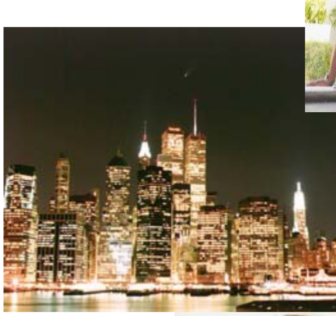
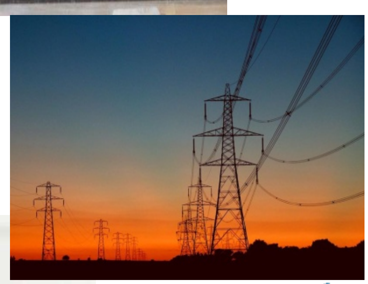
NYS Public Service Commission

Annual Report

2006 — 2007





George E. Pataki, Governor | William M. Flynn, Chairman

New York State Public Service Commission

Mission Statement

The mission of the Commission and the New York State Department of Public Service is to ensure safe, secure, and reliable access to energy, telecommunications, and water services for New York State's citizens and businesses. With an emphasis on promoting competitive markets, the Department seeks to maximize customer choice and value for these services by stimulating innovation, strategic investment, and the use of resources in an efficient and environmentally responsible manner. Where competition is not present or viable, the Department will exercise its regulatory authority judiciously to ensure equitable rates and high quality service.

About the Commission:

The New York State Public Service Commission has a broad mandate to ensure that all New Yorkers have access to safe and reliable utility services. The Department of Public Service 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.

Department staff represents all ratepayers and the public interest in Commission proceedings, sets service and operating standards for utilities, and administers regulations issued by the Commission. Staff responsibilities include advising the Commission on all decisions it must make in matters such as rate determinations, utility financing, and certificates of environmental compatibility and public need; representing the Commission in state and federal proceedings that have an impact on New York consumers and a bearing on how the Commission carries out its legislative mandate; representing the Commission in state and federal court proceedings; developing and implementing state regulatory and energy policies; receiving, investigating and resolving complaints on billing, services, or other utility practices; and inspecting and reviewing utility equipment and apparatus necessary for rendering service to the public.

** Note: Chairman Flynn resigned on November 30, 2006; he was replaced by Chairman Patricia L. Acampora.*

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I. AUDITS AND INVESTIGATIONS

Investigation of Queens Power Outage:

On July 26, 2006 a Commission order was issued to initiate a formal proceeding and investigation to examine thoroughly all issues associated with the power outages in Consolidated Edison Company of New York Inc.'s (Con Edison) Long Island City network that began on July 17, 2006 which lasted several days and impacted 65,000 metered customers equating to 174,000 people. As part of the investigation, the Commission indicated it would take statements from affected customers and other interested parties on issues related to the outage and Con Edison's response at public statement hearings to be held in August through November 2006.

Consistent with the Commission's responsibility under New York State Law to ensure safe and reliable service to customers, staff was directed to conduct a thorough examination of the circumstances surrounding the power outages, the events that led to the failures and outages, Con Edison's response, communication and restoration efforts, the need for changes to Con Edison's practices and procedures to avoid similar failures and outages in the future, and the costs incurred by Con Edison related to the failure and outages.

Staff's review would include, but not be limited to: the reasonableness of the time in which Con Edison accurately ascertained the magnitude of the customer outages; the reasonableness of the company's ability to provide service restoration estimates; the nature and extent of Con Edison's expenditures for maintaining the Long Island City network; budgeted and actual capital improvements made to the Long Island City network; effectiveness of the company's management of the distribution system before and during the feeder failures and outages; use of company and contractor resources in the restoration effort; and the quality of the company's communications with the public, state and local government officials and special needs customers. [Case 06-E-0894]

Independent Audit of Con Edison's Emergency Preparedness:

In the wake of the 2006 Labor Day weekend power outage, the Commission announced the commencement of a proceeding and the requirement of an independent audit of the adequacy of

Consolidated Edison Company of New York, Inc.'s (Con Edison) emergency planning, response and restoration operations. The independent audit was required to supplement Department of Public Service expertise and resources. [Cases 06-M-1078 and 06-E-0894]

II. CONSUMER MATTERS

Central Hudson's Low-Income Program:

