

Con Edison's Steam Pipe Explosion Crisis

Company Overview

Consolidated Edison Company of New York supplies electricity to New York City and the majority of Westchester County in addition to making natural gas services available to Manhattan, the Bronx, and portions of Queens and Westchester (coned.com). Furthermore, Con Edison possesses the world's largest district steam system, virtually holding a monopoly over the electrical and steam services in the major metropolitan area of New York. "Con Edison is a subsidiary of [Consolidated Edison, Inc.](#), one of the nation's largest investor-owned energy companies, with approximately \$12 billion in annual revenues and \$28 billion in assets" (coned.com).

Con Edison's commitment to supplying energy to New York City requires the company to show concern for the environment and the safety of its customers. This company pledges to uphold standards of safety as a "cornerstone" of the business it conducts (coned.com). Furthermore, Con Edison is devoted to "continuously improving safety performance, ensuring compliance with all applicable requirements, enhancing relationships with stakeholders, integrating environment, health and safety with the corporation, identifying and reducing significant risks to the environment, and promoting the wise and effective use of natural resources" (coned.com). Con Edison also asserts that independent auditors have approved their safety and environmental practices

(coned.com). The company also publishes and distributes annual environment, health and safety reports to their various stakeholders (coned.com).

Con Edison's Reputation

Con Edison holds a veritable monopoly over the city of New York's energy supply. Thus, the several accidents that have occurred over the past 15 years have not diminished their customer base. In actuality, Con Edison has become subject to slight defamation. The media has constantly attacked the corporation for crises that have occurred. However, the responsibility of providing an extremely large amount of people with energy in such a high-traffic area is precarious. Any maladaptive situations will be significantly inconvenient for Con Edison customers. In addition, Con Edison is not recognized when their services are being delivered consistently as expected and targeted when things do not go according to plan. Con Edison is especially concerned with keeping its employees and additional stakeholders in the know, especially when it comes to health and safety issues. When it comes to the media, Con Edison has taken an active part to maintain cooperation with influential publications, especially wire services. The corporation has become accustomed to handling unfortunate situations that put them in a compromising position. In doing so, Con Edison has come to place emphasis on delivering results, restoring damaged areas and continuing to provide energy services successfully in order to repair their reputation. Furthermore, Con Edison frequently collaborates with New York City; this partnership allows each entity to legitimize the

other. New York City's support of Con Edison and its energy services demonstrates that government organizations put their confidence in the corporation as well.

Con Edison and New York City

Con Edison is the only energy supplier to the majority of Manhattan. The city of New York must work in part with Con Edison to carry out daily operations and maintain a sense of order in such an industrious area. The city is reliant on energy and Con Edison has supplied it without complications for the most part. In particular, the NYPD and the FDNY work hand in hand with Con Edison to carry out repairs and guarantee that the people of New York City can go about their business. Furthermore, Con Edison has the support of the Mayor and other city officials.

Crisis History

Since 1987, there have been multiple steam pipe explosions in New York City. One of the more serious explosions occurred in 1989 in Gramercy Park, which killed three people. As a result of this crisis, Con Edison was defamed after the company lied about potential asbestos contamination. In 2000, another steam pipe explosion filled the air with asbestos around Washington Square South, leaving behind a 150-foot crater. The reputation of Con Edison has diminished greatly in the eyes of the inhabitants of New York City due to these frequent steam pipe explosions. These explosion bring to light the aging infrastructure of New York City.

Steam Pipe Explosion and Immediate Reactions

On July 18, 2007, a Con Edison steam pipe located in midtown Manhattan exploded, sending mud, debris and asbestos into the air. As a result, mass evacuations ensued; Con Edison workers immediately gathered to aid those in need and repair the damage as much as possible so soon after the incident. The steam pipe explosion caused the death of one individual, a woman who succumbed to cardiac arrest as a result of the eruption. Panic swept the streets as surrounding buildings were quickly evacuated. The main component of the hysteria was the uncertainty surrounding the cause of such commotion. The inhabitants of New York City initially assumed that the cause of the upheaval was a terrorist attack; however, these concerns were dispelled in statements made by Mayor Michael Bloomberg immediately released after the explosion. In fact, Mayor Bloomberg took the initiative to reveal the facts surrounding the explosion through a televised briefing made on the very night that the incident occurred. He was careful not to pinpoint Con Edison in these statements, assuring the people of New York that the incident was “anything other than a failure of our infrastructure”. The cause of the steam pipe explosion is still yet to be determined; however, there had been a thunderstorm earlier in the day, causing cold water to seep into the steam pipe. Nonetheless, the pipe itself was very old, having been installed in 1924.

