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STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

January 16, 2014

TO: THE COMMISSION

FROM: OFFICE OF ACCOUNTING, AUDITS AND FINANCE
OFFICE OF GENERAL COUNSEL

SUBJECT: CASES 08-M-0152, 08-E-0827, 09-M-0764, 10-M-0551,
11-G-0580, 13-G-0009, 13-M-0314, and 13-M-0449

Status Report on all open Management and Operations
Audits.

Status of Ongoing Management and Operations Audits

This memo provides an update regarding the progress of six management audits and two operations audits that have been undertaken since 2008 in compliance with our statutory obligations under Article 4, §66(19) of the Public Service Law (PSL). PSL §66(19) requires a management and operations audit of gas and electric corporations every five years. By statute, the audits must include a review of the utility's construction program planning as it relates to providing reliable service and an evaluation of the efficiency of the utility's operations. However, the audits may be expanded to address other areas of concern.

The status of the management and operations audits to be discussed in this memo is shown in the following table.

Case	Subject Utility	Audit Subject	Status
08-M-0152	Consolidated Edison Company of New York, Inc.	Electric, Gas and Steam Management and Operations	Completed in 2009
08-E-0827	National Grid	Electric Management and Operations	Completed in 2009
09-M-0764	Central Hudson Gas and Electric Corporation	Electric and Gas Management and Operations	Completed in 2011
10-M-0551	New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation	Electric and Gas Management and Operations	Completed in 2012
11-G-0580	National Fuel Gas Distribution Corporation	Gas Management and Operations	Completed in 2013
13-G-0009	National Grid	Gas Management and Operations	Ongoing
13-M-0314	Multiple	Accuracy of Self-Reported Data	Ongoing
13-M-0449	Multiple	Internal Staffing Levels and the Use of Contractors	RFP to be issued in January 2014

Since 2008, management and operations audits have specifically examined the utilities' construction program planning processes and operational efficiency as a feedback loop. In each comprehensive management and operations audit, the following areas have been reviewed:

- Corporate Mission, Objectives, Goals and Planning
- Long-Term Load Forecasting
- Supply Procurement
- Long-Term System Planning
- Capital and Operations and Maintenance (O&M) Budgeting
- Program and Project Planning and Management

- Work Management
- Performance and Results Measurement

Operations audits are intentionally more focused than the comprehensive management and operations audits, and they may review one or more utilities while examining a specific area of concern. In 2013, in direct response to concerns raised by Governor Cuomo and a Moreland Commission recommendation, the Department dedicated additional resources to perform Operations Audits. In addition, an executive level Advisory Committee was formed to develop a list of potential topics and priorities for future operations audits. The Commission authorized the first such audit in August 2013, regarding the accuracy of self-reported data from all major electric and gas corporations in New York State. The second operations audit is recommended to be authorized in January 2014, regarding internal staffing levels and the use of contractors for core utility functions at major New York energy utilities.

Per the requirements of PSL §66(19), each audit must provide recommendations for improvement in conjunction with the findings. By statute, signed into law in 2013, utilities are now required to submit an implementation plan within 30 days of the Commission release of the final audit report. The Commission requires the utility to specify in the implementation plan whether it intends to accept, reject or modify each of the audit recommendations. The plan must also include: 1) the utility's rationale for the proposed implementation strategy; 2) an analysis of the costs and benefits of implementing each recommendation; and 3) a roadmap of implementation steps, including any major milestones the utility must reach before a particular recommendation can be considered fully implemented. The Commission has the authority to amend and approve the implementation plans, whereupon the plans become enforceable. Additionally, the Commission's standard implementation

procedures require utilities to provide a written update every four months until all recommendations are completed, and to meet with Staff approximately halfway between the written updates to discuss the status of implementation.

The Office of Accounting, Audits and Finance's Management and Operations Audits (MOA) Staff has teamed with Subject Matter Experts (SMEs) from other offices at the Department of Public Service to oversee the conduct of the audits and monitor the implementation of the recommendations. When a utility reports that a recommendation has been completed, Staff reviews the supporting documentation to determine whether or not the utility has met the intent of that recommendation. Consequently, there may be a lag between the time a utility reports that a recommendation has been "completed" and Staff reports that a recommendation has been accepted as completed by Staff.

