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Gregg C. Sayre, Interim Chairman

Contact:

James Denn | James.Denn@dps.ny.gov | (518) 474-7080

<http://www.dps.ny.gov>

<http://twitter.com/NYSDPS>

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**Management and Operations Audit of RG&E, NYSEG Gets Underway
— PSC Selects Independent Auditor to Conduct Detailed Review of Upstate Utilities;
Separate and Unique from PSC Windstorm Outage Response Investigation —**

ALBANY — The New York State Public Service Commission (Commission) today commenced a detailed management and operations audit of New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E). The review will examine functions, processes, systems, and organizations, as well as past performance, for the purpose of defining changes that will improve future performance. The audit is part of the Commission's vigorous management audit program of the state's largest electric and gas utilities, as well as requirements set forth in Governor Andrew M. Cuomo's 2013-2014 Budget that strengthened the Commission's regulatory oversight of utilities.

"The auditing of a utility's management and operations is an essential part of our regulatory oversight," said **Commission Interim Chairman Gregg C. Sayre**. "This management and operations audit will be thorough and it will focus on identifying improvements in these utilities' management and operational efficiencies."

The audit is the second management audit of NYSEG and RG&E in five years, and the scope has been refined to focus on areas which will provide the highest value to the companies and their ratepayers. These include issues which require follow-up reviews from the prior management audits such as corporate governance, new issues which have come to the attention of the Department such as the companies' implementation of the Global SAP Enterprise Resource Planning system, an assessment of the companies' readiness to respond to the Reforming the Energy Vision (REV) initiative, and examine the adequacy and effectiveness of each utility's internal controls related to the Home Energy Fair Practices Act and Energy Consumer Protection Act.

In addition, the audit will assess the companies' processes for determining and meeting resource needs during outage events including supplementing local workforces, an important element that will also be addressed as part of the Commission's ongoing investigation into the companies' response to the early March 2017 windstorms.

To facilitate the audit, the Commission hired Overland Consulting as the independent auditors. The Commission selected Overland based upon the technical merit of their proposals, the proposals cost of the audit, and the consulting firms' interview performance. The audit is expected to cost approximately \$1.5 million and be completed in the first quarter of 2018.

In making its selection of Overland, the Commission determined that the auditors had clearly researched the companies and demonstrated a strong awareness of recent developments in the utility industry in New York State. In particular, staff found Overland to be strong in the key areas of Commission policies, corporate governance, electric planning/REV preparation, customer operations, and electric emergency management preparation and restoration.

Today's action may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 16-M-0610 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.