



**New York State Public
Service Commission**

Annual Report

2007 – 2008

100 Years of Serving the People of New York

Eliot L. Spitzer, Governor | Patricia L. Acampora, Chairwoman

MISSION STATEMENT: *The primary mission of the New York State Department of Public Service is to ensure safe, secure, and reliable access to electric, gas, steam, telecommunications, and water services for New York State's residential and business consumers, at just and reasonable rates. The Department seeks to stimulate innovation, strategic infrastructure investment, consumer awareness, competitive markets where feasible, and the use of resources in an efficient and environmentally sound manner.*

AGENCY DESCRIPTION: *The Department of Public Service has a broad mandate to ensure that all New Yorkers have access to reliable and low-cost utility services. The Department is the staff arm of the Public Service Commission. The Commission regulates the state's electric, gas, steam, telecommunications, and water utilities. The Commission also oversees the cable industry. The Commission is charged by law with responsibility for setting rates and ensuring that adequate service is provided by New York's utilities. In addition, the Commission exercises jurisdiction over the siting of major gas and electric transmission facilities and has responsibility for ensuring the safety of natural gas and liquid petroleum pipelines.*

Bipartisan by law since 1970, the Commission consists of up to five members, each appointed by the Governor and confirmed by the State Senate for a term of six years or to complete an unexpired term of a former Commissioner. The Chairman, designated by the Governor, is the chief executive officer of the Department.

*Ensuring safe, reliable service and reasonable, just rates
since 1907*

Chairwoman Patricia L. Acampora Message



The 2007-2008 fiscal year was a time of growing concern about a number of issues, such as volatile fuel prices, the rise of greenhouse emissions, potential disruption of the electric distribution system, and recognition of the need for new investment in infrastructure and supply.

I am proud to say that we have identified the issues, and are actively engaged in developing initiatives and solutions to counter and offset these concerns.

For example, the Department reorganized its operations to enable it to better meet the expected energy-related challenges of the future in terms of energy usage, energy supply, and the ways in which energy use impacts the environment.

This reorganization included the creation of an Office of Energy Efficiency and the Environment. The primary goal of the new office is to develop enhanced energy conservation programs as part of the Energy Efficiency Portfolio Standard proceeding and to help meet the objective to reduce New York's electricity usage 15 percent from expected levels by 2015.

We have also worked hard to lessen the upward pressure on the delivery rates of New York's electric and gas utilities. There are a variety of causes for this including the need for large investments in utility infrastructure and increases in various expenses such as property taxes and pensions. The Commission has addressed this challenge by proactively seeking ways of mitigating the upward price impacts.

And we have not forgotten those people who are struggling with paying high energy bills. This year the Commission approved new and enhanced low-income energy efficiency programs. Currently, New York State utility low-income programs serve more than 585,000 customers and are funded at \$41.5 million annually.

In terms of our telecommunication efforts, the Commission allowed small telephone companies to expand broadband via use of federal Rural Telephone Bank proceeds. It streamlined franchising processes to facilitate Verizon's deployment of FiOS (fiber to the premises providing competitive alternatives for video and high-speed internet), and supported the state's Office for Technology in implementing the Governor's universal broadband initiative.

And of course we have not forgotten our paramount responsibility to consumers. So far this year, the Department has assisted 270,000 utility customers in resolving matters with utility companies about billing, service quality, and collections through the toll-free helpline. As a result of assistance provided, these customers received more than \$5.5 million in bill credits and refunds, up from \$3.7 million a year ago.

We also had other successes and notable accomplishments too numerous to mention here today, but have been witnessed in all parts of our operation, including our water office.

As you can see, we do indeed have a lot to be proud of this year, and for that I would like to thank the people who have made it all possible – the talented, hardworking and dedicated staff of this outstanding 100-year old agency.

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I.

AUDITS AND INVESTIGATIONS

Con Edison Emergency Response to Management Audit:

The Commission in January 2008 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., under the direction of staff of the Department of Public Service, contains 159 findings and 62 recommendations.

