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August 6, 2008

VIA OVERNIGHT DELIVERY

Honorable Jaclyn A. Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 08-S-0153- Proceeding on Motion of the Commission to Investigate the Prudence of Consolidated Edison Company of New York, Inc. in Relation to the Steam Pipe Rupture of July 18, 2007 at East 41st Street and Lexington Avenue, New York.

Dear Secretary Brillling:

Enclosed for filing in the above-referenced case are an original and five copies of the Joint Proposal entered into this date by Consolidated Edison Company of New York, Inc., New York State Department of Public Service Staff and the New York State Consumer Protection Board. Con Edison's original signature page is enclosed. The original signature pages of the other parties should be filed in the next few days.

At the request of Administrative Law Judge William Bouteiller, copies of this filing are also being sent electronically to the active parties in Cases 07-S-1315 and 08-E-0539.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Richard B. Miller

cc (via email): ALJ William Bouteiller
Active parties to Case 08-S-0153

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 08-S-0153 - Proceeding on Motion of the
Commission to Investigate the Prudence of Consolidated
Edison Company of New York, Inc. in Relation to the
Steam Pipe Rupture of July 18, 2007 at East 41st Street
and Lexington Avenue, New York

JOINT PROPOSAL

August 6, 2008

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 08-S-0153 - Proceeding on Motion of the
Commission to Investigate the Prudence of Consolidated
Edison Company of New York, Inc. in Relation to the
Steam Pipe Rupture of July 18, 2007 at East 41st Street
and Lexington Avenue, New York

JOINT PROPOSAL

THIS JOINT PROPOSAL (“Joint Proposal”), resolving the issues raised in connection with the prudence investigation relating to the July 18, 2007 steam pipe rupture at East 41st Street and Lexington Avenue, New York (“Steam Incident”) is made this ___ day of August 2008, by and among Consolidated Edison Company of New York, Inc. (“Con Edison”), the Staff of the Department of Public Service (“Staff”), and the New York State Consumer Protection Board (“CPB”) (hereinafter referred to collectively as the “Signatory Parties”).

I. BACKGROUND

By Order Instituting Prudence Proceeding, issued February 13, 2008 in this proceeding, the Public Service Commission (“Commission”) commenced a proceeding to determine the prudence of Con Edison’s actions and practices relating to the Steam Incident.

Following a pre-hearing conference on April 24, 2008, Administrative Law Judge (“ALJ”) William Bouteiller issued a ruling on April 29, 2008 establishing a schedule for

the submission of initial pleadings on June 17, 2008 and a response by Con Edison by August 19, 2008. The parties subsequently commenced discovery.

On June 6, 2008, Staff informed the presiding ALJ that the active parties to the proceeding -- Con Edison, Staff and CPB -- had begun exploratory discussions as to the potential for formal settlement negotiations, and requested a one-week extension of the filing dates. The request for the one-week extension was granted by a ruling issued June 9, 2008. On June 12, 2008, the Company filed with the Commission's Secretary a Notice of Impending Settlement Negotiations pursuant to 16 NYCRR § 3.9. At the direction of the Presiding ALJ, copies of the Notice were served on all active parties to the Company's pending electric rate case (Case 08-E-0539), the Company's pending steam rate case (Case 07-S-1315), as well as to all active parties in this proceeding. Following the service of the Notice on the parties to above-referenced proceedings, one party, Consumer Power Advocates ("CPA") joined the active parties and attended many of the negotiation sessions. On June 17, 2008, ALJ William Bouteiller issued a ruling canceling the dates for the initial pleadings and setting dates for the submission and consideration of a joint proposal if agreed to by the parties.

During June and July 2008, the interested parties met several times, either in person or via telephone conferences, in an attempt to reach agreement on possible terms of a settlement agreement to be included in a Joint Proposal that would be presented to the Commission. All negotiations were conducted in accordance with the Commission's Settlement Procedures, as set forth in 16 NYCRR § 3.9, including appropriate notification to all interested parties prior to the negotiations. As a result of their efforts, the Signatory Parties have reached a comprehensive proposed resolution of the issues, as

described below.

II. TERMS OF THE JOINT PROPOSAL

1. Con Edison will permanently adjust its rate base for electric, gas and steam services by excluding therefrom the capital and removal costs incurred by Con Edison as a result of the Steam Incident to replace and repair electric, gas and steam delivery facilities associated with the Steam Incident. Such costs are estimated at \$12.0 million, comprising of approximately \$4.7 million relating to electric plant, \$0.6 million relating to gas plant and \$6.7 million relating to steam plant.

2. Con Edison will not seek to recover from its electric ratepayers the carrying charges accrued on the above-referenced \$4.7 million of electric-related capital costs (approximately \$360,000).

