

**STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
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February 9, 2007

Mr. Louis L. Rana
President
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, NY 10030

Re: Case 06-E-0894 - The Processing of Recommendations Delineated in the Department of Public Service Staff's Investigative Report on the Long Island City Network Outage in July 2006.

Dear Mr. Rana:

As you are aware, the Department Staff issued a Draft report on January 17, 2007 on its Investigation into Long Island City network outages. Subsequently, Staff solicited informal comments on the Report from the "Active Parties" in the proceeding, including the Company. Staff has reviewed the comments received and finalized its report, which will be filed with the Secretary to the Commission and the Administrative Law Judge. The Administrative Law Judge will then seek further comment on the Report prior to the Commission taking action. Because this process will take some time to complete, and time is of the essence, it is necessary to address many of the report recommendations now, to ensure they can be implemented before this summer.

In Attachment A to this letter, Staff has identified those recommendations that have the highest priority for implementation. Please review these recommendations, and provide me with your intent regarding how the Company will proceed with the implementation of each recommendation and your anticipated schedule for doing so. Should the Company believe that modification is necessary to any recommendation prior to its implementation, the Company should clearly identify such modification, and provide its rationale.

Additionally, please indicate if there are other recommendations identified in Staff's Long Island City Investigation Report that are not identified in Attachment A, but which the Company is already proceeding to implement. I would also appreciate a

description of any other efforts not specifically addressed in Staff's recommendations that the Company is or will be undertaking with regard to improvements in the Company's planning and operations directed at improving the reliability and resilience of the Long Island City network for the coming summer.

Your response to this letter request is required on or before February 19, 2007. If you need further clarification regarding this letter or the recommendations listed in Attachment A, please contact Michael Worden, Chief, Distribution Systems & Generation, at 518-486-2498.

I appreciate your cooperation and attention to this matter. Thank you.

Sincerely,

James T. Gallagher, Director
Department of Public Service
Office of Electricity and the Environment

Attachment

cc: Patricia Acampora, Chairwoman
New York State Public Service Commission

Kimberly Harriman, Assistant General Counsel
New York State Department of Public Service

Judith Lee, Chief Administrative Law Judge
New York State Department of Public Service

Staff recommendations requiring implementation prior to the summer of 2007. The number of each recommendation corresponds to the number assigned in the Staff Report.

Identification of Outages

1. Con Edison should make the System Trouble Analysis and Response (STAR) program operational in all of its operating regions by June 1, 2007. The Company should report to Staff within 90 days of the issuance of this Report on the status of implementation of this recommendation.
2. Con Edison should establish, by June 1, 2007, an outage identification system similar to, and in conjunction with, the City's Power Outage Response Team system.

Comments from People Affected by the Event

7. Con Edison should conduct a thorough evaluation of its outage communications program and develop an enhanced program to inform customers of critical service-related information, including:
 - the importance of contacting the Company if power is lost;
 - alternative ways to contact the Company, in the event telephones do not operate in an electric outage;
 - where to find information about dry ice and water distribution, cooling, or warming centers;
 - where to learn about outage information and estimated times of restoration;
 - the impact of low voltage and the steps people can take to protect appliances, computers, and other equipment;
 - how telecommunications services, technologies, and equipment might function during power outages; and
 - suggested contingency plans for consumers.

The Company should, by June 1, 2007, provide Staff with an implementation plan for the redesigned outage communication program, as described above.

8. Con Edison should update, on at least a semi-annual basis, its contact information for public officials, community-based organizations, and critical care/large facilities, by asking those officials and organizations for contact information, including district office locations, e-mail addresses, land-line and cell telephone numbers, and fax numbers. The

update should be completed by June 1, 2007, and Staff should be notified when the update is completed, as well as at each six-month interval thereafter.

10. Con Edison should develop a new public liaison program that establishes procedures to partner with public officials, community-based organizations, and critical care/large facilities willing to serve as liaisons between their constituents and Con Edison. The Company should submit to Staff for its review, before June 1, 2007, a description of the new program, including operating and recruitment procedures, and a status report on its progress in establishing partnership arrangements with such officials.
11. Con Edison should hold regular daily briefings for both the media and public officials during emergency events. These briefings should be held on the same schedule as notification activities specified in the Outage Notification Incentive Mechanism.

