with experience in the
16 utility, chemical, laboratory, manufacturing,
17 petroleum, transportation, mining, and construction
18 sectors. These seasoned engineers and scientists,
19 many recognized as subject matter experts, serve as
20 project managers and work closely with qualified
21 consultants and contractors to develop and
22 implement work plans and specifications, consistent
23 with applicable government agency requirements.

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1 The Company also has a specialized Construction
2 Department that manages remedial construction
3 contractors. Construction staff is specially
4 trained to perform constructability reviews of
5 remedial design plans and specifications, to manage
6 these types of contracts and contractors, and to
7 oversee the contractor's field work. In some
8 situations, internal constructability reviews are
9 augmented by engineering consultants (other than
10 the ones preparing the design). Use of experienced
11 in-house staff provides Con Edison with the
12 capability to plan proactively for anticipated
13 project challenges and to handle effectively and
14 timely respond to unexpected conditions or issues.

- 15 • Participation in External Organizations - Con
16 Edison actively participates in national and state
17 industry forums and research organizations, such as
18 the MGP Consortium, the Utility Solid Waste
19 Activities Group ("USWAG") Remediation & Response
20 Committee, the Environmental Energy Alliance of New
21 York ("EEANY"), and the Electric Power Research
22 Institute ("EPRI"), so that it obtains the benefit
23 of other utilities' experience and knowledge and

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1 its in-house staff keeps abreast of evolving
2 regulatory requirements and technical developments
3 in the remediation industry. Con Edison supports
4 activities of these organizations that have direct
5 impact on pending and future remediation projects.
6 In one case, Con Edison supported a study that
7 helped answer questions about the use of in-situ
8 stabilization ("ISS") in sediments, which could
9 provide a substantial cost-saving remedial
10 alternative for addressing contaminated sediments
11 as compared to the more traditional remedy of
12 sediment dredging. In another, the Company was the
13 prime participant in an EPRI study to develop risk-
14 based Total Petroleum Hydrocarbon ("TPH") Soil
15 Cleanup Objectives ("SCOs") for dielectric fluids
16 typically used in pipe-type electrical transmission
17 feeders, because the DEC did not have any SCOs for
18 TPH. During this study, EPRI and Con Edison worked
19 closely with the DEC to develop the work scope and
20 discuss the study results. Con Edison submitted
21 the EPRI Report to the DEC, which approved EPRI's
22 recommended SCOs for these fluids. These SCOs are
23 now used in the Appendix B Program described

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1 earlier in our testimony. The Company's research
2 and development department funded the costs for
3 participating in these two EPRI studies. In
4 addition, some of these organizations (e.g., USWAG,
5 EEANY) comment on regulatory proposals to obtain
6 more reasonable, more flexible, and less costly
7 requirements. Examples include EEANY's comments on
8 the DEC's past proposed Part 375 regulations,
9 including SCOs; EEANY's discussions with the DEC on
10 the bioavailability of MGP waste constituents in
11 sediments; EEANY's development of a statewide
12 indoor air database at MGP sites to support a
13 demonstration that indoor air should not be a
14 concern at MGP sites; and USWAG's submittal of
15 information to the EPA to support continuation of
16 the hazardous waste exemption for MGP waste that
17 fails the Toxicity Characteristic Leaching
18 Procedure ("TCLP") for benzene. This hazardous
19 waste exemption allows MGP waste that fails the
20 TCLP for benzene and does not exhibit any other
21 hazardous waste characteristics to be disposed of
22 as non-hazardous waste at thermal treatment
23 facilities instead of being disposed of as

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1 hazardous waste at much more expensive hazardous
2 waste incinerators. USWAG and other industry
3 groups have been instrumental in convincing the EPA
4 to allow certain UST wastes that fail the TCLP for
5 only benzene to be managed as non-hazardous waste.
6 As a result, the DEC has adopted the EPA exemptions
7 for MGP and UST remediation waste in its
8 regulations or guidance. The EPA exemptions and
9 DEC guidance have resulted in significant savings
10 in MGP and UST site remediation costs.
11 Furthermore, USWAG and other industry groups were
12 successful in convincing the EPA to defer land
13 disposal restriction treatment standards for PCBs
14 for hazardous waste soil in most cases. The DEC
15 has adopted EPA's deferral, which has allowed some
16 hazardous waste soil with PCBs to be landfilled
17 instead of incinerated, resulting in significant
18 cost savings. Currently, the Company anticipates
19 participating in an EEANY working group to examine,
20 and potentially comment on, amendments that the DEC
21 recently proposed in December 2021 for Part 375's
22 environmental remediation provisions.

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1 • Insurance Cost Recovery - Con Edison puts its
2 excess liability insurance carriers on notice of
3 demands by the EPA and the DEC that the Company pay
4 for or implement site investigation and remediation
5 work. It also pursues indemnification of the costs
6 of such work with its excess liability insurance
7 carriers. The Company has received insurance
8 reimbursement payments totaling more than \$17
9 million from its excess liability carriers since
10 1998. When necessary and appropriate, the Company
11 pursues litigation against insurance carriers that
12 deny or reserve coverage for such costs. To date,
13 the Company's litigation efforts against its excess
14 liability insurance carriers (and those of other
15 potentially responsible parties for sites) for the
16 Company's Superfund sites have resulted in
17 settlement proceeds of approximately \$6.5 million.
18 For MGP Sites, the Company's insurance litigation
19 (which included an appeal by Con Edison to the New
20 York Court of Appeals for the Tarrytown MGP site
21 litigation) has resulted in settlement proceeds of
22 more than \$45.2 million. As noted previously
23 above, other than potential liquidation

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1 distributions for The Home Insurance Company, no
2 other insurance recovery for the SIR program is
3 anticipated at this time.

4 • Liability Transfers and Claims for Indemnification
5 - Con Edison attempts, where possible, to transfer
6 environmental liability for future remediation
7 costs in agreements with third parties in
8 connection with the sale of real property or other
9 assets and seeks indemnities for such future
10 liabilities. For example, in November 2014, Con
11 Edison tendered a claim for costs that Con Edison
12 had expended in connection with a feeder-related
13 dielectric spill (known as Appendix B, Site No. 38)
14 to the party which had purchased the feeder in
15 1999. After discussions with the purchaser about
16 the costs Con Edison had expended and the sale
17 agreement's allocation of liabilities related to
18 the feeder, the purchaser agreed to reimburse Con
19 Edison fully for the past cleanup costs and assume
20 full responsibility for any future cleanup costs.
21 More recently, in 2019, the Company sold the
22 properties that comprised the former Kent Avenue
23 Generating Station in Brooklyn to a third-party.

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1 Under the contract of sale, the third-party
2 purchaser assumed responsibility for all ongoing
3 operation, maintenance and monitoring ("OM&M")
4 associated with the remedy that Con Edison had
5 implemented at the site, including compliance with
6 the SMP.

7 • Identification of Other PRPs - Con Edison attempts
8 to identify other PRPs and, when appropriate,
9 attempts to recover investigation or remediation
10 costs from such entities. For example, Con Edison
11 instituted CERCLA response cost contribution
12 litigation against the successor in interest to
13 UGI, the Philadelphia-based utility holding company
14 that during the late 1800's held controlling
15 interests in the local companies that operated most
16 of the MGPs in Westchester County including three
17 MGPs in Yonkers. The judicial determinations in
18 that proceeding allowed the Company to obtain a
19 settlement with UGI (requiring UGI to pay a portion
20 of the Company's future costs for two of the three
21 Yonkers MGPs). In addition, the Company attempts
22 to identify other potential contributors of
23 hazardous substances for EPA's use in identifying

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1 other PRPs at Superfund sites with anticipated very
2 large remediation costs. For example, the Company
3 worked with EPA to help identify several potential
4 contributors of hazardous substances to the Gowanus
5 Canal Superfund Site.

6 • Participation in PRP Groups - Con Edison generally
7 participates in Superfund site PRP Groups to (a)
8 encourage them to negotiate consent decrees and
9 orders with the government that equitably allocate
10 liability among all financially viable PRPs; (b)
11 seek efficiencies by sharing certain common
12 expenses with other PRP Group members, such as for
13 environmental consultants; and (c) when warranted,
14 institute CERCLA cost contribution actions against
15 recalcitrant PRPs. Most recently, the Metal Bank
16 Superfund Site PRP group successfully challenged a
17 claim for natural resource damages asserted by both
18 the State and Federal natural resource trustees
19 ("Trustees"), resulting in a November 2021
20 agreement by the Trustees to settle a claim they
21 originally valued at \$8.35 million, for \$950,000.
22 In addition, at both the Gowanus Canal and Newtown
23 Creek Superfund Sites, the Company has been working

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1 with groups of PRPs to share the costs of
2 environmental consultants to evaluate common
3 technical issues and potential allocation of
4 responsibility. Finally, at the Pure Earth
5 Superfund Site, the Company worked with a group of
6 PRPs to share the costs of a project coordinator
7 and a remedial contractor to successfully complete
8 a remedial action required pursuant to a 2020 EPA
9 Administrative Settlement Agreement and Order on
10 Consent for Removal Action.

11 • TSDF Audits - To help minimize the risk that it
12 will become a PRP at newly listed Superfund sites,
13 Con Edison has established a list of acceptable
14 waste treatment, storage and disposal facilities
15 ("TSDFs") and periodically reevaluates that list.
16 Any new TSDF must be approved by the Vice President
17 of EH&S before it is used. The Vice President
18 grants such approvals only after the proposed new
19 facilities are determined to be necessary (e.g., to
20 meet increased capacity needs for disposal of a
21 particular waste type or to provide significant
22 cost savings) and meet acceptance criteria (e.g.,
23 robust waste acceptance procedures, solid record of

1 compliance with regulatory requirements, adequate
2 spill/release prevention systems in use, low
3 potential for groundwater/soil contamination). All
4 proposed new TSDFs are first evaluated by a
5 steering committee with representatives of EH&S and
6 other Company operations, which makes
7 recommendations to the Vice President of EH&S.

- 8 • Due Diligence in Property Transfers - To help
9 minimize the potential that property transfers
10 might result in significant SIR costs, the Company
11 extensively evaluates properties for prospective
12 sale and purchase to identify potential
13 environmental risks using environmental site
14 assessment procedures. For example, the Company
15 was considering purchasing property for a new
16 substation. EH&S staff's review of available
17 records determined that, due to perchloroethylene
18 releases from a dry cleaner, the property was a
19 listed State Superfund Site. As a result of this
20 evaluation, the Company decided not to purchase the
21 property and thereby avoided potential liability
22 and expensive remediation costs. As described in
23 the "Other Sites" section of this testimony, Con

1 Edison actively assesses the conditions of its
2 properties, and when necessary, remediates
3 properties before a prospective sale to help
4 minimize potential ongoing environmental
5 liabilities.

6 **SIR PROGRAM PROCESS AND INTERNAL CONTROLS**

7 Q. What is the purpose of this section of your testimony
8 concerning the Company's SIR Program process?

9 A. This section describes each step in the Company's SIR
10 Program process, from the start of investigation to the
11 implementation of remedies approved by the appropriate
12 regulatory agencies. It explains the Company's
13 management practices and bidding processes as part of the
14 Company's efforts to operate a cost-effective SIR
15 Program.

16 Investigation Process

17 Q. Please describe the process that Con Edison follows for
18 the investigation of its SIR Program sites.

19 A. The SIR Program Process is divided into four basic phases
20 which start with project initiation and conclude with
21 final site closure issued by the governing regulatory
22 agency. The processes that are implemented during each
23 of these phases are described below for the MGP Sites,

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1 followed by application to the other SIR programs. The
2 basic phases of the SIR process are similar for the MGP
3 and other SIR programs.

4 The Company begins the SIR Program Process with a
5 paper study to determine if there are recognized
6 environmental conditions that are likely to exist and
7 require further investigation. In most situations, due
8 to the historic operations of the sites, this study is
9 conducted as the first part of the investigation. The
10 process is governed by Con Edison's 2018 Agreement (and,
11 previously, the 2002 Agreement), and the ACOs and BCAs
12 that Con Edison has entered into with the DEC for sites
13 not covered by the 2018 Agreement (collectively, the "MGP
14 Agreements"). Depending on the conditions encountered at
15 a site and the results of each investigation, the process
16 may include multiple rounds of investigations. Each step
17 of the process is subject to the review and approval of
18 the DEC and DOH and must be conducted consistent with
19 applicable regulations, guidance and policies. To
20 facilitate the development of its site investigations,
21 Con Edison conducts detailed historical reviews of its
22 and its predecessor companies' operations at each of its
23 MGP Sites. The results of these reviews enabled the

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1 Company and its consultants to pinpoint the locations of
2 the gas production/purification equipment,
3 feedstock/residual processing and storage facilities, and
4 other areas of potential concern at each MGP Site. This
5 allows the Company's investigation sampling efforts to
6 focus on these locations. In addition, Con Edison has
7 prepared a DEC-approved Citizen Participation Plan
8 ("CPP") for its MGP Program that was updated under the
9 2018 Agreement. The CPP describes the procedures that
10 Con Edison will follow to communicate to interested
11 citizens and elected officials about the investigation
12 and remediation activities that the Company is required
13 to undertake for its MGP Sites under its MGP Agreements.
14 The Company modifies the CPP to address site-specific
15 circumstances as required by the DEC.

16 The Company also performs investigation and
17 remediation projects for other types of SIR Sites. For
18 federal Superfund sites, the procedures, policies,
19 regulations, and guidance documents that the Company must
20 follow are specified in the ACOs and consent decrees that
21 the Company has entered with the EPA. For New York State
22 Superfund sites and Appendix B sites, the required
23 process and protocol are governed by Con Edison's BCAs

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1 and ACOs with the DEC. For the Astoria Site, the
2 procedures and protocols are governed by the DEC
3 operating permit discussed earlier in this testimony and
4 the DEC regulations implementing RCRA. For UST sites,
5 the required procedures and protocols are specified in
6 EPA and DEC regulations and guidance. For other SIR
7 sites, the required procedures and protocols are
8 specified in DEC regulations and guidance.

9 While there are some differences in the specific
10 investigation process for each of these types of sites,
11 the goal of the process applicable to each such site is
12 the same - the scope of the investigation will
13 characterize and delineate the nature and extent of a
14 site's contamination with sufficient specificity to
15 support a determination by the DEC, DOH, and/or EPA as to
16 whether remediation is necessary to protect human health
17 and/or the environment from the risks posed by the
18 contamination and, if remediation is needed, to assess
19 and determine the scope of the required remediation
20 activities.

21 For sites with no government involvement or only
22 partial government involvement (*i.e.*, many of the sites
23 included in the Other Sites category), the Company makes

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1 decisions concerning site investigation and remediation
2 in compliance with the inventory of best practices for
3 SIR programs. The Company pursues cost-effective
4 remedies based on the current use and contemplated future
5 use or re-use of the sites and their zoning, considering
6 applicable regulations, guidance, and potential health
7 and environmental impacts, with the goal of readying
8 these properties for sale and minimizing potential long-
9 term environmental liabilities for the Company.

10 The first step of the investigation process under
11 the MGP Agreements is to conduct a DEC-approved SCS,
12 which is a subsurface investigation to evaluate whether
13 there is evidence of historical MGP-related contamination
14 in the soil, soil vapor, or groundwater at a site. DEC-
15 approved SCS work plans focus on site areas that were the
16 former locations of MGP structures that produced or
17 stored feedstock or residual materials capable of causing
18 environmental contamination. These structures include
19 ammonia wells, condensers, gas holders, oil and coal tar
20 storage tanks, relief holders, and tar wells. The
21 Company identified the locations of these types of
22 facilities as part of the detailed historical review it
23 performed before entering into the 2002 Agreement with

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1 the DEC. As required by the DEC and DOH, a draft SCS
2 work plan must include site background information,
3 including the known/suspected locations of former gas
4 production and storage structures, prior investigation
5 findings, if any, and the proposed work scope (e.g., soil
6 boring and test pit locations, soil vapor sampling,
7 groundwater monitoring well installation, air monitoring,
8 and laboratory analytical requirements).

9 Based upon the historical information that the
10 Company has compiled for the manufactured gas production
11 and/or storage operations formerly conducted at an MGP
12 Site and the input and guidance provided by the Company's
13 EH&S site project manager, Con Edison's environmental
14 consultant prepares a draft work plan for the Company's
15 review. The Company's EH&S site project managers
16 actively communicate with the DEC and DOH site project
17 managers and the Company's consultants during the
18 preparation of draft SCS work plans. Such communication
19 increases the likelihood that the draft plans will meet
20 the DEC's and DOH's requirements, as well as the
21 Company's expectations. After making any revisions based
22 on the Company's EH&S site project manager's review, the
23 Company submits the draft SCS work plan to the DEC for

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1 its review and approval. The DEC will solicit input from
2 the DOH.

3 Once the draft work plan has been approved by the
4 DEC and DOH, the SCS field work may begin. A fact sheet
5 is typically prepared for distribution to appropriate
6 stakeholders prior to the start of the SCS fieldwork.

7 For sites no longer owned by Con Edison, the Company
8 must obtain the property owner's consent in the form of
9 an access agreement before the SCS fieldwork commences.
10 The negotiation of access agreements for these sites can
11 be a challenging and time-consuming process due to the
12 nature of the operations currently being conducted on
13 them, such as schools, hospitals, apartment building
14 complexes, public parks, and commercial businesses.
15 Access agreements for such sites typically include
16 provisions specifically developed so that the SCS field
17 work does not unduly interfere with on-going site
18 operations.

19 Upon the completion of the SCS fieldwork, the
20 Company submits a report to the DEC and DOH for their
21 review and approval. Depending on the findings of the
22 SCS, these agencies will determine which of the

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1 following three steps is the most appropriate for a
2 site:

- 3 • No further action is required because there is no
4 evidence of MGP-related impacts that warrants
5 further investigation or remediation;
- 6 • Additional investigation is required to better
7 characterize and delineate the nature and extent of
8 the MGP-related impacts present on and around the
9 site; or
- 10 • Remediation is necessary to address the MGP-related
11 impacts that have been sufficiently characterized
12 and delineated, and the Company must proceed with
13 the development/evaluation of remedial
14 alternatives.

15 An RI refers to the second and subsequent rounds of
16 investigation beyond the SCS. More than one round of
17 on-site investigation and, in some cases, off-site
18 investigation may be necessary to define the
19 contamination with a sufficient degree of certainty to
20 support the assessment of potential remedial
21 alternatives and the development of a Remedial Action
22 Work Plan ("RAWP") incorporating the remedial activities
23 that the DEC and DOH deem appropriate. The RI process

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1 is similar to that for SCSs, with community outreach
2 and, when the work is done at a third party-owned
3 property, access agreement negotiations. RI work plans
4 must be approved by the DEC and DOH.

5 After the RI fieldwork and sample analyses are
6 completed, the Company submits a draft RI report to the
7 DEC and DOH for their review and approval. Based on the
8 results of the RI, these agencies will make one of the
9 three determinations specified above in our discussion
10 of the SCS process.

11 Remediation Determinations

12 Q. Under what circumstances does the DEC and DOH typically
13 require the remediation of site contamination?

14 A. The DEC and DOH require remediation when they determine
15 that the contamination present at a site presents a
16 current or potential future significant threat of harm to
17 public health and/or the environment or is necessary to
18 meet statutory or regulatory goals and objectives. This
19 determination is made based on the results of the SCS
20 and/or RI for a site. Regarding potential public health
21 impacts, DOH will consider whether potential complete
22 exposure pathways have been identified at the site during
23 the investigation work.

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1 Q. Do the DEC and the DOH consider costs in determining
2 whether remediation is required?

3 A. No. Their determination is made solely based on whether
4 remediation is required to mitigate a current or
5 potential future significant threat of harm to public
6 health and/or the environment or to meet
7 statutory/regulatory goals and objectives. If they find
8 such threats to exist or remediation of the contamination
9 is necessary to achieve statutory and regulatory
10 goals/objectives, remediation must be performed.

11 Q. Do costs play any role in the remedy selection process?

12 A. Yes. While the DEC and the DOH do not consider economic
13 impacts as one of the two threshold criteria in
14 determining whether and to what extent remediation is
15 required, the DEC's regulations and guidance documents
16 permit consideration of costs in evaluating remedial
17 alternatives. Under those regulations and guidance
18 documents, "cost effectiveness" is a secondary
19 permissible criterion for such evaluations and can be
20 considered by the DEC when it evaluates and determines
21 whether to select one of two or more remedial
22 alternatives that are protective of human health and the
23 environment and that are consistent with applicable and

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1 relevant rules, regulations, policies and guidance. For
2 example, under the DEC's regulations and guidance
3 documents, the goal of remediation is to restore sites to
4 their pre-contamination condition to the extent that it
5 is technically feasible to do so. If this goal cannot be
6 met, the remedy selected must, at a minimum, adequately
7 protect human health and the environment, and include
8 technically feasible remediation measures for so-called
9 "source materials", such as free coal tar, coal tar-
10 contaminated soil, and purifier waste. If two or more
11 competing remedial alternatives can meet all these goals
12 and are essentially equivalent in addressing non-cost-
13 related criteria, the DEC can select the least costly
14 alternative. The criteria used by the DEC in evaluating
15 remedial alternatives are described in more detail in our
16 testimony below concerning the Remedial Planning Process.

17 Remedial Planning Process

18 Q. Please describe the Remedial Planning Process that Con
19 Edison must follow for SIR Program Sites for which the
20 DEC and the DOH or EPA have determined that remediation
21 is required.

22 A. Under the MGP Agreements, ACOs or BCAs for New York
23 Superfund Sites, Appendix B, and the hazardous waste

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1 management facility operating permit for the Astoria
2 Site), once the DEC and DOH determine that remediation is
3 required, Con Edison is required to identify and evaluate
4 potential applicable remedial alternatives for the DEC's
5 and DOH's review and approval. In the case of federal
6 Superfund Sites, Con Edison must identify and evaluate
7 potential applicable remedial alternatives for EPA's
8 review and approval.

9 Q. For sites at which remediation is required, please
10 describe the process the Company follows in its
11 development of proposed remedial alternatives.

12 A. We will focus on the specific process for MGP Sites.
13 However, the process applicable to other types of SIR
14 Program sites is similar.

15 For MGP Sites, Con Edison must prepare an
16 Alternatives Analysis Report or Alternatives Analysis and
17 Proposed Remedial Action Work Plan (each an "AAR") for
18 the DEC's and DOH's consideration and approval. In that
19 AAR, Con Edison must identify potential remedial
20 alternatives, screen them to determine which alternatives
21 appear technically feasible to implement, and then assess
22 the feasible alternatives using the evaluation criteria
23 discussed below.

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1 The first step in the AAR process is to meet with
2 the DEC and DOH to discuss their views on the general
3 parameters of what they believe would comprise an
4 approvable remediation program for a site, given the
5 site's use and the extent of the contamination present.
6 For sites no longer owned by Con Edison, meetings are
7 also scheduled with the site owners to identify any
8 changes in site use being considered by them. These
9 meetings are essential to understanding the perspective
10 of the regulatory agencies and property owners, so that
11 Con Edison does not expend time and resources pursuing
12 "dead ends."

13 Pursuant to the DEC's requirements, the AAR must
14 identify potential remedial alternatives and evaluate
15 them against the following criteria in order to determine
16 which alternative is the most appropriate based on all
17 the relevant factors. The first two factors listed below
18 are referred to as Threshold Criteria that must be
19 satisfied for an alternative to be considered for
20 possible selection. The next five are referred to as
21 Primary Balancing Criteria and the last two are referred
22 to as Modifying Criteria. The Primary Balancing and then

1 Modifying Criteria are used to compare the remedial
2 alternatives that satisfy the Threshold Criteria.

3 Threshold Criteria:

- 4 • overall protectiveness of public health and the
5 environment; and
6 • compliance with standards, criteria, and guidance.

7 Primary Balancing Criteria:

- 8 • long-term effectiveness and permanence;
9 • reduction in toxicity, mobility, or volume of
10 contamination through treatment;
11 • short-term impacts and effectiveness;
12 • implementability; and
13 • cost-effectiveness, including capital costs and
14 annual site maintenance plan costs. According to
15 DEC guidance, "this criterion is an evaluation of
16 the overall cost effectiveness of an alternative or
17 remedy" and "a remedy is cost effective if its
18 costs are proportional to its overall
19 effectiveness."

20 Modifying Criteria:

- 21 • community acceptance; and

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- 1 • State acceptance based on current, intended and
2 reasonably anticipated future land use (when a
3 complete remediation to unrestricted use levels
4 would not be achieved).

5 If the DEC and DOH do not find the Company's draft AAR to
6 be approvable, these agencies will inform the Company of
7 their reasons for disapproval and specify the revisions
8 that the Company must incorporate into the draft AAR.
9 For example, the DEC or DOH may prefer a different
10 alternative to the one recommended by the Company. Once
11 the DEC and DOH deem the AAR to be approvable, a notice
12 will be published in the State's Environmental Notice
13 Bulletin for a 30-day public comment period (45 days for
14 sites in the Brownfield Cleanup Program). A public
15 meeting is held at which the DEC, DOH, and Con Edison
16 present the recommended remedial alternative and receive
17 comments from the public. Con Edison will distribute a
18 Fact Sheet to stakeholders announcing the availability of
19 the AAR and the public meeting.

20 Q. Does Con Edison make the final decision on which remedial
21 alternative must be implemented for site being addressed
22 under government oversight?

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1 A. No. While it may suggest remedial alternatives, Con
2 Edison does not make the final decision on which remedial
3 alternative must be implemented; that decision is made by
4 the DEC (or EPA for federal Superfund sites). After the
5 close of the public comment period, the DEC will formally
6 approve the AAR. Depending on the comments received, the
7 AAR may be revised to reflect public input. Community
8 acceptance is one of the criteria considered by the DEC
9 in the selection of an approved remedy.

10 Q. How are remediation decisions made for sites with no or
11 only partial government oversight, as is the case for
12 many sites included in the Other Sites category?

13 A. For these sites, Con Edison complies with the inventory
14 of best practices for SIR programs, and pursues cost-
15 effective remedies based on current use and contemplated
16 future use or re-use of sites and their zoning,
17 considering applicable regulations, guidance, and
18 potential health and environmental impacts, to prepare
19 these properties for sale and help minimize potential
20 long-term environmental liabilities for the Company.
21 Remediation decisions are made by an internal team that
22 includes the Company's EH&S, Real Estate, and Law
23 Departments.

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1 Q. Is the selected remedial alternative sometimes
2 implemented by third-party property owners instead of the
3 Company?

4 A. Yes. For properties undergoing redevelopment, the
5 Company and the property owner/developer may enter into a
6 cooperation agreement to coordinate remediation and site
7 redevelopment and share costs. By cooperating and
8 implementing required remediation work in conjunction
9 with a property owner's construction project, Con Edison
10 can achieve cost savings by sharing with or allocating to
11 the property owner the cost of activities common to both
12 remediation and construction work. This includes such
13 high-cost items as, sheeting and shoring, soil
14 excavation, dewatering, soil transportation and disposal,
15 and back-filling. In such cases, Con Edison would have
16 an oversight role to see that the remedy is being
17 properly implemented in a cost-effective manner. In the
18 case of federal Superfund sites in which the Company is a
19 member of a PRP Group, the PRP Group may implement the
20 selected remedy.

21 Q. Does agency approval of a remedial alternative mark the
22 end of the remediation planning process?

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1 A. No. The decision documents that the DEC or EPA issue
2 when they select and approve a remedial alternative for a
3 site generally contain only summary information about the
4 remedial alternative. Depending on the complexity of the
5 remedy and the site, the DEC will require Con Edison to
6 prepare either a RAWP or detailed remedial design for the
7 DEC's and DOH's approval. A detailed remedial design is
8 typically required for the more complex remedies/sites.
9 As part of these designs, the DEC generally requires the
10 development of a remedial design package containing
11 detailed drawings, plans, and specifications to implement
12 the selected remedial alternative. In some cases,
13 additional studies or investigations may be required.
14 For example, if the DEC requires groundwater treatment to
15 meet a specified cleanup level, Con Edison may conduct
16 bench-scale laboratory studies needed to design the
17 treatment system required to meet the remedial
18 objectives. The detailed drawings, plans, and
19 specifications for construction of the selected remedial
20 alternative are subject to DEC/DOH review and approval.

21 Remedial Construction Process

22 Q. Please describe Con Edison's remedial construction
23 process.

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1 A. The CM Department within Con Edison's Construction
2 organization is responsible for supporting the efforts of
3 Con Edison's EH&S Department to manage the remedial
4 construction phase of remediation projects. Remedial
5 design plans and specifications and engineer's cost
6 estimates are prepared by the Company's environmental
7 engineering consultants working jointly with the EH&S
8 project manager and CM. Depending on the estimated cost
9 of remediation, pre-qualified remediation contractors at
10 one of three cost categories will be used to solicit
11 technical proposals and bids for the performance of the
12 remedial construction work. For relatively small and
13 straightforward projects, a technical proposal and
14 associated technical evaluation may not be required.
15 Additional information concerning review of technical
16 proposals is provided later in our testimony, in the
17 Consultants/Contractors and Internal Staffing section.
18 After the award of a Purchase Order to the selected
19 remediation contractor, CM will manage the contractor's
20 performance of the work with the EH&S Remediation project
21 manager participating as a key member of the team. The
22 DEC generally has an inspector assigned to sites for
23 which significant remedial construction work is required

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1 so that the Company complies with the requirements of the
2 approved remedy and design specifications and to
3 participate in project team meetings. For projects
4 entailing less significant remedial activities, the DEC
5 inspector will typically visit the sites periodically.
6 In addition, the Con Edison environmental engineering
7 consultant that prepared the approved design and bid
8 specifications will be present to see that the agency-
9 approved remedy and design and bid specifications are
10 implemented properly, and to obtain information needed to
11 prepare the remediation report (sometimes referred to as
12 the final engineering report) and, in some cases, to
13 perform air monitoring and/or post-excavation soil
14 sampling.

15 As discussed previously in our testimony, when
16 remediation is to be performed at third-party sites, the
17 Company must enter into an access and cooperation
18 agreement with the property owner. In addition to
19 providing access, the agreements contain, as applicable,
20 commitments by the property owner not to violate post-
21 remediation institutional controls required as part of
22 the DEC-approved remedy and not to interfere with the
23 operation of any DEC-required engineering controls.

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1 Q. Does the completion of the remedial construction phase of
2 the DEC-approved remedies for Con Edison's MGP Sites or
3 other SIR Program sites mark the end of Con Edison's
4 obligations under its MGP Agreements or other agreements
5 with the DEC for those sites?

6 A. It does so only for sites that have been remediated to
7 the DEC's "unrestricted use" standards. However, because
8 many of the Company's MGP Sites and other SIR Program
9 sites are in highly developed areas occupied by existing
10 buildings or facilities, or present other logistical
11 challenges, it is frequently not feasible to remediate a
12 site to meet "unrestricted use" standards pursuant to the
13 DEC's regulations and guidance. At other sites, it may
14 not be cost-effective to meet "unrestricted use"
15 standards due to the background levels or depths of
16 contaminants present at the site. In such cases, Con
17 Edison may propose, and the DEC and DOH may allow,
18 remediation to alternative standards that protect public
19 health and the environment for specified uses of the
20 site. If Con Edison does not remediate a site to
21 "unrestricted use" standards, Con Edison and the property
22 owner must comply with one or more DEC-required
23 institutional and/or engineering controls at the site to

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1 address the remaining contamination after completing
2 remedial construction and to help minimize the potential
3 for exposure to such contamination. Examples of typical
4 institutional controls include restrictions on the use
5 and redevelopment of a remediated property that are made
6 enforceable by the DEC through environmental easements or
7 deed restrictions. Engineering controls include
8 subsurface containment or cutoff walls, sub-slab soil gas
9 ventilation systems, groundwater treatment, or product
10 (e.g., coal tar, gasoline, or fuel oil) recovery systems.
11 These controls are required in perpetuity or until the
12 DEC, with DOH concurrence, determines that they are no
13 longer necessary.

14 In order to comply with these various controls, the
15 Company is required to prepare an SMP for the DEC's
16 approval. A typical SMP includes procedures to:

- 17 • operate and maintain engineering controls
18 and/or treatment systems;
- 19 • maintain compliance with institutional controls,
20 where applicable;
- 21 • inspect and evaluate site information periodically
22 to determine whether the remedy continues to be
23 effective; and

- 1 • monitor and report the performance and the
2 effectiveness of the remedy, including periodic
3 sampling.

4 Consultants/Contractors and Internal Staffing

5 Q. Please describe the role of outside consultants and
6 subcontractors in the Company's SIR program.

7 A. The Company uses qualified and competitively priced
8 environmental consultants to perform
9 engineering/scientific work to prepare investigation work
10 plans, perform investigations and prepare reports of
11 investigation findings, evaluate remedial alternatives,
12 prepare remedial action plans and specifications, perform
13 treatability and pilot tests, as well as remediation
14 oversight, and prepare remediation reports under the
15 direct supervision of the project manager.

16 Q. What primary types of subcontractors do environmental
17 consultants typically use during investigations?

18 A. The Company's environmental consultants typically use
19 subcontractors to perform physical work such as drilling
20 subcontractors to perform test pits and to install soil
21 borings and groundwater monitoring wells, laboratory
22 subcontractors to perform sample analyses required by
23 agency-approved work plans, and land surveyor

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1 subcontractors to document the precise geographic
2 coordinates of test pit, boring, and well locations.

3 Q. Why doesn't the Company contract directly with these
4 subcontractors?

5 A. The Company looks to the environmental consultants for
6 overall management of these subcontractors. It would be
7 counter-productive and would confuse the line of
8 responsibility between the environmental consultant and
9 subcontractors if the Company were to contract directly
10 with the subcontractors.

11 Q. What about the option of buying the required drilling
12 equipment and using the Company's own laboratory for
13 analytical support?

14 A. There is not sufficient regularly scheduled work to
15 justify the cost of purchasing drilling equipment,
16 including associated regular maintenance and repair
17 costs, and hiring of properly trained and experienced
18 full-time operators. With respect to using an in-house
19 laboratory, although the Company has a state-approved
20 environmental laboratory, Con Edison's ACOs and consent
21 decrees with the EPA explicitly require the use of
22 independent contractors acceptable to EPA for such work.

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1 Q. What role do remediation contractors, who perform
2 physical work, play in the Company's SIR Program?

3 A. The Company uses qualified and competitively priced
4 remediation contractors to implement the required
5 remedial construction elements of its agency approved
6 site remedies.

7 Q. What types of subcontractors do remediation contractors
8 typically use during remediation projects?

9 A. Remediation contractors typically use engineering
10 subcontractors to prepare detailed design documents
11 (e.g., sheeting and shoring plan) and obtain building
12 permits; environmental/safety consultants to prepare
13 environment, health and safety plans, perform air and
14 personnel monitoring, and obtain wastewater discharge
15 permits; waste transporters and waste management
16 facilities to dispose of wastes generated during the
17 remediation project; and laboratories to perform analyses
18 required by waste management facilities or for other
19 purposes. In addition, remediation contractors use
20 various material and equipment suppliers and installers.

21 Q. Why doesn't the Company contract directly with these
22 subcontractors?

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1 A. The Company believes it is more appropriate to place
2 responsibility for these activities on the contractor.
3 This makes the contractor accountable for all aspects of
4 the work, including work performed by subcontractors.
5 For example, if there are any delays in obtaining
6 materials (e.g., steel for sheeting), delays in obtaining
7 permits (e.g., City sewer discharge permit for wastewater
8 or City Department of Buildings permits), delays in
9 obtaining approvals from waste management facilities, or
10 the presence of off-specification material for waste
11 disposal, the contractor would be responsible.

12 Q. What about the option of buying the required construction
13 equipment or using Company employees to perform some of
14 the remediation activities?

15 A. There is not sufficient regularly scheduled work to
16 justify the cost of purchasing specialized construction
17 equipment, including associated regular maintenance and
18 repair costs, and hiring of specially trained and
19 experienced operators. Examples of specialty equipment
20 include large diameter (e.g., 30 inches) drill rigs for
21 installing secant piles, equipment used to install slurry
22 walls, equipment for performing in-situ chemical

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1 treatment, and equipment for performing in-situ
2 contaminant stabilization.

3 Q. Has the Company adopted any procedures for selecting and
4 retaining environmental consultants and remediation
5 contractors?

6 A. As discussed below in our testimony, the Company has and
7 implements comprehensive procedures and protocols for
8 selecting and retaining outside environmental consultants
9 and remediation contractors. As part of this selection
10 process the following criteria are considered related to
11 MGP contracts: New York State MGP Experience; Urban
12 Experience; Sediment Experience; Utility Experience;
13 Historic Performance with the Company; Quality
14 Assurance/Quality Control ("QA/QC") Programs used by the
15 consultant; and consultant Health & Safety performance.

16 Q. How many Con Edison employees are directly involved in
17 the Company's SIR Program on a full-time or a regular
18 basis?

19 A. The Company currently has 25 employees directly involved
20 in its SIR Program on a full-time or a regular basis.
21 This includes 11 employees in the Company's EH&S
22 Department (described above), 10 employees in its CM
23 Department, and four employees in the Law Department.

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1 The number of CM Department employees involved in the SIR
2 Program may vary depending on SIR Program activity and
3 construction project activity.

4 Q. Please describe the role of the EH&S employees in the
5 Company's SIR Program.

6 A. The Remediation Department of EH&S has overall
7 responsibility within the Company for managing the
8 Company's SIR Program. This department consists of a
9 Director, two Managers and eight engineers and/or
10 scientists. Remediation staff persons serve as Project
11 Managers and Project Engineers for their assigned sites
12 under the SIR Program. Their responsibilities include:

- 13 • Directing the consultants on all phases of the
14 project including the development of investigation
15 work plans for the DEC's and DOH's approval;
- 16 • Coordinating with the Law Department, Corporate
17 Affairs, and property owners to complete access and
18 cooperation agreements;
- 19 • Coordinating with CM to implement the investigation
20 and remediation work plans;
- 21 • Reviewing and approving the consultants' budgets,
22 and reviewing and recommending for approval
23 consultants' invoices;

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- 1 • Coordinating with the DEC, DOH, EPA, consultants,
2 and property owners on the development of proposed
3 remedies;
- 4 • Participating in the procurement process to select
5 a remediation contractor for each of their
6 remediation projects;
- 7 • Participating in negotiations with property owners
8 and the Law Department on cooperation agreements
9 with respect to remediation responsibilities and
10 cost sharing;
- 11 • Participating in public meetings and other meetings
12 with stakeholders in connection with investigation
13 findings, proposed remedies, and other project-
14 related issues;
- 15 • Preparing and overseeing project schedules and
16 budgets;
- 17 • Preparing quarterly projections of expenditures and
18 estimates of future liability; and
- 19 • Providing periodic reports on the status of their
20 projects to Company management.

21 Q. Please describe the role of the CM employees in the
22 Company's SIR Program.

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1 A. CM employees support EH&S in the implementation of the
2 SIR Program investigation and remediation work. This
3 includes support of fieldwork, review of bid
4 specifications, and management of remediation contracts
5 and contractors.

6 Q. Please describe the role of the Law Department employees
7 in the Company's SIR Program.

8 A. The Law Department provides environmental legal support,
9 including: (1) the negotiation and preparation of access,
10 cooperation, and other agreements with the present
11 owners, lessees, and/or developers of the Company's and
12 its corporate predecessors' former MGP and other sites;
13 (2) the negotiation and preparation of consent orders,
14 consent decrees, PRP group participation agreements, and
15 other agreements for Superfund sites owned by third
16 parties, (3) as applicable, participation in PRP groups
17 and allocation proceedings for third-party Superfund
18 sites, (4) when appropriate, litigation to protect the
19 Company's interests when negotiations are unsuccessful in
20 resolving important issues (e.g., claims against
21 insurance carriers and third parties), and (5) evaluation
22 of legal risks associated with environmental

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1 contamination before purchasing new sites or selling
2 existing ones.

3 Q. Are there other Company employees who support the SIR
4 Program on an intermittent basis?

5 A. Yes. These include, but are not limited to, employees in
6 Corporate Affairs, Wellness Center, Real Estate, other
7 groups within EH&S, and other organizations as necessary.

8 Internal Controls

9 Q. Does the Company have internal controls for managing its
10 SIR Program?

11 A. Con Edison has a comprehensive system of internal
12 controls in place to see that it performs its SIR
13 projects at the lowest reasonable cost. The Company
14 employs the following internal controls to achieve this
15 objective:

- 16 • standardized remediation contractor management
17 protocols;
- 18 • established procedures for selecting and retaining
19 environmental consultants and remediation
20 contractors;
- 21 • rigorous process for the review and approval of
22 consultant and contractor invoices;
- 23 • self-assessments; and

1 • internal audit process.

2 Q. Please identify the Company's remediation contractor
3 management protocols.

4 A. These protocols include the Company's Contract
5 Administration Manual ("CAM"), Supplemental Construction
6 Contract Requirements ("Supplemental Requirements"), and
7 the Standard Terms and Conditions for Construction
8 Contracts ("Standard Terms"), which are provided as part
9 of the Company's workpapers in this proceeding.

10 Q. Please summarize the purpose of the CAM.

11 A. The purpose of the CAM is to provide direction for
12 Company personnel in the administration of contracts to
13 promote the efficient use of Company and contractor
14 resources, as well as compliance with all applicable laws
15 and regulations. It provides detailed guidance for the
16 administration of construction contracts, including
17 remediation-related construction work. The CAM describes
18 the Company's procedures for requisitioning and
19 procurement of construction contracts, establishes
20 guidelines for executing changes to labor contracts after
21 the purchase order or contract has been issued, defines
22 the procedures utilized to process payments under
23 construction contracts, and establishes a system for

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1 monitoring progress of major projects against a planned
2 schedule. It also sets standards of performance for
3 field activities and provides procedures to be followed
4 in their execution and provides instructions to promote
5 compliance with the Company's requirement that
6 contractors working for Con Edison have fully developed
7 site/task specific Environmental, Health and Safety Plans
8 for their work.

