October 29, 2012

VIA ELECTRONIC MAIL

secretary@dps.ny.gov

Honorable Jaclyn A. Brilling
Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, New York 12233-1350

Re: Case 10-M-0551 – Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric & Gas Corporation, and Rochester Gas and Electric Corporation

Case 12-M-0066 - Petition of New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law

Dear Secretary Brilling:

In accordance with the New York State Public Service Commission's "Order Directing the Submission of a Management Audit Implementation Plan and Establishing Further Procedures on Corporate Structure and Governance Issues" issued on August 28, 2012 in the above-referenced cases, attached is the Companies' Implementation Plan.

Respectfully submitted,

R. Scott Mahoney

Scott Mahoney
Vice President – General Counsel

Attached

Case 10-M-0551: Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation

Implementation Plan

October 29, 2012

IBERDROLA USA

Contents

Executive Summary

In accordance with the New York Public Service Commission (PSC) August 28, 2012 Order in Case 10-M-0551[1], Iberdrola USA and its affiliates (collectively the "Company") submit this Implementation Plan describing the Company's initiatives to act upon 62 audit recommendations made in the Final Audit Report[2]. The Company welcomes this opportunity to further improve its performance, consistent with the Company's culture of continuous improvement.

The bulk of this document consists of individual project plans developed to implement the audit recommendations. Included in these plans are the names of the responsible executives and project managers, project scopes, priorities, costs, savings, benefits, risks, and schedule of milestones, as well as the current status of each project and progress achieved to date.

The Company started most of these projects prior to completion of this Implementation Plan. With the exception of one or two projects that pre-dated the audit, the Company either anticipated the audit findings based on discussions with the auditors during interviews, or decided to proceed based on information in the preliminary Cost Benefit Analyses[3] or Draft Audit Report[4]. In fact, 10 projects have already been identified internally as complete and are ready for PSC Staff confirmation, as noted in Appendix A. Based on currently available information, all projects are expected to be internally complete by mid-2014, although in some cases, the final project completion dates cannot be determined until earlier phases of the project are complete.

This Implementation Plan will be updated every four months until all the projects are finished.

[1] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, Order Directing the Submission of a Management Audit Implementation Plan and Establishing Further Procedures on Corporate Structure and Governance Issues (issued August 28, 2012) ("Management Audit Order").

[2] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, Final Report Management Audit of Iberdrola S.A., Iberdrola USA, New York State Electric and Gas, and Rochester Gas and Electric by The Liberty Consulting Group (dated June 4, 2012 and made publicly available August 27, 2012) ("Final Audit Report").

[3] Final Audit Report Volume II.

[4] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, Untitled by the Liberty Consulting Group (dated April 17, 2012) ("Draft Audit Report").

Introduction

Background

The Commission approved the selection of The Liberty Consulting Group ("Liberty") to conduct a management audit of the Company on March 17, 2011. During the remainder of the year, Liberty issued nearly 1,200 document requests and conducted over 275 interviews of key Company personnel. For the first time in a New York utility management audit, a formal Cost Benefit Analysis ("CBA") [5] process was introduced and conducted by Liberty, with Company and Staff participation.

The Company responded promptly to the many data and interview requests, and was pleased to participate on the CBA Recommendation Review Committee with Liberty and Department of Public Service Staff ("Staff"), to review draft recommendations and identify and potentially improve recommendations that could produce customer benefits. The Company also appreciated the opportunity to provide comments on the Draft Audit Report.

The Final Audit Report was released in two volumes dated June 4, 2012. Volume I contains the findings, conclusions, and recommendations of the audit, and Volume II contains Liberty's CBAs for every recommendation. The Company provided written comments on the Final Audit Report on June 18, 2012 ("Company Comments"). Those comments were attached to the Management Audit Order as Appendix B.

In the Management Audit Order, the Commission directed the Company to address the 75 recommendations in the Final Audit Report in two proceedings. As shown in the table below, 13 recommendations related to corporate structure and governance are being addressed in Case 12-M-0066 in association with a petition for reorganization[6]. The remaining 62 recommendations are addressed in this Plan, in Case 10-M-0551.

[5] This Cost Benefit Analysis process has been superseded for future audits by a Customer Benefit Analysis, in recognition of the importance to the customer of all the benefits due to the audit recommendations (including those benefits that cannot be quantified) and also of the challenges faced by Liberty in accurately quantifying potential dollar savings from individual audit recommendations. Final Audit Report Volume II at 2-3.

[6] Case 12-M-0066, Petition of New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law, Supplement to Petition of New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law, filed September 27, 2012 ("Petition Supplement").

Final Audit Report Chapter	Case 12-M-0066 (Petition Supplement)	Case 10-M-0551 (Implementation Plan)
1. Executive Summary	None	None
2. Corporate Structure and Governance	Recommendations 2.1-2.7	None
3. Affiliate Transactions	None	Recommendations 3.1-3.5
4. Load Forecasting	None	Recommendations 4.1-4.6
5. Wholesale Market Issues	None	Recommendations 5.1-5.2
6. System Planning – Electric	None	Recommendations 6.1-6.6
7. System Planning – Gas	None	Recommendation 7.1
8. Supply Procurement – Electric	None	Recommendations 8.1-8.6
9. Supply Procurement – Gas	None	Recommendations 9.1-9.4
10. Budgeting	Recommendation 10.3	Recommendations 10.1-10.2
11. Program and Project Planning and Management – Electric	None	Recommendations 11.1-11.9
12. Program and Project Planning and Management – Gas	None	Recommendations 12.1-12.3
13. Work Management	None	Recommendations 13.1-13.12
14. Plans, Controls, Performance Management, and Compensation	Recommendations 14.2, 14.4, 14.5, 14.8, 14.9	Recommendations 14.1, 14.3, 14.6, 14.7, 14.10, 14.11

Implementation Plan Process

The Management Audit Order directed the Company to develop and file an Implementation Plan within 60 days of the issuance of the Order (that is, by October 29), and to begin meeting with Staff within 20 days after the issuance of the Order (that is, by September 17) to discuss the development of the Implementation Plan.[7] The Company and Staff met on September 5 and October 5 to discuss the development of the Implementation Plan, the Company's projects to carry out the recommendations, future updates to the Implementation Plan, and the process that will be used to inform Staff of ongoing progress and to enable Staff to confirm completion of each recommendation to the Commission.

The Commission emphasized in the Management Audit Order the need for flexibility and cooperation between Staff and the Company, and the specific importance of a spirit of cooperation.[8] The Company agrees that such flexibility and cooperation are essential to the effective outcome of the audit, and fully supports these priorities. The Company and Staff have worked well together throughout the management audit process, and the Company looks forward to continuing and strengthening that relationship.

This Implementation Plan will be formally updated every four months following its initial submittal. The updates are expected to be completed each February, June, and October, until the projects to implement each recommendation have been internally determined to be complete. After internal completion of each project/recommendation, Staff will conduct a confirmation review on behalf of the

[7] Management Audit Order at 24 and 25.

[8] *Id.* At 22-23.

Commission. The Company will work diligently with Staff to respond to any questions and resolve any issues identified during that confirmation review.

As of October 29, 2012, the Company has identified that projects associated with 10 recommendations are complete, as shown in Appendix A and on the individual project plans.

Implementation Organization

Responsibility for implementation of the management audit recommendations begins at the highest level – the Iberdrola USA Board of Directors ("IUSA BOD") – and cascades to individual managers, supervisors, and employees.

The IUSA BOD has received regular management audit updates and presentations to discuss at every Board meeting since the audit began, and will continue to do so during the implementation stage.

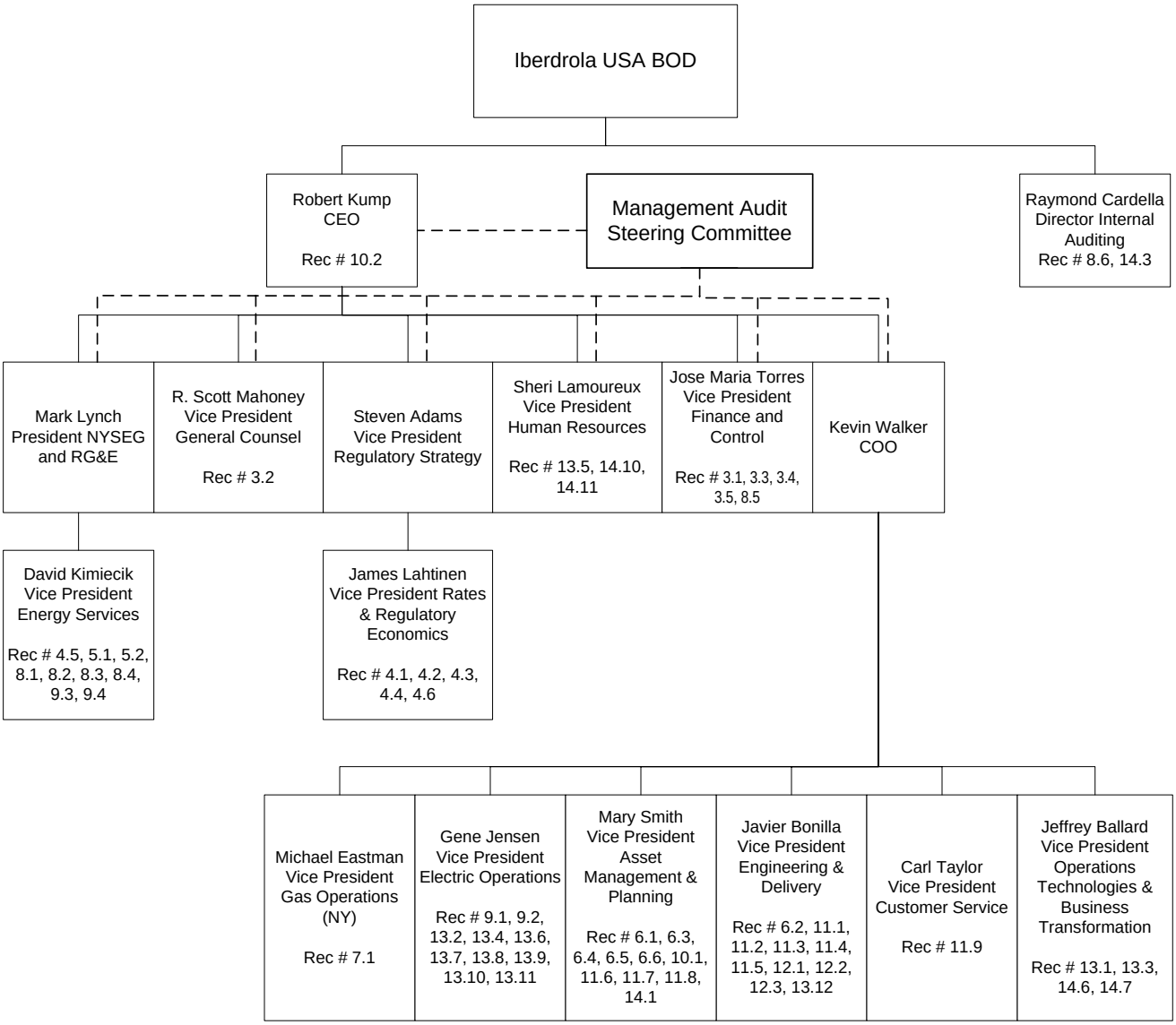
Within the Company, an executive level Steering Committee has overseen the preparation for the audit and the audit itself since 2010. The members of the Steering Committee are identified below. During the implementation stage, the Steering Committee will continue to monitor the progress and results of the audit, and is specifically accountable (with Internal Audit) for verifying completion of each individual project.

Steering Committee
Mark Lynch (Chair), NYSEG/RGE President
Steve Adams, IUSA VP – Regulatory Strategy
Ray Cardella, IUSA Director – Internal Audit
Rafael Gil Nievas, Iberdrola Corporate Services
Bob Kump, IUSA – CEO
Sheri Lamoureux, IUSA VP – Human Resources
R. Scott Mahoney, IUSA VP – General Counsel
Joe Syta, NYSEG/RGE VP – Controller & Treasurer
Jose Maria Torres, IUSA VP – Finance & Control
Kevin Walker, IUSA – COO

Joe Syta remains the senior officer designated to work with Staff to coordinate the Company's participation in the management audit, and Linda Saalman remains the project manager designated to work with Staff on a day-to-day basis.[9] They are ably supported by a team responsible for coordinating project planning, development, implementation, and closure; monitoring the individual projects; working with project managers to resolve issues and address questions, particularly those that apply to multiple projects; developing and maintaining a website for Company and Staff use; and producing documents such as this Plan.

[9] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, letter from Secretary Jaclyn A. Brilling to Robert D. Kump (dated December 16, 2010).

Projects to implement the individual recommendations have been assigned to specific Executive Champions based on their functional area responsibilities. This will ensure that the final project deliverables will be operationally effective, and ensure that the projects are designed to appropriately balance their potential benefits with the associated costs to achieve those benefits. The organization chart below identifies those assignments, and the relationship of the Executive Champions to the IUSA BOD and Steering Committee.



Each individual project will be the responsibility of one or more specific project managers or team leads. The Executive Champions and Project Managers/Team Leads are identified in each project plan, and are listed in Appendix B.

Adopted, Modified, and Rejected Recommendations

The Company has reviewed and evaluated each recommendation in the Final Audit Report and the associated findings and conclusions.

The Company intends to implement 43 of the 62 recommendations without material modifications.

The Company intends to implement 16 of the recommendations with modifications. In some cases, these modifications involve conducting a more in-depth study before making a final decision concerning the business changes Liberty recommended. Such projects will be conducted in two phases: the study will be conducted in Phase I, and changes to the business, if warranted, will take place in Phase II. Other modifications to Liberty's recommendations are designed to reduce the cost of implementation, strengthen benefits, manage risks, or shift work from one recommendation project to another to facilitate effective completion.

Finally, throughout the CBA process and in the Company Comments[10], the Company expressed its concerns with three electric energy supply recommendations which the Company rejects as inappropriate, contrary to Commission directives, and unlikely to be effective:[11]

- Recommendation 8.1: Analyze optimum electric portfolio
- Recommendation 8.2: Issue electric energy RFPs
- Recommendation 8.3: Issue electric capacity RFPs.

The Commission has described the savings estimated by Liberty that are associated with these specific recommendations as "unrealistic", "not of high quality", "lacked support", and "not based on any factual analysis".[12] The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.

Project Start Dates, Priorities, Costs, and Benefits

The Management Audit Order requires the Company to "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 a designation of executive officer accountability."[13] All this information is provided in the individual project plans. This section explains and clarifies the start dates, priorities, costs, and benefits in those plans.

Start Dates

As noted in Appendix A, almost all projects began before this Implementation Plan was filed. Some projects started before the Final Audit Report was issued.

[10] Management Audit Order, Appendix B at 3.

[11] The Commission ordered the Company to confer with Staff regarding recommendations that the Company feels "are inappropriate, contrary to Commission directives, or not cost-effective". Management Audit Order at 21-22, 23 and 25. The Company shared with Staff the intended rejection of these recommendations as part of the October 5, 2012 meeting between Company and Staff.

[12] *Id* at 16 and 19-20.

[13] *Id* at 24.

Projects typically started prior to June 2012 either because the work was already underway for business reasons prior to the Liberty recommendation, or because the Company chose to begin the project based on information provided in the CBAs or Draft Audit Report. In both cases, the Company chose to identify the actual start dates in the Implementation Plan for purposes of record accuracy. The Company understands that beginning project implementation earlier than required created a scenario that information in the Final Audit Report, or consultations with Staff prior to filing the Implementation Plan, could result in scope, schedule, or cost changes, and chose to proceed for the sake of prompt delivery of the audit benefits.

Priorities

Each project has been classified as high, medium, or low priority.

After considering various scales for prioritization, the Company concluded that a simple formulaic approach to prioritization would not produce robust results. The Company therefore chose to use its expert judgment to prioritize each project, taking into account such factors as:

- Anticipated opportunity for benefits
- Regulatory or internal commitments
- Consistency with application of best practices
- Ease of implementation
- Consistency with New York State and Commission goals, policies, and objectives.

Costs

To help the reader understand the costs in the individual project plans, the Company points out:

- Liberty sometimes included and sometimes excluded existing internal labor from their cost estimates in the Final Audit Report. Because the salaries and benefits of existing employees are already included in rates, the Company has concluded that adding them to the cost of audit implementation would be duplicative. Therefore, existing internal labor costs are not included in the Company's project cost estimates.
- The costs identified in the project plans are estimates, and subject to change.
- Some costs cannot be estimated at this time, and are identified as "TBD". This is particularly true for the Phase II costs to act on the results of Phase I studies or pilots.

The Commission expressed concern in the Management Audit Order with the costs of two recommendations. First, they flagged the "sizable costs" of a holistic cost management program (Recommendation 13.1), particularly given that the benefits were not well-defined.[14] The cost of that project is much lower than the costs included in the Final Audit Report, which should mitigate that concern. Second, the Commission pointed out the "large up-front cost" of moving NYSEG to a five year, full cycle vegetation management program (Recommendation 11.7). The Company agrees that the costs and benefits of this program should "be treated as starting points for further examination".[15]

[14] Management Audit Order at 20.

[15] *Id* at 20-21.

Business Improvements, Benefits, and Savings

As the Commission said, "[t]he primary goal of the audit was to identify opportunities to improve NYSEG and RG&E's…construction program planning processes and operational efficiencies."[16] The Company welcomes this opportunity to further improve its performance, consistent with the Company's culture of continuous improvement. Holistic cost management (Recommendation 13.1) is a particularly good example of a management audit recommendation that will enhance that culture, and add a new dimension to the Company's change management efforts.

The Company believes that the overall benefits of the adopted and modified projects will, in general, be equal to or exceed their costs. This is based primarily on a current judgmental comparison of non-quantified benefits, quantified costs, and high-level consideration of internal resource requirements. In the case of studies and pilots, it also takes into account the implicit value of having the study or pilot results to inform future decision-making, with an awareness that additional future benefits may be great, small, or not occur.

The non-quantified benefits are summarized in the individual project plans.

Cost savings are a subset of benefits. Much as the Company supports the CBA process and found it valuable, it agrees with the Commission position on quantified savings that:

> For some recommendations, it is difficult to identify firm dollar values, since the quantifications are based on professional judgment and a projection of improvement opportunities unique to that utility. Other recommendations do not lend themselves to CBA, inasmuch as these other recommendations focus more on good management practices, which are less tangible, and cannot always be measured or quantified.[17]

The project plans also specifically address cost savings. One project (Recommendation 11.2: Improve project management functions in SAP) currently has estimated (primarily capital) cost savings. All other projects have savings classified as "TBD", "not quantifiable", or "none".

Projects with "TBD" savings may produce quantifiable savings. Those savings are expected to be estimated before project completion.

Projects with "not quantifiable" cost savings produce savings that are diffuse and relatively intangible. This means that it is impossible or impractical to identify specific costs that will be reduced by a specific amount due to the project. In other cases, the savings from these projects cannot be practically or reliably separated from the savings produced by other projects or initiatives underway at the Company. The process and cultural changes produced by holistic cost management, for example, will help focus the Company on creatively controlling costs generally. This cultural and process change can be expected to help other initiatives be more sensitive to cost, and arrive at more cost-effective solutions. It is not expected to produce direct cost savings in isolation from other projects.

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[16] *id* at 2.

[17] *Id* at 15.

Projects whose savings are classified as “none” are justified based on their non-savings benefits and typically fall into the category of good management practices. No calculable cost savings are expected to be produced by these projects.

Non-audit business improvement projects may also enhance the effectiveness of the management audit recommendations.

Liberty described the Company’s Business Transformation (“BT”) process and summarized its achievements through 2010 in the Final Audit Report.[18] BT initiatives carried out in 2011 included, for example, New York meter read route optimization, increased fleet availability through improvements in preventative maintenance and demand repair practices, self-serve kiosks in walk-in offices, and a Success with 6S (Sort, Set in Order, Shine, Standardize, Sustain and Safety/Security) campaign to organize the workplace that resulted in 103 projects with 867 employees opting to participate across IUSA. Among the 2012 projects are employee mobilization for storm recovery response and emergency events, purchase requisition efficiencies, and enhancements to the New York public website.

The SAP back-office system supporting NYSEG and RG&E was implemented in 2004. Given the substantial investments to be made in the electric and gas infrastructure in the Company’s service territories, as well as the opportunity to potentially take advantage of global information systems infrastructures, the Company may also undertake an SAP renewal project, which would be included in its next Five Year Capital expenditure filing. The management audit implementation effort may be enhanced as certain projects may benefit from a renewed SAP.

[18] Final Audit Report Volume I at XIV-28.

Project Plans

Chapter III – Affiliate transactions

3.1: Change transaction identification

Recommendation

Project Title	Change transaction identification
Recommendation Number	3.1
Conclusion Number(s)	Ch III, #2
Recommendation	Change the identification of transactions as convenience payments to distinguish pass-through payments from expenses incurred in providing inter-affiliate services.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Change the identification of transactions on the invoices to distinguish pass-through payments (commonly referred to as to convenience payments) from expenses incurred in providing inter-affiliate services.

Description of Scope and Plan

Develop a process for transactions that are pass-through payments (commonly referred to as to convenience payments) vs. expenses incurred in providing inter-affiliate services. Design invoices to clarify the types of charges being billed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2012	07/2012	07/2012	Completed
Develop a report/process to identify transactions in the affiliate AR account as pass-thru vs. services provided by one affiliate to another	10/2012	11/2012		On Schedule
Redesign invoices to better clarify the types of charges being billed	11/2012	12/2012		Awaiting Start
Invoice using the new redesigned invoices	01/2013	01/2013		Awaiting Start
Verify project completion	02/2013	02/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Clarification of transactions in inter-affiliate invoices
Risks	Lack of clarification may delay payment approval

Changes, Progress, Findings

Development of the report/process is underway.

3.2: Update service agreements

Recommendation

Project Title	Update service agreements
Recommendation Number	3.2
Conclusion Number(s)	Ch III, #6, 11
Recommendation	Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	R. Scott Mahoney	VP – General Counsel
Project Manager/ Team Lead	R. Scott Mahoney	VP – General Counsel
Project Manager/ Team Lead	Bob Fitzgerald	Assistant Controller

Brief Project Overview

Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions.

Description of Scope and Plan

Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions to correct for current corporate structure.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	06/2012	06/2012	06/2012	Completed
Draft and complete updates	06/2012	12/2012		On Schedule
Verify project completion	01/2013	01/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Elimination of obsolete language
Risks	If the project is not completed, the inter-affiliate agreements will not reflect the current practice for affiliate transactions and the current corporate structure.

Changes, Progress, Findings

Sections in the service agreements to be updated have been identified. Service agreements will be updated in December.

3.3: Ensure service agreements among all utilities

Recommendation

Project Title	Ensure service agreements among all utilities
Recommendation Number	3.3
Conclusion Number(s)	Ch III, #7, 12
Recommendation	Tighten the controls that should prevent inter-affiliate billing without a service agreement.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Ensure Service Agreements among all utilities.

Description of Scope and Plan

Have Service Agreements created each year for each OpCo to all other OpCos regardless of history of activity or future budgets. Formalize procedure to ensure annual review of agreements.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2011	01/2011	01/2011	Completed
Create Service Agreements	01/2011	01/2011	04/2011	Completed
Develop formal procedure	10/2012	11/2012		On Schedule
Verify project completion	12/2012	12/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Eliminate inter-affiliate billing without service agreements
Risks	Lack of a formal procedure to ensure Service Agreements are confirmed exposes the Company to future inter-affiliate billing without such an Agreement

Changes, Progress, Findings

Service Agreements have been completed among all the OpCos. Procedure is being drafted.

3.4: Improve timeliness of inter-affiliate payments

Recommendation

Project Title	Improve timeliness of inter-affiliate payments
Recommendation Number	3.4
Conclusion Number(s)	Ch III, #9
Recommendation	Improve the timeliness of inter-affiliate bill payments.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Improve timeliness of fees associated with inter-affiliate payments

Description of Scope and Plan

To review the payment process, interview appropriate people and discuss payment terms and fees. Develop a process for monitoring the affiliate payments which would involve communications and follow-up discussions of the status of payment, and of any issues to be resolved before payment can be made, as well as logging of invoice payments.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	07/2012	07/2012	07/2012	Completed
Evaluate impact of changing payment terms	10/2012	11/2012		On Schedule
Develop standard communication process	10/2012	11/2012		On Schedule
Implement new communication process	01/2013	01/2013		Awaiting Start
Verify project completion	02/2013	02/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improve timeliness of payments/application of fees where appropriate
Risks	Timeliness of payments/application of fees would continue at the current level if this effort is not completed.

Changes, Progress, Findings

Evaluation of the impact of changing payment terms and the development of standard communications protocol has begun.

3.5: Encourage cost-causative charging

Recommendation

Project Title	Encourage cost-causative charging
Recommendation Number	3.5
Conclusion Number(s)	Ch III, #12,13,14, 19
Recommendation	Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.

Description of Scope and Plan

Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	11/2012	11/2012		Awaiting Start
Develop and test policy documents and employee training for time reporting	11/2012	02/2012		Awaiting Start
Train employees	03/2013	04/2013		Awaiting Start
Verify project completion	05/2013	05/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Reinforce importance and encourage appropriate cost-causative charging, including direct charging
Risks	Cost-causative and direct charging likely to remain at current levels without policy documents and training

Changes, Progress, Findings

Chapter IV – Load Forecasting – Electric and Gas

4.1: Evaluate forecasting software

Recommendation

Project Title	Evaluate forecasting software
Recommendation Number	4.1
Conclusion Number(s)	Ch IV, #1, 5
Recommendation	Assign responsibility to the Rates and Regulatory Economics group for the supervision and coordination of electric energy and peak load forecasting
Adopted, Modified, or Rejected	Modified: Coordination and oversight of electric energy and peak load forecasting will be included in the charter for the Load Forecasting Oversight Committee (Recommendation 4.6). This project will focus on the software-related portion of Recommendation 4.1.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

MetrixND software will be evaluated by System Planning.

Description of Scope and Plan

In Phase I, the MetrixND software will be evaluated by System Planning and results of evaluation submitted to Load Forecasting Oversight Committee. If appropriate, the transition to this software will be carried out in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	06/2012	06/2012	06/2012	Completed
Evaluate use of MetrixND and document results	06/2012	12/2012		On Schedule
Present results to Load Forecast Oversight Committee	12/2012	03/2013		Awaiting Start
Verify Phase I completion	03/2013	03/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Potential linkage between forecasting processes—standardizing forecasting software between Rates & Regulatory and System Planning
Risks	If this project is not completed or if the result of the Phase I study recommends against acquiring MetrixND, then existing tools will continue to be used.

Changes, Progress, Findings

The Company is documenting the results of the MetrixND evaluation.

4.2: Enhance electric and gas forecasting with scenario analysis

Recommendation

Project Title	Enhance electric and gas forecasting with scenario analysis
Recommendation Number	4.2
Conclusion Number(s)	Ch IV, #1,2,3,4, 6
Recommendation	Enhance the intermediate and long-term energy and load forecasting methods.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Dave Houlihan	Lead Analyst – Sales and Load Forecasting
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

Perform a pilot project to incorporate alternative growth scenarios into the gas and electric forecasts and assess usefulness of alternative growth scenarios to forecast recipients.

Description of Scope and Plan

The Company will conduct a pilot in which multiple forecasts will be run using three growth scenarios provided by Moody's: one base case, one high case and one low case. Energy efficiency impacts will also be examined at in the pilot. The usefulness of these forecasts to other departments (e.g., Supply, System Planning, and Accounting) will be assessed to determine how and to what end these forecasts will be incorporated into their respective planning functions. This assessment will take into consideration the results of the pilot study to be conducted in response to Recommendation 6.1.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	09/2012	09/2012	09/2012	Completed
Build high/low scenario forecast model driver files for test case	09/2012	10/2012	10/2012	Completed
Run forecast models using high/low scenario driver files for test case	10/2012	12/2012		On Schedule
Create new forecast delivery file displaying base/high/low scenario forecasts for test case	01/2013	02/2013		Awaiting Start
Distribute new forecast scenarios to recipients and obtain feedback on usefulness and determine value	03/2013	10/2013		Awaiting Start
Prepare and approve final report	11/2013	11/2013		Awaiting Start
Verify project completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More robust intermediate and long-term planning
Risks	If this project is not completed or if it is determined that there is insufficient value in adopting the methodology used for the pilot, then the intermediate and long-term planning may revert to current practice.

Changes, Progress, Findings

The model driver files have been developed and the forecast model has been run for RG&E electric as the test business case. A delivery file for that case is being created.

4.3: Enhance forecasting capabilities

Recommendation

Project Title	Enhance forecasting capabilities
Recommendation Number	4.3
Conclusion Number(s)	Ch IV, #1,4, 6
Recommendation	Enhance the economic and forecasting capabilities and competencies.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

The Company will conduct a study to evaluate the load forecasting resource needs.

Description of Scope and Plan

In Phase I, short-term training improvements will be identified and a longer-term model will be developed to evaluate load forecasting staff levels. From this model a group of scenarios will be developed and analyzed. Finally, a load forecasting resource plan will be developed and submitted for approval. Phase II will be the implementation of the approved resource plan developed in Phase I, if warranted.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	10/2012	10/2012	10/2012	Completed
Conduct initial assessment and develop model	10/2012	12/2012		On Schedule
Identify and begin to carry out short-term training improvements	10/2012	12/2012		On Schedule
Develop and analyze list of possible scenarios	11/2012	02/2013		Awaiting Start
Build and approve resource plan	02/2013	02/2013		Awaiting Start
Verify Phase I completion	03/2013	03/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $10K Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More robust forecasting
Risks	If this project is not completed, staffing may remain at current levels.

Changes, Progress, Findings

Short-term training improvements have begun; two forecasters will attend the ITRON Users Group annual meeting in November.

A Lead Analyst – Sales and Forecasting has been added to the group responsible for intermediate and long-term forecasting, and will focus on gas forecasting.

Development of the staffing model has begun.

4.4: Obtain customer usage information

Recommendation

Project Title	Obtain customer usage information
Recommendation Number	4.4
Conclusion Number(s)	Ch IV, #1,6
Recommendation	Perform a comprehensive electric load research program.
Adopted, Modified, or Rejected	Modified: Cost estimates to implement original load research recommendation would be approximately $450K per OpCo. Modified proposal provides similar information at a cost of approximately $50K total for both OpCos.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Kirk McAllister	Manager – Electric Supplier Services

Brief Project Overview

Update electric customer load shapes for both NYSEG and RG&E to be used for customer billing, rate design, and NYISO energy and capacity reporting.

Description of Scope and Plan

Work with consultant to produce, validate, and test service class 8760-hour load profiles for residential, small, and medium general service customers. Adjust these profiles for NYSEG and RG&E customer populations, system load and weather. For the larger customer classes where interval data exists, NYSEG and RG&E will use the actual data to develop class load shapes. Confirm that the load profiles can be accommodated within the billing system.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	02/2012	02/2012	02/2012	Completed
Procure services	02/2012	04/2012	04/2012	Completed
Develop new load profiles	05/2012	08/2012	08/2012	Completed
Produce large C&I load shapes	05/2012	07/2012	06/2012	Completed
Deliver new load profiles	08/2012	08/2012	08/2012	Completed
Validate new load profiles	08/2012	09/2012	09/2012	Completed
Confirm that the billing system can accommodate new profiles	09/2012	09/2012	09/2012	Completed
Verify project completion	10/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$42K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• More accurate identification of unaccounted for energy (UFE) by adjusting the shape to reflect a higher load factor on the weekend and lower for weekday. • Increase accuracy in load reporting (energy and capacity) to NYISO. • Regulatory Relations • Public (ESCO) relations
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Updated weather-normalized customer load shapes were delivered, validated, tested, and accepted for both NYSEG & RG&E. Documentation for the development of the customer load shapes was produced.

4.5: Improve day-ahead electric forecasting

Recommendation

Project Title	Improve day-ahead electric forecasting
Recommendation Number	4.5
Conclusion Number(s)	Ch IV, #1, 6
Recommendation	Assess alternative forecasting methods.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Dan Rider	Supervisor – Electric Supply

Brief Project Overview

Evaluate whether the current short-term (day ahead) forecasting methodology is a best practice.

Description of Scope and Plan

Research day ahead load forecasting methods used by others (including Central Maine Power) and compare to other in-house tools

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	04/2012	04/2012	04/2012	Completed
Compare Company forecast accuracy with industry data and document results	04/2012	11/2012		On Schedule
Compare ANNSTLF and MetrixND accuracy and document results	05/2012	11/2012		On Schedule
Verify project completion	11/2012	11/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Current model benchmarked and potential improvements identified.
Risks	Current model would continue to be used.

Changes, Progress, Findings

Central Maine Power does not do any load forecasting.

A comparison of AANSTLF, an EPRI model, and MetrixND, an Itron model, is underway. Both software packages are neural networks. The comparison of available industry forecast accuracy data with Company forecast accuracy data is also underway.

4.6: Create executive forecasting committee

Recommendation

Project Title	Create executive forecasting committee
Recommendation Number	4.6
Conclusion Number(s)	Ch IV, #5
Recommendation	Designate an oversight committee to address the management and organization issues.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

Create a committee, which would include senior managers and officers, to oversee improvements to the forecasting process, address forecasting deficiencies, and review and approve future forecasts.

Description of Scope and Plan

The Company will create a formal Load Forecasting Oversight Committee to oversee all forecasting. A charter will be drafted to establish this committee and outline its oversight responsibility. Intermediate forecasting (3-5 years) used for budget planning and rate cases is performed by Rates and Regulatory Economic Department. Long-Term peak forecasting (electric, 10 years) used primarily to address reliability concerns, is handled by the System Planning Department. These forecasts, including the System Planning bi-annual seasonal peak forecasts, by node, will be reviewed by the Load Forecast Oversight Committee.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	10/2012	10/2012	10/2012	Completed
Establish Charter	10/2012	12/2012		On Schedule
Verify project completion	12/2012	12/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved oversight of forecasting processes and output Better communication and coordination among forecasting organizations
Risks	The current levels of oversight and communications/coordination will continue to function as they currently do if this project is not completed.

Changes, Progress, Findings

Drafting the charter has begun.

Chapter V – Wholesale Market Issues

5.1: Prepare electric wholesale market plan

Recommendation

Project Title	Prepare electric wholesale market plan
Recommendation Number	5.1
Conclusion Number(s)	Ch V, #3
Recommendation	The Companies should prepare a strategic assessment focused on wholesale market goals and objectives.
Adopted, Modified, or Rejected	Adopt
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Patti Caletka	Manager – Programs/Projects

Brief Project Overview

Establish a framework under which NYSEG and RG&E will leverage its existing planning and wholesale electric market expertise in a formalized Wholesale Electric Market Planning Committee (WEMPC) that oversees the development of a Wholesale Electric Market Strategic Plan (WEMSP).

Description of Scope and Plan

Form a cross-functional, multidisciplinary Wholesale Electric Market Planning Committee (WEMPC) to oversee the development and periodic update of a Wholesale Electric Market Strategic Plan (WEMSP). The WEMSP will include short-term (3-5 years) and long term (10 years) plans that will be used to guide the Company's initiatives in the FERC, PSC, and ISO/RTO forums to enhance wholesale electric market rules and regulations, system planning, and system reliability to facilitate customer access and participation in robust wholesale markets.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Form Wholesale Electric Market Planning Committee (WEMPC)	05/2012	08/ 2012	08/2012	Completed
Develop scope and outline for the Wholesale Electric Market Strategic Plan (WEMSP)	05/2012	07/2012	07/2012	Completed
Evaluate market, technology, and regulatory trends	06/2012	12/2012		On Schedule
Develop a current state, 3-5 year and 10-year wholesale electric market scenario analysis	11/2012	05/2013		Awaiting Start
Develop and finalize WEMSP	06/2013	09/2013		Awaiting Start
Verify project completion	10/2013	10/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved focus on high priorities and issues important to wholesale markets. Improved PSC/FERC relationships and customer satisfaction.
Risks	If this project is not completed, the Company will continue to use less formal methods to prioritize and focus its participation in these forums.

Changes, Progress, Findings

WEMPC formed. WEMSP scope and outline finalized. Collecting data to identify market, technology, and regulatory trends.

5.2: Create management team to oversee NYSIO, FERC, etc.

Recommendation

Project Title	Create management team to oversee NYISO, FERC, etc.
Recommendation Number	5.2
Conclusion Number(s)	Ch V, #9
Recommendation	The Companies should create a formal matrix management team to oversee and manage the Companies' participation in NYISO, FERC, NERC, NPCC, etc. proceedings and issue assessments.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Ray Kinney	Director – Transmission

Brief Project Overview

Create a formal management oversight committee to oversee and manage the Company's participation in the NYISO, FERC, NERC, and NPCC proceedings and assess associated issues.

Description of Scope and Plan

Develop and implement a formal management oversight committee to oversee and manage the companies' participation in NYISO, FERC, PSC, NPCC and NERC proceedings and initiatives. The committee will assess and direct company positions on wholesale market Issues and regulations, assign appropriate professional staff, and approve regulatory filings. A committee charter will be developed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	06/2012	06/2012	06/2012	Completed
Develop and approve oversight committee organization	06/2012	07/2012	07/2012	Completed
Draft and approve committee charter	07/2012	11/2012		On Schedule
Verify project completion	11/2012	11/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved coordination and tracking of, and consistent management of issues in, wholesale market related regulatory proceedings and associated company actions.
Risks	If project is not completed, current methods of overseeing wholesale market related regulatory proceedings will continue to be used.

Changes, Progress, Findings

A formal management oversight committee structure and associated charter are being finalized.

Chapter VI – Long-Term System Planning – Electric

6.1: Modify the transmission planning process for risk and uncertainty

Recommendation

Project Title	Modify the transmission planning process for risk and uncertainty
Recommendation Number	6.1
Conclusion Number(s)	Ch VI, #1, 2
Recommendation	Modify transmission planning process to include an assessment of risk and uncertainty.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Modify the transmission planning process to include an assessment of risk and uncertainty.

Description of Scope and Plan

The Company will investigate other northeast utilities' risk assessment criteria and procedures. The Company will also utilize high and low scenario load forecasts from Recommendation 4.2 to complete a load study pilot, and determine whether permanent changes to current planning practices are warranted.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Investigate peer risk assessment	05/2012	05/2012	05/2012	Completed
Incorporate high/low scenario forecasts into pilot load study	06/2013	06/2013		Awaiting Start
Complete load study pilot	06/2013	08/2013		Awaiting Start
Document results and make recommendations	09/2013	10/2013		Awaiting Start
Verify project completion	11/2013	11/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Formal risk assessment and scenario analysis have the potential to produce more robust plans that take into account a range of possible future needs.
Risks	Benefits of formal risk assessment and scenario analysis may or may not be sufficient to justify the increased complexity, time, labor, and/or cost involved.

Changes, Progress, Findings

The peer assessment of other NPCC member utilities is complete and the findings revealed that none of these other utilities utilize formalized risk assessment in their project analysis. The project will resume when input data is available from Recommendation 4.2.

6.2: Develop electric distribution planning manual

Recommendation

Project Title	Develop electric distribution planning manual
Recommendation Number	6.2
Conclusion Number(s)	Ch VI, #3
Recommendation	Prepare a comprehensive distribution planning procedures manual.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Michael Rumancik	Manager – Electric System Engineering

Brief Project Overview

Prepare a comprehensive distribution planning procedures manual.

Description of Scope and Plan

A unified Distribution Planning Criteria Manual for IUSA will be developed. Specific recommendations from the management audit will be incorporated into the manual, where appropriate.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	01/2012	01/2012	01/2012	Completed
Develop unified manual	01/2012	09/2012	09/2012	Completed
Communicate/distribute revised manual	09/2012	10/2012	09/2012	Completed
Verify project completion	10/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Use of consistent methods and protocols, and basis for training.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

A unified Distribution Planning Criteria Manual for IUSA has been developed. The manual has been revised to include the specific recommendations made by the management audit. The revised manual is in the process of being approved and communicated to all stakeholders.

6.3: Reevaluate transmission planning prioritization criteria

Recommendation

Project Title	Reevaluate transmission planning prioritization criteria
Recommendation Number	6.3
Conclusion Number(s)	Ch VI, #5,6, 7
Recommendation	Perform a reevaluation of transmission planning prioritization criteria.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Reevaluate Transmission Planning prioritization criteria

Description of Scope and Plan

System Planning completed an IUSA Reliability Project Prioritization Methodology document in March 2012, reassessed its current project prioritization metrics in April 2012, and contacted other New York utilities in April 2012 and inquired about their project prioritization metrics.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Project start	02/2012	02/2012	02/2012	Completed
Complete an IUSA Reliability Project Prioritization Methodology document.	02/2012	03/2012	03/2012	Completed
Contact other NY Utilities to inquire about their project prioritization metrics.	03/2012	04/2012	04/2012	Completed
Verify project completion	06/2012	06/2012	06/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Consistency and ease of process flow for System Planning when prioritizing and ranking transmission system reliability projects against each other.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

System Planning completed and approved an IUSA Reliability Project Prioritization Methodology document in March 2012. All other New York electric utilities were contacted in April 2012 and asked about their project prioritization metrics. The responses from the other New York utilities revealed that none of them utilize prioritization metrics when ranking transmission system reliability projects.

6.4: Assess transmission planning models and methods

Recommendation

Project Title	Assess transmission planning models and methods
Recommendation Number	6.4
Conclusion Number(s)	Ch VI, #8
Recommendation	Retain a power systems engineering firm to perform an independent needs assessment of its transmission planning models and methods.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Retain a power system engineering firm to perform an independent needs assessment of the Company's electric transmission planning models and methods.

Description of Scope and Plan

The Company will identify potential engineering firms to perform the independent needs assessment of the transmission planning models and methods and complete a vendor selection process. The vendor, will then review the Company's models and methods and make recommendations. A plan to modify current tools and processes will be developed as appropriate based on these recommendations.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Procure vendor services	08/2012	03/2013		On Schedule
Vendor review of models and methods	04/2013	09/2013		Awaiting Start
Develop plan	10/2013	12/2013		Awaiting Start
Verify project completion	01/2014	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$85K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	May identify models and methods that will improve the Company's transmission planning capabilities.
Risks	Contractor review may not identify significant gaps in Company models or methods. If no suitable contractor is identified to conduct the review, the Company will continue to refine and improve its transmission planning practices independently.

Changes, Progress, Findings

Potential contractors have been identified and an RFP has been developed.

6.5: Develop resource plan for transmission planning

Recommendation

Project Title	Develop resource plan for transmission planning
Recommendation Number	6.5
Conclusion Number(s)	Ch VI, #9
Recommendation	Hire an additional experienced transmission planner.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Identify an optimal resource plan and future staff requirements

Description of Scope and Plan

During Phase I of the project, the Company will conduct research and develop model(s) to identify an optimal resource plan and future staff requirements. Various scenarios will be developed and analyzed and a future resource plan will be developed and approved. If warranted, with the resource plan will be carried out in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I of project	09/2012	09/2012	09/2012	Completed
Conduct research and develop model(s)	10/2012	11/2012		On Schedule
Analyze scenarios	10/2012	12/2012		On Schedule
Develop and approve future resource plan	10/2012	01/2013		On Schedule
Verify Phase I completion	02/2013	02/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Staffing aligned with expected workload
Risks	If this project is not completed, the Company may continue to use the existing resource configuration.

Changes, Progress, Findings

Development of the model and analysis of the scenarios is underway, and development of the resource plan is also underway.

6.6: Participate in T&D benchmarking programs

Recommendation

Project Title	Participate in T&D benchmarking programs
Recommendation Number	6.6
Conclusion Number(s)	Ch VI, #10
Recommendation	Participate in one or more transmission and distribution benchmarking (best practices) programs.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Participate in T&D benchmarking.

Description of Scope and Plan

During Phase I of the project, the Company will investigate potential benchmarking programs. A plan will be developed if a suitable and cost-effective benchmarking opportunity is identified. If Phase II is warranted, involvement in the benchmarking program will be initiated.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	05/2012	05/2012	05/2012	Completed
Investigate benchmarking programs and document results	05/2012	10/2012	10/2012	Completed
Verify Phase I completion	11/2012	11/2012		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Sharing of best practices
Risks	If no suitable benchmarking programs are identified, the Company will continue to refine and improve its transmission planning practices independently.

Changes, Progress, Findings

The Company contacted NPCC system study task force members and other utilities, and has identified what appears to be a suitable benchmarking program that will be sponsored by ISO New England.

Chapter VII – Gas System Planning

7.1: Develop gas vision and strategy

Recommendation

Project Title	Develop gas vision and strategy
Recommendation Number	7.1
Conclusion Number(s)	Ch VII, #1, 2, 5, 6, 8; Ch IX, # 8
Recommendation	Develop a gas system vision, master plan and associated implementation strategy, including designation of the responsible individual(s) and organizational unit(s).
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mike Eastman	Vice President – Gas Operations
Project Manager/ Team Lead	Greg George	Director – Gas Design & Delivery

Brief Project Overview

The project will establish a framework under which a Natural Gas Strategic Plan (NGSP) will be developed.

Description of Scope and Plan

The goal of the proposed planning process is to provide a "wellhead to burner tip" focus to the development of gas utility projects and initiatives. NYSEG and RG&E will leverage the Company's existing planning and natural gas industry expertise to form a multi-disciplinary Gas Strategic Planning Committee (GSPC). The GSPC will provide guidance to management and be chartered to develop short-term (5 year) and long-term (10 year) plans that will be used to guide natural gas supply acquisition, distribution system upgrades, additional interconnects to supply sources, energy efficiency programs, potential franchise expansion, and needed projects and/or programs to meet increasing customer demands.

(The GSPC will also ensure that the difference in Design Day HDD parameters utilized by Gas Supply and Gas Planning are reconciled, as noted in response to Recommendation 9.3.)

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Form GSPC	05/2012	07/2012	07/2012	Completed
Develop an outline of the NGSP	07/2012	11/2012		On Schedule
Produce a common template for all evaluations	12/2012	01/2013		On schedule
Evaluate existing distribution system simulation (SynrGEE) modeling capabilities.	10/2012	03/2013		On Schedule
Evaluate distribution system monitoring and communication capabilities	10/2012	03/2013		On Schedule
Develop a Marcellus Shale Plan	05/2012	03/2013		On Schedule
Evaluate energy efficiency, franchise expansion, and other options to meet customer demand	07/2012	03/2013		On Schedule
Draft and approve first NGSP	01/2013	07/2013		Awaiting Start
Verify project completion	08/2013	08/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved focus on high priorities and issues important to the gas business. Improved coordination of the activities of the various groups involved in the running of the gas business.
Risks	If this project is not completed, the Company will continue to use less formal methods to focus its attention on high priority gas activities.

Changes, Progress, Findings

The GSPC has been formed and an outline for the NGSP is being developed. A project team has been established and a kickoff meeting was held on October 10 to ensure that each business area's objectives for this initiative align for a common outcome. Implementation of the Marcellus Shale Plan upstream of the city gate will be complete in November 2012. Development of the Marcellus Shale Plan applicable within the city gate is underway.

Chapter VIII – Supply Procurement – Electric

8.1: Analyze optimum electric portfolio

Recommendation

Project Title	Analyze optimum electric portfolio
Recommendation Number	8.1
Conclusion Number(s)	Ch VIII, #1,2,4,5
Recommendation	Develop a comprehensive long-term portfolio management plan with quantified goals and objectives to optimize the electric resource portfolio and related hedging plans.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The development of a long-term portfolio management plan today would be inappropriate, contrary to Commission directives, and not cost-effective.

Prior to the deregulation of the wholesale market in New York State, NYSEG and RG&E managed a comprehensive long-term portfolio of supply and demand resources. During those years, both utilities maintained extensive and complex long-term planning and modeling capabilities. Both utilities developed Integrated Resource Plans and filed those plans as required with the Commission, managed resource planning groups, leased or owned resource planning software, and kept complete and current modeling data. The Companies no longer have this internal capability.

A supply portfolio optimization plan makes sense for a vertically integrated utility that owns, and is accountable for, the future development of generation resources that may take many years to plan, design, permit, and build, and that commit ratepayers to support those investments for decades. Utilities in New York are no longer vertically integrated, and reliability/economic planning is now appropriately taking place at the New York Independent System Operator level, where it can benefit from the input of all market participants, including that of Staff, and ensure the appropriate development of reliability, economic, and public policy resources. It would be inappropriate for the Company to develop a separate, and potentially conflicting, long-term resource plan.

Such a plan would also be contrary to Commission directives. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities.[19] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution.[20] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky". [21]

Finally, the development of the plan would not be cost-effective. First, because the Company would need to rebuild its internal modeling and planning capability, or rely upon consultants for that capability, the plan would cost hundreds of thousands of dollars to develop. Second, it is unclear how the Company would determine acceptable modeling parameters and input assumptions, such as the planning horizon; the quantitative definition of an "optimized" portfolio; the directions future economy, customer migration, commodity price, and price volatility might take; the importance of and future changes to public policy factors such as fuel diversity and environmental sustainability. Third, the plan would not, in fact, "provide the Company and the NYPSC with a commonly understood and systematic process for identifying and managing future supply resources [that] should be executed by the companies"[22]. Given the inappropriateness of conducting such planning in New York State at the individual Transmission Owner level, and the inconsistency of long-range resource acquisition with Commission

[19] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[20] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[21] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

[22] Final Audit Report Volume I at VIII-25.

directives, the Company does not expect to be able to execute such a plan if and when it were to be developed.

In summary, the Company has been unable to identify benefits, quantitative or qualitative, that would justify the cost to implement this recommendation, as specified by Liberty, which is inappropriate and contrary to Commission policy.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A

Changes, Progress, Findings

8.2: Issue electric energy RFPs

Recommendation

Project Title	Issue electric energy RFPs
Recommendation Number	8.2
Conclusion Number(s)	Ch VIII, #3
Recommendation	Conduct market solicitations for electric energy resources through RFP processes and implement any alternatives identified as superior to the existing plan of energy and hedging instrument purchases.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The Company routinely uses competitive market solicitations or requests for proposals (RFPs) to identify least cost suppliers for products and services. However, in New York State, such competitive solicitations by individual utilities for electric energy resources are unnecessary, may be inconsistent with regulatory policy and practices, and unlikely to be effective.

Individual utility competitive solicitations are unnecessary, because the NYISO energy market LBMP structure has resulted in a liquid, efficient and effective competitive financial swap market (contract for differences or CFD) using brokers and/or electronic platforms. The brokers connect buyers and sellers of energy at a price that a willing buyer and seller agree is a fair price to transact. Should a seller subsequently provide a lower offer price to sell the CFD product, that offer price becomes available to the buyer. Similarly, should a buyer subsequently provide a higher bid price to purchase the CFD product that bid price becomes available to the

seller.

Long term solicitations would be inconsistent with regulatory policy and practices. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities. [23] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution. [24] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky". [25]

Finally, the RFP solicitations are unlikely to be effective, for several reasons. First, previous experience with energy RFPs has resulted in offer prices that are either indicative or valid for a very short period of time. Second, if provided, the offer prices for standard MW blocks, firm liquidated damages and good counterparty credit, are consistent with the current market. Finally, bilateral agreements with generators are usual unit-contingent further complicating the evaluation process against readily available Firm LD prices (the NYMEX posts closing market prices daily on the Chicago Mercantile Exchange Website).

In summary, the Company does not expect that an RFP for energy would provide any lower price than is available in the existing energy market.

[23] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[24] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[25] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A

Changes, Progress, Findings

8.3: Issue electric capacity RFPs

Recommendation

Project Title	Issue electric capacity RFPs
Recommendation Number	8.3
Conclusion Number(s)	Ch VIII, #3, 6
Recommendation	Conduct market solicitations for electric capacity resources through RFP processes and implement any alternatives identified as superior to the existing plan of capacity purchases.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The Company routinely uses competitive market solicitations or requests for proposals (RFPs) to identify least cost suppliers for products and services. However, in New York State, such competitive solicitations by individual utilities for electric capacity (UCAP) resources are unnecessary, may be inconsistent with regulatory policy and practices, and unlikely to be effective.

Individual utility competitive solicitations are unnecessary, because the NYISO UCAP market structure has resulted in a liquid, efficient and effective competitive market using brokers and/or electronic platforms. The brokers connect buyers and sellers of UCAP at a price that a willing buyer and seller agree is a fair price to transact. Should a seller subsequently provide a lower offer price to sell the UCAP, that offer price becomes available to the buyer. Similarly, should a buyer subsequently provide a higher bid price to purchase the UCAP, that bid price becomes available to the seller.

Long term solicitations would be inconsistent with regulatory policy and practices. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities. [26] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution. [27] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky". [28]

Finally, the solicitations are unlikely to be effective. Previous experience with UCAP RFPs has resulted in offer prices that are either indicative or valid for a very short period of time. If provided, the offer prices for standard MW blocks and good counterparty credit are consistent with the current market (the NYMEX posts closing market prices daily on the Chicago Mercantile Exchange Website).

In summary, the Company does not expect that an RFP for UCAP would provide any lower price than is available in the existing capacity market.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

[26] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[27] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[28] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A

Changes, Progress, Findings

8.4: Document electric procurement operating procedures

Recommendation

Project Title	Document electric procurement operating procedures
Recommendation Number	8.4
Conclusion Number(s)	Ch VIII, #9
Recommendation	Document processes, procedures, and guidelines for electric supply and scheduling.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	**Title**
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Dan Rider	Supervisor – Electric Supply

Brief Project Overview

Document electric procurement operating procedures

Description of Scope and Plan

Document processes, procedures, and guidelines for electric supply and scheduling to be used for training, performance management, and auditing.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	03/2012	03/2012	03/2012	Completed
Review existing procedures for gaps	03/2012	04/2012	04/2012	Completed
Document procedures	03/2012	06/2012	06/2012	Completed
Verify project completion	06/2012	06/2012	07/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Procedures will provide for a consistent, verifiable, process and be used for training purposes.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

The existing governing documents for Electric Supply are the Energy Supply Risk Management Procedures Manual ("Risk Manual") and Default Supply Option Volatility Management Program document ("DSO Program Document").

The Risk Manual and DSO Program Document were reviewed to verify the lack of documentation for the daily scheduling activities. The Risk Manual contains 141 pages that describe the processes for Gas Supply, Electric Supply, Capacity Acquisition and Supply Billing. Although the Risk Manual describes many of the Electric Supply processes such as energy buying limitations, the daily hedging process, counterparty credit verification, spark spreads and virtual transactions, the Risk Manual was lacking a detailed description of the day-ahead scheduling checklist as the recommendation suggests. Similarly, the DSO Program Document describes the criteria used to develop the DSO hedge schedule, but it does not address day ahead scheduling checklist activities.

The Daily Checklist Procedures Manual ("Daily Manual") has been written by the Electric Supply Energy Buyers and is a step by step description of each Daily Checklist item. The Daily Manual was reviewed by Iberdrola Internal Auditing to ensure that it can be audited.

The combination of the three documents listed above document processes, procedures, and guidelines for electric supply and scheduling to be used for training, performance management, and auditing.

8.5: Establish IUSA Executive Risk Committee

Recommendation

Project Title	Establish IUSA Executive Risk Committee
Recommendation Number	8.5
Conclusion Number(s)	Ch VIII, #10
Recommendation	An executive risk management committee should be formed at IUSA that oversees the risk functions and the RMOC and has executive responsibility for risk management.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Felicia Brown	Director – Risk Management

Brief Project Overview

Create Executive Risk Management Oversight Committee at IUSA

Description of Scope and Plan

Create Committee, establish charter, organize and meet monthly to discuss Key Risk issues, including updates from the Energy Service RMOC. Confirm that credit evaluations remain the responsibility of IUSA.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	11/2011	11/2011	11/2011	Completed
Complete Project Charter	11/2011	11/2011	11/2011	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Adopt best practice approach for risk management
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

An executive committee has been created that includes senior executives, the Charter has been created, meetings are being conducted monthly and future meetings scheduled. Verified credit evaluation process and responsibility is located at IUSA.

8.6: Consider electric procurement operations audit

Recommendation

Project Title	Consider electric procurement operations audit
Recommendation Number	8.6
Conclusion Number(s)	Ch VIII, #12
Recommendation	Internal Auditing should schedule audits of electric procurements, documentation for entering into capacity supply contracts, and daily purchases.
Adopted, Modified, or Rejected	Modified: The audit will be included as part of the “audit universe” and will be selected for audit based on annually assessed risk exposure.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Ray Cardella	Director – Internal Audit
Project Manager/ Team Lead	Ray Cardella	Director – Internal Audit

Brief Project Overview

Establish an audit of Electric Supply Procurement Operations

Description of Scope and Plan

An audit of Electric Supply Procurement Operations policies and procedures that support the Electric Supply decisions will be included in the “audit universe”. In accordance with the Company’s risk based audit approach, Internal Audit will annually assess the risk exposure of this process and inclusion in the proposed IUSA Internal Audit plan.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	05/2012	05/2012	05/2012	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Inclusion of Electric Supply Procurement as an auditable entity will ensure that this area is appropriately included in the annual Internal Auditing process and receives regular audit oversight.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

An audit of Electric Supply Procurement has been included in the Company's "Audit Universe". In accordance with its risk based audit approach, Internal Audit will annually assess the risk exposure (regulatory, financial, reputational and operational) of this process for inclusion in the proposed IUSA Internal Audit plan.

Chapter IX – Supply Procurement – Gas

9.1: Evaluate Gas Control Center staffing and training

Recommendation

Project Title	Evaluate Gas Control Center staffing and training
Recommendation Number	9.1
Conclusion Number(s)	Ch IX, #15, 17
Recommendation	Upgrade the Gas Control Center personnel numbers and qualifications.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Susan Dornblaser	Supervisor – Dispatch and ECC
Project Manager/ Team Lead	Michael Craven	Manager – Dispatch and ECC

Brief Project Overview

Evaluate Gas Control staffing and training, including the use of a simulator.

Description of Scope and Plan

Gas Control has a lengthy history of maintaining safe and reliable operations of the NYSEG and RG&E natural gas system. There have been no gas system events that have been attributed to Gas Control staffing to suggest that Gas Control is inadequately staffed. However, the Company is committed to safe and reliable operations of its natural gas system and will therefore study its Gas Control staffing levels in Initiative 1, Phase I, to determine if there are enhancements that could be made to staffing of Gas Control. The Company will hire a consultant familiar with 24/7 natural gas operations and PHMSA CRM requirements to study its current operations and associated staffing levels and to recommend any staffing level enhancements. If warranted, these enhancements will be implemented in Phase II.

The Company will evaluate available simulator or other practice application software for training purposes in Initiative 2 and will develop a plan to train Controllers using the solution developed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Initiative 1, Phase I	07/2012	07/2012	07/2012	Completed
Define scope of consultant work	07/2012	09/2012	09/2012	Completed
Acquire consultant services	10/2012	01/2013		On Schedule
Conduct study	02/2013	03/2013		Awaiting Start
Produce and approve resource plan	04/2013	06/2013		Awaiting Start
Verify Initiative 1, Phase I completion	08/2013	08/2013		Awaiting Start
Start Initiative 1, Phase II	TBD	TBD		Awaiting Start
Start Initiative 2	01/2013	01/2013		Awaiting Start
Develop and approve simulator solution	01/2013	06/2013		Awaiting Start
Refine simulator specifications and begin to develop training plan	07/2013	12/2013		Awaiting Start
Implement solution	01/2014	04/2014		Awaiting Start
Finalize training plan	04/2014	05/2014		Awaiting Start
Verify Initiative 2 completion	06/2014	06/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Initiative 1: Phase I: $80K Phase II: TBD Initiative 2: TBD
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Initiative 1: Increased scheduling flexibility; additional depth of Operator Qualification qualified Controllers should the need arise. Initiative 2: Additional training for Controllers to enhance skills.
Risks	If this project is not completed, the Company may continue to use the existing resource configuration and current training solutions.

Changes, Progress, Findings

The initial scope for a consultant has been drafted and possible consultants are being identified. Consistent with the Company's normal business practice, an additional resource will be assigned during weekdays beginning November 1, 2012, to offset normally higher heating season activity.

9.2: Upgrade Gas Control Center facilities

Recommendation

Project Title	Upgrade Gas Control Center facilities
Recommendation Number	9.2
Conclusion Number(s)	Ch IX, #16, 17
Recommendation	Upgrade the Gas Control Center physical facilities.
Adopted, Modified, or Rejected	Modified: Upgrade facilities with 52" monitors rather than a video wall to improve the viewing of the natural gas system at lower cost.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Susan Dornblaser	Supervisor – Dispatch and ECC
Project Manager/ Team Lead	Michael Craven	Manager – Dispatch and ECC

Brief Project Overview

Increase the security of the gas control locations, decrease the isolation of Gas Control, add five large screen displays for viewing of the natural gas system, allow for an acceptable location for a simulator (or other practice application[see Recommendation 9.1]), and improve the look and feel of Gas Control.

Description of Scope and Plan

In Phase I, the Company will move Gas Control to a space adjacent to the Electric Control Room currently occupied by the Dispatch Center. The Dispatch Center will relocate to the area currently occupied by Gas Control. This will improve Gas Control security and will decrease isolation of the Gas Controller on duty as Electric Control Room personnel will also be in the immediate vicinity. As an alternative to interactive video wall, the Company will install five new 52" monitors to allow for viewing larger portions of the natural gas system. As part of ongoing SCADA upgrade project, the number of desktop displays will be increased from four eight.

In Phase II, the Company will enhance the Gas Control facilities.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	01/2012	01/2012	01/2012	Completed
Plan project	01/2012	03/2012	03/2012	Completed
Move Gas Control	09/2012	12/2012	07/2012	Completed
Install monitors	01/2013	03/2013		On Schedule
Verify Phase I completion	04/2013	04/2013		Awaiting Start
Start Phase II	07/2012	07/2012	07/2012	Completed
Develop scope of project enhancements	07/2012	08/2012	08/2012	Completed
Refine facility enhancement recommendations and create plan	01/2013	03/2013		Awaiting Start
Implement enhancements	04/2013	11/2013		Awaiting Start
Verify Phase II completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$500-700K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Enhance work environment and potentially enhance situational awareness.
Risks	The improvements would not occur if this project is not completed.

Changes, Progress, Findings

Gas Control has been re-located to an area adjacent to the Electric Control Room and facilities have been upgraded. The new Gas Control area allows for visibility into the Electric Control Room, does not contain any windows with direct access to outside, and is located behind an additional locked card-reader access only door increasing Controller and Control Room safety and security. The footprint allows for better arrangement of the sit-stand adjustable Consoles and for better visibility of the newly installed large screen monitors. Iron Horse ergonomic chairs have been added for the comfort of Controllers working shift; additional ergonomic chairs have been purchased for use in a system event requiring additional personnel to be on staff. Larger monitors have been installed for the Controllers' increased system visibility and situational awareness. Lighting improvements allow the Controller to adjust lighting to avoid Controller eye fatigue.

The Final Audit Report identified a potential FERC separation of functions issue with moving Gas Control to an area adjacent to the Electric Control Room. The Company has completed a review of FERC rules as associated with this location and does not believe FERC separation of functions to be a concern. During conditions where Gas Supply requires access to Gas Control, the area can be isolated from the Electric Control Room to avoid any potential issues.

The NYSEG and RG&E natural gas distribution system are widespread and fairly discontinuous. While the system is fed from the same interstate pipeline in many locations, there is adequate separation of these pipeline facilities such that if there is a pressure loss on one end of the interstate pipeline system, it should be isolated in advance of affecting another distant region within the NYSEG/RG&E service territory. Therefore, there is very little benefit to showing the entire system on one video wall. The proposed solution of adding five 52" monitors allows the Controller to see large, interconnected portions of the system at one time. In addition, while not a specific design criteria, utilizing the multiple 52" monitors also is a lower cost alternative to the video wall option.

The Company has analyzed space requirements of the new Gas Control location and has determined there are facilities in the primary control room to place the simulator (or other application based training program) in the primary location.

9.3: Study gas design day, develop resource plan

Recommendation

Project Title	Study gas design day, develop resource plan
Recommendation Number	9.3
Conclusion Number(s)	Ch IX, #3,13,14, 18
Recommendation	Perform a weather study to determine proper design day and design winter HDD targets.[29]
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Pat Fox	Supervisor – Gas Supply

Brief Project Overview

Perform a design day and design winter study by operating area, using readily available weather data (e.g., NOAA), to determine the design day and design winter requirements. Additionally, the Company will conduct a study to evaluate Gas Supply resource needs.

Description of Scope and Plan

In Initiative 1, Phase I, a model will be developed outlining what workload can currently be accomplished with the existing Gas Supply staffing level, and determine if the current resource level is appropriate or should be modified. The assessment will also consider the following options: adding staff, training staff, use of interns, and/or outsourcing the study. A resource plan will be developed that will address the recommendation. If warranted, Initiative 1, Phase II will implement the resource plan.

Initiative 2 will develop an updated Weather Study for use in updating the design day/design winter requirements for each operating area (NYSEG – 6, RG&E – 1). The Company, through

[29] In the body of Recommendations 9.3 and 9.4, Liberty also stated that the Company should add one new employee to the Gas Supply group. Final Audit Report at IX-36 through IX-37.

the implementation of a Gas Strategic Planning Committee in response to Recommendation No. 7.1, is also committed to reconcile the difference in Design Day HDD parameters utilized by Gas Supply and Gas Planning.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Initiative 1	11/2012	11/2012		Awaiting Start
Develop resource model	11/2012	12/2012		Awaiting Start
Develop and analyze scenarios	11/2012	02/2013		Awaiting Start
Develop and approve resource plan	03/2013	04/2013		Awaiting Start
Verify Phase I completion	04/2013	04/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start
Start Initiative 2	05/2013	05/2013		Awaiting Start
Collect/scrub/analyze data	05/2013	07/2013		Awaiting Start
Calculate Reserve Margin levels	07/2013	08/2013		Awaiting Start
Draft and approve report/action plan	08/2013	08/2013		Awaiting Start
Verify Initiative 2 completion	09/2013	09/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Initiative 1, Phase I: $1K Initiative 1, Phase II: TBD Initiative 2: $0
Estimated Savings	TBD
Source of Savings	N/A
Other Benefits	Initiative 1: Staffing aligned with expected workload. Initiative 2: Approved Design Day Plan that will be used by Gas Supply and Planning Groups.
Risks	If Initiative 1 is not completed, the Company may continue to use the existing resource configuration and Initiative 2 may be delayed. Results may indicate that savings are not attainable from Initiative 2. Any reduction of Peak Day HDD levels unlikely to result in pipeline/storage de-contracting.

Changes, Progress, Findings

9.4: Improve day-ahead gas forecasting

Recommendation

Project Title	Improve day-ahead gas forecasting
Recommendation Number	9.4
Conclusion Number(s)	Ch IX, #3, 19
Recommendation	Improve the short-term (one-to-five day) forecasting process.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Pat Fox	Supervisor – Gas Supply

Brief Project Overview

Evaluate whether the current 5-day forecasting process/methodology is a best practice.

Description of Scope and Plan

The Company will conduct an industry survey to review the availability of other day-ahead gas load forecasting models/methodologies utilized in the industry. Additionally, the Company will evaluate other regression scenarios. The Company will load and test other software tools in an effort to test their ability to improve the day-ahead load forecasting process. A report will be written to document the results and recommend next steps for approval.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	06/2012	06/2012	06/2012	Completed
Conduct Industry review/survey on software tools and methodologies	06/2012	03/2013		On Schedule
Evaluate other regression scenarios/alternatives	06/2012	03/2013		On Schedule
Load/backcast/compare alternatives	06/2012	03/2013		On Schedule
Document results and draft and approve action plan	03/2013	05/2013		Awaiting Start
Verify project completion	05/2013	05/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0K
Estimated Savings	TBD
Source of Savings	N/A
Other Benefits	Validate or improve forecasting method
Risks	If this project is not completed, the existing forecasting model will continue to be used.

Changes, Progress, Findings

Autobox and GasDay. Autobox provided a 60-day free trial period and GasDay a 30-day trial period for their forecasting software solutions. The Autobox backcast has been completed. IT approval to install the GasDay model has been requested. The Company is continuing to look at various relationships while running regressions to determine if such activities will improve day-ahead forecasting.

Chapter X – Budgeting

10.1: Overhaul capital budgeting process and activities

Recommendation

Project Title	Overhaul capital budgeting process and activities
Recommendation Number	10.1
Conclusion Number(s)	Ch X, #1, 2, 3, 10, 11
Recommendation	Complete a major overhaul of capital budgeting processes and activities, in order to produce a more structured, realistic, and supported approach to capital budget development and monitoring.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Paul Dumais	Director – Regulatory

Brief Project Overview

Complete a thorough review of the entire capital planning process in order to improve current processes and procedures.

Description of Scope and Plan

In Phase I, the Company will document enhancements completed since mid-2011 assess the current capital planning process, determine the desired future state, and develop a project plan with deliverables, milestones and dates to get to the desired state. A subject matter expert contractor will lead this effort and offer best practices from other utilities or other capital intensive industries. In Phase II the enhancements identified in Phase I will be implemented.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2011	07/2011	07/2011	Completed
Compile and document completed enhancements	08/2012	12/2012		On schedule
Define contractor requirements and acquire services	12/2012	02/2013		Awaiting Start
Assess current capital planning process	03/2013	05/2013		Awaiting Start
Determine desired future state	05/2013	08/2013		Awaiting Start
Develop Phase II implementation plan	08/2013	10/2013		Awaiting Start
Verify Phase I completion	11/2013	11/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $260K Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved quality of capital planning
Risks	If the project is not completed, the Company may continue independently improving its capital planning process.

Changes, Progress, Findings

Improvements made in the capital planning process since mid-2011, are being gathered from key stakeholders.

10.2: Develop strategic plans

Recommendation

Project Title	Develop strategic plans
Recommendation Number	10.2
Conclusion Number(s)	Ch X, # 8; Ch XIV, #1
Recommendation	Develop five-year and ten-year IUSA strategic plans and strongly link with rate plan forecasts and annual budgets.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Bob Kump	CEO
Project Manager/ Team Lead	Tom Ryan	Director – Business Strategy

Brief Project Overview

Develop the 10-Year Strategic Plan Document – 2014 through 2023

Description of Scope and Plan

The Company will develop a 10-year integrated strategic plan incorporating key elements including: strategic vision; external and internal SWOT analysis; defining the needs and opportunities of the business in the context of the corporate vision and environmental assessment; developing labor resource, regulatory, and financial plans; and manifesting the results as business priorities and future projects.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	02/2012	02/2012	02/2012	Completed

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Develop enhanced process	03/2012	03/2012	03/2012	Completed
Update Corporate Vision	03/2012	03/2012	04/2012	Completed
Environmental Assessment	03/2012	05/2012	05/2012	Completed
Defining the Needs and Opportunities of the Business	03/2012	10/2012	10/2012	Completed
Defining the Resource Plans	03/2012	12/2012		On Schedule
Develop the Regulatory Plan	06/2012	01/2013		On Schedule
Develop 10-Year Financial Plan	12/2012	05/2013		Awaiting Start
Develop Business Area Priorities, Roadmap and Projects	04/2013	09/2013		Awaiting Start
Finalize Strategic Plan Document	04/2013	09/2013		Awaiting Start
Verify Project Completion	10/2013	10/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	A successfully developed strategic plan will lead to a more stable and predictable business environment, vision, and priorities which should support the identification of further performance and operating efficiencies, strengthen the ability of the Company to focus on and achieve its highest priorities and most critical initiatives, and provide the flexibility and mental discipline needed to accommodate evolving and new business threats and opportunities.
Risks	The lack of a strategic plan may make it more difficult to reach consensus on business area priorities and critical initiatives, and may increase the potential for inconsistent business decisions. As with any long-term plan, changing priorities and unanticipated or unlikely events may require changes to the plan.

Changes, Progress, Findings

Implementation of the enhanced strategic planning process began in March at the Senior Management quarterly meeting in Boston. The enhanced process was introduced at this meeting. Since then, the Corporate Vision statements have been updated, the Environmental Assessment element of the plan has been completed, the Needs and Opportunities have been

identified, and the Resource and Regulatory Plans are under development.

Chapter XI – Program and Project Planning and Management

11.1: Balance internal and external project managers, engineers

Recommendation

Project Title	Balance internal and external project managers, engineers
Recommendation Number	11.1
Conclusion Number(s)	Ch XI, #1,2
Recommendation	Determine the best balance of the number of internal *and external (including affiliate)* project personnel for the demands for Project Managers, Project Engineers and Schedulers.[30]
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Ellen Miller	Director – Electric Capital Delivery

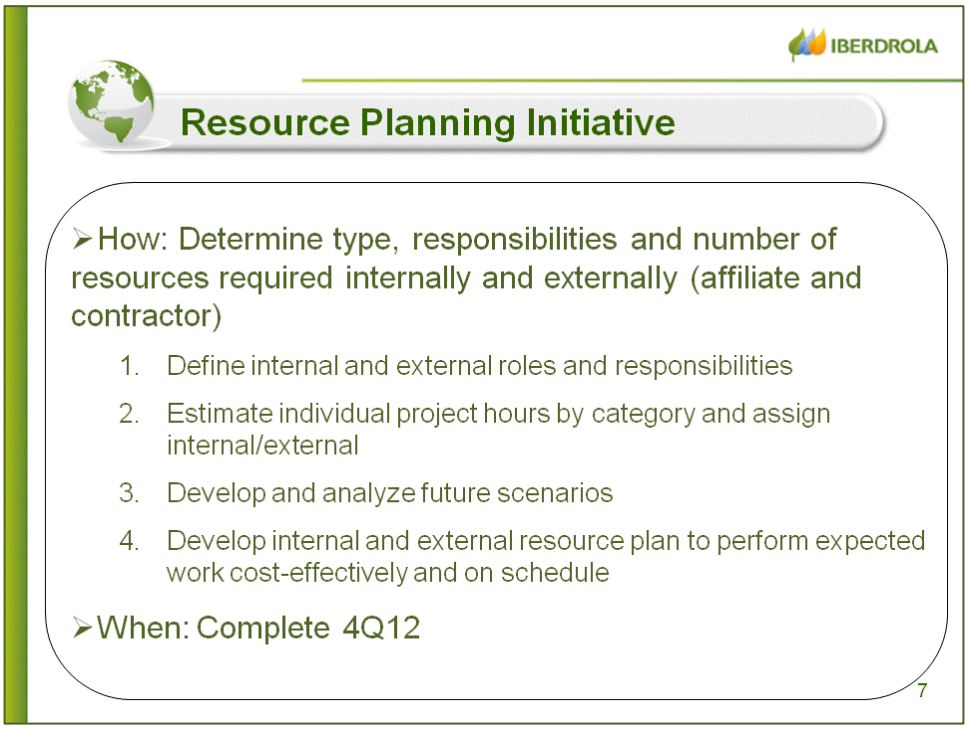
Brief Project Overview

IUSA will perform a study of internal and external (including affiliate) resources for project management and engineering for capital projects.

[30] Italicized language inserted by Company for clarity.

Description of Scope and Plan

In Phase I, the Company will carry out the work described in the final page of Management Audit Order Appendix B, which is shown below:



In Phase II, the Company will implement the resource plan.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	08/2012	08/2012	08/2012	Completed
Obtain or Develop core data to be used in the analysis	08/2012	11/2012		On Schedule
Quantitative Analysis of data to establish baseline resource requirements	11/2012	12/2012		Awaiting Start
Draft, review, and finalize Resource Plan	11/2012	12/2012		Awaiting Start
Verify Phase I Completion	12/2012	12/2012		Awaiting Start
Start Phase II Implementation	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Optimized internal resources, and optimized mix of affiliate and external resources to supplement internal staff
Risks	If this project is not completed, the Company will continue to use the existing resource configuration.

Changes, Progress, Findings

Internal and external (including affiliate) roles and responsibilities have been documented, and project hours have been estimated. A model has been developed for the first scenario and analysis of that scenario is underway.

11.2: Improve project management functions in SAP

Recommendation

Project Title	Improve project management functions in SAP
Recommendation Number	11.2
Conclusion Number(s)	Ch XI, #3
Recommendation	Improve the project management functions of the SAP system.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Ruben Deprey	Manager – SAP Support
Project Manager/ Team Lead	Adam Desrosiers	Manager – Electric Capital Delivery

Brief Project Overview

Implement certain SAP enhancements that are planned or in implementation stages related to electric project management and planning. Review cost approval process.

Description of Scope and Plan

Complete SAP enhancements related to e-mail management and notifications, Work Order Design input, visibility of material needs and SAP Reporting. Review cost approval process for potential redundancies.

- Automated E-mail functionality will address Liberty's concern that SAP internal email management and notifications are not automated.
- The Field Design module will address Liberty's concern that work order designs cannot be created outside of SAP and then downloaded into SAP. The Material Requirements Planning module will address Liberty's concern that material needs are not always visible.
- Business Warehouse Reporting will address Liberty's concern that report outputs are cumbersome.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2011	01/2011	01/2011	Completed
Automate Master Data updates in SAP	01/2011	06/2011	06/2011	Completed
Implement Resource Planning Tool for Electric Operations	01/2011	06/2011	06/2011	Completed
Implement Joint Use of Plant tracking in SAP for NYSEG and RG&E	01/2011	07/2011	07/2011	Completed
Implement SAP MRP module to improve visibility of material needs, improve warehouse efficiency and automate material planning.	03/2011	12/2011	12/2011	Completed
Implement Field Operations KPI Reporting in SAP Business Warehouse.	06/2011	12/2011	12/2011	Completed
Complete SAP Rearchitecture Project	06/2011	06/2012	06/2012	Completed
Implement improved work order design module outside of SAP.	01/2012	03/2013		On Schedule
Implement standard reporting in SAP Business Warehouse for Actual versus Planned Costs	06/2012	03/2013		On Schedule
Review cost approval redundancy.	01/2013	06/2013		Awaiting Start
Implement automated customer e-mail feature for construction related notifications at NYSEG and RG&E	06/2013	12/2013		Awaiting Start
Verify Project Completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	One time capital cost of $1,209,100 for work order design tool implementation costs plus on-going annual O&M maintenance of $60,000.
Estimated Savings	$876,000 for work order design tool savings annually (capital savings).

Source of Savings	The new work order design tool is expected to provide reductions in design time, down time between design appointments, vehicle use and unnecessary travel expenses.
Other Benefits	This work order design project will also result in improved response time to customer requests for quotations.
Risks	If this project is not completed, the benefits and savings would not be realized. Additionally, the typical project risks exist for this project, e.g. possible schedule delays and variances between estimated costs/savings and actual costs/savings.

Changes, Progress, Findings

Automation of Master Data updates to SAP was completed in June 2011. Implementation of Electric Operations Resource Model was completed in June 2011. Implementation of the Joint Use of Plant tracking in SAP for NYSEG and RG&E was completed in July 2011. Implementation of the SAP Material Requirements Planning (MRP) module was completed in December 2011. The Field Operations planned versus actual labor hours was completed in December 2011. Completion of the SAP Rearchitecture Project occurred in June 2012. Implementation of the standard reporting for SAP Business Warehouse Actual versus Planned hours and costs has been implemented in SAP Business Warehouse. Implementation of the improved work order design module outside of SAP is in the construction phase of the project. End user testing is pending with an implementation completion expected by December 31, 2012.

11.3: Issue written project management procedures

Recommendation

Project Title	Issue written project management procedures
Recommendation Number	11.3
Conclusion Number(s)	Ch XI, #4, 6, 9, 14, 18, 19
Recommendation	Issue written project management procedures.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Dave Fingado	Manager – Electric Capital Delivery

Brief Project Overview

Update Project Management Procedures Manual (PMPM) to address concerns identified in the audit.

Description of Scope and Plan

The Company will develop written project management procedures and will review the specific concerns identified by Liberty in Recommendation 11.3 and associated Conclusions 4, 6, 9, 14, 18, and 19, to ensure that they are appropriately addressed during the 2012 update.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	01/2011	01/2011	01/0211	Completed
Draft PMPM	01/2011	09/2011	09/2011	Completed
Roll out PMPM	09/2011	03/2012	03/2012	Completed
Review Liberty recommendations and modify PMPM	03/2012	11/2012		On Schedule
Verify Project Completion	12/2012	12/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Potentially decrease expected Project costs • Improve project management efficiency & consistency • Standardize project management procedures • Consistent, repeatable successful project delivery
Risks	If the project is not fully completed, the PMPM may not adequately address some of the issues identified in the audit.

Changes, Progress, Findings

Project Management Procedures Manual (PMPM) to guide and govern all capital design and construction projects was rolled out to Electric Capital Delivery (ECD) during October 2011. The Company has conducted associated training, and is now utilizing those procedures when managing electric capital projects. The PMPM has also been rolled out to other applicable groups (across Engineering and Gas Delivery, Fossil Hydro, and Maintenance Engineering) of employees who will benefit from having access to the standard PM processes. The PMPM is undergoing its first annual revision at this time, to ensure processes/procedures are modified where appropriate, and best practices are adopted where needed.

11.4: Address design/delivery issues

Recommendation

Project Title	Address design/delivery issues
Recommendation Number	11.4
Conclusion Number(s)	Ch XI, #13
Recommendation	Separate the design function from the delivery function.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis to evaluate and address issues identified by Liberty
Priority	Medium

Implementation Team Leadership

	Name	**Title**
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Royce McMahon	Manager – Electric System Engineering

Brief Project Overview

The Company will conduct a review of the issues Liberty proposed to resolve by separating the electric design and delivery functions, identify deficiencies, and pursue improvements, as needed.

Description of Scope and Plan

In Phase I, the Company will review and evaluate the issues and concerns identified by Liberty in Recommendation 4 and Conclusion 13, identify performance gaps, and determine the appropriate solutions to those gaps based on a root cause analysis. Phase II will carry out those solutions.

Schedule

Major Activities/ Milestones	**Estimated Start Date**	**Estimated Completion Date**	**Actual Completion Date**	**Status**
Start Phase I	10/2012	10/2012	10/2012	Completed

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Review and evaluate issues	10/2012	11/2012		On Schedule
Identify performance gaps and conduct root cause analysis	11/2012	12/2012		Awaiting Start
Determine appropriate solutions, produce report, and, if warranted, develop Phase II plan	01/2013	01/2013		Awaiting Start
Verify Phase I completion	01/2013	01/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Cost-effectively resolve substantiated performance gaps
Risks	Company may not identify separation of design and delivery functions as the optimum solution to performance gaps.

Changes, Progress, Findings

Review and evaluation of issues and concerns underlying the Liberty recommendation has begun.

11.5: Update monthly CapEx project cash flows in SAP

Recommendation

Project Title	Update monthly CapEx project cash flows in SAP
Recommendation Number	11.5
Conclusion Number(s)	Ch XI, #16
Recommendation	Adopt a systematic process in place for updating SAP monthly cash flows during the budget year.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering & Delivery
Project Manager	Joe Gasbarrone	Manager – Programs/Projects

Brief Project Overview

Populate the SAP system with revised monthly CapEx cash flows consistent with the formal revision process schedule, and use the central database for reporting actual vs. revised forecast.

Description of Scope and Plan

The Business will provide revised CapEx cash flows at the project level to support the Rev financial forecast. The monthly cash flows will be loaded into SAP consistent with the Plan Revision schedule. The Control Dept compiles the forecast and updates SAP. SAP is then available for reporting.

Senior Executive Review meeting reports will include actual spending in comparison to the original Plan and the current new authorized target (current Rev). The review report content will also include a comparison of changes in forecasts by responsible manager in order to measure the quality of forecast revisions and improve future forecasts.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2012	01/2012	01/2012	Completed
Develop and Implement Process (Rev 1)	01/2012	03/2012	03/2012	Completed
Monitor the new process for compliance (Rev 2)	03/2012	06/2012	06/2012	Completed
Monitor the new process for compliance (Rev 3)	08/2012	09/2012	09/2012	Completed
Verify project completion	09/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Improved the quality of CapEx reporting Improve project management process
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Improvements in the IUSA CapEx forecasting and reporting process have been put in place.

11.6: Execute vegetation management contracts by Jan 1

Recommendation

Project Title	Execute vegetation management contracts by Jan 1
Recommendation Number	11.6
Conclusion Number(s)	Ch XI, #20
Recommendation	Put vegetation management contacts in place by January 1 of the contract year.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Execute 2013 line clearance contracts and issue purchase orders prior to January 1, 2013.

Description of Scope and Plan

NYSEG and RGE released the 2013 distribution requests for proposals on April 13, 2012. Purchase orders are scheduled to be released to the selected vendors no later than December 1.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	02/2012	02/2012	02/2012	Completed
Prepare 2013 request for quotes	02/2012	04/2012	04/2012	Completed
Conduct competitive procurement process	05/2012	09/2012	06/2012	Completed
Sign contracts and release purchase orders to vendors	10/2012	12/2012		On Schedule
Verify project completion	01/2013	01/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	The January 2 start date will allow contractors to clear circuits early in the year. Tree crews will be working on the system and available for emergency work if required.
Risks	Delays would delay contractor start dates for clearing circuits and could impact their availability to respond to emergency storm response efforts.

Changes, Progress, Findings

The 2013 proposals have been received and evaluated, and the approval process is underway.

11.7: Move NYSEG to five-year vegetation management cycle

Recommendation

Project Title	Move NYSEG to five-year vegetation management cycle
Recommendation Number	11.7
Conclusion Number(s)	Ch XI, #20
Recommendation	Move to a five year trim cycle on all circuits.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Formally propose the establishment of a NYSEG five year distribution line clearance cycle program.

Description of Scope and Plan

In Phase I, the Company will conduct an evaluation of options for moving to a five year trim cycle at NYSEG, and then conduct a meeting with Staff to discuss both those options and the Company's plan to file a formal proposal. The Company will then identify a recommended approach to successfully move to a full cycle trim program, prepare a NYSEG five year, full cycle line clearance plan and schedule, and produce formal filing. In Phase II, the Company expects to receive an Order from the Commission addressing the transition to a five year trim cycle at NYSEG.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	12/2011	12/2011	12/2011	Completed
Consultant evaluates options, alternative schedules and budget requirements to move to a five year cycle	12/2011	07/2012	07/2012	Completed
Prepare for and conduct a meeting with Staff to discuss options	07/2012	12/2012		On Schedule
Finalize recommended approach and file five year full cycle plan	01/2013	TBD		Awaiting Start
Verify Phase I completion	TBD	TBD		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start
Receive PSC Order	TBD	TBD		Awaiting Start
Verify Phase II completion	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $120K Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Help maintain reliability performance, and improve restoration from major storm events
Risks	Near-term impact on rates of cost to implement the program

Changes, Progress, Findings

The consultant (ECI), working with the Company, has conducted an evaluation of options and produced their report. The Company is reviewing the consultant's findings in anticipation of meeting with Staff.

11.8: Evaluate use of herbicides in vegetation management at NYSEG

Recommendation

Project Title	Evaluate use of herbicides in vegetation management at NYSEG
Recommendation Number	11.8
Conclusion Number(s)	Ch XI, #22
Recommendation	Achieve the benefits of using herbicides in the distribution vegetation management program.
Adopted, Modified, or Rejected	Modified: Herbicide use is most effective when combined with a full cycle program. NYSEG will implement a two-phase project to determine program direction.
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Develop a two-phase project to evaluate and potentially initiate the use of herbicides on NYSEG's distribution system in 2014

Description of Scope and Plan

This project will only apply to NYSEG. (Clarifying information from Liberty indicated that the auditor found the use of herbicides at RG&E unlikely to be cost effective.) In Phase I, NYSEG will evaluate the cost of applying cut surface treatment based on recent vendor information and then perform a cost benefit analysis assuming that a five year, full cycle trim program will be approved by the Commission. In Phase II, NYSEG will review the study results with Staff. Finally, if warranted and if the transition is planned to full cycle trim, in Phase III NYSEG will consider implementation of herbicide use.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	06/2012	06/2012	06/2012	Completed
Gather data	06/2012	07/2012	07/2012	Completed
Analyze and document cost v. benefits	08/2012	01/2013		On Schedule
Verify Phase I completion	02/2013	02/2013		Awaiting Start
Start Phase II	TBD			Awaiting Start
Prepare for and meet with Staff to review cost benefit analysis	TBD	TBD		Awaiting Start
Verify Phase II completion	TBD	TBD		Awaiting Start
Start Phase III	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: $0 Phase III:TBD
Estimated Savings	TBD
Source of Savings	Reduction in distribution system vegetation load between physical trim
Other Benefits	
Risks	If the Company does not complete the project, vegetation management will proceed without the use of herbicides. Communities and/or customers may raise concerns with the use of herbicides.

Changes, Progress, Findings

Data gathering for the cost/benefit analysis is complete and the analysis is underway.

11.9: Increase technical expertise of energy efficiency staff

Recommendation

Project Title	Increase technical expertise of energy efficiency staff
Recommendation Number	11.9
Conclusion Number(s)	Ch XI, #26
Recommendation	Add in-house technical expertise rather than use contractors.
Adopted, Modified, or Rejected	Modified: Strengthen utilization of existing in-house technical expertise rather than add new internal resources.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Carl Taylor	VP – Customer Service
Project Manager/ Team Lead	Joni Fish-Gertz	Manager – Energy Efficiency Programs

Brief Project Overview

Provide additional training to allow internal employees with an appropriate technical background to carry out tasks previously conducted by external contracted labor.

Description of Scope and Plan

This plan will utilize the existing in-house employees with technical backgrounds to perform more of the energy efficiency technical requirements, and provide additional training to improve their technical skill sets. Utilizing existing internal labor should decrease the amount of external labor required to perform these tasks.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2012	07/2012	07/2012	Completed
Develop and approve work reallocation and training plan	07/2012	10/2012	10/2012	Completed
Provide training	07/2011	12/2013		On Schedule
Document savings	01/2014	02/2014		Awaiting Start
Verify project completion	03/2014	03/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	TBD
Estimated Savings	TBD
Source of Savings	Reduced external resource costs.
Other Benefits	Improved oversight and management of activities
Risks	If this project is not completed or delayed, the reduction in external contractor use would likely be slowed down. This could potentially happen in the event internal resources may need to temporarily work on other high priority projects.

Changes, Progress, Findings

Although the project formally began in July 2012, the Company anticipated a recommendation in this area based on interviews conducted in 2011, and began providing more technical training to internal staff at that time. Resources have been identified, a training plan has been approved and training and development is underway, including participation in professional and industry organizations and committees. Use of external technical resources is gradually declining.

Chapter XII – Program and Project Planning and Management – Gas

12.1: Implement gas project management procedures manual

Recommendation

Project Title	Implement gas project management procedures manual
Recommendation Number	12.1
Conclusion Number(s)	Ch XII, #1, 3
Recommendation	Formalize Gas Project Management Organization & Process by staffing a Gas project management group with experienced individuals to manage all of the capital program projects, even the small main and service replacements. Additionally, the Companies should formally document project management procedures in a Project Management manual.
Adopted, Modified, or Rejected	Modified: Staffing issues will be addressed in response to Recommendation 12.2.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Mauricio de la Iglesia	Project Manager – Gas Engineering and Delivery

Brief Project Overview

Develop and implement a gas project management procedures manual

Description of Scope and Plan

Gas Engineering will develop and implement gas related project management procedures

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Review of electric PMPM by Gas Engineering	05/2012	05/2012	05/2012	Completed
Revise the current electric-only PMPM as needed to include gas-specific procedures, and obtain approval	07/2012	12/2012	12/2012	On Schedule
PMO processes development	09/2012	11/2012		On Schedule
Rollout gas PMPM to gas engineering staff	01/2013	01/2013		Awaiting Start
Verify project completion	02/2013	02/2013		Awaiting Start

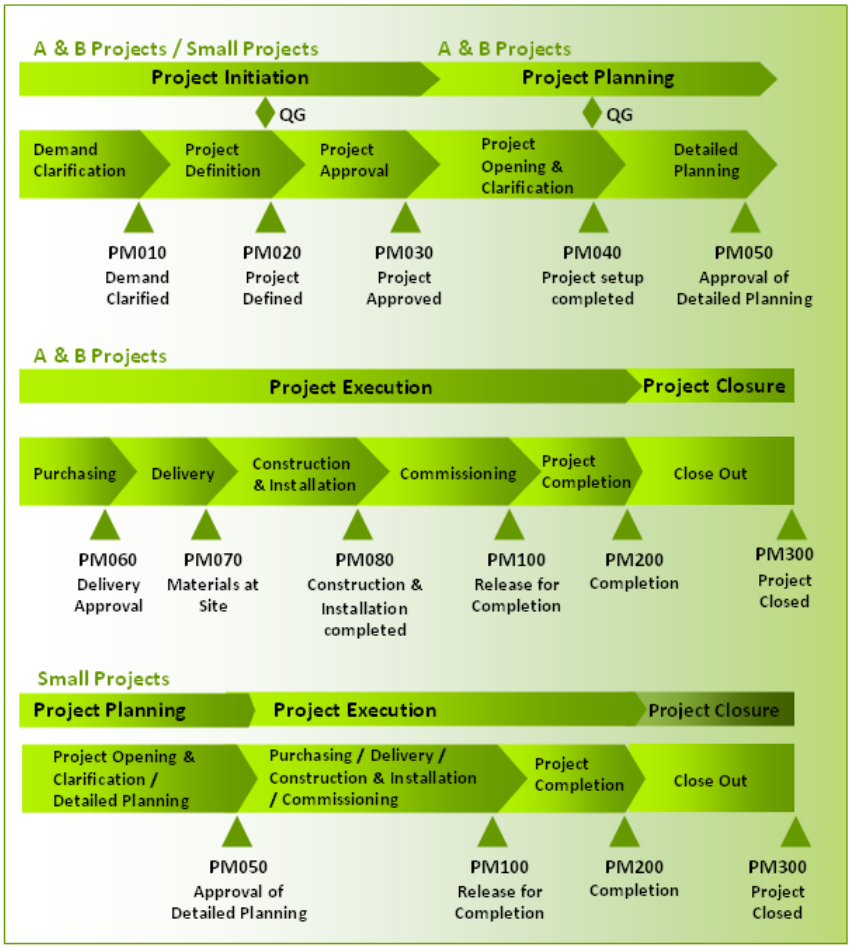
Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Potentially decrease expected Project costs • Improve project management efficiency & consistency • Standardize project management procedures • Consistent, repeatable successful project delivery
Risks	If this project is not completed, project benefits may not be fully achieved.

Changes, Progress, Findings

Identified a common project management methodology for Capital Delivery project portfolio.
Established PMPM structure.
Established minimum requirements for deliverables and records.
Defined capital delivery project categories (large/medium/small projects).
Defined general processes and roles including quality gates.
Defined project controlling loop.
Defined quality gates process.

The graphic below illustrates the project management process in the PMPM from initiation through closure.



Project Processes. QG = Quality Gate

12.2: Review gas capital manpower requirements

Recommendation

Project Title	Review gas capital manpower requirements
Recommendation Number	12.2
Conclusion Number(s)	Ch XII, #2, 3
Recommendation	Review manpower requirements to meet the capital and program requirements within the gas organization and make changes accordingly.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Dave Weiler	Manager – Gas Engineering

Brief Project Overview

Develop a gas capital program resource plan

Description of Scope and Plan

In Phase I, the Company will determine the optimized resource levels needed for engineers, field planners, project managers, construction supervision and inspectors to effectively implement the total annual gas capital program by collecting data, developing and populating a resource model, evaluating various workload and sourcing strategy scenarios, and producing a resource plan I. The study and ultimate recommended resource plan will include project management resources as specified in Recommendation 12.1. If warranted, the resource plan will be implemented in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	08/2012	08/2012	08/2012	Completed
Project team kickoff	08/2012	08/2012	08/2012	Completed
Evaluate and adjust as necessary the capital project process	08/2012	11/2012		On Schedule
Identify parameters and inputs critical to the resource decision process	09/2012	11/2012		On Schedule
Evaluate resource needs, including the impact of the implementation of gas PM procedures (12.1), through 2013 and recommend interim (2013) resource strategy	10/2012	11/2012		On Schedule
Collect data including historical capital expenditure, FTE information and capital program plans through 2018	09/2012	12/2012		On Schedule
Develop, populate and validate a skeleton model	10/2012	02/2013		On Schedule
Evaluate model against various work load and sourcing strategy scenarios.	02/1203	04/2013		Awaiting Start
Recommend optimal resource strategy with estimated savings	05/2013	05/2013		Awaiting Start
Verify Phase I Completion	08/2013	09/2013		Awaiting Start
Start Phase II	10/2013	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$30 K
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Staffing aligned with expected workload
Risks	If this project is not completed, the Company may continue to use the existing resource configuration.

Changes, Progress, Findings

The team has been organized and has been meeting. Definition of data need is continuing and collection of data is underway. Development of a model has begun.

12.3: Staff gas QA/QC organization

Recommendation

Project Title	Staff gas QA/QC organization
Recommendation Number	12.3
Conclusion Number(s)	Ch XII, #4
Recommendation	Staff QA/QC to support an effective and functioning QA/QC program for all Gas projects and programs.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Barry Kachmaryk	Manager – Gas Engineering

Brief Project Overview

Evaluate staffing level within Gas QA/QC to support an effective and functioning QA/QC program for all projects and programs.

Description of Scope and Plan

The Phase I studies will review and identify a recommended level of gas QA/QC and manpower or resources necessary to manage quality, cost, and risk. The scenario analysis will evaluate program staffing with internal and/or external resources, taking into account a suitable range of potential workloads and other input assumptions. Finally, Phase I will produce a plan to strengthen the gas QA/QC function. If warranted, the resource plan will be implemented in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2012	07/2012	07/2012	Completed
Perform needs study	07/2012	09/2012	09/2012	Completed
Perform scenario analysis	09/2012	01/2013		On Schedule
Develop and approve resource plan	01/2013	02/2013		Awaiting Start
Verify Phase I completion	03/2013	03/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $1K Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Improve the effectiveness of Gas QA/QC
Risks	If the project is not completed, QA/QC will continue to be performed with current resources.

Changes, Progress, Findings

Completed review of purpose and function of Gas QA/QC organization (needs study). Collecting data to conduct scenario analysis.

Chapter XIII – Work Management

13.1: Holistic cost management (SM4)

Recommendation

Project Title	Holistic cost management (SM4)
Recommendation Number	13.1
Conclusion Number(s)	Ch XIII, #1, 3,4, 5, 6
Recommendation	Implement a holistic cost-management program.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

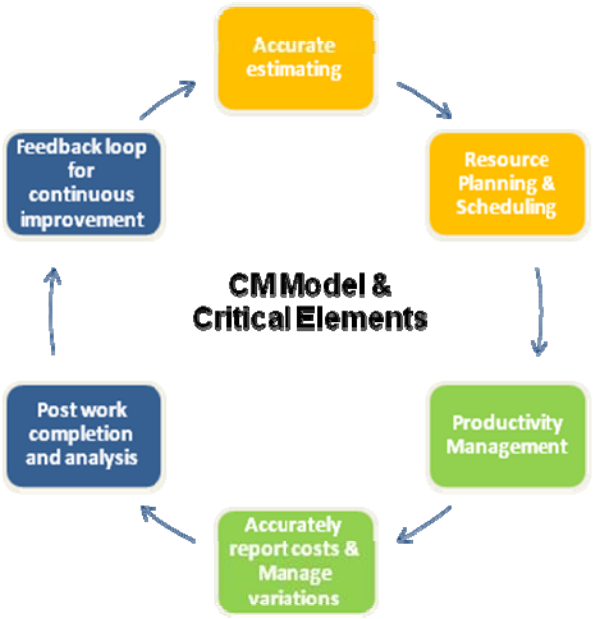
Develop and implement a cost management strategy as standard practice.

Description of Scope and Plan

Design and implement a Cost Management (CM) Program that develops competencies of Electric & Gas Operations and Customer Services employees to expand their focus beyond budget management.

Overall Objective: Design and implement a comprehensive framework that raises enterprise cost and productivity management capabilities to best practice levels.

An IUSA CM model has been developed as guide to achieving CM Program goals and objectives:



The CM model three phases represent "how work gets done"

- Prepare
- Execute
- Evaluate & Improve

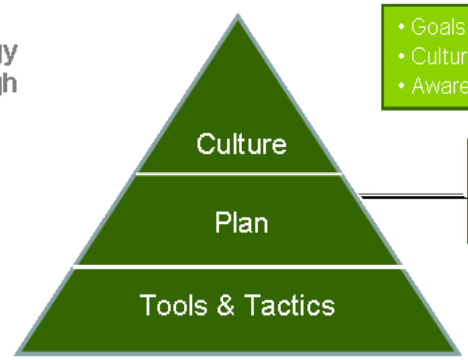
The basis for the CM Strategy is basic Building Blocks. These building blocks assist in the formulation of more detailed plans and activities.

The Cost Management Strategy building blocks will be:

- Culture, Awareness, & Training
- Formal Structure & Plan
- Tools and Tactics

Each Building Block is comprised of a set of activities:

The CM Program Strategy is structured in three high level building blocks or tracks:

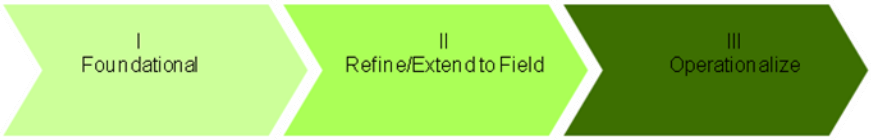


- Goals
- Culture
- Awareness and Training

- Cost Management Organization
- Matrix Roles and Responsibility
- Cost Management Plan

- Key Performance Indicators
- Benchmarking
- Enabling IT Applications
- Process Analysis

The CM Model and associated Building Blocks will be implemented in three phases using the CM Strategy:



The CM Model & associated Building Blocks will be implemented in three phases using the CM Strategy

Foundational: During this phase, the basic CM building blocks will be defined, developed and approved.

Refine/ Extend to the Field - During this phase, the basic building blocks established in Phase 1 will be refined and implemented to the field organizations

Operationalize - During this phase, additional training ,tools and enhancements will be implemented to assure the long term sustainability of the CM program.

The scope of the project to implement Recommendation 13.1 will focus upon Phase I and Phase II which are essential elements of implementing a Cost Management Program.

This work will be carried out through three tracks:

Track 1 –Culture, Awareness and Training

- Foundational - Set goals, develop and communicate the cost management culture and guiding principles, and raise competencies through cost management basics and awareness training.
- Extension to Field – Expand incorporation into IUSA executive goals, develop and roll-out change management plan, and continue to raise competencies and awareness through cost management process and tools training.

Track 2 – Formal Structure and Plan

- Foundational - Establish a cost management organization, define and assign matrix responsibilities in cost management in the field, and develop a high-level cost management strategy.
- Extension to Field – Finalize cost management organization and refinement of roles, assign matrix roles and responsibilities in the field, and execute cost management implementation plan.

Track 3 – Tools and Tactics

- Foundational - Identify initial key performance indicators and perform a gap assessment, perform gap assessment on IT data analytics functionality, and provide high-level process analysis support for cost management activities.

- Extension to Field – Cascade initial key performance indicators to the field, identify next level of KPI's and perform gap assessment, implement IT short-term enhancements, and provide key sub-process analysis support for cost management activities.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Phase I – Foundational Activities				
Start Phase I	01/2012	01/2012	01/2012	Completed
Track 1: Culture, Awareness & Training				
Incorporate cost management (CM) goals in Executives' and Cost Management Department's Goals	01/2012	05/2012	01/2012	Completed
Develop and Deliver CM Basics and Awareness Training.	06/2012	02/2013		On schedule
Track 2: **Formal Structure and Plan**				
Establish Initial CM Organization and develop CM Staff Competency Plan	01/2012	09/2012	06/ 2012	Completed
Develop and approve CM strategy: high-level roadmap, initial framework, and implementation plan	06/2012	09/2012	07/2012	Completed
Track 3: **Tools and Tactics**				
Complete high-level analysis of major processes	05/2012	08/2012	08/2012	Completed
Identify KPI's and perform gap assessment on IT data analytics functionality	01/2013	07/2013		Awaiting Start
Verify Phase I completion	11/2013	11/2013		Awaiting Start
Phase II – Refine and Extend to Field				
Track 1: Culture, Awareness & Training				
Expand incorporation of CM goals into IUSA Executive Goals	01/2013	01/2013		Awaiting Start
Develop and begin delivery of a	11/2012	12/2013		Awaiting Start

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Change Management Plan				
Develop and Deliver CM Process and Tools Training	03/2013	12/2013		Awaiting Start
Track 2: **Formal Structure and Plan**				Awaiting Start
Execute framework and CM implementation plan.	10/2012	12/2013		On Schedule
Assign matrix roles in the field and finalize staffing and refine roles for CM Organization	01/2013	12/2013		Awaiting Start
Track 3: **Tools and Tactics**				
Complete analysis of key sub-processes	11/2012	12/2013		Awaiting Start
Cascade “initial” KPI’s to the field and identify “next level” KPI’s	07/2013	12/2013		Awaiting Start
Develop short-term IT enhancements	08/2013	03/2014		Awaiting Start
Verify project completion	06/2014	06/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$434K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Better understanding of ownership and responsibility for cost management • Tools and tactics that can assist with effective cost management • Cultural changes resulting from implementation of a pro-active cost management program
Risks	If this project is not completed, the improvements above will not likely be achieved. The biggest single risk to the project is the risk associated with bringing about meaningful cultural change and acceptance throughout the Company.

Changes, Progress, Findings

- Goals related to the CM initiative have been incorporated into the performance management objectives of Executive and individuals within the CM Department.
- The initial CM organization has been established and a competency plan has been developed and is currently being executed.
- Documentation to support Iberdrola USA's CM objectives, principles, roadmap and framework has been developed and distributed to Business Area Leaders.
- Analysis and mapping of high-level processes has been completed.
- The first session for CM Awareness Training was held in September 2012. Training classes are on-going currently. Eight have been completed through 10/18/12, and 14 more are scheduled through February 2013.

13.2: Track electric & gas field internal personnel productivity

Recommendation

Project Title	Track electric & gas field internal personnel productivity
Recommendation Number	13.2
Conclusion Number(s)	Ch XIII, #9
Recommendation	Begin monitoring Actual Job-hour expenditures versus Planned Job-hours for Electric and Gas Operations; provide “Planned Job-hours” for all work packages issued to the field.
Adopted, Modified, or Rejected	Adopt
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ruben Deprey	Manager – SAP Support

Brief Project Overview

Provide tools and training for monitoring personnel productivity.

Description of Scope and Plan

Provide additional information to field crews related to estimated hours to complete field work packages. Provide tools for monitoring planned versus actual hours to complete field work packages and include in weekly metrics. Provide training to lead contact field personnel on new monitoring tools and communicate to impacted personnel. Evaluate and analyze planned versus actual hours reports.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2011	07/2011	07/2011	Completed
Add estimated hours for work package to field crew work package paperwork.	07/2011	09/2011	09/2011	Completed
Provide reporting tools for monitoring planned versus actual hours for field work packages.	07/2011	03/2012	03/2012	Completed
Add metrics to weekly operations score card to increase visibility.	08/2012	12/2012		On Schedule
Identify Division Operation lead contacts for monitoring	08/2012	12/2012		On Schedule
Develop and provide Training to lead contacts and communicate to appropriate personnel	12/2012	07/ 2013		Awaiting Start
Evaluate and analyze OpEx Resource Productivity reporting from Click software implementation and potential reporting enhancements.	07/2013	12/2013		Awaiting Start
Verify Project Completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$20K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Contributes to overall improvements in efficiency. Facilitates competitive unit rate comparisons between internal and external resources.
Risks	If this project is not completed, the availability of data for analysis to improve overall efficiency and perform internal/external rate comparisons may not be available.

Changes, Progress, Findings

Estimated work hours have been added to SAP field work packages for capital work utilizing compatible unit orders in SAP. Reports for comparing planned to actual work hours have been developed using the SAP Business Warehouse Reporting.

13.3: Establish cost estimating program

Recommendation

Project Title	Establish cost estimating program
Recommendation Number	13.3
Conclusion Number(s)	Ch XIII, #15, 16
Recommendation	Enhance the cost estimating capability by establishing a structured cost estimating program.
Adopted, Modified, or Rejected	Modified: Establish an effective Electric and Gas Cost Estimating Program at IUSA without adding resources or creating a new department to support this function.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

Establish an effective Electric and Gas Cost Estimating Program at IUSA for managing common electric and gas capital work.

Description of Scope and Plan

Establishment of an effective Cost Estimating Program will entail two major initiatives**.**

Initiative #1 – Develop the process to update and maintain electric compatible units for common overhead electric work

Initiative #2 – Development of an IUSA Electric and Gas Estimating Manual for Electric Transmission, Substation and Distribution and Gas Distribution and conduct associated training.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Determine organizational responsibility and structure to support electric and gas cost estimating	05/2012	05/2012	05/2012	Completed
Start Initiative 1	05/2012	05/2012	05/2012	Completed
Establish process to update and maintain CUs on a regular basis	05/2012	11/2012		On Schedule
Draft and approve plan	11/2012	11/2012		Awaiting Start
Verify Initiative 1 completion	12/2012	12/2012		Awaiting Start
Start Initiative 2	07/2012	07/2012	07/2012	Completed
Establish team and process to develop an IUSA Electric & Gas Estimating Manual	07/2012	11/2012		On Schedule
Produce Manual	12/2012	05/2013		Awaiting Start
Train users–(Electric Transmission, Substation and Distribution and Gas Distribution)	06/ 013	08/2013		Awaiting Start
Verify Initiative 2 completion	09/2013	09/2013		Awaiting Start
Verify project completion	09/2013	09/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$18.5K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Provide a means to analyze the differences between estimated costs and actual costs and provide corrective feedback to the process
Risks	If this project is not completed the enhanced ability to evaluate the differences between estimated costs and actual costs and take corrective actions will not be available.

Changes, Progress, Findings

After review of the current organizational structure, it was determined that existing resources in the engineering department will be responsible for gas and electric engineering design work and cost estimating. No additional staffing and no incremental costs will be required.

13.4: Establish operations internal/contractor balancing guidelines

Recommendation

Project Title	Establish operations internal/contractor balancing guidelines
Recommendation Number	13.4
Conclusion Number(s)	Ch XIII, #30
Recommendation	Establish a structured approach, policies and supporting guidelines for the balancing of in-house and contractor resources in physical work assignments.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen Mike Eastman	Vice President – Electric Operations Vice President – Gas Operations
Project Manager/ Team Lead	Rich Frank	Manager – Regional Operations-Electric
Project Manager/ Team Lead	Ed Pozzuolo	Manager – Regional Operations-Gas

Brief Project Overview

Evaluate current internal practices for decision-making related to use of contractors vs. company work forces and establish an associated philosophy and supporting guidelines.

Description of Scope and Plan

The Company will develop a philosophy and guidelines towards the use of contractors and formalize this in writing and communicate to key stakeholders. This will include factors that should be taken into consideration when assigning work to contractors or Company workforces and establish a guideline/process for key stakeholders (Managers, Supervisors, Engineers, and Schedulers) to follow.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	08/2012	08/2012	08/2012	Completed
Evaluate internal practices	08/2012	11/2012		On Schedule
Identify and analyze key factors	09/2012	11/2012		On Schedule
Develop and approve guidelines	11/2012	12/2012		Awaiting Start
Communicate guidelines to key stakeholders	01/2013	02/2013		Awaiting Start
Verify Project Completion	02/2013	02/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More defined process for evaluating and optimizing allocation between in-house and contractor resources on multiple work activities. Consistent policies and applications.
Risks	If this project is not completed, current practices to allocate work will continue to be used.

Changes, Progress, Findings

Evaluation of current internal practices used to decide whether to use contractors or Company work forces is underway.

13.5: Analyze gas operations safety results

Recommendation

Project Title	Analyze gas operations safety results
Recommendation Number	13.5
Conclusion Number(s)	Ch XIII, #27
Recommendation	Conduct a root-cause analysis on the continuous high trend in OSHA injury rate in Gas Operations and implement a corrective action program.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Karen Sahler	Manager – EHS Compliance
Project Manager/ Team Lead	Ed Pozzuolo	Manager – Regional Operations

Brief Project Overview

RG&E will conduct a review of Gas Operation employee injuries; analyze the data; determine root causes and identify and implement appropriate corrective and preventative actions.

Description of Scope and Plan

A review of all RG&E Gas Operations injuries from 2009 to present will be completed. The objective of this review is to identify injury trends/root causes and to identify and isolate risks.

Based on the results of the Gas Operations injury review and other pertinent information, the Company will determine practical ways to reduce/eliminate prevalent types of risks/injuries from occurring in the future.

The Company will develop corrective and preventative actions and implement and document those actions.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	03/2012	03/2012	03/2012	Completed
Collect data on injuries	03/2012	06/2012	06/2012	Completed
Analyze injury data	07/2012	09/2012	09/2012	Completed
Develop Corrective Actions	07/2012	12/2012		On Schedule
Implement Corrective Actions	07/2012	06/2013		On Schedule
Prepare Final Report and Verify project completion	06/2013	06/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	• Increase Gas Operation Employees awareness of risk identification and mitigation; • Take actions to eliminate/reduce Gas Operation Employees work-related injuries
Risks	• Safety improvement efforts do not always directly correlate with improvements in the OSHA injury rate, particularly for small organizations where one injury, including a “not at fault” vehicle accident, can significantly impact the overall injury rate.

Changes, Progress, Findings

Data on previous injuries has been analyzed. Eight possible corrective actions have been developed of which five are underway.

13.6: Establish operations overtime guidelines

Recommendation

Project Title	Establish operations overtime guidelines
Recommendation Number	13.6
Conclusion Number(s)	Ch XIII, #28
Recommendation	Establish a structured corporate approach, policies and supporting guidelines to provide managers and supervisors with a framework to manage non-exempt employee overtime.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen Mike Eastman	Vice President – Electric Operations Vice President – Gas Operations
Project Manager/ Team Lead	Rich Frank	Manager of Regional Operations – Electric
Project Manager/ Team Lead	Joseph Chernak	Manager of Regional Operations – Gas

Brief Project Overview

Create guidelines and metrics for local overtime decision-making to be utilized across the operating departments.

Description of Scope and Plan

The Company will review various internal and external overtime control programs and formulate a statement of the company's overtime philosophy that will balance the interests of public safety, reliability, customer service and cost control. This guidance will describe the authority level for discretionary and non-discretionary overtime. In addition, overtime metrics will be defined and implemented for regular reports for analysis and control.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Review current internal overtime guidance	08/2012	09/2012	09/2012	Completed
Develop and approve guidelines	09/2012	11/2012		On Schedule
Review results of Rec. 13.7. Identify and implement key overtime metrics.	10/2012	11/2012		On Schedule
Communicate guidelines and continue to measure, analyze and monitor overtime costs	11/2012	01/2013		Awaiting Start
Verify Project Completion	02/2013	02/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Developing clear guidelines will allow for better control and decision making.
Risks	If this project is not completed, the Company will continue to rely on existing guidelines and policies for overtime, without having the benefit of having the guidelines and metrics expected to be produced herein.

Changes, Progress, Findings

An HR overtime policy was introduced during the time of the audit and was not included in the audit recommendations or findings. This policy will be taken into consideration.

Development of overtime guidelines is underway. Upon completion guidelines will be submitted for approval. At the end of October and into November, outcome of plan 13.7 will be reviewed to assure recommendations are consistent and compatible with certain pieces of that plan.

13.7: Analyze electric operations and stores overtime

Recommendation

Project Title	Analyze electric operations and stores overtime
Recommendation Number	13.7
Conclusion Number(s)	Ch XIII, #28
Recommendation	Prepare an analysis of overtime expenditures on Electric Operations and Stores, including root causes of the high trends and strategies for attaining a predetermined target.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Pam Kelly	Manager – Performance and Budgets
Project Manager/ Team Lead	Theresa Perry	Director – Materials Management

Brief Project Overview

Create a sustainable process to enable the monitoring of overtime (OT) hours and achievement of annual targets.

Description of Scope and Plan

In November 2011, the company modified Labor/OT reporting capabilities allowing regular and OT hours to be reported in different categories (Storm, Trouble, Capital and Other) and providing a more accurate picture of OT percentages. These are currently reported on a Labor Scorecard utilized by Electric T&D.

This project team will perform a review of the current Scorecard, other OT reporting available and review process and make changes as appropriate. The team will also roll out the revised process to company management. OT guidelines will be addressed in recommendation 13.6.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	04/2012	04/2012	04/2012	Completed
Reevaluate current Scorecard, other OT reporting available and review process	05/2012	07/2012	07/2012	Completed
Define causes of high OT and process for intervention	06/2012	07/2012	08/2012	Completed
Test Scorecard and Process	08/2012	10/2012	10/2012	Completed
Finalize Scorecard and Process	10/2012	10/2012	10/2012	Completed
Develop and conduct training and roll-out Scorecard and Process	10/2012	12/2012		On Schedule
Verify Project Completion	12/2012	12/2012		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Overall efficiency and productivity Increased ability to manage overtime costs
Risks	If this project is not done, any additional tools and guidelines to monitor and manage overtime costs would not be available.

Changes, Progress, Findings

A focus team has been created. The team has met and developed the scorecard that will be used to monitor OT. The pilot has been completed and the scorecard and process have been finalized. Development of training is underway in preparation for roll-out.

13.8: Determine impact of electric & gas operations retirements

Recommendation

Project Title	Determine impact of electric & gas operations retirements
Recommendation Number	13.8
Conclusion Number(s)	Ch XIII, #21, 26
Recommendation	Develop the capability to continuously assess and monitor the productivity and cost impact of the expected retirement of linemen.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support
Project Manager/ Team Lead	Kevin Wachter	Lead Analyst – Programs

Brief Project Overview

Develop the capability to assess and monitor the productivity and cost impacts of High End Experienced Workers turnover on a periodic basis.

Description of Scope and Plan

Gather current workforce demographic data and analyze it against internal and external business factors which may include:

- Bargaining unit commitments
- New York State market conditions
- Long term business strategic planning

Conduct a work sampling study to analyze the cost of knowledge and skill loss, and determine the associated risks and costs for both internal development and external hiring at apprentice level and advanced skill levels for Electric and Gas field positions. Document the model,

methodology, and results.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Gather data	08/2012	09/2012	09/2012	Completed
Develop work sampling plan	11/2012	02/2013		Awaiting Start
Implement plan	03/2013	05/2013		Awaiting Start
Assess risks and identify incremental costs	05/2013	06/2013		Awaiting Start
Document results	06/2013	07/2013		
Verify project completion	08/2013	08/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved long term staffing planning process.
Risks	Without this project valuable insights into the impact of projected retirements would not be as readily available for inclusion in resource planning efforts.

Changes, Progress, Findings

Project was started on schedule and a meeting was held between gas and electric operations to discuss data needed to perform the analyses. Both gas and electric are currently reviewing demographic data received from HR.

13.9: Track electric & gas field contractor productivity

Recommendation

Project Title	Track electric & gas field contractor productivity
Recommendation Number	13.9
Conclusion Number(s)	Ch XIII, #33
Recommendation	Include in future contracts a requirement that contractors performing physical work report expended job-hours and quantities installed or completed (at a property unit level).
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support
Project Manager/ Team Lead	Jim O'Brien	Manager – T&D Support
Project Manager/ Team Lead	Mike Dorfner	Supervisor – Gas Engineering

Brief Project Overview

Future gas and electric Requests for Proposals to perform work will request Expended Job-hours and Quantities Installed/Completed, based on Working Units/Pay Identifiers, be reported to the Company.

Description of Scope and Plan

The NYSEG and RGE 2012 contracts for both Gas and Electric Line Contractors are in place.

Electric and Gas Operations will request both Expended Job-Hours and Quantities Installed/Completed as part of Contractor's invoicing / monthly reporting when RFPs are issued for 2013 contracts. The procurement of electric and gas services occur at different times of year, resulting in different electric and gas project milestones.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Gas Track				
Develop method to capture Gas Contractors Expended Job-Hours and incorporate into 2013 procurement documents	08/2012	09/2012	09/2012	Completed
Procure 2013 gas contractor services	09/2012	04/2013		On Schedule
Document 2013 gas contractor services procurement productivity data capture results	05/2013	05/2013		Awaiting Start
Electric Track				
Develop method to capture Electric Contractor Expended Job-Hours and incorporate into 2013 procurement documents	08/2012	12/2012		On Schedule
Procure 2013 electric contractor services	12/2012	06/2013		Awaiting Start
Document 2013 electric contractor services procurement productivity data capture results	07/2013	07/2013		Awaiting Start
Verify project completion	08/2013	08/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Data collected may be useful for future planning.
Risks	Contractors may not comply with this request, may charge additional administrative fees to provide it, or may provide data that may not be of useable quality for the Company's purposes.

Changes, Progress, Findings

Project was started on schedule and a common Invoicing format has been agreed to between gas and electric operations. Currently Gas Engineering has submitted their 2013 RFP documents to Procurement Electric Operations which is finalizing the 2013 RFP documents.

13.10: Evaluate a balanced and cost-effective workforce level

Recommendation

Project Title	Evaluate a balanced and cost-effective workforce level
Recommendation Number	13.10
Conclusion Number(s)	Ch XIII, #32
Recommendation	Evaluate the most cost-effective size of the overall internal work force, including the Mobile Work Force, taking into account such factors as future planned workload, worker versus contractor efficiency and productivity, and work rules; strive to achieve a balanced and cost-effective workforce level.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support

Brief Project Overview

Evaluate and develop a balanced and cost-effective electric operations workforce plan.

Description of Scope and Plan

In Phase I, evaluate and develop a resource plan by applying an enhanced Resource Planning Tool (RPT) under different scenarios and factors. This would include evaluating and developing the appropriate production parameters, data segmentation, risk controls, and taking into consideration such factors as current and forecasted future workloads, types and characteristics of planned work, productivity and efficiency factors, work rules, unit costing (i.e. understanding costs between internal and external resources per units of work), resource and skill utilization factors (i.e. low, medium, high skills), and retirements.

Potential net benefits rest on a series of assumptions, including long-term work load, permanent structural differences in internal and external labor, and possible changes to collective bargaining labor agreements.

If warranted, the resource plan will be implemented in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2012	07/2012	07/2012	Completed
Determine costs for Enhancing Resource Planning Tool	07/2012	07/2012	07/2012	Completed
Resource Planning Tool training and familiarization	08/2012	09/2012	08/2012	Completed
Develop workforce model variables (scenarios) list	08/2012	11/2012		On Schedule
Scenario Review and Acceptance	11/2012	11/2012		Awaiting Start
Define and build workforce scenario by regions	12/2012	01/2013		Awaiting Start
Analyze and Evaluate Five year capital work plan to adjust scenarios if needed	01/2013	02/2013		Awaiting Start
Apply RPT to develop range of possible outcomes based on variable list	01/2013	03/2013		Awaiting Start
Develop and finalize resource plan	03/2013	05/2013		Awaiting Start
Verify Phase I completion	06/2013	06/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $204K Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Strengthen the current base assumptions used for projecting a balanced and cost-effective electric operations workforce level
Risks	If this project is not completed, staffing level decisions may continue to be made using existing methods and assumptions. The ability to implement the results may depend on the collective bargaining labor agreements. Actual turnover and retirements may vary from projected levels.

Changes, Progress, Findings

Phase I of the project was started on schedule. Familiarization training of the Resource Planning Tool has been completed along with meetings held to begin compiling the workforce model variables (scenarios) list.

13.11: Promote cross Company cost effective work opportunities

Recommendation

Project Title	Promote cross Company cost effective work opportunities
Recommendation Number	13.11
Conclusion Number(s)	Ch XIII, #25
Recommendation	Promote the ability of NYSEG and RG&E workforces to perform cost-effective work in each other's territories.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Charis Zembek	Lead Advisor – Labor Relations
Project Manager/ Team Lead	Tom Cammuso	Lead Advisor – Labor Relations

Brief Project Overview

To continue to seek the ability and opportunity for RGE & NYSEG crews to cross territory boundaries.

Description of Scope and Plan

Continue to recognize the importance of the ability for RG&E and NYSEG crews to cross territory boundaries.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Verify project completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Ongoing work and support to increase the ability for RG&E and NYSEG crews to work cross territory boundaries.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

The Company has sought and will continue to seek the ability to have RG&E and NYSEG crews cross territory boundaries.

13.12: Establish electric QA organization

Recommendation

Project Title	Establish electric QA organization
Recommendation Number	13.12
Conclusion Number(s)	Ch XIII, #34, 40
Recommendation	Establish a Quality Assurance Organization to maintain the integrity of all the electric work performed.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Royce McMahon	Manager – Electric System Engineering
Project Manager/ Team Lead	Mark Mahlmeister	Manager – Electric Capital Delivery

Brief Project Overview

Evaluate and establish a formalized and documented QA/QC program at NYSEG and RGE.

Description of Scope and Plan

In Phase I, complete an initial assessment of critical QA needs for on-going capital project activities and initiate an interim program to address those critical items in 2012. Complete the development of a specific QA/QC Program Manual for Electric Capital project application in 2013. Working with a third party contractor, complete evaluation of the establishment of an Electric QA/QC organization and develop a resource plan. If warranted, implement that plan in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	06/2012	06/2012	06/2012	Completed
Complete Electric QA/QC Manual Outline	06/2012	01/2013		On Schedule
Assess critical QA/QC needs and develop interim procedures	06/2012	12/2012		On Schedule
Procure contractor services to support project	07/2012	12/2012		On Schedule
Develop and approve QA/QC Manual	01//2013	08/2013		Awaiting Start
Develop model and analyze scenarios	01/2013	04/2013		Awaiting Start
Develop and approve QA/QC resource plan	04/2013	06/2013		Awaiting Start
Verify Phase I completion	09/2013	09/2013		Awaiting Start
Start Phase II	TBD	TBD		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $300-400K Phase II: TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Increased assurance that capital projects are constructed in accordance with design drawings and specifications. • Reduction in potential operating issues caused by construction non-conformance issues affecting reliability and system stability after the completion of the capital projects. • More consistent reinforcement of quality standards across the OpCos. • Better availability of quality compliance data in regards to the bidding and award process of future work.
Risks	If this project is not completed, the interim QA/QC solution would continue to be utilized.

Changes, Progress, Findings

Review of the critical QA/QC needs and the development and documentation of interim procedures has started. The specification to obtain contractor services to progress the project is being developed.

Chapter XIV – Plans, Controls, Performance Management, and Compensation

14.1: Apply ConEd infrastructure planning experience

Recommendation

Project Title	Apply ConEd infrastructure planning experience
Recommendation Number	14.1
Conclusion Number(s)	Ch XIV, #3; Ch X, #2
Recommendation Full Description	Study and apply the ConEd experience in long-term infrastructure planning in forming a concrete plan for long-range infrastructure planning.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Paul Dumais	Director – Regulatory

Brief Project Overview

Examine how ConEd conducts long-range infrastructure planning and identify how to integrate their best practices with IUSA practices

Description of Scope and Plan

ConEd and IUSA management share an interest in maintaining a robust delivery network at an affordable cost over the long term. The Company will learn from ConEd about their approach to long range infrastructure planning (10 year horizon). IUSA will combine the applicable ConEd learning and experience with its own concerns and protocols to develop an improved infrastructure planning process that will be used to develop subsequent long-range strategic plans.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Review ConEd infrastructure planning approach	05/2012	11/2012		On Schedule
Document ConEd practices	11/2012	12/2012		Awaiting Start
Develop an IUSA long-range infrastructure planning process that incorporates ConEd best practices	12/2012	02/2013		Awaiting Start
Verify project completion	02/2013	02/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$2K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improve quality of infrastructure planning
Risks	ConEd best practices may or may not improve upon the process Company is currently using to extend its capital planning horizon

Changes, Progress, Findings

Held phone meeting with ConEd. Reviewed ConEd long-range infrastructure plan. Face-to-face meeting with ConEd scheduled for November 26.

14.3: Audit affiliate relationships

Recommendation

Project Title	Audit affiliate relationships
Recommendation Number	14.3
Conclusion Number(s)	Ch XIV, #8
Recommendation	Make examination of affiliate relationships and transactions a recurring element of Internal Audit's plans and provide for clear, timely documentation and reporting of progress in implementing recommendations.
Adopted, Modified, or Rejected	Modified: The audit will be included as part of the "audit universe" and will be selected for audit based on annually assessed risk exposure.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Ray Cardella	Director – Internal Audit
Project Manager/ Team Lead	Ray Cardella	Director – Internal Audit

Brief Project Overview

Establish an audit of Affiliate Relationships

Description of Scope and Plan

An audit of Affiliate Relationships will be included in the "audit universe". In accordance with the Company's risk based audit approach, Internal Audit will annually assess the risk exposure of this process for inclusion in the proposed IUSA Internal Audit plan. We completed Affiliate Relationships Audits in 2007, 2010, 2011 and another is expected to be completed prior to the time this plan is filed. In addition, Internal Audit will continue to monitor the implementation of all management recommendations. The Company currently uses its Internal Audit Management system (Guadi) to monitor the implementation of management recommendations. Prior to the implementation of the automated system, Internal Audit monitored and reported the status of management recommendations using an Excel spreadsheet.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Inclusion of Affiliate Relations as an auditable entity will ensure that this area is appropriately included in the annual Internal Auditing planning process and receives regular audit oversight.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Audits of Affiliate Relationships will continue to be a regular element of the Iberdrola USA Internal Audit Annual Plan. In accordance with our risk based audit approach, Internal Audit will annually assess the risk exposure (regulatory, financial, reputational and operational) of this process for inclusion in the proposed IUSA Internal Audit plan. Regulatory requirements necessitate that certain affiliate relationships (such as IEP) are regularly included in the Internal Audit plan.

14.6: Develop input-based metrics

Recommendation

Project Title	Develop input-based metrics
Recommendation Number	14.6
Conclusion Number(s)	Ch XIV, #14
Recommendation	Develop a series of input-based metrics that will permit more robust assessment of cost performance by measuring it against work units accomplished and the productivity achieved in accomplishing those units.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

Develop a series of input metrics that will permit more robust assessment of cost performance as a standard practice across the IUSA OpCos.

Description of Scope and Plan

Cost management metrics and KPIs generally (including input/leading metrics as warranted) will be developed in response to Recommendation 13.1. This project will develop input/leading metrics that permit a more robust assessment of cost performance primarily for use in response to Recommendation 14.11. Initial metrics will be identified in consultation with Electric and Gas Operations and Customer Service, defined and developed, tested, and clarified/revised, and a reporting system will be developed for the metrics selected for use in 2014 AIP objectives.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	10/2012	10/2012	10/2012	Completed
Identify, develop, and test initial metrics	10/2012	03/2013		On Schedule
Clarify and document metrics	04/2013	06/2013		Awaiting Start
Develop reporting system for selected metrics, and further revise metrics if necessary	07/2013	11/2013		Awaiting Start
Verify project completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Encourage increased focus on leading indicators and input measures of cost performance, as a tool to avoid and future issues
Risks	If this project is not completed, the Company may lack input metric options to incorporate into Executive AIPs in 2014.

Changes, Progress, Findings

Currently, a team that will address the identification and roll-out of initial input/leading metrics to Electric and Gas Operations and Customer Services is being formed. Additionally, a charter to address development of input/leading metrics is being developed.

14.7: Establish formal benchmarking

Recommendation

Project Title	Establish formal benchmarking
Recommendation Number	14.7
Conclusion Number(s)	Ch XIV, #15
Recommendation	Establish a formal program applying a robust mix of external and internal benchmarks.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

The Company will supplement and strengthen its robust, holistic existing benchmarking programs through additional participation in U.S. Electric and Gas Transmission and Distribution (T&D) and Customer Service benchmarking.

Description of Scope and Plan

In Phase I, the Company will expand its domestic Electric T&D and Customer Service benchmarking through participation with First Quartile (FQC). FQC has well established performance and best practices programs with participation from many industry leaders.

In Phase II, the Company will evaluate and determine the value in expanding its domestic benchmarking programs to include Gas (T&D).

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	02/2012	02/2012	02/2012	Completed
Gather Data	02/2012	06/2012	06/2012	Completed
Review Data	06/2012	06/2012	06/2012	Completed
Review Final Report	06/2012	07/2012		Completed
Share best practices and present results	07/2012	12/2012		On Schedule
Verify Phase I completion	01/2013	01/2013		Awaiting Start
Start Phase II	02/2013	02/2013		Awaiting Start
Research and evaluate vendors	02/2013	04/2013		Awaiting Start
Develop and approve benchmarking plan	04/2013	05/2013		Awaiting Start
Verify Phase II completion	06/2013	06/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$95K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Increased ability to compare internal performance with other, similar U.S. companies. Potential identification of additional best practices.
Risks	If this project is not completed, the Company may lack the information to identify or adopt some potential best practices.

Changes, Progress, Findings

At this time, the Company has begun the expanded U.S. benchmarking for Electric T&D and Customer Services. Data gathering is complete. A company representative attended a conference that provided an overview of the results and sharing of best practices amongst peer utilities. The next step will be to schedule First Quartile to present to the Executive Lead Team during the fourth quarter 2012. Staff has also volunteered to explore possible gas benchmarking programs in support of this recommendation, which the Company appreciates.

14.10: Reconstitute compensation benchmark groups

Recommendation

Project Title	Reconstitute compensation benchmark groups
Recommendation Number	14.10
Conclusion Number(s)	Ch XIV, #19
Recommendation	Re-evaluate and reconstitute the peer groups used to benchmark IUSA compensation.
Adopted, Modified, or Rejected	Modified: Provide a broader source of compensation data than recommended to enhance the Company's ability to attract and retain talent
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Susan Greenberg	Director – Rewards

Brief Project Overview

Reconstitute the peer group used for compensation benchmarking to more closely align with companies of a similar size (in annual revenue) to Iberdrola USA.

Description of Scope and Plan

Modify peer group used for compensation benchmarking, in order to benchmark against energy services/general industry as appropriate based on the job (e.g., benchmark engineers against energy services and human resource professionals against general industry). Adjust for the differences based on all companies versus companies with revenues of $1B to $3B. Continue to benchmark against all energy services companies, not just those in the identical business to IUSA, because businesses outside the Company's segment of the energy industry use individuals with the same skills that the Company needs, and therefore should be included in the benchmark data.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	02/2012	02/2012	02/2012	Completed
Conduct market pricings	02/2012	04/2012	04/2012	Completed
Verify project completion	07/2012	07/2012	07/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Reliable compensation benchmark • Compensate our workforce appropriately • Attraction and retention
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Early in 2012 we purchased the Towers Watson Energy Services and General Industry Compensation Databases. We matched 200+ jobs to the appropriate job families and career bands used in these databases. Energy industry specific jobs (e.g., engineers) were benchmarked against the Energy Services database. Other jobs (e.g., human resources) were benchmarked against the General Industry database. We adjusted the benchmark data to reflect salary levels for companies in the $1B to $3B revenue grouping. We have continued to use this process throughout the year.

14.11: Modify compensation links and measures

Recommendation

Project Title	Modify compensation links and measures
Recommendation Number	14.11
Conclusion Number(s)	Ch XIV, #20
Recommendation	Delink IUSA incentive compensation from ISA Global performance, incorporate more stretch in targets, and incorporate input measures
Adopted, Modified, or Rejected	Modified to include a study regarding norms in similar situations and establish an action plan based on the study results
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Susan Greenberg	Director – Rewards

Brief Project Overview

Improve Company understanding and implementation of the linkages between US subsidiaries and their parent companies with respect to metrics. Continue to include “stretch goals” in the AIP program, and consider input measures in the setting of objectives for 2014.

Description of Scope and Plan

Research the linkage to global parents of foreign-owned and US-owned US subsidiaries with respect to executive/manager bonuses, and determine the appropriate course of action based on the results. Examine AIP targets and continue to incorporate “stretch” goals in AIP targets, as part of an ongoing process of continuous improvement. Review input measures developed in response to Recommendation 14.6, and incorporate input metrics as appropriate into AIP objectives.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	11/2012	11/2012		Awaiting Start
Review 2013 objectives for stretch and revise as appropriate	11/2012	12/2012		Awaiting Start
Define scope of study and explore existing data	11/2012	12/2012		Awaiting Start
If additional research required, acquire research services	11/2012	02/2013		Awaiting Start
Conduct and evaluate research	03/2013	09/2013		Awaiting Start
Revise 2014 objectives as appropriate to reflect results of linkage evaluation	09/2013	12/2013		Awaiting Start
Review results of Recommendation 14.6 and incorporate input (leading) measures into 2014 objectives as appropriate	07/2013	12/2013		Awaiting Start
Finalize 2014 AIP goals	01/2014	04/2014		Awaiting Start
Verify project completion	05/2014	05/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$35-50K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Potentially improved performance outcomes
Risks	If this project is not completed, information regarding how other companies link their performance to their parent companies will not be obtained.

Changes, Progress, Findings

Appendices

Appendix A. Implementation Project Status Summary

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
3.1	Change transaction identification	In Progress		
3.2	Update service agreements	In Progress		
3.3	Ensure service agreements among all utilities	In Progress		
3.4	Improve timeliness of inter-affiliate payments	In Progress		
3.5	Encourage cost-causative charging	Future Start		
4.1	Evaluate forecasting software	In Progress		
4.2	Enhance electric and gas forecasting with scenario analysis	In Progress		
4.3	Enhance forecasting capabilities	In Progress		
4.4	Obtain customer usage information	Completed	10/29/2012	
4.5	Improve day-ahead electric forecasting	In Progress		
4.6	Create executive forecasting committee	In Progress		
5.1	Prepare electric wholesale market plan	In Progress		
5.2	Create management team to oversee NYISO, FERC, etc.	In Progress		
6.1	Modify the planning process for risk and uncertainty	In Progress		
6.2	Develop electric distribution planning manual	Completed	10/29/2012	
6.3	Reevaluate transmission planning prioritization criteria	Completed	10/29/2012	
6.4	Assess transmission planning models and methods	In Progress		
6.5	Develop resource plan for transmission planning	In Progress		
6.6	Participate in T&D benchmarking programs	In Progress		
7.1	Develop gas vision and strategy	In Progress		
8.1	Analyze optimum electric portfolio	Rejected		
8.2	Issue electric energy RFPs	Rejected		

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
8.3	Issue electric capacity RFPs	Rejected		
8.4	Document electric procurement operating procedures	Completed	10/29/2012	
8.5	Establish IUSA Executive Risk Committee	Completed	10/29/2012	
8.6	Consider electric procurement operations audit	Completed	10/29/2012	
9.1	Evaluate Gas Control Center staffing and training	In Progress		
9.2	Upgrade Gas Control Center facilities	In Progress		
9.3	Study gas design day, develop resource plan	Future Start		
9.4	Improve day-ahead gas forecasting	In Progress		
10.1	Overhaul capital budgeting process and activities	In Progress		
10.2	Develop strategic plans	In Progress		
11.1	Balance internal and external project managers, engineers	In Progress		
11.2	Improve project management functions in SAP	In Progress		
11.3	Issue written project management procedures	In Progress		
11.4	Address design/delivery issues	In Progress		
11.5	Update monthly CapEx project cash flows in SAP	Completed	10/29/2012	
11.6	Execute vegetation management contracts by Jan 1	In Progress		
11.7	Move NYSEG to five year vegetation management cycle	In Progress		
11.8	Evaluate use of herbicides in vegetation management at NYSEG	In Progress		
11.9	Increase technical expertise of energy efficiency staff	In Progress		
12.1	Implement gas project management procedures manual	In Progress		
12.2	Review gas capital manpower requirements	In Progress		
12.3	Staff gas QA/QC organization	In Progress		
13.1	Holistic cost management (SM4)	In Progress		
13.2	Track electric & gas field internal personnel productivity	In Progress		
13.3	Establish cost estimating program	In Progress		
13.4	Establish operations internal/contractor balancing guidelines	In Progress		
13.5	Analyze gas operations safety results	In Progress		
13.6	Establish operations overtime guidelines	In Progress		

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
13.7	Analyze electric operations and stores overtime	In Progress		
13.8	Determine impact of electric & gas operations retirements	In Progress		
13.9	Track electric & gas field contractor productivity	In Progress		
13.10	Evaluate a balanced and cost effective workforce level	In Progress		
13.11	Promote cross Company cost effective work opportunities	Completed	10/29/2012	
13.12	Establish electric QA organization	In Progress		
14.1	Apply ConEd infrastructure planning experience	In Progress		
14.3	Audit affiliate relationships	Completed	10/29/2012	
14.6	Develop input-based metrics	In Progress		
14.7	Establish formal benchmarking	In Progress		
14.10	Reconstitute compensation benchmark groups	Completed	10/29/2012	
14.11	Modify compensation links and measures	Future Start		

Appendix B. Executive Champions and Project Managers/Team Leads

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
Robert Kump Chief Executive Officer	10.2	Thomas Ryan III	Director – Business Strategy, Operations Technologies & Business Transformation
R. Scott Mahoney Vice President - General Counsel	3.2	R. Scott Mahoney Robert Fitzgerald Jr.	Vice President – General Counsel Assistant Controller – Control & Administration
Michael Eastman Vice President – Gas Operations (NY)	7.1	Gregory George	Director – Gas Design & Delivery, Engineering & Delivery
Gene Jensen Vice President – Electric Operations	9.1	Susan Dornblaser Michael Craven	Supervisor – Dispatch & ECC, Systems Operations Manager – Dispatch & ECC, Systems Operations
	9.2	Susan Dornblaser Michael Craven	Supervisor – Dispatch & ECC, Systems Operations Manager – Dispatch & ECC, Systems Operations
	13.2	David Foss Ruben Deprey	Manager – T&D Programs/Projects, Electric Operations Manager – SAP Support, IT Applications
	13.4	Edward Pozzuolo Richard Frank	Manager – Regional Operations, Gas Operations Manager – Regional Operations, Electric Distribution (NY)
	13.6	Joseph Chernak Richard Frank	Manager – Regional Operations, Gas Operations Manager – Regional Operations, Electric Distribution (NY)
	13.7	Pamela Kelly Theresa Perry	Manager – Performance & Budgets, T&D Support Director – Materials Management, General Services
	13.8	David Foss Theodore Anderson Kevin Wachter	Manager – T&D Programs/Projects, Electric Operations Manager – T&D Support, T&D Support Lead Analyst – Programs, Gas Operations (NY)
	13.9	James O'Brien Theodore Anderson	Manager – T&D Support, T&D Support Manager – T&D Support, T&D Support
	13.10	David Foss Theodore Anderson	Manager – T&D Programs/Projects, Electric Operations Manager – T&D Support, T&D Support
	13.11	Charis Zembek Thomas Cammuso	Manager – Labor Relations, Labor Relations Lead Advisor – Labor Relations
Javier Bonilla Vice President - Engineering & Delivery	6.2	Michael Rumancik	Manager – Electric System Engineering, Electric Systems Engineering
	11.1	Ellen Miller	Director – Electric Capital Delivery, Engineering & Delivery

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
	11.2	Adam Desrosiers Ruben Deprey	Manager – Electric Capital Delivery, Electric Capital Delivery Manager – SAP Support, IT Applications
	11.3	David Fingado	Manager – Electric Capital Delivery, Electric Capital Delivery
	11.4	Royce McMahon	Manager – Electric System Engineering, Electric Systems Engineering
	11.5	Joseph Gasbarrone	Manager – Programs/Projects, Control & Administration
	12.1	Mauricio de la Iglesia	Project Manager – Gas Engineering & Delivery
	12.2	David Weiler	Manager – Gas Engineering, Gas Design & Delivery
	12.3	Barry Kachmaryk	Manager – Gas Engineering, Gas Design & Delivery
	13.12	Mark Mahlmeister Royce McMahon	Manager – Electric Capital Delivery, Electric Capital Delivery Manager – Electric System Engineering, Electric Systems Engineering
Mary Smith Vice President – Asset Management & Planning	6.1	Jeffrey Mc Kinney	Manager – System Planning, Electric System Planning
	6.3	Jeffrey Mc Kinney	Manager – System Planning, Electric System Planning
	6.4	Jeffrey Mc Kinney	Manager – System Planning, Electric System Planning
	6.5	Jeffrey Mc Kinney	Manager – System Planning, Electric System Planning
	6.6	Jeffrey Mc Kinney	Manager – System Planning, Electric System Planning
	10.1	Paul Dumais	Director – Regulatory, Regulatory Strategy
	11.6	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	11.7	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	11.8	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	14.1	Paul Dumais	Director – Regulatory, Regulatory Strategy
Carl Taylor Vice President – Customer Service	11.9	Joni Fish-Gertz	Manager – Energy Efficiency Programs, Customer Service Transition
James Lahtinen Vice President – Rates & Regulatory Economics	4.1	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
	4.2	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
	4.3	Michael Purtell David Houlihan	Manager – Sales & Load Forecasting, Rates & Regulatory Economics Lead Analyst – Sales & Load Forecasting, Sales & Load Forecasting
	4.4	Michael Purtell David Houlihan	Manager – Sales & Load Forecasting, Rates & Regulatory Economics Lead Analyst – Sales & Load Forecasting, Sales & Load Forecasting
	4.6	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
David Kimiecik Vice President – Energy Services	4.5	Daniel Rider	Supervisor – Electric Supply, Electric Supply
	5.1	Patti Caletka	Manager – Programs/Projects, Transmission

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
	5.2	Raymond Kinney	Director – Transmission, Energy Services
	8.1	Jeffrey Converse	Manager – Electric Supply, Energy Services
	8.2	Jeffrey Converse	Manager – Electric Supply, Energy Services
	8.3	Jeffrey Converse	Manager – Electric Supply, Energy Services
	8.4	Daniel Rider	Supervisor – Electric Supply, Electric Supply
	9.3	Patrick Fox	Supervisor – Gas Supply, Energy Supply
	9.4	Patrick Fox	Supervisor – Gas Supply, Energy Supply
Raymond Cardella Director – Internal Audit, Iberdrola USA Audit Commission	8.6	Raymond Cardella	Director – Internal Audit, Iberdrola USA Audit Commission
	14.3	Raymond Cardella	Director – Internal Audit, Iberdrola USA Audit Commission
Jeffrey Ballard Vice President – Operations Technologies & Business Transformation	13.1	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
	13.3	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
	14.6	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
	14.7	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
Sheri Lamoureux Vice President – Human Resources	13.5	Karen Sahler Edward Pozzuolo	Manager – EHS Compliance, EHS Compliance Manager – Regional Operations, Gas Operations
	14.10	Susan Greenberg	Director – Rewards, Human Resources
	14.11	Susan Greenberg	Director – Rewards, Human Resources
Jose Maria Torres Vice President – Finance and Control	3.1	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.3	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.4	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.5	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	8.5	Felicia Brown	Director – Risk Management, Finance and Control