2005-2006 Annual Report.

NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE

PUBLIC SERVICE COMMISSION

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

New York State
Department
Commission
Public Service

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Electric

RENEWABLE PORTFOLIO IMPLEMENTATION PLAN

In April 2005, the Commission voted to approve a detailed Implementation Plan (Plan) for the state's Renewable Portfolio Standard Program (RPS) designed to assist in increasing the portion of electricity derived from renewable resources used by retail consumers in New York to at least 25% by the year 2013. The Plan approved by the Commission established many of the specific processes and protocols that the state would use to implement the RPS program.

RPS program details and administrative protocols addressed in the Implementation Plan approved by the Commission included, but were not limited to certification of facilities eligible to participate in the RPS Program, procedures for NYSERDA procuring RPS resources, and development of a mechanism for allocation and disclosure of RPS Program renewable power to the retail customers paying the program surcharge. While many of the specific protocols necessary for the implementation of the RPS Program were identified in the Plan, some issues, such as the type of procurement model and pricing structure, required further analysis by DPS staff, NYSERDA, and interested parties.

To inform consumers about the RPS Program, the Plan required investor-owned electric utilities to develop—in collaboration with staff, NYSERDA and interested parties—a statewide consumer education program. The program would include an explanation of the expected benefits of the RPS Program, the billing and pricing impacts associated with renewable energy choices, and modifications to the state's environmental disclosure label.

"Promoting and sustaining economic growth in New York State continues to be one of the Commission's highest priorities," said Public Service Commission Chairman William M. Flynn. "The Commission's approval of these guidelines not only reaffirms our support of strategic, energy-related economic development initiatives, but it also reflects our dedication to encouraging companies to do business in New York State."

PSC/NYSERDA DEMAND-RESPONSE WORKSHOPS

In April 2005, the Commission and the New York State Energy Research and Development Authority (NYSERDA) conducted a workshop to provide an opportunity for facility and property managers of private and public companies, schools, local governments, colleges and universities to learn how to reduce their energy use and their energy bills, earn incentives for doing so under certain circumstances, and help strengthen the reliability of the state's electric system. These demand-response workshops were one element in the state's comprehensive Demand-Response Initiative designed to help New York meet its growing energy needs.

"Just seven months ago, following an open collaborative proceeding involving more than 150 parties and a series of public hearings, we determined that a Renewable Portfolio Standard would be in the public interest, and adopted the broad policy framework for the state's program," said Public Service Commission Chairman William M. Flynn. "Now - thanks to the hard work of Department of Public Service staff, NYSERDA and numerous parties – we've laid out a detailed road map and specific protocols for increasing the use of renewable sources of generation to meet our growing demand for electricity."

Demand-response programs, under which customers reduce energy use at critical times, can help a large-use energy customer control its electricity costs and help New York better manage its electricity needs. To promote customer energy load-reduction use, the PSC, NYSERDA and the NYISO (the federally authorized organization designated to coordinate the state's wholesale generation market and the transmission system) have been instrumental in facilitating utility and state demand-response programs. The utility and state programs include: Emergency Demand Response (EDRP); Distribution Load Relief; Voluntary Real-Time Pricing; Installed Capacity Program/Special Case Resources (ICAP/SCR); Day Ahead Demand Reduction (DADRP); Energy Efficiency Programs; New York Energy $mart Peak Load Reduction; and Steam Air-Conditioning.

REVISED FLEX-RATE POLICY

In April 2005, the Commission voted to approve revised guidelines for flexible rate electric contracts offered by utilities to retain qualified large customers that have other viable competitive options, including relocation of facilities, and to encourage the attraction of new customers or the expansion growth in competitive markets.

Flexible rates allow utilities to negotiate individual electric service contracts with qualified large-use business customers to provide electricity at prices lower than what is normally offered, for the purpose of expanding existing customer facilities and attracting new customers. The Commission first adopted a flex-rate policy in 1994. The intent of offering such rates is to keep customers who have competitive alternatives on the utility's system, as well as serving as an incentive for attracting new load, thus benefiting all ratepayers by ensuring that system costs are shared by the greatest number of customers.

"The state's demand-response programs are a critical component of our aggressive and comprehensive efforts to maintain system reliability and moderate price volatility when demand is high," Commission Chairman William M. Flynn said. "This workshop provides an opportunity for large-use energy customers to understand how demand response measures help meet the state's energy needs, maintain reasonable energy rates, and reduce customer operating costs."

As a result of changes in New York's increasingly competitive energy industry, most large customers now purchase their electricity supplies in wholesale markets, either directly or through marketers and Energy Services Companies (ESCOs), with the utilities providing unbundled delivery service. The flex-rate guidelines approved favor the offering of flex-rate contracts for delivery service only, while retaining the option of a utility providing supply service as a last resort. By focusing flex-rate discounts on the utilities' delivery service, the guidelines also provide ESCOs with new competitive opportunities in the supply market.

In order to be considered for a flex-rate contract, a customer must first demonstrate to the utility its access to competitive alternatives. Flex-rate contracts must also demonstrate some contribution by the customer towards system costs. Further, the guidelines specify that utilities encourage customers seeking flexible rates to explore other economic development programs offered by the New York Power Authority (NYPA), the New York State Energy Research and Development Authority (NYSERDA), the Empire State Development Corporation (ESD) and other state and local entities.

CENTRAL HUDSON'S PLAN TO PROMOTE COMPETITION AND CUSTOMER CHOICE

In May 2005, the Commission approved Central Hudson Gas & Electric Corporation's (Central Hudson) plan to accelerate the development of competitive retail electric and gas markets in Central Hudson's territory. As part of the Retail Access Plan (the Plan), Central Hudson agreed to implement a customer choice program that would provide guaranteed, introductory savings to customers who choose to buy their electricity or natural gas from a competitive energy services company (ESCO).

Central Hudson's customer choice program would be modeled after the successful "Power Switch" retail access program that has been in place for several years in the territory of Orange and Rockland Utilities, Inc. (O&R). Other provisions of Central Hudson's Retail Access Plan included the continuation of a "Market Match" program that would provide opportunities for ESCOs and commercial customers with a peak demand of 250 kW or more to exchange information and facilitate market development. The Plan also called for the continuation of the company's "Market Expo" program that provides opportunities for ESCOs to meet and exchange information with Central Hudson's business customers. These programs have demonstrated their effectiveness in connecting commercial customers to ESCOs and the service options and value they can offer.

