

STATE OF NEW YORK

Public Service Commission

Garry A. Brown, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

09057/09-E-0450; 09-M-0456

STAFF REVIEWS UTILITY RELIABILITY, SERVICE QUALITY — Utilities' Performance In General Improved Last Year —

Albany, NY—06/18/09—The New York State Public Service Commission (Commission) today received reports from Staff of the Department of Public Service (Staff) assessing electric service reliability and customer service quality performance by utilities in New York State.

As reported to the Commission by Staff, statewide interruption frequency for 2008, excluding major storms, was considerably better than that recorded in 2007, while the statewide duration has remained consistent with recent years' performances. Regarding customer service, utilities met or exceeded performance on 46 of 49 measures.

“Reliability performance mechanisms and customer service quality incentive mechanisms have been in effect for many of the utilities for years,” said Commission Chairman Garry Brown. “These performance measurement systems link company earnings to company performance on specific measures of system reliability and/or customer service. These measurement systems are designed to promote performance-based incentive strategies for delivery of reliable electric service and a high level of customer service by electric and gas utilities in New York State.”

Reliability Performance

Staff's assessment of electric service reliability performance by utilities relies on two primary metrics to measure performance — the System Average Interruption Frequency Index (SAIFI or frequency) and the Customer Average Interruption Duration Index (CAIDI or duration). SAIFI is the average number of times that a customer is interrupted during a year.

CAIDI is the average interruption duration time for those customers that experience an interruption during the year.

Central Hudson Gas and Electric Corporation (Central Hudson), Niagara Mohawk Power Corporation d/b/a National Grid (National Grid) and Rochester Gas and Electric Corporation (RG&E) performed at, or better than their historic levels. Infrastructure improvements associated with National Grid's commitment to invest \$1.47 billion over a five year period appears to positively affect its reliability performance. Additionally, Central Hudson's revised tree trimming program seems to be helping in reducing tree caused interruptions.

In its company-specific findings, Staff reported that New York State Electric & Gas Corporation (NYSEG) decided to reduce its tree-trimming activities despite declining performance related to tree-caused interruptions. Staff will seek information and explanations concerning the company's decision and will review NYSEG's tree-trimming activities performed, spending variances, program management and quality assurance.

In 2008, Orange and Rockland Utilities, Inc.'s (O&R) performance was not as good as its 2007 performance for both frequency and duration of outages. Its frequency performance was still satisfactory; however, the company missed its duration target. The company attributes its change in duration to the installation of distribution automation; Staff is currently investigating the relationship between distribution automation and duration.

Consolidated Edison Company of New York, Inc. (Con Edison) performed satisfactorily on its radial (above-ground) system for both frequency and duration, and better than in the previous year with respect to its network (underground) frequency performance. Con Edison's performance in 2008 for network duration, however, was significantly worse than its historic performance. By September 15, Con Edison is to perform a self assessment and file a report to identify actions to improve its network outage duration performance.

Based on last year's Staff report, Con Edison is conducting several pilot programs this summer aimed at improving its duration performance. Con Edison has also formed a task force

to develop additional strategies to improve its duration performance. In order to evaluate the effectiveness of the company's strategies, and the results of pilot programs, Con Edison is required to file a report by September 15. Also, by September 15, the company is to perform a self assessment and to file a report to identify actions to improve its network outage duration performance.

In a related action, Staff reported on negative revenue adjustments of \$5 million for Con Edison's failure to achieve the outage duration target in its reliability performance mechanism for the network component of its distribution system, and approximately \$400,000 for O&R's failure to achieve the outage duration target in its reliability performance mechanism for 2008.

Customer Service Quality Performance

Staff today also presented to the Commission its report on customer service quality which examined utilities' performance on a wide range of measures of importance to customers, including complaint rates, customer satisfaction, service appointments kept and timeliness of telephone response.

Overall, the state's electric and gas utilities met or exceeded the standards for performance on 46 of the 49 measures of customer service established within each company's rate plan. However, some performance deficits occurred in three utility service territories that will result in utility revenue or earnings adjustments as prescribed under each company's incentive mechanism.

Failure to meet certain performance target levels by National Grid and O&R resulted in a reduction of earnings or revenue adjustment of \$512,500, and \$125,000, respectively. Also, NYSEG's electric revenues will be reduced by \$750,000 and its gas revenues lowered by \$124,999 for failing to meet certain customer service performance targets.

Staff's 2008 Electric Reliability Performance Report, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.state.ny.us and entering Case Numbers 09-E-0450 or 09-M-0456 in the input box

labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Staff's report may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).