In March of 2007, the Commission approved Central Hudson Gas & Electric Corporation's petition to implement its Enhanced Power Opportunities Program designed to make energy service more affordable for low-income customers by providing a reduced monthly utility bill, arrears forgiveness, and referral to EmPower NY, a statewide energy efficiency program administered by the New York State Energy Research and Development Authority. The enhanced program will also provide enrolled customers with budget counseling, guidance on how to save on bills by being energy efficient and energy conservation-minded, and information on the direct installation of household energy efficiency improvements at no cost to further reduce energy bills. [Cases 05-E-0934 and 05-G-0935]

DPS Assistance to Customers:

In December of 2006, the Commission noted that Department of Public Service (DPS) staff assisted approximately 280,000 utility customers in resolving matters with utility companies about billing, service quality, and collections through its toll-free HELPLINE and Emergency Hotline. Another 10,000 customers contacted DPS staff by mail, the Internet, or by visiting one of its three offices in Albany, Buffalo and New York City for assistance. As a result of the assistance provided by the Commission's Office of Consumer Services staff, these customers received over $3.5 million in bill credits and refunds.

In addition to resolving matters with utilities, DPS staff is responsible for ensuring that the customers receive the assistance and protections they are entitled to under the Home Energy Fair Practices Act. Working with the major gas and electric companies in the state, DPS staff initiated additional steps during the 2006-2007 winter to assist customers, especially the state's most vulnerable residents—the elderly, blind, disabled and low income. These steps include offering renegotiated deferred payment agreements, refraining from terminating service during extremely severe winter weather, offering utility payment assistance programs, and encouraging the use of budget billing to make monthly bills more manageable.

Energy Smart Summer:

The Commission and the New York State Energy Research and Development Authority (NYSERDA) worked together to inform consumers about energy price volatility and the potential for higher electricity prices in the summer of 2006 as fuel costs continued to remain higher than normal. The agencies launched a $1.5 million campaign across the state urging consumers to have an “Energy Smart Summer” to help ensure customers are aware of the tools they have at their disposal to take control over their energy bills.

During the Energy Smart Summer campaign, commercial and industrial users could learn how to get paid while conserving electricity during times of peak electric demand, and residential customers could follow energy-saving tips to help reduce their energy costs.

The energy policies developed in New York State over the past decade have created choices that consumers can take advantage of to lower their bills, improve the efficiency of their homes and businesses, and compare offers from various energy suppliers. New Yorkers have the opportunity to help conserve energy during the 2006 summer through a number of programs and services.

Energy Fairs:

During the fiscal year 2006-2007, the Commission scheduled energy fairs throughout the state in order to provide residential and small commercial customers an opportunity to meet representatives of energy service companies (ESCOs) and obtain information about energy supply choices being offered in National Grid, Rochester Gas and Electric Corporation, and the New York State Gas and Electric Corporation service territories. The energy fairs were made available in response to requests by consumers that the Commission assemble ESCO and utility representatives in a common setting so that consumers can ask the representatives questions on a one-on-one basis to assist customers in making a decision about their energy supplier.

To further assist consumers, the Commission in December 2006 also enhanced its “Power to Choose” energy supplier comparison chart with the addition of energy supply price offerings to residential customers by ESCOs. The Commission’s Power to Choose, energy supplier comparison chart is intended to provide a snapshot of ESCO and utility pricing and other basic information that will better prepare consumers to evaluate energy supply choices available from ESCOs and utilities.

Low-Income Forum on Energy:

The Commission, in cooperation with the New York State Energy Research and Development Authority, announced the May 2006 Low-Income Forum on Energy (LIFE) statewide conference that would bring together organizations and individuals committed to addressing the challenges and opportunities facing low-income New Yorkers as they seek safe, affordable and reliable energy. The Life Conference is intended to encourage an interactive exchange of information and collaboration among those involved in assisting low-income energy customers.

This year’s LIFE conference featured presentations on a variety of issues, including: Outreach and Education Response to the 2005-2006 Energy Pricing Crisis; Energy and the Environment: Where Do Low-Income Households Fit; Paying for Low-Income Energy Costs; Existing and Emerging Fuel Funds; Exploring Affordable Credit/Debt Management: Low-Income Energy Assistance Programs; and, A Holistic Approach to Stretching the Customer’s Dollar.