NYSPSC TESTING, INSPECTION PROGRAM FOR CERTAIN ELECTRIC FACILITIES

— Upstate Utilities' Granted Additional Time for Testing Overhead Facilities —

The Commission announced in June 2005 that the initial round of annual stray voltage testing of streetlights, traffic lights and electric facilities served by underground systems must be completed by November 30, 2005, as initially required by its January 5, 2005 Order Instituting Safety Standards, while the upstate electric utilities will have until August 30, 2006, to complete the initial round of stray voltage testing on overhead distribution and transmission facilities. The extension of the testing schedule did not apply to Consolidated Edison Company of New York, Inc. (Con Edison), which has already completed its initial testing.

The Commission action to extend the schedule for testing certain overhead facilities came in response to petitions for rehearing filed by the utilities serving the upstate region. Following a review of the petitions and the comments received from interested parties, the Commission modified the schedule for completion of the initial round of stray voltage testing of overhead distribution and transmission facilities. Based upon the petitions filed, the Commission expected that the upstate utilities would complete stray voltage testing on roughly half of their systems by the end of 2005.

$10.6 MILLION SETTLEMENT WITH CONSOLIDATED EDISON

In July 2005, the Commission approved a $10.6 million settlement agreement with Consolidated Edison Company of New York, Inc. (Con Edison) that resolved a potential penalty action against the company for the death of a Manhattan pedestrian on January 16, 2004. The stray voltage detection measures and electric safety research programs to be funded by the company and its shareholders would be in addition to, and would not duplicate, the comprehensive stray voltage testing and inspection programs previously approved by the Commission on December 15, 2004.

Under the terms of the settlement, $9.6 million would be used to fund the operation of mobile electric stray voltage detectors that were recently developed as part of Con Edison's Research and Development program. These mobile stray voltage detectors comb a 30-degree arc as they travel at slow speeds through the city streets. They were expected to provide a more expedient survey of the company's underground electric system and would supplement the continuing manual testing of individual, company-owned electric facilities. Additionally, for the next three years, Con Edison agreed to conduct comprehensive annual surveys of its underground system and up to 30 surveys of its underground electric system in the five days following storms that result in the salting of New York City roadways. All of the $9.6 million must be used for public safety purposes to the benefit of ratepayers, and could include further enhancement to the safety of Con Edison's electric system through additional electric safety research programs agreed to by DPS staff and Con Edison.

"The terms of the agreement require additional testing and other action by the company to work to further ensure the safety of Con Edison's underground distribution system, which is of paramount concern to this Commission," said Public Service Commission Chairman William M. Flynn. "By supporting additional safety efforts and avoiding the need for a litigated penalty action in court, the settlement resolves this tragic and difficult case that resulted in the death of Ms. Jodie Lane."

ENERGY FAIRS AND TOWN MEETINGS TO LEARN ABOUT CHOICES IN ENERGY SUPPLY OFFERINGS

During the period September through November 2005, the Commission sponsored a series of energy fairs and/or town meetings to provide residential customers of Central Hudson Electric and Gas Corporation (Central Hudson), Orange and Rockland Utilities, Inc., (O&R) and Rochester Gas and Electric Corporation (RG&E) an opportunity to obtain information about energy services companies (ESCOs) offering competitive choices for electricity and natural gas supplies in their respective service territories.

The consumer energy fairs were designed to assist customers in making a decision about their energy supplier. The customers of Central Hudson and O&R could obtain printed information at the energy fairs and ask questions on a one-on-one basis with ESCO and utility representatives. At the town meetings, representatives of RG&E and Department of Public Service (DPS) staff made presentations concerning electric supply choices after which consumers could ask questions. Also at the energy fairs and town meetings, DPS staff was available to provide information on energy competition in general.

When shopping for an energy supplier, DPS staff recommended that consumers gather relevant information before choosing an energy supplier, just as a consumer would do before making a major product purchase. A consumer should first contact their local utility company to get a copy of their billing profile, usage history, and the relevant utility charges. Then, the consumer should compare the service offerings of competitive energy service companies for costs, other product or service offerings, terms of the contracts, billing arrangements, and customer dispute resolution procedures.

Also, when shopping for electricity or natural gas supply, consumers may want to ask and ESCO: Is the price of the electricity/natural gas supply fixed or variable? If it is fixed, is it guaranteed? Does the price quoted include taxes? Are there any discounts or bonuses? Are other services available? How long is the agreement? Are there any penalties for breaking the agreement? Are there any additional fees? Is a deposit required? Where are the company's offices located and what are the office hours? What is the complaint handling process? How many bills will I get? Are there toll-free numbers? Ask for a copy of any contract that the company offers.

NEW ELECTRIC RATES FOR THE CITY OF JAMESTOWN

In September 2005, the Commission approved a Joint Proposal for a three-year rate plan that established new electricity base rates for the customers of the City of Jamestown Board of Public Utilities (BPU). The new rate plan allowed the BPU to recover increased costs due to inflation and ensures the long-term viability of the BPU. The new rate plan marked the first time since 1994 that base rates had increased.

Under the terms of the rate plan, revenues would increase by approximately $4.35 million in the first year, $1.62 million in the second year, and $1.62 million in the third year. The corresponding increases in average bills over the three-year plan would be approximately 14.3%, 4.7%, and 4.5% respectively. When adjusted for inflation, these rates are comparable to the rates that went into effect in 1994.

Also, the new rate plan contained several provisions for improving the BPU's customer service policies and operations, including training of BPU employees by staff regarding appropriate complaint procedures, applicable Home Energy Fair Practices Act (HEFPA) requirements, and consumer protection procedures. The BPU was to conduct periodic internal follow-up and refresher training, and provide staff with regular reports on its customer service training and complaints.

"This action underscores a main purpose of the RPS Program: to foster growth in the development, adoption and implementation of renewable energy technologies and resources that will be cost-effective over time," said Commission Chairman William M. Flynn. "Promoting the widespread use of methane digesters on dairy farms will help meet the RPS Program's goal of diversifying the state's energy mix and stimulating economic development opportunities."

COMMISSION PROMOTES RENEWABLE ENERGY FOR NEW YORK'S SMALL DAIRY FARMS

In October 2005, the Commission voted to approve a petition of the New York Farm Bureau (NYFB) requesting that methane digester systems be included as a customer-sited tier resource in the state's Renewable Portfolio Standard (RPS) program. The Commission action would make anaerobic digestion systems more economically feasible on a large number of New York dairy farms, help New York achieve its RPS program goals, and have a positive impact on the environment and economic viability of the state's rural dairy farming communities.