The purpose of the independent audit of Con Edison's emergency response was to identify the root causes that exacerbated the major storm and heat-related outages during 2006. 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 which are to be addressed in the company's implementation plan to improve the company's emergency response system. [Case 06-M-1078]

Management Audit of Con Edison:

In February 2008, the Commission authorized the issuance of a Request for Proposal for an independent third-party consultant to conduct a comprehensive management and operations audit of Con Edison's electric, natural gas, and steam businesses, with a specific focus on the company's construction program planning processes and operational efficiency. [Case 08-M-0152] Of particular importance would 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 would build on the recently completed management audit which focused on the utility's Electric Outage Response Program. [Case 06-M-1078]

Investigation of Con Edison's Steam Pipeline Rupture:

Staff of the Department of Public Service in February 2008 presented its recommendations in its *Report on Steam Pipeline Rupture, 41st Street & Lexington Avenue, Consolidated Edison Company of New York, Inc. July 18, 2007* (Staff Report) to the Commission. The Staff Report is

based on extensive investigation and analysis of the company's operating practices and procedures, personal observations of the events surrounding the incident, the reports of various consultants and the Con Edison December 2007 Recommendations and Action Plan. The Staff Report identifies various deficiencies in Con Edison's operations and maintenance practices and procedures and includes 13 recommendations for improvement. [Case 07-S-0984]

Prudence Review:

Also in February 2008, the Commission commenced an investigation to determine the prudence of actions by Con Edison before and during the steam pipeline rupture that occurred on July 18, 2007 at the 41st Street and Lexington Avenue, Manhattan site, as the Commission found there was cause to inquire as to the reasonableness and adequacy of Con Edison's steam system procedures.

The Commission indicated that based on its review of the reports by Con Edison and its consultants, the July 18, 2007 Staff Report, and the company's response to the Commission's January 2008 Order to Show Cause (Case 07-S-0984), the Commission stated that sufficient questions were raised to warrant the commencement of a prudence review. This review would include whether and to what extent the expenses and capital expenditures Con Edison had already incurred, or in the future, as a result of the steam rupture should be borne by Con Edison's ratepayers. [Case 08-S-0153]

II. CONSUMER ISSUES

Con Edison Compensation Tariff:

In the aftermath of the Long Island City July 2006 outage, Consolidated Edison Company of New York, Inc. (Con Edison) revised its tariff increasing its compensation amounts and maximum liability limits, and allowing for the compensation to include spoiled medicine in addition to food spoilage following a malfunction of the company's distribution system. The effective date for the tariff revisions would be July 1, 2007, so that the increased compensation amounts, approximately 30 percent higher than current amounts, would be effective by early summer of 2007. [Case 06-E-0894]

ESCO Marketing Rules:

The Commission issued for comment in March 2008 certain revisions to its uniform business practices (UBP). The UBP provides standard state-wide business procedures for distribution utilities working with ESCOs. In its proceeding, the Commission proposed changes to the UBP to provide marketing standards for ESCOs, expanded residential customer protections, and better remedies for ESCO failure to comply with the UBP. [Cases 98-M-1343, 07-M-1514, and 08-G-0078]

The proposed changes would require ESCOs to provide: plain language sales agreements; a process for ESCO-related consumer complaints; graduated consequences for ESCO failure to comply with the UBP; up to 30-day grace periods when the ESCO contract includes an early termination fee; standards for telephone and in-person ESCO contracts with customers; and same language marketing for non-English speaking customers.

National Grid Customer Payments:

In March 2008 National Grid was directed by the Commission to discontinue the practice of requiring that all residential applicants who have prior arrears and have defaulted on a minimum deferred payment agreement, to pay the arrears in full or \$1,000, whichever is less, on the grounds that this practice is not consistent with the intent of the Commission's regulations, which calls for individualized consideration for residential energy service applicants.

The Commission also concluded that National Grid's inflexible practice regarding consumers who might have defaulted in the past is not consistent with the requirement that energy utilities provide service that is in all respects just and reasonable. Consideration of whether an applicant's financial circumstances may have improved may warrant offering a new deferred payment agreement if the applicant is in a better position to reduce prior arrears and assure reliable payment of a new deferred payment agreement and ongoing bills. [Case 07-M-1245]

NYSEG Bill Notice:

In March of 2008 the Commission ordered New York State Electric & Gas Corporation (NYSEG) to implement a price-to-compare bill notice that would allow customers to make informed decisions about the consumer purchases, and to reduce customer confusion about which energy supply option may be the most advantageous to each customer.

Under a proposal that was acceptable to the Commission, NYSEG was required to modify its billing system to include new information, including mention that a consumer could achieve some tax savings if they switch to an energy services company (ESCO) for energy supply and that, if the ESCO included its charges on the consumer's NYSEG bill the consumer would not have to pay NYSEG's bill issuance charge. Also, NYSEG would make a price-to-compare calculation on a cents per kWh basis on bills for customers who receive electric supply from NYSEG. [Case 07-E-0479]

III. ENERGY EFFICIENCY

Energy Efficiency Portfolio Standard:

In May 2007, the Commission initiated a proceeding to design an electric and natural gas Energy Efficiency Portfolio Standard (EEPS). The EEPS established targets for energy efficiency, similar to the existing Renewable Portfolio Standard, and other programs, intended to reverse the pattern of increasing energy use in New York.