PSL §66(19) also requires that upon application for new rates the Commission review each utility's compliance with its recommendations made as a result of the most recently completed management and operations audit and incorporate the findings of such review into its rate case orders. Additionally, the Commission has expressed a desire to link the costs and savings that emanate from operational and management improvements to the rate case process. Hence, commencing with the Central Hudson audit, Staff has directed the consulting firms conducting these audits to include a customer benefit analysis (CBA) in each final audit report. CBAs include not only quantifiable benefits, but also qualitative benefits such as improvements that can result in enhanced customer service, more efficient operations, or improved stakeholder benefits.

Staff includes the respective utility in the development of CBAs estimates, and seeks to make the process a collaborative one. This provides the consultants an opportunity

to obtain better data from the utility to be used in the quantification of CBAs. Moreover, this affords the utility the opportunity to rectify any misunderstandings that the consultants may have regarding the company's operations.

During the utility's implementation of the recommendations, the SMEs monitor the implementation to determine if the utility has, in fact, achieved the intended benefits. The CBAs developed during the audit are a starting point for this analysis, and are tested by Staff during implementation. The results of these analyses are presented, tested, and addressed during subsequent rate proceedings.

This memo summarizes below the key findings and recommendations from each of the audits to date, highlights any important developments since the last update, and discusses the next steps for each audit. The attached Appendix A provides greater detail on the status of each audit.

Case 08-M-0152 - Comprehensive Management and Operations Audit of Consolidated Edison Company of New York, Inc.

The comprehensive management and operations audit of Consolidated Edison Company of New York, Inc. (Con Edison) was completed in August 2009 by the Liberty Consulting Group. The report contained 92 recommendations and Con Edison and Staff report 91 of those recommendations are completed. The final outstanding recommendation, the full deployment of a work management system, is expected to be completed in September 2014.

Some of the key findings and recommendations resulting from this audit are:

- Con Edison should develop Electric Long-Range Plans.
- Con Edison should develop Asset Management Strategies.
- Con Edison should develop and deploy an electric Work Management System (WMS).

- Con Edison should establish an Electric Operations Project Management Organization.

Some of the important developments in the implementation of these audit recommendations are:

- Con Edison developed the Electric Long-Range Plans, and subsequently expanded those plans to include gas and steam in the Integrated Long-Range Plans.
- Con Edison is addressing Cultural, Environmental, Financial and Regulatory Barriers identified in the audit, in order to facilitate the future sustainability and success of the company. Part of this effort includes increasing the level of involvement of the Board of Directors in the decision-making process.
- Con Edison is now approaching expenditures from a holistic cost management perspective. The customer bill impacts that result from capital and/or operations and maintenance projects now receive a higher level of attention, as does consideration of alternative strategies to mitigate those impacts.
- The implementation of the WMS recommendation will bring about a significant improvement in work efficiency and oversight of the Electric Operations area. The total cost of the WMS project is estimated to be between \$138 million and \$174 million, with O&M total costs accounting for approximately \$19 million, and capital costs ranging between \$119 million and \$155 million. Total annual benefits of \$45 million are expected to be realized in 2015, a year after full deployment has occurred. There has been a six-month delay in the anticipated completion date of this recommendation (from March 2014 to September 2014), which Staff concurs is acceptable.

- Con Edison continues to make presentations to its Board of Trustees regarding various aspects of its business and the implementation process of the 92 recommendations. There have been 55 Board of Trustees presentations from June 2009 through September 2013, all of which have discussed directly or indirectly, various topics related to the management and operations audit.

Case 08-E-0827 - Comprehensive Management and Operations Audit of Niagara Mohawk d/b/a National Grid Electric

This comprehensive management and operations audit of Niagara Mohawk Power Corporation d/b/a National Grid (National Grid) was completed in December 2009 by NorthStar Consulting Group. There were 45 recommendations made, and National Grid reports 32 of those as completed. Staff accepts 31 of those recommendations as completed, and one is currently under review. The company indicates that the remaining 13 recommendations are expected to be completed by the end of 2014.

Some of the key findings and recommendations resulting from this audit are:

- A recommendation to consolidate the management of US Transmission and Distribution lines of business into one entity, reporting to a single CEO in the United States, and place more emphasis on discrete New York operations.
- Three recommendations related to intercompany Service Level Agreements (SLAs), which would codify the utility's expectations for services provided by the National Grid Service Company, as well as their costs.
- Five recommendations related to Project Management, to ensure that there is adequate planning, documentation, and control over projects that affect the service provided to customers.