Customer Operations (Call Center/Customer Assistance)

12. Con Edison should modify its automated call system to enable callers to bypass the interactive voice response message and be placed in queue within 15 seconds to reach a Customer Service Representative to report service problems or obtain information during future emergencies. Within 30 days after the issuance of this Staff Report, the Company should advise Staff of the additional procedures and protocols it has put in place to comply with the intent of this recommendation.
13. Con Edison should identify ways to use its outreach van(s) and staff more fully, including providing instructions to its van personnel to count the customers they interact with, keep records of their problems and questions, observe and report on conditions in the vicinity of the van, and use the public address system on the van to make appropriate announcements. A copy of these procedures should be provided to Staff for review by June 1, 2007.
14. Con Edison should develop an enhanced program to identify customers, as well as other consumers (e.g., those who pay utility costs in their rent or through master metering arrangements), who rely on life-support equipment, and raise their awareness of the importance of being included in the Company's records as using life-support equipment. The Company should report to Staff, within 30 days of the issuance of this Report, its actions and plans in this regard. It should also include its plans as part of its next rate filing.

15. Con Edison should include, beginning with in its 2007 summer preparedness letter to customers, service organizations, and equipment distributors, its "Life Support Equipment Survey" and its "In Case of A Storm" brochure. Con Edison should also reach out to such individuals (including apartment dwellers who are not direct Con Edison customers) through doctors, senior care facilities, and other such entities.
16. Con Edison should, in the spring of 2007 and each year thereafter, send information to all its customers informing them of the life-support equipment certification and recertification processes, as well as the importance of their identifying themselves to Con Edison as life-support equipment customers.
17. Con Edison should, by June 1, 2007, include instructions on the handling of dry ice in the "Storm Preparations" section of its website. The Company should notify Staff when it has so modified its website.
18. Con Edison should establish a task force to address unique outage-related consumer issues associated with large buildings containing elevators. The task force should also address additional ways to identify people who use life-support equipment. The Company should report to Staff by June 1, 2007 the status of its efforts in this regard.

Public Affairs Organization

20. Con Edison should, by June 1, 2007, be ready to modify quickly its website during emergency events so that essential and up-to-date information is posted on the home page. The Company should notify Staff when such capability has been implemented.

Claims

25. The Commission should examine the sufficiency and appropriateness of Con Edison's claims tariff, and if appropriate, make modifications to such tariff prior to Summer 2007, and then in all of the Company's subsequent rate cases. Issues to discuss during the examination should include which items should be reimbursed, the amount of the reimbursement, and limits on claims.
27. Con Edison should, within 30 days of the issuance of this Report, contact any other customers whom it asked to run generation and who have not yet filed reimbursement claims. The Company should discuss with those customers what their fuel expenses were and, within 30 days thereafter, reimburse them for those expenses. The Company should, by June 1, 2007, advise Staff of the results of its contacts with such customers.

Network Shutdown Decision

30. Con Edison should modify EO-4095 and provide a copy to Staff for review by June 1, 2007. As part of this process, Con Edison should meet with New York City authorities and review societal needs related to outages to determine whether and how to factor those parameters into a shutdown decision and emergency plans. The Company should develop a protocol for including any societal impact considerations into its operational procedures and conduct drills with the City and others (i.e., mass transportation entities) as necessary.
31. Con Edison should develop a procedure for the analysis to be performed during multiple contingency events to allow for a more defined process of taking into consideration the requirements for re-starting a network. All parameters and considerations should be listed, including when this analysis is first performed, who performs the analysis and how to determine the number of feeders required to be in service before re-energizing, estimated time frame of shut down, and any other related issues. The Company should provide this procedure to Staff by June 1, 2007.