The Commission determined that New York possesses sufficient potential energy efficiency resources to reduce electric usage by 15 percent of projected levels by 2015. Electricity consumption was projected to increase approximately 1.3 percent per year through 2015. The Commission noted these targets could not be met by Commission action alone, or solely by ratepayer funding. Also anticipated were legislative actions to strengthen building codes and raise appliance efficiency standards; Long Island Power Authority and New York Power Authority contributions; and New York City and other municipal and local initiatives.

Improving our State's energy efficiency is likely the most effective, and immediate, way to reduce the burden of rising energy and environmental costs related to our thirst for ever increasing amounts of electricity, natural gas, and other forms of energy. – Chairwoman Acampora

The Commission's EEPS proceeding would, among other things: examine critical design options and administration of efficiency programs; measure and compare expected benefits and costs of various design options; and ensure transparent and technically sound methods for measurement

and verification of net energy savings, benefits, and costs, as well as an assessment of customer satisfaction and program efficacy.

In order to seek interested party input into the development of an EEPS, the Department of Public Service staff in July of 2007 held an Overview Forum to assess the potential for energy efficiency in New York State. Also, a series of regional roundtable discussions were held in October and November of 2007 to bring together community and business leaders to address energy efficiency and conservation and the Energy Efficiency Portfolio Standard.

In November of 2007, the Commission received a draft generic environmental impact statement (DGEIS) on the EEPS by Department of Public Service staff that was designed to help the Commission more fully predict and evaluate the impact of its landmark efficiency proceeding. In March of 2008, the Commission declared complete and accepted the Final Generic Environmental Impact Statement (FGEIS) for developing and implementing an EEPS. Acceptance of the FGEIS was an integral step in the process for establishing an EEPS to reduce energy consumption in New York by 15 percent from expected levels by 2015. [Case 06-E-1433]

O&R Efficiency Program:

The Commission authorized Orange & Rockland Utilities in January of 2008 to take steps to lay a foundation for its energy efficiency initiatives by approving a Joint Proposal of staff of the Department of Public Service and the New York State Energy Research and Development Authority (NYSERDA) for the expansion of existing, cost-effective energy efficiency programs administered by NYSERDA in O&R's service territory using reconciled overpayments resulting from O&R 2007 temporary rate period. The Joint Proposal offered a sensible course of action by expanding NYSERDA's on-going, cost-effective energy efficiency programs until further guidance was available from the Commission's EEPS proceeding. [Case 06-E-1433]

Con Edison Efficiency Program:

In order to resolve a timing problem inherent in Consolidated Edison Company of New York, Inc.'s (Con Edison) pending 2006 natural gas rate case, and implementation of a natural gas efficiency program to be effective for the 2007-2008 winter heating season, the Commission in May 2007 authorized a \$14 million natural gas efficiency program to begin immediately. To ensure that a program for the winter could be put into place quickly and efficiently, the

Commission selected the New York Energy Research and Development Authority, as the administrator of the program. [Case 03-G-1671]

IV. MERGERS AND ACQUISITIONS

KeySpan and National Grid:

In August of 2007 the Commission authorized the stock acquisition of Keyspan Corporation and its affiliates by National Grid plc. The Commission's authorization, subject to conditions to protect ratepayers, made some revenue requirement determinations for KeySpan Energy Delivery New York and KeySpan Delivery Long Island, but did not authorized any changes in rates, as such changes would be determined later in the year. The Commission's authorization offered net present value savings to New York State customers of approximately \$700 million over a 10-year period. The savings included about \$494 million for KeySpan customers on Long Island and New York City, about \$100 million in savings for National Grid's upstate customers, and \$93 million for the customers of the Long Island Power Authority. [Case 06-M-0878]

V. RATES FOR UTILITIES' DELIVERY SERVICES

Con Edison Gas and Electric Delivery Services:

The Commission approved in September 2007 a levelized, three-year plan establishing gas rates for Consolidated Edison Company of New York, Inc.'s (Con Edison) gas delivery service for the period October 1, 2007 through September 30, 2010. Under the terms of the levelized Joint Proposal, the rate level provisions include a rate increase of \$67.5 million (an average annual increase of 10.2 percent) for the three consecutive years. The gas rate plan also provided for a revenue decoupling mechanism intended to remove a disincentive for the company to invest in energy efficiency; and \$5 million in base rate funding over the three years of the rate plan for the company's low-income programs. [Case 06-G-1332]