III. MERGERS & ACQUISITIONS

Corning Natural Gas and C&T Enterprises:

The Commission in July of 2006 approved the stock acquisition and merger of Corning Natural Gas Corporation (Corning) and C&T Enterprises, Inc. (C&T), with certain conditions. Under the terms of the merger, Corning, under new C&T management, would freeze delivery rates for gas service at the current level through September 2009, refund to customers $1.4 million incurred in excess gas costs, and nearly double capital investment in the gas system over the next five years. [Case 06-G-0569]

The Commission stated: *"C&T has provided a reasonable plan to the Commission to provide* ***safe*** *and* ***reliable*** *service to Corning Natural Gas* **customers,** *as well as the creditworthiness and accessibility to cash to procure sufficient natural gas supplies."*

KeySpan and National Grid:

In January 2007, the Commission announced a series of public statement hearings for KeySpan Energy Delivery New York (KEDNY) and KeySpan Energy Delivery Long Island (KEDLI) customers to comment on National Grid PLC's (National Grid) proposal to acquire Keyspan Corporation.

Among the issues the Commission sought comment on included the long-term effects of the proposed acquisition on regulated service reliability, customer service, and rates. Also, whether the acquisition of KeySpan by National Grid would likely result, as claimed, in net synergy savings in excess of $1.6 billion over the next 10 years and the appropriate allocations of such savings between shareholders of National Grid and the ratepayers in New York as well as other states served by KeySpan and National Grid. [Cases 06-M-0878, 06-G-1185, 06-G-1186]

United Water New York and United Water South County:

In December 2006, the Commission approved the merger of United Water New York Inc. and United Water South County Water Inc. and adopted a three-year rate plan for the merged company. Under the terms of the rate planned approved by the Commission, base rate revenues for the merged company would increase $9.77 million (23.0 percent) in 2007, $1.1 million (2.1 percent) in 2008, and $0.96 million (1.8 percent) in 2009.

The first year base rate revenue increase was needed in large part to reflect the investment of more than $50 million in capital additions that were made since rates were last set in 1998 as well as increased costs for electricity, real estate taxes, state income taxes, purchased water, and employee health care pensions. [Cases 06-W-0131, 06-W-0244]

IV. UTILITY SERVICE RATES

Con Edison Steam Rates:

In September 2006, the Commission voted to approve a two-year rate plan for Consolidated Edison Company of New York, Inc.'s (Con Edison) steam service that would maintain base rates at current levels through September 2008. To promote the preservation and growth of the steam business, and to ensure reasonable system planning, the rate plan also requires the company to file an annual Strategic Plan that would address steam business development and production planning efforts over a 10-year timeframe, and a Steam Resource Plan identifying how the company can provide more cost-effective steam service.

Con Edison serves about 1,800 steam customers which account for about 100,000 commercial and residential establishments in the Borough of Manhattan. These customers include owners of New York City landmarks, large office buildings, hotels, hospitals, schools, and residential complexes. [Case 05-S-1376]

Central Hudson Gas and Electric Rates:

The Commission in July 2006, approved the terms of a Joint Proposal that establishes electric and natural gas delivery rates for Central Hudson Gas & Electric Corporation (Central Hudson) customers through June 30, 2009. Noting that Central Hudson's electric and gas delivery rates had not increased in over a decade, the Commission determined that the new rate plan would enable the company to increase infrastructure investment, expand assistance to low-income customers and meet unavoidable cost increases.

The Joint Proposal approved by the Commission significantly reduces and mitigates the cumulative rate increases for electric service originally sought by Central Hudson. Under the terms of the new rate plan, revenues from electric delivery service would increase by $17.9 million in each of the three rate years, or about 9.4 percent annually on average. As a result of the necessary revenue increases, the total bill (delivery and commodity service) for a typical residential electric customer using 500 kWh per month would increase by 5.4 percent in the first rate year, 5.0 percent in year two, and 4.6 percent in year three assuming commodity prices at current levels. [Case 05-E-0934]

Central Hudson's natural gas delivery revenues would increase by approximately $8 million (about 19 percent) and by approximately $6 million (about 11.8 percent) in the first and second rate years, respectively. Gas revenues and rates would not change in rate year three. The total bill for the typical residential gas customer using 1100Ccf per year would increase by 6.4 percent in the first rate year and 5.2 percent in year two, based on current commodity prices. To more properly align rates with the fixed costs of operating the gas delivery system, the minimum monthly charge will increase from $7.20 to $14.00 a month during the first rate year to enable the company to recover appropriate fixed system costs through the monthly charge instead of through delivery rates, which vary based on the amount of gas used by each customer. [Case 05-G-0935]

NYSEG Electric Delivery Rate Decrease and Refund:

In August 2006, the Commission approved a one-year rate plan that would decrease electric delivery rates by $36.2 million annually for customers of New York State Electric & Gas (NYSEG) starting in January 2007. In addition to the rate reduction, NYSEG customers would receive $77 million in refunds from the company's Asset Sale Gain Account (ASGA) that was established with customers' share of excess earnings under the previous rate plan and gains from the sale of NYSEG's power plants following the restructuring of the state's electric industry.

