

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn, (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

08020

PSC TO EXAMINE CON EDISON'S MANAGEMENT AND OPERATIONS — Proposals Sought From Independent Consultants for Examination of Utility —

Albany, NY—2/13/08— The New York State Public Service Commission (Commission) today authorized the issuance of a Request for Proposal (RFP) for an independent third-party consultant to conduct a comprehensive management and operations audit of Consolidated Edison Company of New York, Inc.'s (Con Edison) electric, natural gas, and steam businesses, with a specific focus on the company's construction program planning processes and operational efficiency.

"This comprehensive management and operations audit of Con Edison will be thorough and it will focus on the company's construction program planning processes and operational efficiency," said Commission Chairman Garry Brown. "Of particular importance will be the assistance provided by the consultant in evaluating any 'root causes' that may inhibit Con Edison's ability to make sustainable, long-term improvements. This examination of Con Edison will build on the recently completed management audit which focused on the utility's Electric Emergency Outage Response Program."

Public Service Law provides for examinations of the management and operations of the major electric and gas utilities. Staff informed the Commission at the January session that the next comprehensive management and operations audit will be of Con Edison.

The examination process will emphasize an assessment of Con Edison's effectiveness in meeting its mission, goal and objectives, particularly with respect to performance goals and will

identify any opportunities for improvement. Included within the audit scope will be an examination of several critically important elements of the company's construction program and planning process related to day-to-day and long-term operations; these elements and some examples of scope details are indicated below:

- **Corporate Mission, Objectives, Goals and Planning:** Review roles and responsibilities of Con Edison's leadership, including boards of directors, in providing coherent and measurable goals and objectives, setting priorities, allocating resources, and evaluating the performance of its electric, gas and steam businesses in terms of its construction program planning processes and operational efficiency;
- **Long-Term Load Forecasting:** Review models used by Con Edison to forecast local and system-wide load requirements including the use of appropriate inputs, such as energy efficiency initiatives;
- **Supply Procurement:** Identify and evaluate supply portfolio principles, goals and objectives for mass market default customers, identify and evaluate risk management strategies and practices, and review supply procurement strategies, policies, processes, and methods;
- **Long-Term System Planning:** Assess infrastructure planning and engineering functions, examine the priorities, guidance and other instructions for evaluations, tradeoffs and decision making, examine the development of forecasts for local area networks, and infrastructure requirements;
- **Capital and O&M Budgeting:** Review roles and responsibilities of all involved in the capital and operations and maintenance budgeting processes;
- **Program and Project Management:** Review conversion and flow of authorized capital and operations and maintenance spending into specific programs and projects;

- **Workforce Management:** Review systems and processes used to plan and manage Con Edison's workforce (in-house and contractors) on a day-to-day basis; and
- **Performance and Results Management:** Review how Con Edison's performance is evaluated by its corporate leadership and translates into revised goals and objectives to enable Con Edison to improve its processes, redirect resources, and change priorities.

A final report of the consultant's findings and recommendations is expected in the third quarter of 2009. Staff will review the final report, report the results to the Commission, and recommend an implementation process.

The RFP, when issued, will be available on the Commission's www.dps.state.ny.us Web site by accessing the File Room. Many libraries offer free Internet access. Commission decisions can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).