New electric delivery rates were set by the Commission in March of 2008 by increasing Con Edison's revenue requirement by \$425 million, resulting in estimated bill impacts of about 4.7

percent on a system-wide basis. The one-year rate plan approves significant increases in infrastructure spending to improve and maintain the reliability of service, enhances safety by increasing inspections to detect stray voltage, facilitates efficient use of energy, implements customer service and reliability performance incentive mechanisms, and includes provisions to moderate rate impacts on low-income customers. [Case 07-E-0523]

“A rate decision by the Commission is based on the record developed by numerous parties,” said Commission Chairwoman Patricia L. Acampora. *“Through the hearing process there is a full airing of the significant matters that affect rate levels. The Commission’s determination in rate cases appropriately seeks to balance the needs of ratepayers and investors.”*

Corning Gas Delivery Service:

In December of 2007 the Commission granted Corning Natural Gas Corporation a rate increase of \$681,000 or 2.5 percent increase in gross revenues beginning January 1, 2008. Part of the increase in delivery service revenues was due to an increase in the construction budget from \$1.5 million to \$3.4 million in order to provide the company the necessary means to improve infrastructure. [Case 07-G-0772]

KeySpan Delivery Service:

The Commission authorized in December 2007 five-year rate plans for the Brooklyn Union Gas Company, doing business as KeySpan Energy Delivery New York (KEDNY), and KeySpan Gas East Corporation, doing business as KeySpan Energy Delivery Long Island (KEDLI).

Under its rate plan, KEDNY would increase its energy delivery rate, energy efficiency program surcharges and other commodity-related costs by \$46.9 million in the first year. Meanwhile, KEDLI under its rate plan would increase its same charges by \$82.4 million in the first year effective January 1, 2008.

Additional surcharges are to be collected annually in each of rate years one through five of the five-year rate plans to mitigate the potential for substantial increases in revenue requirements in 2013 since increased costs related to site investigation and remediation, gas delivery service, and

other costs eligible for inclusion in the companies' revenue requirements were not included in the plan. [Cases 06-G-1185 and 06-G-1186]

Long Island Water Corporation:

A rate plan was established by the Commission in February 2008 to produce three annual revenue increases of 5.7 percent for metered services of Long Island Water Corporation effective April 1, 2008, 2009, and 2010. These increases reflect the use of \$4.3 million in revenue and property tax credits to mitigate rates. The overall annual revenue increases include a projected Distribution System Improvement Charge (DSIC) for renewal or replacement of small distribution mains, and establishes a System Improvement Charge (SIC) for large capital projects.

Public and private fire protection services would be exempt from the DSIC and SIC surcharges for the duration of the rate plan, but their rates would not be mitigated by revenue and property tax credits. As a result, they would experience the three annual base rate increases of 11.0 percent, 2.1 percent and 2.2 percent rather than the annual 5.7 percent increase projected for metered services. [Cases 07-W-0508 and 05-W-0339]

National Fuel Gas Delivery Rates:

National Fuel Gas Distribution Corporation was authorized by the Commission to increase its delivery rates by \$1.8 million effective December 28, 2007. Customer bills would also be affected by a \$10.8 million surcharge to fund the Conservation Incentive Program for energy efficiency rebates and low-income customer assistance; and by a \$4.1 million credit due to an over-collection of state income taxes. [Case 07-G-0141]

NYSEG Fixed Rate Option:

In August 2007, the New York State Electric & Gas Corporation (NYSEG) was permitted to continue to offer both hedged default commodity service and an electric fixed price option with terms and conditions through December 31, 2010. Additionally, the Commission approved the acceleration of the schedule under which larger commercial and industrial customers that take energy supply service from NYSEG would be required to do so in conformance with mandatory hourly pricing. Also, a proceeding was instituted to establish a revenue decoupling mechanism for NYSEG's electric and gas businesses. [Case 07-E-0479]

Orange & Rockland's Delivery Service:

In October 2007, the Commission established permanent electric rates for Orange and Rockland Utilities, Inc.'s (O&R) by determining that rates would remain unchanged from current levels. However, the Commission increased the allowance included in base rates by approximately \$13.1 million for the costs of pension and other post-employment benefits (OPEBs). The increased imputation for pension and OPEB costs would come from a decrease in the allowed return on equity. The overall effect of the Commission's action was to shift some of the revenue currently being collected in base rates from earnings to pensions and OPEBs that were not being covered by current rate revenue. [Cases 06-E-1433 and 06-E-1547]

Village of Freeport Electric Delivery Service:

The Commission in June of 2007 approved a Joint Proposal which contained a rate increase and resolves disagreements and differing interpretations of Freeport Electric Department's municipally-owned electric system accounting obligations. Under the Joint Proposal, revenues would increase \$3.29 million or approximately 9.1 percent in overall revenues. The rate modifier credit for the rate year was estimated at \$1.4 million. The revenue requirement reflects a payment in lieu of taxes by Freeport Electric Department to the Village of Freeport in the amount of \$3.757 million. [Case 06-E-0911]

VI. RELIABILITY OF ELECTRIC AND GAS SERVICES**Advanced Metering Infrastructure:**

In response to the Commission's August 2006 Order, utilities were directed to file comprehensive plans for development and deployment of advanced metering infrastructure (AMI), where feasible and cost effective, for the benefit of all customers. In December of 2007, the Commission authorized Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities to deploy pilot projects that incorporate AMI functionality within their metering systems; and Central Hudson Gas and Electric Corporation were directed to file a revised AMI pilot project plan.

AMI includes the communications hardware and software and associated system and data management software that creates a network between advanced meters and utility business systems and allows collection and distribution of information to customers and other parties such as competitive retail providers, in addition to providing it to the utility itself. The stored data can be used for time-sensitive rates, load profiling, demand forecasting, outage detection, “Smart Grid” management, and a variety of other uses. [Cases 94-E-0952, 00-E-0165, 02-M-0514, 05-E-0934, and 05-G-0935]

Demand Response:

In a February 2007 Department of Public Service Staff Report concerning equipment failures and power outages in Consolidated Edison Company of New York, Inc.’s (Con Edison) Long Island City network in Queens County, staff had recommended the company increase commercial and industrial customer participation in its demand response programs and dispatch demand resources on a network by network basis to reduce the risk of distribution system failures during high peak load levels.

In June of 2007, the Commission authorized modifications to Con Edison’s Rider U demand response program, wherein customers would receive payments on a per kilowatt hour of measured load reductions, if they voluntarily reduce demand upon 30 minutes notice. The Commission noted in its action that during periods of high peak load levels, the presence of more demand response resources can quickly mitigate system damage or provide a greater margin of protection against major customer service interruptions. [Case 07-E-0392]

“One of the Commission’s foremost areas of concern is to ensure that electric and gas distribution systems are safe and reliable,” said Commission Chairwoman Patricia L. Acampora. “The utilities must be diligent in their efforts to maintain reliable systems, or they will face financial consequences.”

Load Pocket Relief:

In order to eliminate load pocket conditions prevailing in the New York State Electric and Gas Corporation’s (NYSEG) Ithaca region, the Commission in January 2008 approved the Ithaca

Transmission Project in York State Electric and Corporation (NYSEG), and Verizon New York (Verizon), emergency restoration performance during and following the October 2006 severe snowstorm which affected western New York. Staff's report addressed the utilities' restoration of electric and communications services and management of related customer service activities. [Case 06-T-1298]

Natural Gas Supply:

Department of Public Service staff reported to the Commission in October that going into the 2007—2008 winter, natural gas utilities had made arrangements to obtain adequate commodity supply to meet expected customer demands under severe winter weather conditions. Staff reviewed the utilities compliance with Commission policy regarding gas purchasing practices, including the use of physical hedges (i.e., storage gas and fixed price contracts) and financial instruments, such as futures and options.

Staff also reported to the Commission that natural gas futures prices on the New York Mercantile Exchange (NYMEX) last winter averaged \$7.72 per dekatherm, a warmer than normal winter. As of late September 2007, NYMEX futures prices for November 2007 through March 2008 averaged \$7.79 per dekatherm, about the same as the 2006—2007 winter season.

As the 2007—2008 winter progresses, staff reported the prices for November through March deliveries would change in response to changes in market conditions, such as weather and gas availability. Although gas prices are projected to be about the same as last year, customer bills are projected to be higher compared to last year due to the fact that last winter's usage was lower than what would be used in a winter of normal weather. [Case 07-G-0810]

Reliability Back-Stop Issues:

In discharging its obligations under the Public Service Law (PSL), the Commission instituted a proceeding in December 2007 to examine through a collaborative process, both short-term regulatory reliability backstop issues, and a longer-term, integrated electric resource plan and infrastructure planning process to develop new resources, if needed to supplement the market to maintain system reliability. The Commission at that time also reaffirmed its policy to continue to encourage the use of voluntary long-range contracts for electricity procurement. [Cases 07-E-1507 and 06-M-1017]

Service Outage Restoration:

Staff of the Department of Public Service reported to the Commission its findings in May of 2007 regarding its assessment of National Grid, New York State Electric and Corporation (NYSEG), and Verizon New York (Verizon), emergency restoration performance during and following the October 2006 severe snowstorm which affected western New York. Staff's report addressed the utilities' restoration of electric and communications services and management of related customer service activities.