Primary Feeders Analysis

33. Con Edison should review and modify existing procedures, for use by the summer of 2007, that will ensure the maximum number of actual failed cables and joint samples possible are set aside in the field for further examination by the cable and splice center. The Company should provide a copy of the procedures to Staff for review by June 1, 2007.
36. Con Edison should analyze and report on the appropriateness of the expedited feeder processing scheme it used during the Long Island City Network incident, which is intended to be used when multiple feeders need restoration and during summer heat events. This should include determining whether or not eliminating the use of trace currents actually increases the overall restoration time when there are multiple feeders out-of-service. The Company should provide a copy of the report to Staff by June 1, 2007.
37. Con Edison should determine if the Very Low Frequency (VLF) high potential testing is effective on underground network systems and, if effective, adopt such an approach as the Company's standard practice for testing primary cable for integrity by June 1, 2007.

If not effective, the Company should accelerate the research and development of other alternatives to hipot testing with the intent to have such a new procedure in place by the summer of 2008.

System Modeling

39. Con Edison should upgrade the World-class Operations Load Flow system program to make it more reliable during normal and emergency operating conditions, and make advances to be able to complete full system simulations, including secondary modeling, during multiple contingency events above the fifth and sixth contingencies. The Company should study all possible improvements and provide its findings and proposed actions with regard to the World-class Operations Load Flow program evaluation to Staff for review by June 1, 2007.

Secondary Cable Analysis and Monitoring

41. Con Edison should develop a graphic operator's display, available to operators and managers, which overlays feeder outages, transformer overloads, manhole events, customer outages, and other pertinent information to allow for a more informed decision-making process. The Company should complete development of the display and provide Staff with a demonstration by June 1, 2007.

43. Con Edison should investigate ways to improve its monitoring of the secondary system during normal and multiple contingency event conditions. If it is unable to develop an adequate technical solution by June 1, 2007, it should develop a manual solution. The Company should report the outcome of its investigation and plans by June 1, 2007.

Transformer Analysis

46. Con Edison should immediately take into account transformers out-of-service within localized areas and their effects on the surrounding transformers loadings, especially when high summer heat events are forecast.

47. Con Edison should define when a transformer requires external cooling efforts. Further, Con Edison should study the effects on a transformer of both water and air cooling when operating beyond its normal and emergency design limits. Inspection criteria for transformers that have been overloaded, overheated, and cooled should be studied and re-evaluated to ensure an appropriate frequency of inspections. The results of these studies should be reported to Staff by June 1, 2007.

48. Con Edison should complete the inspections and replacements as necessary of all transformers within the Long Island City Network by June 1, 2007. The inspections should include a pressure test and dissolved gas-in-oil test for all transformers, effective immediately.

Substation Analysis

52. Con Edison should perform a complete test and inspection of all substation breakers similar to the rack-out-type breaker that failed in the Long Island City Network. The Company should notify Staff of completion of the tests, inspections, and results by June 1, 2007.

54. The Company should provide a full report of its analysis and risk assessment with regard to adjusting the relay settings within the LIC Network to Staff by March 1, 2007, at which time Staff will assess whether adjusting relay settings to their upper limits is appropriate.

55. The draft procedure EO-2147, should ensure that all future changes and modifications to networks and associated equipment are identified and shared with the relay engineers so that proposed settings and adjustments can be made as needed. The draft procedure should be finalized and submitted to Staff for review by June 1, 2007.

57. Con Edison should install microprocessor relays on substation breakers with more than 32 MVA of connected transformer capacity by December 31, 2007. The Company should provide a replacement schedule to Staff within 30 days of issuance of this Report. This schedule should emphasize the Company's efforts to complete as many replacements as possible before June 1, 2007.

Demand Reductions

65. Con Edison should correct the deficiencies in the automatic voltage reduction circuitry at the North Queens Substation within 30 days of the issuance of this Report, and further correct and test all similar equipment at other substations by June 1, 2007.

Network Recovery

73. Con Edison should provide Staff with weekly status reports on secondary main section work generated by the secondary main section inspection program in the Long Island City Network until all such work is complete. Such reporting should begin one week after the issuance of this Report.

Con Edison's Reporting of Costs Related to the Failures and Outages in the Long Island City Network

81. Con Edison should continue to track, and then report on a quarterly basis to Staff, all costs it incurred and incurs related to the failures and outages in the Long Island City Network. In addition, the Company should track and report to Staff all other operations and maintenance expenses and capital costs for the Long Island City Network until further notice.