

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on September 8, 2006

COMMISSIONER PRESENT:

William M. Flynn, Chairman

CASE 06-M-1078 - Proceeding on Motion of the Commission to Audit
the Performance of Consolidated Edison Company
of New York, Inc. in Response to Outage
Emergencies.

ORDER INSTITUTING PROCEEDING AND DIRECTING AUDIT

(Issued and Effective September 8, 2006)

INTRODUCTION

Heavy rain and strong winds caused by Tropical Storm Ernesto resulted in widespread damage to trees and power lines in the service territory served by Consolidated Edison Company of New York, Inc. (Con Edison). The damage caused service outages, beginning on September 2, 2006, for approximately 100,000 business and residential customers.

The Company's customers have complained about its slow response to the outage, delayed restoration of power, poor communications, and lack of information provided to customers. Similar complaints were directed against the Company after storm related outages that occurred in January 2006 and in July 2006. On July 17, 2006, disturbances on the Company's distribution feeders during an extended period of high temperatures resulted in extensive outages for customers served by its networks and an extended time to restore service. As a result of its network outages, Con Edison was subject to numerous complaints about its

practices and preparations for responding to outages, slow restoration of service, and poor communications.¹

Effective communication with customers and prompt restoration of service is an essential component of the Company's responsibility to provide safe and adequate service to its customers. An independent audit of the Company's operations and management of responses to weather related and other outage emergencies would evaluate its practices and procedures and result in recommendations for improvements in its planning and organization for responses to outage emergencies and service restorations.

By this Order, the Commission determines that there is a need to initiate a proceeding and to conduct an independent audit of the Company's system-wide operations, practices, and procedures as they relate to emergency planning, response to outages, and restoration of service. The Commission will engage a consultant to perform this audit on the adequacy of the Company's management of its emergency outage responses and preparedness. The audit will be managed by Department of Public Service Staff and conducted at its direction. Con Edison has agreed to enter into a contract with the auditors providing for their payment by the Company. The consultant shall be directed to conduct a full independent examination of the Company's preparedness for responses to outage emergencies and performance in responding to them and Staff is directed to report the findings and recommendations resulting from the audit to us.

¹ By order issued July 26, 2006, the Commission ordered a Staff investigation of these network outages, which is underway in a separate proceeding (Case 06-E-0894, Electric Power Outages in Consolidated Edison Company of New York, Inc.'s Long Island City Electric Network, Order Instituting Proceeding and Directing Staff Investigation (issued July 26, 2006)). The investigation includes review of the circumstances leading to loss of primary feeders and need for improvement to the Company's plans, practices, procedures, and operations to avoid similar outages. It is anticipated that the audit instituted herein will take into consideration the information, findings, and recommendations resulting from the Long Island City Electric Network investigation.

DISCUSSION AND CONCLUSION

During the outage emergencies that have occurred this year, questions have arisen about the timeliness of Con Edison's restoration of service and the ability of customers to obtain accurate information about the extent and duration of the outage.

The Company's preparedness for outage emergencies and its practices and procedures for responding to these outages require an audit and recommendations for improving its performance. We expect the audit to result in identification of improvements that are necessary in Con Edison's operations, plans, management, and public communication practices as they relate to outage emergencies.

Specifically, the audit would include, but not be limited to, an assessment of the following aspects of the Company's management and operations:

1. Effectiveness of the Company's overall emergency response planning, response to outages, and service restoration efforts, including an organizational assessment of the Company's internal structure for managing service restoration;
2. Adequacy of the Company's resources available by major operating areas, including personnel and equipment, to respond aggressively to large-scale outage emergencies and the Company's effectiveness in deploying and managing these resources in an optimal manner;
3. Planning and preparation for responding to multiple and simultaneous large-scale outages occurring in different operating areas;
4. Effectiveness of procedures for determining the extent of outages, including the number of customers affected, and in providing accurate estimates of the timing of service restorations;
5. Effectiveness of plans and procedures for obtaining assistance from other utilities and contractors, and ability to effectively deploy and manage these additional resources; and
6. Proper procedures to assure effective outreach efforts on a regular basis, including accuracy of information and frequency of communication with local officials, state agencies, and the public throughout the event.

It is expected that the audit will result in recommendations for actions that the Company should take to improve its emergency outage planning, preparation, outreach, and restoration efforts throughout its service territory.

Accordingly, a proceeding is instituted and an independent consultant with the requisite expertise shall be engaged to conduct an audit of Con Edison's emergency outage preparedness and response, performance during outages, and service restoration. Con Edison Company shall enter into a contract with an independent third-party auditor to work for and under the direction of the Commission according to the terms that the Commission may determine are necessary and reasonable. The evaluation shall conform to the scope of work set forth in this Order and any additional aspects of the Company's operations with respect to its responses to outage emergencies that are identified. The process of retaining a consultant and performing an evaluation shall commence immediately.

It is ordered:

1. The proceeding described in the body of this Order is instituted.

2. An independent third-party consultant shall be engaged to conduct an audit of the Company's performance in response to outage emergencies and planning for restoration of service, in conformance with the discussion in the body of this Order.

3. Consolidated Edison Company of New York, Inc. shall enter into a contract with an independent third-party auditor to work for and under the direction of the Commission according to the terms that the Commission may determine are necessary and reasonable.

4. This proceeding is continued.

(SIGNED)

Commissioner