



The Consolidated Edison Lockout

Testimony Presented to the New York Assembly Standing Committees on Labor, Energy and Corporations, Authorities and Commissions

By James A. Parrott, Deputy Director and Chief Economist
July 25, 2012

Con Ed provides essential electricity, steam and gas services to 4.4 million customers in New York City and Westchester County. These utilities are essential to everyday life for 9 million residents and to all economic activity in the heart of the nation's largest metropolitan region with annual Gross Domestic Product of \$1.3 trillion, almost 10 percent of the national total.

Without electricity, the economy cannot function and that means businesses lose sales, productivity suffers, workers lose wages, and governments lose tax revenue. And when there is a sizable electricity outage, public services like mass transit and traffic lights may stop working and government bears added costs of emergency police and other services.

Disruptions in the flow of electricity not only paralyze economic activity but can jeopardize human life as well as bring many aspects of ordinary life to a standstill. Some acute care facilities like hospitals and nursing homes, and vital government functions like sewage treatment plants and prisons might have their own back-up generators. Some large companies also might have their own back-up generators. Generally, such back-up power supplies are intended for short-term outages, usually for only a few hours or a few days. Most small- and medium-size businesses do not have any fall-back power supplies.

Electricity is so central to modern life that when the power goes down, economic activity and every day routines grind to a halt. When electricity or steam that power air conditioning stops flowing during the period of peak summer temperatures, widespread personal discomfort results and health hazards are magnified.

On July 1, Con Ed locked out 8,500 skilled workers who operate, maintain, inspect, service and repair Con Ed's electric and steam distribution and generation systems, and Con Ed's gas distribution systems.

Con Ed has replaced the locked out workers with an assortment of 5,000 other workers, including managers, retired managers, recent hires and contract workers. Some of the managers do have field experience under their belts, but most are from other parts of Con Ed's operations and may only have had a brief training course in splicing cables, working around live electricity lines or other skills and the safety training essential to operate, maintain and repair electric, gas and steam lines.

Con Ed's lockout comes at a time of the year when the potential for outages is elevated due to high summer temperatures. Peak demand always occurs during July and August when temperatures are at their hottest. It was already clear by the end of June that this would be one of the hottest years on record. The most severe electric widespread outages in recent years—

the 1977 and the 2003 blackouts--both occurred in August. The 2006 Long Island City outage occurred in the third week in July.

The Utility Workers Union has petitioned the Public Service Commission (PSC) to seek review of Con Ed's customer services and rates in light of the lockout. Con Ed is regulated by the Public Service Commission because it is a monopoly provider of an essential public utility. It is a critical question whether, in locking out its skilled workforce, Con Ed is unduly risking the everyday lives and economic well-being of millions of people and businesses in its service area.

In its response to the Union petition before the PSC, Con Ed acknowledged that it was *not* performing several important functions during the lockout, among them:

- Capital project and program work on electric transmission operations;
- Capital project and program work on electric substation operations;
- Capital project work at steam generation stations; and
- Some work suspended in gas operations for main replacement, system reinforcement, leak repair, leakage survey and meter shop operations.¹

Also, Con Ed has halted most meter reading and cut back on customer service walk-in centers. (Presumably customer service management personnel are now in the field helping to operate and maintain electricity, gas and steam distribution and delivery.)

In describing the precariousness of service delivery by the ad hoc replacement workforce, a Con Ed manager told a New York Times reporter: "As long as nothing major happens, we can maintain the system. Obviously the longer it goes, the heat is going to take a toll."²

Stray voltage detection efforts have also been substantially scaled back. Usually, the entire system is scanned monthly but the makeshift workforce this month is only operating one out of the 10 to 14 mobile scan vehicles that normally patrol city streets.³

The prolonged use of mobile generators in Bensonhurst also underscores how inadequate Con Ed's emergency response capacity is under its replacement workforce. Problems with transformers in the area led the company to disconnect customers from the grid and bring in several diesel-powered generators. According to the Union, mobile generators are used only in disaster situations and have not been used on the scale they are in Bensonhurst since September 11, 2001.⁴

¹ Public Service Commission Case No. 12-M-0306, *Response of Consolidated Edison Company of New York, Inc. to Motion for Initiation of Expedited Investigation and Interim Relief*, July 17, 2012, pp. 51-55.

² Patrick McGeehan, "At Con Ed, the Managers are Tasked with Repairs," *The New York Times*, July 17, 2012.