In June 2005, the NYFB filed a petition with the Commission seeking inclusion of methane digester systems in the Customer-Sited Tier so that a greater number of small, family-run businesses in the state's dairy farming industry could participate in the RPS Program. While the Commission previously determined that methane digester systems met the eligibility requirements for Main-Tier resource procurements, the NYFB noted that is not practically or economically feasible for the majority of New York's small, family-run dairy farms to produce enough methane to generate the one megawatt of electricity required to participate in the Main Tier of the program. Further, the NYFP petition argued that it is unlikely, except in unusual circumstances, that a co-operative effort to fuel larger scale digestion systems by a group of smaller dairy farmers would be economically feasible due to the expense of aggregating and hauling manure to a central digester.

The Commission determined that including methane digester technology in the Customer-Sited tier of the RPS Program would expand its use beyond large-scale dairy operations, leading to cost efficiency and greater adoption. More widespread use of methane digesters can reduce peak demand on the grid, help sustain the state's dairy industry by allowing farmers to better use their resources and diversify income from their farms, preserve open and working landscapes, and help environmental efforts to protect water and air quality. Also, the increased use of methane digesters would limit the emissions problems (e.g., migration of phosphorus and nitrogen into water systems) caused by seasonal spreading and storage of manure. As an added benefit, methane digesters use ordinarily available farm resources, enabling farms to operate more efficiently. The cost savings would help farming families achieve financial stability and encourage them to keep working the land, thereby preserving farmlands and open space.

PSC WORKSHOP ON STANDBY RATES

For Distributed Electricity Generation

The Commission in November 2005, held a technical conference for individuals interested in sharing information and data related to the installation and operation of distributed generation (DG) facilities in New York State in conjunction with the administration of standby rates for electric service. The workshop was intended for all interested individuals, including utility or energy service company customers contemplating installing their own DG facilities, DG developers, regulators and the utilities. The workshop is part of a series of on-going discussions among interested persons designed to facilitate the appropriate development of cost-effective DG resources in New York State. Such projects help meet the state's energy requirements and can improve the reliability of New York's electric system.

In contrast to large central electricity generating plants, smaller DG units – such as fuel cells and micro turbines – can be located or "distributed" widely at customer point-of-use sites throughout a utility's service territory. Standby rates for DG applications were being developed by the electric distribution utilities in the state for customers who produce some of their own electricity through such distributed, or "on-site," generation projects. A standby delivery rate would allow a DG customer to receive electricity through the local utility's delivery system, which "stands by" in the event the DG customer needs additional electricity supplies.

CERTIFICATE FOR ELECTRIC TRANSMISSION FACILITY IN THE TOWNS OF HEMPSTEAD, OYSTER BAY, AND HUNTINGTON

In November 2005, the Commission voted to issue a Certificate of Environmental Compatibility and Public Need (Certificate) to the Long Island Power Authority (LIPA) to construct and operate a 345-kilovolt (kV) underground electric transmission facility, the Newbridge Road Connector, in the Towns of Hempstead, Oyster Bay, and Huntington. The facility would transmit the electricity LIPA obtains from the Neptune Regional Transmission System (RTS) throughout the company's Long Island network. The route and configurations of the transmission facility would make extensive use of existing rights-of-way in order to avoid or minimize disturbances to residential and commercial properties in densely populated areas.

Following a thorough environmental and technical review of a Joint Proposal, the Commission determined that the facility is necessary to transmit and distribute electricity on Long Island from the Neptune RTS, and other generation sources, and that the facility conforms to the long-range plans for the expansion of the electricity power grid for Long Island, the State, and the electric power systems interconnected with New York. Without the Newbridge Road connector, the power available from Neptune RTS could be bottlenecked and it may not be available to serve local and statewide capacity requirements.

COMMISSION EXTENDS STATEWIDE ENERGY EFFICIENCY PROGRAM

— Additional Funds Directed to Programs for Low-Income Customers —

In December 2005, the Commission approved a five-year extension of a statewide energy efficiency and research program that was created in 1998. Citing the benefits accrued to New York ratepayers as a result of the program, concerns over the impact of higher energy prices on low-income consumers, and the need to ensure the program has adequate resources to remain effective in the future, the Commission voted to increase the funding level for the nationally recognized System Benefits Charge (SBC) program from $150 million to $175 million.

The SBC program was created to ensure that certain public benefit energy efficiency and energy research programs were adequately maintained during the transition toward a more competitive electric market. Prior to 1998, individual utilities operated their own energy efficiency programs. Creation of the SBC program consolidated energy efficiency and energy research activities under one roof where these efforts could be administered on a consistent, statewide basis. The SBC program has been administered by the New York State Energy Research and Development Authority (NYSERDA) as the New York Energy $martSM Program, and was scheduled to expire at the end of

"New York's energy efficiency and research programs are recognized as being among the most effective programs in the nation because they produce results," said William M. Flynn, Chairman of the Public Service Commission. "The decision provides much needed certainty to customers and efficiency service providers at a time when global economic forces and natural disasters have cast uncertainty over supply adequacy and asserted tremendous upward pressure on energy prices. Energy efficiency is a critical resource to mitigate the impacts of higher prices, and the SBC programs have proven to be highly successful in creating incentives for customers to

June, 2006. This decision commits $875 million in funding for energy efficiency and research between July 2006 and June 2011.

The Commission's decision to extend the program and increase annual funding to $175 million was the result of a collaborative proceeding that began last January. At that time, staff of the Department of Public Service (DPS) issued a series of questions about the accomplishments of the program and whether it should be continued beyond June, 2006. More than 160 interested stakeholders filed comments to help shape the program's future and they overwhelmingly supported increased funding. After analyzing program evaluation reports and considering comments from the parties, DPS staff issued a recommendation for public comment in August. That recommendation called for extending the program for five additional years at the same funding level of $150 million per year.

In its decision, the Commission unanimously determined that an adjustment for inflation was warranted to maintain the program's effectiveness. Furthermore, the Commission noted that the state's low-income and elderly populations are disproportionately impacted by higher commodity prices, prompting it to increase annual funding for low-income programs by approximately $11 million. These programs support permanent efficiency installations that produce long-term savings for income-eligible customers.

CENTRAL HUDSON PROPOSAL FOR HOME ENERGY ASSISTANCE PROGRAM

In January 2006, the Commission approved Central Hudson Gas & Electric Corporation's (Central Hudson) proposal to provide a $200 bill credit to approximately 7,000 customers who were expected to receive assistance from New York's Home Energy Assistance Program (HEAP) this winter. The one-time benefit is intended to provide additional and immediate assistance to eligible low-income customers in managing their winter heating bills.

To fund the initiative, Central Hudson would draw from $1.3 million in unspent funds that were collected for the Powerful Opportunities Program (POP) during the period from July 2001 through June 2005 and any program funds that are not spent during the period from June 2005 through April 2006. The POP program assists low-income customers in Central Hudson's service territory, and it is designed to help participants avoid losing service due to non-payment. Because customer participation levels in the program have been below the targets established, the Commission approved the use of unspent funds to provide immediate relief for winter 2006 to HEAP-eligible customers.

NEW YORK RULES FOR NEW ERA OF NATIONAL RELIABILITY STANDARDS

In February 2006, the Commission adopted in their entirety the electric system Reliability Rules established by the New York State Reliability Council (NYSRC), thereby fulfilling one of the Commission's most important obligations under the Energy Policy Act of 2005 (EPA). The Reliability Rules adopted by the Commission would serve as the State of New York's rules specifically provided for in the EPA.

The EPA amended Section 215 of the Federal Power Act so that the Federal Energy Regulatory Commission (FERC) now has the authority to establish a process for developing, and ultimately approving, mandatory national reliability standards for the nation's bulk power transmission system. Under a specific provision of Section 215, New York State was granted the authority to establish rules that result in greater reliability within the state, so long as "such action does not result in lesser reliability outside the State than that provided by the reliability standards" approved by

"The action by the Commission, pursuant to Section 215 of the Federal Power Act, clearly establishes New York State's oversight role as we enter a new era for the nation's electricity grid," said Flynn. "I am confident that these rules will serve New York well during this transition and going forward."

FERC. Because the federal statute authorizes the State of New York to establish stricter, state-specific rules, the Commission was compelled to take action to formally adopt state regulations to ensure that New Yorkers continue to receive the highest level of reliable service.

ENVIRONMENTAL MANAGEMENT AND CONSTRUCTION PLAN FOR RG&E'S SEGMENT ONE OF THE ROCHESTER TRANSMISSION PROJECT

In March 2006, the Commission approved, with certain conditions and modifications, the Environmental Management and Construction Plan (EM&CP) for construction of Segment One of Rochester Gas and Electric Corporation's (RG&E) 115 kilovolt (kV) electric transmission facility in the Greater Rochester area. This improvement is part of a project collectively known as the Rochester Transmission Project (RTP).

In January 2006, RG&E submitted to all interested parties an EM&CP for Segment One for review and comment. Segment One includes construction of a new 7.5 mile 115 kV transmission line between a substation in the City of Rochester and a substation in the Town of Greece, which would be rebuilt as part of the RTP. Also, within Segment One there would be an upgrade of existing above-ground circuits located in the City of Rochester and the Towns of Brighton, Chili, and Henrietta, and improvements to substations in the Towns of Greece, Chili, Henrietta, and Brighton. Additionally, the company would construct a new substation in the Town of Ontario and expand a substation in the Town of Macedon.

On February 22, 2006, RG&E filed a revised Environmental Management and Construction Plan for Segment One for construction of the 115 kV electric transmission facility which was approved in March 2006 with the conditions and modifications.

Natural Gas

APRIL 11 – 18 TO BE "DIG SAFELY WEEK" IN NEW YORK STATE

In April 2005, the Commission announced that Governor George E. Pataki proclaimed April 11 through April 18, 2005 to be "Dig Safely Week" in New York State to remind excavators, contractors and homeowners that New York State Law requires them to call one of the state's toll-free, one-call centers before starting any excavation or digging project.

New York State established the One-Call Notification System as a fast, easy and comprehensive way to ensure underground facilities are properly marked before a digging or excavation project begins. The keys to preventing damage to underground facilities are the two "One-Call Notification Systems" that serve as communication links between contractors/ excavators and local utilities/municipalities.

"I want to thank the Governor for his effort to raise awareness of the state's One-Call Notification System and the critical role it plays in identifying the location of underground infrastructure facilities," said Public Service Commission Chairman William M. Flynn. "Damages to utility facilities caused during excavation can result in loss of utility service, personal injury and property damage. I urge all New Yorkers to do their part in protecting our vital infrastructure by calling before you dig."

PSC ANNOUNCES FERC APPROVAL OF DOMINION SETTLEMENT

In June 2005, the Commission announced that the Federal Energy Regulatory Commission (FERC) approved a settlement between the Commission and Dominion Transmission, Inc. (DTI), a natural gas pipeline company, that would provide approximately $11 million in annual savings to New York State's natural gas utilities and customers.

The settlement, which was jointly sponsored by DTI and the Commission, called for DTI to reduce its firm transportation reservation rates by over 16% and its storage fuel retention percentage rate by over 17%. The approved rate reductions would produce total system-wide savings to DTI's customers of about $49 million annually over a 5-year period during which DTI must maintain the agreed- upon rates.

The following New York utilities and their customers were the primary beneficiaries of the approximately $11 million in annual savings that would accrue to DTI's customers in New York: Central Hudson Gas & Electric; Consolidated Edison of New York, Inc.; Corning Natural Gas Company; KeySpan Energy Delivery Companies of NY and LI; National Fuel Gas Distribution Corp.; New York State Electric and Gas Corporation; Niagara Mohawk Power Corporation; and Rochester Gas and Electric Corporation.

"The new rate plan is good news for both NFG customers and Western New York's economy," Commission Chairman William M. Flynn said. "At least two years of stable delivery rates, increased opportunities for customers to choose a competitive supplier, expanded low-income assistance programs, and the economic development programs included in this plan are beneficial to all customer classes. I commend all parties who worked together to produce a plan that fairly balances the interests of customers and the company."

TWO-YEAR RATE PLAN FOR NATIONAL FUEL GAS DISTRIBUTION CORPORATION

—Tax Changes and Credits Provide Bill Decreases —

In July 2005, the Commission voted to adopt a two-year rate plan that established new delivery rates for natural gas customers of National Fuel Gas Distribution Corporation (NFG). As a result of the gross revenue tax reduction and the use of state income tax credits for ratepayers, most customers, including all residential and small commercial customers, would see their bills decrease over the next two years.

Under the terms of the Joint Proposal (supported by ten parties), NFG's base delivery rates would increase by approximately $15 million over the next two years. However, the Joint Proposal reflected changes in state tax law that reduced the gross revenue tax imposed on utilities and imposed a tax on utility income. The effect of these tax changes would largely offset the rate increase and, when combined with other credits to ratepayers, would result in a bill reduction of $14.7 million (approximately 2 %) over the two years of the rate plan for many customers, including all residential and small general service users. The approved rate plan represents the first rate increase for NFG since 1996.