The $77 million refund to customers would be bill credits beginning March 1, 2007. About 50 percent of the refund would be provided to residential customers, with approximately 47 percent distributed to demand-billed customers and three percent to other non-demand customers. The amount for each customer would be determined by the customer's service class and annual energy (kWh) consumption for the twelve-month billing cycle ending February 2007. For example, an average residential customer using 600 kWh per month would receive a one-time credit of $45. Approximately 750,000 residential and 113,000 non-residential electric customers would receive the one-time credit. [Case 05-E-1222]

O&R Gas Rate Plan:

The Commission in October of 2006 approved a three-year gas rate plan commencing November 1, 2006, for Orange and Rockland Utilities, Inc. (O&R). The comprehensive rate plan also includes provisions for customer service and safety performance standards, low-income and economic development programs, and the continuation of programs to ensure customer choice of energy suppliers. The rate plan provides annual delivery rate increases totaling $14.8 million ($6.5 million in Rate Years 1 and 2 and $1.8 million in Rate Year 3) and a one-time surcharge of $4.5 million during the third rate year. Of the overall increase, approximately, $10 million is attributable to increases in direct labor and shared services, pensions and other post employment benefits, environmental cleanup costs, and information systems costs.

The impact of the new gas rates and surcharge on the total bill—delivery plus commodity—on an average residential customer using 112 Ccf of gas per month is 0.59 percent in Rate Year 1, 1.83 percent in Rate Year 2, and 1.51 percent in Rate Year 3. Approximately two-thirds of the Rate Year 3 increase is represented by the one-time surcharge designed to compensate O&R for the delay in revenues caused by the three-year phase-in of the rate increase. [Case 05-G-1494]

O&R Electric Rates:

In December of 2006 the Commission instituted a proceeding to examine Orange and Rockland Utilities, Inc.'s (O&R) rates for electric delivery service. Also, the Commission required O&R, within 25 days of the initiation of the proceeding, to show cause why its rates for delivery of electric service should not be reduced.

> *"O&R's recent earnings level indicates that its electric rates may be higher than needed to provide **safe**, **adequate** and **reliable** service, particularly in light of recent allowed earnings and sharing provisions established for other utilities."* -- Chairwoman Patricia L. Acampora

In accordance with the terms of the Commission's 2003 Order, O&R shared equally with ratepayers earnings in excess of the 12.75 percent ROE cap, and applied the ratepayers' portion, approximately $10.4 million, against deferred pension and/or other post employment (OPEB) costs. This earnings sharing provision expired on June 30, 2006. Absent Commission action, O&R's pension and OPEB deferral balances may escalate substantially during a period of time that the company is likely to earn a return in excess of its costs of equity. These circumstances may result in an opportunity for unjust enrichment of the company and higher future rates than necessary for maintaining adequate and reliable service. The Commission determined these consequences would not be in the public interest and required further action. [Case 06-E-1433]

St. Lawrence Rate Plan:

The Commission voted in November 2006 to approve a three-year gas rate plan for St. Lawrence Gas Company, Inc., (St. Lawrence). The rate plan includes performance measures for service quality and gas safety, promotes economic development and customer choice in natural gas suppliers, and funds a new billing system.

The Commission noted that the rate plan provides all of St. Lawrence's customers with rate stability through the three-year term. The plan anticipates potential cost increases for 2008 and 2009 by calculating a levelized revenue requirement and rates that do not change for three years. Additionally, the rate plan better aligns rates for each customer class to reflect the actual costs of providing service to the various customer classes. [Case 05-G-1635]

V. RELIABILITY: ELECTRIC & GAS SERVICE

Con Edison's Long Island City Power Outage:

Staff of the Department of Public Service released a draft report in January of 2007 identifying staff's findings and recommendations related to the July 2006 power outages in Consolidated Edison Company of New York, Inc.'s (Con Edison) Long Island City electric network impacting about 174,000 people. The draft report did not necessarily represent or reflect the views of the Public Service Commission or any individual Commissioner and had not been approved by the Commissioners. Staff concluded that improvements needed at Con Edison are critical and substantial in order to eliminate significant weaknesses in the company's system and practices that could lead to similar or worse problems in the future if not corrected in the near term.