Some of the important developments in the implementation of these audit recommendations are:

- National Grid has transitioned to a jurisdictional model which replaced the line of business model. The audit highlighted that the line of business model did not protect the interests of New York ratepayers, and the company responded by adopting the new state-by-state model.
- National Grid has resisted full implementation of SLAs, but has agreed to implement the management and operations audit recommendations as part of the rate case Joint Proposal approved by the Commission in Cases 12-E-0201 and 12-G-0202.¹ National Grid committed to provide certain information and detail regarding SLAs, including service descriptions that align with budgeted costs, as well as annual external cost comparisons for one-third of the Service Company functions. Over the three years of the rate plan, all Service Company functions will have been subject to such comparisons. As a result, this will allow for a comprehensive evaluation to determine the reasonableness of the use of the affiliate versus the use of potential other external sources.
- National Grid reports steady progress in the Estimating Centers of Excellence and End-to-End Project Management initiatives, both of which seek to improve the accuracy and efficiency of how the company plans and carries out its projects.

¹ Case 12-E-0201 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service, and 12-G-0202 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Gas Service.

- National Grid initiated implementation of the US Foundation Program (USFP) in November 2012. The USFP consolidated multiple legacy systems (such as financial, human resources, supply chain and fleet applications) onto a single SAP (enterprise resource planning software) platform. National Grid has experienced significant challenges with SAP since it went live, and continues to work to stabilize the platform. Nine of the remaining "In Progress" recommendations are tied to the stabilization of SAP.

09-M-0764 - Comprehensive Management and Operations Audit of Central Hudson Gas and Electric Corporation

The comprehensive management and operations audit of Central Hudson Gas and Electric Corporation (Central Hudson) was completed in March 2011 by NorthStar Consulting Group. The report contained 20 recommendations, and Central Hudson reports 18 of those are completed. Staff concurs that 10 of those recommendations are completed, and eight others are currently under review. The final recommendation, to improve the Work Management System, is expected to be completed in July 2015. However, the company states that the recommendation has been largely completed, and it intends to continually improve and further refine this system on a going-forward basis.

On June 26, 2013, the Commission approved the acquisition of Central Hudson's parent, CH Energy Group, Inc. (CHEG) by Fortis Inc. (Fortis).² The merger was not expected to impact any implementation milestones or target completion dates for any recommendations, with the exception of Recommendation 1.

² Case 12-M-0192, Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions; Order Authorizing Acquisition Subject To Conditions (issued June 26, 2013).

Recommendation 1 called for Central Hudson's Board of Directors to include one director that resides in the company's service territory and to add another member of senior management to the CHEG Board of Directors. The Joint Proposal adopted by the Commission in the Merger Order, as modified, required Fortis to appoint a Board of Directors no later than one year after the closing, required the majority of the board to be independent, required the majority of the independent directors to be New York State residents, stated there should be emphasis on selecting candidates who reside, conduct business or work within the Central Hudson service territory, and required at least two independent directors to be residents of the service territory.

Some of the key findings and recommendations resulting from this audit are:

- Central Hudson should develop a comprehensive, integrated strategic plan and performance measures.
- Central Hudson should seek candidates for the Board of Directors that reside within the service territory.
- Central Hudson should develop written Affiliate Transactions Policies and Procedures.
- Central Hudson should implement a Project Prioritization System.
- Central Hudson should implement a Work Management System to improve its oversight of projects and productivity.

Some of the important developments in the implementation of these audit recommendations are:

- As a result of implementing certain recommendations, Central Hudson has developed Affiliate Transaction Policies and Procedures, made revisions to its organizational structure to ensure separation of responsibilities, and

written policies and procedures regarding the sharing of information between regulated and non-regulated entities.

- Subsequent to the merger with Fortis, Central Hudson has completed one of the recommendations by adding two new members who both reside in its service territory to the Board of Directors.

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

This audit was completed in August 2012 by The Liberty Consulting Group. There were 75 recommendations made, with 62 following the traditional management and operations audit implementation and 13 regarding corporate governance that were remanded to Case 12-M-0066, where a corporate reorganization proposed by Iberdrola was under consideration.

On November 5, 2013, the Commission issued an Order in Case 12-M-0066,³ approving the reorganization, subject to certain conditions, which include the requirements that Iberdrola will subsequently report the status of its implementation efforts regarding 11 of the 13 corporate governance recommendations in the context of its traditional management and operations audit implementation efforts, while compliance with the two remaining corporate governance recommendations would be addressed in Cases 12-M-0066 and 13-M-0483.⁴ The first such report is due February 5, 2014, in conjunction with the next scheduled management and operations audit implementation plan update.

As of October 2013, Iberdrola reports having completed 35 non-governance related recommendations. Staff concurs that 11 of those recommendations have been completed. Staff is currently reviewing the other 24 recommendations that have been reported as completed. In addition, the company is not pursuing three of the recommendations and Staff is reviewing the

³ Case 12-M-0066, 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, Order Adopting Staff Report and Approving Reorganization, Subject to Conditions as Modified and Clarified, and Making Findings on Audit Management Compliance (issued November 5, 2013).

⁴ Recommendation 2.1 establishes that an in-depth analysis is needed of the relationship between NYSEG and RG&E and Iberdrola Engineering Projects, Inc. (IEP). IEP is the engineering affiliate that offers engineering services in the U.S. At issue is the purchase of engineering services from professional consulting firms at the competitive market prices they charge, in particular when a firm is an affiliate like IEP that nonetheless claims it also operates in competitive markets, instead of relying upon the expertise of internal utility engineering personnel. The use of IEP services is under review in Case 13-M-0483. Recommendation 2.2 pertains to the consolidation of the gas business under a single executive reporting to the COO, and this recommendation will remain in Case 12-M-0066.

rationale and/or merit of this decision. The company anticipates that the remaining non-governance recommendations will be completed by December 2014.

Some of the most important recommendations resulting from this audit are:

- Iberdrola S.A. (ISA) does not strongly emphasize board member diversity of business and operating skills and experience, which contrasts with what has been observed at major United States utility enterprises.
- The ISA parent board does not provide a substantial level of independent oversight over New York utility operations.
- Senior Spanish executives and directors do not take a direct interest in or have more than very general knowledge of the details of United States regulatory requirements.
- Move to a five-year distribution vegetation trim cycle for all distribution circuits (to significantly shorten the time cycle).
- Establish a structured approach, policies and supporting guidelines for the balancing of in-house and contractor resources in physical work assignments.
- Implement a holistic cost management program.
- Evaluate the most cost-effective size of the overall internal work force, taking into account such factors as future planned workload, worker versus contractor efficiency and productivity, work rules, and strive to achieve a balance and cost-effective workforce level.

Some of the most important developments in the implementation of these audit recommendations are:

- Staff concurs that the company has completed four of the five recommendations regarding Affiliate Transactions. These recommendations deal with a variety of issues related

to updating the service agreements, keeping the service agreements current and ensuring that there are service agreements among all utilities.

- The company has also completed three of six recommendations related to Load Forecasting. Two of the recommendations relate to the creation of an executive forecasting committee; and the assessment of alternative forecasting methods for day-ahead forecasting to ensure its current forecasting methods are a best practice.
- The company has created a management team to oversee and manage the companies' participation in NYISO, FERC, NERC, NPCC, etc. proceedings and issue assessments. These recommendations pertain to Wholesale Market Issues. The management team will assess and direct company positions on wholesale market issues and regulations, assign appropriate professional staff, and approve regulatory filings.

Case 11-G-0580 - Comprehensive Management and Operations Audit of National Fuel Gas Distribution Corporation

The comprehensive management and operations audit of National Fuel Gas Distribution Corporation (NFGDC) was completed in August 2013 by Schumaker & Company. There were 76 recommendations made. NFGDC submitted its Implementation Plan on September 18, 2013. However, the filed plan lacked a sufficient level of detail to allow for appropriate implementation oversight. Staff has been working with the company and has provided feedback regarding key details that should be incorporated into the plan. NFGDC will be filing a revised plan on January 17, 2014.

Some of the most important recommendations resulting from this audit are:

- Enhance the strategic planning process.
- Establish a formal dividend policy.

- Develop Service Level Agreements for all major departments within the company that provide services to NFGDC.
- More aggressively pursue technology projects, and move aging mainframe systems to state-of-the-art systems.
- Reconfigure the gas supply portfolio to lower costs, add diversity and minimize risk.

Some of the most important developments in the implementation of these audit recommendations are:

- NFGDC informally reports that eight recommendations have been completed and that approximately 25 other recommendations are in progress.

Case 13-G-0009 – Comprehensive Management and Operations Audit of National Grid's Gas Businesses

On June 13, 2013, the Commission selected NorthStar Consulting Group to perform a comprehensive management and operations audit of Niagara Mohawk Power Corporation, Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York (KEDNY) and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island (KEDLI), collectively known as National Grid's New York Gas Companies. Orientation presentations and initial interviews for this audit were held in August 2013, with Staff in attendance. In December 2013, the consultants provided Staff with a midpoint update during which preliminary findings were discussed.