9 Q. Please summarize the purpose of the Supplemental
10 Construction Contract Requirements.

11 A. The Supplemental Requirements contain requirements for
12 the contractor's management of construction work,
13 including remediation-related construction work. The
14 Supplemental Requirements establish requirements for
15 contractor performance regarding documentation, notice to
16 proceed, payment provisions and invoicing procedures,
17 approval of subcontractors, schedule monitoring, working
18 hours, use of proper personal protective equipment
19 ("PPE"), adherence to safety regulations, contractor
20 performance evaluation and identification of hazards
21 encountered at the job site. The Supplemental
22 Requirements identify required submittals and a schedule
23 of submissions for items such as shop and work drawings,

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1 operating procedures, substitution of materials, and as-
2 constructed drawings. They supplement Con Edison's
3 Standard Terms and Conditions and govern the contractor's
4 work regarding the use of qualified representatives; work
5 permits; equipment and material delivery, handling, and
6 storage; waste transportation and disposal; and site
7 maintenance.

8 Q. Please summarize the purpose of the Standard Terms.

9 A. The Company's Standard Terms are incorporated into its
10 contracts for construction services, including
11 remediation-related construction work. The Standard
12 Terms define the contractual obligations of the
13 contractor and Con Edison. The obligations and
14 stipulations that are addressed include, but are not
15 limited to Contract Formation; Specifications, Plans, and
16 Drawings; Price and Payment; Time for Completion;
17 Excusable Delay; Safeguards in Work; Work Conditions;
18 Contractor's Performance; Con Edison's Authority;
19 Estimated Quantities; Warranties; Changes; Claims; Codes,
20 Laws and Regulations, and Maintenance of Work.

21 Q. Are there similar terms and conditions for professional
22 services and service contracts?

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1 A. Yes. The Company has Standard Terms and Conditions for
2 Professional Services Contracts and Standard Terms and
3 Conditions for Service Contracts.

4 Q. Please describe the process Con Edison uses to select and
5 retain its SIR Program environmental consultants.

6 A. The Company's internal procurement process to retain
7 environmental consultants for the SIR Program consists of
8 the following general steps:

- 9 • Identification of technically qualified and cost
10 competitive consultants - A technical evaluation is
11 performed as a pre-qualification phase before a
12 Purchase Requisition is issued or cost proposals
13 are solicited.
- 14 • Preparation of Purchase Requisition - This is the
15 formal request to the Company's Supply Chain
16 Department for procurement action. The Purchase
17 Requisition is issued by EH&S and includes the
18 services required, estimated budget, recommended
19 bidders, scope of work and any other related
20 documents.
- 21 • The Purchase Requisition must be approved by the
22 appropriate level within the Company before it is
23 sent to Supply Chain.

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- 1 • Issuance of Request for Quotation - After it
2 receives a Purchase Requisition, Supply Chain
3 assigns a procurement specialist to the project.
4 The procurement specialist works with EH&S to
5 prepare a Request for Quotation ("RFQ") inviting
6 consultants to submit technical proposals and
7 commercial proposals. The RFQ may include a pre-
8 bid meeting and always includes a deadline for
9 submitting proposals. Alternatively, Supply Chain
10 may follow a two-step process by first issuing a
11 Request for Information ("RFI") and then issuing an
12 RFQ to solicit commercial proposals once the most
13 technically qualified firms are identified by EH&S,
14 or by issuing multiple rounds of RFQs where the
15 first round is to solicit vendor qualifications.
- 16 • Pre-Bid Meeting - If necessary, a pre-bid meeting
17 is typically conducted at least one week after the
18 consultants receive the RFQ. This allows the
19 consultants to review the scope of work prior to
20 the meeting and to ask pertinent questions.
- 21 • Review of Technical Proposals or Qualifications -
22 An RFQ may require the consultants to submit
23 separate technical and commercial proposals.

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1 Technical proposals and qualification packages are
2 forwarded by Supply Chain to EH&S for review.
3 Commercial proposals are retained by Supply Chain
4 for evaluation if the bidding consultants'
5 technical proposals are found to be acceptable.
6 Technical evaluation criteria are normally
7 established by EH&S prior to the issuance of the
8 RFQ or RFI, and the consultants are informed of
9 those criteria as discussed above. After
10 completion of its technical review, EH&S provides a
11 report with the review results to Supply Chain.

- 12 • Review of Commercial Proposals - After receiving
13 the results of the technical or qualifications
14 evaluation from EH&S, Supply Chain evaluates the
15 commercial proposals submitted by those consultants
16 with acceptable technical scores or those deemed to
17 be technically qualified. For projects that do not
18 require a technical proposal, the commercial
19 evaluation begins upon the receipt of the
20 commercial proposals. Supply Chain identifies the
21 low bidder (or bidders if multiple contracts are to
22 be awarded) and negotiates pricing with the low
23 bidder(s), if appropriate. A meeting with the

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1 consultant(s) may be held to avoid possible
2 misunderstandings regarding the required work
3 scope.

4 • Contract Award - The consultants that have been
5 found to be technically acceptable or technically
6 qualified and that have submitted the lowest cost
7 proposal based on the commercial evaluation are
8 recommended by the Supply Chain procurement
9 specialist for award of a Purchase Order ("PO") or
10 a Purchase Agreement ("PA") to perform the
11 consulting services. The level of approval
12 required depends on the value of the PO or PA.

13 Q. How does Con Edison select remediation contractors?

14 A. The selection of contractors is a multi-step process.
15 The first step in Con Edison's remediation contractor
16 procurement process for its SIR Program was the
17 development of a pre-qualified bidders list. The purpose
18 of this list is to streamline the selection process by
19 establishing a short list of contractors pre-qualified to
20 bid on future MGP, as well as other, remediation
21 projects. The list obviates the need to evaluate which
22 firms should be invited to bid on each remediation
23 project.

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1 The procurement process to hire a remediation contractor
2 consists of the following general steps:

- 3 • Preparation of Purchase Requisition - This is the
4 formal request to Supply Chain for procurement
5 action. The Purchase Requisition is issued by CM,
6 and it includes the services requested, estimated
7 budget, recommended bidders, detailed
8 specifications and other related documents. The
9 Purchase Requisition must be approved by the
10 appropriate level within Construction before it is
11 sent to Supply Chain.
- 12 • Issuance of Request for Quotation - After Supply
13 Chain receives a Purchase Requisition, a
14 procurement specialist is assigned to the project.
15 The procurement specialist works with CM and EH&S
16 to prepare an RFQ inviting the contractors to
17 submit a technical proposal and a commercial
18 proposal. Depending on the scope of work and other
19 considerations, Supply Chain may request a
20 commercial proposal only, without a technical
21 proposal. The RFQ includes a scheduled field visit
22 to the site and a deadline to submit proposals.

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- 1 • As indicated earlier in our testimony, technical
2 proposals may be required for large (based on cost
3 and scope of work), complex projects (based on
4 engineering considerations and property
5 constraints), to help bidders understand the scope
6 and complexities of the project. For relatively
7 small, straightforward projects, a technical
8 proposal and associated technical evaluation may
9 not be required. For these sites, Supply Chain
10 will issue an RFQ under which the contractors would
11 submit just a commercial proposal without a
12 technical proposal. A decision concerning whether
13 to perform a technical evaluation is made by the
14 EH&S Remediation Department in consultation with
15 Construction.
- 16 • Field visit - The field visit is typically
17 conducted at least one week after the contractors
18 receive the RFQ. This allows the contractors to
19 review the specifications prior to the field visit
20 and ask pertinent questions.
- 21 • Review of technical proposals (when a technical
22 proposal is required) - The RFQ requires the
23 contractors to submit separate technical and

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1 commercial proposals. Technical proposals are
2 forwarded by Supply Chain to CM and EH&S for their
3 review. The commercial proposals are retained by
4 Supply Chain for later evaluation if the bidding
5 contractors' technical proposals are found to be
6 acceptable. Technical evaluation criteria are
7 normally established by CM and EH&S prior to the
8 issuance of the RFQ, and the contractors are
9 informed of those criteria.

- 10 • Review of commercial proposals - After receiving
11 the results of any technical evaluation from CM and
12 EH&S, Supply Chain evaluates the commercial
13 proposals submitted by those contractors with
14 acceptable technical scores. For small,
15 straightforward projects that do not require a
16 technical proposal, the commercial evaluation
17 begins upon the receipt of the commercial
18 proposals. Supply Chain works with the Company's
19 Bid-Check Estimating Section to evaluate the
20 pricing information submitted by the contractor
21 with the lowest cost proposal to determine if the
22 proposed labor rates, unit prices, lump sum prices,
23 and other cost items are reasonable and consistent

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1 with current market conditions. A meeting with the
2 contractor may be held to avoid misunderstandings
3 regarding the required work scope.

4 • Contract award - The contractor that submitted a
5 technically acceptable proposal (if a technical
6 evaluation was performed) and the lowest cost
7 proposal based on the commercial evaluation is
8 recommended by the Supply Chain procurement
9 specialist for award of a PO or PA to perform the
10 remediation. The level of approval required
11 depends on the value of the PO or PA.

12 Q. Does Con Edison have policies and procedures associated
13 with the procurement process?

14 A. Yes. Some of these policies and procedures are listed
15 below:

16 • Corporate Instruction 280-4: "Administration of
17 Construction, Service, and Public
18 Improvement/Interference Contracts". This
19 corporate instruction authorizes publication of the
20 CAM described above.

21 • Corporate Policy Statement 300-5: "Statement of
22 Procurement Policies and Procedures".

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- 1 • Corporate Instruction 320-14: "Acquisition of
2 Materials, Supplies, or Services".
- 3 • Supply Chain Operating Procedure SCOP-301:
4 "Procurement Decisions".
- 5 • Supply Chain Operating Procedure SCOP-302: "Bid
6 Evaluations".
- 7 • Supply Chain Operating Procedure SCOP-303: "Request
8 for Quotations".
- 9 • Supply Chain Operating Procedure SCOP-304: "Bid
10 Negotiations".
- 11 • Supply Chain Operating Procedure SCOP-305:
12 "Authorizing Purchase Orders and Contracts".
- 13 • Supply Chain Operating Procedure SCOP-306: "Terms
14 and Conditions for Procurements".
- 15 • Supply Chain Operating Procedure SCOP-307:
16 "Contract Management and Renewal".
- 17 • Supply Chain Operating Procedure SCOP-308:
18 "Contract and Standard Purchase Order
19 Modifications".
- 20 • Supply Chain Operating Procedure SCOP-310:
21 "Procurement Files".

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- 1 • Supply Chain Operating Procedure SCOP-201:
2 "Supplier Qualification".
- 3 • Corporate Environmental, Health and Safety
4 Procedure CEHSP A12.03: "EH&S Qualifications for
5 Supplier Procurement and Oversight".

6 Q. Please describe the Company's oversight process for the
7 services provided by its SIR Program remediation
8 contractors.

9 A. The Company utilizes CM personnel to administer and
10 oversee remediation contracts. Remediation projects are
11 procured primarily as fixed price contracts that may have
12 unit prices for certain types of work such as excavation
13 and disposal, backfill, and water treatment. As
14 described above, CM utilizes established procedures
15 contained in the Company's CAM to monitor work and to
16 execute changes to contracts.

17 The CAM prescribes the responsibilities of the field
18 personnel responsible for managing contract construction
19 work and provides detailed procedures for documenting the
20 progress of work in the field. Field Inspectors are
21 assigned to projects and, depending on the size and scope
22 of the work, will generally oversee the work of the
23 contractor daily. The duties of Field Inspectors

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1 include, but are not limited to, such items as job set-up
2 review; schedule review and compliance; review of work
3 completed by the contractor; inspection of work,
4 environmental and safety compliance; completion of the
5 Con Edison daily logbook; input into the Contractor
6 Oversight System ("COS"); and project closeout
7 procedures. The Field Inspector will set up and maintain
8 a central filing system to retain pertinent contract
9 correspondence and documents such as:

- 10 • Budget and Cost;
- 11 • Purchase Orders;
- 12 • Purchase Order Change Requests and/or
13 Authorizations (Change Orders);
- 14 • Specifications;
- 15 • Correspondence;
- 16 • Schedules;
- 17 • Performance Logs;
- 18 • Payments;
- 19 • Permits;
- 20 • Submittals and Approvals;
- 21 • Meetings;
- 22 • Environmental and Safety Records;

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- 1 • Project Close Out Documents;
- 2 • Materials and Equipment;
- 3 • Check Lists;
- 4 • Sampling Reports;
- 5 • Asbestos Notifications;
- 6 • Air Monitoring;
- 7 • Licenses and Training;
- 8 • Waste Storage;
- 9 • Disposal Sites; and
- 10 • Manifests.

11 The Company's Field Inspectors are responsible for the
12 implementation of changes to the base contract and are
13 thoroughly familiar with the reason for the change, its
14 scope and effect on the schedule. In the case of design
15 changes, sufficient liaison with the EH&S project manager
16 is required to make sure the change is implemented in a
17 timely fashion to help minimize its effect on the overall
18 job. For all changes, the Field Inspector (also known as
19 the Construction Inspector or "CI") prepares a Finding of
20 Fact that provides a description of the change, the
21 reason for the change, a range figure estimate of
22 material, equipment and labor costs, and details the

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1 change's effect on the project schedule. Findings of
2 Fact are reviewed and approved by the CI's supervisor and
3 at higher levels of management depending on the
4 individual and cumulative dollar value of the estimated
5 cost of the change. The EH&S project manager for the
6 remediation project also must concur with the Findings of
7 Fact before they are approved. After the Findings of
8 Fact are approved at the appropriate management level, a
9 change order request is issued to the contractor to
10 provide a price for the work. If the change order is
11 estimated to be more than \$25,000, Con Edison's Bid Check
12 Estimating group will also provide an independent price
13 for the work scope change. Once a price agreement is
14 reached, a contract modification is processed based once
15 again on the designated management approval level, which
16 is dependent on the individual and cumulative dollar
17 value of the change. If agreement cannot be reached on a
18 fixed price or unit price, then Con Edison may authorize
19 the contractor to proceed to implement the change on a
20 time and materials basis in accordance with the
21 aforementioned contract management documents until an
22 agreement is reached or in lieu of an agreement on a
23 fixed or unit price.

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1 Q. What is the Company's process for the review and payment
2 of SIR Program environmental consultant invoices?

3 A. EH&S manages contracts with environmental consultants.
4 The following steps are generally followed by EH&S
5 project managers in their review of invoices submitted by
6 the consultants:

- 7 • Utilize an online centralized accounting system
8 that tracks all unit rates specified in the PO for
9 labor, material charges, and other line items.
10 This feature of the system eliminates the potential
11 for consultants to charge rates that are not
12 specified in the PO and eliminates potential
13 contractor calculation errors that could occur with
14 paper invoices.
- 15 • Reconcile the number of units for each line
16 item/work activity claimed to have been
17 used/performed with the number of units actually
18 used/performed. This is done through discussions
19 and a review of field notes and other supporting
20 documentation. Under the accounting system,
21 consultants submit electronic invoices on the
22 system in lieu of submitting paper invoices.
23 Before a consultant submits an invoice

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1 electronically, the consultant provides the EH&S
2 project manager with the quantity of each PO line
3 item that it plans to invoice and the information
4 that supports the planned invoice, such as time
5 sheets or subcontractor invoices. The project
6 manager then reviews the supporting information to
7 verify that it is consistent with the information
8 specified in the purchase requisition used by Con
9 Edison to request the consultant's services.
10 Purchase requisitions specify the requested
11 services by PO line item and identify the
12 appropriate project and task numbers (previously
13 known as account numbers or work order numbers)
14 that will be charged.

- 15 • Once the project manager is satisfied that the
16 charges proposed for invoicing by the consultant
17 are substantiated (for invoices up to \$3,000), the
18 project manager will enter the approved quantity
19 for each line item in the system as having been
20 received. For invoices exceeding \$3,000, the
21 project manager will submit proposed invoices and
22 supporting information to the Section Manager for
23 approval before entering approved quantities for

1 each line item in the system. The system will
2 automatically reject payment requests for line-item
3 amounts exceeding those authorized in a purchase
4 requisition.

5 Q. What is the Company's process for the review and payment
6 of SIR Program contractor invoices?

7 A. CM is responsible for the review and approval of SIR
8 Program remediation contractors' invoices. CM uses the
9 following Con Edison documents to format, reconcile and
10 process payment applications from such contractors: (1)
11 CAM; (2) Supplemental Requirements, and (3) Standard
12 Terms. The purposes of these documents are explained
13 earlier in our testimony.

14 Remediation contractors are required to submit
15 Performance Statements that correlate with their project
16 schedule. Performance Statements are tabulated summaries
17 of the contractor's work and mirror the contractor's
18 price schedule. Lump sum, unit price and change order
19 items are listed on the Performance Statement and include
20 information on the description of work, the quantity of
21 work, the unit price of work if applicable, and the total
22 value of work. The Performance Statements indicate the
23 value of work completed to date, the value of work

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1 requested for the current payment application and the
2 total value of work remaining. CM receives performance
3 statements from the contractor that include back-up
4 information such as weight tickets, survey measurements
5 and as-built drawings that are used to substantiate the
6 accuracy of the invoice. If the invoice is not
7 approvable in its entirety, the contractor is required to
8 revise it as appropriate or approval of partial payment
9 is recommended. Once the CM section that manages the
10 remediation contractor determines that the performance
11 statement is acceptable, that section signs the
12 performance statement and sends it to the contractor and
13 to CM's Administrative Services Group. The contractor
14 then submits the signed performance statement along with
15 its invoice to CM's Administrative Services Group, which
16 compares the signed performance statement provided by the
17 CM section that manages the contractor and the invoice
18 submitted by the contractor. CM's Administrative
19 Services Group reconciles the contractor's invoice with
20 the performance statement before processing the invoice
21 for payment.

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1 Once an invoice is approved, it is receipted on the
2 Company's centralized online accounting system for
3 subsequent payment.

4 Q. Does Con Edison prepare and review financial reports for
5 SIR sites?

6 A. Yes. Con Edison's Accounting Department works with the
7 EH&S Remediation group and prepares and distributes
8 reports on a monthly basis indicating site-specific and
9 program-specific expenditures.

10 Q. Are these monthly reports reviewed to identify any
11 expenditure that may have been erroneously charged to a
12 particular site?

13 A. Yes. Accounting Department staff and EH&S Remediation
14 staff review listed expenditures. If any expenditures
15 are identified that appear to have been charged to a SIR
16 site account erroneously, Accounting and EH&S investigate
17 and, if appropriate, have the charge transferred to
18 appropriate project and task numbers.

19 Q. Has Con Edison conducted internal audits of its SIR
20 Program projects?

21 A. Audits of SIR projects have been conducted by Con
22 Edison's Auditing Department, Quality Assurance team, and

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1 an external consultant. The audit process reviews have
2 included, among other things, whether:

- 3 • The project was competitively bid and awarded to
4 the lowest bidder among the technically acceptable
5 contractors;
- 6 • The engineering package was accurate and complete;
- 7 • EH&S regulations and contractor health and safety
8 plans were complied with;
- 9 • CM properly managed, monitored, and documented the
10 project, and any changes in the project scope were
11 properly justified;
- 12 • Project payments were accurate and timely, and any
13 increases in pricing were properly justified and
14 reviewed for accuracy;
- 15 • CM effectively monitored contractor work and
16 completed the appropriate oversight inspections and
17 the required associated documentation.

18 During 2016, the Company conducted one internal Audit for
19 the SIR Program. This Audit assessed whether remediation
20 crews were working in accordance with Con Edison policies
21 and procedures, the contractor's Health and Safety Plan,
22 and applicable EH&S regulations. The most recent
23 internal Audit was conducted in 2020 and involved an

1 assessment of the controls in the environmental
2 remediation program at Con Edison and its affiliate,
3 Orange and Rockland Utilities, Inc., related to
4 procurement, contractor oversight, employee safety, site
5 safety/work area protection, vehicle and equipment
6 safety, and regulatory compliance.

7 **COMPLIANCE WITH RATE CASE FILING REQUIREMENTS**

8 Q. Are you familiar with the Commission's rate case filing
9 requirements with respect to SIR costs?

10 A. Yes, we are. In its Order of November 28, 2012, in Case
11 11-M-0034 ("Order"), the Commission adopted several rate
12 case filing requirements with respect to SIR costs in
13 order to enhance its oversight of these costs.

14 Q. Please state what these filing requirements are.

15 A. The Commission's order states that in any future rate
16 filing in which a utility seeks to recover SIR expenses,
17 it must provide sworn testimony: (1) establishing that
18 the remediation process is in compliance with existing
19 timetables and DEC requirements, or providing
20 explanations for any divergence; (2) discussing the
21 utility's cost control efforts, including an attestation
22 to utility compliance with the best practices inventory;
23 and (3) indicating the results of any internal process

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1 the utility may have conducted with respect to review of
2 SIR procedures, and in particular explaining how internal
3 controls are brought to bear on site investigation and
4 remediation projects.

5 Q. Please discuss the Company's compliance with these
6 requirements.

7 A. For a discussion of the Company's compliance with
8 existing timetables and DEC requirements for remediation
9 programs, see the SIR Program section of our testimony.
10 Pursuant to the Commission's Order, the utilities have
11 established an inventory of best practices, which has
12 been accepted by the Department of Public Service Staff.
13 By this testimony, we are attesting that Con Edison
14 complies with the best practices inventory. We discuss
15 in detail above the Company's SIR cost control efforts
16 and practices in the section of our testimony entitled
17 "SIR Program Cost Saving Efforts and Practices."
18 Finally, we discuss above the Company's internal controls
19 and how those controls are brought to bear on site
20 investigation and remediation projects.

21 Q. Does this conclude your testimony?

22 A. Yes it does.

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1 INTRODUCTION

2 Q. Would the members of the Information Technology (IT) Panel
3 (Panel) please state your name and business address?

4 A. Our names are Jeannine Haggerty, Manoj Chouthai, Allisyn
5 Glasser, James Prettitore, Mikhail Falkovich, Thomas Langlois,
6 Frank LaRocca, Aleksandra Pooley, and Denise Reid, and our
7 business address is 4 Irving Place, New York, NY 10003.

8 Q. By whom are the panel members employed?

9 A. We are employed by Consolidated Edison Company of New York,
10 Inc. (Con Edison" or the Company) in the IT area.

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

13 A. **(Haggerty)** I hold a master's degree in Energy Management from
14 New York Institute of Technology and a bachelor's degree in
15 Finance & International Business from Manhattan College. I
16 have been employed by Con Edison since 1991, holding various
17 positions of increasing responsibility in Utility Shared
18 Services, Corporate Shared Services, and Electric Operations.
19 In July 2019, I was promoted to Vice President of IT, Business
20 Systems Delivery (BSD), which is responsible for application
21 development and support for the Company's approximately 450
22 applications.

23

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1 **(Chouthai)** I hold a Master of Science from New York
2 University's Courant Institute of Mathematical Sciences and a
3 Master of Business Administration degree from New York
4 University's Stern School of Business. Prior to joining Con
5 Edison in 2019, I was the Senior Vice President and Group CIO
6 of Reliance Industries Limited (RIL), India (2014-2018),
7 responsible for all IT Platforms across central and line of
8 business IT organizations. Prior to that, I was the Vice
9 President and Chief Information Officer, Public Service
10 Enterprise Group (PSEG) (2003-2012), responsible for all IT.
11 I joined Con Edison as the Vice President of IT Engineering
12 and Operations, responsible for cybersecurity, IT
13 infrastructure (network/data centers/servers), Enterprise
14 Architecture and IT strategic planning.

15
16 **(Glasser)** I hold a Bachelor of Science degree in Management
17 Information Systems in 1998 from the University of Connecticut
18 and a Master of Business Administration degree in Project
19 Management from DeVry University in 2007. I have been
20 employed by Con Edison since 1998, holding positions of
21 increasing responsibility in Finance, Treasury, Shared Service
22 Administration, Orange and Rockland Utilities, Inc. (O&R)
23 Operations, and IT. I am currently the Director of Enterprise
24 Architecture and Digital Platforms responsible for Enterprise

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1 Architecture, Cloud Services, Integration Services, Analytics
2 Center of Excellence and Digital Factory.

3
4 **(Prettitore)**I hold a Bachelor of Arts in Economics from the
5 University of Rhode Island and a Master of Business
6 Administration in Strategy and Finance from New York
7 University's Stern School of Business. I have been employed
8 by Con Edison since 1991, holding positions of increasing
9 responsibility in Finance, Supply Chain, System Operations,
10 and IT. I am currently the Director of IT Strategy
11 responsible for strategic planning. My responsibilities
12 include developing long-range strategic plans for IT
13 investment and overseeing our rate case filings.

14
15 **(Falkovich)** I hold a Bachelor of Science and Master of
16 Engineering from Cornell University. I have been employed in
17 the electric utility industry for the last 20 years, holding
18 positions of increasing responsibility in IT, Engineering,
19 Legal, and Information Security. I was hired by Con Edison as
20 Director of Information Security in May 2016 and currently am
21 the Chief Information Security Officer. I am responsible for
22 the Company's cybersecurity initiatives, including threat and
23 risk management, Cybersecurity Engineering, and cybersecurity
24 compliance.

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(Langlois) I hold a Bachelor of Science and Master of Science in Electrical Engineering from Manhattan College. I have been employed by Con Edison since 2006 and have held various positions in Distribution Engineering and operations, and the Advanced Metering Infrastructure (AMI) implementation team prior to assuming the Director role for BSD. In my current role, which started in July 2021, I focus on Outage Management Systems (OMS), Geographic Information Systems (GIS), and Control Center systems.

(LaRocca) I hold a Bachelor of Science in Computer Science from St. John's University. I have been employed at Con Edison since 2008 and held positions in Finance and IT. I am currently a director in BSD responsible our managed service provider relationship in supporting our outsourced application portfolio. I also support our Shared Services applications for Con Edison and O&R. Prior to joining Con Edison in 2008, I spent 20 years in KeySpan Energy in the Information Technology organization and, most recently, the VP of Information Technology and CIO.

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1 **(Pooley)** I hold a Bachelor of Science in Computer Science from
2 Oakland University and a Master of Science in Computer Science
3 from Oakland University. I have been employed by Con Edison
4 since 2014 holding positions of increasing responsibilities in
5 IT. I am currently the Director of Infrastructure and
6 Operations responsible for the operations of our IT Network,
7 Voice and Data Telecommunications, Servers, Storage, Data
8 Centers, End User Services, Network Operations Center, and
9 Service Desk.

10
11 **(Reid)** I hold a Bachelor of Administration in Information
12 Systems and a Master of Business Administration in Accountancy
13 from Baruch College. I have been employed by Con Edison since
14 1990, holding positions of increasing responsibility in
15 various departments in IT (BSD, IT Planning, Quality
16 Assurance) and in Auditing. I am currently a Director in BSD
17 responsible for Work Management Solutions for Con Edison and
18 O&R.

19 Q. Have any panel members previously submitted testimony or
20 testified in a proceeding before the New York State Public
21 Service Commission (PSC or the Commission)?

22 A. Ms. Glasser submitted testimony on behalf of the Company in
23 Cases 14-E-0493 and 14-G-0494 (2014 O&R Rate Case), Cases 19-
24 E-0065 and 19-G-0066 (2019 Con Edison Rate Cases), and for O&R

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1 in Cases 21-E-0074 and 21-G-0073 (2021 O&R Rate Cases). Mr.
2 Falkovich and Mr. LaRocca submitted testimony in the 2019 Con
3 Edison Rate Cases and 2021 O&R Rate Cases.
4 The other Panel members have not previously submitted
5 testimony or testified before the Commission.
6

7 **PURPOSE OF TESTIMONY**

8 Q. Please explain the purpose of this testimony.

9 A. This Panel's testimony presents an overview of Con Edison's IT
10 investments and initiatives over the next several years and,
11 in particular, over the proposed rate years. In working with
12 all corporate organizations, IT designs, develops, and
13 implements solutions to help the Company meet its key
14 corporate initiatives - operational excellence, safety, and an
15 enhanced customer experience. The proposed IT projects
16 position the Company to meet customer, stakeholder, regulator,
17 and employee expectations.

18 Q. Please explain how the testimony is structured.

19 A. This testimony is structured as follows:

- 20 • a discussion of the Company's overall IT organization,
21 its core function, IT strategy, IT investment tiers, IT
22 governance process, technology trends, and overall
23 capital and O&M request.

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1 • an explanation of the requested projects, starting with
2 enterprise-wide major technology projects, followed by IT
3 projects in the tiers described in the IT overview
4 section.

5 • an overall discussion of IT projects in other areas
6 throughout the Company, supplemented by the business
7 justification in associated whitepapers and/or the
8 associated witness or panel testimony, explaining the
9 project.

10 Q. Does this testimony include all Company IT-related projects?

11 A. Yes, except for the customer service-related projects included
12 in the Customer Operations Panel testimony. IT is a key
13 partner in those projects, but they are discussed by the
14 Customer Operations Panel because they are so closely tied to
15 other customer issues discussed by that panel.

16 Q. For what period is the Company requesting funding?

17 A. The Company seeks a one-year rate plan for the twelve-month
18 period ending December 31, 2023 (Rate Year or RY1). As
19 discussed by the Accounting Panel, the Company is open to
20 discussing a longer rate plan in settlement negotiations.
21 Therefore, we present information for the twelve-month periods
22 ending December 31, 2024 (RY2) and December 31, 2025 (RY3).

23 Q. What are the requested expenditures for IT projects that the
24 Company is including in this filing?

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1 A. The Company has included \$1.460 billion in requested capital
2 and \$117.1 million Operating and Maintenance (O&M)
3 expenditures for IT-related projects over the three-year
4 period. As noted earlier, this includes all IT projects,
5 except for the projects discussed by the Customer Operations
6 Panel.

	Capital & O&M			
	Total Annual Request (\$000)			
	2023	2024	2025	Total
Capital	\$470.2	\$558.5	\$430.9	\$1,459.7
O&M (Incremental to test year)	\$75.0	\$24.5	\$17.6	\$117.1
Total	\$545.2	\$583.0	\$448.5	\$1,576.8

8

9

IT OVERVIEW

10 Q. Please provide a summary of this section.

11 A. In this section, we explain the role and structure of the IT
12 organization, IT investment tiers, and IT governance process;
13 discuss technology trends; and explain the requested capital
14 and O&M costs.

15

IT Organization

16 Q. Please explain the role of the IT organization.

17

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1 A. The IT organization provides the Company with the information
2 technology products, services, and cybersecurity required to
3 perform its business.

4 Q. How does IT meet this role?

5 A. IT invests in four technology tiers:

6 First, IT builds and operates the Company's foundational IT
7 infrastructure (e.g., data centers that host the servers,
8 databases, routers, firewalls, etc.). This IT infrastructure
9 provides the basic computing, telecommunications, and
10 networking needs for the various applications that are used to
11 provide critical Electric, Gas, and Steam to our customers as
12 well as our administrative and other back-office groups.

13 Second, IT implements software platforms, such as data and
14 analytics, mobility, cloud, customer relationship management,
15 which are deployed on top of the foundational infrastructure.
16 These software platforms are the building blocks for
17 applications (see fourth item below) used throughout the
18 Company.

19 Third, IT provides cybersecurity protection for all technology
20 assets (Information Technology (IT) and Operational Technology
21 (OT)) across the enterprise.

22 Fourth, IT implements specialized applications to meet
23 business needs, enable value, and allow employees to perform
24 their jobs in a safe, secure, resilient, and efficient manner.

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1 These applications are required for all Company functions,
2 including electric, gas, and steam operations, customer
3 service, Finance, Supply Chain, Human Resources, Law,
4 Auditing, Facilities, and many others.

5 Q. Please provide an example of a project using the above tiers.

6 A. As explained later, we have a platform called C3.ai, which is
7 part of the larger Enterprise Data and Analytics platform
8 (EDAP). C3.ai is a cloud-based platform. We build various
9 analytics applications using the C3.ai platform.
10 Hot Sockets is an example of a specialized application on
11 EDAP. Hot Sockets leverages AMI meter data to identify meters
12 with potentially dangerous temperature conditions to improve
13 situational awareness and reduce safety risks, for both the
14 public and employees. We are looking to build additional
15 specialized applications on top of C3.ai.

16 Q. What types of projects does IT work on?

17 A. IT works on both Company-wide projects and on projects for
18 individual business and functional groups. Some of the
19 Company's largest capital investments in recent years have
20 been IT investments, including AMI, the outage management
21 system (OMS), the Gas Work & Asset Management system, mobile
22 apps along with the new customer service system (new CSS), and
23 the new Graphical Information System (GIS). In each case, IT

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1 worked closely with the relevant group to implement the
2 system.

3 Q. Can you give some examples of Company-wide IT projects?

4 A. Yes. Past Company-wide IT projects include implementing SCADA
5 and OMS (IT/OT), Work and Asset Management Systems (WMS), Case
6 Management for new business, and Enterprise Resource Planning
7 systems (ERPs - i.e., Payroll Systems, Finance, Accounting,
8 Supply Chain systems) and Business Intelligence and Analytics
9 platforms (BI).

10 Q. Can you give some examples of business-group specific IT
11 projects?

12 A. Business-group specific IT projects are wide ranging.
13 Examples of mobile applications include:

- 14 o OMS Site Safety and Damage Assessment, Outage Dashboards,
15 Feeder Status, Gas Plumber App, and Public Hazards
- 16 o Control Centers: Metropolitan Transportation Authority
17 (MTA) Dashboards
- 18 o Construction and Environmental Health and Safety

19 Other projects address reporting needs using tools like
20 Tableau and Power Business Intelligence.

21 Finally, IT provides support for incidents on an immediate
22 basis, such as pandemic related applications, including
23 dashboards, and mobile applications.

24 Q. How is the IT organization structured?

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1 A. IT is divided into two groups, Business System Delivery (BSD)
2 and Engineering and Operations (E&O).

3 Q. What areas fall under Business System Delivery?

4 A. BSD has four areas: Customer, IT/OT (Information
5 Technology/Operational Technology), Work & Asset Management,
6 and Shared Services.

7 Q. Please describe each area.

8 A. The Customer area focuses on projects that improve the
9 customer experience, such as the Digital Customer Experience
10 (DCX), new Digital Assistance, new analytical tools, and our
11 new Customer Billing System (aka new CSS).

12 The IT/OT area supports Supervisory Control and Data
13 Acquisition (SCADA), Control Center applications that serve
14 Electric, Gas & Steam, our core and ancillary suite of Outage
15 Management Systems (OMS), Graphical Information Systems (GIS),
16 our AMI platform and Clean Energy initiatives.

17 Under the Work and Asset Management area, we are implementing
18 one Work and Asset Management platform for numerous
19 departments within Con Edison and O&R.

20 Finally, the Common area focuses on our back-office
21 departments such as Human Resources, Finance, Auditing, Supply
22 Chain, Training, Facilities, Law, and Project Management.

23 Several BSD projects, including Work and Asset Management,
24 Outage Management, and Oracle Human Resource and Finance

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1 systems, are discussed in the Major Enterprise System section
2 in this testimony.

3 Q. What areas fall under Engineering and Operations?

4 A. Engineering and Operations has four areas of work: Enterprise
5 Architecture and Digital Platforms, Cybersecurity,
6 Infrastructure and Operations, and IT Strategy.

7 Q. Please describe each area.

8 A. Enterprise Architecture is a standard IT methodology for
9 analyzing, planning, designing, and implementing IT solutions.
10 It is the equivalent of Distribution Engineering or Central
11 Engineering for IT. Key deliverables are architecture and
12 design documents across various IT domains, including
13 security, networks, applications, and infrastructure.
14 Digital Platforms enhances the Company's capabilities in areas
15 like mobile application development, data and analytics, and
16 the cloud.
17 Cybersecurity is responsible for cybersecurity operations and
18 policy.
19 Infrastructure and Operations maintains IT and communications
20 infrastructure, including data centers, networks, and end user
21 computing environments.
22 The IT Strategy group is responsible for IT strategic
23 planning.

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1 Q. Before moving on, what are the benefits of Enterprise
2 Architecture?

3 A. Some benefits of Enterprise Architecture are:

4 • Improved application portfolio management to reduce the number
5 of applications, costs, and risks.

6 • Improved technology and risk management to reduce complexity
7 and resolve security vulnerabilities, and compliance issues.

8 • Clearly documented architecture and standards to meet future
9 business goals.

10 • Reduced delivery times to keep up with a fast-changing
11 business environment.

12 Q. How many applications does IT support?

13 A. IT supports approximately 450 applications.

14 Q. Does IT maintain the approximately 450 applications IT
15 manages, by itself?

16 A. No. In 2020, the Company contracted out much of its
17 maintenance and support work to a managed service provider,
18 Cognizant. Most corporations of our size use managed service
19 providers, including many utility companies.

20 Q. Why did Con Edison decide to use a vendor?

21 A. To allow IT to scale its operations to support the increased
22 demand for IT services. IT work is increasing with no decline
23 in sight. The demand for IT systems, data, and infrastructure
24 has grown tremendously. As a result, the Company has
25 recognized IT as our "4th Operation" alongside electric, gas,

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1 and steam. This is also evident with the doubling of our IT
2 Capital portfolio from 2019 to 2020. In 2020-2021, IT
3 executed our capital portfolio of \$350 million to improve
4 business processes and bring value to our customers.

5 Q. What is the scope of services provided by Cognizant?

6 A Cognizant performs support services for IT infrastructure,
7 including our network operations center and service desk.
8 Cognizant also provides maintenance and support for more than
9 300 applications. Part of the transition included
10 implementing ServiceNow as our new IT ticketing and work
11 management system. This allows us to track IT assets and
12 service tickets in one system and will allow us to perform
13 analysis on incident and service level trends.

14 Q. Has IT implemented other general changes?

15 A. Yes. We have moved to cloud-based technology.

16 Q. Why?

17 A. Many of our software vendors have either stopped or advised
18 they will stop offering their software for installation in our
19 "On-Premises" data centers. They will only offer their
20 products on the "cloud." We expect this trend to continue.
21 As explained later, moving to the cloud increases O&M
22 spending, as subscriptions are required. With subscriptions,
23 the Company receives regular upgrades and patches to systems

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1 directly from the vendor, instead of having to upgrade or
2 patch the product ourselves.

3

4 **IT Strategy**

5 Q. What is IT's strategy to address the myriad of projects along
6 with the changing IT environment?

7 A. We have developed a three-pronged strategy, "Our Way of
8 Working," to guide our work. The three prongs are:

9 • Operational and project excellence

10 • Customer empowerment

11 • Unified enterprise architecture

12 Q. Please discuss the first element of IT's strategy, Operational
13 and Project Excellence.

14 A. IT focuses on operational excellence. IT is focused on
15 reaching zero safety and cyber incidents, zero operating
16 errors, and zero quality defects.

17 Q. How does this enhance the service IT provides to internal
18 organizations?

19 A. Because most Company operations rely on IT infrastructure, our
20 focus on operational excellence supports safe, reliable, and
21 resilient service to customers. For example, the operation
22 and control of our systems depend on secure networks and
23 telecommunications infrastructure provided by IT. Key IT
24 business applications are critical for core company functions,

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1 such as SCADA, outage restoration, gas leak response, and
2 customer care and billing.

3 Q. Please discuss the second IT strategy element, customer
4 empowerment.

5 A. The second element of the IT strategy is developing platforms
6 and technologies to help our customers connect with the
7 Company. Using technology to improve the customer experience
8 and enable personalization (including personalized
9 recommendations and views) is a priority.

10 Q. Please discuss the third IT strategy element, unified
11 enterprise architecture.

12 A. The third element creates standard enterprise architectures,
13 across all IT functions, that simplify the application and
14 infrastructure portfolio while taking a proactive role in
15 bringing new, innovative technology in a secure and reliable
16 manner.

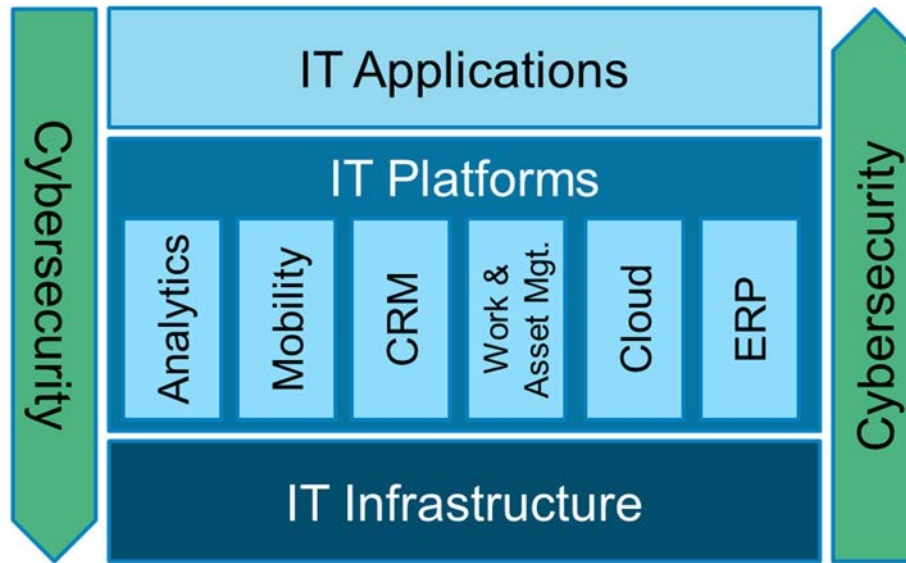
17

18 **IT Investment Tiers**

19 Q. What are IT investment tiers?

20 A. Investment tiers are the different categories of IT work
21 required by a project. IT systems are built using four tiers:
22 Foundational IT Infrastructure, IT Platforms, Cybersecurity,
23 and Applications.

