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GOVERNOR ANDREW M. CUOMO

**GOVERNOR CUOMO ANNOUNCES \$153.3 MILLION SETTLEMENT WITH CON EDISON TO BENEFIT RESIDENTIAL AND COMMERCIAL NATURAL GAS CUSTOMERS**

***Settlement Stems from Investigation of East Harlem Gas Explosion in 2014***

***Largest Gas-Safety Related Financial Settlement in New York History***

***Includes \$25 Million Fund to Benefit Con Edison Gas Customers***

***Settlement Made Possible by Governor's 2013 Reforms to Ensure Major Electric and Gas Utility Companies Are Held Accountable***

Governor Andrew M. Cuomo today announced a \$153.3 million settlement stemming from the investigation of the East Harlem gas explosion in 2014. The agreement, reached and approved by the New York State Public Service Commission and Consolidated Edison, is the largest gas safety-related settlement in New York history.

"The East Harlem explosion was devastating and entirely avoidable," **Governor Cuomo said**. "This landmark action is a pointed reminder to the energy companies of their awesome responsibility to maintain safety first and foremost. This administration will continue to hold utilities accountable to the highest standards, and enforce the requirement that they place life and safety before any other consideration."

The settlement includes a fund of over \$25 million specifically designated to benefit Con Edison gas customers. The Commission will determine how the \$25 million will be used after Con Edison has conducted outreach to gas customers to develop ideas for the best use of the funds. The rest of the settlement will cover costs related to leak response-related activities, gas safety public education programs, emergency payments to residents and businesses immediately following the incident, and expenses related to remediating leak-prone gas pipes.

As a result of this settlement, Con Edison's shareholders will pay for the inspection and repair of gas pipes improperly installed in the utility's natural gas distribution system. The company has also agreed to implement measures that improve the safety of its distribution system by reducing the time needed to complete an

emergency shut-down of parts of the system. The company will also work with New York City to identify roadway depressions that could indicate problems below ground with infrastructure.

Con Edison has already taken a number of actions, including some directed by the Commission, such as:

- Conducting additional customer gas leak surveys;
- Enhancing the pipe-fusing process;
- Improving worker qualifications and inspections;
- Replacing leak prone pipes;
- Working more closely with City agencies to ensure the safety of all New Yorkers; and
- Launching a pilot program to evaluate residential methane detectors.

**New York State Public Service Commission Chair Audrey Zibelman said,** "The deaths and injuries caused by the East Harlem incident devastated families and the community. Our stringent gas safety regulations — among the strictest in the nation — ensure that the infrastructure, the underground pipes that transport and deliver gas to consumers, are properly maintained and secured. Utilities face stiff regulatory action if they fail to adhere to the safety regulations, and I strongly believe this unprecedented settlement amount represents an outstanding financial gain for Con Edison's gas customers."

The \$153.3 million settlement approved today by the Commission is a result of a 2015 Department of Public Service report that found that Con Edison had violated State safety regulations that led up to and followed the natural gas explosion that occurred on March 12, 2014 in East Harlem, New York. These violations include the failure to properly qualify employees and contractors to perform plastic gas pipe fusions and supervise their work, inadequate record-keeping, and installing valves capable of shutting down the gas system during emergencies. Eight people died and 50 people were injured in the explosion as a result of these safety violations.

The Department of Public Service investigation found that Con Edison had failed to adhere to nearly a dozen State gas safety requirements, many of which contributed to the explosion in 2014. The Department's investigation echoed similar findings by the National Traffic Safety Board in 2015, but the Department's analysis was much more extensive. In addition, the NTSB does not have the authority to issue financial penalties against Con Edison.

To settle the Commission's proceeding, Con Edison also agreed not to seek reimbursement from its customers for the more than \$125.5 million spent on gas leak response-related activities since the East Harlem explosion. Additionally, the

settlement does not resolve outstanding civil actions brought by individuals against Con Edison related to the explosion.

A settlement of this size was made possible by reforms put in place by Governor Cuomo in 2013. The reforms strengthened the Commission's enforcement mechanisms to ensure that major electric and gas utility companies are held accountable first and foremost to the safety of New Yorkers. The settlement costs are the responsibility of utility shareholders, ensuring the monies come out of the bottom line of the corporation instead of utility customers.

In addition, the recent Con Edison rate agreement provides the Commission with the ability to potentially lower the company's gas revenues by \$200 million over three years if key performance indicators are not met. The rate agreement also includes other financial consequences for each instance of non-compliance with the Commission's gas safety regulations.

Today's announcement is the latest in a series of actions taken by the State to ensure Con Edison's compliance with stringent safety and customer service rules. Prior actions include settlements in 2011 for a gas explosion on Sanford Avenue, Queens, and a 2015 investigation by the Commission after several employees accepted bribes and kickbacks.

Con Edison provides gas service to approximately 1.1 million customers in Manhattan, the Bronx, parts of Queens, and Westchester County. It also provides electric service to approximately 3.4 million customers in New York City and Westchester County; and operates a steam distribution system that produces and delivers steam to approximately 1,700 customers in parts of Manhattan.

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