

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on June 11, 2026

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
James S. Alesi
David J. Valesky
John B. Maggiore
Uchenna S. Bright
Denise M. Sheehan
Radina R. Valova

CASE 24-M-0667 - In the Matter of a Comprehensive Management and Operations Audit of Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid.

ORDER RELEASING AUDIT REPORT

(Issued and Effective June 11, 2026)

BY THE COMMISSION:

INTRODUCTION

Pursuant to Public Service Law (PSL) §66(19), on January 23, 2025, the Public Service Commission (Commission) initiated a comprehensive management and operations audit of Niagara Mohawk Power Corporation d/b/a National Grid (NMPC), The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY), and KeySpan Gas East Corporation d/b/a National Grid (KEDLI) (collectively, the Companies or National Grid).¹ On April 29, 2025, the Commission selected NorthStar Consulting Group

¹ Case 24-M-0667, Order Initiating a Management and Operations Audit (issued January 23, 2025).

(NorthStar or Consultant) to perform the audit.² NorthStar submitted its report, "A Management and Operations Audit of National Grid USA's New York Electric and Gas Utilities" (Final Report), to the Department of Public Service staff (Staff) on April 30, 2026.

By this Order, the Commission authorizes the issuance of the Final Report, summarizes NorthStar's key findings and recommendations from the Final Report, and summarizes the Companies' comments on the Final Report. The Commission also directs the Companies to file a plan within 30 days to implement the Final Report's recommendations.

BACKGROUND

The Commission established the following areas for review in this audit:

1. Governance and Management;
2. Physical and Cyber Security;
3. Information Systems;
4. Electric Operations;
5. Gas Operations;
6. Procurement;
7. Project Management;
8. Customer Operations.³

The scope of this audit was consistent with the statutory directive to review the Companies' construction program planning, operational efficiency, and the protection of

² Case 24-M-0667, Order Directing Utilities to Enter into Contract with Selected Independent Auditor (issued April 29, 2025).

³ Case 24-M-0667, Order Initiating a Management and Operations Audit (issued January 23, 2025), Appendix, p. 12.

customer and critical infrastructure data.⁴ The audit examined the Companies' capital project decision-making processes, procurement, and resiliency efforts. The audit reviewed information systems operations and planning, elements of customer operations, and asset management, as well as an assessment of cyber and physical security programs. Furthermore, the audit reviewed how the Companies perform electric load forecasting activities to support grid modernization. Lastly, the audit reviewed how the Companies consider New York State's Climate Leadership and Community Protection Act (CLCPA) and other regulatory objectives in their strategic planning and construction program planning processes.⁵

Audit fieldwork began in June 2025 and continued through December 2025. NorthStar submitted its draft report to Staff on January 2, 2026. On March 12, 2026, NorthStar provided its draft report to the Companies for factual accuracy verification and review for confidential information. NorthStar submitted the Final Report to Staff on April 30, 2026.

FINAL REPORT SUMMARY

In the Final Report, NorthStar makes 72 recommendations to the Companies. The most important findings and recommendations are discussed below, followed by a summary of the Companies' comments on the Final Report.

Governance and Management

NorthStar stated that National Grid has experienced a number of organizational changes since 2007. However, NorthStar suggested that those changes have not fully resolved some

⁴ Public Service Law §66(19).

⁵ Case 24-M-0667, Order Initiating a Management and Operations Audit (issued January 23, 2025), Appendix, pp. 12-15.

concerns that the Consultant identified in prior management and operations audits of the Companies. The Consultant found that National Grid's enterprise risk management governance processes are overly reliant on subjective decision-making and are not sufficiently tailored to the Companies. NorthStar recommends appointing a dedicated U.S. Chief Risk Officer to provide proper jurisdictional oversight in alignment with prior management and operations audit recommendations and to improve integration of enterprise risk management, planning, and regulatory efforts.

Service Level Agreements and Cost Allocation

NorthStar found that National Grid no longer has service level agreements (SLAs) in place between the Companies and their affiliates, despite SLAs being required as an outcome of multiple prior management and operations audit.⁶ In addition, the Consultant found instances in which National Grid allocated costs incorrectly and did not follow the practices set out in its Cost Allocation Manual. NorthStar recommends that National Grid reinstate its SLAs and conduct a cost allocation study to improve its cost evaluation.