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1

2 Q. Please explain.

3 A. The first investment tier is Foundational IT Infrastructure,
4 which is the equipment upon which applications are built.

5 Foundational IT Infrastructure includes investments in
6 hardware and software, data centers, cloud, colocation
7 facilities, and networks. It also includes the assets needed
8 to run and house systems, such as: real estate/space for
9 equipment, routers, WiFi, cable, internet, LAN/WAN equipment,
10 databases, firewalls, routers, and HVAC.

11 Q. Why is it necessary to make investments in Foundational IT
12 Infrastructure?

13 A. These investments are necessary to allow basic computing,
14 networking, and telecommunications technology to be hosted,
15 deployed, and managed in a safe, secure, reliable, and
16 resilient manner. Investments are essentially deemed as a cost
17 of doing business and are focused on providing security,

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1 reliability, and resiliency for the overall infrastructure,
2 systems and applications.

3 Q. What is the second category of investments?

4 A. IT Platform investments.

5 Q. Please explain what this category includes.

6 A. IT Platform investments enable enterprise business functions
7 to effectively engage with customers, stakeholders, and
8 employees. Platforms enable large-scale deployment of
9 applications, which enable additional functions, such as
10 Analytics, Mobility, Customer Relationship Management, Work
11 and Asset Management.

12 Q. How does platform investment help our customers?

13 A. Our customers benefit by leveraging the scale efficiencies the
14 platform provides. For example, a Customer Relationship
15 Management (CRM) platform provides a single unified customer
16 experience. If a customer is inquiring about their bill,
17 energy efficiency programs or a requesting an appointment,
18 they will have the same look and feel. The goal of the tool is
19 to provide ease of use and a streamlined experience. The same
20 goes for internal applications. Despite the commonalities,
21 this platform still allows individual organizations to create
22 unique applications to meet business needs.

23 Q. What is the third area for IT investment?

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1 A. Cybersecurity investments to protect the Company's computing
2 assets, both IT and OT, from malicious and ransomware driven
3 cyber attacks.

4 Q. Please discuss the fourth investment category, IT
5 Applications.

6 A. IT Applications are IT systems that are built or purchased to
7 assist the business group with an overall or specific need.
8 They support key business processes across the Company, for
9 example, customer interaction, outage management and
10 restoration, energy system monitoring and control, finance,
11 supply chain, and HR/Payroll. These investments are
12 prioritized based on expected value and managed via an IT
13 Technology Governance board (i.e., the IT Board or ITB).

14 Q. Please provide some examples of IT Applications.

15 A. Examples of IT include the outage management system (OMS)
16 which allows operators to monitor customer outages and
17 subsequent restorations; the Customer Service System used to
18 manage customer accounts and billing; and the Oracle E-
19 Business Suite (EBS) system used for finance, accounting, and
20 budgeting.

21

22 **IT Governance Process**

23 Q. Please describe the governance process for IT investments.

24 A. IT investments, including those proposed by this Panel, are
25 under the oversight of the IT Board (ITB), which consists of

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1 executives from across the Company. The ITB is responsible
2 for managing the IT portfolio, authorizing funding releases
3 and requests, and selecting a final portfolio of projects each
4 year. ITB meets at least quarterly. ITB also holds monthly
5 project meetings to review projects.

6 Q. How are IT projects selected?

7 A. Through an optimization process. The Company's goal is to
8 select a capital portfolio of projects that align with
9 Corporate and IT strategic goals and drive high-value
10 initiatives, which deliver safety, operational excellence, and
11 improved customer experience. Capital projects are rated for
12 the purposes of alignment with Company strategic goals.
13 Optimization scenarios are approved by the ITB. Once the ITB
14 approves a portfolio, it is included in the following year's
15 capital budget.

16
17 **Technology Trends**

18 Q. Does IT consider technology trends?

19 A. Yes. The Company, in general, and IT, specifically, looks to
20 transform and continually improve the way we do business. We
21 are constantly looking at new and evolving technology to
22 determine opportunities to improve IT's products and services.

23 Q. Please explain.

24 A. Technology is advancing at a rapid pace and changing the way
25 businesses operate. For example, Cloud technology was not

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1 available just a few years ago. Cloud fosters data analytics,
2 resiliency (data centers in different regions), and the
3 ability to more quickly deliver server environments needed for
4 IT projects. Other items like quantum computing, artificial
5 intelligence, virtual reality, and machine learning are
6 quickly evolving. We must stay abreast of new developments to
7 maximize efficiency and provide our customers the best service
8 possible.

9 Q. What are the key trends shaping the IT organization's
10 strategy?

11 A. Cyber security, Cloud Computing, Artificial Intelligence (AI)
12 and Machine Learning (ML), Internet of Things (IoT), 5G
13 Communications and Connectivity, Digital Transformation, and
14 Technology Modernization. These IT trends inform business
15 strategy, as they may indicate new ways to unlock value across
16 the organization. The Company has considered these trends in
17 developing its budget and the components of this filing.

18
19 **Capital and O&M Investment**

20 Q. Please describe the forecasted capital request for each rate
21 year and its main drivers.

22 A. The 2023 capital request is \$401 million, a \$85 million
23 increase from 2022. The main drivers for the increase in 2023
24 are the Oracle EBS ERP Cloud Migration (\$51 million), the eGIS

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1 Implementation (\$35 million), and the Technology Modernization
2 Program (\$32 million).

3 The 2024 capital request is \$476 million, a \$75 million
4 increase from 2023. The main drivers for the 2024 increase
5 are the Oracle EBS ERP Cloud Migration (\$66 million), the eGIS
6 Implementation (\$60 million), and the Technology Modernization
7 Program (\$29 million).

8 The 2025 capital request is \$386 million, a \$90 million
9 decrease from 2024. The main drivers are the Oracle EBS ERP
10 Cloud Migration (\$65 million) and the eGIS Implementation (\$15
11 million).

12 Q. Before explaining the Company's O&M request, please explain
13 the categories of costs in the O&M category.

14 A. IT O&M requests fall into two main categories. First, most IT
15 projects start out as capital projects in the development and
16 implementation stage. Once the system moves into production,
17 there are operating costs associated with running the system
18 or application, including subscription costs, support costs,
19 upgrade costs and the like. This is referred to as the O&M
20 tail or carrying cost for capital projects. For example, once
21 a large IT capital project, such as AMI, is implemented, O&M
22 is required to cover recurring costs, including vendor
23 software maintenance, subscriptions for cloud services known

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1 Software as a Service (SaaS), and labor costs for employees or
2 contractors to provide support.

3 Second, incremental O&M is required for the increasing
4 maintenance, and subscription contracts for overall IT
5 infrastructure, including cloud, and communications. For
6 example, maintenance costs have increased for infrastructure
7 equipment, such as servers and network switches, consistent
8 with our inventory growth. We have enhanced our remote
9 connectivity capability since our last rate filing, increasing
10 maintenance and support costs for the underlying hardware and
11 software needed to support remote work. We continue to make
12 capital investments to modernize and improve the security for
13 our data centers, resulting in increased maintenance and
14 support for data center infrastructure. Our mainframe
15 environment is necessary to support several important
16 applications, such as new CSS and billing interfaces for our
17 AMI systems. We are seeking incremental O&M to offset
18 software and hardware maintenance increases from mainframe
19 vendors, such as IBM. Another example is the growing
20 dependence on mobile devices for many key business functions,
21 resulting in increased telecommunications costs.

22 Q. Please describe the O&M request and the main drivers for the
23 O&M request.

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1 A. For O&M, we are requesting \$75 million in incremental
2 expenditures in RY1, an additional \$24 million in RY2, and
3 another additional \$18 million in RY3. The main drivers for
4 the request are the increase in capital projects and the
5 associated O&M tail and the continued expansion of our
6 cybersecurity efforts and Oracle Software licensing. There
7 are additional O&M incremental costs related to various
8 Foundational IT Infrastructure services, such as hardware and
9 software maintenance, increasing maintenance costs for our
10 mainframe environment, and increasing telecommunications costs
11 due to device growth.

12 Q. Has the Panel developed an exhibit, entitled IT O and M White
13 Papers, to explain the requested O&M funding?

14 A. Yes. An exhibit was prepared under the Panel's direction and
15 supervision.

16 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-8)

17 Q. Has the Panel developed an exhibit to explain the requested
18 O&M for increased hardware and software maintenance?

19 A. Yes. An exhibit was prepared under the Panel's direction and
20 supervision.

21 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

22 Q. Do both the capital and O&M requests include additional
23 personnel?

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1 A. Yes. Various projects require additional personnel. In
2 total, our headcount will increase by 58 employees. They are
3 broken down into the following Foundational IT Projects and
4 are generally discussed in the exhibits accompanying each
5 project.

6

	Staffing Level Changes			
Foundational IT Projects	2023	2024	2025	Total
Cybersecurity	4	2	2	8
Foundational IT Infrastructure	15.5	2	1	18.5
IT Platforms	19	3	3	25
Applications	6.5	0	0	6.5
Total	45	7	6	58

7

8

IT PROGRAMS AND PROJECTS BY CATEGORY

9 Q. Please identify the categories used for organizing IT
10 projects.

11 A. We have organized the projects using the following categories:
12 Major Enterprise Projects, Foundational IT, Common, Electric,
13 Customer Energy Services (CES), and Gas. Projects are
14 discussed in testimony, exhibits, and/or the Business in the
15 exhibits.

16

17

MAJOR ENTERPRISE PROJECTS

18 Q. What are the most significant Major Enterprise Projects the
19 Company is proposing?

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1 A. The most significant are Work and Asset Management, eGIS,
2 Distribution Control Center Resiliency, OMS, and Oracle
3 upgrades for Human Capital Management, and Enterprise Business
4 Systems. As mentioned earlier, the Customer Operations Panel
5 discusses other projects, including the New Customer Service
6 System and the Customer Relationship Management System.

7

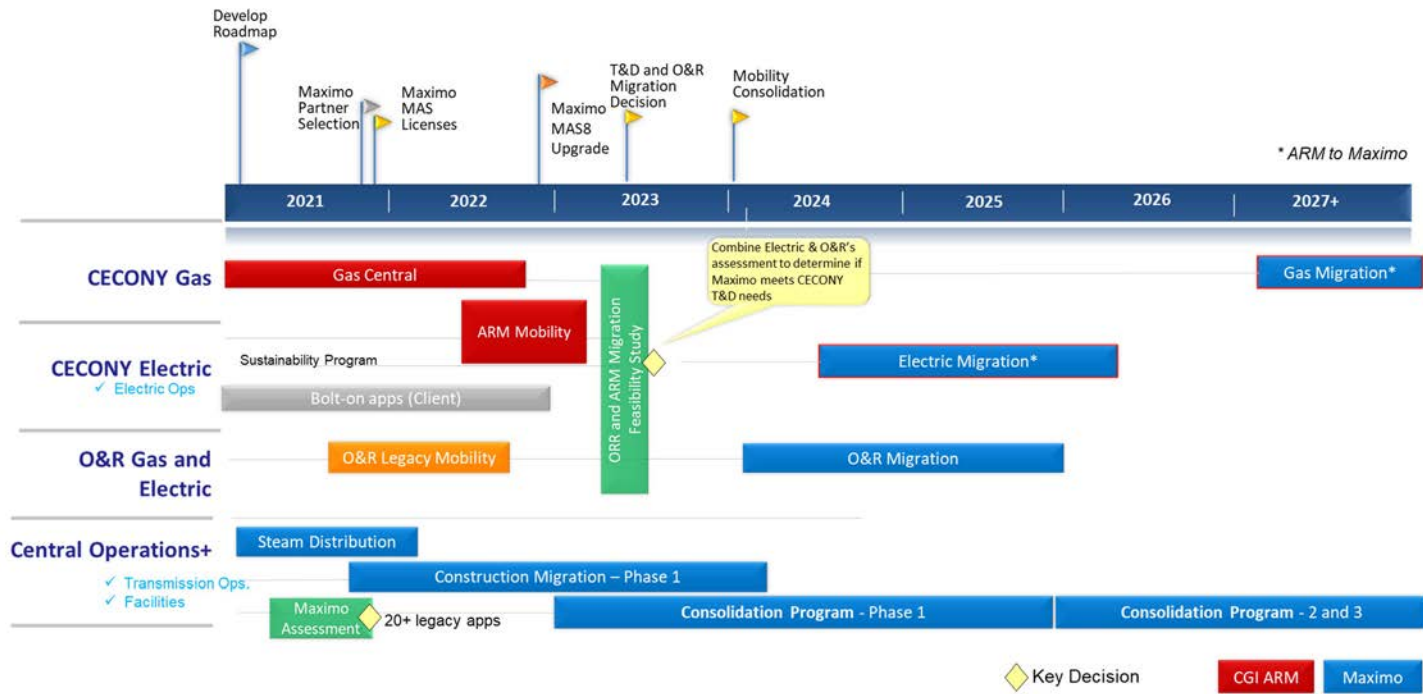
8 **Work and Asset Management**

9 Q. Please explain the Work and Asset Management project.

10 A. Different Company organizations currently use four work
11 management programs. The Company is requesting \$186 million
12 to develop a "One Enterprise" Work and Asset Management
13 solution for all groups with appropriate customizations.
14 Seven projects account for 89 percent of the requested \$186
15 million. The following explains the overall roadmap:

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1

2 Q. Please identify the seven major projects.

3 A. The chart below sets forth the projects and their costs.

4

Work Management	2023	2024	2025	Sum - 3 years
Maximo Consolidation Program Phase 1	\$15,492,700	\$24,955,800	\$18,070,600	\$58,519,100
Electric - ARM Replacement	\$0	\$23,750,000	\$23,750,000	\$47,500,000
Construction Migration (Contractor Payment System Work Tracking)	\$10,377,000	\$10,094,000	\$0	\$20,471,000
WMS Sustainability Project	\$3,750,000	\$3,750,000	\$3,750,000	\$11,250,000
Gas Work & Asset Management New Functionality	\$3,375,000	\$3,375,000	\$3,375,000	\$10,125,000
Substation Technology Improvements Program	\$5,000,000	\$3,000,000	\$2,500,000	\$10,500,000
Protective Relay Settings Repository	\$5,000,000	\$3,000,000	\$0	\$8,000,000
Total	\$42,994,700	\$71,924,800	\$51,445,600	\$166,365,100

5

6 Q. Have the whitepapers associated with these projects been
7 developed under the Panel's direction and supervision?

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1 A. Yes, they have.

2 Q. Have they been assembled into one exhibit, entitled Work
3 Management System?

4 A. Yes. Please see the exhibit for additional detail.

5 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

6 Q. Please describe the benefits of one overall system.

7 A. One overall system will transform the current Work and Asset
8 Management application landscape into a consolidated,
9 streamlined, efficient, reliable, and robust solution. The
10 program will address the functional limitations of the
11 current legacy systems, technology obsolescence, and mitigate
12 cyber risks, enabling Con Edison to realize the full benefits
13 and synergies of a true enterprise solution across all
14 business areas: common platform, streamlined workflows, single
15 consolidated data source, "center of excellence" support, best
16 of breed work and asset management functionalities,
17 scalability, performance, enhanced security, and the ability
18 to meet current and growing business needs. For example, the
19 existing electric Work and Asset Management system runs on an
20 older platform (CGI ARM) and experiences limitations in
21 meeting the current and growing business needs.
22 To gain these benefits, the Company will migrate disparate
23 legacy Work and Asset Management applications into the

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1 existing, highly configurable IBM Maximo Work and Asset
2 management enterprise platform.

3 Q. Why undertake this project?

4 A. This project standardizes the different applications into one
5 common software platforms and modernizes our work management
6 application portfolio. In addition, there are several
7 disparate (20+) legacy work management systems running on
8 obsolete technologies. Some of these systems will soon
9 present a cyber risk unless addressed. Others lack
10 functionality and need to be migrated to an enterprise
11 solution to leverage new and advanced capabilities,
12 consolidated application and platform support, and realize
13 efficiencies and accommodate growing business needs in the
14 future.

15

16 **eGIS**

17 Q. Is the Company developing an enterprise-wide mapping system?

18 A. Yes. The current rate plan allows the Company \$90 million to
19 implement an enterprise-wide mapping system in three phases.
20 Phases 1 and 2 were included in the prior rate plan, phase 3
21 was not.

22 Q. Please explain Phases 1 and 2.

23 A. In 2019, the Company began its multi-phased effort to update
24 its outdated mapping systems by implementing the eGIS project
25 and establishing a single mapping platform for the Company.

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1 Phase 1 includes the distribution system and the mains and
2 services for electric and gas operations. Phase 2, started in
3 2020, includes establishing the primary (feeder) mapping
4 system and the Staten Island mapping system. Phases 1 and 2
5 are expected to be completed by the end of 2022.

6 Q. Please discuss Phase 3.

7 A. Phase 3 consists of developing the conduit and composite
8 plates. The Company will complete the distribution class (120V
9 to 33kv) cables during Phase 1 and Phase 2. The Company plans
10 to complete the conduits that house the cables in Phase 3,
11 which is expected to begin in 2023 and be completed in 2025.
12 This includes the over 14,000 combined conduit plates and
13 composite feeder plates.

14 Q. When do you plan to start Phase 3?

15 A. We cannot commence working on Phase 3 until Phases 1-2 are
16 complete. Phase 3 will take approximately three years because
17 the Company will manually re-draw most of our conduit and
18 composite plates onto the new platform.

19 Q. What is the Company requesting in this filing for eGIS?

20 A. Con Edison is requesting \$140 million to complete Phase 3 of
21 the project between 2023-2025. Without this funding and work,
22 our migration to the eGIS platform will not be fully complete
23 and we will still rely on legacy mapping systems for mapping
24 of certain assets.

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1 Q. Is there a document that explains Phase 3 and ongoing eGIS
2 work?

3 A. Yes. An exhibit was developed under our direction and
4 supervision.

5 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

6 Q. Is Con Edison on track to realize the benefits described in
7 the eGIS Business Case included in the Company's 2019 rate
8 filing?¹

9 A. Yes. Con Edison is on track to realize these benefits.
10 First, the eGIS project cost avoidance will be realized upon
11 elimination of legacy applications and the associated
12 maintenance and support. This will occur when the Company
13 achieves the go-live milestone in all boroughs and regions
14 associated with Phase 1 and Phase 2 and Phase 3. The
15 anticipated cost savings include custom support agreements for
16 obsolete software, non-IR supported eGIS related applications,
17 avoided system failure, and alleviating the need to develop
18 new eGIS like applications.

19 Q. Please continue.

20 A. Second, regarding the remainder of the benefits, the new
21 mapping system will improve efficiency by eliminating the need

¹ See Case 19-E-0065, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service*, 2019 CECONY Electric Rate Case Exhibits Vol. 3, filed January 31, 2019.

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1 to map the same structure on multiple maps and reduce costs.

2 In addition, having all Company maps including all commodities
3 on a single platform will increase the efficiency of creating
4 work packages that require layouts. Once we integrate Phase
5 3, we will recognize all the benefits outlined in the business
6 case. The Business case filed in 2019 (named "eGIS Business
7 Case 2019.docx") is included in Exhibit __ (IT-1). An updated
8 BCA (named "eGIS BCA.xls") is included in our workpapers.

9 Q. How will eGIS facilitate Distributed Energy Resource (DER)
10 integration and support operational resilience?

11 A. Con Edison's eGIS will support the achievement of the State's
12 Climate Leadership and Community Protection Act (CLCPA) goals
13 in several ways. eGIS will facilitate the adoption of DER
14 through increased accuracy of hosting capacity maps, a
15 foundational component for the Company's Distributed Energy
16 Management System (DERMS), as explained by the CES Panel.
17 Moreover, the GIS mapping system is foundational for
18 developing a DERMS system.

19 Further, in the face of more frequent and severe storm events,
20 the eGIS will improve storm recovery efforts through improved
21 accuracy of outage counts in the Outage Management System.

22 eGIS will also facilitate damage assessment and restoration of
23 customer outages during normal blue-sky events as well as
24 major storms. In addition, the eGIS will integrate asset

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1 information and flood maps to facilitate evaluation and
2 planning for flood risks to Con Edison assets.

3 **Distribution Control Center Resiliency Project**

4 Q. Please describe the Control Center Resiliency project.

5 A. The Distribution Control Center (DCC) data networks can
6 immediately sever the connection to the Corporate data
7 networks to operate independently, if needed, in an emergency.
8 Severing the connection isolates and protects the critical
9 infrastructure and applications that the Distribution Control
10 Centers need to operate efficiently and safely.

11 However, as designed, the current process makes operating in a
12 severed situation difficult in two areas. First, once
13 severed, the distribution control centers must resort to
14 manual processes to perform necessary work. Moreover, the
15 current configuration of the network has our Outage Management
16 System within the Distribution Control Center network,
17 thereby, limiting access to OMS for other key users.

18 Q. What will this project do?

19 A. Initially, this project will establish a new separate
20 dedicated network for outage management systems, allowing work
21 functions to continue.

22 The Company will phase in applications in the OMS ecosystem
23 during the rate period so that the functionality mirrors a
24 normal day in incremental steps. For example, the initial

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1 project focus is on customer calls and providing data to
2 outage maps and regulatory staff while islanded.

3 Q. Please explain the benefits of this project.

4 A. This project will provide redundancy and resiliency to operate
5 in an "islanded" state.

6 The project includes process improvements, improved incident
7 response, and streamlined IT environments (simplifying
8 existing environments and leveraging reusable centralized
9 services).

10 Q. What funding is the Company seeking for this project?

11 A. The Company forecasts capital costs of \$8 million in each of
12 RY1 through RY3. We expect to complete the project in 2026.

13 Q. Has the Panel developed an exhibit to more fully explain this
14 project?

15 A. Yes. An exhibit was prepared under the Panel's direction and
16 supervision.

17 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

18

19 **Outage Management System Projects**

20 Q. Does the Company have any projects related to outage
21 management?

22 A. Yes. We are proposing two projects: Outage Management System
23 - Phase Four (software) and OMS System Hardening Project
24 (hardware). The Company's capital forecast for OMS Phase 4 is
25 \$9.2 million in RY1, \$5.7 million in RY2 and \$5.2 million in

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1 RY3. The Company's capital forecast for OMS System Hardening
2 is \$3.9 million in RY1, \$4 million in RY2 and \$4.2 million in
3 RY3.

4 Q. Please describe the Company's current outage management
5 system.

6 A. The Outage Management System (OMS) is the primary means of
7 reporting outage information for internal and external
8 stakeholders during and after a storm event. Through the
9 hardware and software implementing the system, OMS manages,
10 tracks, and resolves customer outages on the electric
11 distribution system.

12 The software supporting OMS is the Oracle Network Management
13 System (NMS), an industry leading outage management system.
14 The system has multiple sources of input including, but not
15 limited to the following: customer outage reports, damage
16 assessment, SCADA, AMI, and manual user input.

17 Currently, the hardware driving OMS is older hardware, which
18 is approaching end of life.

19 Q. Has the Panel developed an exhibit containing two whitepapers
20 associated with these two projects?

21 A. Yes. They were prepared under our direction and supervision.

22 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

23 Q. Please describe the Outage Management System - Phase Four
24 project.

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1 A. This project will upgrade the Oracle Network Management System
2 (NMS) software to the latest version. The project promotes the
3 "One Enterprise" approach as both Con Edison and O&R will
4 simultaneously upgrade to the NMS 2.5 version.

5 Q. Why perform this project?

6 A. The current version of the software has transitioned to
7 Extended Support. As a result, no new enhancements will be
8 made on the current version of the product line. Oracle's
9 Extended Support for this product ceases in November 2024.

10 Q. Please explain the enhancements from this project.

11 A. The enhancements include operator ease of use and additional
12 automation capabilities. This upgrade will also introduce a
13 new OMS mobile platform, with damage assessment, crew
14 management and Estimated Time of Restoration (ETR) field
15 update capabilities. The upgrade also improves availability
16 and reliability at local and remote sites, allows for faster
17 routine patching and improved disaster recovery, enables
18 Oracle's recent and upcoming enhancements offered, and
19 receives vendor support (e.g., service packs and patches).

20 Q. Turning to the hardware component of upgrading OMS, please
21 describe the OMS IT System Hardening project.

22 A. This project will improve the operational performance and
23 resiliency of our critical outage management systems and
24 supporting infrastructure, including underlying OMS

INFORMATION TECHNOLOGY PANEL

1 technologies, OMS system architecture, data optimization, and
2 end-to-end testing capability.

3 Storms of increasing severity and intensity require investment
4 in a robust, modernized, high availability architecture that
5 supports increased customer outage reporting and AMI outage
6 data integration to the OMS. Investments in end-to-end testing
7 will also focus on additional automation capabilities, testing
8 tool modernization, and expanding testing coverage.

9 Q. Why undertake this project?

10 A. This program addresses recent storm issues. The proposed
11 enhancements will both correct current technical gaps as well
12 as set the building blocks for future integrations,
13 enhancements, and testing.

14 Q. Please explain the project benefits.

15 A. The upgrade will replace end-of-life hardware and enable High
16 Availability (HA) architecture mitigating the need for
17 prolonged maintenance outages for software patching. We
18 expect process improvements and reduced overhead through the
19 reduction of unplanned OMS outages through system stability
20 improvements, improved incident response, and reduction in
21 future project cost by streamlining current IT environments
22 (simplifying existing environments and leveraging reusable
23 services), and implementing better testing strategies
24 (automating testing). Additionally, as noted below, we will

INFORMATION TECHNOLOGY PANEL

1 develop a testing Center of Excellence, allowing the Company
2 to automate and standardize our testing practices.

3
4 **Oracle ERP Projects**

5 Q. Please describe the Oracle EBS Supply Chain and Finance (EBS)
6 and Human Capital Management (HCM) Cloud Migration projects.

7 A. These projects will move our existing on premises Oracle EBS
8 and HCM systems to Oracle's cloud platform.

9 Q. Please explain the Oracle EBS project.

10 A. Oracle EBS provides the Company's finance and supply chain
11 functions. This project will migrate our existing EBS system
12 to the latest Oracle version, which is on Oracle's Cloud. The
13 Company is in the process of a Phase Zero study for this
14 migration. We plan to start the project in 2023 and would
15 complete it in 2025. The Company is seeking \$50.6 million in
16 RY1, \$66.5 million in RY2 and \$1.4 million in RY3.

17 Q. Please describe the Oracle HCM Cloud Implementation project.

18 A. This project replaces the legacy versions of our Oracle
19 Peoplesoft Human Capital Management (HCM) and Customer
20 Relationship Management (CRM) applications (the HR Payroll and
21 myHR Connection systems), consolidates disparate HR systems to
22 a single platform, develops advanced and predictive workforce
23 analytics, and stores payroll history for record retention
24 purposes. This project began in 2021 and is expected to be

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1 completed in 2024. The Company is seeking \$19.4 million
2 funding in RY1 and \$1.5 million RY2 to complete the project.

3 Q. Why is the Company upgrading and moving both these projects to
4 the Cloud?

5 A. Oracle intends to move all on-premises solutions to its cloud
6 platform and is devoting most of its development resources to
7 producing cloud versions of its software. Because of Oracle's
8 strategic direction, Con Edison is moving EBS and HCM
9 operations to the cloud to avoid the potential risk of facing
10 delays in enhancements, security fixes, and costly upgrades to
11 maintain the legacy on-premises software.
12 Additionally, moving HCM, Supply Chain, and Finance systems to
13 Oracle's cloud will modernize our portfolio.

14 Q. Is there an exhibit that explains these projects in more
15 detail?

16 A. Yes. The Panel had an exhibit prepared under its direction
17 and supervision.

18 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

19

20 **FOUNDATIONAL IT PROJECTS**

21 Q. Please explain what is included in the Foundational IT
22 projects Section.

23 A. The Foundational IT Projects section includes strategic IT
24 investments in four categories: Foundational IT

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

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1 Infrastructure, IT Platforms, Cybersecurity, and Applications.

2 These categories are discussed earlier.

3 Q. What is the total requested capital investment for
4 Foundational IT projects?

	Capital - Total Annual Request			
	(\$ millions)			
	2023	2024	2025	Sum - 3 years
Foundational IT Infrastructure	\$74.3	\$115.3	\$96.2	\$285.9
IT Platforms	\$24.5	\$22.3	\$21.1	\$67.9
Cybersecurity	\$21.7	\$21.2	\$23.6	\$66.5
Applications	\$53.7	\$49.3	\$43.8	\$147.0
Total	\$174.2	\$208.3	\$184.7	\$567.2

5

6

7 **Foundational IT Infrastructure**

8 Q. What Foundational IT Infrastructure projects is the Company
9 proposing?

10 A. These nine projects modernize and upgrade our existing IT
11 infrastructure. The following shows the projects and
12 associated expenditures during RY1-RY3.

	Capital - Total Annual Request			
	(\$ Millions)			
Foundational IT Infrastructure	2023	2024	2025	Sum - 3 years
XM10 Computer Equipment	\$23.9	\$25.9	\$27.9	\$77.9
CCTN Expansion and	\$20.0	\$20.0	\$20.0	\$60.0

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Modernization				
GridMod Communications	\$16.0	\$16.3	\$16.3	\$48.6
IT Hardware and Software/M365		\$29.8		\$29.8
XM 8 Communications Equipment	\$3.9	\$9.0	\$9.0	\$21.9
End User Computing	\$3.4	\$4.7	\$6.2	\$14.2
Operational Technology Network Phase II	\$1.0	\$1.0	\$0.5	\$2.5
Enterprise Architecture Modernization	\$0.6	\$0.6	\$0.3	\$1.5
Total – Foundational IT Infrastructure	\$74.3	\$115.3	\$96.2	\$285.9

1

2 Q. Has the Panel prepared a document that explains the nine
3 projects included in this category?

4 A. Yes. In the Exhibit entitled, Infrastructure, which was
5 prepared under our direction and supervision, there are nine
6 whitepapers.

7 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-2)

8 Q. Are there any projects the Panel would like to discuss?

9 A. Yes. While the foundational infrastructure category is a
10 building block for IT, we explain Corporate Communication
11 Transmission Network (CCTN), Grid Modernization
12 Communications, Data Center Improvements, two general
13 equipment categories that IT owns, XM-8 and XM-10, and

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INFORMATION TECHNOLOGY PANEL

1 Hardware and Software Maintenance, which includes Cloud
2 Computing, Azure and M365.

3 Q. Please discuss CCTN.

4 A. CCTN is Con Edison's fiber optic network communication system,
5 which securely carries the Company's corporate data, voice,
6 and Supervisory Control and Data Acquisition (SCADA) data.

7 CCTN provides a reliable, secure, and high-speed data network
8 that enables all critical operations locations to communicate
9 with each other. CCTN is comprised of Company-owned fiber
10 optical cables, optical equipment, and radio system backbone
11 network infrastructure components. The Company maintains over
12 120 locations hosting CCTN components.

13 Q. Before continuing, please explain the Company's SCADA system.

14 A. SCADA systems provide visibility and control of the Company's
15 transmission and distribution systems. These systems are
16 critical to the safe and reliable operation of the
17 distribution system.

18 Q. Please describe the CCTN project.

19 A. The CCTN project will continue replacing older fiber spans and
20 installing new technology and spans as needed to improve
21 reliability, resiliency, and security. Without this
22 foundational system, operational performance of critical
23 communications can be at risk.

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1 Q. Turning to the Rev-Grid Modernization project, please explain
2 what is meant by Rev-Grid Modernization.

3 A. The Company continues to invest in the design and operation of
4 the Distributed System Platform (DSP) that has enabled
5 functionality in key areas of Electric System (Grid). The DSP,
6 explained in the CES testimony, enables the foundation for the
7 requisite people, process, technology, and infrastructure
8 evolution that is required to meet the goals set forth in the
9 New York State Climate Leadership and Consumer Protection Act
10 (CLCPA).

11 Q. What is the GridMod Communications Project?

12 A. As Con Edison deploys sensors and systems to support Rev-Grid
13 Modernization, IT deploys communication networks to enable
14 these Rev-Grid Modernization systems. Accordingly, this
15 project installs network communications solutions to manage
16 the transport of the data generated by these systems. This
17 infrastructure expansion will span a twenty-year horizon in
18 alignment with Con Edison's Grid Innovation plan.

19 Q. Turning to your next investment, please explain the Data
20 Centers Improvement Project.

21 A. While we are reducing the size and number of our data centers
22 as our systems move to the cloud, we must maintain and upgrade
23 remaining centers so that they can host certain critical IT
24 assets and provide diversity and redundancy. The Data Centers

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1 Improvement Project enhances and upgrades end of life
2 equipment as it relates to power, cooling (HVAC), battery
3 (Uninterruptible Power Supply or UPS), cabling within the data
4 centers as well as other data center communications, and
5 network infrastructure that keep the data centers reliable and
6 redundant. The Company is also investing in appropriate data
7 center preventative maintenance and around the clock support
8 for any emergencies.

9 Q. Please explain the next investments, XM-8 and XM-10.

10 A. As described by the Shared Services Panel, the Company has
11 certain general equipment categories. IT is responsible for
12 managing and purchasing XM-8 and XM-10 equipment used
13 throughout the Company.

14 XM-8 provides communications equipment to support Company
15 telephone networks including voice over IP (VoIP), radio
16 systems, telecommunication equipment for voice circuits, and
17 conference room collaboration equipment. This allows employees
18 to communicate and access business systems, including the
19 Customer Service System, Outage Management systems, electric,
20 gas, steam monitoring and control systems, as well as other
21 financial, Human Resources, and legal systems.

22 XM-10 provides critical computing components including the
23 mainframe, servers, PCs, tablets, laptops, storage, network
24 equipment for Local Area Networks (LANs), internet-facing

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1 technology improvements to allow remote access, and
2 infrastructure needed for the Wide Area Network (WAN) as well
3 as wireless networks. Technology upgrades are required to
4 provide a reliable and accessible environment for critical
5 resources located in data centers and support server growth
6 from new business system projects.

7 Q. What benefits do XM-8 and XM-10 programs provide?

8 A. XM-8 and XM-10 equipment and associated upgrades promote
9 performance and security improvements. The programs under
10 these budgets support:

- 11 • Safety - private wired and wireless communications enable
12 Con Edison to respond rapidly to emergency situations and
13 critical incidents over secure and segmented channels.
- 14 • Operational Efficiency - the communication, data computing,
15 and networking infrastructure provides a stable and
16 efficient platform for the applications and processes used
17 by the various operating businesses to achieve and maintain
18 operational efficiency.
- 19 • Customer Enablement - the customer-centric applications and
20 voice communication systems used in the customer contact
21 centers.

22 Q. What is the next project?

23 A. Hardware and Software Maintenance.

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1 Q. Are there hardware and software maintenance contracts
2 associated with the investments discussed in this testimony?

3 A. Yes. To use foundational infrastructure investments provided
4 by others, we must agree via contracts to obtain and pay for
5 the hardware and software maintenance services.

6 In addition, over the past few years, the Company is
7 increasingly relying on cloud services, which equates to a
8 subscription contract.

9 The Company protects these investments through maintenance or
10 subscription contracts for the hardware, software, or cloud
11 services. The existing infrastructure, including our
12 mainframe, also requires similar support.

13 Q. Why do you need maintenance and/or subscription contracts?

14 A. We must engage in contracts for services, especially with the
15 increasing volume of work. The volume of these contracts
16 increases commensurate with the investment.

17 The services associated with these contracts keep the hardware
18 and software up to date, patch cybersecurity vulnerabilities,
19 replace hardware failures, maintain active cloud
20 subscriptions, and implement new release features within the
21 products. This allows sustainability and supportability of
22 the environment over time and increases reliability and

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1 availability of the network, business applications, and
2 infrastructure.

3 Q. Are there projects under IT Hardware and Software Maintenance
4 associated with cloud services subscription contracts?

5 A. Yes, our Microsoft suite of services. The Microsoft suite of
6 services provides foundational and innovative tools to support
7 the Company. The Microsoft 365 (M365) program is the
8 Company's major cloud services investment. M365's suite of
9 products includes Office, Azure, database and security tools.

10 Q. Please describe Cloud Computing in more detail.

11 A. Cloud computing is a network of remote servers hosted on the
12 Internet to store, manage, and process data in place of local
13 servers or personal computers. As Cloud technology matures,
14 companies extend, replace, or defer constructing their own
15 facilities, using this reliable option.

16 Q. Please describe Azure services.

17 A. Microsoft Azure is the Company's primary cloud provider,
18 providing our data and analytics platform as well as cloud
19 services known as Infrastructure as a Service (IaaS). IaaS
20 provides server and storage capacity, extending our data
21 center footprint. These services provide scalable solutions
22 which are designed to be provisioned quickly.

23 Q. Please describe services received under M365.

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1 A. M365 is the current corporate standard for desktop
2 productivity, collaboration, and security tools software. Its
3 business applications include Outlook, Teams, SharePoint,
4 OneDrive, and all other traditional Office products. It also
5 includes an advanced suite of security tools, such as Defender
6 and Active Directory. M365 helped us operate in a remote
7 environment, provides the ability to deploy applications
8 quickly and permits improved disaster recovery as applications
9 are accessible from anywhere.

10 Q. Has the Panel prepared an exhibit that discusses the capital
11 and O&M projects associated with IT foundational
12 infrastructure?

13 A. Yes. An exhibit was developed under our direction and
14 supervision.

15 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-2)

16

IT Platforms

17
18 Q. Please discuss the Foundational IT platform investments.

19 A. The Company is investing in foundational technologies that
20 provide the ability to improve existing business processes and
21 technical enhancements that increase software and hardware
22 capabilities. These technologies include Data Analytics,
23 Cloud Computing, and Mobility. When we implement these
24 programs, we standardize these new technologies to avoid
25 technology redundancies, reduce costs, embed cybersecurity,

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1 and enable quicker delivery of the technologies mentioned
2 above.

3 Q. Has the Panel prepared an exhibit describing the projects and
4 programs associated with IT Platform Technologies?

5 A. Yes, the exhibit entitled, IT Platform Technologies, consists
6 of seven whitepapers and was prepared under our direction and
7 supervision.

8 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-1)

9 Q. Are there different categories of IT Platforms?

10 A. As noted earlier, IT Platforms support projects for Data
11 Analytics, Cloud Computing, Mobility, Customer Relationship
12 Management, Work & Asset Management, and ERP. We explained
13 Cloud Computing and our Work and Asset Management project
14 earlier and the Customer Operations Panel discusses the
15 Customer Relationship Management projects.

16 Q. Is there a capital and O&M request associated with these
17 programs?

18 A. Yes.

19

	Capital - Total Annual Request			
	(\$ Millions)			
IT Platforms	2023	2024	2025	Sum - 3 years
Mobility-Digital Factory	\$13.8	\$13.8	\$13.8	\$41.3
Data Governance Program	\$4.7	\$4.6	\$2.3	\$11.7

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Data Integration Modernization	\$3.9	\$2.8	\$2.9	\$9.5
Analytics Center of Excellence - EDAP enhancements	\$1.2	\$1.2	\$1.2	\$3.5
Business Enablement (PACE – Digital Factory)	\$1.0		\$1.0	\$2.0
Total – IT Platforms	\$24.5	\$22.3	\$21.1	\$67.9

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Data and Analytics

4 Q. Please describe Data and Analytics.

5 A. Analytics uses technology and mathematical techniques to
6 develop actionable insights from data to solve customer and
7 operational problems.

8 Q. Please provide an overview of the Company's proposed Data and
9 Analytics program.

10 A. Through partnerships with the business groups, the Company's
11 Data and Analytics program focuses on leveraging technologies
12 to enable and execute data-driven insights across the Company.
13 IT provides technology investments, reusable frameworks, and
14 governance best practice information to support business-
15 driven analytics, while business groups sponsor projects that
16 target specific departmental needs.

17 Q. Please discuss recent data and analytics projects and the
18 information produced.

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1 A. Since 2017, the Company has implemented analytics projects
2 across business groups that have improved public safety and
3 reliability. In the last rate case, the Company's analytics
4 efforts were focused largely on supporting its AMI rollout and
5 AMI network operations. The current projects expand the
6 existing analytics framework to provide Company-wide benefits.

7 Q. What are the Data and Analytics projects included in this
8 filing?

9 A. IT is sponsoring three Data and Analytics projects, as shown
10 in the table below:

- 11 • Analytics Center of Excellence - EDAP Enhancements
- 12 • Data Governance
- 13 • Data Integration Modernization

14 We note that, in addition to these Data and Analytics
15 projects, other Panels sponsor projects, including Customer
16 Operations Data Analytics, Distribution Engineering Grid Mod
17 Data Analytics Use Cases, and the Customer Operations Privacy
18 Readiness Program.

19 Q. Is there another data and analytics initiative that the
20 Company is working on?

21 A. Yes. The Commission requires the development of an Integrated
22 Energy Data Resource (IEDR). IT and other Company
23 organizations support this effort. We are working with Staff,
24 NYSERDA, and other utilities on developing the IEDR.

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1 Q. Has the Company developed exhibits that further explain the
2 three Data and Analytics projects sponsored by this Panel?

3 A. Yes. Under our direction and supervision, we have three
4 whitepapers explaining the projects.

5 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-2)

6 Q. Please describe the project identified as Analytics Center of
7 Excellence - EDAP Enhancements.

8 A. The Company's Enterprise Data Analytics Platform (EDAP) is our
9 central data repository and analytics platform. EDAP delivers
10 advanced analytics to the enterprise. The platform is
11 comprised of a suite of technologies, including C3.ai and
12 Azure technologies, to deliver enterprise analytics
13 capabilities, such as data processing, centralizing raw data,
14 building and sharing datasets, modeling and forecasting, and
15 self-service analysis and reporting.

16 This project will enhance EDAP's existing technical
17 capabilities including expanding functionality, providing
18 easier access to analytics tools and increasing data and
19 analytics accuracy. As the program grows and demand for near-
20 real-time operational analytics increases, the platform
21 requires expanded infrastructure to improve resiliency and
22 reliability, lower recovery time during an outage, accommodate
23 more ad hoc analytics, and enable self-service capabilities.

