

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223
Further Details: James Denn
james_denn@dps.state.ny.us | 518.474.7080
<http://www.dps.state.ny.us>

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PSC INVESTIGATES NATIONAL GRID'S AFFILIATE TRANSACTIONS — Comprehensive Investigation of Allocation of Costs to New York Operations —

Albany, NY—09/16/10—The New York State Public Service Commission (Commission) today initiated an investigation into National Grid's affiliate costs, policies and procedures. Ratepayers' interests will be protected during the pendency of the investigation. The investigation is a direct outgrowth of a December 2009 Management Audit Report and the testimony of the trial staff of the Department of Public Service's in the on-going National Grid electric rate proceeding.

The Commission today also directed its staff to provide a detailed scoping memorandum and provide a recommendation at the Commission's November meeting as to whether to re-engage the current consultant working on the Management Audit (Case 08-E-0827) or to issue a new request for proposals to investigate National Grid's allocation of affiliate costs. The investigation will focus on costs charged to Niagara Mohawk for service performed by affiliated companies and on the procedures used to allocate common expenses among the various National Grid companies.

The objectives of the Commission's investigation would be three-fold: first, to ensure that current and future customers of National Grid do not pay for costs the Commission deems inappropriate; second, to ascertain whether costs have been inappropriately allocated to Niagara Mohawk in the past and were capitalized or included in deferrals, thus setting the stage for future rate recovery from customers; and third, to ascertain whether changes that National Grid has already put in place and will put in place as a result of the investigation are adequate to mitigate future problems relative to affiliate issues.

The Commission today also noted that neither the on-going electric rate case (Case 10-E-0050) nor the management audit have yet concluded, and that initiation of an investigation into National Grid's affiliate cost transactions should not be seen as pre-judging any remedies available in the rate case to address this matter.

During the pendency of the investigation, the Commission has at its disposal a variety of remedies. The Commission's advisory staff today noted that those remedies are under consideration in the on-going electric rate case, in which interested parties may comment on proposals to protect ratepayers' interests.