⁶ Case 08-E-0827, Comprehensive Management Audit of Niagara Mohawk Power Corporation d/b/a National Grid's Electric Business, Order Directing the Submission of an Implementation Plan (issued December 18, 2009), Attachment A, p. 18; Case 10-M-0451, Proceeding on Motion of the Commission to Investigate National Grid Affiliate Cost Allocations, Policies and Procedures, Order Directing Submission of Implementation Plan and Establishing Proceeding (issued January 18, 2013), Attachment A, pp. 2-3; and Case 13-G-0009, Comprehensive Management and Operations Audit of National Grid USA's New York Gas Companies, Order Approving an Implementation Plan (issued May 14, 2015), pp. 11-12.

Strategic Planning

NorthStar found that National Grid does not fully incorporate CLCPA policy objectives, including objectives addressing Disadvantaged Communities, into its investment and strategic planning processes for the Companies. While National Grid acknowledges the CLCPA in its strategic business plan, the Consultant stated that National Grid has not pursued planning scenarios that would fully meet the CLCPA's requirements. NorthStar recommends that National Grid develop a pragmatic approach to strategic planning and investment decision-making in the Companies' efforts to meet CLCPA goals.

Procurement

NorthStar found that National Grid has comprehensive procurement policies and procedures, but that the Companies' internal reporting, controls, and documentation did not provide evidence of competitive procurement and supplier diversity performance. NorthStar recommends that the Companies reexamine bid type classifications and conduct internal audits to confirm alignment with all procurement policies and procedures on an annual or semiannual basis. NorthStar also recommends that National Grid reset its supplier diversity targets and improve outreach and engagement with diverse suppliers.

Cyber and Physical Security

NorthStar identified instances in which National Grid has not fully adopted the National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF). The Consultant recommends that National Grid develop a plan and timeline to complete the implementation of the NIST CSF

standard, along with a Request for Proposals (RFP) for an external assessment of its NIST CSF Tier level.

NorthStar also found that National Grid has implemented multiple layers of security to protect its critical facilities, but noted deficiencies in the quality of inspections, maintenance timeframes, and issue remediation. The Consultant recommends that the Companies conduct these inspections using more accurate and consistent methods, including developing new inspection processes that leverage metrics from current security technologies.

Project Management

The Consultant found that the Companies' capital project planning and selection processes did not always provide support for internal decisions due to data-quality limitations, reliance on subjective inputs, and lack of integration among key tools and risk methodologies. Therefore, NorthStar recommends that the Companies develop a plan to improve and integrate these project management tools. The improvements in such a plan would enhance project optimization and resourcing.

Electric Operations

NorthStar found that NMPC's electric operations improved in some areas since the previous management audit. For example, NMPC strengthened its electric load-forecasting platform and governance, implemented reliability report mitigation strategies, and improved feeder performance.

NorthStar found that NMPC's asset management program struggled to demonstrate a sustained track record of improvement or a well-defined long-term direction, despite various related initiatives. NorthStar recommends that NMPC continue to develop its strategic asset management plan with additional strategies

and a clearer description of the timing and execution of investments. The Consultant also recommends that NMPC develop performance indicators to measure the health of the electric system and that NMPC set five-year performance goals for those performance indicators.

The Consultant also identified a higher-than-industry-standard increase in overtime hours for NMPC employees, suggesting a need for improved oversight. NorthStar recommends that NMPC conduct an independent audit of work management practices and overtime charges to address these concerns.

Gas Operations

NorthStar found that NMPC, KEDNY, and KEDLI have improved their natural gas forecasting platform and that residential and commercial forecasts have generally been accurate. The Consultant found some inaccuracies in the industrial sector and other segments and recommends that the Companies use a top-down, bottom-up forecasting reconciliation for design day for one year to improve such forecasts.

Information Systems

NorthStar identified improvements needed in National Grid's Information Technology (IT) environment and governance to better support its utility operations. The Consultant recommends that National Grid create an improvement plan and enact enterprise-wide governance for IT-related business/operational workarounds and manual processes.