24 Q. Please describe the Data Governance Program.

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1 A. The Data Governance Program will develop and deploy a data
2 management framework to include an out-of-the-box technology
3 platform equipped with industry-standard data management
4 capabilities. The program will classify, control, secure, and
5 govern data assets as they are produced, processed, and
6 integrated with other assets and made available for
7 consumption across the enterprise. Data governance works in
8 conjunction with data integration processes that provide clean
9 data to downstream applications, business processes, and
10 analytic use cases.

11 Q. Are there other projects that will help to govern and
12 standardize data and data integrations?

13 A. Yes. Data Integration Modernization is also key in creating
14 standard and consistent data across various systems.

15 Q. Please describe the Data Integration Modernization project.

16 A. Data integrations allows multiple systems to share data
17 through standard processes and tools. It involves
18 combining data residing in different systems and providing it
19 to other business systems. Data integrations are implemented
20 using standard practices, architectural techniques, and tools
21 to produce consistent access to data in a secured, timely
22 fashion.

23 This project will implement tools that can scale, process
24 large data volumes, and transform and enhance the data where

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1 needed. Business use cases, such as asset maintenance,
2 electric/gas system monitoring, smart sensor programs, EDAP
3 and privacy, will rely on integration capabilities delivered
4 by the integration modernization project.

5 Q. Are these foundational platforms used to support business
6 projects?

7 A. Yes. As noted earlier, business groups request funding for
8 several projects. These projects include the Customer Data and
9 Analytics, Privacy Readiness, Central Operations Condition
10 Monitoring and Asset Health, and Grid Mod Data Analytics.
11 They target departmental outcomes that can be addressed by
12 analytics or the treatment of data. These projects seek to
13 unlock new insights and affect process change to enhance data-
14 driven decision-making that supports the Company imperatives
15 of safety, operational excellence, and customer experience.

16

17 **Mobility**

18 Q. What is Mobility?

19 A. Mobility is the adoption of digital technology through mobile
20 platforms. This technology allows employees and customers to
21 perform work tasks or customer-related tasks from anywhere, an
22 expectation from users in today's mobile world. Common goals
23 for Mobility implementations include improving efficiency,
24 value, and/or innovation.

25 Q. How is the Company implementing Mobility?

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1 A. The Company is currently planning two projects to enhance
2 digital capabilities. They are:

- 3 • Digital Factory - Mobility
- 4 • Digital Factory - Process Automation Center of
5 Excellence.

6 IT has two working groups, the mobile application development
7 group, and the Process Automation Center of Excellence (PACE)
8 to support Mobility.

9 Q. Has the Panel prepared an exhibit that explains these
10 projects?

11 A. Yes. An exhibit was developed under our direction and
12 supervision.

13 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-2)

14 Q. What is Digital Factory - Mobility?

15 Digital Factory is an IT mobile application development and
16 support group. By working collaboratively with business
17 areas, Digital Factory's development focuses on high impact
18 business processes and agile delivery of technologies that
19 promote operational and project excellence.

20 Q. Please provide examples of Mobility projects that have been
21 completed.

22 A. Some examples of Mobility Projects that have been completed
23 are the First Responder Tool (FRT), Environmental Resource
24 Application (ERA), Digital Splice Ticket (DST), Coded

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1 Component Library (CCL), Site Safety, and Public Hazards. Some
2 of these projects have planned enhancements based on business
3 requests and additional learnings.

4 Q. In addition to providing technology for Digital Factory, is
5 the Company requesting personnel to assist with this work?

6 A. Yes. We are requesting an increased headcount of two
7 resources for the Digital Factory - Mobility team, and six
8 resources for the Digital Factory - PACE team. Both teams will
9 leverage contractors as required for the scope of the project.
10 The increased headcount and contract resources will include
11 application developers, UI/UX designers, scrum masters, and
12 product analysts.

13 Q. What does Digital Factory's mobile application development
14 group plan to do in the future to enable the Company's
15 objectives?

16 A. Digital Factory plans on expanding its mobile applications
17 portfolio to different workstreams. We will promote
18 operational and project excellence by creating mobile products
19 that enhance data collection, provide better data availability
20 and analysis, and digitize processes. By promoting innovation
21 and implementing new technologies, Digital Factory aims to
22 provide a better customer and employee experience.

23 Q. Please provide some examples of expected work during the
24 upcoming three years.

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1 A. The Digital Factory will continue to enhance the existing
2 products mentioned above and deploy new mobile applications
3 for overhead line and underground electric crews, and
4 emergency response organizations.

5 Q. Please describe the Digital Factory PACE team.

6 A. The Digital Factory PACE Team is a development, support, and
7 governance team that manages SharePoint, PowerApps, and Blue
8 Prism Robotic Process Automation (RPA). This project looks to
9 expand the governance and support for these technologies by
10 creating a center of excellence to enable the business to also
11 develop its own applications. These technologies enable an
12 end user to develop with little to no programming knowledge.
13 This type of programming, known as citizen development,
14 requires a governance and training group to confirm standards
15 are met.

16 Q. What solutions has PACE implemented?

17 A. The PACE Team has built over 30 applications. As an example,
18 the team was able to quickly develop a Pandemic Case Tracking
19 system via SharePoint and RPA, while also deploying a Covid
20 application for field employees to report daily symptoms.

21

22 **Cybersecurity**

23 Q. Does the Company have an incremental request for its
24 cybersecurity program?

25 A. Yes. See the chart below.

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	Capital - Total Annual Request			
	2023	2024	2025	Sum - 3 years
Cybersecurity	\$21.7	\$21.2	\$23.6	\$66.5

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- Q. Please explain IT's Cybersecurity strategy.
- A. Over the past few years, the risk of cybersecurity incidents has increased dramatically, as can be seen by multiple organizations experiencing impacts to their operations and losing confidential customer information. The Company works to mitigate the growing cybersecurity threat and maintain the confidentiality, integrity, and availability of our systems and data through implementation of a robust set of processes and internal controls. To accomplish this, we continue to focus on deploying new technology to mitigate new and evolving threats, expanding the capabilities and functions of the cybersecurity team, and implementing new procedures and policies to embed security throughout Company processes and systems.
- Q. Does the Company have a cybersecurity program?
- A. Yes. The Company has implemented a strategy that combines defense-in-depth (multiple security layers) with defense-in-breadth (multiple tools at these layers) concepts. As new risks are identified, and the capabilities of adversaries increase, the Company reassesses current security controls,

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1 implements new processes, and invests in new technologies to
2 maintain a secure posture and stay ahead of malicious actors.
3 Cyber-attack risks include operating failures of control
4 systems, damage to transmission and distribution (T&D) assets,
5 the loss of sensitive data, and employee and public safety.

6 Q. Does the Company work with others regarding cybersecurity?

7 A. The Company engages in collaborative defense efforts with
8 industry, federal, state, and local partners. We also work on
9 and participate in local, regional, and national level
10 cybersecurity drills. We benchmark with and share best
11 practices with peers within and outside the industry. Our
12 cybersecurity protection program relies on a strong framework
13 of Collective Defense and Collective Response.

14 Q. Are there other initiatives that affect the nature of the
15 Company's actions to address cybersecurity?

16 A. There are several initiatives/rules that affect our actions.
17 They include:

- 18 o Revisions, and additions to NERC's Critical
19 Infrastructure Protection (CIP) standards, which contain
20 cybersecurity rules for the bulk electric system
- 21 o Federal government security directives, including, for
22 example, Transportation Security Administration (TSA)
23 requirements, and

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1 o Other potential legislation and/or regulation at both the
2 federal and state level regarding cybersecurity and
3 privacy, including data breaches.

4 Q. How has the Company been addressing the cybersecurity
5 challenge?

6 A. The Company continues to address cybersecurity from three main
7 vantage points: (1) preventing and educating, (2) monitoring,
8 detecting, and alerting, and (3) responding to incidents,
9 including recovery/mitigation.

10 Q. What does the Company mean by prevention and education?

11 A. Prevention is aimed at avoiding any attacks on our system and
12 is achieved through risk management processes, appropriate
13 architecture and security reviews, and implementation of
14 multiple technologies at multiple security zones. Education
15 provides employees and partners with information on their role
16 in preventing cyber intrusions, awareness of cybersecurity
17 threats, and proper cyber hygiene protocols.

18 Q. Turning to the second step, detection, what does the Company
19 do?

20 A. The Company operates a 24x7 Cybersecurity Operations Center
21 (CSOC), which monitors our computing network to detect
22 threats, anomalies, and vulnerabilities. We partner with
23 external entities that provide the Company with intelligence
24 to help mitigate potential threats.

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1 Q. Please explain your third cybersecurity area: Incident
2 Response and Recovery/Mitigation.

3 A. The Company has segmented its network to minimize the impact
4 of a cyber attack. The Company has also developed plans and
5 procedures to respond to cyber-attacks and data breaches. This
6 includes the availability of cyber forensic experts, who
7 provide forensic analysis.

8 Q. Is there more work to do in the cybersecurity area?

9 A. Yes. Given the significant rise in the sophistication,
10 volume, and impact of cybersecurity threats, we must continue
11 to further grow and develop our capabilities, implement
12 technology, and enhance processes to further protect our
13 systems and data and improve detection, resiliency, and
14 recoverability.

15 Q. How are you addressing the continued work?

16 A. To stay ahead of the current and evolving threats, we must
17 have technology in place to prevent and detect threats and
18 upgrade these technologies as new or upgraded versions become
19 available. Staying ahead of the threats means continuing many
20 of the items discussed above. The Company will also continue
21 to work with others, partnering with law enforcement across
22 federal, state, and local agencies and benchmarking best
23 practices with our industry peers.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

INFORMATION TECHNOLOGY PANEL

1 Q. Please describe the forecasted capital request for each rate
2 year under the cybersecurity program.

3 A. To continue enhancing the Company's security posture, the
4 Company will invest in multiple cybersecurity efforts to
5 secure both the IT and OT (i.e., segments of our network that
6 support operational equipment, such as substations and
7 electrical switches). The total RY1 capital request is \$21.7
8 million, RY2 capital request is \$21.6 million, and RY3 capital
9 request is \$23.6 million. (i.e., \$66.9 million in total over
10 the period 2023-2025).

11 Q. Please summarize the Company's cybersecurity O&M request.

12 A. With the investments in cybersecurity technologies and
13 capabilities, the Company projects the associated incremental
14 maintenance cost to be \$11.5 million in incremental
15 expenditures in RY1, \$7 million in incremental expenditures in
16 RY2, and \$1.8 million in in incremental expenditures RY3
17 (i.e., \$20.3 million in total over the period 2023-2025).

18 A large portion of the O&M budget increase would be the
19 inclusion of advanced cybersecurity technologies, such as an
20 Identity and Access Management solution, a Virtual Private
21 Network (VPN) replacement solution, and a segmentation
22 solution.

23 The O&M request also includes maintaining contracts from past
24 capital implementations, such as Privileged Access Management

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1 and Microsoft security technologies. In addition, contractor
2 services are required to perform automation of cybersecurity
3 operations and increase the level of threat hunting,
4 penetration testing, and security assessments.

5 Q. Is there a document that further explains the Company's
6 cybersecurity program?

7 A. Yes. There is a confidential exhibit entitled Cybersecurity
8 and Cybersecurity Infrastructure, that was prepared at the
9 Panel's direction and supervision

10 MARK FOR IDENTIFICATION AS CONFIDENTIAL EXHIBIT __ (IT-7)

11 Q. Please describe this document.

12 A. This confidential document explains the Company's proposed
13 cybersecurity investments for the next five years. Note that
14 all IT related confidential exhibits are included in
15 CONFIDENTIAL Exhibit __ (IT-7).

16

17 **Applications**

18 Q. What is covered under the Applications category of projects
19 and programs?

20 A. As discussed earlier, the Company is continuously looking to
21 modernize, standardize our application portfolio so that the
22 applications are supported (avoid technology obsolesce/end of
23 life) as well as rationalize the portfolio which is
24 demonstrated by our One Work & Asset management System
25 initiative.

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1 Q. Will you discuss projects for each category?

2 A. Yes. We explain about modernizing our portfolio and discuss
3 the Technology Modernization project. Then, we turn to other
4 projects and discuss the Enterprise Unifier Software Project -
5 Phase 2, and IT System Testing Center of Excellence (COE).

6 Q. Has the Panel prepared a document that explains the projects
7 included in this category?

8 A. Yes. We have whitepapers describing the Application related
9 projects that were prepared under our direction and
10 supervision.

11 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-2)

12 Q. Regarding the first topic, how will the Company modernize the
13 portfolio?

14 A. The Company will continue to:

- 15 o consolidate and modernize business systems (as noted
16 above, we expect to retire over 100 applications after
17 GIS and new CSS is fully implemented)
- 18 o Continue to outsource certain maintenance and support
19 functions and leverage our providers automation tools to
20 reduce costs of support.

21 Q. Please discuss the Technology Modernization project.

22 A. IT manages a portfolio of approximately 450 applications in
23 support of our Electric, Gas, Steam, Customer Operations, and
24 Shared Services organizations. Over the next three years, IT

INFORMATION TECHNOLOGY PANEL

1 plans to modernize, upgrade, replace, consolidate, and retire
2 applications within this portfolio. This project has two main
3 initiatives:

- 4 1. Retiring or replacing approximately 150 of the 450
5 applications over the next 3 years.
- 6 2. Consolidating applications to a single standardized
7 enterprise technology as discussed earlier and
8 demonstrated by our GIS project which will retire 30+
9 systems built over the past 25 years.

10 Q. What will this project achieve?

11 A. We will modernize and reduce our portfolio of systems. That
12 is, systems will be consolidated or retired as appropriate,
13 and upgrades will be performed to maintain current standards.
14 Our goal will be to upgrade/modernize approximately 50 apps
15 per year over the next 3 years (both insourced and
16 outsourced).

17 Q. What are the main drivers for this initiative?

18 A. The main drivers are increasing organizational efficiencies by
19 keeping applications functionally current, the reduction of
20 technology obsolescence to mitigate risks, and maintaining
21 vendor software support.

22 Q. Turning to the second category of application projects, what
23 is the Enterprise Unifier Software Project - Phase 2?

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INFORMATION TECHNOLOGY PANEL

1 A. The project improves the Company's project management
2 capabilities for capital construction projects by expanding
3 and implementing our project management software platform,
4 Primavera.

5 Q. Please explain the reason for this project.

6 A. Primavera supports improved schedule management, cost
7 management, contract management, project lifecycle governance,
8 and document management. The project supports enterprise
9 standard processes and procedures, which will foster improved
10 project management overall and lead to greater consistency and
11 efficiency in the Company's execution of capital projects.
12 This project is also consistent with our strategy of
13 standardizing on enterprise IT platforms for common business
14 processes.

15 Q. What is the IT System Testing COE project?

16 A. The Testing COE is a consolidated and centralized governance
17 model for application testing practices, which will be
18 implemented across IT. It is critical to test applications to
19 confirm they work as designed. There are difficult testing
20 cycles undertaken before an application moves into Production.
21 For example, there is functional testing (does application
22 meeting design) and performance testing (is application
23 working as designed under forecasted load). Our IT systems are
24 constantly receiving patching - whether it's for cyber

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1 security or enhancements - which requires testing for each
2 change.

3 Applications like our Outage Management Systems must scale
4 exponentially from the daily non-storm load within minutes to
5 handle a large storm event. Our public web site and external
6 outage Map (fed by our OMS) may have no one viewing the site
7 one minute and then thousands of views and creating outage
8 tickets within minutes. We must confirm the system's ability
9 to scale up so that that our customers are not negatively
10 impacted by processing delays. In addition, our upcoming or
11 in-flight major application initiatives require a centralized
12 governance model for a common sustained/repeatable process for
13 functional and performance testing, defect management, and
14 knowledge management.

15 Q. Why is the IT System Testing COE Project needed?

16 A. In short, to invest in both technology, processes and people
17 so that we have a robust and structured method for performing
18 all the various types of testing. Most notably, this will
19 improve our capability for outage management simulation
20 testing.

21 **PROJECTS IN OTHER AREAS**

22 Q. The Panel mentioned earlier that it included exhibits,
23 generally whitepapers, for IT projects for most other Company
24 organizations. How will these projects be addressed?

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1 A. This testimony and accompanying exhibits discuss the remaining
2 IT projects requested by other organizations, except for
3 Customer Operations. Some of these projects are enterprise
4 wide, some are specific to the organization, and they vary in
5 size and scope.

6 We have divided the projects into business organizations and
7 each business organization has an exhibit with their IT
8 related white papers. Some of the larger projects are
9 explained either in this testimony or in the organization's
10 testimony.

11

12

COMMON IT PROJECTS

13 Q. Please explain what IT projects are included in this section.

14 A. IT projects that support various Company organizations, such
15 as Human Resources, Supply Chain, Learning & Inclusion, Law,
16 Corporate Security, Environmental Health and Safety, Rate
17 Engineering, Accounting, and Auditing are included in this
18 section.

19 Q. What is the total requested capital investment for Common
20 projects?

21 A. Common total capital request for 2023-2025 is \$47.6 million:
22 \$14.9 million in RY1, \$17.9 million in RY2 and \$14.7 million
23 in RY3.

24 Q. Are there several large projects which represent most of the
25 requested capital investment?

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1 A. Yes. Two projects, the Oracle HCM and EBS projects, described
2 in the enterprise-wide section earlier.

3 Q. Please list the remaining Common IT projects.

4 A. The table below lists all Common IT projects with the
5 requested capital funding.

6

Common IT Projects	Capital - Total Annual Request (\$ Millions)			
	2023	2024	2025	Sum - 3 years
Learning and Inclusion Digital Learning Transformation	\$5.0	\$4.3	\$3.1	\$12.4
Budget System Enhancements	\$0.8	\$3.5	\$3.5	\$7.8
Phased Replacement of Legal Technology	\$1.4	\$3.0	\$2.7	\$7.1
Corporate Security NVR and DVR replacements	\$1.5	\$1.5	\$1.5	\$4.5
Rate Case Enhancements	\$1.3	\$1.3	\$1.3	\$3.8
Corporate Security - Company Wide Camera Rollout Program	\$1.2	\$1.2	\$1.2	\$3.6
Mobile EHS SME	\$1.0	\$1.0	\$0.2	\$2.2

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ERM - Archer Software	\$1.8	\$0.2		\$2.0
Third Party Risk Management		\$0.3	\$1.0	\$1.3
Sales and Use Tax integration Sabrix Vertex	\$0.5	\$0.7		\$1.2
Corporate Security - Cyber forensic equipment	\$0.3	\$0.3	\$0.3	\$0.8
Soft Tissue Injury Prevention Project	\$0.3	\$0.3		\$0.6
Obsolete Oracle GRC Software Replacement	\$0.1	\$0.4		\$0.4
Total – Common IT Projects	\$14.9	\$17.9	\$14.7	\$47.6

1

2 Q. Has the Panel prepared whitepapers describing the programs
3 noted above?

4 A. Yes. The Panel has had an exhibit prepared under its
5 direction and supervision.

6 MARK FOR IDENTIFICATION AS EXHIBIT – (IT-3)

7 Q. Will the Panel explain any of these projects?

8 A. The Panel will three projects discuss:

- 9
- Phased Replacement of Legal Technology
- 10
- Budget System Enhancement

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- 1 • Sales & Use Tax Oracle Add On

2 Q. Please describe the Phased Replacement of Legal Technology
3 project.

4 A. This project is a phased approach to replace obsolete legal
5 technology that is critical to the running of the Law
6 Department. Specifically, there are two phases, Phase 1
7 starts with the implementation of cloud-based matter
8 management and e-billing systems. Phase 2 is the
9 implementation of a cloud-based document management system and
10 will include the conversion of data from the existing out of
11 date document management system to the new system.

12 Q. Please describe the Budget System Enhancements project.

13 A. This project represents an ongoing investment in the
14 continuation of the Company's move from the legacy Hyperion
15 Planning (HP) suite of planning and budgeting applications to
16 the newer Enterprise Planning and Budgeting Cloud Service
17 (ePBCS) technology platform. The system will provide more
18 accurate planning forecasts for internal budget reviews and
19 approvals and facilitates information for regulatory
20 proceedings, such as rate cases.

21 Q. Please describe the Sales and Use Tax Oracle Add On.

22 A. This project is to add a Sales and Use Tax software program
23 to the Oracle system, which will improve the process of

INFORMATION TECHNOLOGY PANEL

1 calculating, collecting, and reporting of Sales and Use
2 Tax.

3 Q. Are there other descriptions of these projects?

4 A. Shared Services discusses Learning and Inclusion Digital
5 Transformation. Other projects are discussed in the exhibit.

6

7 **ELECTRIC IT PROJECTS**

8 Q. Please explain what Electric IT projects are included in this
9 section.

10 A. IT projects that support Electric Operations and Substations
11 are included in this section.

12 Q. What is the total requested capital investment for Electric
13 projects?

14 A. The total capital request for 2023-2025 is \$47.8 million:
15 \$20.8 million in RY1, \$15.2 million in RY2 and \$11.8 million
16 in RY3.

17 Q. What Electric projects will you describe?

18 A. We explain Grid Modernization Data Use Cases and the Customer
19 Business Intelligence and Decisioning project.

20 Q. Please describe the Grid Modernization Data Analytics Use
21 Cases project.

22 A. Using one of our Foundational IT platforms, Enterprise Data
23 Analytics Platform (EDAP), IT and Distribution Engineering
24 have partnered to series of modules on C3.ai. This project
25 enables Grid Innovation data analytics use cases to understand

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1 asset health, and improve safety and operations. For example,
2 one module developed, using AMI voltage data and Machine
3 Learning, identifies locations with high probability of an
4 open and defective neutral and ground conditions on customer
5 services. If a neutral is loose, corroded, or open, it has the
6 potential to cause, among others, dim or flickering lights or
7 electric shock. Another module leverages plant data to
8 automate identification of unit substation transformer
9 overloads to reduce the risk of equipment failure.

10 Q. Is this project evolving?

11 A. With each successful new module, Distribution Engineering and
12 IT prioritize new use cases. We already have a backlog of
13 several use case under review as well as potential projects
14 for 2023-2025.

15 Q. What are some of the use cases on the table?

16 A. During 2022, we are working on approximately five use cases,
17 including a transformer health risk score. During 2023-2025,
18 some potential use cases involve cable failure analytics, and
19 substation and feeder health risk scores. These modules will
20 help us better understand operating conditions and potentially
21 prevent failures.

22 Q. Please discuss the Customer Business Intelligence and
23 Decisioning project.

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1 A. This project has developed our Virtual Assistant application,
 2 which enables a customer to cancel an appointment with our
 3 Energy Services groups through an automated process. Once the
 4 cancellation is made, the process we have developed
 5 automatically updates any affected systems to cancel and
 6 reschedule an appointment.

7 During 2023-2025, this project will look to make additional
 8 enhancements and automations, allowing employees to focus on
 9 more complex issues.

10 We already have several potential use cases, including
 11 understanding failed inspections through data analysis and
 12 developing training to assist contractors for better
 13 inspection results.

14 Q. Please list the remaining Electric IT projects.

15 A. The table below lists all Electric IT projects with the
 16 requested capital funding.

	Capital - Total Annual Request			
	(\$ Millions)			
Electric IT Projects	2023	2024	2025	Sum - 3 years
Grid Mod Data Analytics Use Cases	\$4.5	\$4.5	\$4.5	\$13.5
Customer Business Intelligence and Decisioning	\$4.0	\$4.0	\$4.0	\$12.0
DEMS Replacement Project	\$2.8	\$1.5		\$4.3
AutoCAD (Engineering	\$0.8	\$0.8	\$0.8	\$2.4

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Equipment Upgrade Program)				
Electric - ARM Replacement (Phase 0)	\$2.2			\$2.2
Central Operations Tableau to Power Bi Migration	\$0.6	\$0.6	\$0.6	\$1.7
Operation Management System at ECC	\$0.8	\$0.4	\$0.4	\$1.5
TNVS WEB	\$0.5	\$0.5	\$0.5	\$1.5
Operations Network for EMS	\$0.4	\$0.5	\$0.5	\$1.3
District Operator Task Managing System	\$0.8	\$0.4		\$1.2
Central Operations Battery Monitoring Systems	\$0.6	\$0.6		\$1.2
Integration of virtual reality into Substation Operating Orders	\$0.8	\$0.3		\$1.1
Central Operations Condition Monitoring and Asset Health	\$0.5	\$0.5		\$1.0
2021 Electronic Feeder Sign On	\$0.3	\$0.3	\$0.3	\$1.0
nMarket upgrade to accommodate REV	\$1.0			\$1.0
Contingency Analysis Program (CAP)	\$0.2	\$0.2	\$0.2	\$0.7
Distribution Ops Training Simulator	\$0.1			\$0.1
Total – Electric IT Projects	\$20.8	\$15.2	\$11.8	\$47.8

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1

2 Q. Has the Panel prepared any documents that explain these
3 projects?

4 A. Yes. Whitepapers have been prepared under our direction and
5 supervision.

6 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-4)

7

8 **CUSTOMER ENERGY SERVICES (CES) IT PROJECTS**

9 Q. Please explain what IT projects are included in this section.

10 A. IT projects that support Customer Energy Services (CES) are
11 included in this section.

12 Q. What is the total requested capital investment for CES
13 projects?

14 A. The total capital request for 2023-2025 is \$294.8 million:
15 \$90.6 million in RY1, \$99.6 million in RY2 and \$104.6 million
16 in RY3.

17 Q. Where are the details about the CES IT requests?

18 A. The table below lists all CES IT projects with the requested
19 capital funding.

	Capital - Total Annual Request			
	(\$ Millions)			
CES IT Projects	2023	2024	2025	Sum - 3 years
DSP	\$62.2	\$62.6	\$63.1	\$187.9
DERMS ADMS	\$16.5	\$15.3	\$15.3	\$47.0
Customer Recommendation	\$12.0	\$12.0	\$11.0	\$35.0

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& Analysis Tools				
AMI Enhancements Program		\$7.0	\$15.2	\$22.2
REV DER Forecasting Application		\$2.7		\$2.7
Total – CES IT Projects	\$90.6	\$99.6	\$104.6	\$294.8

1

2 Q. Are there any documents that explain these projects?

3 A. Yes. The CES testimony explains these projects.

4 Additionally, we have prepared whitepapers, under our
5 direction and supervision, that provide additional detail.

6 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-5)

7

8

9

GAS IT PROJECTS

10 Q. Please explain what IT projects are included in this section.

11 A. IT projects that support Gas are included in this section.

12 Q. Is there one large project which represents the majority of
13 the requested capital investment?

14 A. Yes. The Work & Asset Management New Functionality project,
15 described earlier, (\$10.1 million for RY1-RY3), which is
16 discussed in the Major Enterprise portion of this testimony.

17 Q. Are there any additional Gas IT projects?

18 A. Yes. There is one project with a total capital request for
19 2023-2025 is \$0.6 million, all in RY3.

20 A. The table below lists the Gas IT project with the requested
21 capital funding.

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	Capital - Total Annual Request			
	(\$ Millions)			
Gas IT Projects	2023	2024	2025	Sum - 3 years
SmartApp Replacement - Gas	\$0.6			\$0.6
Total – Gas IT Projects	\$0.6			\$0.6

1

2 Q. Has an exhibit been prepared to discuss this project?

3 A. Yes. A white paper entitled SmartApp Replacement - Gas has
4 been prepared under our direction and supervision.

5 MARK FOR IDENTIFICATION AS EXHIBIT __ (IT-6)

6 Q. Does this complete the Panel's initial testimony?

7 A. Yes, it does.

8

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 **INTRODUCTION**

2 Q. Would the members of the Municipal Infrastructure Support
3 Panel ("Panel") please state your names and business
4 addresses?

5 A. (**Sanoulis**) Constantine Sanoulis and my address is 1610
6 Matthews Avenue, Bronx, NY 10462.

7 (**Brady**) Dennis Brady and my address is 4 Irving Place, New
8 York, NY 10003.

9 Q. What are your current positions at Consolidated Edison
10 Company of New York, Inc. ("Con Edison" or the "Company")?

11 A. (**Sanoulis**) I am employed by Con Edison as the Vice
12 President of Construction.

13 (**Brady**) I am employed by Con Edison as a Department Manager
14 in Construction's Public Improvement Department.

15 Q. Please describe your educational backgrounds.

16 A. (**Sanoulis**) I graduated from the City College of New York in
17 1982 with a Bachelor of Engineering degree in Mechanical
18 Engineering.

19 (**Brady**) I graduated from State University of New York at
20 Buffalo with a Bachelor of Science degree in Mechanical
21 Engineering and a Bachelor of Arts in Economics. I
22 graduated from Pace University with a Master of Business
23 Administration.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 Q. Please describe your work experiences.

2 A. (**Sanoulis**) I joined Con Edison as an Assistant Engineer in
3 1982. Since then, I have held various management positions
4 of increasing responsibility in the Company, including
5 Plant Manager of the Waterside and Hudson Avenue Stations,
6 Chief Mechanical Engineer, General Manager of Facilities
7 and General Manager of Construction Services, General
8 Manager of Public Improvement & Engineering, and Vice
9 President of Steam Operations. In 2021, I assumed my
10 present position as the Vice President of Construction.

11 (**Brady**) I joined Con Edison in 2002 as a management intern
12 in the Company's GOLD program. Since then, I have held
13 positions of increasing responsibility in the Company,
14 including Operating Supervisor in Bronx/Westchester
15 Electric Construction, Senior Analyst for Manhattan
16 Electric, Project Manager in Energy Management, Section
17 Manager for Bronx/Westchester Electric Work and Resource
18 Management, Section Manager for the Brooklyn/Queens
19 Equipment Group, and Construction Manager for Public
20 Improvement. In 2021, I assumed my present position as
21 Department Manager in Public Improvement.

22 Q. Please generally describe your current responsibilities.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 A. (**Sanoulis**) My current responsibilities as Vice President of
2 Construction are to oversee both the contractor and in-
3 house work forces that perform the installation of electric
4 and gas facilities in the Con Edison service territory.
5 Additionally, I oversee all major capital improvement
6 projects in our generating, substation and other
7 facilities, along with maintaining the integrity of our
8 electric, gas and steam systems during municipal
9 construction projects.

10 (**Brady**) My current responsibilities as Department Manager
11 of Public Improvement are to oversee the operational
12 support and engineering coordination for all municipal
13 projects that impact Con Edison in the service territory.
14 This requires planning, coordinating, analysis, operational
15 support and negotiating with contractors to facilitate the
16 administration of projects.

17 Q. Have you previously testified before the New York State
18 Public Service Commission ("Commission")?

19 A. (**Sanoulis**) Yes, I testified in Case Nos. 99-F-1314, 99-S-
20 1621, 05-S-1376, 09-S-0794, 09-G-0795, and with regards to
21 Municipal Infrastructure programs, 13-E-0030, 13-G-0031,
22 and 13-S-0032 for electric, gas and steam filings.

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MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 (Brady) Yes, I testified in Case Nos. 13-E-0030, 13-G-0031,
2 13-S-0032 with regards to the Management Audit Panel.

3 Q. What is the purpose of your testimony?

4 A. Our testimony provides the Company's forecast for
5 interference cost during the rate year, and we also provide
6 forecasts for two subsequent rate years to provide a basis
7 for settlement negotiations if the parties decide to seek a
8 three-year rate plan settlement. In providing this
9 forecast, we demonstrate the material costs the Company
10 incurs to comply with its obligations to perform
11 interference work. We will describe the nature of
12 interference and the challenges faced in forecasting costs
13 because this work is largely driven by factors outside of
14 the Company's control. Accordingly, the Company proposes a
15 full, bi-lateral reconciliation for these costs. Finally,
16 we will describe how the Company, within the limited
17 ability it has to control interference work, has
18 implemented an array of cost-mitigation measures.

19 Q. Please summarize the areas your testimony addresses.

20 A. Our testimony addresses:

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MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 (1) The definition and significance of "interference" as it
2 relates to Con Edison's system, including changes since
3 the Company's last filing and risks currently foreseen;

4 (2) Interference Forecasting Methodologies;

5 (3) Projected Operation and Maintenance ("O&M")

6 interference costs associated with the Company's
7 electric and gas facilities for the 12 months ending
8 December 31, 2023 ("Rate Year" or "RY1"), and for two
9 additional 12-month periods ending December 31, 2024 and
10 December 31, 2025 (which we will refer to as "RY2" and
11 "RY3," respectively, for ease of reference);

12 (4) Projected Capital interference costs associated with
13 the Company's electric and gas facilities for calendar
14 years 2023 to 2025 (*i.e.*, RY1 through RY3);

15 (5) Mitigation measures the Company undertakes to reduce
16 its interference costs; and

17 (6) A proposal for reconciliation of interference capital
18 and O&M expenses.

19

20

21

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
ELECTRIC & GAS

1 **DEFINITION AND SIGNIFICANCE OF INTERFERENCE**

2 Q. Please explain the term "interference" as it pertains to
3 the Company.

4 A. Con Edison has an extensive system of gas and electric
5 facilities under and above the streets, including gas
6 mains, gas services, electric services, electric cables,
7 conduits, poles, and appurtenances of various sizes and
8 operating voltages. Under the streets, Con Edison
9 facilities share space with privately-owned facilities such
10 as telephone and cable TV, and with municipally-owned
11 facilities such as water, sewer, transit, and traffic
12 facilities. Above ground, Con Edison electric overhead
13 facilities share space with private and municipal
14 facilities such as telephone, cable TV, fire alarm, street
15 lighting and traffic signals. The term "interference"
16 describes work Con Edison must do whenever its facilities
17 are "in the way" of an overhead or underground municipal
18 project and must be located, identified, relocated,
19 replaced, protected, or otherwise supported to accommodate
20 the project.

21 Q. Why is the Company required to perform interference work
22 associated with municipal projects and some state projects?

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1 A. As per the advice of counsel, the courts have held that Con
2 Edison's right to lay and maintain its facilities pursuant
3 to a franchise granted by a municipality is subject to the
4 municipality's right to require Con Edison to remove or
5 relocate its facilities at the Company's expense whenever
6 public health, safety, or convenience requires. If the
7 Company fails to comply with such a request by the
8 municipality, the Company may be liable for damages caused
9 by its failure. The City of New York has enhanced its
10 right to require utilities to perform interference work by
11 enacting New York City Administrative Code sections 19-143
12 (Excavations for Public Works), 24-521 (Excavations for
13 Public Works), and 19-150 (Civil Penalties) that, along
14 with court decisions interpreting these franchise
15 provisions, impose financial penalties up to \$5,000 on the
16 Company on a per day, per location basis, if the Company
17 does not timely relocate or protect its facilities located
18 at the site of public works projects undertaken for the
19 benefit, health or safety of the residents of the City.
20 New York State also has provisions for public utilities in
21 New York Highway Law Article 52, and Part 131 of NYSDOT
22 Rules and Regulations - NYCRR Title 17 (Accommodation of

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1 Utilities within State Highway Right-Of-Way) that specify
2 the facility owners are required to maintain their
3 facilities.

4 Q. Please explain the difference between "direct" interference
5 and "indirect" interference.

6 A. Direct interference occurs when an existing Con Edison
7 facility must be located, identified, and relocated to
8 accommodate a new municipal facility. Indirect
9 interference occurs when Con Edison must locate its
10 facilities and monitor municipal construction or take steps
11 to protect its facilities, but not move its facilities.
12 Indirect interference includes, for example, compensating
13 the municipal contractor for performing utility work or for
14 making incremental changes to its work plan to accommodate
15 Con Edison facilities, such as a change to the proposed
16 trench sheeting and shoring system to accommodate Company
17 facilities.

18 Q. What is the difference between municipal interference and
19 private interference?

20 A. Municipal interference is work done by or on behalf of Con
21 Edison to accommodate a municipal project. Private

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1 interference is work done by or on behalf of Con Edison to
2 accommodate a non-governmental project.

3 Q. Please describe the cost responsibility for municipal
4 interference and private interference.

5 A. As a general matter, municipal interference costs are
6 assigned to Con Edison for recovery through rates. For
7 example, if the City of New York ("City") installs or
8 repairs a sewer or water main in the vicinity of the
9 Company's facilities, then all costs to locate, move,
10 support, protect and/or relocate the affected Con Edison
11 facilities are assigned to Con Edison for recovery from
12 customers.

13 There are some exceptions to this general rule. For
14 example, certain governmental authorities, such as the New
15 York City Transit Authority and Port Authority of New York
16 & New Jersey, may reimburse the Company for interference
17 costs.

18 In contrast to the general rule for municipal interference,
19 all private interference costs are borne by the private
20 entity.

21 Q. What types of municipal construction activities typically
22 result in interference with Company facilities?

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1 A. The typical municipal projects that affect Company
2 facilities are the installation of water mains, sewer
3 drainage facilities, reconstruction of roads, highway
4 bridges, curbs, sidewalks, and the repaving of roadways.

5 Q. What types of interference costs are attributable to paving
6 roadways?

7 A. When a municipality repaves a street or modifies the
8 pavement around a Con Edison facility, Con Edison may need
9 to raise, lower, or otherwise modify one of its structures
10 (e.g., raising or lowering the castings of manholes). The
11 resulting costs are interference expenses.

12 Q. Are there other types of governmental activities that
13 affect the Company's interference expenses?

14 A. Yes. Any governmental project that requires Con Edison to
15 locate, identify, alter, monitor, protect, replace, or
16 otherwise support a Company facility results in a municipal
17 infrastructure expense. For example, when a New York State
18 bridge is repaired, replaced, or modified, Con Edison may
19 incur interference expenses if existing Company
20 infrastructure is required to be supported, relocated, or
21 replaced.

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1 Q. How often does the Company have to support, protect and/or
2 relocate its facilities due to interferences?

3 A. On any given day, there are hundreds of municipal projects
4 being planned, engineered, or constructed within the
5 Company's service area. These projects are initiated by
6 various New York City organizations such as the Department
7 of Design and Construction ("DDC"), Department of
8 Transportation ("DOT"), Department of Environmental
9 Protection ("DEP"), Department of Parks, Bureau of Bridges,
10 and the Economic Development Corporation ("EDC"), in
11 addition to various Westchester County municipalities. The
12 projects may be planned or they may be the result of an
13 emergency, such as responding to a water main break. In
14 either case, any resulting municipal activities will
15 typically impact Con Edison facilities located in that area
16 and, therefore, may present interference issues.

17 Q. Does the Company coordinate with municipalities in order to
18 mitigate interference costs?

19 A. Yes. The Company coordinates with municipalities to
20 mitigate interference costs both during the design and the
21 construction phases of municipal projects.

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1 During the design phase, the Company works with a
2 municipality to identify project alternatives that
3 eliminate or mitigate any interference. For example, if a
4 municipality proposed a new water main that either directly
5 or indirectly interfered with an electric facility, the
6 Company would work with the municipality to identify an
7 alternative location for the water main or an alternative
8 project design to the extent feasible. The Company would
9 then pay the municipality the incremental cost of
10 implementing the changes with the goal of achieving an
11 overall project synergy among all stakeholders and reducing
12 the project's duration and/or cost to the Company.
13 During the construction phase, the Company would continue
14 to work with the municipality to reduce any impact on
15 Company facilities. For example, if during construction a
16 gas facility not previously identified is found to be in
17 direct or indirect interference with the proposed municipal
18 plan, the Company would work with the municipality to
19 develop and implement an alternative plan or field
20 modification to eliminate or mitigate the interference.

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1 Q. Is it possible to avoid or mitigate all interference
2 conditions through City and municipal design changes and
3 construction-phase accommodations?

4 A. No, it is not. Despite best coordinated efforts, due to
5 the heavy congestion of various underground facilities
6 within the streets, relocating or supporting Company
7 facilities is generally unavoidable.

8 Q. Is the City the primary municipality that drives the level
9 of the Company's interference expenditures?

10 A. Yes. The City's Capital Infrastructure Improvement Program
11 is the primary driver of the Company's interference
12 expenditures, both for capital and O&M. Other
13 municipalities in Westchester County and certain New York
14 State projects also result in interference costs, but
15 generally on a smaller scale.

16 Q. Please summarize any significant changes in interference as
17 it pertains to Con Edison since the Company's last rate
18 filings.

19 A. Interference has experienced no significant changes since
20 the last rate filings. Con Edison continued to perform
21 municipal interference work during the height of the COVID-

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1 19 Pandemic and continues design coordination with the
2 various municipal agencies described above.

3 As further explained below, the Company's proposed
4 reconciliation mechanism would address the risk of the
5 Company's interference costs increasing significantly as a
6 result of the federal legislation. If feasible, the
7 Company will provide additional information concerning the
8 federal legislation on update.

9 **MUNICIPAL INFRASTRUCTURE EXPENDITURES - RESOURCE DATA**

10 Q. Does the City develop a forecast for its infrastructure
11 expenditures?

12 A. Yes. The City of New York Office of Management and Budget
13 ("OMB") publishes its four-year Capital Commitment Plan
14 ("Commitment Plan") three times a year, usually in
15 February, May, and September. This plan describes
16 anticipated infrastructure projects to which the City
17 expects to commit funding in the current fiscal year and
18 each of the three upcoming fiscal years for the different
19 categories of reconstruction work. The City's fiscal year
20 runs from July 1st to June 30th.

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1 Q. Is the Commitment Plan the primary resource document used
2 by the Company to identify City projects for the purpose of
3 forecasting interference expenditures?

4 A. Yes, the Capital Commitment Plan is the primary resource
5 document because it includes the most current and the best
6 available information relating to the forecasted City
7 expenditures that impact the Company's interference costs.

8 Q. Where is the Capital Commitment Plan published?

9 A. The OMB publishes the report on the official website of the
10 City of New York. The OMB's web address is:

11 <https://www1.nyc.gov/site/omb/publications/publications.pag>
12 e

13 Q. Are there any particular categories of City infrastructure
14 work listed in the Commitment Plan that typically involve
15 interference work?