October 2006 Storm:

In its report, staff concluded that National Grid, NYSEG, and Verizon managed the October 2006 storm even well under difficult circumstances. Areas where staff made recommendations for improvement by National Grid included damage assessments, better use of damage surveyors, and earlier estimation of crew requirements. Staff's recommendations for NYSEG included improved training of outage management system operations, enhancements to the outage management system, and the expansion of the detail and scope of its storm reports to the Commission.

Staff found that Verizon's damage assessments did not adequately account for unreported damage and overly relied on reported customer troubles which led to delays in overall service restorations. Staff would monitor the companies' efforts to ensure timely implementation of their own and staff's recommendations. [Case 07-M-0464]

June and September 2006 Storms:

The Commission also received a report from staff of the Department of Public Service in June 2007 concerning its investigation into the June and September 2006 electric utility outages in Consolidated Edison Company of New York, Inc.'s (Con Edison) Westchester service area. Based on staff's findings, the Commission directed Con Edison to show cause why the company believes its emergency restoration response was reasonable for the September outage event, and why the company should not be required to provide an opportunity for customers to seek claims pursuant to its tariff. [Cases 06-E-1158, 06-M-1108, and 07-E-0742]

July 2007 Storms:

Included in staff's February 2008 report to the Commission, concerning the actions of National Grid following storms that occurred in July 2007 in the Capital Region, was an in-depth analysis of several load shed events. The three events in July 2007 resulted in outages to over 100,000 customers. Staff reported that despite the company's appropriate response to prevent further damage to its network, the company failed to communicate what was happening in a timely manner to the public and public officials. Implementation of the recommendations made by staff would help ensure National Grid is better prepared to respond to outage events of all types, and the company would, in turn, work to keep the public and public officials, properly informed.

Service Quality Performance Thresholds:

To ensure that utilities provide reliable service, the Commission requires utilities to meet threshold targets for service interruption frequency and duration. If a utility exceeds the performance threshold, the company's revenues would be subject to a downward adjustment paid by shareholders for the benefit of ratepayers. As a result of Con Edison and National Grid's upstate company failures to meet certain threshold targets for service interruption frequency and duration in its electric systems in 2006, the Commission in November of 2007 directed Con Edison to provide \$18 million and National Grid to provide \$8.8 million for the benefit of ratepayers. [Cases 04-E-0572 and 07-M-0773]

VII. RENEWABLE ENERGY

Renewable Portfolio Standard:

In April 2007, the New York State Energy Research and Development Authority (NYSERDA) and the New York State Public Service Commission (Commission) announced that 21 electric generating facilities in New York had been selected to provide renewable energy to New York consumers in the second competitive solicitation under the Renewable Portfolio Standard (RPS) Program. The goal of the RPS is to achieve 25 percent of electric generation from renewable sources by 2013.

This diverse award group of the second competitive solicitation under the RPS program included ten existing hydro-electric facilities that had been or would be upgraded, nine new wind

facilities, and two biomass facilities. The twenty-one contract awards totaled approximately \$295 million to be paid out over a 10-year period as performance incentives for these facilities to produce and deliver electric energy to the New York grid. Performance incentives would average approximately \$15 per megawatt hour.

Patricia L. Acampora, Chairwoman of the Commission said, *“One of the main purposes of the RPS Program is the growth in the development, adoption and implementation of renewable energy technologies. This program will help lead to a more energy-secure future for the people of New York State and for businesses and industry, while reducing emissions that can degrade our environment. The success of this initiative is clearly a win-win for all parties.”*

The Commission received a status report from staff of the Department of Public Service in August 2007 on the implementation status of the RPS program following the two solicitations for renewable generation proposals. According to staff’s report, the solicitations successfully spurred construction of new renewable generation in New York State, and interest among developers is continuing. NYSERDA, the program’s central administrator appointed by the Commission, estimates that the total new renewable capacity associated with New York’s RPS program could exceed 1,212 megawatts by fall 2008.

The RPS program’s two solicitations for renewable energy resulted in contracts for approximately 3 million megawatt hours of renewable energy from 26 projects, totaling more than 800 megawatts, or enough clean energy to supply about 400,000 average-size homes.

