

STATE OF NEW YORK

Public Service Commission

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INDEPENDENT MANAGEMENT AUDIT REPORT OF CON EDISON ACCEPTED — PSC Requires Company to File Plan, Implement Audit Report Recommendations —

Albany, NY—08/20/09—The New York State Public Service Commission (Commission) today accepted an independent Audit Report of Consolidated Edison Company of New York, Inc.'s (Con Edison) management and operation of its electric, natural gas, and steam services focusing on the company's construction program planning processes and operational efficiency. The Commission also decided to require Con Edison to file within 45 days, and begin to execute an Implementation Plan to fully address the findings and recommendations of the management and operations Audit Report.

The Audit Report contains more than 119 conclusions resulting in 92 recommendations. The Audit Report was made available on the Commission's Web site on August 7, 2009. The Commission will be seeking public comment on the Audit Report.

The Audit Report provides a summary of findings and recommendations as to Con Edison's: 1) corporate mission, objectives, goals and planning; 2) long-term load forecasting; 3) supply procurement; 4) long-term systems planning; 5) capital and operating and maintenance budgeting; 6) program and project planning and management; 7) workforce management; and 8) performance and results measurements.

Four key recommendations for improvement are made in the Audit Report:

- Con Edison needs to develop an integrated vision and plan for the electric system and link capital investment to economic or value-driven parameters;
- Con Edison needs heightened involvement of its Board of Trustees in the planning and budget process;
- Con Edison needs to develop a more holistic approach to cost management;

- Con Edison needs to become less reliant on the rate case to manage its business. The audit further explains that Con Edison and the Commission need to address cultural, regulatory, environmental and financial barriers to change in order to successfully implement the recommendations in the Audit Report.

The primary goal of the Audit Report was to identify opportunities to improve Con Edison's construction program planning processes and operational efficiency pursuant to Section 66 (19) of the Public Service Law. The approach of the audit was to examine existing functions, processes, systems, organizations, and staffing, as well as past performance, for the purpose of defining prospective changes that will improve future performance.

This forward-looking approach of the management and operations audit was intended to evaluate root causes of problems and to point the way for Con Edison to move to a more effective level of construction program planning and spending levels, consistent with its responsibility to provide safe, adequate and reliable service.

The required Implementation Plan will include outreach to interested parties for input in the development of the company's vision as it pertains to reliability and affordability issues. The company is also required to address in the Implementation Plan the extent to which implementation of recommendations in the Audit Report will help the company address issues related to the Commission's comprehensive investigative accounting examination of Con Edison. As part of the Plan, Con Edison is also required to provide written updates on progress in implementing the recommendations of the Audit Report, at least every four months and additional updates, as necessary.

Lastly, in order to demonstrate the nature and extent of the company's achievements under its Implementation Plan, Con Edison is required to file testimony and related documents in any rate proceedings filed on or after the date of the Commission's order accepting the Audit Report until the Plan is fully executed.

The Audit Report of Con Edison's management and operations, as well as other related proceeding documents may be obtained by visiting the Commission's Documents section of the

Commission's Web site at www.dps.state.ny.us and entering Case Number 08-M-0152 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Also, the Audit Report and Commission order accepting the report may be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).