The draft report was to be provided to parties in the proceeding for informal comments and reactions before staff completes its investigation. Based upon staff's review of the parties' informal comments, a final report would be issued for public comment and formally presented to the Commission. The Commission ultimately would, after public input and deliberation, accept, reject or modify staff's findings and recommendations. [Case 06-E-0894]

Con Edison's Storm Response:

In February 2007, the Commission received a report from Department of Public Service Staff with recommendations designed to improve Consolidated Edison Company of New York, Inc.'s (Con Edison) restoration and customer service performance during future storm events. The recommendations were developed after a thorough review of the company's performance during and after the July and September 2006 storm outages in Westchester County. Staff was directed by the Commission to work with the company to ensure implementation of all the recommendations by May 15, 2007, except those requiring more study.

After a thorough review of Con Edison's actions during and after the storms, and the public comments gathered during a series of public statement hearings in October 2006, staff determined that the company inadequately addressed issues related to resource mobilization, staffing, restoration time estimation, and communications. At a later date, staff would address whether during the September storm events the company failed to comply with certain provisions of the customer service outage notification incentive mechanism that was incorporated in the company's March 2005 rate plan. One aspect of the incentive mechanism requires specific revenue adjustments if the company fails to comply with notification criteria, including those for critical care facilities. [Case 06-E-1158]

National Grid Storm Response:

In August 2006, the Commission received a report from Department of Public Service staff with recommendations designed to improve National Grid's upstate restoration and customer service performance during future storms. Staff's recommendations were developed after a thorough review of National Grid's performance during and after the February 2006 windstorm. Staff was directed by the Commission to work with the utility to ensure implementation of all recommendations by October 10, 2006, except those requiring further study.

The recommendations made by staff, combined with those suggested by National Grid itself, identified several weaknesses with the utility's outage management information system which should be corrected expeditiously, yet thoroughly. Staff determined that National Grid's workforce staffing for day-to-day normal operational activities, including supplemental use of contractors, leaves the company dependent on significant outside support when storms occur. Therefore, along with more specific recommendations by staff, National Grid needs to be more aggressive in the future when requesting mutual aid resources during emergency recovery actions. Staff also conducted discussions and interviews with public officials, open hearings for public comments, and evaluation of complaint data filed with the Commission's Office of Consumer Services. [Case 06-M-0496]

NYSEG and Con Edison Storm Response:

The Commission in June of 2006, received a report from Department of Public Service staff with recommendations designed to improve New York State Electric & Gas Corporation's (NYSEG) and Consolidated Edison Company of New York, Inc.'s (Con Edison) restoration and customer service performance during future storm events. Staff's recommendations were developed after a thorough review of the companies' performance during and after the January 2006 windstorm. Staff was directed by the Commission to work with the utilities to ensure implementation of all the recommendations by August 1, 2006, except those requiring more study.

Staff identified a number of areas needing improvement at NYSEG and Con Edison. Both utilities need to identify ways to improve communications with local officials to ensure they receive accurate and timely information. Overall, NYSEG's communication effort was more effective than Con Edison's, in large part because of a daily conference call the company held with public officials and frequent press releases on the status of the company's restoration efforts. In addition, each company needs to improve plans for coordinating storm restoration activities with municipal highway departments and officials. Further, both companies are required to implement specific staff recommendations for improved storm response. [Case 06-M-0548]

Winter Preparedness by Gas Utilities for Heating Season:

Based upon an annual review of local utilities' winter preparedness by Department of Public Service staff, the Commission announced in October 2007 that utilities providing natural gas service in the state had adequate supplies, delivery capacity, and storage inventory to satisfy customer demands under severe winter design conditions, although capacity remains tight in some areas. Despite moderating natural gas prices as compared to last year, residential heating customers' bills are expected to be about the same as last year, based on normal winter temperatures.

Staff also reported to the Commission that natural gas futures prices on the New York Mercantile Exchange (NYMEX) last winter averaged $10.55 per dekatherm (Dt), a warmer than normal winter, but one whose supply was disrupted by hurricanes Katrina and Rita. As of September 26, 2006, NYMEX futures prices for November 2006 through March 2007 average $7.16/Dt, or 32 percent lower than in the 2005-2006 winter. These prices for November through March deliveries would change in response to changes in market conditions, such as weather and gas availability, as the winter progresses.

Residential heating customers' bills are expected to be approximately the same compared to last year, based on a normal 2006-2007 winter. Although natural gas prices are projected to be lower than last year, bill impacts for residential customer bills are projected to be about the same compared to last year due to the fact that last winter's usage was significantly lower than what would be used in a winter with normal weather. Also, the drop in wholesale natural gas prices occurred after gas utilities already had purchased a large portion of the natural gas supply required to meet customer demand this winter.

VI. TELECOMMUNICATIONS

Commission Adopts Telecommunications Policy:

On April 11, 2006 the Commission voted to adopt a Statement of Policy and Order that acknowledges the increasing presence of competition in the telecommunications industry by granting incumbent telephone companies the flexibility to respond to competitive forces, while maintaining appropriate protections—including basic service and Lifeline—to ensure consumers continue to have access to quality telephone service at just and reasonable rates. The Commission's policy is designed to encourage infrastructure investment to promote network reliability and preserve the existing network, strengthen service quality and promote the emergence of new services.

The Commission's decision in the "Competition III" proceeding is a logical progression of the Commission's pro-competitive telecommunications policies that have been developed over the past 21 years. Competition III was initiated to examine issues related to competition resulting from the rapid development of voice and other telecommunications services now being provided over new networks that are different from, and compete with, the traditional wireline network platform. Examples of this "intermodal competition" include digital phone services provided by cable television companies, phone service using Voice over Internet Protocol (VoIP) technology, and wireless service.

Historically, telephone companies were monopolies that owned the entire infrastructure needed to place a telephone call, and regulatory oversight was the primary means to ensure that companies charged reasonable prices and delivered adequate service. Today, competitors using their own facilities and networks have dramatically expanded consumers' options for an array of telecommunications service. [Case 05-C-0616]

Service Quality and Consumer Protection Proceedings:

On April 21, 2006, the Commission announced several processes to address the ever-evolving market in the telecommunications industry. These processes include a proceeding to consider service quality requirements and consumer protections issues for incumbent telephone companies and Department of Public Service staff initiatives to seek input regarding emergency outage reporting, user blocking capabilities and the development of a consumer report addressing all telecommunications providers.

The Commission in its April 2006 Statement of Policy and Order concluded that it is appropriate to begin a general review of service quality standards with a view toward simplifying and streamlining regulations in a rulemaking to develop standards for incumbent telephone providers in competitive markets. In addition, various consumer protection aspects of the regulations will be reexamined. Also, staff will be requesting that all telecommunications providers in New York State provide information regarding whether they currently offer end user blocking capability. With regard to outage reporting, staff has notified the relevant parties that they will meet with them to discuss what steps may be undertaken to make emergency outage reporting consistent with all telecommunications providers. [Case 05-C-0615]

Captioned Telephone Service:

A process for obtaining a CapTel phone was announced by the Commission in November 2006. The purchase of a CapTel phone is necessary to receive captioned telephone service. Captioned telephone service benefits individuals who are hard of hearing, have experienced hearing loss later in life or deaf individuals who prefer to use their own voice. The CapTel phones will be available on a first-come, first-served basis to customers seeking to purchase the phone and enroll for the captioned telephone service. The service will be available starting on January 1, 2007 through Sprint, New York State's existing relay service provider. [Case 06-C-0524]

Commendations for Excellent Service:

The Commission issued in March of 2007 letters of commendation to 57, out of a possible 76, local telephone companies or telephone company operating divisions throughout the state for providing excellent service to customers in 2006. Most small incumbent local exchange carriers qualify for a commendation, as do most eligible competitive local exchange carriers. Three of 11 operating divisions of Verizon New York, Inc., are included in this group as are two of Frontier Telephone of Rochester, Inc.'s three divisions and both of Windstream New York, Inc.'s two divisions.

