



Louis L. Rana
President and
Chief Operating Officer

April 5, 2007

Hon. Jaclyn Brillling
Secretary
NYS Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 06-E-0894

Dear Secretary Brillling:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") hereby requests that the Commission establish a proceeding in which the Company, the Commission Staff, the City of New York, and other parties to this proceeding could explore the potential for alternative resolution of the "prudence" of the Company in respect of the July 2006 outages in Northwest Queens.

The reliable operation of the Company's electric system and effective communication have been major goals of the Commission's current proceeding focusing on the Northwest Queens outages. The proceeding has included an extraordinarily thorough investigation through data requests, interviews, and depositions by the Commission staff, and extensive investigation by other parties. These investigations, as well as the Company's own examination of the event, have produced a wide variety of recommendations that can be expected to enhance reliability and improve communication.

In addition to their focus on electric service issues, the Staff and other parties have recommended that the Commission initiate a proceeding to review the prudence of the Company's actions in respect of the outages. However, other parties, including the City of New York, have pointed out that a prudence proceeding would not be in the public interest at this time. The City's March 2, 2007 initial comments on the *Department of Public Service Staff Report on its Investigation of the July 2006 Equipment Failures and Power Outages in Con Edison's Long Island City Network in Queens County, New York* ("Staff Report") stated that "institution of a prudence proceeding at this time" could run counter to the goals of the Commission, and the City instead recommended deferring cost-recovery issues to later proceedings (pp. 28-29).

Based on the positions of parties in favor of and opposing a prudence proceeding, as well as on the other extensive comments submitted to the Commission and the work being completed in Northwest Queens, the Company believes there is sufficient potential to resolve the "prudence" issue through settlement and without a protracted prudence proceeding so as to warrant initiation of discussions in the near future (16 NYCRR 3.9). In connection with the Company's request to the Commission, the Company notes two important additional points. First, there has already been a thorough investigation by all parties. This prior investigation should facilitate discussion and provide a basis upon which to reach a fair resolution of the issues within the range of results that would have been achieved through a fully litigated proceeding. Second, as noted in the Company's March 2 comments and as acknowledged in Staff's report, the Company has already agreed to absorb substantial costs relating to the event. The Staff Report (pp. 141-142) referred to additional costs that the Staff could desire to examine as a matter of the Company's prudence, and the Company believes that good faith discussion along those lines could prove beneficial and constructive for all stakeholders.¹

Con Edison has demonstrated over the years its ability to work constructively with multiple parties having diverse interests to resolve important and complex matters. We agree with the City of New York and others that a prudence proceeding will be burdensome and counter-productive, and the Company respectfully requests that the Commission institute an effort to resolve the issue of "prudence" in a reasonable and constructive way without the institution of a prudence proceeding. If the efforts to reach a settlement acceptable to the Commission are not successful, the Commission would still have the ability to institute whatever proceedings it believed appropriate.

Respectively submitted,

A handwritten signature in cursive script, appearing to read "Tom Rana".

cc: Active Parties List

¹ The comments of other parties indicate interest in pursuing various non-cost, forward-looking issues in the context of a prudence proceeding. The Company believes that these issues will either be addressed by the Commission in its forthcoming order on the Staff Report and/or should be considered in the context of other forward-looking proceedings related to service and system-operation issues.