³ Public Service Commission Case No. 12-M-0306, *Response of Consolidated Edison Company*, July 17, 2012, p. 24, and Utility Workers Union of America, *Motion for Leave to Reply to Response to Motion for Expedited Investigation and Interim Relief*, July 20, 2012, p. 4.

⁴ Public Service Commission Case No. 12-M-0306, Utility Workers Union of America, *Motion for Leave to Reply to Response*, July 20, 2012, p. 6.

The makeshift replacement workforce is reportedly forced to work 12-hour shifts, six days a week. During this peak load period, relying on such a makeshift, largely under-trained and inexperienced workforce could be a recipe for disaster. A lightning strike in Westchester or multiple underground transformer problems in New York City, a steam explosion or a major gas leak could quickly overwhelm the company's emergency response. Con Ed's week-long July 2006 Long Island City power outage has to still be fresh in the minds of thousands of residents and hundreds of small business owners who endured an entire week with reduced or no power.

In locking out its skilled workforce, Con Ed has put the residents, health care institutions and businesses of New York City and Westchester County at significant risk. It is no mystery what happens when the power goes out. Even if a blackout is not as widespread as in 1977 when it was city wide, or 2003 when it covered much of the Northeast and parts of Ontario, those who are affected are sometimes profoundly affected.

For example, during the August 2003 blackout in New York City, the *New York Times* reported the following⁵:

- Midtown emergency rooms were inundated with several people with heart attacks brought on by walking down stairs in high-rise buildings because elevators lost power—one woman died after walking down several flights of stairs in the MetLife Building;
- Thousands of tourists and other hotel guests were locked out of their hotel rooms;
- Thousands of people walked home because the subway system shut down with thousands stuck in stalled trains in tunnels, including a thousand passengers trapped for two hours in a Long Island Rail Road train under the East River in sweltering heat;
- Nineteen subway trains and thousands of straphangers were stranded under the East River;
- There was a spike in the number of pedestrians hit by cars in streets gridlocked by lack of traffic signals; and
- Security officers and janitors had to pry open elevator doors to free trapped passengers in buildings throughout Manhattan and across the city.⁶

Tens of thousands of cell phone users lost service when cell phone towers lost power or when their batteries ran out.

The City Comptroller estimated that the 2003 outage cost the city economy over \$1 billion in lost output and higher costs, including \$10 million for police overtime. Restaurants, grocery stores and food manufacturers and wholesalers lost an estimated \$250 million from food spoilage.⁷

⁵ See articles by these reporters: David Barstow, Daisy Hernandez, Randy Kennedy, Richard Perez-Pena, and Janny Scott in the August 15, 2003, edition of the *New York Times*.

⁶ Con Ed provides electric services to 6,000 buildings with more than 12 stories.

⁷ Electricity Consumers Resource Council (ELCON), *The Economic Impact of the August 2003 Blackout*, Feb. 9, 2004, p. 10.

Small businesses, particularly those involved in food sales or restaurants, are likely to be particularly hard hit by an electric power outage. In a study of the 2006 Long Island City power outage, researchers at Pace University surveyed some of the affected businesses and found that two-thirds of businesses suffered complete loss of power for an average of nearly seven days. Ninety-five percent reported losing business. One-third of affected businesses had to replace appliances and/or damaged electrical or electronic equipment at an average cost of over \$9,000 per business. Overall, the Pace researchers estimated that business, overwhelmingly small businesses, suffered losses totaling \$111 million.⁸

In conclusion, Con Ed's actions in locking out its skilled workforce is unnecessarily putting the people of New York City and Westchester County at risk of serious electric, gas and steam outages. Con Ed's actions jeopardize the incomes of thousands of hourly-paid workers and the business activity and viability of small businesses throughout the regional economy that constitutes a tenth of the national economy.

In its most recent long-range plan, Con Ed itself noted: "Our (regional) economy is largely based on information-intensive companies which are highly dependent on power quality and reliability. Any significant decline in reliability would pose a high cost to our local businesses."⁹

It has been and likely will continue to be a slow recovery from the Great Recession of 2008-09. We simply cannot afford to have the plug pulled on our economy, public health or the shrinking middle class. This is an entirely avoidable catastrophe. Our well-being cries out for the leadership of our elected officials.

Thank you for the opportunity to testify today.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

⁸ Public Service Commission Case 06-E-0894, Pace Energy and Climate Center, Pace Law School, and LaGuardia Community College, *Final Report. Study of the Economic and Health Impacts of the July 2006 Outage of the Consolidated Edison Company of New York, Inc.'s Long Island City Network*, March 31, 2010.

⁹ Con Edison, *Electric System Long Range Plan*, December 2010.