NYSERDA estimates that more than \$1.9 billion would be invested to construct the New York-based renewable generation facilities awarded contracts under the RPS. According to estimates provided by NYSERDA, these investments have the potential to yield more than \$720 million of in-state economic benefits over a 20-year period.

In addition to these significant economic benefits, the facilities awarded contracts under the RPS could result in potential reductions of 2,000 tons of nitrogen oxides, 4,400 tons of sulfur oxides, and 1.3 million tons of carbon dioxide per year. [Case 03-E-0188]

RPS-Related Projects:

During the fiscal year 2007-2008, the Commission also approved projects described below whose generation or transmission of electricity is expected to contribute to the goals being established in the RPS program.

“These projects will provide electricity through facilities utilizing renewable resource technology to provide clean and renewable supplies of electricity to the wholesale energy market,” notes Commission Chairwoman Acampora.

Cohocton Wind Energy Project:

In August of 2007, the Commission authorized the construction and operation of the wind energy generating projects—Cohocton Wind Energy Projects—under Section 68 of the Public Service Law. The projects will be capable of generating 127.5 megawatts of electricity in the Towns of Cohocton and Avoca, Steuben County. The projects combined electric generating capacity is enough to power approximately 45,000 homes on an average annual basis. [Case 07-E-0138]

Noble Chateaugay Wind Energy Project:

Also under Section 68 of the Public Service Law, the Commission in November 2007 authorized the construction and operation of the—Noble Chateaugay Wind Energy Project—capable of generating 108 megawatts of electricity in the Town of Chateaugay, Franklin County. The developer of the project estimates economic benefits in the project area that will total \$152.9 million over 20 years. The project’s electric lines will connect to a new substation under construction on a 7.34-acre parcel, which will tie into the existing 230 kilovolt New York Power Authority’s Plattsburgh-Willis transmission line, providing access the bulk transmission system. [Case 07-E-0213]

Noble Wethersfield Windpark, LLC:

In December 2007, the Commission adopted the terms and conditions of a Joint Proposal and granted a Certificate of Environmental Compatibility and Public Need, pursuant to the provisions of Article VII of the Public Service Law, for the construction and operation the Noble Wethersfield Windpark, LLC (Noble).

Noble was granted an Environmental Management and Construction Plan certificate in April 2008 to construct and operate a 230 kilovolt overhead transmission line and related facilities along a 5.5 mile route from a wind park in the Town of Wethersfield, Wyoming County to a switchyard being built in the Town of Orangeville, Wyoming County. The switchyard would connect the transmission facility to New York State Electric & Gas Corporation's (NYSEG) Stolle-Meyer Transmission Line. [Case 07-E-0257]

Sheldon Energy Wind Project:

Additionally in January 2008, the Commission authorized under Section 68 of the Public Service Law, the construction and operation of the Sheldon Energy Wind Project and related facilities to connect also with NYSEG's 230 kilovolt Stolle Road-Meyer transmission line. According to the developer, the estimated economic benefits in the project area would be \$2.1 million annually. [Case 07-E-0213]

VIII. SAFETY MATTERS

Electric Safety Standards:

In August of 2007 the Commission received a status report from staff of the Department of Public Service concerning the State's electric utilities compliance with electric safety standards implemented in 2005. The electric safety standards are intended to safeguard the public from exposure to stray voltage. The Commission's electric safety standards require annual testing for stray voltage of publically-accessible electric facilities and inspection of all electric facilities over a five-year cycle.

In 2006, the utilities' testing programs identified 4,435 streetlight locations with stray voltage of which 92 percent were found in the service territory of Consolidated Edison Company of New York, Inc. With respect to inspection of all electric facilities within the five-year goal, utilities are to complete inspections in fifths or 20 percent per year. Staff reported to the Commission that all the utilities met or exceeded the overall targets for inspecting their facilities resulting in inspections on more than two million electric facilities during 2005 and 2006.

Based on results observed, staff reported to the Commission that both stray voltage testing and inspection programs are needed to identify unsafe conditions and maintain overall reliability of utilities' electric facilities. Staff also encouraged utilities to continue their development of programs focused on known areas of concern, such as streetlights to protect the public from exposure to stray voltage. [Case 04-M-0159]

Excavation Activity:

New York State participated in the national “Dig Safely Week” as a way to remind excavators, contractors and homeowners that state law requires them to call one the state’s toll-free one-call centers before starting any excavation or digging project. The state’s One-Call Notification System is a fast, easy and comprehensive way to ensure underground facilities are properly marked before a digging or excavation project begins. Beginning in April 2007, notification for excavation work anywhere in the state can be made by dialing 811.