16 A. Yes. The categories of City infrastructure work that
17 typically result in interference work are Highways, Highway
18 Bridges, Water Main 1, Water Main 6 and Sewers.

19 Q. Explain the funding sources for the projects comprising the
20 Commitment Plan.

21 A. Projects under the Commitment Plan may be funded by the
22 City ("City Cost") or by other sources ("Non-City Cost" or

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1 "NC Cost"). The Commitment Plan identifies both City Cost
2 and Non-City Cost funding sources and the Company is
3 responsible for interference costs related to projects in
4 both categories.

5 Q. Why is this the case for Non-City Cost Projects?

6 A. The Company is responsible for interference costs for Non-
7 City funded projects because even though they are not
8 funded by the City, they are municipal projects done for
9 the public interest and with the City's approval. The
10 aggregate of the two sources (City Cost and Non-City Cost)
11 is the driver of the Company's expenditures.

12 Q. What is the forecasted City OMB Budget for City fiscal
13 years 2023, 2024 and 2025 as it relates to the categories
14 of City infrastructure work described above (*i.e.*,
15 Highways, Highway Bridges, Water Main 1, Water Main 6 and
16 Sewers)?

17 A. The OMB Capital Commitment Plan published in October 2021
18 forecasts \$2.3 billion for 2023, \$2.8 billion for 2024 and
19 \$4.0 billion for 2025 for these categories of City
20 infrastructure work.

21 Q. Does the Company also review the City's actual spending on
22 infrastructure?

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1 A. Yes, the Company reviews the OMB's "Monthly Transaction
2 Analysis" reporting for the infrastructure categories,
3 Highways, Highway Bridges, Sewers & Water Mains, to review
4 and track actual City and Non-City expenditures.

5 Q. Was Exhibit ___ (MISP-1), entitled "NYC OMB EXPENDITURES
6 2017-2021" prepared under your supervision or direction?

7 A. Yes, it was.

8 Q. What does this exhibit show?

9 A. Exhibit ___ (MISP-1) shows actual OMB expenditures for City
10 fiscal years 2017 to 2021 for these interference-type
11 categories, as well as the City's current commitment
12 forecast for 2022 to 2025.

13 Q. Why does the Company review the City's actual expenditures?

14 A. The Company compares its actual O&M expenditures to the
15 City's infrastructure expenditures in order to validate the
16 historical correlation between these expenditures. This
17 correlation is discussed in more detail later in our
18 testimony.

19 Q. Does the Company use resources other than the City's
20 Commitment Plan to identify planned and ongoing projects
21 that impact interference costs?

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1 A. Yes, while the Commitment Plan is the Company's primary
2 resource, it actively communicates with relevant City and
3 State agencies and with municipalities in Westchester to
4 obtain additional project information and other details
5 that impact the Company's interference expenditures. For
6 example, the Company communicates with NYSDOT, NYCDOT, EDC,
7 NYC Parks Department, DEP and DDC. In addition, there are
8 over forty independent municipalities in Westchester that
9 provide information the Company uses to develop its
10 interference forecast.

11 Q. Are there particular categories of infrastructure work in
12 Westchester or done by the State that typically involve
13 interference work?

14 A. Yes. Similar to New York City, the categories of
15 infrastructure work that typically involve interference
16 work are highways, highway bridges, parks, water mains, and
17 sewers.

18 **FORECASTING METHODOLOGY**

19 Q. Did the Company modify the methodology used in its last
20 rate filings (Cases 19-E-0065 & 19-G-0066) to forecast
21 interference costs for the Rate Year in this filing?

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1 A. No, the Company used the same methodology to forecast
2 interference costs as outlined in the 19-E-0065 & 19-G-0066
3 cases.

4 Q. Does the Company's forecasting methodology account for the
5 recent federal infrastructure act?

6 A. No. Neither the Company's forecasting methodology nor its
7 requested interference budget reflect the Infrastructure
8 Investment and Jobs act signed into law on November 15,
9 2021.

10 Q. Why not?

11 A. The federal legislation authorizes \$1.2 trillion in
12 spending, which includes \$550 billion in new federal
13 investments in transportation, bridges, public transit,
14 roadways, water, and energy systems. While these are the
15 core areas for interference work in the Company's service
16 territory, the Company does not yet know when or how the
17 municipalities in its service territory will use any
18 available funds they receive.

19 Q. Is there a risk that the federal legislation will cause the
20 Company's interference costs to significantly increase?

21 A. Yes. Given the amount of money available to municipalities
22 in the Company's service territory, there is a substantial

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1 risk that municipal interference spending may significantly
2 increase. To mitigate against this risk, the Company
3 proposes a reconciliation mechanism, discussed later in
4 this testimony. In addition, the Company will update its
5 interference request during the update phase of this
6 proceeding if it receives additional information.

7 O&M Forecasting Methodology

8 Q. How did the Company develop its O&M forecast for municipal
9 interference?

10 A. The Company's developed its municipal interference O&M
11 forecast using the following four methods:

- 12 1. Project-By-Project Analysis,
- 13 2. NYC Budget Calculation,
- 14 3. Exponential Growth Analysis, and
- 15 4. Regression Analysis.

16 Q. Please explain the Project-by-Project Analysis.

17 A. The Project-by-Project Analysis reflects: (1) recurring
18 annual programs ("Annuals"); (2) municipal projects with
19 defined scopes ("Defined Scope Projects"); and (3) design
20 phase municipal projects with undefined locations or scopes
21 ("Design Phase Projects").

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1 Q. Please explain each category in the Project-by Project
2 Analysis and the methods each uses to forecast
3 expenditures.

4 A. Annuals consists of recurring work, such as the test pit
5 excavation program (to locate facilities) and the program
6 for adjusting or replacing manhole castings. The total
7 Annuals forecast draws inferences from each annual
8 program's prior year's (*i.e.*, single year) annual cost.
9 This method of forecasting is used for this type of work
10 because these items are fairly predictable and repeat
11 annually.

12 Defined Scope Projects include projects in construction,
13 out for bid, or awarded by the municipality. The Company
14 evaluates each project's design and develops a project
15 specific scope of work and cost estimate using established
16 unit work items.

17 Design Phase Projects are at an early stage of development.
18 The Company develops cost estimates according to one of two
19 methods. The first is for projects that have a defined
20 location but an undefined scope. For these projects, the
21 Company evaluates the potential impact to its facilities by
22 considering different factors, including: the nature of the

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1 municipal project (e.g., water mains, sewers, drainage,
2 curbs, sidewalk, roadway), the project's cost estimate, the
3 project's location (i.e., borough and specific geographic
4 work area), the Company facilities in the project area, and
5 the type of interference work that can be anticipated
6 (i.e., support, protect, alter). The Company then
7 evaluates the factors based on its historical experience to
8 develop "impact cost estimates."

9 The second method is for projects that have undefined
10 locations but defined scopes, (e.g., pedestrian ramp
11 installations, catch basin replacements). For these
12 projects, the Company extrapolates expenditure trends from
13 available completed projects of a similar type.

14 Q. Please explain the NYC Budget Calculation analysis.

15 A. Using NYC OMB publications, the Company analyzes the
16 Monthly Transaction Analysis for prior expenditures and the
17 Capital Commitment Plan to identify future forecasts. In
18 short, the Company extracts the categories of Highway,
19 Highway Bridge, Sewers, and Water Mains to identify the
20 correlation between City forecasts and actual City
21 expenditures.

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1 Q. Please explain the Exponential Growth analysis for
2 forecasting.

3 A. The Exponential Growth analysis forecasts both City
4 liquidations (*i.e.*, actual City expenditures) and Company
5 expenditures. Using NYC OMB Monthly Transaction Analysis
6 reports from prior fiscal years, the Company calculated the
7 ten, seven and five-year growth rates of actual City
8 liquidations. The Company used these growth rates to
9 forecast future City liquidations.

10 Q. What were the growth rates for the ten, seven and five-year
11 calculations?

12 A. As shown in the table below, the Company calculated the
13 growth rates as follows:

Year Range	Span of City FY	Growth Rate
10 Year	2012-2021	8.19%
7 Year	2014-2021	9.48%
5 Year	2016-2021	6.72%

14 Q. What growth rate did the Company use in this current case
15 to forecast City expenditures and why?

16 A. The Company used a seven-year growth rate to forecast City
17 liquidations. The seven-year growth rate was selected
18 because it accounts for both short and long term economic

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1 variables. Additionally, the seven-year growth rate is the
2 same rate used in the Company's last rate filing.

3 Q. Has anything changed since the Company's last rate filing
4 which would cause the Company to change its proposed growth
5 rate?

6 A. No, the Company has not experienced any significant changes
7 since the last filing that would suggest a different rate.

8 Q. How did the Company apply the forecasted City expenditures
9 as it relates to Company expenditures?

10 A. To forecast City expenditures using a seven-year growth
11 rate, the Company took the average of Company expenditures
12 divided by City liquidations over the same seven-year
13 period and applied that factor to the forecasted City
14 liquidations from years 2022 to 2026.

15 Q. Please explain the Regression Analysis used for
16 forecasting.

17 A. The Regression Analysis assumes that Company expenditures
18 are dependent on City liquidations. The model runs a
19 regression from forecasted City liquidations which in turn
20 is used to forecast Company expenditures.

21 Q. How does the Company forecast future City liquidations?

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1 A. The City liquidation forecast for years 2022 to 2026 is
2 based on the analysis as explained in the Exponential
3 Growth Rate method.

4 Q. Please explain the results of the Regression Analysis.

5 A. Assuming a perfect correlation between the City and the
6 Company there would be a 1.0 correlation coefficient. A
7 perfect one-to-one relationship would mean that the two
8 variables move in the same direction. In fact, the Company
9 derived a correlation between Company expenditures and City
10 liquidations to be .89.

11 Q. Did the Company rely on one single analysis to develop its
12 O&M forecast?

13 A. No. The Company used all four methods described above to
14 develop its forecast, which also reflects aspirational cost
15 mitigating efforts and initiatives, discussed later, that
16 are within the range of the models.

17 Q. Please show how the results of the various analyses are
18 used to calculate your Rate Year forecast.

19 A. Exhibit MISP-2 shows the four O&M methodologies and the
20 total O&M forecast for fiscal years 2022 to 2026.

21 Q. Was Exhibit ____ (MISP-2), entitled "O&M Methodologies"
22 prepared under your supervision?

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1 A. Yes, it was.

2 Q. What does this exhibit show?

3 A. Exhibit ____ (MISP-2) shows the four O&M methods and the O&M
4 forecast on a line chart to demonstrate the conclusions.

5 Q. How does your prior rate case "O&M METHODOLOGIES" exhibit
6 compare to actuals performance incurred in FY'19, FY'20 and
7 FY'21?

8 A. The Company's actual O&M performance is close to the budget
9 submitted in the last rate filing. This performance
10 further demonstrates the effectiveness of the Company's
11 multiple forecasting models and cost mitigating measures,
12 as well as the Company's active efforts to refine the
13 forecasting process. By using the models together as a
14 portfolio of potential outcomes, the Company has been able
15 to develop forecasts that are consistent with our actual
16 costs. The Company is not proposing any major changes to
17 its forecasting methodology.

18 Q. Was Exhibit ____ (MISP-3), entitled "2019 O&M METHODOLOGIES
19 AND RESULTS" prepared under your supervision?

20 A. Yes, it was.

21 Q. What does this exhibit show?

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1 A. Exhibit ____ (MISP-3) shows the Company's prior rate case
2 exhibit with the additional data points for the Company's
3 actual O&M performance in FY'19, FY'20 and FY'21.

4 Capital Forecast Methodology

5 Q. How did you develop the Company's capital forecast?

6 A. The Company's capital forecast is derived from three of the
7 four methods used in the O&M forecast: Project-By-Project,
8 Exponential Growth Analysis and Regression Analysis.

9 The Company developed the cost estimates for the capital
10 projects using the same methodologies as described earlier
11 in the document.

12 Q. Why is the NYC Budget Calculation method that is used in
13 the O&M forecast not used for the capital forecast?

14 A. Historically, the Company has applied this methodology to
15 O&M forecasting only. There is insufficient internal
16 history to validate using this method for capital
17 forecasting.

18 Additional Challenges

19 Q. What influence, if any, does the Company exercise over the
20 scope and/or timing of the work performed by the City and
21 other municipalities?

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1 A. While the Company employs measures to mitigate the costs
2 related to municipal interference work (as discussed in
3 detail in the Mitigation section below), the Company has no
4 control over project and contractor selection, bidding
5 methodologies, availability of municipal contractor
6 resources, start dates or the duration of City/municipal
7 projects. Moreover, the Company cannot dictate a municipal
8 contractor's construction means and methods and is
9 therefore unable to forecast the resulting incremental cost
10 impact.

11 Q. Are the projects identified by the City, State and other
12 municipalities in their plans the only projects they
13 execute in the target year?

14 A. No, projects are regularly added or delayed by the City and
15 other municipalities as compared to their proposed
16 municipal plans.

17 Q. Why is it reasonable to assume that the City and other
18 municipalities will generally execute the projects
19 reflected in the Company's forecast for the Rate Year?

20 A. The majority of the Company's forecast for RY1 is based on
21 projects already in construction/design and recurring work.

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1 Q. What do the City's actual expenditures, as set forth in
2 Exhibit ___ (MISP-1), demonstrate with regard to the City's
3 spending trends?

4 A. Exhibit ___ (MISP-1) shows that the City's actual
5 expenditures have remained steady in City FY'17 to FY'21.
6 In FY'21, the City spent \$1.68 billion.

7 Q. Has the Company identified any trends in tracking the
8 City's Capital Commitment plan forecasts that further
9 supports anticipated increased spending?

10 A. Yes, regardless of its forecasts, the City has typically
11 spent in the range of \$1.8 billion per fiscal year in the
12 City FY 2019 and FY 2020 fiscal periods. Moreover, the
13 Company has noted two significant observations regarding
14 prior vs. more recent NYC forecasts.

15 Prior fiscal year forecasts had progressively increasing
16 targets that were in line with agency level communications
17 reinforcing the community goals to provide additional
18 infrastructure.

19 For example, in City FY-2017 and 2018, the City
20 progressively increased its forecasts as it approached the
21 actual City fiscal year. The City's October 2014
22 projection for fiscal year 2018 was \$884 million. In

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1 September 2015, the target for fiscal year 2018 was \$1.6
2 billion. In May 2017, two months before the 2018 City
3 fiscal start, the projection had nearly tripled to \$2.8
4 billion.

5 More recent fiscal year forecasts are more consistent with
6 and in the range of actual costs incurred than prior fiscal
7 forecasts. For example, for FY'20 at \$2.1 billion, FY'21
8 at \$1.8 billion and FY'22 at \$1.8 billion. In these three
9 examples the City started higher and reduced forecasts,
10 which are in line with actual expenditures seen in FY'20 at
11 \$1.8 billion and FY'19 \$1.9 billion. This illustrates the
12 difficulty in basing our forecast solely on the City's
13 forecast(which is still the only legitimate method we can
14 use) and why a reconciliation benefits both the Company and
15 its customers.

16 Q. Was Exhibit ___ (MISP-4), entitled "NYC-Historical Review
17 of Capital Commitment Plan" prepared under your
18 supervision?

19 A. Yes, it was.

20 Q. What does this exhibit show?

21 A. Exhibit ___ (MISP-4) shows the OMB's commitment plans for
22 FYs 2014 through 2022 extracted from prior Capital

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1 Commitment Plans starting in September 2010 through October
2 2021.

3 Q. Let's turn our attention to commitments versus actual
4 municipal expenditures. Was Exhibit ____ (MISP-5), entitled
5 "NYC Initial Commitment versus NYC Actual Expenditures"
6 prepared under your supervision or direction?

7 A. Yes, it was.

8 Q. What does this exhibit compare?

9 A. Exhibit ____ (MISP-5) compares the initial municipal
10 commitment to actual municipal expenditures.

11 Q. What does this exhibit show?

12 A. This exhibit compares the City's initial commitments for
13 fiscal years 2013 to 2021 (published in the Commitment
14 Plans) to actual City expenditures over the same period and
15 shows that, over the period, average actual City
16 expenditures are approximately 13.3% above initial
17 forecasts.

18 Q. Does the Company assume that the City's actual expenditures
19 will continue to be above the City's projections in the
20 coming years?

21 A. Yes, based on some of the major initiatives currently
22 planned by the City and described later in our testimony,

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ELECTRIC & GAS

1 the Company expects actual expenditures to continue to be
2 above current levels for the foreseeable future, although
3 the Company cannot predict by how much.

4 Q. In past proceedings, Staff has proposed basing the forecast
5 for O&M and capital interference expenditures on a five-
6 year average of recent actual Company costs. Is a forecast
7 based upon a five-year average of recent actual costs a
8 reasonable basis for setting rates?

9 A. No, it is not.

10 Q. Why not?

11 A. As an initial matter, using an average approach would
12 require the Company and the Commission to ignore municipal
13 cost estimates and mandatory timing when forecasting future
14 expenditures. While the Company is involved in mitigating
15 interferences early in the design phase on some projects,
16 the Company has limited control of the final design and
17 must perform interference work on the relevant
18 municipality's timetable or face penalties. It would be
19 unreasonable and arbitrary for the Company and the
20 Commission to ignore such objective data when setting
21 rates.

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1 Second, using an average approach would not reflect current
2 municipal infrastructure spending and would result in
3 interference being significantly underfunded. From 2017 to
4 2021, Company costs have been increasing materially because
5 municipal spending has been increasing materially. The
6 five-year (2017-2021) average is \$122.6 million for
7 electric O&M and \$133.2 million for electric capital. In
8 contrast, the forecasts for the Rate Year are \$138.9
9 million in electric O&M and \$222.4 million in electric
10 capital, with no reasonable expectation that actual
11 spending would, under any circumstance, be anywhere near
12 the five-year average. Thus, there is no support for an
13 average-based approach.

14 Q. What is the percentage of actual City expenditures compared
15 to actual Company O&M expenditures?

16 A. From 2013 to 2021, the Company's actual expenditures have
17 ranged between 8.9% and 13.7% of the City's actual
18 expenditures. Exhibit ____ (MISP-6) illustrates the
19 correlation between escalating City expenditures and
20 similarly increasing Company O&M expenditures.

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1 Q. Was Exhibit ____ (MISP-6), entitled "NYC EXPENDITURES VERSUS
2 CON EDISON EXPENDITURES" prepared under your supervision or
3 direction?

4 A. Yes, it was.

5 Q. What has the correlation been in recent years?

6 A. In recent years, the Company has demonstrated a
7 progressively declining relationship in the ratio of City
8 expenditures to Company O&M. For example, 2017 to 2021 the
9 average was 10.0%.

10 Q. What decrease has the Company seen?

11 A. The ratio of City expenditure to Company O&M expenditure
12 has decreased progressively in recent years:

2015	2016	2017	2018	2019	2020	2021
12.3%	11.8%	11.3%	10.6%	8.9%	9.2%	10.1%

13 Q. Does the Company expect to continue this downward trend?

14 A. This will depend on several different factors. As
15 mentioned elsewhere in this testimony, costs associated
16 with interference work are directly impacted by the type of
17 projects selected by the municipality, the location of the
18 projects and the Company facilities identified to be in
19 interference. For example, in Staten Island, the Company
20 only has an electric system that is comprised of an

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1 overhead system and an underground system that shares the
2 street with other subsurface facilities with limited
3 congestion. By contrast, in Manhattan, the Company has an
4 extensive electric and gas underground system that shares
5 heavily congested streets with other subsurface facilities.
6 Therefore, there is a direct relationship between the
7 location and types of projects selected by the municipality
8 and the resulting facility impact to interference costs.
9 In addition to heavily congested subsurface infrastructure
10 in Manhattan, there are other work conditions such as:
11 restrictive work-hours, extensive maintenance and
12 protection of traffic requirements, and high volume of
13 vehicular and pedestrian traffic that are also factors
14 impacting interference costs that are not conditions
15 indicative to Staten Island.

16 Q. Upon what basis is the Company forecasting that the City's
17 capital expenditures will continue at the current high
18 levels?

19 A. Based on current City project plans and publications and
20 confirmations by municipal agencies, the Company expects
21 that the City's capital expenditures will be consistent
22 with current levels over the next several years.

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1 Q. Are there other emerging programs that could affect
2 interference costs during the rate years, which cannot be
3 fully evaluated at this time?

4 A. Yes. The most significant example is that the City
5 continues to be in active design on a coastal resiliency
6 program to reinforce the southern perimeter coast line of
7 Manhattan from East 23rd Street to the Battery to West 23rd
8 Street. The City is in active construction on the first
9 phase of the coastal resiliency program, which started in
10 2021 in the area along the East River from East 23rd Street
11 to Montgomery Street to the south. The program goal is to
12 provide flood protection by installing a coastal barrier to
13 protect the surrounding neighborhood from future storm
14 surges, while simultaneously providing new community space
15 and recreational and economic opportunities.

16 Q. Are there published resources from the City regarding this
17 project?

18 A. Yes, please see the NYC.gov web site for The East Side
19 Coastal Resiliency Project at:
20 <https://www1.nyc.gov/site/escr/index.page>

21 Q. Has the Company been communicating with the City regarding
22 this project?

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1 A. Yes. The Company has been in discussions with City and its
2 design consultant to complete the design plans. The
3 Company has provided information as to the location of its
4 existing transmission and distribution facilities
5 incorporating Company infrastructure support and protection
6 requirements into the City project.

7 Q. What is the current status of this project?

8 A. The City has begun construction activities on the first
9 phase from East 23rd Street heading south to Montgomery
10 Street.

11 Q. Has the Company included this in its five-year forecast?

12 A. Yes, the Company has included this project in its five-year
13 forecast with a forecast totaling approximately \$252
14 million in electric transmission and distribution capital.

15 Q. What is the Company's current cost estimate for this
16 project?

17 A. The Company is in the construction phase with the City with
18 a current cost estimate of \$252 million for this project.

19 Q. Are the other interference costs that are currently
20 included in the Company's financial projections also
21 subject to material changes?

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1 A. Yes. The Company's forecasts are based on the best
2 information available at the time the forecasts are
3 developed. However, there are many variables that may
4 affect the Company's expenditures that cannot be reasonably
5 forecasted, including:

- 6 • Unanticipated large-scale emergency sewer or water
7 main breaks beyond what is already included in the
8 current financial projections.
- 9 • Task Order contracts with no pre-engineering.
- 10 • Critical infrastructure projects, such as Borough
11 Based Jails or post Hurricane drainage improvements,
12 pose a scope risk to the Company.
- 13 • Additional State or City design-build projects that
14 emerge during the rate period and therefore will not
15 be reflected in current forecasts.
- 16 • Fast-track projects by City agencies
- 17 • Additional cost burdens on the Company due to cost
18 sharing shifts (in the Company's direction) between
19 the Company and the City (e.g., City Engineering
20 costs, Traffic Enforcement Agents, Pedestrian
21 Managers)

22

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1 **INTERFERENCE - O&M**

2 Q. Please describe O&M interference costs.

3 A. The Company's O&M interference costs are the maintenance
4 expenditures incurred when the Company is required to
5 support, protect or maintain facilities due to interference
6 with proposed City or other municipal facilities. O&M
7 interference costs are most often associated with indirect
8 interference, but can also be associated with direct
9 interferences.

10 Q. Please provide the Company's recent actual O&M interference
11 costs for electric and gas (excluding Company labor) by
12 calendar year and for the 12 months ended September 30,
13 2020 ("Historic Year").

14 A. The total O&M cost in 2017 to 2021 and the Historic Year
15 ("H.Y.") were as follows:

O&M	2017	2018	2019	2020	H.Y.	2021
Electric	\$126.4	\$122.8	\$111.5	\$119.3	\$119.2	\$133.0
Gas	\$28.5	\$28.7	\$34.6	\$32.3	\$21.8	\$22.4

16 Notes: Excludes Company Labor, Dollars in Millions and
17 rounded.

18 Q. Why has interference O&M spending fluctuated between 2017
19 and 2020?

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1 A. As noted above, the City's actual infrastructure
2 expenditures in the project categories that typically
3 generate interference work for the Company have a material
4 impact during the period 2017 to 2020. As demonstrated by
5 the historic data set forth in Company Exhibit ___ (MISP-
6 6), the level of Company O&M costs are directly related to
7 the level of City capital infrastructure costs, but the
8 City's forecast and the relationship of the City's actual
9 costs to its forecasts can change significantly.

10 Q. What are the Company's O&M cost projections for
11 interference in the Rate Year (excluding Company labor)?

12 A. The Company is forecasting \$138.9 million in electric O&M
13 and \$38.0 million in gas O&M expenditures in the Rate Year.

14 Q. Has the Company forecasted O&M interference expenses for
15 periods beyond the Rate Year?

16 A. Yes. The Company has forecasted O&M interference expenses
17 for two annual periods beyond the Rate Year. The Company
18 is forecasting O&M expenditures (excluding Company labor)
19 of \$141.6 million in electric O&M and \$38.7 million in gas
20 O&M expenditures for RY2. For RY3, the Company has
21 forecasted O&M expenditures (excluding Company labor) of

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1 \$144.4 million in electric O&M and \$39.4 million in gas O&M
2 expenditures.

3 Q. Was Exhibit ____ (MISP-7), entitled "ACTUAL AND FORECASTED
4 O&M EXPENDITURES" prepared under your supervision or
5 direction?

6 A. Yes, it was.

7 Q. What does this exhibit show?

8 A. Exhibit ____ (MISP-7) shows actual electric and gas O&M
9 expenditures for 2017 to 2021, as well as the historical
10 year O&M expenditures. This exhibit also shows forecasted
11 O&M expenditures for 2022 to 2026.

12 **INTERFERENCE - CAPITAL**

13 Q. Please describe the capital costs associated with
14 interference.

15 A. The Company's capital interference costs are expenditures
16 incurred when the Company is required to relocate its
17 facilities to a new location due to interference with
18 proposed municipal facilities. Capital interference costs
19 are most often associated with direct interference.

20 Q. What were the total capital interference costs incurred
21 between calendar years 2017 and 2021?

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1 A. The total capital costs incurred from 2017 and 2021 were as
2 follows:

Capital	2017	2018	2019	2020	2021
Electric	\$128.0	\$102.0	\$139.7	\$159.3	\$136.9
Gas	\$123.1	\$120.9	\$128.2	\$120.0	\$79.4

3 Note: Dollars in Millions rounded

4 Q. What is the forecast for capital expenditures related to
5 interference going forward?

6 A. The Company is forecasting from 2022 to 2026 the following
7 expenditures:

Capital	2022	2023	2024	2025	2026
Electric	\$168.0	\$222.4	\$234.0	\$240.1	\$249.3
Gas	\$116.8	\$127.0	\$133.3	\$139.0	\$143.2

8 Note: Dollars in Millions and rounded

9 Q. Was Exhibit ___ (MISP-8), entitled "ACTUAL AND FORECASTED
10 CAPITAL EXPENDITURES" prepared under your supervision or
11 direction?

12 A. Yes, it was.

13 Q. What does this exhibit show?

14 A. Exhibit ___ (MISP-8) shows actual capital expenditures for
15 2017 to 2021 for Electric and Gas. This exhibit also shows

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MUNICIPAL INFRASTRUCTURE SUPPORT PANEL
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1 forecasted capital expenditures for 2022 to 2026 for
2 Electric and Gas.

3 **MITIGATION**

4 Q. What measures has the Company undertaken to mitigate
5 interference costs?

6 A. In addressing interference costs, the Company is required
7 to adhere to state and municipal statutes, codes,
8 regulations and other established protocols. Given the
9 nature of interference work and that this work (and related
10 expenditures) is driven by factors outside of the Company's
11 control, our opportunities for mitigation measures are
12 limited. Notwithstanding these limitations, the Company
13 has implemented the following initiatives to mitigate
14 interference costs:

15 Strengthening our engineering practices:

16 Con Edison's first opportunity for cost mitigation is
17 during a project's initial design and planning phases. Con
18 Edison takes the opportunity to study the agencies' scopes
19 of work and perform an in-depth analysis to determine the
20 type, nature, and extent of the interferences. During the
21 planning phase of agency projects, the Company may suggest,
22 request and/or discuss with the municipal agency possible

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1 scope changes to minimize interferences and request design
2 accommodations, as discussed earlier in our testimony. The
3 Company also provides consulting support to the field that
4 assists to mitigate the impact of unanticipated, as-found
5 subsurface field conditions during construction.

6 Additionally, when the municipality determines the street
7 will be excavated, Con Edison uses this opportunity to
8 consolidate existing infrastructure and reduce maintenance
9 costs while still providing the same level of service
10 capacity. For example, when multiple service boxes or
11 manholes exist on a block, the Company redesign,
12 consolidate and reduce the number of structures, thereby
13 lessening future maintenance costs. Moreover,
14 consolidating structures provides for additional space in
15 the streets for future use by the Company, the City and
16 other utilities.

17 Coordinate interference work with other Company capital
18 projects for synergies and cost savings:

19 To the extent practicable, including considering municipal
20 schedules, the Company bundles interference work with other
21 Company capital projects to mitigate redundancy by looking
22 for synergies during both the municipal engineering design

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1 and construction phases, (such as new business, system
2 upgrades, gas main replacement program, and/or other system
3 reliability work) with the proposed municipal project work.

4 This effort results in minimizing adverse impacts to the
5 community by reducing street opening redundancies and
6 minimize delays to municipal projects.

7 Maximize Number of Section U Projects:

8 Section U projects are done according to a protocol that
9 provides the Company with certain limited leverage to
10 negotiate a fair market price with City agency contractors
11 for the Company's portion of interference work. Under the
12 Section U protocol, the contractor of record for the
13 Section U project negotiates in an attempt to reach an
14 agreement with the utilities prior to the start of the
15 project. If an agreement cannot be reached, the matter is
16 submitted for arbitration to the American Arbitration
17 Association and the result is final and binding.

18 Projects are not automatically classified as Section U
19 until approved by the DDC. The Company actively tries to
20 show that projects are eligible for the Section U protocol
21 and has been able to increase the number of Section U
22 interference projects in recent years.

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1 Joint Bid Protocol:

2 For work performed under the Joint Bid protocol, the
3 Company's interference work is included in the City bid
4 documents and is bid along with the City work. The City
5 and the various utilities jointly coordinate their work
6 from the outset of the project and both City and utility
7 work is managed under singular project oversight, which
8 generally results in improved project scheduling and more
9 efficient construction management providing for an overall
10 enhanced customer experience. The program has evolved from
11 Lower Manhattan in 2004 to Citywide in 2017, and currently
12 is now in its fourth iteration in coordination with utility
13 partners. The City has led this effort from the beginning.

14 Negotiating Team:

15 The Company uses a negotiating team concept when entering
16 into agreements. The team consists of the estimator, the
17 project engineer, the borough manager and the borough
18 project specialist. The negotiating team has been
19 extremely successful since its inception by facilitating
20 pricing uniformity for work items throughout the boroughs
21 thereby reducing prices for commonly used items that
22 resulted from estimating time studies. Additionally, time

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1 studies support challenges from contractors in arbitration
2 if the pricing offered by the Company is perceived to be
3 inconsistent with fair market value.

4 Unit Price Agreements:

5 The Company has also used multi-year and multi-borough
6 contractor agreements for macro work units to establish
7 consistent pricing across its service area. This effort
8 may also reduce Company administrative costs that would
9 normally be associated with multiple negotiations for
10 different projects with the same vendor.

11 Evaluate field conditions to create new macro work units:

12 Since the mid-1990s, Con Edison has been working with the
13 communication utilities Time Warner (Time Warner is
14 currently doing business as, Spectrum, a brand of Charter
15 Communications Inc.) and Empire City Subway ("ECS"), which
16 owns and maintains underground facilities for Verizon. The
17 Company has worked with Time Warner and Empire City Subway
18 to develop a list of common work units as a means of
19 standardizing municipal field work. These standardized
20 units are referred to as Con Edison, ECS and Time Warner
21 ("C.E.T.") specification items. The list has expanded over

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1 time and presently includes more than 250 items that cover
2 common utility work tasks.

3 Maximize Lump Sum Agreements:

4 The Company promotes lump sum agreements, which are single
5 price agreements that encompass all labor, material and
6 equipment to complete the defined work. This creates
7 financial incentive for efficient construction management
8 by the contractor instead of negotiating for extra work on
9 a piecemeal basis. The agreements also reduce the
10 Company's risk by minimizing adverse impact on Company
11 facilities and potential costs associated with project
12 schedule delays. These project agreements also aid the
13 Company in forecasting future budget years, but cannot
14 remove the overall uncertainty.

15 Opportunities to reduce project costs by performing
16 advanced relocation:

17 When feasible, the Company uses advanced relocation of
18 Company facilities to avoid interferences with City
19 facilities. The Company uses this method predominantly in
20 the outer boroughs where it is more feasible than in
21 Manhattan's congested streets. Recently and where
22 operational flexibility has been afforded, the Company has

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1 For electric capital expenditures, Municipal Infrastructure
2 Support costs are part of electric net plant, with a
3 limited upward reconciliation for certain interference
4 capital costs.

5 For gas capital expenditures, Municipal Infrastructure
6 Support costs are subject to full downward reconciliation
7 as part of gas operations net plant with a limited upward
8 reconciliation for certain interference capital costs.

9 Q. Is the Company proposing any modifications to these
10 mechanisms as they apply to either capital or O&M
11 expenditures?

12 A. Yes. The Company is proposing a full reconciliation of
13 Municipal Infrastructure Support capital expenditures and
14 O&M expenses, in the manner proposed by the Company's
15 Accounting Panel.

16 Q. Why should the Commission adopt full reconciliation of
17 Municipal Infrastructure Support capital expenditures and
18 O&M expenses?

19 A. As we have explained in this testimony, interference costs
20 are beyond the Company's direct control, are not subject to
21 reasonable estimation, are driven by the infrastructure
22 work performed by the City, State and other municipalities,

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1 and constitutes work the Company is required to perform
2 pursuant to a schedule established by the municipality that
3 often requires a significant diversion of Company resources
4 and significant incremental costs. Moreover, there are a
5 number of major City infrastructure initiatives under
6 consideration that are not yet included in the Company's
7 forecast, but which could potentially have significant cost
8 impacts.

9 Accordingly, the Company believes that rates should reflect
10 a reasonable estimate of these expenses and then be subject
11 to full reconciliation, as further explained by the
12 Company's Accounting Panel and Electric and Gas Rate
13 Panels.

14 Q. Should there be a concern that the Company will not seek to
15 minimize its interference costs if there is full
16 reconciliation of these expenses?

17 A. No. The Company has demonstrated a long-standing and
18 consistent approach to mitigating these costs, to the
19 extent practicable, and continued coordination between the
20 City and the Company during the design phase, which is a
21 critical component of the continued success in controlling
22 rising costs. The Company has consistently followed this

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1 approach, including during periods when a bilateral
2 reconciliation mechanism for interference expenses was in
3 place (e.g., as adopted in the Commission's April 2009 rate
4 order in Case 08-E-0539). Moreover, these cost mitigation
5 efforts are ingrained in the Company's efforts to implement
6 cost management improvements and are reviewable at any time
7 by the Department of Public Service and the Commission.

8 Q. Does this conclude your direct testimony?

9 A. Yes, it does.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

I. INTRODUCTION

1

2 Q. Please state your name and business address.

3 A. Stephanie J. Merritt. My business address is 4 Irving
4 Place, New York, New York.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Consolidated Edison Company of New
7 York, Inc. ("Con Edison" or the "Company") and my
8 responsibilities include the property tax functions
9 for the Company and its affiliate, Orange and Rockland
10 Utilities, Inc. ("O&R").

11 Q. Please explain your educational background, work
12 experience and current general responsibilities.

13 A. I graduated from Le Moyne College in 2004 with the
14 degree of Bachelor of Science in Accounting, as well
15 as a Bachelor of Arts in Economics. Currently, I am
16 pursuing a Master of Business Administration Degree in
17 Accounting and Finance from Syracuse University. I
18 have been employed by Con Edison since 2005 and have
19 held various positions of increasing responsibility
20 within the Finance area. After approximately two

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DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

1 years in Corporate Accounting, I transferred to the
2 Tax Department where I was promoted to Staff
3 Accountant in the Financial Accounting and Regulatory
4 Depreciation Group. In that position, my major
5 responsibilities included the preparation and
6 interpretation of the Company's depreciation studies
7 in connection with rate proceedings. I have assisted
8 in over ten rate proceedings for Con Edison; O&R;
9 Rockland Electric Company (O&R's New Jersey utility
10 subsidiary); and Pike County Light & Power Company
11 (O&R's former Pennsylvania utility subsidiary). In
12 2010, I began working in the Property Tax Group. I
13 started as the Accounting Supervisor and rose to the
14 position of Senior Tax Accountant in 2014. In
15 September 2015, I was promoted to Section Manger -
16 Local Taxes, and in June 2017 I was promoted to
17 Department Manager - General Taxes. I have held my
18 current position of Director - General Tax since July
19 2020. My responsibilities include oversight of the
20 sections and personnel responsible for taxes other

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DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

1 than income taxes, including all local and state,
2 excise, sales and use taxes.

3 Q. Have you previously testified before any regulatory
4 commission regarding property taxes?

5 A. I have testified before the Commission regarding
6 property taxes in the following Con Edison base rate
7 cases: Cases 13-E-0030, 13-G-0031, 13-S-0032, 16-E-
8 0060 16-G-0061, 19-E-0065 and 19-G-0066. I have also
9 testified before the Commission regarding property
10 taxes in the following O&R base rate cases: Cases 18-
11 E-0067, 18-G-0068, 21-G-0073 and 21-E-0074.

12 **II. PURPOSE OF TESTIMONY**

13 Q. What is the purpose of your direct testimony in these
14 proceedings?

15 A. My direct testimony:

- 16 • Presents general background information on
17 property taxes;
- 18 • Describes the level of electric and gas property
19 taxes recently paid by the Company;

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

- 1 • Presents the Company's electric and gas property
2 tax forecast and the methodology and certain
3 assumptions used in that forecast;
- 4 • Explains the limitations on the Company's ability
5 to control, and consequently, the difficulty in
6 estimating, the level of its property tax
7 obligations and describes the corresponding need
8 for a full and symmetrical property tax
9 reconciliation, which is also discussed in the
10 direct testimony of the Company's Accounting
11 Panel;
- 12 • Discusses the Company's efforts to limit its
13 property tax obligation to its fair share; and
- 14 • Discusses the Company's proposal to recover its
15 costs to achieve property tax savings, which can
16 come in the form of a refund, credit or future
17 property tax reduction.
- 18 Q. Please explain the general basis upon which property
19 taxes levied upon the Company have historically been

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

1 determined.

2 A. Historically, Con Edison has paid two types of

3 property taxes: real estate taxes and special

4 franchise taxes. Real estate taxes are based on the

5 "value" of taxable property and include taxes on land

6 and structures or equipment erected or affixed to

7 land. Special franchise taxes are property taxes on

8 utility equipment located on or under public streets

9 and highways. In New York State, public utility

10 property is valued using the "cost approach." The New

11 York State Office of Real Property Tax Services

12 ("ORPTS") and many local assessors in the Company's

13 service territory determine value by using a

14 Reproduction Cost New Less Depreciation ("RCNLD")

15 methodology for utility structures and/or equipment.

16 RCNLD calculates what it would cost to reproduce the

17 utility structures and/or equipment at current

18 construction costs based on a trending index,

19 subtracts an allowance for depreciation and

20 obsolescence, if any, and adds the value of land to

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

1 arrive at a "value" for the entire property. The
2 RCNLD methodology applies to all Company equipment and
3 certain Company structures. The value of real
4 property and commercial buildings, such as the
5 Company's 4 Irving Place Headquarters or the Learning
6 Center, are determined by comparable sales or rental
7 data rather than the RCNLD methodology.

8 **III. SUMMARY OF RECENT AND PROJECTED PROPERTY TAXES**

9 Q. To whom does the Company pay property taxes?

10 A. The Company pays a majority of its property taxes to New
11 York City. There are four classes of property in New
12 York City and, therefore, four different tax rates.

13 • Classes 1 and 2 pertain to various forms of
14 residential property.

15 • Class 3 contains most utility property. Special
16 franchise property is included within this class.

17 Con Edison makes up 85% of Class 3 property.

18 • Class 4 contains all commercial and industrial
19 properties, such as office, retail, factory

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DIRECT TESTIMONY – STEPHANIE MERRITT (PROPERTY TAX)

1 buildings and all other properties not included in
2 Classes 1, 2 or 3.

3 With minor exceptions covering certain vacant land that
4 is classified within Classes 1 and 2, the vast majority
5 of the Company's property is included in Class 3. The
6 remainder is included in Class 4.

7 The Company also pays property taxes to municipalities
8 in Westchester County. In addition, the Company pays
9 property taxes to municipalities in Orange, Rockland,
10 Dutchess and Putnam Counties, where it owns
11 transmission facilities. The Company also pays
12 property taxes on gas storage facilities (pursuant to
13 a service agreement) located in West Virginia and
14 Mississippi. I will refer to non-New York City
15 municipalities as "Westchester & Other."

16 Q. Please provide some background on the amount of
17 property taxes paid by the Company.

18 A. For the historic test year (*i.e.*, October 1, 2020
19 through September 30, 2021), property taxes for
20 electric expense were \$1,701.8 million, and for gas

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1 expense were \$375.3 million. Of those amounts,
2 \$1,879.7 million was applicable to New York City and
3 \$197.4 million to Westchester & Other.

4 Q. Have you forecasted property taxes for calendar year
5 2023 for this proceeding?

6 A. Yes. For calendar year 2023 ("Rate Year"), we have
7 forecasted property taxes for electric expense to be
8 \$2,001.2 million and for gas expense to be \$509.9
9 million. Of those amounts, \$2,305.6 million is
10 applicable to New York City (\$1,855.5 million for
11 electric and \$450.0 million for gas) and \$205.5
12 million is applicable to Westchester & Other (\$145.6
13 million for electric and \$59.9 million for gas).

