

STATE OF NEW YORK

# Public Service Commission

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10117/08-E-0827,08-M-0152,09-M-0764,  
10-M-0451,10-M-0551

## **AUDIT OF IBERDROLA'S NY UTILITIES GETS UNDERWAY**

— Issuance of Request for Proposals Approved —

Albany, NY—12/16/10—The New York State Public Service Commission (Commission) today approved the issuance of a Request for Proposals (RFP) in Case 10-M-0551, for an independent consultant to conduct a management audit of Iberdrola, USA's (IUSA) New York operating utilities — New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation — and certain aspects of IUSA and Iberdrola, S.A. (IBE) operations to evaluate the resulting impact on New York State ratepayers.

IBE has an international corporate structure that differs from most other electric and gas utilities in New York State. IBE's executive management, including the Board of Directors, is located in Spain. The corporate offices for IUSA are located in New Gloucester, Maine. The management audit will focus on IUSA's New York construction program processes and operational efficiency, and how the New York operations and ratepayers are impacted by decisions made outside of New York. A component of the management audit will also review whether sufficient accounting procedures and internal controls exist over affiliate transactions.

Under Section 66 (19) of the Public Service Law, the costs of the management audit of IUSA and certain aspects of IBE will be paid for by IUSA. However, the consultant will be selected by the Commission and will report to and be under the direction of Department of Public Service staff. A final report from the selected consultant is expected by May 2012. IUSA would have to petition the Commission for recovery of the costs associated with the management audit.

Ultimate recovery of the management audit costs will be subject to a later Commission determination.

Today, the Commission also received an oral report from staff concerning the overall status of the Commission's management audit program.

Staff reported that three utilities have been audited to date: Consolidated Edison Company of New York, Inc.'s electric, gas, and steam operations in Case 08-M-0152 was completed in 2009; National Grid's upstate electric operations audit in Case 08-E-0827 was completed in 2009; and Central Hudson Gas and Electric Corporation's electric and gas operations in Case 09-M-0764, for which the draft reports are currently being reviewed.

Staff further indicated that a request for proposals was recently issued for an affiliate transaction audit of National Grid in Case 10-M-0451.

Additional information concerning any of the above-referenced audits can be obtained by going to the Search section of the Commission's [www.dps.state.ny.us](http://www.dps.state.ny.us) Web site and entering the appropriate case number 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, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).