In addition to Mayor Bloomberg’s involvement in “clearing the air” surrounding the explosion, New York City’s Department of Environmental Protection was careful to conduct tests over the subsequent 24 hours. Due to the controversy surrounding Con

Edison's decision not to release information about asbestos contamination in 1989, the corporation was careful to alert the public about the danger of asbestos and its potential presence in the air after such an explosion. There were no particles identified in the air samples from the area but Con Edison advised the people that were evacuated from the area to submit their clothing to the corporation in order to be reimbursed. Con Edison dispatched its employees to the area to aid in the clean-up. Furthermore, the corporation provided an outreach van to collect potentially infected belongings that stayed in transit for a month after the explosion, costing the company \$420,000. In the meantime, the New York City Fire Department dispatched more than 200 firefighters to the area that was roped off by the police as a "frozen zone". The establishment of this "frozen zone" prohibited people from returning to their homes or to their places of employment until it was disassembled. Verizon had its landlines and internet cables installed underground and these were damaged due to the explosion. Con Edison made reimbursement available to those that incurred losses due to the explosion. In total, Con Edison reimbursed \$1.67 million dollars due to steam pipe explosion. Subway lines were rerouted and traffic problems ensue as a result of numerous blocked streets. Internet access and telephone service were disrupted as a result of the explosion, costing the businesses in the area millions of dollars in lost opportunities. It is estimated that about \$30 million of business was lost in this steam pipe explosion. Consequently, numerous lawsuits have been filed against Con Edison, including those filed by the family members of both of the casualties.

On August 7, 2007, a New York City Council hearing was held during which Con Edison CEO Kevin Burke was supposed to partake in a question and answer forum.

However, Kevin Burke did not show up, instead he was replaced by William Longhi, Con Edison's senior vice president for central operations. City Council was expecting to bombard Burke with unanswerable questions; however, they were stunned when Longhi attended in his place. The press and the City Council themselves viewed this decision made by Con Edison negatively when, in fact, the move was strategic on the corporation's part. Longhi was the most knowledgeable about the steam pipe explosion and allowing Burke to be attacked would have been even more detrimental to Con Edison than having him not show up at all.

Effects on Stakeholders

Con Edison's stakeholders and the communication to these people as a result of such a grave explosion were crucial in maintaining order and calm in New York City in mid-July 2007. The corporate culture of the company is very strong, fostering concern about health and safety in addition to informative dialogue. Specifically, Con Edison's internal chain of communication centers around the Director of Media Relations, the Director of Corporate Relations and the Senior Vice President to make influential decisions. These three power positions inform the whole company through a trickle-down effect of vital information. Shareholders constantly receive updates surrounding the issues being dealt with by the corporation, both positives and negatives. They are regularly updated and have access to a wide variety of resources on Con Edison's website. Government officials work in conjunction with Con Edison to ensure that New York City receives the energy necessary to keep it running. Yet, many government

officials have become quite critical of Con Edison as a result of the steam pipe explosion. In particular, assemblyman Michael Gianaris, who is based in Queens, has been ever-present as a source of opposition to Con Ed in the media. The media itself has been used to Con Edison's advantage. Spokesman Chris Olert ensured that the corporation knew the right people in media and which vehicles will most effectively reach the right audiences.