3. The foregoing capital-related costs are separate from and in addition to the operation and maintenance (“O&M”) expenses related to the Steam Incident, totaling approximately \$13.3 million, net of insurance recoveries, which the Company is absorbing, and the Company will not seek to recover from ratepayers such expenses and other similar expenses related to the Steam Incident, if any.

4. Within three business days following the filing of this Joint Proposal with the Commission, Con Edison will provide to the other Signatory Parties an affidavit from the Company’s Controller, or other authorized officer, confirming that the capital-related costs and O&M expenses identified in the foregoing Paragraphs 1-3 represent accurate estimates to the best of the affiant’s knowledge.

5. Neither Con Edison nor its regulated affiliates will seek to recover from its ratepayers insurance premiums for excess liability insurance in excess of \$11,259,798

annually (the premium in effect prior to the Steam Incident) for policies covering the period beginning April 28, 2008 and ending April 27, 2009 and the period beginning April 28, 2009 and ending April 27, 2010.

6. Neither Con Edison nor its regulated affiliates will seek to recover from its ratepayers \$2 million of its insurance premiums for excess liability insurance for policies covering the period beginning April 28, 2010 and ending April 27, 2011 and \$2 million of its insurance premiums for excess liability insurance for policies covering the period beginning April 28, 2011 and ending April 27, 2012.

7. In no event will Con Edison, or its regulated affiliates, seek to recover more than the actual excess liability insurance premiums.

8. Neither Con Edison nor its regulated affiliates will seek recovery from its ratepayers of payments to third parties for liability claims in excess of \$5 million and less than the excess liability coverage level for any incident during the period beginning April 28, 2008 and ending April 27, 2012.

9. Con Edison will not reduce the total excess liability insurance coverage in effect as of the date of this Joint Proposal prior to April 27, 2010 in the absence of catastrophic changes in the insurance market and without prior notification and justification to the Commission.

10. Nothing herein will preclude Con Edison from petitioning the Commission for authorization to defer extraordinary insurance premium expenditures or other expenses, to the extent that the Company demonstrates to the Commission that such extraordinary costs are not attributable to the Steam Incident.

11. Con Edison will forgo any right it may have under the Steam Rate Plan

adopted by the Commission in Case 05-S-1376 to defer or seek recovery of all incremental O&M costs (approximately \$3 million) incurred prior to October 1, 2008 for implementation of: (i) Con Edison's December 17, 2007 Action Plan filed in Case 07-S-0894; and (ii) further actions recommended by the Commission in its February 13, 2008 Show Cause Order issued in Case 07-S-0894. All other costs incurred to implement: (i) Con Edison's December 17, 2007 Action Plan filed in Case 07-S-0894; and (ii) further actions recommended by the Commission in its February 13, 2008 Show Cause Order issued in Case 07-S-0894 will not be disallowed by reason of imprudence related to the Steam Incident.

12. Con Edison will implement all planned actions to be undertaken prior to October 1, 2008 in accordance with the implementation plan set forth in Attachment A hereto. The Company will provide a report to Staff by November 1, 2008 on its actual conformance to this implementation plan.

13. To the extent Con Edison recovers direct damages associated with the Steam Incident from third parties (net of its obligations to its insurance providers) in excess of the costs that it has absorbed, such amount will be credited to its customers. In addition, to the extent Con Edison recovers indirect or punitive damages associated with the Steam Incident from third parties (net of its obligations to insurance providers) in excess of the costs the Company has absorbed (net of direct damages recovery), such recovery of indirect or punitive damages shall be deferred and subject to the Commission's disposition.

14. By Memorandum Order issued June 9, 2008 in Cases 08-S-0153 and 08-E-0154, the Commission granted Con Edison's request for a waiver of its Electric tariff

to allow the Company to provide bill credits to electric customers who had restricted access to their premises as a result of the Steam Incident. Similar requests for waivers of Con Edison's Gas and Steam tariffs are pending before the Commission. In notifying its customers of such bill credits, the Company shall include the following in a letter signed by its CEO:

Dear Valued Customer: The July 18, 2007 Steam Incident in midtown Manhattan was a difficult time for many of our customers. Con Edison sincerely regrets the incident and the substantial and profound impacts the incident had on our customers and the public. The Company is committed to learning from this experience in order to strengthen the safety and reliability of the steam system and has implemented measures to enhance its system. *In view of these extraordinary circumstances, we will be issuing an account credit for [electric] [gas] [steam] service in your next bill.*

The Company will also include the above statement in a press release to be issued following approval of this Joint Proposal by the Commission. .