*"The companies commended have met or **exceeded** the state's **high** standards for **service** quality and deserve the recognition from the Commission for providing **excellent** service to their customer. These standards ensure all New York residents and businesses benefit from having access to an extraordinary high level of telecommunications technology and service." – Chairwoman Patricia L. Acampora*

The commendations for excellent service are based on telephone companies' performance in relation to service quality standards established by the Commission. The commendations are based on two metrics, Customer Trouble Report Rates and the Commission's Complaint Rate, and achievement of incentive plan targets on these two measures, where applicable. The 57 companies or operating divisions on the attached list met the criteria for Commendation for Excellent Service Quality provided in 2006:

Attachment 1

Year 2006 Commendations for Telephone Companies and/or Various Operating Divisions

Company	Threshold CTRR [1]	PSC Complaint Rate [2]	Incentive Plan[3]	Consecutive Year
Armstrong	100%	0.00	N/A	First
AT&T - ACC Corporation	100%	0.00	N/A	Second
AT&T- AT&T Local Services	100%	0.01	N/A	Fourth
Berkshire	97%	0.00	Met	First
Cablevision Lightpath	97%	0.01	N/A	Ninth
Cassadaga	100%	0.00	N/A	Fourteenth
Champlain	100%	0.00	N/A	Eighth
Chatauqua & Erie	96%	0.00	Met	Sixteenth
Chazy & Westport	97%	0.00	Met	First
Choice One Communications	100%	0.06	N/A	First
Citizens Communications	95%	0.04	N/A	First
Citizens of Hammond	100%	0.00	N/A	Eleventh
Convergent Telesis	100%	0.00	N/A	Second
Crown Point	100%	0.00	Met	Fourteenth
Delhi	100%	0.00	N/A	Second
Deposit	100%	0.00	N/A	Fifteenth
Dunkirk & Fredonia	100%	0.00	N/A	Eighteenth
Edwards	100%	0.00	N/A	First
Empire	99%	0.00	N/A	First
Fishers' Island	100%	0.00	N/A	Seventeenth
Frontier Communications of America	100%	0.00	N/A	Fifth
Frontier of New York (FCNY)	98%	0.01	N/A	First
Frontier of Rochester - Metro East	100%	0.04	Met	Second
Frontier of Rochester - Metro West	99%	0.06	Met	Fourth
Frontier of Sylvan Lake	100%	0.06	N/A	Third
Germantown	100%	0.00	N/A	Eighteenth
Global Crossing Local Services	100%	0.00	N/A	Fourth
Hancock	100%	0.00	N/A	Eighteenth
Margaretville	100%	0.00	N/A	Eighteenth
Middleburgh	100%	0.00	N/A	Twelth
Newport	97%	0.00	Met	Eighth
Nicholville	96%	0.00	N/A	Eighth
Ogden	100%	0.05	N/A	Nineteenth
Oneida County	100%	0.00	N/A	Seventeenth
Ontario	96%	0.00	N/A	Third
Oriskany Falls	100%	0.00	N/A	Ninth
Pattersonville	100%	0.00	N/A	Nineteenth
Paetec Communications	100%	0.02	N/A	Second
Port Byron	100%	0.00	N/A	Seventh
RCN Telecom	100%	0.00	N/A	Eighth
SBC Long Distance LLC	100%	0.00	N/A	First
State	100%	0.00	N/A	Second
Taconic	98%	0.07	Met	Third
Tech Valley Communications	100%	0.00	N/A	Third
TelCove Operations	100%	0.00	N/A	Fourth
Time Warner Telecom	100%	0.00	N/A	Sixth
Township	97%	0.00	N/A	Third
Trumansburg	95%	0.00	N/A	First
USLEC Communications	100%	0.00	N/A	Second
Verizon - Manhattan South	100%	0.05	Met	Fourth
Verizon - Manhattan North	99%	0.06	Met	Third
Verizon - Brooklyn	96%	0.07	Met	Second
Vernon	100%	0.00	N/A	Third
Windstream (formerly ALLTEL) (Fulton)	96%	0.02	Met	Third
Windstream (formerly ALLTEL) (Jamestown)	96%	0.00	Met	First
Westelcom Networks	100%	0.00	N/A	First
XO Communcations	100%	0.00	N/A	First

[1] Customer Trouble Report Rate (CTRR) is based on 95% or more of a company's monthly central offices performance results in a given year per central office being in the performance range of 0-3.3 reports per 100 lines (RPHL).

[2] PSC Complaint Rate is the number of complaints per 1,000 access lines per year; the commendation level is 0.075 or less.

[3] Incentive Plan includes any service-related requirements of a multi-year rate plan, an incentive plan or separate Commission Order directing service improvements.

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