Crisis Communication Strategies

Con Edison has no formal written crisis plan in effect; however, spokesman Chris Olert has asserted it is understood that employees are well aware of a loose procedure surrounding the maintenance of crises. In regards to internal company communication, decisions are made by the Senior Vice President of Operations, the Director of Corporate Relations and the Director of Media Relations. Once information has been confirmed or courses of action selected, a trickle down effect takes place in order to notify all Con Edison employees. Con Edison operates as a cultural system, fostering open communication and incorporating all of its employees into the activities of the company as a whole. For example, employees were dispatched to the site of the steam pipe explosion immediately following the eruption. A corporation with such a large clientele and area of operation needs to uphold a code of company commitment among its employees so as to conduct business efficiently. Con Edison takes extra precaution in ensuring that their employees are informed about the crisis management process.

Throughout the steam pipe explosion crisis, Con Edison has been very careful to be honest with the public. Their concern for asbestos contamination and their warnings to

those exposed to the steam emitted from the pipe demonstrate their commitment to honesty. Moreover, it is an indication of their desire to right a previous wrong, stemming from their 1994 indictment due to a cover-up of asbestos contamination from the 1989 steam pipe explosion. Additionally, Con Edison has been cautious in releasing the cause of the explosion. In early October 2007, the company filed legal papers against New York City in order to investigate their part in the explosion; however, spokesman Michael Clendenin assured the media that this was just a necessary precaution. He also stated that Con Edison was not looking to put the blame on anyone else. Rather, they were just exploring all avenues to determine the true cause of the steam pipe explosion. Releasing honest and legitimate information regarding the explosion and its cause has been a main concern for Con Edison throughout this crisis.

Con Edison has proven its devotion to repairing the damage caused by the explosion through their immediate restoration actions. The deployment of Con Edison employees to the scene of the explosion to aid in the evacuation of the area was a high priority. The additional participation of the NYPD and FDNY departments in sectioning off a “frozen zone” reveals the support Con Edison generates from the city itself. Immediate action was also taken in the form of an outreach van and reimbursement opportunities. Con Edison also generated positive feedback through these specific efforts. Many New Yorkers were initially frustrated with the resulting traffic and detours caused by the explosion; however, many people realized that these precautions were necessary for safety to be ensured. Normal operations were restored within a few weeks. Furthermore, numerous businesses located in the surrounding area were at a financial loss. Those that were dissatisfied have filed law suits against Con Edison. Con Edison has

been bombarded by such law suits and intended to recover the losses incurred by customers as a result of the explosion. The crisis has not progressed; Con Edison is taking the necessary steps to minimize its effects as time progresses. The age of the steam pipe has raised questions in the media concerning the age of the steam system as a whole. Immediately following the explosion, Con Edison was careful to stabilize the system and conduct checks on their many steam pipes to ensure that this would not recur.

In regards to public relations, the Con Edison spokesmen have been available for comments and ever-present in the media. They have been focused on dispelling the rumors and releasing the facts surrounding the explosion. Spokesman Chris Oler has affirmed that the corporation has media contacts and is careful to notify the right people of newly discovered information. CEO Kevin Burke was addressing the public the night of the explosion on major news networks. Furthermore, Mayor Michael Bloomberg conducted a televised appearance less than three hours after the explosion as well. Con Edison has been successful in releasing relevant data to the public and keeping them informed of new findings. Internally, Con Edison is concerned with message consistency and certifying that all employees know the correct information. This guarantees that the employees are on the same page with each other and with the upper level management of the corporation, preventing any bad press from being generated from within Con Edison itself. In addition, Con Edison has been able to keep composure in these crises; technology has the tendency to be unreliable at times and the corporation has become experienced in dealing with such malfunctions.

Conclusion

Despite Con Edison's problems with their reputation, they have persevered throughout numerous crises to provide energy service to the New York metropolitan area. Combining effective message strategies with rapid response to the steam pipe explosion, Con Edison successfully mitigated the effects of the crisis.

Appendix

Interview with Chris Olert, Con Edison Media Relations

1. Immediately following the explosion, what was the chain of events from your perspective (getting people out of the area, etc)?
 - This was a steam main that ruptured after heavy rains.
 - 2 news conferences: the chairman had one, and the senior VP had the other
 - We got right out there. This is our responsibility, we will accept responsibility. We sent out a customer van to take people's claims, to check for asbestos...we took people's clothes
 - -reimbursed \$1.67 million (3,267 checks for personal belongings)...26 vehicles – over \$420,000.
We went right to the scene.

