

STATE OF NEW YORK

# Public Service Commission

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## **MANAGEMENT AUDIT REPORT ON NATIONAL GRID FINALIZED — Areas Needing Improvement Identified; Utility to Submit Implementation Plan —**

Albany, NY—12/16/09—The New York State Public Service Commission (Commission) today accepted an independent audit report regarding National Grid that included nearly four dozen recommendations as to how the company can improve the management and operation of its upstate electric services.

The 192-page audit report submitted by the independent auditor contained 179 separate findings and 44 specific recommendations on ways to improve the company's operations. The report focused on National Grid's corporate mission, objectives, goals and planning; load forecasting; supply procurement; system planning; capital and operating and maintenance budgeting; program and project planning and management; work management; and performance and results measurements.

Several areas in the report were identified for specific emphasis as improvement opportunities. The company worked collaboratively with the auditor to more fully explore improvement opportunities, including:

- Assessing and planning adequately for the company's future role in meeting customers' long-term energy supply needs and integrate supply planning into the company's business planning process.
- Correcting deficiencies in project cost estimating in both electric transmission and distribution operations.
- Implementing effective means to manage and control transmission and distribution levels of service and costs for services provided by shared and other support services (e.g., information technology, legal and human resources) within the company.

- Improving management of the company's field forces more effectively to determine the actual productivity of the company's in-house or contractor resources.

As the next step in the process, the Commission required National Grid to file within 45 days an implementation plan to fully address the findings and recommendations found in the report. National Grid has already begun implementing improvements to address the concerns.

The primary goal of the audit report was to identify opportunities to improve National Grid's construction program planning processes and operational efficiency for its upstate operations. 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 National Grid to move to a more effective level of construction program planning and spending levels for its upstate electric service, consistent with its responsibility to provide safe, adequate and reliable service.

The required implementation plan must be developed and filed with the Commission within 45 days of the release of the Commission's order in this matter. The plan will include an overall characterization of the relative priorities for each of the recommendations, implementation action steps, schedules with specific interim milestones, risk/cost/benefit analyses, and the designation of executive officer accountability. As part of the plan, National Grid 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.

The audit report of National Grid's management and operations of its upstate electric service, as well as other related proceeding documents may be obtained by visiting the Commission Document section of the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case Number 08-E-0827 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, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).