Other provisions of the rate plan included: modification of NFG's existing Low Income Residential Assistance (LIRA) program to increase funding from $3 million to $5 million annually; funding for the creation of an Area Development Program to provide development grants to community-based organizations or local development authorities for specific economic development projects designed to expand economic opportunities in NFG's service area; performance targets for infrastructure enhancement, leak management, prevention of excavation damages and emergency response times; and, a performance mechanism for service quality and reliability.

NATURAL GAS ENERGY EFFICIENCY PROGRAM FOR NIAGARA MOHAWK'S LOW-INCOME CUSTOMERS

In August 2005, the Commission approved a $5 million Low-Income Gas Customer Energy Efficiency Program for eligible gas heating customers of Niagara Mohawk Power Corporation (Niagara Mohawk). The new program would be administered by the New York State Energy Research and Development Authority (NYSERDA) through two existing low-income programs, which utilize one-time energy efficiency investments that reduce consumption and provide cost-effective long-term savings. Over the next two years, Niagara Mohawk would use a total of $5 million from its Contingency Reserve Account (CRA) to fund the new low-income program.

Under the program, NYSERDA would deliver expanded energy efficiency services to low-income residential gas heating customers in Niagara Mohawk's service territory through the previously established Assisted Home Performance with ENERGY STAR and EmPower New York programs. The new program was designed to serve low-income natural gas heating customers who either cannot be served under the current NYSERDA programs or who may receive a more narrow range of energy efficiency benefits from NYSERDA that do not focus on gas efficiency as a primary goal.

"In light of the upward trend in natural gas prices, I commend Niagara Mohawk for reaching out to the community and developing a cost-effective program with long-lasting impacts to assist low-income gas heating customers," said Commission Chairman William M. Flynn. "A strategy of providing long-lasting bill reductions through energy efficiency improvements makes great sense, and these benefits will complement the bill payment assistance program that is already available to eligible Niagara Mohawk customers through the Home Energy Assistance Program (HEAP) and other programs."

COMMISSION EXPANDS WINTER OUTREACH AND EDUCATION EFFORTS

— Rising Prices and Hurricane Impacts Spur Additional Action —

In September 2005, in the face of higher natural gas and electricity prices, caused in part by Hurricane Katrina's damage to production facilities in the Gulf of Mexico, the Commission voted to reallocate $500,000 in funds within the System Benefits Charge program budget to support an expanded $1 million winter outreach and education campaign. The goal of the winter campaign would be to provide customers with useful information on the steps they can take to conserve energy and better manage higher winter heating bills, and information on the market forces that affect the price of natural gas and electricity.

The Commission's statewide "Have an Energy Smart Winter" campaign would explain the factors that drive energy prices, what consumers can expect this year, the steps they can take to control their heating bills, and the fact that they can choose to purchase their natural gas and electricity from competitive suppliers. Given the correlation between the price of natural gas and the price of electricity, the campaign also would promote electricity peak load reduction and demand management programs.

NATURAL GAS SUPPLY AND UTILITY WINTER PREPAREDNESS REPORT

In October 2005, based on an annual review of local utilities' winter preparedness, the Commission announced that the major utilities providing natural gas service in the state, with the exception of Corning Natural Gas Corporation (Corning), were expected to meet their storage inventory targets by November 1, and that the companies were working to ensure adequate supplies for the upcoming winter in the wake of some supply disruptions caused by the recent hurricanes in the Gulf of Mexico.

Based on this year's annual review and past interaction and monitoring by DPS staff, the Commission took dramatic action to address concerns expressed by staff about Corning's preparedness to provide adequate service to approximately 14,500 gas customers during the 2005-06 winter. Staff's concerns stem from the combination of significantly higher gas costs, the company's cash-flow situation, its failure to procure fixed-price commodity hedges, and its failure to adequately fill storage on a timely basis. As a result of these factors, staff was also concerned about the reliability of service and estimates that Corning customers would see winter bills that are approximately 55% higher than last year, compared to statewide average bill impacts of approximately 30-45%.

"Each year staff works with the utilities to ensure that each company has taken the appropriate steps to prepare for the heating season and to help moderate the impact of volatile natural gas prices on their customers," said Commission Chairman William M. Flynn. "While there is still some uncertainty about availability of gas as a result of the recent hurricanes, staff's report today indicates that, with the exception of Corning Natural Gas Corporation, the companies are on track to meet most of their storage requirements, and are pursuing strategies to make up any potential shortfall in their supply portfolios."

Given concerns about Corning's ability to provide adequate service throughout the entire winter heating season, and to ensure customers are protected, the Commission determined that it must take extraordinary actions to ensure adequate supplies and to investigate Corning's procurement, accounting, and fiscal operations. The Commission ordered Corning to show cause why a temporary operator should not be appointed and why Corning should not be directed to comply with the Commission's 1998 Statement of Policy on Gas Procurement. Also, the Commission initiated a proceeding to determine if one or more gas corporations could provide supply to Corning on a mutual-aid assistance basis. Staff was to report back to the Commission on the need for further investigation of the prudence of Corning preparations of the 2005-2006 winter heating season.

"At the public forums, staff heard firsthand customers' concerns regarding Corning's ability to provide natural gas this winter," said Commission Chairman William M. Flynn. "I am pleased that staff's hard work with the company and other utilities has now ensured adequate supplies through December, and I commend KeySpan for voluntarily stepping up to the plate to provide immediate assistance. I am encouraged by the progress to date, and I ask all of the parties involved to continue their intensive efforts to ensure that we have a voluntary mutual-aid agreement to provide gas supplies for the entire heating season as soon as possible."

INTERIM PLAN FOR CORNING'S GAS SUPPLY

In November 2005, Department of Public Service staff reported that KeySpan Corporation (KeySpan) had submitted a letter of commitment that would ensure Corning Natural Gas Corporation (Corning) had sufficient flowing gas and storage gas supplies to serve its customers for the month of December. This voluntary arrangement resolved the Commission's most important and immediate concerns regarding adequate gas supplies on an interim basis while the parties continue to work toward a long-term voluntary agreement for the remainder of the heating season.

The combination of a comprehensive mutual-aid agreement for gas supplies with KeySpan and restoration of Corning's credit line should be sufficient to provide the gas supplies and other working capital needed through the 2005-2006 winter heating season. As a backstop solution in the absence of a voluntary agreement, staff would continue to examine the possibility of the Commission requiring other gas companies to provide gas to Corning. However, based on the progress made, as demonstrated by KeySpan's letter of commitment, the Commission was optimistic that a voluntary and comprehensive mutual aid agreement could be reached.

VOLUNTARY GAS SUPPLY AGREEMENT FOR CORNING

In December 2005, the Commission announced the filing of a voluntary mutual aid agreement that would provide Corning Natural Gas Corporation (Corning) access to sufficient flowing gas supplies to serve customers for the entire winter heating season. The long-term voluntary agreement between KeySpan Corporation (KeySpan) and Corning resolved the Commission's most important and immediate concerns regarding Corning's gas supplies.

The voluntary mutual-aid agreement between KeySpan and Corning was effective immediately and provided the necessary security to support gas purchases through March 2006. As a result of this agreement, Corning's lender agreed to restore the company's access to its line of credit facility. The combination of the comprehensive mutual aid contract with KeySpan and the restoration of the credit line was thought to be sufficient to provide Corning with the gas supplies and other working capital needed for the remainder of the winter heating season.

"I want to commend staff and all the parties involved for working relentlessly over the past month to assist Corning in meeting customers' gas supply needs this winter," said Commission Chairman William M. Flynn. "The voluntary mutual aid agreement is an important accomplishment, and KeySpan Corporation should be commended for its willingness to provide both immediate and long-term assistance to Corning and its customers."

Water

FOUR-YEAR PLAN FOR UNITED WATER NEW ROCHELLE

"Customers of United Water New Rochelle will benefit from several provisions included in the new rate plan," Commission Chairman William M. Flynn said. "The plan allows for the continuation of extensive improvements to system infrastructure, while ensuring a safe and adequate supply of water to meet customer needs."

In August 2005, the Commission adopted a four-year rate plan that established new base rates for customers of United Water New Rochelle Inc. (UWNR). The plan also contained provisions that would enable UWNR to replace aging distribution mains, to improve water service by increasing pressure and reducing leaks, and to provide a new source of water supply.

Under the terms of the rate plan approved today, base rates would increase by approximately $3.1 million (14.45 percent), $742,000 (3 percent), $540,000 (2 percent), and $780,000 (3 percent) respectively over a four-year period. Overall, the plan would increase base rate revenues by approximately $5.3 million over the next four years, and it includes additional surcharges to cover higher operating expenses, water purchase costs, property taxes and the cost of the company's plan to continue extensive improvements to the water system infrastructure.

Additionally, surcharges were imposed to: secure a new source of water supply that complies with requirements of the Safe Drinking Water Act and the U.S. Environmental Protection Agency's surface water treatment rule; reinforce and replace aged distribution facilities; and recover the increased cost of water purchased from the New York City Water Board. All surcharges, in addition to the base rate increases, would result in aggregate bill impacts of approximately 16.2 percent in the first year, 10 percent in the second year, 16.4 percent in the third year, and 11 percent in the final year of the rate plan.

The plan also contained an earnings sharing mechanism for customers. Under the mechanism, UWNR would retain all earnings attributable to a return up to and including 10.8 percent.

Earnings where the return was above 10.8 percent and up to and including 11.3 percent would be shared equally between customers and shareholders. Earnings attributable to a return above 11.3 percent will be shared 75 percent to customers and 25 percent to shareholders.

Telecommunications

STATEMENT FROM WILLIAM M. FLYNN

In May 2005, New York State Public Service Commission Chairman William M. Flynn issued a statement regarding the Federal Communications Commission (FCC) decision to require telephone service providers using Voice over Internet Protocol to provide full E911 capabilities. Excerpts from Chairman Flynn's statement are below.

"In light of recent reports of tragedies involving difficulties with communication between VoIP customers and E911 system emergency operators, a solution is absolutely necessary. The FCC has stepped forward in the public's interest and offered a common-sense approach.

"Exactly one year ago today, the New York Commission unanimously decided that access to effective E911 service for VoIP customers was a core public interest that should be examined. The FCC's May 2005 decision supports that view, and I believe it recognizes that to be most effective, any regulation should target core public policy concerns without unnecessarily interfering with the free flow of markets and the development of innovative services and technologies."

"One of the underlying issues in this matter is whether the cost of a VoIP/911 solution will hamper the development of VoIP service. As a new player in the market, it is reasonable to expect the VoIP providers to contribute to the safety of their customers."

"Finally, I am gratified that the FCC's decision recognizes the important role of the states in the deployment of these new and complex solutions, and we look forward to working with the FCC and other interested parties on this critical issue."

NEW YORK TELECOMMUNICATIONS RELIABILITY ADVISORY COUNCIL EXECUTIVE BOARD

In June 2005, New York State Public Service Commission Chairman William M. Flynn announced the Executive Board of the New York Telecommunications Reliability Advisory Council (NYTRAC) - a panel of public- and private-sector telecommunications experts who will work to ensure an industry-wide exchange of information on emerging technologies and strategies that can strengthen New York State's telecommunications network.

The NYTRAC concept was initiated by Chairman Flynn in July of 2004. At that time, he envisioned that NYTRAC would assess the state's telecommunications network and provide a forum for representatives from the public and private sectors to foster strong relationships between key industry participants and to develop new strategies to enhance network reliability.

Chairman Flynn announced that he and Frederic Salerno will serve as co-chairs of the NYTRAC Executive Board. Other members of the NYTRAC Executive Board include: Richard Alteri, President and CEO of the Cable Telecommunications Association of New York York, Inc.; Robert Atkinson, Director of Columbia University's Institute for Tele-Information; Peter Cherasis, Chief Information Officer and Director of e-Commerce, Bear Sterns & Co., Inc.; Sharon Dawes, Director of the Center for Technology in Government at the University at Albany; Jeannie Diefernderfer, Senior Vice President, Network Services at Verizon Communications; Henry Levine, partner in the firm of Levine, Blaszak, Block & Boothby, LLP; Gino Menchini, Commissioner of New York City's Department of Information and Technology and Telecommunications; Michael Morrissey, Vice President of Law and Government Affairs, AT&T; Dan Mullin, Esecutive Director, State Public Policy for Verizon Wireless; and William Pelegrin, Director of the New York State Office of Cyber Security and Critical Infrastructure.

"Recent and continuing changes in law, technology, market structure, and customer expectations have substantially changed the telecommunications landscape," said Commission Chairman William M. Flynn. "In New York, we are long past the stage of introducing customer choice in telecommunications. The increasing availability and use of wireless, broadband, and Internet Protocol Services have resulted in significant changes in the way that consumers use the public switched telephone network and other interconnected, managed networks. Given the rapid evolution of technology, our goal is to establish a flexible regulatory framework that promotes innovation and encourages economic investment in this state's telecommunications infrastructure."