2. Would you say that the outreach van was successful from your perspective?
 - I think so. We had that out for over a month.

3. Was there a strategy in sending the senior VP of central operations to the city council meeting and not CEO Kevin Burke?
 - The senior VP was most familiar with the event. Why do you send a football player to talk about the economy?
 - Kevin Burke was out there within 24 hours.

4. Is there a certain crisis plan in place? What is the internal chain of communication like in a crisis situation?
 - Because of the nature of what we do, steam is only in NY...we've had these things happen before...we're pretty much ready for anything.
 - We work closely with our field operations people
 - We do drills on storms and oil spills throughout the year, almost any type of emergency
 - The first people I would call would be the wire service. I know which people to call, including those that do the news blogs, and I know when the shows are on
 - I know which reporters have what days off

5. Has there been any progress in determining the cause of the incident?

- We'll have that out in a couple of weeks.
6. How closely do you work with the city officials?
- We're in bed with them. We work with NYPD, the fire department, and the mayor 24 hours a day.

Chain of communication

Director of media relations, senior VP, and the director of corporate relations all are in touch with each other and everyone knows to keep these three in the loop. We realize it is important for us to keep a consistent message.

Timeline

August 19, 1989

Steam pipe explosion near Gramercy Park in Manhattan. Explosion caused by "water hammer." Con Edison workers and one bystander was killed. Several million dollars in damage.

October 31, 1994

Con-Ed pleads guilty for "not promptly reporting the presence of hazardous materials" (asbestos) in relation to the 1989 steam pipe explosion. Forced to pay \$2 million in damages and additional \$54 million in settlements to other claims

June 17, 2006

First day of a 9 day blackout of power in various neighborhoods in Queens. Public opinion of Con-Edison is low.

April 26, 2007

Stock price hits 52-week high (\$52.90)

July 18, 2007

Explosion occurs in Midtown Manhattan in New York City (41 Street & Lexington Ave.). Very close proximity to major office buildings, Grand Central Terminal and the United Nations.

Utility crews had surveyed the site six hours prior to the explosion

Telephone & Internet service was disrupted

The 4 and the 6 subway line service was suspended in Manhattan

Frozen zone established around the area

July 22, 2007

Tow truck removed from the crater

July 30, 2007

Lawsuit is announced by family of Gregory McCullough, tow truck driver who received burns on 80% of his body. Con Edison's Stock price hits new 52-week low (\$43.10)

August 7, 2007

City Hall hearings held. CEO Kevin Burke did not show up, instead sent his senior vice president for central operations. City council was frustrated by this move.

August 17, 2007

Legal ruling in favor of Con-Ed to test material from the explosion.

August 24, 2007

Spokesman Bob McGee is quoted saying, "Con Ed is not going to blame anyone for this. We're certainly not going to point fingers at anyone else," in a New York Times article entitled, "Pipe Bears Graphic Scars From Steam Blast" by Patrick McGeehan.

September 30, 2007

Queens lawmakers urge state utility regulators to reject Con Edison's request for a \$1.2 billion rate increase. This request is eventually rejected.

October 17, 2007

Con-Ed filed legal papers claiming that the city may be to blame for the blast. Con-Ed claims that the steam pipe explosion "may have been caused, in whole or in part, by acts or omissions of the city."

