

STATE OF NEW YORK

Public Service Commission

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CON EDISON TO SUBMIT EMERGENCY IMPLEMENTATION PLAN

-- New Emergency Outage Response Program Created in Response to Audit --

Albany, NY—1/16/08—The New York State Public Service Commission (Commission) today directed Consolidated Edison Company of New York, Inc. (Con Edison) to submit an implementation plan addressing the independent management audit of its electric emergency outage response program. The audit, conducted by Vantage Consulting, Inc., contains 159 findings and 62 recommendations.

“The independent audit of Con Edison’s emergency outage response that was conducted identified a number of the root causes that exacerbated the major storm and heat-related electric outages during 2006,” said Commission Chairman Garry Brown. “Although the audit report concluded that Con Edison was doing an adequate job in certain areas, it identified a number of improvement opportunities to other processes, systems, and operations. We have determined changes need to be made, and we look forward to Con Edison’s implementation of the recommendations to improve their emergency response system.”

Chairman Brown continued: “Hopefully, this sends Con Edison a strong signal that it needs to have a better emergency management system in place. When an outage occurs, the company's response to the outage is our concern, and something for which we must make a company accountable. This new plan will transform the way the company has done business in the past.”

The Commission's Order directs Con Edison to submit an implementation plan to the Commission and to work closely with Department of Public Service Staff during the planning and implementation process. It also directs Con Edison to immediately begin to plan new and enhanced performance measures associated with emergency management. It is expected that this will lead to performance measures that are both meaningful to Con Edison emergency managers during outages and to the Commission for improved regulatory oversight of Con Edison's actions during outages. Further, Con Edison should identify the implementation status of any recommendations that have been, or will be, implemented, that are necessary to have in place prior to the start of the summer 2008.

As part of the implementation plan, Con Edison is required to fully address the root causes, findings and recommendations included in the audit report. The implementation plan is to include action steps, schedules with specific interim milestone dates, risk/cost/benefit evaluations and the designation of executive officer accountability. Con Edison must consult with Staff during development of this plan and is required to submit the plan to the Commission by March 3, 2008.

Con Edison will also develop and implement a process for communicating with the major stakeholders, such as customers, elected officials, municipal offices of emergency management, and the media. This enables Con Edison to demonstrate to stakeholders that it is making comprehensive changes to its corporate priorities, planning processes, infrastructure investment, and organizational effectiveness.

Con Edison is being required to immediately analyze and develop enhanced and new emergency management performance measures. These measures need to be integrated and coordinated with Con Edison's existing and modified planning processes, as described in the audit report. These performance measures should be designed to serve a number of interrelated purposes, including, but not limited to:

- Creating emergency planning and outage response performance operating data to be used by Con Edison during each outage event to assess its effectiveness;

- Tracking outage management performance, and other regional and centralized corporate goals that reflect aggregated performance over time and a goal-setting process that is integrated with corporate planning, to achieve improved performance;
- Establishing manager and officer performance goals and incentives, as part of management compensation programs; and
- Reporting emergency response performance data to the Commission, on a periodic basis; this data should be the result of a roll-up or aggregation of the data used by Con Edison for its internal purposes.

The audit report satisfies the Commission's requirements, as delineated in previous Orders, the request for proposals, Vantage's proposal, and subsequent work plans prepared by Vantage. Staff attended many interviews that Vantage conducted with Con Edison employees, reviewed information requested by Vantage, and met frequently with the consultants during the audit process. Overall, Con Edison cooperated with Vantage and Vantage was able to obtain all of the information it requested.

Background

By Orders dated September 8, 2006 and September 20, 2006, the Commission instituted a proceeding to investigate Con Edison's performance in response to electric outage emergencies and planning for restoration of service. The call for an independent audit centered on the Commission's concern with Con Edison's planning and recovery efforts associated with several outages that occurred in 2006.

The independent auditor issued numerous document requests, conducted hundreds of interviews, and performed various analyses. Vantage reviewed all previous outage-related and investigative reports prepared by Staff, Con Edison and other stakeholders, and Vantage met with a number of public officials to seek their input.

The report was posted to the Department's internet site, and can be viewed or printed at http://www.dps.state.ny.us/06M1078_FinalAuditReport_10-24-07.pdf. The Commission issued a notice requiring Con Edison to comment on the report, and invited all parties to review the audit report and Con Edison's comments and then file initial and reply comments. Comments were received from the City of New York, the Attorney General, Assemblyman Brodsky, and Western Queens Power for the People Campaign.

A copy of the Commission's written decision in Case 06-M-1078, when issued, will be available on the Commission's www.dps.state.ny.us Web site by accessing the File Room section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).