14 Q. Have you forecasted property taxes for calendar years
15 2024 and 2025?

16 A. Yes. I forecasted property taxes for the two annual
17 periods beyond the Rate Year to provide a basis for
18 settlement discussions regarding a multi-year rate
19 plan.

20 Q. Please continue.

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1 A. The table below summarizes those forecasted amounts.

Consolidated Edison Company of New York, Inc.
Forecasted Property Taxes by Rate Year

(\$000s)

	<u>Rate Year 1</u> <u>(2023)</u>	<u>Rate Year 2</u> <u>(2024)</u>	<u>Rate Year 3</u> <u>(2025)</u>
New York City			
Electric	1,855,539	2,062,921	2,299,039
Gas	<u>450,033</u>	<u>523,568</u>	<u>604,613</u>
Total New York City	<u>2,305,572</u>	<u>2,586,489</u>	<u>2,903,652</u>
Westchester & Other			
Electric	145,617	148,144	150,728
Gas	<u>59,881</u>	<u>60,929</u>	<u>61,995</u>
Total Westchester & Other	<u>205,498</u>	<u>209,073</u>	<u>212,723</u>
Total Electric	2,001,156	2,211,065	2,449,767
Total Gas	<u>509,914</u>	<u>584,497</u>	<u>666,608</u>
Total Consolidated Edison Company of New York, Inc.	<u>2,511,070</u>	<u>2,795,562</u>	<u>3,116,375</u>

2 Q. What are the main drivers of the Company's property
3 tax increases during the 2023 through 2025 period?

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1 A. Property taxes increase for three reasons: the tax
2 rate increases, the assessed value of the taxable
3 property increases, or both the tax rate and assessed
4 value increase. Each possibility is dependent on many
5 factors, all of which are outside the Company's
6 control, making it difficult to estimate future
7 property taxes. For example, it is impossible for the
8 Company to determine the financial needs of New York
9 City and each Westchester & Other municipality (and
10 school district) each year. In every case, the
11 property taxes assessed to the Company are the result
12 of the decisions, economic circumstances, and
13 political considerations of the jurisdiction levying
14 the tax. The Company has no control over tax rates.
15 Assessment challenges, when warranted, are the
16 Company's only recourse to mitigate its property tax
17 liability. Regarding assessments, the growth of the
18 value of the Company's property and equipment, either
19 through new infrastructure investment, application of
20 the Handy-Whitman construction index, or

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1 discontinuation of depreciation, is the primary driver
2 of assessment increases.

3 Q. Will the Company provide updates related to property
4 taxes during these proceedings?

5 A. Yes. The Company intends to update property taxes at
6 the update stage of these proceedings and will also
7 provide updated property tax information throughout
8 these proceedings if new information becomes available
9 that is, in the Company’s judgment, significant. It
10 is the Company’s recommendation to base the revenue
11 requirements in these proceedings on the latest
12 available information on property taxes, subject to
13 full reconciliation as discussed later in my testimony
14 and in the direct testimony of the Company’s
15 Accounting Panel.

16 **IV. NEW YORK CITY TAX FORECAST**

17 Q. Please explain how you forecasted New York City
18 property taxes.

19 A. I used the Company’s 2021/2022 real estate and special

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1 franchise assessed values as a starting point and
2 applied current tax rates to those values to compute
3 taxes for fiscal year 2021/2022. I then computed
4 estimated changes to assessed values for subsequent
5 periods based on net plant changes forecasted by the
6 Company's Accounting Panel.

7 Q. For the purpose of estimating property tax rates in
8 New York City, did you compute a five-year average
9 percentage change in the tax rates?

10 A. Yes, I did, and it indicates that the tax rates
11 relevant to the Company has increased for Classes 3
12 and 4.

13 Q. What was the five-year average percentage change in
14 the tax rates resulting from your calculations?

15 A. The five-year average change in the tax rates was an
16 increase of 3.473% and 0.071% for Classes 3 and 4,
17 respectively. I note that this shows that the City is
18 increasing property taxes at a much higher rate for
19 utility property then it is for other commercial

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1 property. As noted above, Con Edison makes up 85% of
2 Class 3 property.

3 Q. Did you use the five-year average for the escalation
4 rate?

5 A. Yes. My forecast reflects a five-year average to
6 forecast the Class 3 and 4 property tax rates. As
7 discussed below, I have concluded that it is best to
8 use this escalation percentage for all years being
9 forecasted.

10 Q. Are the property tax escalations used to forecast
11 property taxes based on the five-year average of the
12 most recent property tax rates changes beginning with
13 fiscal year 2016/2017 and ending with fiscal year
14 2021/2022?

15 A. No. My five-year average percent change calculations
16 begin with fiscal year 2015/2016 and end with fiscal
17 year 2020/2021.

18 Q. Why does your five-year average percent change
19 calculations exclude the most recent property tax
20 rates for fiscal year 2021/2022?

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1 A. My five-year average percent change calculations
2 excludes the most recent fiscal year’s tax rates to
3 normalize the five-year average for the effects of the
4 overall lower property tax rates for fiscal year
5 2021/2022 due to the COVID-19 pandemic.
6 For fiscal year 2021/22, the property tax rates for
7 Classes 1 through 3 decreased and the Class 4 property
8 tax rate increased by 0.9040%. These rate decreases
9 were driven by lower market values that resulted in
10 lower taxable assessed values for Classes 2 and 4 due
11 to the COVID-19 pandemic (because valuations are based
12 on income).¹
13 Because the lower property tax rates for fiscal year
14 2021/2022 were driven by unique COVID-19 impacts, it
15 is appropriate to treat the tax rates for fiscal year

¹ These decreases were offset by the federal Covid-19 stimulus funding and higher personal income tax and corporate tax revenues overall that reduced the property tax levy (or the amount of revenue raised through property taxes) to fund the New York City fiscal year 2021/2022 budget).

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1 2021/2022 as an outlier and exclude this year from my
2 five-year average percent change calculations.

3

4 **V. WESTCHESTER & OTHER TAX FORECAST**

5

6 Q. Please describe how you arrived at the forecasted
7 property tax amounts for Westchester & Other.

8 A. For Westchester & Other, I used the Company's most
9 recent property taxes paid as a starting point. Then,
10 because it is not practicable to specifically forecast
11 property taxes for each of the many different
12 municipalities, school districts and other special
13 districts to which the Company pays property taxes
14 because each has different factors affecting its need
15 to raise revenue.

16 Q. Why is it impracticable to specifically forecast
17 property taxes for each taxing authority for
18 Westchester and Other counties?

19 A. In Westchester and Other counties, the Company pays
20 property taxes to 66 municipalities, each with their

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1 own budgets, tax levy, tax rates, and equalization
2 rates, although the equalization rates may be shared
3 by certain assessing units. In addition, school
4 districts within each jurisdiction, which often
5 overlap jurisdictions, each have their own levy and
6 tax rate. Although the property tax process is
7 complicated by the many different places the Company
8 pays property taxes, the overall process is similar in
9 each area. Therefore, as long as every property in a
10 locality is assessed at the same percentage of value,
11 all taxpayers pay their fair share of tax assuming
12 their market value has been properly determined.

13 Q. Why is this the case?

14 A. Except in areas where tax classification exists, such
15 as New York City, the Real Property Tax Law requires
16 all properties in each municipality to be assessed at
17 a uniform percentage of market value each year. This
18 means that all taxable properties in each city, town,
19 and village must be assessed at market value or at the
20 same uniform percentage of market value each year.

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1 Therefore, I calculated an overall escalation
2 percentage, which is appropriate to develop the
3 forecasted property tax amounts. I developed the
4 escalation percentage based on recent historical tax
5 payment information from calendar years 2016 through
6 2021.

7 Q. What escalation percentage did you use?

8 A. I used a five-year average escalation percentage of
9 1.75%.

10 Q. Are you sponsoring an exhibit containing the
11 computation of the five-year average escalation rate?

12 A. Yes, I am sponsoring Exhibit __ (PTP-1) entitled
13 "Consolidated Edison Company of New York, Inc. Five-
14 Year Average of Property Taxes Paid, Westchester &
15 Other" for that purpose. This exhibit summarizes the
16 tax payments made for the last six calendar years and
17 computes the five-year average for Westchester &
18 Other.

19 Q. Was Exhibit __ (PTP-1) prepared by you or under your
20 direction and supervision?

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1 A. Yes.

2 Q. Is that because you expect taxes in each of the next
3 several years to increase by 1.75%?

4 A. Yes, I believe it is a reasonable basis for estimate.
5 The five-year average in Westchester & Other has been
6 fairly stable and at this time I believe that a 1.75%
7 escalation rate will be representative of the
8 escalation rate applicable during the Rate Year.

9 Q. Is there a difference in methodology between the
10 escalation rate you used for Westchester & Other and
11 the escalation rate you used for New York City?

12 A. Yes. Except in areas where tax classification exists,
13 such as New York City, the Real Property Tax Law
14 requires all properties in each municipality to be
15 assessed at a uniform percentage of market value each
16 year. This means that all taxable properties in each
17 city, town, and village must be assessed at market
18 value or at the same uniform percentage of market
19 value each year.

20 Q. Please continue.

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1 The five-year average for Westchester & Other is an
2 average based on actual taxes paid by the Company that
3 I believe should be relied upon to set the level of
4 property taxes in this proceeding. In contrast, as
5 noted above, for New York City I used the current
6 fiscal period tax rates.

7 Q. How did you reflect the 2% cap law under the New York
8 State real property tax law (*i.e.*, N. Y. General
9 Municipal Law Section 3-C) with respect to property
10 taxes in your analyses?

11 A. I made no effort to specifically reflect the 2% cap
12 law in my analyses.

13 Q. Why not?

14 A. The impact of the 2% cap on the Company's property
15 taxes is necessarily limited by the fact that it does
16 not apply to New York City. As to areas outside New
17 York City (*e.g.*, Westchester & Upstate New York
18 Counties), the legislation limits are not dispositive
19 as they may be overridden by a 60% vote of the
20 governing body of the local government or a 60% vote

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1 of school district voters. In addition, there are
2 exclusions that limit the reach of the cap. For
3 instance, there are exclusions for court orders or
4 judgments against the governing body or school
5 district. There are also exclusions for contributions
6 to employee retirement funds beyond specified limits.
7 Other exclusions require computations to determine
8 what the legislation refers to as a "quantity change
9 factor," which may allow the tax levy to increase
10 above the cap due to development. There are also
11 exclusions that will allow school districts to
12 increase the tax levy for certain expenditures
13 associated with facilities, capital equipment, debt
14 service, lease expenditures, and transportation debt
15 service, subject to the approval of the qualified
16 voters where required.

17 Q. Please continue.

18 A. On September 8, 2020, the New York State Department of
19 Taxation and Finance issued an emergency re-adoption
20 of amendments of the Educational Law to permit New

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1 York school districts to increase their property tax
2 levy above the levy limit for certain costs associated
3 with their share of additional budgeted capital
4 expenditures made by a board of cooperative
5 educational services. This change was made permanent
6 in December 2020. However, the Company's fiscal year
7 2020-2021 school property taxes, which were paid
8 beginning in September 2020 increased by 1% when
9 compared to the last fiscal year. This amended
10 regulation did not have a material impact on the
11 Company and the increase in school property taxes
12 would fall within my overall escalation factor of
13 1.75% used to forecast future year property taxes
14 based on the 5-year average of property taxes paid.

15 **VI. UNCERTAINTY ASSOCIATED WITH FORECASTING PROPERTY TAXES**

16 Q. Why do you believe that a reasonable forecast of the
17 Company's property taxes is not practicable?

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1 A. In New York State, the main revenue source to balance
2 local municipal budgets is property taxes. Local
3 budgets are strongly influenced by the state of the
4 economy, *e.g.*, whether the City is experiencing budget
5 shortfalls due to an economic downturn. Moreover, as
6 discussed above, the majority of the Company's
7 property taxes are New York City property taxes. In
8 New York City, the classification system adds
9 complexity and uncertainty.

10 Q. Please provide an overview of the tax rate process in
11 New York City.

12 A. Each year, the Mayor submits to the City Council the
13 executive budget for the upcoming fiscal year (*i.e.*,
14 July 1 to June 30). After the City Council adopts a
15 budget, it must fix the annual real property tax rates
16 and authorize the levy of real property taxes for the
17 fiscal year.

18 Q. What mechanism does New York City use to fix property
19 tax rates?

20 A. The City Council must pass a resolution, known as the

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1 Tax Fixing Resolution, which authorizes the tax rates
2 to be used for each class and authorizes the levy of
3 real property taxes for the fiscal year. The City
4 Council adopted the most recent Tax Fixing Resolution
5 in June 2021, which authorized the use of the tax
6 rates that became effective for fiscal year 2021/2022.

7 Q. Please continue.

8 A. The City Council determines the amount of the real
9 property tax levy in the following manner. First, the
10 City Council acknowledges the amount of the fiscal
11 year budget and the estimate of the probable amount of
12 all non-property tax revenues. Both amounts are set
13 forth in a communication from the Mayor. The City
14 Council then determines the net amount to be raised by
15 taxes on real property by subtracting the amount of
16 the fiscal revenue amount from the fiscal budget
17 amount. The property tax is unique in that it is the
18 only tax over which New York City has the discretion
19 to determine the rate without new legislation from the
20 State and, therefore, property taxes may be used to

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1 balance the budget. New York City also makes
2 allowances for such items as uncollectible property
3 taxes, refunds and collections of levies from prior
4 years, collectively known as the "property tax
5 reserve." The tax levy is equal to the property tax
6 revenue plus the property tax reserve.

7 Q. What happens next?

8 A. After determining the amount of the real property tax
9 levy, the Council authorizes and fixes the real
10 property tax rates. Three factors determine the
11 amount of tax imposed on a property in New York City:
12 the market valuation for the property itself; the
13 fraction of the market value on which taxes are to be
14 paid; and the tax rate for the property class. As
15 noted above, there are four classes of property in New
16 York City and, therefore, four different tax rates.
17 Each class is responsible for a specific share of the
18 property tax levy, known as the "class share."

19 Q. How are the class shares determined?

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1 A. The class shares are determined each year according to
2 a complex statutory formula that takes into account
3 changes in the market value of taxable real property,
4 physical changes resulting from new construction or
5 demolitions, changes in taxable status, and transfers
6 of real property among the four classes. The "base
7 percentage" is the percentage of total market value
8 that each class constituted on the 1989 base tax roll.
9 This is the roll that was used in setting the tax levy
10 for fiscal year 1990. The "local base proportions"
11 are the class tax shares that were used to fix the tax
12 rates for fiscal year 1991 and comprise the thresholds
13 currently used. Each year the City Council certifies
14 "current percentages" and "current base proportions"
15 to the State Board of Real Property Services
16 ("SBRPS"). The current percentage is similar to the
17 base percentage but applies to the most recent year
18 for which the SBRPS has established class equalization
19 rates (typically the preceding fiscal year). The
20 current base proportions are the local base

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1 proportions modified to take into account the market
2 value changes indicated by the latest class
3 equalization rates. The Council next certifies the
4 "adjusted base proportions" to SBRPS. The adjusted
5 base proportions are the current base proportions
6 adjusted to reflect physical and quantity changes
7 indicated on the current assessment roll. These
8 adjusted base proportions constitute the class shares
9 applicable to the tax levy on the current tax roll.
10 Fundamentally, the process was designed so that each
11 of the four classes would bear roughly the same class
12 share of the overall tax levy as it did in 1990,
13 subject to physical and market value changes.

14 Q. Is there a limitation on the levy and/or the class
15 shares?

16 A. There are two limitations. One is a State
17 constitutional operating limit provision and the
18 second is a five percent cap.

19 Q. Please describe the operating limit provision.

20 A. The operating limit provision generally provides that

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1 New York City is not allowed to levy taxes on real
2 property in any fiscal year in excess of an amount
3 equal to a combined total of 2.5 percent of the
4 average full valuation of taxable real property for
5 the current year and the prior four years.

6 Q. Please describe the second limitation.

7 A. The second limitation is a five percent cap. The
8 statute provides that the current base proportion
9 (*i.e.*, the current year's class share) of any class
10 cannot exceed the adjusted base proportion or adjusted
11 proportion of the prior year by more than 5%. Where a
12 class's share change exceeds the 5% limit, the excess
13 is spread among the other classes. In most years, the
14 New York State Legislature has passed annual laws
15 lowering the 5% overall cap for Class 1. The effect
16 of these laws has been to cause the other classes to
17 bear more of the overall tax burden than would have
18 been the case under the 5% limit.

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1 Q. Did the New York State Legislature pass an annual law
2 lowering the 5% cap for Class 1 for fiscal year
3 2021/2022?

4 A. Yes. Although the Class Shares for Classes 1 and 2
5 increased based on the fiscal year 2021/2022 market
6 values, only Class 1's share exceeded the 5% cap and
7 was shifted to another Class.

8 Q. What Class(es) bore the burden for Class 1's class
9 share in excess of 5% for fiscal year 2021/2022?

10 A. The excess above the 5% from Class 1 was shifted to
11 Class 3. As shown in the table below, shifting Class
12 1's share in excess of 5% to Class 3 increases Class
13 3's class share of the property tax levy from a
14 negative 18.8% change to a positive 3.1% change in
15 fiscal year 2021/2022 when compared to fiscal year
16 2020/2021.

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<u>Class</u>	Percent Change Before Shifting <u>Excess to Class 3</u>	Percent Change After Shifting <u>Excess to Class 3</u>
1	+15.1	+5.0
2	+4.3	+4.3
3	-18.8	+3.1
4	-6.2	-6.2

**Based on the NYC Fiscal Year 2021/2022 Property Tax Fixing Resolution*

1 Q. Has this type of shift occurred in other years?

2 A. Yes. Generally, a review of the history demonstrates

3 this shift is the primary reason for the increase in

4 the Class 3 tax rate year over year (perpetuating the

5 inequity in Class 3). Any class with a market share

6 greater than its share of the tax levy is receiving a

7 tax preference, which is absorbed by the other

8 classes. Historically, Class 3 has been burdened by

9 this legislation, whereby its class share of the

10 property tax levy is more than double its market

11 value. For fiscal year 2021/2022, Class 3 properties

12 were 3% of the total market value, but its share of

13 the property tax levy was 7%. I also see the potential

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1 for cap legislation as one of the factors that make
2 forecasting property taxes in New York City so
3 difficult. Even though there is cap legislation in
4 most years, it is not guaranteed.

5 Q. Does New York City's tax fixing process facilitate
6 projecting the Company's future property tax
7 liabilities?

8 A. No, it does not. The process can produce very
9 different results from one year to the next. Exhibit
10 ___ (PTP-2) entitled "Consolidated Edison Company of
11 New York, Inc., Summary of Historic New York City
12 Property Tax Rates," which was prepared under my
13 direction and supervision, illustrates the volatility
14 of Class 3 and 4 rates over time.

15 Q. Please provide a recent example of this tax rate
16 volatility.

17 A. In fiscal year 2017/2018, New York City raised the
18 property tax rate for Class 3 property from 10.934% to
19 11.891%. This resulted in, more than a 9% increase in
20 the property tax rate from the prior year, while

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1 decreasing the property tax rate for Class 4 for,
2 10.574% to 10.514%, a decrease of 1%.

3 Q. Can you provide an example of the effect of a tax rate
4 change for New York City?

5 A. Yes. Absent any other changes in the forecast, a 5.0%
6 increase in fiscal year 2020/2021 (e.g., an increase
7 from 12.826% to 13.467% for Class 3 and an increase
8 from 10.694% to 11.229% for Class 4) in New York
9 City's tax rates above the rates I have used in my
10 forecast would increase Rate Year taxes by \$31.8
11 million for electric properties and \$7.2 million for
12 gas.

13 Q. What property tax rates do you propose to use for
14 purposes of these proceedings?

15 A. As discussed above, I selected tax rate changes that
16 are based on a five-year average of percent changes
17 for Classes 3 and 4. My forecasted property taxes
18 reflect escalations of the tax rates of 3.473% for
19 Class 3 and 0.071% for Class 4.

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1 Q. Do you expect the rate changes in each of the next
2 several years to be equal to your forecasted 3.473%
3 for Class 3 and 0.071% for Class 4 based on the five-
4 year average?

5 A. No. New York City property tax forecasts are subject
6 to much uncertainty and actual tax rate changes can be
7 quite volatile. For example, the New York City's tax
8 rates have increased as much as 18.5% from one year to
9 the next. I will address that subject later in my
10 testimony, but I note that it is that degree of
11 possible variability that results in an inability to
12 reasonably forecast property taxes for the Rate Year,
13 even based on recent experience. It is also for these
14 reasons that a full property tax reconciliation is
15 justified and appropriate.

16 Q. Will you update the New York City tax rates during the
17 course of these proceedings?

18 A. Yes, I will update my forecast for tax rate changes if
19 available, during the course of these proceedings.

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1 Q. Does the Company have a proposal regarding
2 reconciliation of property taxes for the Rate Year?

3 A. Yes. Given the variability and uncertainty discussed
4 above, and the Company's very limited ability to
5 mitigate this variability and uncertainty, the Company
6 believes that an accounting and ratemaking mechanism
7 that fully insulates customers and the Company from
8 property tax forecast variations is reasonable and
9 appropriate. The Accounting Panel describes this full
10 and symmetrical property tax reconciliation mechanism
11 in its direct testimony.

12 Q. Do you believe that full and symmetrical property tax
13 reconciliation reduces the Company's incentive to
14 mitigate its property tax liability?

15 A. No, not at all. As I explain in greater detail later
16 in my testimony, and as the Company has explained in
17 numerous rate proceedings, meetings with the Staff of
18 the Department of Public Service ("Staff"), and annual
19 reports to the Commission of the Company's activities
20 regarding property taxes, the Company has a long

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1 history of actively fighting to reduce the Company's
2 property tax burden. Challenges to unfair
3 assessments, litigation, lobbying efforts to seek
4 favorable legislation, and aggressively pursuing
5 available property tax benefits are a normal course of
6 business for the Company.

7 Q. Has the Commission previously approved the full
8 reconciliation of property taxes for a single-year
9 rate plan?

10 A. Yes, in Case 08-E-0539, a rate case in which the
11 Commission established electric rates for Con Edison
12 on a litigated rather than settled basis and for a
13 single rate year (*i.e.*, outside of the context of a
14 multi-year rate plan on settled terms).

15 Q. In Case 08-E-0539,¹ did the Commission address concerns
16 that a full reconciliation would reduce the Company's
17 incentive to minimize property taxes?

¹ Case 08-E-0539, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service.*

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1 A. Yes. The Commission concluded that would not be the
2 case. In its *Order Setting Electric Rates*, issued
3 April 24, 2009 in Case 08-E-0539 (pp. 106-107), the
4 Commission concluded:

5 We share DPS Staff’s concern about
6 removing an incentive for the Company
7 to minimize its property tax expenses.
8 However, the record in these cases
9 shows that the Company has aggressively
10 sought to minimize its property tax
11 assessments. Indeed, there is no
12 assertion to the contrary. Moreover,
13 our long-standing policy is that a
14 utility will be allowed to retain a
15 share of property tax refunds,
16 frequently in the 10-15% range, to the
17 extent it can be established
18 conclusively that the utility’s efforts
19 contributed to that outcome. Taking
20 these two factors into account, we
21 conclude that the Company already has
22 and will retain an incentive to
23 minimize its property tax assessments.

24
25 The Commission’s conclusion and reasons remain valid
26 today. Accordingly, given the variability and
27 uncertainty we have discussed above and the incentives
28 recognized by the Commission, a full and symmetrical
29 property tax reconciliation mechanism that serves to

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1 protect both customers and the Company from forecast
2 variations is both reasonable and appropriate.

3 **VII. EFFORTS TO MINIMIZE PROPERTY TAXES**

4 Q. Please summarize the Company's efforts to minimize
5 property taxes.

6 A. The Company has aggressively challenged its property
7 tax assessments in an effort to have its customers pay
8 no more than its fair share of property taxes. The
9 Company has been and remains very concerned with the
10 level of property taxes in its service territory and
11 the impact of these taxes on customers.

12 Q. Please discuss the Company's efforts to reduce
13 property taxes.

14 A. As discussed earlier in my testimony, property tax
15 amounts are a function of a tax rate multiplied by an
16 assessed value. The Company has no influence on the
17 tax rates that municipalities set; therefore, the

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1 Company focuses on the fairness of assessed values set
2 by the municipalities.

3 Q. How do you determine which assessments should be
4 challenged?

5 A. Each year I review our property assessments to
6 determine if they fall within a range of
7 reasonableness under an RCNLD valuation. This
8 approach to valuation begins with the original cost of
9 property, which is then trended to the current time
10 period using Handy-Whitman indices to arrive at an
11 estimated cost to reproduce the property today. That
12 valuation is then reduced by depreciation. The RCNLD
13 methodology develops what is considered the current
14 value of utility property and the method is used for
15 valuation purposes by the ORPTS and the New York City
16 assessors. If the actual assessments vary
17 substantially from our RCNLD calculations, I file
18 complaints with the applicable taxing authorities. I
19 first attempt to settle these complaints through
20 negotiation as I believe that a settlement is a more

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1 cost-effective way of reducing our tax burden than
2 costly prolonged litigation, which requires
3 independent appraisals and has uncertain outcomes. I
4 do, however, pursue litigation when my efforts fail to
5 result in what I believe to be a fair compromise.

6 Q. Please describe the tax controversy process.

7 A. As indicated, I monitor the assessed values of the
8 Company's properties and take action for each property
9 that I believe is not fairly assessed. Each
10 municipality's assessing authority publishes a
11 tentative assessment roll on an annual basis. The
12 roll includes the annual tentative assessed values for
13 each property located in the jurisdiction. If a
14 taxpayer disagrees with the tentative assessment for
15 their property, they may file an administrative
16 complaint during a designated grievance period.
17 During that period, in order to determine if any
18 assessments should be challenged, the Company
19 undertakes a review of its assessments to determine
20 whether they fall within a range of reasonableness

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1 when calculated under RCNLD. In New York City, the
2 Company files a complaint with the Tax Commission, if
3 the tentative assessment is \$1 million or greater, and
4 the calculated assessment variation based on the
5 Company's RCNLD calculation is greater than \$1
6 million. Outside of New York City, the Company files a
7 complaint with the Tax Assessors office, if the
8 calculated market value variation based on the
9 Company's RCNLD calculation is greater than 25% and
10 the property tax dollar amounts involved are
11 significant. The municipality must respond to the
12 administrative complaint and it has been the Company's
13 experience that complaints are denied. Accordingly,
14 after the tentative assessment roll becomes final, the
15 Company files tax certiorari petitions with the
16 applicable court to formally contest the final
17 assessments. The Company makes every effort to settle
18 these challenges by meeting with the assessors and
19 with town or city officials. However, when efforts to

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1 reach a fair compromise fail, the Company pursues
2 litigation.

3 Q. Please discuss the Company's efforts to reduce
4 property taxes in New York City.

5 A. The Company has continued negotiations with the New
6 York City Law Department concerning the settlement of
7 proceedings challenging the assessments on certain of
8 Con Edison's locally-assessed properties for the
9 fiscal years 1994/1995 through 2018/2019.

10 In October 2018, Con Edison again filed real property
11 tax petitions with the New York City Tax Commission
12 that seek reductions of Con Edison's 2018/2019 final
13 tax assessments on real property. The filings were
14 based on the real property tax assessment roll
15 finalized in May 2018. Each year such applications
16 are filed for a great number of Con Edison's
17 properties that the Company views as over-assessed.
18 Con Edison now has filings on approximately 25% of its
19 New York City properties dating back to fiscal year
20 1994/1995.

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1 Q. Has the Company had any recent successes?

2 A. Yes. During 2013, Con Edison obtained a significant
3 property tax refund from New York City. After
4 extended negotiations with the New York City Law
5 Department, we reached a settlement covering the
6 production plant assets at the Hudson Avenue Station
7 for the years 1994/1995 through 2011/2012 and at the
8 Ravenswood and Astoria Stations, formerly owned by Con
9 Edison, for the years 1994/1995 through 1998/1999. As
10 a result of this settlement, the Company received a
11 lump-sum tax refund of \$140 million. In its February
12 21, 2014 order adopting rate plans in Con Edison Cases
13 13-E-0030, *et. al.*,¹ the Commission approved the
14 distribution of the refund in the manner provided for
15 by Con Edison's then applicable rate plans. This
16 distribution resulted in electric customers being

¹ Case 13-E-0030 - *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, et al*, Order Approving Electric, Gas and Steam Rate Plans in Accord with Joint Proposal (issued February 21, 2014).

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1 credited with approximately \$85.0 million, and steam
2 customers with approximately \$34.9 million.

3 Q. Has the Company had any other recent successes?

4 A. Yes. Beginning in the 1994/95 tax year and
5 continuing through the 2013/14 tax year (together
6 the "Tax Assessment Years"), Con Edison commenced
7 lawsuits against New York City in Supreme Court,
8 New York County, in order to challenge New York
9 City's assessments of the structures, machinery
10 and equipment located at the 74th Street generating
11 station and its substation ("74th Street") and the
12 59th Street Steam generating station ("59th Street")
13 (collectively "the Properties") for the Tax
14 Assessment years.

15 Q. Please continue.

16 A. Appraisals were exchanged on the valuations of the
17 Properties and a trial regarding 74th Street was
18 scheduled for February 16, 17, and 18, 2016. Trial of
19 59th Street was to occur at a later date following the
20 74th Street trial. At the urging of the court, the

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1 parties engaged in extensive settlement negotiations
2 and eventually agreed to a reasonable compromise on
3 74th Street for the Tax Assessment Years. A consent
4 judgment was signed by the Judge on March 6, 2017 and
5 New York City paid the Company a cash refund on July
6 24, 2017 in the amount of \$30,789,354.97. The
7 Commission approved the distribution of the refund in
8 the manner provided for by the Company's previous and
9 current rate plans. This distribution resulted in
10 electric customers being credited with approximately
11 \$9.7 million, and steam customers with approximately
12 \$16.5 million.

13 Q. Please continue.

14 A. Once New York City and the Company agreed to settle
15 74th Street, New York City was willing to entertain
16 settlement discussions for 59th Street. After months
17 of extensive negotiations, on December 13, 2017, the
18 Supreme Court New York County approved a Stipulation
19 of Settlement for 59th Street for the Tax Assessment
20 Years. In 2018, New York City paid the Company a

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1 total cash refund of \$19,782,824.38. The Commission
2 approved the distribution of the refund in the manner
3 provided for by the Company's current rate plans. This
4 distribution resulted in electric customers being
5 credited with approximately \$3.1 million, and steam
6 customers with approximately \$13.8 million.

7 Q. Please continue.

8 A. In October 2021, Con Edison again filed real property
9 tax petitions with the New York City Tax Commission
10 seeking assessment reductions for about 20% of its
11 Class 3 and Class 4 properties.

12 Q. Please explain the Company's additional efforts to
13 reduce property taxes.

14 A. Aside from litigation, Con Edison has for several
15 years secured the tax benefits provided under the
16 state law Industrial and Commercial Incentive Program
17 ("ICIP") in New York City. The ICIP was enacted to
18 encourage the development, expansion and preservation
19 of commercial and industrial real estate. The ICIP
20 grants a property tax exemption for the additional

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1 real property taxes that would otherwise be payable as
2 a result of eligible industrial and commercial
3 construction work. Con Edison has filed ICIP
4 applications for projects involving the construction
5 of new facilities and substations, substation
6 renovations, and substation upgrades. The Company
7 filed for and received the exemption for 20 projects,
8 some of which involved multiple filings. Assuming
9 current tax rates, these exemptions will generate more
10 than \$1 billion in tax savings over the course of
11 their benefit periods, which range from 12 to 25
12 years. Despite efforts by Con Edison to extend the
13 ICIP program, the program expired as of June 30, 2008.
14 Con Edison continues, however, to receive benefits for
15 the projects that were eligible under ICIP. During the
16 2022/2023 fiscal year, Con Edison estimates that the
17 tax savings related to ICIP will amount to \$40
18 million.

19 Q. Does the Company challenge its special franchise
20 taxes?

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1 A. Yes, the Company has open challenges on its special
2 franchise taxes in New York City. The Company
3 commenced proceedings in Supreme Court, Albany County
4 challenging the ORPTS special franchise full values
5 for New York City's 2013 through 2020 assessment
6 rolls. The court has consolidated the proceedings for
7 trial and discovery has been largely completed. The
8 trial is scheduled for March 7, 8 and 9, 2022.

9 Q. Please continue.

10 A. The special franchise complaints allege that the
11 ORPTS's application of the RCNLD methodology produces
12 anomalous results that significantly overstate the
13 value of special franchise property. The complaints
14 are based on the ORPTS not properly taking into
15 account the effects of:

- 16 • Changes in the cost of materials;
- 17 • Depreciation due to use of an artificial property
18 age ceiling in relation to the property's average
19 service life; and

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- 1 • The proper level of Economic Obsolescence (“EO”)
2 and Functional Obsolescence (“FO”).

3 Q. Does the Company receive EO and FO benefits?

4 A. Yes. Although we have challenged the amount of
5 obsolescence allowances in our special franchise tax
6 legal actions, Con Edison continues to apply for and
7 receive EO and FO benefits. A request for an EO
8 benefit is filed on electric and gas services and the
9 FO benefit is filed on the Company’s gas low pressure
10 distribution mains. For 2022, we were approved for a
11 reduction for EO of 9% on our gas plant, which will be
12 applied to the 2022 New York City special franchise
13 full values. We were denied reductions for economic
14 obsolescence on our electric plant in New York City,
15 as well as our electric and gas plant outside of New
16 York City. We also requested a reduction for
17 functional obsolescence for excess capacity in the gas
18 distribution low pressure system from ORPTS. The ORPTS
19 will apply reductions for FO on the gas distribution
20 mains as follows:

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1	City of Yonkers	9%
2	Borough of Bronx	3%
3	Borough of Manhattan	6%
4	Borough of Queens	5%

5 Q. Please discuss the Company's other efforts to reduce
6 property taxes in Westchester & Other.

7 A. The Company aggressively challenges property tax
8 assessments outside of New York City. As detailed in
9 my annual Property Tax Reduction Reports filed with
10 the Commission, the Company has reached property tax
11 settlements with many of the cities, towns, and
12 villages in Westchester and Upstate. These settlements
13 cover a significant amount of the Company's property
14 outside of New York City and we continue to monitor
15 assessments in all of these areas to determine if
16 additional challenges are warranted.

17 Q. Has the Company commenced any recent proceedings to
18 challenge property taxes outside of New York City?

19 A. Yes. In 2021, the Company commenced proceedings
20 against the City of Peekskill, City of White Plains

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1 and the Town of Mt. Pleasant in Westchester County.

2 Settlement negotiations between the Company and these
3 municipalities are on-going.

4 Q. Please continue.

5 A. In 2020, the Company and the Town of Yorktown reached
6 a settlement agreement to reduce the assessed value
7 for the Hunter Brook substation to the market value
8 based on the Company's RCNLD calculation. The terms of
9 this settlement will yield tax savings on future
10 assessment reductions over four years beginning in
11 2021.

12 Q. Does the Company also pursue legislative avenues to
13 mitigate its property tax liabilities?

14 A. Yes. Representatives of the Company have met with
15 representatives from the New York State Department of
16 Taxation and Finance to discuss a proposal to
17 centralize property tax assessments. Central
18 assessment of the Company's non-special franchise
19 property would lead to cost efficiencies, promote
20 uniform assessment practices and result in a lower

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1 likelihood of litigation challenging the method of
2 determining assessments.

3 Q. How would the Company benefit under central
4 assessment?

5 A. The Company has long supported and pursued central
6 assessment legislation. Con Edison believes that the
7 ORPTS staff is in the best position to value utility
8 properties given their expertise and independence.
9 Central assessment by the ORPTS would provide for a
10 uniform method of assessment state-wide, which would
11 reduce the number of separate tax grievances that Con
12 Edison files. In addition, the ORPTS property
13 assessments are generally more current and
14 transparent, as Con Edison is required to report all
15 of its property additions to the ORPTS. Overall, the
16 ORPTS property assessments may result in tax
17 reductions on some of Con Edison's properties. The
18 main goal of the proposal, however, is to establish
19 assessment uniformity, predictability and
20 transparency. In fact, central assessment could also

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1 provide some financial relief to local governments
2 that must secure outside expertise to value certain
3 complex utility properties and are frequently required
4 to defend these assessments in court, resulting in
5 appraisal and legal fees and property tax refunds
6 resulting from successful legal challenges brought by
7 utility companies.

8 Q. What is the legislative status of central assessment?

9 A. In December 2017, Chapter 510 of the Laws of 2017 was
10 enacted, establishing a five-year pilot program
11 wherein all of Con Edison's Westchester properties
12 that are valued locally were valued by the ORPTS
13 commencing January 1, 2018. The Governor's approval
14 message stated that the law would be amended to
15 require the New York State Department of Tax and
16 Finance, in consultation with the Commission, to study
17 the viability of implementing central assessment for
18 utility properties state-wide, with recommendations
19 due May 1, 2018. The required study was published in
20 November 2018 and both the NYS Department of Taxation

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1 and Finance and the Commission recommended Central
2 Assessment for all utility companies.

3 Q. Please continue.

4 A. After the study was published, the Company met with State
5 government officials to discuss the study
6 recommendations and implementing central property tax
7 assessments by the Office of Real Property Tax Services
8 for all utility property located throughout the State.
9 The Company prepared draft legislation to effectuate
10 the recommendations and in May 2019 such legislation
11 was introduced in the Senate and the Assembly (S.5325-
12 B (Harckham) / A8366 (Galef)) and in January 2021 was
13 reintroduced for the current legislative session
14 (S2971 (Harckham) / A3072 (Galef)). Although the
15 legislation has not yet passed, the Company has met
16 with members of the Senate and Assembly and
17 legislative staff to advocate for its passage and will
18 continue to support this proposed legislation.

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1 Q. Does the Company keep the Commission and Staff
2 apprised of the Company's efforts to reduce its
3 property tax obligations?

4 A. Yes. The Company prepares an annual report to the
5 Commission of its efforts to reduce its property tax
6 obligations. The report is filed with the Commission
7 each March. The Company also meets with Staff to
8 update them on property tax issues. Legislative
9 efforts and accounting and assessment issues have
10 regularly been part of that agenda.

11 Q. Despite the Company's efforts to mitigate property
12 taxes, do the Company's property taxes continue to
13 increase?

14 A. Yes. The funds raised via the property tax levy are
15 often the major revenue source used to finance county
16 and local governments and public schools. The Company
17 bears an inordinate share of the levied tax
18 obligations determined by the taxing authorities
19 seeking to raise the funds they determine are needed.
20 Those needs, in concert with the Company's activities

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1 resulting in increased capital investment, have
2 historically resulted in higher tax bills for the
3 Company despite successful Company challenges to
4 assessed valuations of its property.

5 **VIII. DISPOSITION OF PROPERTY TAX BENEFITS ON FUTURE**
6 **PROPERTY TAX REDUCTIONS**

7 Q. Please discuss the Company's proposal regarding the
8 disposition of property tax benefits from property tax
9 settlements.

10 A. The Company's current electric and gas rate plans
11 provide that the Company shall retain an amount equal
12 to 14% of the property tax refunds and/or credits
13 allocated to electric/gas operations against future
14 tax payments. Consistent with the Commission's long-
15 standing policy of allowing utilities to retain a
16 percentage of tax refunds to encourage them to
17 challenge taxes, the Company proposes to continue
18 these provisions with one modification.

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1 Q. What modification is the Company proposing?

2 A. The Company proposes to modify the current mechanism
3 to account for the costs to achieve (e.g., appraisal
4 fees and local counsel fees) for the most common
5 outcome of tax challenges: settlements involving
6 future assessment reductions that will result in
7 future savings.

8 Q. Why is a modification needed to account for such costs
9 to achieve?

10 A. Although the Company's efforts to seek tax refunds
11 occasionally produce actual refunds or credits, these
12 are extremely difficult to obtain from governmental
13 entities. A future assessment reduction is often the
14 solution to this problem because the Company obtains a
15 property tax reduction and the governmental entity
16 avoids both the current cash outlay of a refund and
17 the administrative and political burden of obtaining
18 internal approvals for a refund or credit.
19 Municipalities also prefer settlements for future
20 assessment reductions because they facilitate the

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1 municipalities' financial planning. There are also
2 overarching benefits to settlements in general, as
3 they avoid costly litigation for the Company and
4 municipalities, as well as help maintain a cooperative
5 working relationship between the parties.
6 As settlements are the preferable outcome for
7 governmental entities and the Company alike, the
8 Company should be allowed to recover costs to achieve
9 tax savings resulting from property tax settlements.
10 This builds on the Commission's current sound
11 regulatory policy of providing the Company with a
12 meaningful incentive for its property tax reduction
13 efforts. This is also consistent with the approach
14 agreed to by parties to the recent O&R Joint Proposal
15 in Cases 21-G-0073 and 21-E-0074.

16 Q. Does this conclude your direct testimony?

17 A. Yes, it does.

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COMPENSATION/BENEFITS PANEL

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COMPENSATION/BENEFITS PANEL

1 Q. Would the members of the Compensation/Benefits Panel
2 ("Panel") please state your names and business addresses?

3 A. Susan Carson, and my business address is 4 Irving Place,
4 New York, New York 10003. Virginia Fischetti, and my
5 business address is Merritt 7 Corporate Park, Building
6 201, Norwalk, Connecticut 06851. Joseph McDonald, and my
7 business address is 400 Atrium Drive, Somerset, New
8 Jersey 08873.

9 Q. Ms. Carson, by whom are you employed and in what
10 capacity?

11 A. I am employed by Consolidated Edison Company of New York,
12 Inc. ("Con Edison" or the "Company") as Director of
13 Benefits and Compensation.