NorthStar further notes that National Grid's planned replacement of the Companies' legacy Customer Information System (CIS) with the new Kraken platform introduces significant risk in execution, costs, and customer privacy protections. NorthStar recommends that National Grid provide a briefing and a

solution demonstration to Staff on the Kraken CIS replacement program, and fully review how it would protect the privacy of customer information when using Kraken's features, including artificial intelligence-enabled technologies.

Customer Operations

NorthStar found that National Grid has strengthened its oversight of many customer operations internal controls and processes since the last management audit; however, some areas need improvement. The Consultant identified gaps in assurance and remediation practices, complaint resolution, and internal controls surrounding long-term estimated bills. NorthStar recommends several improvements to the Companies' oversight and business practices to enhance billing accuracy, customer protections, and overall regulatory alignment. NorthStar recommends that National Grid develop an analysis and action plan to address the failure of Encoded Receiver Transmitters, which have helped drive recent increases in the number of long-term estimated bills.

NATIONAL GRID'S COMMENTS

National Grid submitted its formal comments on the audit to Staff on May 15, 2026. The Companies state that the Final Report presents a balanced assessment that recognizes positive changes since prior management audits and identifies opportunities for further improvements. National Grid further states that while it does not agree with all the findings and conclusions in the Final Report, it generally accepts the recommendations and will work collaboratively with Staff during the implementation phase of the audit to benefit ratepayers.

LEGAL AUTHORITY

Public Service Law §66(19) requires that the Commission regularly conduct management and operations audits of the major gas and electric corporations under its jurisdiction. The PSL empowers the Commission to select an independent auditor to conduct these audits or direct Staff to perform the audits. PSL §66(19)(b) requires that audited utilities file an implementation plan within 30 days of the issuance of the audit's Final Report.

DISCUSSION AND CONCLUSION

As required by PSL §66(19)(b), the Companies must file a plan to implement the audit recommendations. We direct that the Companies present the steps they will take to address each recommendation contained in the Final Report in their Implementation Plan. For each recommendation, the Companies must provide a unique plan and identify the deliverables they will submit to the Commission to demonstrate compliance. The Commission will review the Implementation Plan submitted by the Companies and, following a public comment period, identify any necessary modifications. If the Companies believe that any recommendation, in whole or in part, should not be implemented, they may identify those recommendations and explain their concerns. The Commission will consider those requests, but the Companies must file a plan to implement all recommendations, even if the Companies disagree with them.

NorthStar was directed to assess the potential costs, risks, and benefits of implementing any recommendations that would require the Companies to incur incremental expenses. In its Final Report, NorthStar presented the required assessment. The purpose of these analyses is to support and justify the Consultant's recommendations. The Commission directs National

Grid to submit its own benefit-cost analyses as part of the Implementation Plan. National Grid's benefit-cost analyses must include an assessment of the anticipated cost of implementing each recommendation, the risks of not implementing each recommendation, and the expected quantitative and qualitative benefits the Companies expect to achieve from implementing each recommendation. The Commission will consider the costs, risks, and benefits identified in both the Consultant's and the Companies' analyses when we determine the appropriateness of the Implementation Plan. Finally, the Companies shall state in their Implementation Plan how they will identify and monitor the actual financial and operational effects of implementing the recommendations. We encourage the Companies to consult with Staff while developing their Implementation Plan.

The Commission orders:

1. The final report prepared by NorthStar Consulting, titled "A Management and Operations Audit of National Grid USA's New York Electric and Gas Utilities," shall be made public.

2. Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid shall file with the Secretary, within 30 days of the release of the final report identified in Ordering Clause 1, a plan to implement the recommendations in the report as required by Public Service Law §66(19)(b).

3. For each recommendation, Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid shall provide specific implementation steps, an implementation schedule with start and end dates, significant interim milestones (if applicable), and a description of the

deliverable(s) that will demonstrate that the recommendation was implemented.

4. For each recommendation, Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid shall provide the anticipated benefits, risks, and costs and shall provide a methodology to track actual costs and savings (as applicable).

5. For each recommendation, Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid shall identify the designated executive officer(s) accountable for implementation.

6. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary