



NEW YORK STATE SENATOR

George D. Maziarz

Investigating National Grid's expenditures, rate hike case

GEORGE D. MAZIARZ October 19, 2010

| ISSUE: **ENERGY, TELECOMMUNICATIONS, UTILITIES**

| COMMITTEE: **ENERGY AND TELECOMMUNICATIONS**



Senator George Maziarz (R-C, Newfane), Chairman of the New York State Senate Energy and Telecommunications Committee, today announced that his committee held a successful hearing in Albany today to investigate reports of lavish expenditures and questionable accounting practices at National Grid, which is seeking approval from the Public Service Commission for a \$400 million rate hike.

“Given the high taxes and energy costs in this state, I believe that it is my obligation as Chairman to look into any matter that will make utility bills go up,” Senator Maziarz said in his opening remarks. “Our goal here is to gather information, and to protect ratepayers. We need to ascertain whether the issue of inappropriate executive expenses has in fact been fully addressed by the company, and the methodology used to determine the amount of this rate increase.

Testimony was provided by National Grid USA President Thomas King, Public Service Commission Chairman Garry Brown, Saul Rigberg on behalf of New York State Consumer Protection Board

Chairperson Mindy Bockstein, International Brotherhood of Electrical Workers Local 97 President Theodore Skerpon, and Robert Loughney of Couch White LLP on behalf of Multiple Intervenors.

King stated, concerning the expense irregularities initially charged to ratepayers, that “We made a mistake.

I have apologized publicly for that mistake, and I apologize again today to this Committee. He added, “I was aware that filing a rate case to increase delivery rates to a compensatory level would be especially difficult in the current financial climate which is placing stress on many customers Upstate. However, struggling through another year of inadequate returns was not a viable option, and would not have been in the best interest of either customers or investors.”

Brown admitted that his remarks needed to be somewhat circumspect as the rate case is pending before the Public Service Commission. He stated that the impact of weak internal controls at National Grid on higher than necessary utility bills “is a legitimate question that the investigation will examine for both electric and gas operations, both retrospectively and prospectively.”

Skerpon said that IBEW Local 97 includes 4,800 employees in Upstate New York and “as a whole, we support the National Grid rate case” and that the issue of accounting errors should “be separated from the need for rate adjustments in the National Grid Service territory.”

Bockstein, through a statement read by Consumer Protection Board Counsel to the Utility Intervenor Unit Saul Rigberg, decried “disturbing and shoddy accounting and expense account practices” at National Grid perpetuated by a “flawed corporate culture.” The Consumer Protection Board has proposed to reduce National Grid’s \$400 million rate case by \$118 million.

Loughney reported that the substantial rate case would “widen the competitive disadvantage” facing large consumers, and make it “more difficult for the State’s large industrial and commercial businesses to maintain operations within the State.” Multiple Intervenors is an association of large industrial, commercial, and institutional energy consumers with tens of thousands of employees across the state. Among other items uncovered by the Committee during the hearing is the Consumer Protection Board’s assertion that National Grid should allocate \$50-\$60 million for customer refunds to cover overcharges resulting from the company’s rate increase case. In National Grid’s testimony, the company revealed that they are reviewing at least \$6 million in costs from the rate case that may be attributable to “mathematical errors.”

Also, it was made clear that National Grid, the Public Service Commission, and the Federal Regulatory Commission are all having independent audits of National Grid’s financial practices conducted.

The hearing was streamed live on the internet for public viewing, and written remarks from witnesses are available on the webpage of the Senate Energy and Telecommunications Committee,

<http://www.nysenate.gov/committee/energy-and-telecommunications>.