14 Q. Please briefly outline your educational and business
15 experience.

16 A. I graduated from Fairleigh Dickinson University in 1985
17 with a Bachelor of Science degree in Accounting. I
18 received a Master of Science degree in Management from
19 the New Jersey Institute of Technology in 1997. I am a
20 Certified Public Accountant licensed in New Jersey.

21 Q. Please describe your work experience.

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1 A. I have been employed by Con Edison for 15 years. I
2 joined Con Edison in 2006 as the Director of Pension
3 Management with responsibilities for the investment of
4 all benefit plan assets. In November 2016, I assumed the
5 position of Director of Compensation. In 2020, that
6 position was merged with the Director of Benefits,
7 resulting in my current position, Director of Benefits
8 and Compensation. From 1997 to 2006, I was employed by
9 Public Service Electric and Gas Company ("PSE&G") in a
10 variety of functional areas at the Director level
11 including pension management, investor relations, and
12 accounting. Prior to my employment with PSE&G, I worked
13 for several major corporations in a variety of
14 accounting, long-range planning, and pension management
15 positions.

16 Q. Please generally describe your current responsibilities.

17 A. My current responsibilities as Director of Benefits and
18 Compensation include administration of the compensation
19 plans for non-officer management employees, officers of
20 Con Edison, and members of the Company's Board of
21 Directors ("Board"), as well as the development,

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COMPENSATION/BENEFITS PANEL

1 implementation, communication, and administration of the
2 Company's employee benefit programs.

3 Q. Have you previously submitted testimony in a rate case
4 before the Public Service Commission ("Commission")?

5 A. Yes. I filed testimony in the most recent electric and
6 gas rate cases for Orange and Rockland Utilities, Inc.
7 ("O&R") (Cases 21-E-0074 and 21-G-0073) and Con Edison
8 (Cases 19-E-0065 and 19-G-0066) ("2019 Con Edison Rate
9 Cases").

10 Q. Ms. Fischetti, by whom are you employed and in what
11 capacity?

12 A. I am a Partner and East Region Practice Leader for
13 Executive Compensation for Aon. I have worked with
14 energy companies such as Avangrid, Dominion, PSE&G, NRG
15 Energy Services, and Southern Company, in addition to Con
16 Edison and O&R.

17 Q. What is Aon?

18 A. Aon provides risk management services, insurance and
19 reinsurance brokerage, and human resource consulting
20 services worldwide. More information on Aon is available
21 at aon.com.

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COMPENSATION/BENEFITS PANEL

1 Q. Please summarize your educational and professional
2 background.

3 A. I am a graduate of Amherst College with a Bachelor of
4 Arts degree in Economics. I also have an MBA, Finance
5 and International Business, from the New York University
6 Stern School of Business. Prior to joining Hewitt
7 Associates (now, Aon) in 1997, I worked as a benefit and
8 compensation consultant for Watson Wyatt (now Willis
9 Towers Watson) in New York. At Aon, my work includes the
10 benchmarking of total compensation, the design and
11 implementation of compensation strategies and
12 philosophies, pay structures, short-, mid-, and long-term
13 variable pay programs, and severance and change-in-
14 control benefits.

15 Q. Are you affiliated with any professional societies or
16 organizations?

17 A. Yes. I have spoken to audiences of the Society for Human
18 Resource Management on the topic of compensation and
19 published the cover article in the World of Work Journal
20 (4th quarter, 2005).

21 Q. Have you previously testified and submitted testimony on
22 behalf of the Company before the Commission?

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1 A. Yes. I have testified and submitted testimony in
2 previous Con Edison electric, gas, and steam rate cases
3 and filed testimony in O&R's most recent electric and gas
4 rate cases.

5 Q. Mr. McDonald, by whom are you employed and in what
6 capacity?

7 A. I am a Senior Partner and Local Practice Leader for
8 Retirement for Aon. I have worked with utilities such as
9 PSE&G, New Jersey Natural Gas, Southern Company, Entergy,
10 National Grid, and NiSource, in addition to Con Edison
11 and O&R.

12 Q. Please summarize your educational and professional
13 background.

14 A. I am a graduate of Washington College with a degree in
15 Mathematics. At Aon, I am a market leader in the
16 Retirement practice and a consultant to clients on
17 benefits and retirement issues. I specialize in the
18 design and financing of retirement programs, pension
19 investments, and asset-liability management, and all
20 aspects of retirement valuation and administration
21 consulting. I have over 20 years of experience in

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COMPENSATION/BENEFITS PANEL

1 consulting, having spent 12 years with Hewitt Associates
2 prior to its acquisition by Aon.

3 Q. Do you belong to any professional societies or
4 organizations?

5 A. I am a Fellow of the Society of Actuaries, an Enrolled
6 Actuary of the Joint Board, and am also a Chartered
7 Financial Analyst. I have spoken at numerous industry
8 conferences sponsored by organizations such as Pensions &
9 Investments, National Association of Corporate
10 Treasurers, The Conference Board, Utility Pension Fund
11 Study Group, Financial Executives International, and the
12 MegaCap Treasurer's Alliance, as well as a number of Aon-
13 sponsored conferences and webcasts on retirement topics.

14 Q. Have you previously testified and submitted testimony on
15 behalf of the Company before the Commission?

16 A. Yes. I submitted testimony in the 2019 Con Edison Rate
17 Cases, as well as O&R's most recent electric and gas rate
18 cases.

19

20

PURPOSE OF TESTIMONY

21 Q. What is the purpose of the Panel's testimony in these
22 proceedings?

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COMPENSATION/BENEFITS PANEL

1 A. The purpose of our testimony is to demonstrate that the
2 costs of the Company's benefits and compensation plans
3 are reasonable business expenses that should be recovered
4 in rates. The Panel's testimony demonstrates that the
5 Company provides market-competitive benefits and
6 compensation designed to attract and retain those
7 employees the Company requires to provide customers with
8 safe and reliable service, respond to extreme weather,
9 and implement the State's clean energy agenda. The
10 Company continues to manage proactively long-term
11 liabilities such as those related to pensions and retiree
12 health care.
13 This testimony examines the overall level of employee
14 "Benefits" and "Compensation" and demonstrates that the
15 Company's level of benefits and compensation reflected in
16 the revenue requirements of this filing in aggregate is
17 market-competitive and meets the Commission's standards
18 for assessing the overall competitiveness and
19 reasonableness of such expenditures. The costs of the
20 Company's benefits and compensation plans constitute
21 reasonable business expenses that should be recoverable
22 in rates for the reasons discussed below.

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1 Q. What elements of the Benefits package are reflected in
2 the revenue requirements of this filing?

3 A. Benefits are Active Health Benefits, vacation, life
4 insurance, disability; Retirement Benefits including the
5 Thrift Savings Plan ("TSP") and the Defined Contribution
6 Pension Formula ("DCPF"); and legacy pension and Other
7 Post-Employment Benefits ("OPEBs").

8 Q. What elements of Compensation are reflected in the
9 revenue requirements of this filing?

10 A. Compensation includes base salary, the variable component
11 of management pay, and long-term equity grants. This rate
12 filing, however, as explained above, does not seek cost
13 recovery for officer variable pay and long-term equity
14 grants, even though those are ordinary business expenses.

15 Q. Has the Commission articulated criteria to determine
16 whether the costs associated with a utility's benefits
17 and compensation plans should be recoverable in rates?

18 A. Yes. In the Commission's February 21, 2014 rate order in
19 Con Edison's 2013 rate cases (Cases 13-E-0030, 13-G-0031,
20 and 13-S-0032 ("2013 Con Edison Rate Cases")), the
21 Commission approved a joint proposal that contained Con
22 Edison's agreement to include a comparison with a peer

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1 group comprised of similarly situated companies,
2 including both utilities and general industry, in its
3 next demonstration of the overall competitiveness and
4 reasonableness of its total benefits and compensation
5 package. In its June 26, 2014 rate order in the United
6 Water New York, Inc. rate case (Case 13-W-0295), the
7 Commission reaffirmed that to obtain recovery of variable
8 pay, a utility must demonstrate that the overall
9 compensation, including the variable pay component, is
10 reasonable relative to similarly situated companies.

11 Q. Has the Commission addressed other criteria with respect
12 to evaluating recovery of costs associated with a
13 utility's benefits and compensation package?

14 A. Yes. In its rate order in the 2013 Con Edison Rate Cases,
15 the Commission noted with approval Con Edison's
16 willingness to conduct its comparative
17 compensation/benefits study to achieve at least a 50
18 percent matching of positions to a blended peer group of
19 utilities and New York metropolitan employers.

20 Q. What does the Panel address?

21 A. The Panel addresses: (1) a review that the Company
22 conducted, with the assistance of Aon, of Con Edison's

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1 total benefits and compensation package ("Review") in
2 2021 for non-officer management employees; (2) the
3 Company's compensation and benefit plans for non-officer
4 management employees; (3) officer and Board compensation
5 and benefit plans; (4) the Company's current Labor
6 Contracts with Local 1-2 and Local 3; and (5) employee
7 benefits costs.

8 Q. What is the purpose of the Review?

9 A. The purpose of the Review is to assess the market
10 competitiveness of the Company's Total Benefits and
11 Compensation package for its management employees. The
12 Company selected Aon to assist with the Review because
13 Aon is an industry leader in this type of review and has
14 the experience, survey data, and tools needed to analyze
15 the competitiveness of various benefit and compensation
16 plans. The Panel describes below the Review process,
17 methodology, and results.

18 Q. In conducting the Review, did the Company evaluate its
19 benefits and compensation package compared to those
20 offered by similarly situated companies?

21 A. Yes. Consistent with Commission direction and typical
22 market practice, in assessing the overall competitiveness

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1 and reasonableness of the Company's benefits and
2 compensation package, the Review compared the Company's
3 package to those offered by a peer group of similarly
4 situated companies.

5 Q. Were the peer companies limited to other utility
6 companies?

7 A. No. Consistent with the Commission's direction, the
8 Company evaluated Total Benefits and Compensation
9 relative to a blended peer group of utility companies and
10 non-utility New York metropolitan general industry
11 companies.

12 Q. What were the Review's overall findings with respect to
13 the blended peer group analysis?

14 A. As explained below, the Review found that the Company's
15 benefit programs and compensation for its management
16 employees, as well as the combined benefits and
17 compensation package value, are within the +/- ten
18 percent range that is considered "competitive" with
19 respect to the blended peer group.

20 Q. Do the rate requests in these proceedings include
21 compensation for officers of the Company?

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1 A. The rate requests reflect only certain elements of
2 compensation for officers. The Company's compensation
3 program for officers includes base salary, annual
4 variable pay awards, long-term equity grants, and
5 benefits. This compensation constitutes a reasonable and
6 necessary business expense the Company must incur to
7 attract and retain qualified leaders to direct and
8 oversee the safe and reliable operations of the Company.
9 To limit contested issues and mitigate its proposed rate
10 increase, the Company is not seeking to recover annual
11 variable pay and awards of long-term equity grants for
12 officers. The Company's decision not to seek recovery in
13 this case, however, is for this filing only.

14 Q. Do the rate requests in these proceedings include
15 compensation for members of the Board who are not
16 employees of the Company?

17 A. Yes. For members of the Board who are not employees of
18 the Company, the Company is seeking to recover in rates
19 their Board compensation, which includes an annual
20 retainer (that varies depending on committee assignments)
21 and a long-term equity grant. This compensation is a
22 reasonable and necessary business expense the Company

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1 must incur to attract and retain qualified, non-employee
2 directors to oversee the Company.

3 Q. Please briefly address the Company's Labor Contracts with
4 International Brotherhood of Electrical Workers, AFL-CIO
5 Local 1-2 and Local 3.

6 A. These Labor Contracts constitute fair and equitable
7 contracts that include benefits and compensation programs
8 that will allow the Company to continue to attract and
9 retain qualified employees and that will reflect the
10 needs of all stakeholders - employees, customers, and
11 regulators - and support the long-term sustainability of
12 the Company.

13 Q. Does the Panel address employee benefit expenses?

14 A. Yes. This direct testimony explains the forecast of
15 employee benefit expenses for management employees and
16 members of Local 1-2 and Local 3.

17 Q. Does the Panel address the impact of the COVID-19
18 pandemic on benefit costs?

19 A. Yes, and we summarize here. At the onset of the pandemic,
20 the self-insured medical program administered by Cigna
21 (which represents approximately 75 percent of the
22 eligible employees), experienced lower claim levels.

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1 Claims continue to remain volatile as the direct and
2 indirect impacts of COVID-19 mandates, medical practices,
3 and longer-term implications on survivors are ongoing.

4 Q. Does the Panel expect the impact of the COVID-19 pandemic
5 to result in lower claim costs for the Rate Year (*i.e.*,
6 calendar year 2023) than have occurred historically?

7 A. No. Claim costs were lower than typical for most of 2020,
8 as employees and covered dependents appear to have
9 delayed elective services. Beginning in early 2021, the
10 Company experienced an increase in claim costs and, by
11 mid-year 2021, monthly claims were trending at previous
12 levels. We do not know if this represents a "catch up" of
13 deferred treatments and procedures that will moderate
14 over the next few months. The Company will continue to
15 monitor this issue and address it if necessary in the
16 update testimony.

17 **REVIEW METHODOLOGY**

18 Q. Please provide an overview of the general approach of the
19 Review.

20 A. The Review compared Con Edison's management employee
21 benefits and compensation package values to external
22 benchmark data for the following components:

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- 1 • Employee benefits (including active healthcare,
2 insurance coverages, and retirement contributions);
3 • Base salary;
4 • Variable pay; and
5 • Long-term equity grants.

6 Q. Please describe the peer companies that were used in the
7 Review to analyze the competitiveness and reasonableness
8 of the Company's management benefit plan designs and
9 annual benefit and compensation package values.

10 A. A peer group of 50 companies (the "2021 Blended Peer
11 Group") was used for comparison purposes, including 25
12 utility peers and 25 New York metropolitan general
13 industries peers.

14 Q. Is the Panel sponsoring an exhibit in connection with the
15 2021 Blended Peer Group used in this analysis?

16 A. Yes. Please see EXHIBIT ____ (CBP - 01) entitled "Blended
17 Peer Group and Geographic Differentials."

18 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 01)

19 Q. Was this exhibit prepared by you or under your direct
20 supervision?

21 A. Yes.

22 Q. Please describe the 2021 Blended Peer Group.

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- 1 A. The 25 utility peer companies have similar operations to
2 Con Edison and have employees with similar experience and
3 skills in the utility industry as Con Edison. The 25 New
4 York metropolitan general industry peers include general
5 industry companies with headquarters located in the New
6 York metropolitan area (*i.e.*, New York, New Jersey, and
7 Connecticut), and have a significant number of salaried
8 and hourly employees located in the New York metropolitan
9 area. These companies have similar operations to Con
10 Edison in its non-utility-specific areas such as finance,
11 information technology, human resources, and legal.
12 Together this group of 50 companies is representative of
13 the labor market for management employees at Con Edison.
14 The 2021 Blended Peer Group also reflects a sample that
15 has available data for both compensation and benefit
16 benchmarking based on survey participation.
- 17 Q. Did Aon conduct this Review using the same methodology it
18 used in previous Company rate case filings with the
19 Commission?
- 20 A. Yes, it did. This is the third electric rate case for
21 which Con Edison has conducted a review based on a
22 blended peer group.

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1 Q. Did Aon use the same blended peer group that it used to
2 review compensation and benefits in previous Con Edison
3 rate case filings?

4 A. No. Aon establishes the blended peer group for each rate
5 case filing based on current benefit and compensation
6 survey participation. Aon works to maintain consistency
7 in the blended peer group from rate case to rate case
8 filing. However, not all blended peer group companies
9 participate in surveys every year and merger and
10 acquisition activity also modifies the pool of companies
11 available for the blended peer group.

12 Q. Does the change in the composition of the 2021 Blended
13 Peer Group impact the overall findings of the analysis?

14 A. No. There is a sufficiently large enough sample size
15 such that the selected companies continue to maintain a
16 balance between New York Metropolitan General Industry
17 and utility companies. The companies used for
18 benchmarking depends on their annual survey participation
19 and whether they meet specific criteria (e.g., being a
20 utility or being located in the New York Metropolitan
21 area). See EXHIBIT ____ (CBP - 01), "Blended Peer Group

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1 and Geographic Differentials," which lists the companies
2 in the 2021 Review.

3 Q. Did the Company use the 2021 Blended Peer Group for both
4 the benefits design benchmarking and the Total Benefits
5 and Compensation positional analysis?

6 A. Yes.

7 Q. What is included in the employee benefits value analysis?

8 A. There are two components to the benefits value analysis.
9 The first component is the employee benefits design
10 analysis, which compared the design features of the
11 benefits programs at Con Edison (e.g., health plan co-
12 payments, deductibles, and co-insurance, net of employee
13 premium contributions) to the design features of the
14 benefits programs at the members of the 2021 Blended Peer
15 Group.

16 The second component is the benefit design value
17 analysis. The benefit design value analysis includes a
18 pay-weighted assessment of the program features that are
19 based on salary (e.g., life insurance formulas, thrift
20 savings plan company match percentages, and the
21 definition of covered pay).

22 Q. Please continue.

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1 A. The annual benefit design value at Con Edison was
2 measured against the annual benefit design value at the
3 members of the 2021 Blended Peer Group to compare how
4 compensation-based benefit programs affect the total
5 value of the benefits packages. If, for example, an
6 employee at Company A earns more pay than an employee at
7 Company B in the same position, then the value of the
8 Thrift Savings Plan Company match (e.g., six percent of
9 pay) to the employee at Company A will be higher. The
10 employee benefit analysis performed in this manner allows
11 for a more accurate comparison of the value of a benefits
12 package than an analysis that is performed on a pay-
13 neutral basis.

14 Q. Please describe the process used to assess the benefit
15 designs of Con Edison's benefits programs and the
16 benefits programs of its peer companies.

17 A. The benchmarking of employee benefits design was done
18 using Aon's Benefit Index® ("Benefit Index"). The
19 Benefit Index is a premier tool for comparing the
20 relative worth of one company's benefits programs to
21 those offered by a group of other companies. Companies

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1 have used the Benefit Index since the 1970's to make such
2 assessments.

3 Q. How were benefit design competitiveness assessments made?

4 A. Benefit Index results are reached using a very specific
5 process. Actuarial techniques measure the total value a
6 representative population of employees would derive from
7 Con Edison's benefits program and the benefits programs
8 of each of the members of the 2021 Blended Peer Group.
9 All retirement income, death, disability, health, and
10 paid time-off benefits (such as vacation and paid
11 holidays) offered to newly hired employees are included.
12 This actuarial analysis reflects the benefits that each
13 program would be expected to pay during a year or the
14 present value of the benefits employees would be expected
15 to earn during a year but receive in the future. The
16 same employee population and assumptions are used when
17 measuring the values for each of the programs. This
18 standardization verifies that the differences are
19 attributable to plan designs, not pay levels. The impact
20 of pay level difference is assessed in the benefit design
21 value analysis of the Review. Finally, the benefit
22 design features of Con Edison's benefits program were

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1 compared to the average for the peer companies' programs
2 to arrive at a relative benefit design result reported by
3 the Benefit Index.

4 Q. What is a Benefit Index benefit design result?

5 A. A Benefit Index benefit design result of 100.0 would be
6 assigned if Con Edison's benefits exactly equaled the
7 average of the benefits package value offered by the peer
8 companies. Generally, differences in the overall benefit
9 package value are not considered significant or material
10 until they exceed ten percent (*i.e.*, less than 90.0 or
11 greater than 110.0 as compared to Con Edison). A Benefit
12 Index benefit design result within this range would be
13 viewed as "competitive."

14 Q. Which benefits programs are included?

15 A. The benefits analyzed included the following programs to
16 which an annualized value was attributed:

17 • **All Pre-Retirement Benefits:** Pre-retirement benefits
18 reviewed included hospital, medical, prescription drug,
19 dental, and vision, and sick, short- and long-term
20 disability, and paid vacation and holidays; and

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- 1 • **All Post-Employment Benefits:** Post-employment benefits
2 reviewed included pension, and Thrift Savings 401(k)
3 Plan.

4 Q. Is the Panel sponsoring an exhibit in connection with the
5 Benefit Index results used in this analysis?

6 A. Yes. Please see the exhibit entitled "BENEFIT INDEX
7 RESULTS."

8 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 02)

9 Q. Was this exhibit prepared by you or under your direct
10 supervision?

11 A. Yes.

12 Q. Please explain the information set forth in EXHIBIT ____
13 (CBP - 02).

14 A. This exhibit summarizes the details of the results of the
15 Benefit Index analysis of the current Con Edison benefit
16 plan designs, including a comparison to the 2021 Blended
17 Peer Group.

18 In aggregate, the Con Edison benefit plan is within a +/-
19 ten percent range (*i.e.*, between 90 and 110) that is
20 considered "competitive" with respect to the 2021 Blended
21 Peer Group with a Benefit Index design score of 109.2.

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1 Q. Did the Panel also analyze the competitiveness and
2 reasonableness of the Company's management compensation
3 components?

4 A. Yes.

5 Q. How was the compensation competitiveness assessment made?

6 A. The compensation competitiveness assessment included a
7 comparison of base salary, annual variable pay (at
8 target), and long-term equity grants for Con Edison
9 management positions and for the 2021 Blended Peer Group
10 positions. The annualized value of each pay component is
11 included in the analysis (e.g., annual base salary).

12 Q. What data sources were used for the Review?

13 A. Two data sources were used, both of which were applied to
14 the 2021 Blended Peer Group: (1) the 2021 Aon Benefit
15 Index Database; and (2) the 2021 Willis Towers Watson
16 Compensation Survey.

17 Q. Was the compensation survey data adjusted for geography?

18 A. Yes. It is a common industry practice to use national
19 compensation data for analyzing non-officer management
20 level roles. However, given Con Edison's metropolitan
21 New York location, a location with a significantly higher
22 than national cost of labor, a geographic adjustment was

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1 applied to the national data (*i.e.*, those utility members
2 of the 2021 Blended Peer Group located outside the New
3 York metropolitan area) to account for this cost of labor
4 difference relative to the 2021 Blended Peer Group data
5 used in the Review.

6 Q. How many non-officer management positions and employees
7 were included in the Review?

8 A. To provide a robust representation of the Company's non-
9 officer management employee base Aon compared
10 approximately 62 percent of the Con Edison non-officer
11 management employees (*i.e.*, over 3,100 employees) across
12 the Company's pay structure to the 2021 Blended Peer
13 Group companies.

14 Q. Is 62 percent coverage sufficient to draw valid
15 conclusions from the Review?

16 A. Yes. The positions in the analysis covered various
17 functional areas including Central Operations, Electric
18 Operations, Gas Operations, Finance, Accounting, Customer
19 Operations, Human Resources, Engineering, Information
20 Resources, and Law, among others, and all of the non-
21 officer management salary bands at Con Edison: 1L/1H,
22 2L/2H, 3L/3H, and 4L/4H. The results of the analysis,

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1 therefore, are representative of Con Edison's pay
2 positioning across the entire non-officer management
3 employee population.

4 Q. Why were some Con Edison non-officer management positions
5 excluded from the Review?

6 A. In performing the positional analysis, benchmark jobs
7 were identified for over 99 percent of Con Edison's non-
8 officer management employees. Of the over 99 percent
9 "benchmark" jobs, there was sufficient 2021 Blended Peer
10 Group data to provide analysis for 62 percent of Con
11 Edison's non-officer management employees.

12 Q. Why were some "benchmark" jobs not included in the
13 Review?

14 A. For some benchmark jobs, there was insufficient data to
15 include the positions in the Review. In performing the
16 positional analysis Aon adhered to the United States
17 Department of Justice safe harbor guidelines, which
18 indicate the need for a minimum of five data points with
19 no more than 20 percent of the sample from any single
20 peer company. If fewer data points were available for a
21 benchmark position, Aon excluded that position from the
22 Review.

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1 Q. Is the Panel sponsoring an exhibit in connection with the
2 positions included in the Review?

3 A. Yes. Please see the EXHIBIT ____ (CBP - 03) entitled
4 "CENSUS."

5 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 03)

6 Q. Was this exhibit prepared by you or under your direct
7 supervision?

8 A. Yes.

9 Q. Please explain the information set forth in EXHIBIT ____
10 (CBP - 03).

11 A. This exhibit lists all non-officer management positions
12 at Con Edison, and whether the position was included in
13 the Review. Positions were excluded for one of the
14 following reasons:

- 15 • "Insufficient Benchmark Data (less than five
16 comparator matches)" indicates the Con Edison
17 position is a benchmark position but there is
18 insufficient 2021 Blended Peer Group data to include
19 the position; or
- 20 • "Non-Benchmark Job" indicates the Con Edison
21 position is not similar to any survey benchmark

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1 positions in terms of functional responsibilities,
2 job duties, and/or organizational level.

3 Q. Is the Panel sponsoring an exhibit in connection with the
4 competitive positioning of Total Benefits and
5 Compensation of Con Edison non-officer management
6 positions benchmarked as part of the Review?

7 A. Yes. Please see the EXHIBIT ____ (CBP - 04) entitled
8 "TOTAL BENEFITS AND COMPENSATION RESULTS."

9 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 04)

10 Q. Was this exhibit prepared by you or under your direct
11 supervision?

12 A. Yes.

13 Q. Please explain the information in EXHIBIT ____ (CBP - 04).

14 A. This exhibit identifies the Con Edison employee positions
15 included in the comprehensive review as compared to the
16 2021 Blended Peer Group. This exhibit includes the
17 following information:

- 18 • Band;
- 19 • Con Edison title and department;
- 20 • Benchmark code, functional area, and title;
- 21 • Con Edison Total Benefits and Compensation;

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- 1 • Market Total Benefits and Compensation at the 50th
- 2 percentile (median) and average; and
- 3 • Variance for each Con Edison position to market
- 4 using the median and the average.

5 Q. What did Aon's analysis indicate when comparing Con
6 Edison to the 2021 Blended Peer Group?

7 A. In the aggregate, Aon found Con Edison' non-officer
8 management Total Benefits and Compensation package value
9 to be "market competitive." Con Edison's Total Benefits
10 and Compensation was 4.9 percent below the 2021 Blended
11 Peer Group median (or 95.1 percent of the median). Using
12 the average, Con Edison's total Benefits and Compensation
13 was 6.3 percent below the 2021 Blended Peer Group average
14 (or 93.7 percent of the average). While below the market
15 median and average, Con Edison's total Benefits and
16 Compensation package is considered to be within a market
17 competitive range of plus or minus ten percent in
18 aggregate.

19 Q. Why did Aon compare Con Edison Total Benefits and
20 Compensation to the median, but compared the Con Edison
21 benefit designs to the average for the Benefit Index?

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1 A. Median and average are both reasonable methods to make
2 observations in a data analysis, and either may be used
3 when performing a Total Benefits and Compensation
4 analysis. However, the use of median is an industry
5 practice in Total Benefits and Compensation studies
6 because the median normalizes a data sample by placing
7 equal emphasis on each observation, thereby mitigating
8 the influence of extreme outlier values, if any. In
9 benefit design review, program design elements exhibit
10 much less variation than pay levels. Therefore, it is a
11 standard industry practice to use market average or
12 market typical design when analyzing program design
13 features.

14 Q. How did Aon combine the Benefit Index results with the
15 compensation benchmarking to develop the Total Benefits
16 and Compensation package value?

17 A. Aon followed a standard methodology consistent with
18 industry practice and that Aon used in the 2019 Con
19 Edison Rate Case. First, Aon determined which positions
20 at Con Edison matched positions among the 2021 Blended
21 Peer Group, based on a comparison of functional
22 responsibilities, job duties, and organizational levels

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1 for which data is available from the survey sources.

2 Next, Aon compared the benefit and compensation data for
3 each of these positions at Con Edison to the benefit and
4 compensation data for the same positions among the 2021
5 Blended Peer Group companies. Finally, Aon aggregated
6 these results to evaluate Con Edison's overall
7 competitive position relative to the 2021 Blended Peer
8 Group median and average.

9 Q. Is the Panel sponsoring an exhibit in connection with the
10 results of the Aon analysis?

11 A. Yes. Please see the EXHIBIT ____ (CBP - 05) entitled
12 "SUMMARY OF RESULTS."

13 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 05)

14 Q. Was this exhibit prepared by you or under your direct
15 supervision?

16 A. Yes.

17 Q. Please explain the information set forth in EXHIBIT ____
18 (CBP - 05).

19 A. This exhibit identifies the aggregate results of the
20 Review Aon performed, relative to both the median and
21 average of the 2021 Blended Peer Group by each component
22 of Total Benefits and Compensation discussed above:

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- 1 • Base Salary;
- 2 • Target Cash Compensation (sum of Base Salary and the
- 3 variable component of management pay);
- 4 • Total Direct Compensation (sum of Target Cash
- 5 Compensation and long-term equity grants);
- 6 • Total Benefit Value (estimated annual value of
- 7 employee benefits); and
- 8 • Total Benefits and Compensation (sum of Total Direct
- 9 Compensation and Total Benefit Value).

10 Q. Please summarize the 2021 Blended Peer Group analysis
11 findings with respect to Base Salary.

12 A. The base salary benchmarking result of 94.1 percent
13 indicates that the salaries of the Con Edison positions
14 included in the benchmarking are 5.9 percent below the
15 median of the 2021 Blended Peer Group.

16 Q. Please provide a summary of the 2021 Blended Peer Group
17 analysis findings with respect to annual variable pay.

18 A. The Con Edison variable component of management pay lags
19 the market. As a percentage of total cash compensation
20 Con Edison's variable pay represents 8.6 percent. The
21 median for the 2021 Blended Peer Group is 12.8 percent
22 and the average is 13.6 percent.

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1 Q. Is the Panel sponsoring an exhibit in connection with the
2 findings regarding the variable pay component of
3 management pay?

4 A. Yes. Please see the EXHIBIT ____ (CBP - 06), entitled
5 "ANNUAL VARIABLE PERFORMANCE-BASED PAY COMPARISONS."
6 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 06)

7 Q. Was this exhibit prepared by you or under your direct
8 supervision?

9 A. Yes.

10 Q. Please explain the information set forth in EXHIBIT ____
11 (CBP - 06).

12 A. This exhibit identifies the annual variable pay component
13 of management pay opportunity for non-officer management
14 employees in each Con Edison Band, as compared to the
15 market range or target variable pay among the 2021
16 Blended Peer Group companies at equivalent Band levels.

17 Q. Please summarize your findings.

18 A. In summary, the compensation elements - base salary and
19 variable pay - both lag peer groups with an overall Total
20 Cash Compensation value of 90.4 percent as compared to
21 the Blended Peer Group median or 50th Percentile- just
22 inside the +/- 10 percent that is considered competitive.

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1 Once the value of long-term equity and benefits are
2 added, the Company Total Benefits and Compensation falls
3 within the +/- 10 percent with an overall combined value
4 of 95.1 percent of the benchmark companies' median. The
5 results of the Review demonstrate that the cost of the
6 total benefits program and compensation, including the
7 variable and long-term equity component of non-officer
8 management base compensation, are appropriately incurred
9 business expenses. Accordingly, the Company has included
10 the costs of these programs in the electric and gas
11 revenue requirements.

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1 **COMPENSATION PROGRAM FOR NON-OFFICERS**

2 Q. Please describe the Company's overall compensation
3 philosophy.

4 A. The Company's philosophy is to provide compensation that
5 is competitive with the median levels of compensation
6 provided by a peer group of similarly situated companies.
7 This approach to setting compensation levels permits the
8 Company to be reasonably competitive in the labor market
9 and to be able to attract, and fairly compensate,
10 employees important to the success of the Company. In
11 targeting the median levels for compensation measured
12 against a market competitive norm, the Company has taken
13 a conservative, low-cost approach, which benefits its
14 customers.

15 Q. Does the base compensation for Con Edison's non-officer
16 management employees include both base salary and a
17 variable pay component?

18 A. Yes.

19 Q. Has the Commission addressed standards for recovery of
20 the variable component of management pay?

21 A. Yes, the Commission has addressed this topic. For
22 example, in its *Order Denying Petitions for Rehearing*

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1 *and/or Clarification*, issued on November 21, 2011, in
2 Case 10-E-0362 (pp. 5-6) ("2011 O&R Rehearing Order"),
3 the Commission clarified what it expects a utility to
4 show to support customer funding of total compensation
5 for its employees. First, the Commission rejected the
6 "artificial distinction" between traditional compensation
7 and incentive-based compensation and expressly recognized
8 that "variable compensation and incentive plans are
9 common management tools" to encourage improved
10 performance and overall operations. Thus, the Commission
11 stated that it is reasonable for a utility to present "a
12 comparable total compensation study of similarly situated
13 companies" that shows "total compensation including
14 incentive compensation for a class of employees," and
15 described any concern about the relationship of incentive
16 plan goals to customer interests as "substantially
17 diminished." Indeed, the Commission stated that if the
18 plan "does not promote employee behavior" contrary to
19 customer interests or Commission policies, then the plan
20 "may contain financial, budgetary or other goals" that
21 benefit both shareholders and customers "even if the
22 relative benefits are unquantified." In other words, it

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1 would not be a sufficient ground to disallow funding in
2 rates if, in addition to benefiting customers, the
3 incentive plan benefits shareholders.

4 Q. Is Con Edison unusual in its inclusion of a variable pay
5 component as part of base compensation?

6 A. No. As the Commission has recognized, tying a portion of
7 employees' base compensation to performance is
8 commonplace both in American business generally and for
9 public utilities as well.

10 Q. Please continue.

11 A. The variable pay component of base compensation in the
12 Company's Management Variable Pay ("MVP") program is
13 earned only if the Company reaches pre-set financial and
14 operating performance goals. These goals are directly
15 linked to specific measurable standards consistent with
16 the Company's goal of providing safe and reliable service
17 to customers, resilience in response to extreme weather,
18 and implementing the State's clean energy agenda.

19 Q. How do the measures in the Company's variable pay program
20 align with other companies?

21 A. The use of financial measures in annual incentive
22 programs is very common. In the *2020 Annual Incentive*

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1 *Plan Design Survey - U.S. Highlights*, WillisTowersWatson
2 ("WTW") surveyed over 280 organizations in the United
3 States and found that the most common measures were those
4 related to profitability (77 percent) and strategic
5 business on-financial (e.g., operating metrics, customer
6 satisfaction, customer acquisition costs) (58 percent).

7 Q. Please describe the MVP component of base compensation as
8 it applies to the Company's non-officer management
9 population.

10 A. The MVP component of base compensation is earned only if,
11 and to the extent that, the Company achieves pre-set
12 performance goals that are directly linked to specific
13 measurable standards consistent with the Company's
14 achievement of its goals cost-effectively. These
15 performance goals encompass employee and public safety,
16 operational excellence, environmental and sustainability
17 objectives; operating and capital budgets; timely
18 completion of high priority capital and operating
19 projects and programs; and adjusted net income.

20 Q. Are there any management employees who do not participate
21 in the MVP program?

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1 A. Yes. As discussed by the Customer Energy Solutions Panel,
2 certain employees in the Energy Efficiency Department
3 participate in a commission-based program in lieu of the
4 MVP program. These employees were excluded from the
5 Company's calculation of MVP for the Rate Year.

6 Q. What is the eligibility requirement for all other
7 management employees?

8 A. All other Con Edison management employees who demonstrate
9 satisfactory performance are eligible for an MVP award.

10 Q. Please describe how the MVP component of the Company's
11 non-officer management compensation works.

12 A. The "Target Fund" for the MVP component is first
13 determined by multiplying the base salary of all eligible
14 employees as of December 31 by their respective target
15 percentage.

16 Q. Can the Target Fund be adjusted?

17 A. Yes, the Target Fund can be increased or decreased based
18 on the actual performance results compared with the pre-
19 set performance goals for that year.

20 Q. Please continue.

21 A. The Target Fund available for distribution is established
22 based on four weighted components: performance goals (50

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1 percent), operating budget (15 percent), capital budget
2 (15 percent), and net income (20 percent). A sliding
3 scale of 0 percent to 120 percent is applied to each
4 component based on actual outcomes. The actual amount to
5 be distributed each year is determined by multiplying the
6 Target Fund by the actual performance results for the
7 four performance criteria components. Variable pay
8 amounts awarded will vary among employees based on the
9 target percentage for the position, and an assessment of
10 their individual performance. An Eligible Employee with
11 unsatisfactory performance will not qualify for variable
12 pay.

13 Q. How was the amount of variable pay included in the
14 revenue requirement calculated?

15 A. The amount of variable pay included is set by the Target
16 Fund level, *i.e.*, the assumption is that there is no
17 adjustment. This amount expressed as a percentage of
18 total cash compensation equals 8.6 percent. As indicated
19 above, the median for the Blended Peer Group is 12.8
20 percent and the average is 13.6 percent.

21 Q. What happens if the amount of the variable component of
22 management pay allowed in rates is not achieved?

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1 A. If the goals are not fully achieved, and the Target Fund
2 amount of variable pay recoverable from customers is not
3 paid out. Consistent with the Company's current electric
4 and gas rate plans, the Company proposes to continue to
5 credit customers with the difference.

6 Q. What happens if the results for the MVP exceed the target
7 levels?

8 A. Only the target levels are included in the current rate
9 request. Customers will not pay for any MVP performance
10 above the target level.

11 Q. Does the Company have a plan document that describes its
12 variable pay plan?

13 A. Yes.

14 Q. Is the Panel sponsoring an exhibit describing the
15 Company's variable pay plan?

16 A. Yes. Please see the EXHIBIT ____ (CBP - 7) entitled
17 "Management Variable Pay Program."

18 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 7)

19 Q. Was this exhibit prepared by you or under your direct
20 supervision?

21 A. Yes.

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1 Q. How do the four components of the MVP - performance
2 goals, capital budget, operating budget, and net income--
3 measure results that benefit customers?

4 A. The performance indicator goals address Employee and
5 Public Safety with measures such as motor vehicle
6 collisions and gas-made-safe time; Environment and
7 Sustainability measures include measuring success of
8 energy efficiency programs; Operational Excellence
9 includes electric, gas and steam reliability measures;
10 and Customer Experience measures includes customer
11 appointments, estimated restoration times, and first-call
12 resolution measures. The selection of the 20 measures
13 reflects the Company's focus on delivering to its
14 customers safe and reliable utility service in a cost-
15 effective manner.

16 Q. Is the Panel sponsoring an exhibit listing the Company's
17 performance indicators?

18 A. Yes. Please see the EXHIBIT ____ (CBP - 8) entitled
19 "2019, 2020, and 2021 Performance Goals."

20 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 8)

21 Q. Was this exhibit prepared by you or under your direct
22 supervision?

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1 A. Yes.

2 Q. How do customers benefit from the attainment of these
3 performance goals?

4 A. To the extent that such goals are achieved, customers
5 benefit directly. The Company's concerns for customer
6 satisfaction, providing a high level of service, and
7 overall safety are demonstrated by the way the variable
8 component of management compensation is linked to
9 particular goals. For example, the Company's customer
10 focus is measured by the goals for Customer Project
11 Completion dates, first-call resolution, and customer
12 appointments. Similarly, the Estimated Time for
13 Restoration goal demonstrates Con Edison's commitment to
14 service reliability.

15 Q. How do customers benefit from the Company attaining the
16 Capital and Operating Budgets and Net Income goals?

17 A. Because Con Edison competes for capital in a capital-
18 intensive industry, achieving net income and capital and
19 operating budget levels that attest to the Company's
20 financial strength and stability benefits customers by
21 giving the Company access to capital at a reasonable
22 cost. If the Company did not achieve these goals, it

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1 could be more expensive for the Company to access the
2 financial markets, and thus more expensive for customers.

3 Q. How does the Company measure its operating and capital
4 budget performance?

5 A. The Company uses two elements to measure its operating
6 and capital budget performance - total dollars against a
7 budget with modifiers that can increase or decrease the
8 results compared to just the budget dollars.

9 Q. How do the modifiers provide benefits to customers?

10 A. The modifiers measure the Company's costs and schedule
11 against certain identified key projects and programs. The
12 modifiers verify that the Company is spending operating
13 and capital budget on key projects which benefit customer
14 reliability, safety, and environmental issues in a cost-
15 effective manner.

16 Q. Please discuss how the modifiers operate.

17 A. A manager is assigned to each project and program and is
18 responsible for monitoring and tracking expenditures
19 versus budget and completing the work on schedule. These
20 modifiers also demonstrate the Company's internal
21 controls and cost tracking detail that are used to manage
22 our overall capital and operating budgets.

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1 Q. How many projects and programs were identified to be
2 measured for the Capital Budget?

3 A. The Company identified 25 projects and programs. These
4 projects and programs include major capital projects and
5 ongoing capital programs that comprise a significant
6 portion of the capital budget.

7 Q. Is the Panel sponsoring an exhibit in connection with
8 capital projects and programs?

9 A. Yes. Please see EXHIBIT ____ (CBP - 9) entitled "2021
10 CAPITAL BUDGET MODIFIERS."

11 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 9)

12 Q. Was this exhibit prepared by you or under your direct
13 supervision?

14 A. Yes.

15 Q. How many programs were identified to be measured for the
16 Operating Budget?

17 A. The Company identified 12 programs to be measured for the
18 Operating Budget.

19 Q. Is the Panel sponsoring an exhibit in connection with
20 operating budget programs?

21 A. Yes. Please see the EXHIBIT ____ (CBP - 10) entitled
22 "2021 OPERATING BUDGET MODIFIERS."

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1 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 10)

2 Q. Was this exhibit prepared by you or under your direct
3 supervision?

4 A. Yes.

5 Q. Do you have any other general comments on the Company's
6 performance indicator goals?

7 A. Yes. When it comes to the variable component of
8 management pay, it is sound policy to use an approach
9 that relies on a combination of targets that encourage
10 employees to meet customer and State policy goals in a
11 cost-effective manner. For example, focusing on
12 operational excellence while considering budgetary
13 concerns inevitably results in lower costs to customers.
14 Conversely, a single-minded focus on meeting budgets
15 without a focus on prudent business management can result
16 in unsatisfactory customer service and unnecessary costs
17 over time. This is why the Company balances its financial
18 and performance goals.

19 Q. Please summarize your testimony regarding non-officer
20 variable pay.

21 A. As we have explained, the Commission has expressly
22 recognized that employee compensation plans may include

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1 "financial, budgetary or other goals" unless the plan
2 promotes employee behavior contrary to customers'
3 interests or Commission policies, and that such a plan
4 may benefit both customers and shareholders even if the
5 relative benefits are not quantified. Con Edison's non-
6 officer variable pay's financial goals are not contrary
7 to customers' interests. Indeed, as discussed above, the
8 goals, which include the operating and capital budget, if
9 achieved, will benefit customers over the long run and
10 meet the Commission's test for a recoverable cost.
11 Nevertheless, the Company has proposed to keep variable
12 pay subject to an asymmetrical reconciliation mechanism,
13 *i.e.*, customers are reimbursed if Con Edison
14 underachieves but do not have to pay more if the Company
15 overachieves.

16 Q. Turning to another aspect of compensation, please
17 describe equity grants for non-officer management
18 employees.

19 A. Equity grants are awarded to management employees who
20 contribute to the future success and growth of the
21 Company. The Management Development and Compensation
22 Committee of the Company's Board ("MDC Committee"), the

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1 administrator of the equity grant program, authorizes
2 granting equity awards in the form of performance based
3 restricted stock ("PBRs") to non-officer management
4 employees in bands 3 and 4, and time-based restricted
5 stock ("TBRs") to management employees in bands 1 and 2.
6 The equity grants provide the right to receive one share
7 of Con Edison common stock (or a cash payment equal to
8 the fair market value of one share of Con Edison common
9 stock) for each stock unit granted, subject to the
10 satisfaction of certain pre-established long-term
11 performance objectives.

12 Q. How are equity grants determined for non-officer
13 management employees?

14 A. Non-officer management employees are eligible to receive
15 PBRs and TBRs equity grants. However, it has been the
16 Company's practice to limit equity grants to
17 approximately 20 to 25 percent of the total number of
18 non-officer management employees based on recommendations
19 from their Senior Officers and an assessment of each
20 recommended employee's past performance and potential to
21 contribute to the Company's future success.

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1 Q. Why should the Company be permitted to recover the cost
2 of equity grants?

3 A. Equity grants are part of an overall total compensation
4 package for non-officer management employees that is
5 below the median compensation levels compared with the
6 Blended Peer Group. The form of compensation, in this
7 case equity grants as opposed to cash, should not
8 influence the recoverability of compensation cost. The
9 Company provides equity grants to non-officer management
10 employees to retain quality employees critical to the
11 Company's success. Payouts for Band 3 and 4 employees
12 are made only after the consistent demonstration of
13 achieving performance indicators over a three-year
14 period. Equity grants are a component of the overall
15 compensation and benefits package for non-officer
16 management employees and are a necessary and reasonable
17 business expense incurred by the Company in order to
18 attract and retain talented employees necessary to
19 provide safe and reliable service, respond to extreme
20 weather events, and implement the State's clean energy
21 agenda.

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1 Q. How much is reflected in the revenue requirement for
2 equity grants?

3 A. As reflected in the Other Compensation element of expense
4 shown in Accounting Panel Exhibit AP-3, the revenue
5 requirements reflect the following amounts for equity
6 grants: \$5.1 million for electric and \$1.0 million for
7 gas.

8

9

10

COMPENSATION PROGRAM FOR OFFICERS

11 Q. Please describe the Company's officer compensation
12 package.

13 A. The Company's compensation package for its officers
14 includes market-competitive benefits and compensation
15 designed to attract and retain qualified officers.

16 Q. What are the elements of the Company's compensation
17 program for its officers?

18 A. The elements of the Company's compensation program are
19 the same for officers as they are for non-officer
20 management employees – base salary, a variable pay
21 component, and long-term equity grants that are
22 competitive with the median levels of officer

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1 compensation provided by a peer group of similarly
2 situated companies.

3 Q. How do the benefits and compensation of the officers
4 compare to the median?

5 A. Based on the Review conducted by Aon, Company officers'
6 Total Benefits and Compensation is 5.0 percent below the
7 Blended Peer Group median.

8 Q. Please describe how the Company established compensation
9 levels for officers.

10 A. The MDC Committee of the Board establishes, reviews, and
11 administers the Company's officer compensation program.
12 The MDC Committee retains Mercer, a wholly-owned
13 subsidiary of Marsh & McLennan Companies, Inc., as an
14 independent consultant to provide it with information,
15 analyses, and recommendations regarding officer
16 compensation.

17 Q. How does Mercer benchmark officer compensation?

18 A. Mercer uses an industry peer group of publicly-traded
19 utility companies and general industry companies to
20 benchmark the compensation paid to all officers.

21 Q. Were Company officers included in the Review conducted by
22 Aon?

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1 A. Yes, while the MDC Committee as described above
2 establishes and approves officers' compensation, the
3 Company instructed Aon to include officers as part of the
4 external benchmarking of Total Benefits and Compensation
5 of the Review.

6 Q. How do the benefits and compensation of the officers
7 compare to the median?

8 A. Aon found that officers' Total Benefits and Compensation
9 is 5.0 percent below the 2021 Blended Peer Group median.

10 Q. Are Aon's benchmark findings consistent with the
11 information prepared by Mercer for the MDC Committee?

12 A. Yes. Mercer's analysis focuses on officers' base salary,
13 variable pay, and long-term equity grants commonly
14 referred to as "Total Direct Compensation." Mercer's
15 benchmarking also includes utility and general industry
16 companies. Aon was able to compare the Company's
17 officers' Total Direct Compensation with the Total Direct
18 Compensation of the 2021 Blended Peer Group. The Aon
19 findings indicate the Company officers' Total Direct
20 Compensation is in line with the median of the 2021
21 Blended Peer Group or 92.8 percent of the Blended Peer
22 Group.

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1 Q. Did Aon use the same blended peer group to conduct the
2 Review of officers' benefits and compensation and the
3 non-officer Review?

4 A. Yes. Aon used the 2021 Blended Peer Group for both.

5 Q. How many officer management positions were included in
6 the Review of Total Benefits and Compensation?

7 A. Thirty-eight of the Company's forty-four officers were
8 included in the Review or approximately 83 percent of the
9 Con Edison officer management employees.

10 Q. Is 83 percent coverage sufficient to draw valid
11 conclusions from the Review?

12 A. Yes. The officers in the analysis included the President
13 and Chief Executive Officer, President, Chief Financial
14 Officer, General Counsel, and senior officers (Senior
15 Vice Presidents) and officers (Vice Presidents) covering
16 the following functional areas: Electric Operations, Gas
17 Operations, Finance, Accounting, Customer Operations,
18 Human Resources, Engineering, Information Resources, and
19 Law. The results of the analysis, therefore, are
20 representative of Con Edison's pay positioning across the
21 entire officer management employee population.

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1 Q. Why were some Con Edison officer management positions
2 excluded from the Review?

3 A. As with some non-officer benchmark positions, the 2021
4 Blended Peer Group companies reported insufficient data
5 to the compensation survey sources. In addition, one
6 officer role is a non-benchmark job.

7 Q. Is the Panel sponsoring an exhibit in connection with the
8 positions included in the Review?

9 A. Yes. Please see EXHIBIT ____ (CBP - 11) entitled "OFFICER
10 CENSUS."

11 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 11)

12 Q. Was this exhibit prepared by you or under your direct
13 supervision?

14 A. Yes.

15 Q. Please explain the information set forth in EXHIBIT ____
16 (CBP - 11).

17 A. This exhibit lists all officer management positions at
18 Con Edison, and whether the position was included in the
19 Review. Positions were excluded for one of the following
20 reasons:

- 21 • "Insufficient Benchmark Data (less than five
22 comparator matches)" indicates the Con Edison

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1 position is a benchmark position but there was
2 insufficient 2021 Blended Peer Group data to include
3 the position; or

- 4 • "Non-Benchmark Job" indicates the Con Edison
5 position is not similar to any survey benchmark
6 positions in terms of functional responsibilities,
7 job duties, and/or organizational level.

8 Q. Is the Panel sponsoring an exhibit in connection with the
9 competitive positioning of Total Benefits and
10 Compensation of Con Edison officer positions benchmarked
11 as part of the Review?

12 A. Yes. Please see EXHIBIT ____ (CBP - 12) entitled "TOTAL
13 BENEFITS AND COMPENSATION RESULTS - OFFICERS."

14 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 12)

15 Q. Was this exhibit prepared by you or under your direct
16 supervision?

17 A. Yes.

18 Q. Please explain the information set forth in EXHIBIT ____
19 (CBP - 12).

20 A. This exhibit identifies the Con Edison officer positions
21 included in the Review as compared to the 2021 Blended

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1 Peer Group. This exhibit includes the following
2 information:

- 3 • Con Edison title;
- 4 • Benchmark title;
- 5 • Con Edison Total Benefits and Compensation;
- 6 • Market Total Benefits and Compensation at the 50th
7 percentile (median) and average; and
- 8 • Variance for each Con Edison position to market
9 using the median and the average.

10 Q. What did Aon's analysis indicate when comparing Con
11 Edison to the 2021 Blended Peer Group?

12 A. In the aggregate, Aon found Con Edison's officer
13 management Total Benefits and Compensation package value
14 to be "market competitive." Con Edison's officer
15 management Total Benefits and Compensation was 5.0
16 percent below the 2021 Blended Peer Group median. The
17 result is low relative to the median but considered to be
18 within a market competitive range of plus or minus ten
19 percent in aggregate. When compared to the average, the
20 result of 85.2 percent is below a market competitive
21 range of plus or minus ten percent in aggregate because
22 several of the comparison companies had significantly

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1 higher short-term and long-term incentives than the
2 median, thereby skewing the average.

3 Q. Is the Panel sponsoring an exhibit in connection with the
4 results of the Aon analysis?

5 A. Yes. Please see EXHIBIT ____ (CBP - 13) entitled "SUMMARY
6 OF RESULTS - OFFICERS."

7 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 13)

8 Q. Was this exhibit prepared by you or under your direct
9 supervision?

10 A. Yes.

11 Q. Please explain the information set forth in EXHIBIT ____
12 (CBP - 13).

13 A. This exhibit identifies the aggregate results, relative
14 to both the average and the median of the Review Aon
15 performed using the 2021 Blended Peer Group by each
16 component of Total Benefits and Compensation discussed
17 above:

- 18 • Base Salary;
- 19 • Target Cash Compensation (sum of Base Salary and the
20 variable component of officer pay);
- 21 • Total Direct Compensation (sum of Target Cash
22 Compensation and long-term equity grants);

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- 1 • Total Benefit Value (estimated annual value of
2 employee benefits including non-qualified benefits
3 earned under supplemental retirement plans); and
4 • Total Benefits and Compensation (sum of total Direct
5 Compensation and Total Benefit Value).

6 The Review demonstrates that all overall benefits
7 and compensation are competitive with the median levels
8 of officer compensation provided by the 2021 Blended Peer
9 Group, that is, less than ten percent below median as
10 determined by the Review. Therefore, officer benefits
11 and compensation costs, including variable pay and long-
12 term equity grants, represent a reasonable business
13 expense that should be fully recoverable.

14 Q. Is the Company seeking to recover all elements of officer
15 benefits and compensation, *i.e.*, base salary, the
16 variable pay component, and long-term equity grants, in
17 this rate filing?

18 A. No. As noted above, the Company has elected not to seek
19 recovery of the variable pay component and long-term
20 equity grants provided to the Company's officers, even
21 though the cost of these two elements of officer
22 compensation are reasonable and necessary business

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1 expenses the Company must incur to attract and retain
2 officers. The Company's decision not to seek recovery of
3 these costs is for this rate filing only.

4 **DIRECTORS' COMPENSATION**

5 Q. Please explain the compensation package for members of
6 the Company's Board.

7 A. Compensation for members of the Board, who are not
8 employees of the Company, includes annual board and
9 committee chair retainers and annual long-term equity
10 grants.

11 Q. Please describe how the Company establishes compensation
12 levels for Board members.

13 A. The Corporate Governance and Nominating Committee (the
14 "Committee") of the Board establishes and approves the
15 Board's compensation program. The Committee retains
16 Mercer to provide information, analyses, and
17 recommendations regarding director compensation. The
18 Committee directs Mercer to (1) assist the Committee by
19 providing competitive market information on the design of
20 the director compensation program; (2) advise the
21 Committee on the design and administration of the
22 director compensation program, and (3) inform the

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1 Committee on director compensation trends among the
2 Company's compensation peer group and broader industry.

3 Q. Please describe the current level of annual retainers and
4 equity grants.

5 A. Each non-employee member of the Board receives an annual
6 retainer of \$115,000, and the Lead Director (*i.e.*, the
7 liaison between the Company's Chief Executive Officer and
8 the independent, non-executive directors) receives an
9 additional annual retainer of \$35,000. The retainer for
10 the Non-Executive Chairman for 2021 was \$160,000. The
11 Chair of the Management Development and Compensation
12 Committee receives an additional annual retainer of
13 \$20,000. The Chair of the Safety, Environment,
14 Operations and Sustainability Committee receives an
15 additional annual retainer of \$15,000. The Chair of the
16 Corporate Governance and Nominating Committee receives an
17 additional annual retainer of \$15,000. The Audit
18 Committee Chair receives an additional annual retainer of
19 \$30,000 and each Audit Committee member receives an
20 additional annual retainer of \$15,000. Each director is
21 also allocated an annual equity grant of \$150,000 of
22 deferred stock units following their election at the

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1 annual stockholders meeting. The annual long-term equity
2 grants are automatically deferred until the director's
3 termination of service from the Board.

4 Q. How often is the compensation for non-employee Board
5 members evaluated?

6 A. Mercer conducts the assessment of non-employee Board of
7 Director compensation every two years with the Committee
8 to align Directors' compensation with market levels.

9 Q. When was the most recent assessment completed?

10 A. Mercer conducted the most recent assessment in 2020; the
11 next assessment is scheduled for 2022.

12 Q. Is the Company currently recovering all three elements in
13 its rates?

14 A. No. In the 2019 Con Edison Rate Cases, the Company
15 elected not to seek recovery of the annual long-term
16 equity grants provided to non-employee Board members in
17 order to limit the number of matters at issue in those
18 cases. In not seeking recovery, however, the Company
19 specifically reserved the right to seek recovery in
20 future rate filings.

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1 Q. Is the Company proposing in this filing to recover long-
2 term equity grants provided to non-employee Board members
3 in the Rate Year?

4 A. Yes.

5 Q. Please explain why.

6 A. Mercer found that the Company's total Directors'
7 compensation is aligned with the median levels of both
8 the Company compensation peer group and a general
9 industry (*i.e.*, \$10-\$15 billion total market
10 capitalization) group. Accordingly, the Commission
11 should find that the Company's elements of Directors'
12 compensation, including long-term equity grants, are (1)
13 a reasonable cost of attracting and retaining qualified
14 non-employee directors, (2) commonly included in board of
15 directors' compensation plans, and (3) a market-based
16 compensation package. These elements are therefore a
17 legitimate cost of doing business that should be
18 recovered in rates.

19

UNION CONTRACTS

20 Q. What portion of the Company's work force is unionized?

21 A. As noted above, two unions support employees of Con
22 Edison, Local 1-2 and Local 3. Combined, these unions

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1 represent approximately 7,100 employees or approximately
2 56 percent of the Company's total workforce.

3 Q. What is the effective date and term of the current
4 collective bargaining agreements with the two unions?

5 A. On June 21, 2020, the Company and Local 1-2 entered into
6 a four-year contract that will expire on June 22, 2024.

7 On June 16, 2021, the Company and Local 3 entered into a
8 four-year contract that will expire on June 21, 2025.

9 Q. Please describe the wage increases included in each of
10 these contracts.

11 A. Both contracts provide for annual increases of 3 percent
12 per year over the length of each contract. In addition,
13 both contracts provide for escalation to the maximum pay
14 rate for top titles following specific service and
15 performance criteria.

16 Q. Were there any changes in the health benefits offered to
17 employees under either of these contracts?

18 A. Yes. Both contracts eliminated the co-insurance option,
19 consistent with actions the Company took for its
20 management population in 2019. With the introduction of
21 the High Deductible and the Essential Health Plans, this

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1 option no longer provided differentiated coverage
2 compared to the co-pay plan.

3 Q. Did the contracts provide for any other changes in health
4 benefits?

5 A. Yes. Both contracts provided for changes in employee
6 contributions, deductibles, and co-pays for medical and
7 prescription services over the length of the contracts.

8 Q. Are the health care benefits of union employees provided
9 in the same manner as management employees?

10 A. Yes. The medical benefits are provided through a self-
11 insured arrangement with Cigna acting as the claim
12 administrator. There are also Health Management
13 Organization ("HMO") plans available to all Con Edison
14 employees. Prescription, vision, and dental coverage is
15 also available.

16 Q. Do the unions negotiate with the Company as to their
17 members health care plan contributions?

18 A. Yes. A critical part of the negotiation with the union
19 leadership is the cost of health benefits. The unions
20 represent the interests of their members and while the
21 unions are keenly aware of constantly rising healthcare

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1 costs, they are clear in their intention to keep cost
2 increases to a minimum for their members.

3 Q. Please discuss the changes in the amounts that Local 1-2
4 employees will contribute toward health care coverage
5 over the length of the current contract.

6 A. Over the length of the current contract, contributions
7 for the Cigna co-pay plan will increase 16.7 percent for
8 individual coverage and 13.4 percent for family coverage.
9 For 2022, approximately 60 percent of Local 1-2 members
10 enrolled in the Cigna co-pay plan.

11 Q. Please discuss the changes in the amounts that Local 3
12 employees will contribute toward health care coverage
13 over the length of the current contract.

14 A. Over the length of the contract, contributions for the
15 Cigna co-pay plan will increase 13.2 percent for
16 individual coverage and 12.5 percent for family coverage.
17 In addition, changes were made to the co-pay for office
18 visits with both primary care physicians and specialists.
19 For 2022, approximately 72 percent of Local 3 employees
20 enrolled in the Cigna co-pay plan.

21 A. What role do plan design changes play in controlling
22 costs for the Company's union population?

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- 1 A. There are differences in the co-pay, deductibles, and
2 other limits that develop over the process of negotiating
3 the entire contract. While not significant, these
4 differences do reflect the priorities of each union for
5 their members. Plan design changes in co-pay,
6 deductibles, and other limits are negotiated with annual
7 increases to maintain cost sharing.
- 8 Q. Describe the retirement benefits offered to new hires of
9 Local 1-2.
- 10 Q. New hires represented by Local 1-2 may choose which
11 pension plan/formula they want to receive. New hires
12 make this election within 60 days of hire and that
13 decision is irrevocable. In addition, new hires are
14 eligible to participate in the Thrift Savings Plan
15 (401(k)), whereby they will receive Company-matching
16 contributions based on their contributions and the limits
17 outlined in the collective bargaining agreement.
- 18 Q. Can you describe the retirement choices for Local 1-2 new
19 hires?
- 20 A. Local 1-2 employees may choose receiving their retirement
21 benefits under the Cash Balance formula contained within
22 the Company's defined benefit retirement plan or through

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1 the Defined Contribution Pension formula ("DCPF")
2 contained within the Company's defined contribution
3 Thrift Savings Plan ("TSP").

4 Q. Is there any difference in the benefits provided by the
5 Company to the employee under these two retirement plans?

6 A. No. The formula for both plans is the same - a
7 percentage of compensation based on each employees' age
8 plus service ("points").

9 Q. Is the cost of the Cash Balance and DCPF to the Company
10 determined in the same manner?

11 A. No. The accounting for the Cash Balance formula follows
12 the accounting standard for Defined Benefit pension
13 plans, including forecasted interest rates, demographic
14 assumptions, asset returns, and expected retirements.
15 For the DCPF, the cost is "pay-as-you-go," where the
16 Company makes quarterly cash contributions to the
17 participants' DCPF account.

18 Q. What retirement benefits are offered to new hires of
19 Local 3?

20 A. As of June 25, 2017, new hires represented by Local 3
21 participate in the DCPF plan. They do not have the
22 option of receiving their retirement benefits under the

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1 Cash Balance formula contained within the Company's
2 defined benefit retirement plan, as described above for
3 Local 1-2.

4 Q. Do both unions participate in the Thrift Savings Plan?

5 A. Yes, members of both unions are eligible to participate
6 in the Thrift Savings Plan and receive a Company match
7 for any contributions they make. The specific amounts
8 eligible for matching and the limit for the Company
9 contribution are part of the negotiations, with increases
10 provided annually to encourage employee participation in
11 the plan. Note provisional employees (currently under
12 100) do not receive company match.

13 **EMPLOYEE BENEFIT EXPENSES**

14 Q. Did the Panel prepare the exhibits entitled "CONSOLIDATED
15 EDISON COMPANY OF NEW YORK, INC., ADMINISTRATIVE AND
16 GENERAL EXPENSES-EMPLOYEE WELFARE EXPENSES"?

17 A. Yes.

18 Q. Were these exhibits prepared by you or under your direct
19 supervision?

20 A. Yes.

21 See EXHIBIT ____ (CBP-14) (Electric) entitled

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1 "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.,
2 ADMINISTRATIVE AND GENERAL EXPENSES-EMPLOYEE WELFARE
3 EXPENSES" (Electric) and EXHIBIT ____ (CBP-15) (Gas)
4 entitled

5 "CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.,
6 ADMINISTRATIVE AND GENERAL EXPENSES-EMPLOYEE WELFARE
7 EXPENSES"
8 (Gas).

9 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CBP - 14)
10 (Electric) and EXHIBIT __ (CBP-15) (Gas).

11 Q. Please describe these exhibits.

12 A. Page 1 of each exhibit is a summary of the Company's
13 forecast of employee benefit expenses for the Rate Year,
14 based on costs incurred in the Historic Year (*i.e.*,
15 October 1, 2020 - September 30, 2021). Lines 1 through
16 16 show costs for the Company's employee benefit
17 programs, and lines 18 through 22 show health care costs
18 net of employee payroll contributions for health care
19 benefits. Total employee welfare expenses are shown on
20 line 24. Total employee benefit expenses, net of
21 capitalized amount, is a summary of projected health care
22 costs and employee deductions for the Rate Year.

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1 Q. Please describe the change in the Total Employee Welfare
2 Expense from the Historic Year to the end of the Rate
3 Year (*i.e.*, December 31, 2023).

4 A. Over the 27-month period between the end of the Historic
5 Year and the end of the Rate Year, total costs for
6 Employee Welfare Expenses are projected to increase by
7 \$24,047,000 (electric) and \$4,942,000 (gas) or a total of
8 approximately \$29 million. This represents an overall
9 increase of 11.4 percent overall or less than 5 percent
10 per year.

11 Q. Please describe the methods used for escalating employee
12 benefit costs.

13 A. Three different methods are used to escalate Historic
14 Year costs to the Rate Year costs. First, a labor
15 escalation factor of 6.77 percent is used to escalate
16 employee benefit costs that are a function of salaries
17 and wages. For example, the Thrift Savings 401(k) Plan
18 provides a Company match to employees for a portion of
19 their plan contributions; this is escalated using the
20 labor escalation factor. Second, a non-labor escalation
21 factor of between 3.6 percent and 5.1 percent is used to
22 escalate specific employee benefit costs that are

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1 unrelated to salaries and wages, such as stock purchase
2 plan matching contributions and employee wellness
3 programs. The third factor, health care costs, was
4 derived in a less direct manner, as actual claims
5 experience for the Historic Year were muted due to the
6 COVID-19 pandemic, as described above.

7 Q. Please describe the level of health care costs reported
8 for the Historic Year.

9 A. For the 12 months ended September 30, 2021 Hospital &
10 Medical Insurance costs (line 20, Exhibit CBP-14 and CBP-
11 15) were \$167,864,000 (electric) and \$34,503,000 (gas),
12 respectively.

13 Q. How did you project Hospital & Medical Insurance Costs
14 for the Rate Year?

15 A. The Company developed the projection for calendar year
16 2023 costs using three elements: (1) a normalization
17 adjustment of \$13.1 million (combined electric and gas)
18 against the Historic Year costs to reflect the impact of
19 the COVID-19 pandemic on delayed/deferred treatments, (2)
20 the impact of continued employee migration to lower-cost
21 plans (High Deductible and Essential Health Plans), and

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1 (3) medical inflation of 5 percent for the self-insured
2 program and 8 percent for the HMO plans.

3 Q. How did you determine the normalization adjustment to
4 account for the impact of the COVID-19 pandemic on the
5 Historic Year costs?

6 A. The impacts of the COVID-19 pandemic started in March
7 2020, so the most recent 12-month period that did not
8 have any COVID-19 pandemic impact was the 12 months ended
9 September 30, 2019. While the amount of medical cost
10 inflation can be volatile, to simplify the calculation,
11 the Company assumed a 3 percent increase year-over-year
12 for each of the 12-month periods ended September 30, 2020
13 and 2021.

14 Q. What was the result of this analysis?

15 A. The table below provides the calculation used to
16 determine the \$10.8 million normalization adjustment for
17 electric and the \$2.3 million normalization adjustment
18 for gas related to the Historic Year.

19

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Electric	Historical - Year ending 9/30		
	2019	2020	2021
TOTAL - ACTUAL	168,437	155,219	167,864
Change from Prior Period (\$000)		(13,218)	12,645
Percentage Change from Prior Period		-7.8%	8.1%
	2019 Trended at 3% Overall		
	2019	2020	2021
TOTAL - TRENDED at 3%	168,437	173,490	178,728
Change from Prior Period (\$000)		5,053	5,238
Percentage Change from Prior Period		3.0%	3.0%
NORMALIZATION of Test Year			10,864
Gas	Historical - Year ending 9/30		
	2019	2020	2021
TOTAL - ACTUAL	34,620	31,904	34,503
Change from Prior Period (\$000)		(2,716)	2,599
Percentage Change from Prior Period		-7.8%	8.1%
	2019 Trended at 3% Overall		
	2019	2020	2021
TOTAL - TRENDED at 3%	34,620	35,659	36,736
Change from Prior Period (\$000)		1,039	1,077
Percentage Change from Prior Period		3.0%	3.0%
NORMALIZATION of Test Year			2,233

1

2 Q. Did the Company make any other normalization adjustments
3 to reflect the impact of the COVID-19 pandemic?

4 A. Yes, several programs had diminished usage due to COVID-
5 19 restrictions on gatherings so the actual expenses for
6 the Historic Year do not reflect "steady state" for

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1 programs such as employee development, health screenings,
2 and child-care services. Conversely, programs such as the
3 military duty allowance were higher than normal because
4 of the extended deployment of employees with military
5 service requirements.

6 Q. Does the projection of health care costs include any
7 program changes?

8 A. Yes. The projection for health care costs includes the
9 impact of plan design changes implemented for 2022, such
10 as the elimination of the co-insurance health plan choice
11 for Local 3 employees, as well as increases in the amount
12 of employee payroll contributions.

13 Q. Are any other impacts on health care costs anticipated in
14 the revenue requirement?

15 A. Yes. As more employees move to the high deductible and
16 Essential Health Plan, a greater portion of the overall
17 cost will be borne by employees. Ongoing migration to
18 these plans serves to mute the impact of the annual 5
19 percent assumption for medical inflation for the self-
20 insured plan and 8 percent for the HMOs so the Company
21 projects that the overall cost increase for the entire

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1 employee welfare program, including health care costs, in
2 the range of 3.5 percent per year.

3 **HEALTH CARE PROGRAMS**

4 Q. Has the Company made any changes in its health care
5 plans?

6 A. The Company made changes to health plan deductibles, co-
7 payments, and employee payroll contributions made during
8 the Historic Year and expected to be made for the Rate
9 Year. In addition, the Company eliminated one of the
10 higher-cost health plan choices for employees of Local 1-
11 2 and Local 3, effective January 1, 2022.

12 Q. Does the Company self-insure its health care benefits
13 programs?

14 A. Yes, the Company self-insures its primary health care
15 plans and fully insures its HMO plans. For the self-
16 insured programs, the Company contracts with Cigna, CVS
17 Health, and MetLife to process claims and provide other
18 administrative services.

19 Q. Is self-insuring the most cost-efficient way for the
20 Company to administer its health care benefits programs?

21 A. Yes. So long as the aggregate claim costs are somewhat
22 predictable and measurable, self-insurance is less costly

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1 than purchasing insurance that provides similar coverage
2 from a commercial insurance company. The Company is in
3 the position to self-insure its health care benefit
4 programs because claims costs in the aggregate are
5 generally predictable and measurable. The Company has a
6 large enough employee and dependent population to be able
7 to estimate the amount that needs to be set aside to pay
8 for future claims. In return for assuming the risk of
9 setting aside sufficient funds to pay the actual claims
10 costs, the Company achieves cost savings through the
11 elimination of the carrying costs that commercial
12 insurers pass on to their insurance consumers, such as
13 premium taxes, risk charges, state mandates as well as
14 the additional administrative costs associated with
15 fiduciary responsibility.

16 Q. What is the Company's approach to controlling rising
17 health care costs?

18 A. Over the past decade, the Company introduced new plans
19 such as the High Deductible and Essential Health Plans to
20 encourage employees and their families to be better
21 consumers of medical services. In exchange for lower
22 monthly contributions, the employee is responsible for a

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1 higher portion of the annual deductibles and the out-of-
2 pocket limits. These limits are much higher than those
3 under the co-pay plan. The net result for these plans is
4 the employee bears a greater portion of the claims cost
5 than the Company, which helps to mitigate the overall
6 increase in claim dollars and allows employees to make
7 better informed decisions when seeking care.

8 Q. How have employees accepted the High Deductible and
9 Essential Health Plans?

10 A. The introduction of these plans, especially for the
11 management population, generated a strong response with
12 enrollment in these plans now representing 48 percent of
13 the management population based on 2022 enrollment. The
14 High Deductible Plan, and to a greater extent the
15 Essential Health Plan, have not been as widely accepted
16 by the union employees, mainly because the contributions
17 for the traditional co-pay plan have been managed through
18 the negotiation process and do not necessarily reflect
19 the true cost of the benefit. Only 12 percent of the
20 Local 1-2 and 6 percent of the Local 3 population
21 participated in the High Deductible and Essential Health
22 Plans for 2022.

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1 Q. What drives the cost of health care?

2 A. Increases in health care costs are driven by increased
3 use of medical procedures and high-cost specialty
4 prescription drugs, as well as the availability and
5 projected utilization of new high-cost medical
6 procedures, treatments, and devices.

7 Q. Please provide an example.

8 A. A hospitalization in 2021 might involve more tests, more
9 procedures, more supplies, and use of different
10 technology than for the same condition a few years ago or
11 the use of new treatments for previously untreatable
12 terminal conditions.

13 Q. Discuss the role of advanced medical technologies in
14 health care costs.

15 A. New medical technologies (such as brain implant
16 therapies for spinal cord injuries or other neurological
17 injuries) raise the cost of medical services because
18 they are not designed to compete with existing
19 technologies. Rather, they are designed and introduced
20 into the market to enhance the ability of medical
21 professionals to save the lives of patients.

22 Q. Are costs for pharmaceutical solutions also increasing?

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1 A. Yes. A large portion of the increased spending for
2 prescription drugs is attributed to an increase in
3 utilization for high-cost specialty drugs used for the
4 treatment of complex, chronic, or rare conditions such as
5 various forms of cancer, rheumatoid arthritis, immune
6 disorders, and endocrine-related diseases.

7 Q. What actions has the Company taken to mitigate rising
8 prescription costs?

9 A. The Company works with CVS to identify programs and
10 services that can influence the overall cost of
11 prescription drugs for our employees. Since 2018, CVS
12 has implemented programs that have saved a cumulative \$30
13 million in prescription costs.

14 Q. Can you describe how these cost savings were achieved?

15 A. Yes. One of the largest components of prescription costs
16 is specialty drugs. They represent about 44 percent of
17 the annual gross cost of prescription drugs to the
18 Company. Specialty Guideline Management was introduced
19 to provide prior authorization (doctor's need to receive
20 approval to prescribe), step therapy (start with non-
21 specialty drugs), and day-1 utilization management
22 control (to keep close tabs on the prescribing doctor and

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1 the results achieved from the recommended treatment) to
2 promote safe and appropriate utilization of specialty
3 drugs both before and throughout the course of therapy.

4 Q. Are there other CVS programs in place that address
5 specialty drugs?

6 A. Yes, the Advanced Control Specialty Formulary utilizes
7 exclusions, new-to-market drug management, tiering
8 strategy combined with the Specialty Guideline Management
9 noted above to support the clinically appropriate
10 utilization and cost-effectiveness of specialty drug
11 therapy. Limits have also been applied to the quantity
12 of specialty medications so their efficacy can be
13 evaluated so that dosages do not exceed the upper limit
14 of safe and appropriate thresholds.

15 Q. Has the Company introduced changes for non-specialty
16 drugs in order to reduce prescription costs for the
17 Company?

18 A. Yes. The Company has implemented prior authorization
19 requirement for non-specialty drugs. This process
20 defines a set of criteria by which a drug may be covered,
21 and are in place to support the safe, effective, and
22 appropriate utilization of medication.

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1 Q. Have there been changes to reduce the cost of
2 prescriptions for employees?

3 A. Starting in 2022, certain preventative drugs will no
4 longer require a co-pay for participants covered under
5 the High Deducible and Essential Health Plans. This
6 change is intended to help people maintain medication
7 compliance for chronic conditions and to better control
8 those conditions with the expectation that it will
9 minimize health care intervention costs over the long-
10 term.

11 Q. Are there any other steps that the Company is taking to
12 mitigate health care costs?

13 A. Yes. The Company conducts periodic audits of the health
14 and welfare plan vendors to confirm the correct
15 processing of claims, in accordance with the plan
16 specifications for each of the health care options. The
17 Company completed audits for Cigna hospital and medical
18 plans and CVS through 2019. In 2022, the Company will
19 perform audits for of 2020 and 2021 claim activity. Upon
20 completion of the audits, if there are any overpayments
21 to health care providers, the Company will recover those
22 overpayments. In addition, the Company continues to

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1 review annually its cost-sharing arrangement with the
2 employees to maintain a reasonable and competitive cost-
3 sharing level with employees.

4 Q. Has the Company taken steps to encourage employees to
5 adopt healthy habits?

6 A. Yes. The Company continues to promote healthy behaviors
7 using a variety of financial incentives, employee
8 sponsored programs and educating them on the additional
9 benefits and services available to them from Cigna and
10 CVS. In addition, employees may receive financial
11 incentive through the annual wellness credits if they
12 participate in a medical screening each year.

13 Q. What has been the impact of the COVID-19 pandemic on the
14 Company's health programs?

15 A. Costs associated with the COVID-19 pandemic fall into
16 three categories - testing, treatment, and vaccine costs.
17 From March 2020 through October 2021, the Company's
18 testing costs have totaled \$9.5 million - representing
19 about 57,600 individual tests. Treatment costs,
20 including 51 high dollar claims, have totaled another \$12
21 million. Finally, the Company has incurred vaccine costs
22 totaling \$245,000 for 6,724 individuals.

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1 Q. What impact will the COVID-19 vaccine mandate have on the
2 Company's health care costs?

3 A. The Company will bear the anticipated cost of providing
4 weekly testing for employees with medical or religious
5 exemptions from the vaccine mandate.

6 **OTHER BENEFITS**

7 Q. Does the employee benefit expenses projection include any
8 program changes?

9 A. Yes. Beginning in 2021 for management and Local 1-2
10 employees, the auto-enrollment level for the 401(k) was
11 increased from 2 percent to 3 percent (to reflect the
12 impacts of new hires) and the auto-escalate ceiling was
13 increased from 10 percent to 15 percent for all
14 participating employees. A similar change will be made
15 for Local 3 beginning in 2022. The impact of this change
16 is an increased Company match due to the higher levels of
17 employee contributions.

18 Q. Is the Company making any changes to the Group Life
19 Insurance program since the last rate case?

20 A. Yes. Under the collective bargaining agreement with Local
21 3, the Company-paid group life insurance benefit will

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1 increase in 2022 from \$50,000 to \$100,000. This follows
2 a similar change made for Local 1-2 effective for 2021.

3
4
5
6

**LEGACY PENSION AND POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS**

7 Q. What is the status of the Company's legacy defined
8 benefit retirement plan ("Legacy Retirement Plan")?

9 A. With the exception of new Local 1-2 employees who have a
10 choice, the Legacy Retirement Plan is closed to all new
11 employees. Local 1-2 employees that do not pro-actively
12 elect to participate in the cash balance formula of the
13 defined benefit retirement plan are enrolled in the
14 defined contribution pension formula.

15 Q. How many active employees are still covered by the Legacy
16 Retirement Plan and accrue benefits under that plan?

17 A. As of January 1, 2021, there were 11,073 active employees
18 in the Legacy Retirement Plan, including 3,769 (or 34
19 percent) covered under the Cash Balance formula.

20 Q. What is the demographic profile of the employees covered
21 under the Legacy Retirement Plan?

22 A. The average age of the current active participants is
23 45.7 years with an average service of 16.6 years. For the
24 14,103 retirees, surviving spouses, beneficiaries, and

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1 disabled participants receiving benefits under the Legacy
2 Retirement Plan, the average age is approximately 74 and
3 the average annual benefit is approximately \$42,000/year.
4 There are also 1,154 former employees who are entitled to
5 future benefits with an average value of \$9,900/year.

6 Q. Have there been any changes in the retirement plan?

7 A. Yes, the Company will add the lump-sum payout option for
8 Local 3 employees beginning in 2022. This option was
9 added for management employees beginning in 2017.
10 Instead of taking a lifetime monthly pension payment,
11 retiring employees can take a single lump-sum payment of
12 their accrued benefit. By settling the obligation to the
13 employee with the lumpsum payment, the Company's
14 retirement plan investment, longevity, and interest rate
15 risks have been eliminated.

16 Q. What is the current status of the supplemental retirement
17 income plan ("SRIP")?

18 A. Because the SRIP provides management employees upon
19 retirement with the portion of their earned retirement
20 benefit that could not be paid under the tax-qualified
21 plans due to federal tax law limitations, the closure of

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1 the qualified Retirement Plan to new management employees
2 in 2017 resulted in the closure of the SRIP.

3 Q. Are there ongoing costs associated with the Retirement
4 Plan and SRIP?

5 A. While the Retirement Plan is closed to virtually all new
6 participants and the SRIP is completely closed, those in
7 the plans prior to their respective closure date continue
8 to accrue benefits under the plans. Defined benefit
9 plans are subject to accounting treatment under ASC 715
10 Compensation - Retirement Benefits where the accumulated
11 and projected cost of providing the benefits under the
12 plans are spread out over the life of the participants -
13 active and retired.

14 Q. Please describe the Company's OPEB programs.

15 A. The Company's OPEB programs are comprised of the Retiree
16 Health Program, which includes major medical,
17 hospitalization, vision, and pharmaceutical benefits.
18 The Company also offers a limited retiree term life
19 insurance program.

20 Q. What is the status of the Company's OPEB plans?

21 A. Under the Retiree Health Program, the Company offers
22 employees who retire with at least 75 points (calculated

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1 by adding age and years of service, with each year
2 equaling one point), and their eligible dependents, a
3 voluntary contributory Retiree Health Program.

4 Q. What is included in the Retiree Health Program?

5 A. The Retiree Health Program offers enrolled retirees
6 different coverage options including several HMOs, a
7 prescription drug plan, and comprehensive hospital,
8 medical, and vision care plans with a network of
9 participating providers. Once a retiree or covered
10 dependent becomes eligible for Medicare, the Retiree
11 Health Program coordinates his or her health care
12 expenses with Medicare. For Medicare-eligible retirees,
13 Medicare is the primary payer of hospital and medical
14 claims, and the Retiree Health Program is the secondary
15 payer. Under the prescription drug plan, once a retiree
16 and covered dependent become eligible for Medicare Part
17 D, retirees may continue their coverage under the Retiree
18 Health Program or enroll in the Medicare program for
19 their prescription drug coverage.

20 Q. Does the Company provide any life insurance benefits for
21 retirees?

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- 1 A. The Company provides certain retired management employees
2 retiree term life insurance benefits of \$25,000 at no
3 cost to the retiree, as well as a contributory
4 supplemental group term life insurance benefit. Upon
5 retirement, retired union employee may also purchase
6 supplemental group term life insurance benefits.
7 Currently, retiring union employees may purchase up to
8 \$30,000 of coverage in units of \$10,000. The cost of the
9 contributory portion of the supplemental retiree life
10 insurance program is partially paid for by the Company.
- 11 Q. Are all employees eligible for retiree health care?
- 12 A. Yes, but only those who retire under the final-average or
13 career average pension formula will be entitled to a
14 contribution from the Company.
- 15 Q. Describe the population of employees who are not eligible
16 for subsidized retiree medical coverage?
- 17 A. All employees retiring under the DCPF or the Cash Balance
18 formula are not eligible for any retiree health benefits
19 contributions. If they meet the eligibility requirements
20 and enroll in the Retiree Health Program, they will be
21 responsible for paying the full cost of Retiree Health
22 coverage offered through the Company.

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1 Q. What portion of the current active population is not
2 eligible for retiree medical benefits in retirement?

3 A. There were 5,991 active employees covered under the Cash
4 Balance and DCPF formula as of December 1, 2021, which
5 represents about 45 percent of the current active
6 employee population.

7 Q. What has been the increase in retiree contributions for
8 health care benefits?

9 A. Retirees eligible for retiree health coverage have seen
10 premium increases of 10 percent per year for the last
11 several years.

12 Q. Were there any initiatives with respect to the Company's
13 OPEB programs that were considered and rejected?

14 A. No.

15 Q. Does that conclude your testimony?

16 A. Yes, it does.