

STATE OF NEW YORK

# Public Service Commission

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## **PSC MOVES AHEAD WITH AUDIT OF IBERDROLA**

— **Consultant Chosen to Perform In-Depth Management Review of Utility** —

Albany, NY—3/17/11— The New York State Public Service Commission (Commission) today selected a management consulting company to perform a comprehensive management audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric & Gas Corporation, and Rochester Gas & Electric Corporation. The audit will focus on the companies' construction program planning and operational efficiency.

“The auditing of a utility company’s management and processes is an essential tool in our regulatory tool kit,” said Chairman Garry Brown. “This management and operations audit will be thorough and it will focus on identifying improvements in these utilities’ construction program planning processes and operational efficiencies.”

Public Service Law provides for examinations of the management and operations of the major electric and gas utilities. The examination process will emphasize an assessment of Iberdrola’s New York operations efficiency and effectiveness in meeting its mission, goal and objectives, particularly with respect to performance goals and will identify any opportunities for improvement.

On December 16, 2010, the Commission authorized the issuance of a Request for Proposal (RFP) for an independent third-party consultant to conduct a comprehensive management and operations audit of Iberdrola and its New York affiliates, NYSEG and RG&E, focusing on the gas and electric businesses of the New York operating companies with a specific focus on construction program planning and operational efficiency.

Seven management consulting firms submitted proposals to be considered. These proposals were reviewed on the basis of: (1) qualifications and past experience of personnel to be assigned; (2) firm's expertise and/or experience; (3) presentation of approach, methods, evaluative criteria, project objectives and project management; (4) consultant's demonstrated understanding of the Commission's objectives, scope, issues and clarity of proposal; and (5) cost.

Upon review and evaluation, The Liberty Consulting Group of Quentín, Pennsylvania, was selected as the most-qualified consultant to conduct the audit. The total potential cost of the audit is approximately \$1.54 million, depending on the extent of the audit. The management consulting firm will report directly to Commission staff.

The corporate governance scope area is of particular significance in this audit because of distant ownership and the need to fully understand the resulting impact on New York ratepayers. RG&E and NYSEG are large utilities in their own right and yet they comprise a fairly small percentage of IBE's worldwide operations.

Although the consultant's focus will be on the construction program planning and operational efficiency of the New York State operating utilities, the issues related to corporate governance, distant ownership and affiliate transactions add more complexity than is typically seen in management audits in New York State. Furthermore to better ensure accountability both on the part of the consultant making the recommendations and the utility in implementing the recommendations, additional emphasis will be placed on developing cost benefit analyses.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case Number 10-M-0551 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).