COMMISSION INITIATES BROAD REVIEW OF TELEPHONE REGULATION

Seeks to Develop Appropriate Framework for the 21st Century

In light of the swift and fundamental changes now taking place in the telecommunications industry, particularly those resulting from the increasing use of new technology platforms for telephone service, the Commission initiated in June 2005 a comprehensive examination of its policies, rules, and practices which govern the regulation of telephone service.

Through this proceeding, the Commission hoped to establish a regulatory framework that better reflects current market conditions and trends. Specifically, the Commission seeks to re-examine the extent to which its rules and regulations align with the emerging realities in the marketplace, with the goal of maximizing market efficiencies, maintaining high levels of public safety and network reliability, protecting consumers from potential market power abuses, and promoting economic development in New York State. The maintenance of a level playing field for telecommunications providers and essential consumer protections will continue to be among the highest priority issues for the Commission.

Following the passage of the Telecommunications Act of 1996, the Commission established a set of principles designed to guide the transition from a monopoly industry structure to a competitive one. At that time, the Commission reaffirmed that its primary policy objective was to ensure quality telecommunications services at reasonable rates, and that, where feasible, competition was the best vehicle for achieving that goal. Further, the Commission determined that regulation should reflect market conditions and those telecommunications providers in like circumstances should be subject to similar regulations. These same principles would guide the Commission as it addressed the difficult and complex policy considerations now facing the industry and regulators.

SBC, AT&T MERGER

In September 2005, the New York State Public Service Commission approved the merger of SBC Communications Inc. (SBC) and AT&T Corporation (AT&T) and its subsidiaries that were certified to provide telecommunications services in New York State. The merger did not change the rates, terms or conditions of services currently provided in New York by either of the merging companies.

Based on the thorough review conducted by the Department of Public Service staff and the record compiled in this case, the Commission concluded that the merger would enhance the ability of SBC and AT&T to compete by better meeting customer needs in New York's increasingly competitive telecommunications market. AT&T and its subsidiaries currently serve approximately 375,000 facilities-based access lines in New York State. Given that subsidiaries of SBC provide service to approximately 3,700 access lines in New York State, the Commission concluded that the merger will not result in the loss of a significant competitor in New York. Instead, the Commission took the position that SBC's financial strength and experience in the local exchange business will strengthen one of the primary competitors in the New York market, and that the combined entity will be better positioned to deliver infrastructure investment, new services, and technologies that will benefit residential and business

"This merger between SBC and AT&T marks the convergence of two telecommunications companies with complementary strengths, product offerings, and customer bases," said Commission Chairman William M. Flynn. "More importantly, the merger represents a substantial investment in New York's dynamic, competitive market by a major telecommunications company with approximately $80 billion in market capitalization. This merger will enhance the ability of SBC and AT&T to compete in New York, and it should spur continued growth and technological innovation in an increasingly competitive telecommunications environment in New York."

customers. Further, with access to AT&T's customers, facilities, research capabilities, and national network, the combined entity would be a significant competitor on the national level.

VERIZON, MCI MERGER

In November 2005, the Commission approved the merger of Verizon Communications Inc. (Verizon) and MCI, Inc. (MCI) subject to certain conditions. In voting to approve the merger, the Commission noted that the resulting efficiencies would promote investment in the merging companies' networks and operations, the development and provision of better service products, and should improve the long-term financial viability of one of the state's largest employers.

The merger integrates a Regional Bell Operating company providing local exchange services with a traditional long distance provider. Under the terms of the merger, MCI would become a wholly-owned subsidiary of Verizon Communications Inc. The merger did not change the rates, terms or conditions of services offered in New York State by either of the merging companies or their subsidiaries.

To ensure that the pro-competitive commitments are fully implemented for the benefit of the New York market, the Commission approved the merger subject to various conditions relative to rates for unbundled network elements, provisioning of certain network elements and deployment of a stand-alone DSL service in Verizon's New York territory. Also, the Commission would continue to exercise its broad regulatory authority, and rely on a four-tiered approach to ensure acceptable levels of service quality that includes continued aggressive oversight of quarterly service quality performance; implementation of recommendations contained in the independent Service Quality Audit; other available regulatory actions, including hearings, investigations and service improvement plans; and, competitive choices available to custom-

"This merger takes place at a crucial juncture in the national telecommunications market as changes in technology are now providing consumers with a variety of choices from different providers," said Commission Chairman William M. Flynn. "The merger sets the stage for the combined Verizon/MCI entity to be a strong international telecommunications provider, headquartered in New York that can provide world-class services to the financial services industry which benefits our state's economy. The Commission finds that the merger would not result in anti-competitive effects for mass market customers, and that the conditions approved today – combined with the conditions previously approved by the Federal Communications Commission (FCC) and the United States Department of Justice (DOJ) – would protect against adverse impacts on consumers or New York's competitive telecommunications market."

ers. Verizon's incentive to maintain appropriate levels of service quality need not be driven by regulatory incentives because the market penalties for failure are much more severe. Consumers' ability to seek out competitive alternatives provides a strong incentive for the company to maintain and improve retail service quality.

ESTABLISHMENT OF FRAMEWORK FOR WIDESPREAD DEPLOYMENT OF BROADBAND OVER

Power Line (BPL) Technologies

The Commission initiated a proceeding in January 2006 to examine issues related to the deployment of broadband communications services over power lines (BPL). Specifically, the goals of the proceeding would be to identify and address key issues raised by BPL deployment and the potential use of BPL technology by regulated electric utilities.

Broadband services are currently available from traditional wireline and cable television providers, cellular service, Personal Communications Service (PCS), WiFi hotspots and satellite providers using radio technologies. Through its proceeding, the Commission would investigate the potential for more widespread use of BPL technology, identify the key regulatory issues posed by BPL, and begin to develop the appropriate regulatory framework for the efficient interface of monopoly transmission and distribution systems with competitive communications services.

In commencing the proceeding, the Commission reiterated its long-standing principles that competition is the most efficient way to ensure the provision of quality utility services at reasonable prices, and that the structural separation of certain assets and operations is the most effective way to prevent potential abuses that may arise when competitive operations are affiliated with regulated utility monopolies. The Commission had tentatively

"New York State already benefits from a robust telecommunications market where broadband services are accessible via different technologies to approximately 95% of its residents," said Commission Chairman William M. Flynn. "BPL technology has the potential to provide consumers with an additional option for broadband service. The economic deployment of BPL is clearly in the interest of New Yorkers; however, the Commission must provide sufficient safeguards for the operation of power systems and ensure that the electric customers are adequately compensated."

concluded that economically viable facilities-based BPL services -- offered by competitive providers -- would benefit New Yorkers. Therefore, consistent with the principles noted above, parties in this proceeding will be asked to explore the most effective means of granting unaffiliated BPL service providers appropriate access to electric system facilities at market based prices.

