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PSC Announces \$171 Million Settlement to Benefit Con Edison Customers — Utility Investigated by Commission After Employees Accepted Bribes and Kickbacks —

ALBANY — The New York State Public Service Commission (Commission) today announced that it adopted a settlement between the Department of Public Service and Consolidated Edison, the State's largest utility, that provides \$171 million of benefits to customers. With its decision, the Commission adopts the terms of a settlement between its staff, Con Edison, and other stakeholders following a detailed investigation initiated by the Commission into employee bribery and kickback schemes initially uncovered by the U.S. Attorney.

"The actions of those bad-acting employees led Con Edison to spend more money on construction projects than was necessary, to the detriment or at the expense of the customer," said Commission Chair Audrey Zibelman. "Our action today provides a clear-cut example of our role as a zealous watchdog and protector of the public's interest and it ensures Con Edison's customers are adequately compensated for the losses caused by the criminal activity of a few employees, as well other losses when the company fails to have an adequate system in place to manage and control costs."

On January 14, 2009, 10 Con Edison supervisors and employees and one retired supervisor were arrested by the U.S. Attorney for the Eastern District of New York for arranging to have the utility pay inflated claims by a contractor in return for more than \$1 million in bribes and kickbacks to the employees over a nine-year period ending in 2009. Con Edison was not aware the illegal activities.

In response to the arrests, the State's utility regulator launched an investigation that examined the utility's construction program expenditures during the time the illegal bribe and kickback schemes took place; in addition, Con Edison's internal controls related to its construction program were examined to determine if a lack of managerial oversight facilitated the fraudulent activities, and, if so, to determine the amount of any losses suffered by ratepayers due to such activity.

Under the terms of the settlement agreement, Con Edison will credit electric, gas, and steam customers a total of \$171 million in future rate plans. The total amount, representing past and avoided future financial harm to customers, includes \$123.8 million for electric customers, \$29.3 million for natural gas customers, and \$17.9 million for steam customers. The value for the typical residential electric customer is approximately \$13.50, and approximately \$21.77 for the typical residential gas-heating customer. There are no residential steam customers.

The Commission's staff investigation found that Con Edison failed to properly supervise employees who later were found to have solicited and accepted bribes from contractors and the investigation uncovered other examples of waste and abuse that led to the utility paying higher construction costs than necessary. In order to uncover these mistakes, Commission utility auditors and independent

forensic auditing experts examined voluminous financial records related to billions of dollars of construction activity that occurred over nearly a decade.

In reaching the settlement, Con Edison admitted no wrong doing, and the Commission agreed not make any findings warranting a penalty action against the company nor did it make any finding of fact. The agreement, signed by Department of Public Service staff, the Utility Intervention Unit of the New York State Department of State, Con Edison, and the New York Energy Consumers Council, Inc., settles the investigation, but the Commission reserved its right to investigate and act upon any new or different findings of misconduct, should any be discovered.

Con Edison, the largest utility in the State, has approximately 3.3 million electric customers, 1.1 million gas customers and 1,685 steam customers, who primarily own large commercial and institutional buildings.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers 09-M-0114 [Proceeding on Motion of the Commission to Examine the Prudence of Certain Capital Program and Operation and Maintenance Expenditures by Consolidated Edison Company of New York, Inc.] and 09-M-0243 [Comprehensive Investigative Accounting Examination of Consolidated Edison Company of New York, Inc.] in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.