Under the Commission’s “Call Before You Dig” regulations, adopted to protect the public’s safety and general welfare, excavators are required to provide advance notice to the One-Call Notification System prior to, among other things, digging, drilling, grading, trenching or tunneling of soil, so that utilities can mark the location of any facilities at the excavation site. Failure to follow the Commission’s regulations not only subjects excavators to civil penalties, but also liability for repair costs for damaged sites.

IX. TELECOMMUNICATIONS

Verizon Business Service Rates:

The Commission in January of 2008 granted Verizon New York, Inc. (Verizon) the flexibility to increase its business service rates 10 percent for services that do not already have pricing flexibility. Verizon had sought, subject to some limitations, permission to increase or decrease most eligible business service rate elements by 25 percent.

The Commission in its decision noted that it has long sought to allow market forces to replace traditional cost-of-service regulation in the telecommunication sector. The Commission further stated that while it was clear that Verizon is facing significant competition, such competition is

not yet sufficient to constrain Verizon’s business service pricing levels as requested by the company, although modest pricing flexibility would be appropriate at this time. [Case 06-C-0897]

315 Area Code Relief:

At its March 2008 meeting the Commission indicated that demand for central office codes—represented by the first three digits in a seven-digit phone number—is expected to result in the depletion of the 315 area code by late 2010. Concurrently, the Commission announced the release of the Department of Public Service Staff White Paper that outlines several options for adding a second area code to the current 315 area code in central and north-central New York State.

The Commission noted that it intended to seek public comment on development of an area code plan that minimizes disruption and inconvenience to customers, while enduring continued availability of telephone numbers beyond 2010 in the 315 area code region. [Case 07-C-1486]

Verizon Service Improvement Plan:

Consistent with the Commission’s responsibilities under the Public Service Law, the Commission in March of 2008 adopted Verizon’s New York, Inc.’s (Verizon) Service Improvement Plan (SIP) intended to bring the service quality provided in seven of the company’s 35 repair service bureaus into compliance with the Commission’s service quality standards.

In December of 2006, the Commission concluded that “chronically” poor service quality was evident in seven of Verizon’s 35 repair bureaus: North Nassau, South Nassau, East Suffolk, North Queens, South Queens, North Westchester, and South Westchester.

Staff of the Department of Public Service was directed to continue to monitor service quality through its on-going analysis of Verizon’s service quality reporting requirements, monthly meetings with the company and quarterly service reports to the Commission. [Case 03-C-0971]

X.

SITING BOARD

The New York State Board on Electric Generation Siting and the Environment includes representatives of the Public Service Commission, Department of Conservation, Empire State Development, Department of Health, and the New York State Energy Research and Development Authority authorized to implement Article X of the Public Service Law regarding the need for and construction of electric generating plants.

AES NY:

In June of 2007 the Siting Board voted to amend AES NY, LLC's (AES) Article VIII Certificate of Environmental Compatibility and Public Need (Certificate), authorizing a modified single liner system in Solid Waste Disposal Area (SWDA) II. The Certificate amendments reflect recommendations by the Siting Board's Hearing Examiners and the terms of a negotiated Joint Proposal among AES, Department of Conservation, Staff of the Department of Public Service, and the Town of Somerset to allow SWDA II to be used as a repository for any CCBs with an ammonia concentration of two parts per million or less. [Case 04-F-1178]

Besicorp:

The Siting Board in June of 2007 approved the transfer of the Article X Certificate of Environmental Compatibility and Public Need from Besicorp-Empire Development Company, LLC (BEDCO) to an affiliate, Besicorp-Empire Power Company, LLC (BEPCO) in order to facilitate the financing of the construction and operation of a 505-megawatt combined-cycle natural gas-fueled electric generating facility in Rensselear County, New York. [Case 01-F-1276]

TransGas:

In June of 2007, the Board on Electric Generation Siting and the Environment (Siting Board) held in abeyance TransGas Energy System LLC's (TransGas) amended application for permission use city-owned property until TransGas obtained such permission directly from the City of New York. Later in March of 2008, the Board determined that the statutory requirements for issuance of a certificate environmental compatibility and public need for construction of TransGas' proposed generation facilities had not been met.

TransGas originally proposed in December 2002 to construct and operate an above-ground, 1,100-megawatt generating facility in the Borough of Brooklyn, New York City. The company filed its second proposal for an under-ground facility in November 2004; and its third, electric-only proposal for an above-ground facility August 2007. [Case 01-F-1276]



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