The Commission also recognized that various applications of BPL technology could -- over the long term -- benefit the electric utilities and their customers. Some potential benefits include improved transmission and distribution service quality and reliability, improved power quality, enhanced system monitoring, and better demand-side management opportunities as a result of instantaneous access to customers' metering telemetry. Parties in the proceeding were be asked to identify applications that could benefit electric utilities and their customers, and whether the communications capacity needed to provide such services might impact the provision of BPL-based communications service to customers.

RECOVERY MECHANISM FOR MAJOR SERVICE INTERRUPTIONS

In February 2006, Department of Public Service staff reported to the Commission the successful results of a recent trial demonstrating Local Number Portability as a valuable business and government continuity tool, particularly when combined with appropriate emergency planning. The New York Local Number Emergency Preparedness Trial confirmed the viability of using Local Number Portability, known as LNP, as a means to reroute telephone traffic during a catastrophic network failure.

In July 2003, the Commission initiated a proceeding to examine telephone network reliability and to consider actions to ensure continued network operation after a disaster. During a collaborative process, Time Warner Telecom agreed to work with NeuStar, the Local Number Portability Administrator for the Federal

Communications Commission, to develop and test an LNP-based emergency service recovery plan. LNP had been used on an ad hoc basis immediately following events of September 11, 2001.

On November 7, 2005, under the auspices of Department of Public Service staff, Time Warner Telecom and NeuStar conducted the New York Trial to verify the viability of using LNP to reroute telecommunications traffic in a simulated disaster. The trial involved the successful rerouting of numbers from a business location in Manhattan to another location and the reversal of the rerouting upon trial completion. The process developed for, and the lessons learned from, the New York Trial was actually used in the Gulf Coast states of Louisiana, Mississippi and Alabama in the aftermath of Hurricane Katrina. Based on the success of the New York Trial, it was expected that NeuStar will begin to offer this LNP application and its preplanning services to carriers nationwide and that Time Warner Telecom would begin to inform customers of the ability to establish specific pre-planning measures which will facilitate the rapid restoration of telecommunications service in the event of a major interruption.

COMMENDATIONS TO TELEPHONE COMPANIES FOR EXCELLENT SERVICE

In March 2006, the Commission announced that it would issue letters of commendation to 49 local telephone companies or telephone company operating divisions throughout the state for providing excellent service to customers in 2005.

The commendations for excellent service are based on telephone companies' performance in relation to service quality standards established by the Commission. The criteria to measure the condition of each company's infrastructure includes an evaluation of "customer trouble report rates" (CTRR) and the number of consumer complaints received by the Commission. When service in a particular office is found to be less than satisfactory, staff intervenes to achieve compliance with Commission standards.

The 49 companies or operating divisions on the attached list met the criteria for Commendation for Excellent Service in 2005.

Attachment 1

Year 2005 Commendations for Telephone Companies and/or Various Operating Divisions

Company	Threshold CTRR [1]	PSC Complaint Rate [2]	Incentive Plan [3]	Consecutive Year
ALLTEL (Fulton)	95%	0.02	N/A	Second
AT&T - ACC Corporation	100%	0.00	N/A	First
AT&T- AT&T Local Services	100%	0.00	N/A	Third
BridgeCom International	100%	0.00	N/A	First
Cablevision Lightpath	99%	0.00	N/A	Eighth
Cassadaga	100%	0.00	N/A	Thirteenth
Champlain	100%	0.00	N/A	Seventh
Chatauqua & Erie	100%	0.00	N/A	Fifteenth
Citizens of Hammond	100%	0.00	N/A	Tenth
Convergent Telesis	100%	0.00	N/A	First
Crown Point	100%	0.00	N/A	Thirteenth
Delhi	100%	0.00	N/A	First
Deposit	96%	0.00	N/A	Fourteenth
DFT Local Services	100%	0.00	N/A	First
Dunkirk & Fredonia	100%	0.00	N/A	Seventeenth
Fishers' Island	100%	0.00	N/A	Sixteenth
Frontier Communications of America	100%	0.00	N/A	Fourth
Frontier of New York (FCNY)	98%	0.06	N/A	First
Frontier of Rochester - Metro East	99%	0.06	Met	First
Frontier of Rochester - Metro West	99%	0.01	Met	Third
Frontier of Sylvan Lake	100%	0.00	N/A	Second
Germantown	100%	0.00	N/A	Seventeenth
Global Crossing Local Services	100%	0.00	N/A	Third
Hancock	100%	0.00	N/A	Seventeenth
Margaretville	100%	0.00	N/A	Seventeenth
Middleburgh	100%	0.00	N/A	Eleventh
Newport	100%	0.00	N/A	Seventh
Nicholville	100%	0.00	N/A	Seventh
Ogden	100%	0.00	N/A	Eighteenth
Oneida County	100%	0.00	N/A	Sixteenth
Ontario	100%	0.00	N/A	Second
Oriskany Falls	100%	0.00	N/A	Eighth
Pattersonville *	100%	0.00	N/A	Eighteenth
Paetec Communications	100%	0.01	N/A	First
Port Byron	100%	0.00	N/A	Sixth
RCN Telecom	100%	0.00	N/A	Seventh
State	100%	0.00	N/A	First
Taconic	95%	0.00	N/A	Second
Tech Valley Communications	100%	0.00	N/A	Second
TelCove Operations	100%	0.00	N/A	Third
Time Warner Telecom	100%	0.00	N/A	Fifth
Township	100%	0.00	N/A	Second
USLEC Communications	100%	0.00	N/A	First
Verizon - Bronx *	95%	0.03	Met	First
Verizon - Brooklyn *	98%	0.05	Met	First
Verizon - Manhattan South	99%	0.02	Met	Third
Verizon - Manhattan North	99%	0.03	Met	Second
Vernon	100%	0.00	N/A	Second
Warwick Valley	100%	0.05	N/A	Second

[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 requirements for CTRR and PSC complaints are either met, missed or are not applicable (N/A). Verizon is the only company that operated under an incentive plan and that was only for January and February 2005.

* Adjusted to eliminate the impact of unusual storm-related problems in October 2005.

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