15. This Joint Proposal provides for the complete resolution of the prudence-related issues relating to the Steam Incident. In return for, and conditioned upon satisfaction of, the above financial commitments, the Signatory Parties agree that Con Edison will be released and discharged from all prudence-related claims that were or could have been asserted relating to Con Edison's actions or omissions in connection with the Steam Incident, and the prudence investigation of the Steam Incident will be discontinued, without a determination as to Con Edison's prudence, and not be reinstated or renewed at a future time. Notwithstanding the foregoing, (1) any damage to Company facilities or incremental costs that are not known and could not have been reasonably foreseen by reasonable experts at the time of execution of this Joint Proposal

and that may be determined in the future as attributable to the Steam Incident is not affected by this Joint Proposal, and (2) nothing in this Joint Proposal shall be construed as an admission by any party with respect to the prudence or imprudence of any decision, action or inaction by Con Edison related to the Steam Incident or as to the remedies appropriate in such case.

III. GENERAL PROVISIONS

1. This Joint Proposal is subject to issuance by the Commission of an order providing for the implementation of its terms in this proceeding and will have no effect in the absence thereof. It is understood that each provision of this Joint Proposal is in consideration and support of all the other provisions and each provision is expressly conditioned upon issuance by the Commission of an order implementing the terms of this Joint Proposal in its entirety without change. If the Commission fails to issue such an order, any Signatory Party may withdraw its acceptance of this Joint Proposal by serving written notice on the other Signatory Parties within seven days of the Commission's action or order (if applicable) and, upon the service of such notice, the Signatory Parties shall be free to pursue their respective positions in these proceedings without prejudice. If the Commission issues such an order to implement the terms of the Joint Proposal or to implement a modification to the Joint Proposal that is acceptable to the Signatory Parties, the Signatory Parties intend that this Joint Proposal be implemented in accordance with its terms.

2. The terms and conditions of the Joint Proposal apply solely to and are binding on each Signatory Party only in the context of this prudence proceeding. None of

the positions taken herein by any Signatory Party, including agreement to the terms and provisions of this Joint Proposal and including any methodology or principle utilized herein, may be referred to, cited or relied upon by any Signatory Party or any other party in any fashion in any other proceedings before the Commission, or any other regulatory agency, or before any court of law for any purpose except in proceedings to enforce the Joint Proposal. Moreover, the Signatory Parties recognize that this Joint Proposal resolves only the Commission's prudence investigation and does not address other matters being considered in Case 07-S-0984, except as provided herein.

3. The Signatory Parties agree to submit this Joint Proposal to the Commission and to individually support this Joint Proposal and request that the Commission expeditiously adopt its order implementing the terms of this Joint Proposal, as set forth herein, in their entirety.

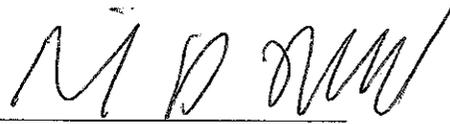
4. In the event of any disagreement over the interpretation of this Joint Proposal or implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Signatory Parties, such disagreement shall be resolved in the following manner: (a) the Signatory Parties shall promptly convene a conference and in good faith attempt to resolve any such disagreement and/or request the assistance of the Commission's Office of Alternative Dispute Resolution for mediation or other appropriate process; and (b) if any such disagreement cannot be resolved by the Signatory Parties or alternative process, any Signatory Party may petition the Commission for resolution of the disputed matter.

5. This Joint Proposal is being executed in counterpart originals, and shall be binding on all of the Signatory Parties when the counterparts have been executed.

6. The Signatory Parties agree to submit Statements in Support in support of this Joint Proposal as a part of the record in these proceedings.

This JOINT PROPOSAL agreed to as of the 6th day of August, 2008.

CONSOLIDATED EDISON COMPANY OF NEW
YORK, INC.

By: 

This JOINT PROPOSAL agreed to as of the 6th day of August, 2008.

NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE

By: Jane Cuernan

By: [Signature]



This JOINT PROPOSAL agreed to as of the 6th day of August, 2008.

NEW YORK STATE CONSUMER PROTECTION BOARD

By:

A handwritten signature in cursive script, appearing to read "John G. Walters", written over a horizontal line.

**Case 08-S-0153
Attachment A**

**Steam Incident Action Plan
Implementation Plan**

<u>Project ID #</u>	<u>Description</u>	<u>August</u>	<u>September</u>
4.1	Rain Patrol	non-discretionary	non-discretionary*
4.2a	Trap-Remove cap once per year	14 locations	14 locations
4.2b	Trap-Increase frequency of inspections of plugged traps	60 locations	60 locations
4.2c	Trap-Clear sediment pocket	70 locations	70 locations
4.4	Failure Analysis	non-discretionary	non-discretionary*
5.1.1	Replace Traps annually-incremental replacement	200 traps	200 traps
5.2	Remote Monitoring**	26 locations	41 locations
6.1	Infrastructure improvement	3 locations investigated & 1 new ground bore	3 locations investigated & 1 new ground bore

* Non-discretionary means that the Company has no discretion in implementing these actions because they are triggered by external events, i.e., rain or failure of a piece of equipment.

** The locations shown are cumulative and not incremental