Works Cited

- Banks, Marcus. "The 2006 Blackout – Too Easy Just to Blame Con Edison." Gotha Gazette 7 Aug. 2006. 25 Oct. 2007 <<http://www.gothamgazette.com/print/1928>>.
- "Con Edison." Con Edison, Inc. 2007. Consolidated Edison Incorporated. 21 Oct. 2007 <<http://www.conedison.com>>.
- Confessore, Nicholas. "Lawmakers Propose Panel to Monitor the State's Infrastructure." New York Times 23 Sept. 2007. 22 Oct. 2007 <<http://query.nytimes.com/gst/fullpage.html?res=9D02E3DB1031F930A1575AC0A9619C8B63>>.
- "Consolidated Edison, Inc." Yahoo! Finance. 1 Nov. 2007 <<http://finance.yahoo.com/q?s=ED>>.
- "Consolidated Edison 3Q Profit Rises." Yahoo! Finance. 1 Nov. 2007. Associated Press. 3 Nov. 2007 <http://biz.yahoo.com/ap/071101/earns_consolidated_edison.html?.v=1>.
- "Environment Health & Safety." ConEdison. 22 Oct. 2007 <www.coned.com/ehs/>.
- Chung, Jen. "Midtown Steam Pipe Explosion:." 19 June 2007. The Gothamist. 22 Oct. 2007.
- Fernandez, Manny. "Traffic Flows Again Near Site of Ruptured Steam Pipe." The New York Times 22 July 2007. 20 Nov. 2007 <<http://www.nytimes.com/2007/07/22/nyregion/22explode.html>>.
- "'Frozen Zone' Eases Up Some Around Explosion Site." WNBC New York - Channel 4. 19 July 2007. WNBC. 7 Dec. 2007 <<http://www.wnbc.com/traffic/13711110/detail.html>>.
- Kirsner, Wayne. "What Caused the Steam System Accident That Killed Jack Smith?" Kirsner Consulting Engineering. 22 Oct. 2007 <<http://www.kirsner.org/pages/jackSteam/jackSteamTextAlt.html>>.
- Kramer, Marcia. "Con Ed May Sue NYC Over Steam Explosion." WCBS 17 Oct. 2007. 27 Oct. 2007 <<http://wcbstv.com/topstories/con.edison.steam.2.376264.html>>.

Lee, Trymaine. "Con Edison Wins Ruling in Pipe Explosion Case." New York Times 17 Aug. 2007. 22 Oct. 2007

<<http://www.nytimes.com/2007/08/17/nyregion/17steam.html>>.

Lisberg, Adam. "Con Edison's 25M Threat Steams Mayor, Politicians." New York Daily News 18 Oct. 2007. 23 Oct. 2007

<http://www.nydailynews.com/news/2007/10/18/2007-10-18_con_edisons_25m_threat_steams_mayor_poli-2.html>.

Lueck, Thomas J. "Businesses Near Blast Struggle to Return to Normal, or Even Just to Reopen." New York Times 9 Aug. 2007. 22 Oct. 2007

<<http://www.nytimes.com/2007/08/09/nyregion/09steam.html>>.

McGeehan, Patrick. "Pipe Bears Graphic Scars From Steam Blast." New York Times 24 Aug. 2007. 22 Oct. 2007

<http://www.nytimes.com/2007/08/24/nyregion/24pipe.html?_r=1&oref=slogin>.

McGeehan, Patrick. "Repairs to Ruptured Pipe Await Con Ed Asbestos Plan." The New York Times 23 July 2007. 10 Nov. 2007

<<http://www.nytimes.com/2007/07/23/nyregion/23explode.html>>.

New York City. Office of Emergency Management. New York City. NEW YORK CITY OFFICE OF EMERGENCY MANAGEMENT PROVIDES SUMMARY OF CITY'S RESPONSE TO STEAM MAIN EXPLOSION IN MIDTOWN MANHATTAN ONE WEEK AGO. 25 July 2007. 1 Nov. 2007

<http://www.nyc.gov/html/oem/html/news/07_25_07_summary_steam_explosion.shtml>

Norlander, Gerry. "Con Edison Steam Explosion Releases Asbestos, Recalling Con Edison Conviction in 1989 Gramercy Explosion." Pulp Network. 19 July 2007. 4 Nov. 2007

<<http://pulpnetwork.blogspot.com/2007/07/con-edison-steam-explosion-releases.html>>.

"Queens: Con Ed Rate Request Criticized." New York Times 19 Oct. 2007. 1 Oct. 2007

<<http://query.nytimes.com/gst/fullpage.html?res=9D05EEDF1438F932A35753C1A9619C8B63&sec=&spon=&pagewanted=print>>.

Olert, Chris. Telephone interview. 3 Dec. 2007.