The audit has proceeded on schedule thus far. However, the consultants have struggled to obtain meaningful and timely cost and labor data due to National Grid's SAP information systems conversion. Many of the initial data request responses lacked current (2013) data and those responses have not yet been updated. National Grid is pursuing the data issues vigorously as it must formalize cost/budget data by

February-March timeframe in order to establish its fiscal year ending 2015 operating budgets. The consultants would prefer to use current data as the basis for their analyses and audit quantifications as it will reflect National Grid's best assessment of costs. Consequently, the consultants have requested an extension of time to deliver the draft report, which would result in an approximate two-month delay in the issuance of the final report (from May to July 2014). Staff concurs that a two-month delay is reasonable and prudent for the reasons stated above, and therefore has approved the request.

Case 13-M-0314 - Operations Audit to Review the Accuracy and Effectiveness of Certain Reliability and Customer Service Systems at all Gas and Combination Gas and Electric Utilities in New York State

In August 2013, the Commission authorized the issuance of an RFP to perform a focused operations audit of systems and programs that collect data that is self-reported to the Commission. On December 19, 2013, the Commission selected Overland Consulting to conduct this audit. The specific focus of the audit will be on the accuracy and effectiveness of data used to measure utility performance in three areas: 1) electric service reliability, 2) gas safety, and 3) customer service.

Auditing this data is critical because the Commission relies on this information when designing incentive mechanisms that are intended to achieve certain performance targets. Consequently, certifying the accuracy of this self-reported data is paramount to ensure that rate payers are in fact receiving at least the level of service being reported by the utilities and Commission approved performance metrics operate as intended.

The final report is anticipated to be completed in October 2014.

CASE 13-M-0449 - Focused Operations Audit of the Internal Staffing Levels and the Use of Contractors for Selected Core Utility Functions at Major New York Energy Utilities

Concurrently with this update report we are recommending the Commission approve the issuance of a Request for Proposal for an independent third-party consultant to conduct a focused operations audit of the internal staffing levels and the use of contractors for core utility functions at major New York energy utilities. Over the past several years, Staff has noted that staffing levels in core utility functions at some New York State utilities have decreased considerably, sometimes being replaced by contractors. Several management and operations audit reports have noted that trend, and the consultants have made recommendations in certain areas where they felt reliability, safety or customer service were being, or could be, impacted. The concern in many cases is the loss of institutional knowledge, as well as the ability of the utility to oversee the quality of the work performed by contractors. The consultant will examine the utilities' internal staffing of certain core utility functions, the criteria and controls for the use of external staffing, consider industry "best practices" and will make recommendations for improvement, as needed. The core functional areas to be studied are those that have the greatest impact on service reliability and customer satisfaction. The process is anticipated to result in the selection of a consultant in May 2014 and a Final Report in August 2015.

CASE 08-M-0152 et al.

This memo has been reviewed by Staff in the Office of Electric, Gas and Water.

Respectfully submitted,

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**Case 08-M-0152 - Comprehensive Management and Operations Audit
of Consolidated Edison Company of New York, Inc.**

Subject	Consolidated Edison’s Electric, Gas and Steam Operations				
Scope	Management and Operations Audit focused on construction program planning				
Consultant	Liberty Consulting Group				
Final Report	August 2009				
Initial Implementation Plan Filed	October 2009				
Latest Implementation Update Filed	October 2013				
Implementation Status					
Scope Area		Total Recs	Company Completed	Staff Accepted	Under Review
Corporate Mission, Objectives, Goals and Planning		12	12	12	0
Load Forecasting		10	10	10	0
Supply Procurement		14	14	14	0
System Planning		15	15	15	0
Capital and O&M Budgeting		6	6	6	0
Program and Project Planning and Management		11	10	10	0
Work Management		23	23	23	0
Performance and Results Management		1	1	1	0
Total		92	91	91	0
Notes					
Next Implementation Update Due	February 2014				
Expected Completion	September 2014				

**Case 08-E-0827 - Comprehensive Management and Operations Audit
of Niagara Mohawk Electric d/b/a National Grid**

Subject	National Grid’s Electric Operations			
Scope	Management and Operations Audit focused on construction program planning, with additional reviews of the Affiliate Transactions and Corporate Governance			
Consultant	NorthStar Consulting Group			
Final Report	December 2009			
Initial Implementation Plan Filed	January 2010			
Latest Implementation Update Filed	September 2013			
Implementation Status				
Scope Area	Total Recs	Company Completed	Staff Accepted	Under Review
Corporate Mission, Objectives, Goals and Planning	9	8*	7*	1
Load Forecasting	2	1	1	0
Supply Procurement	3	1	1	0
System Planning	4	4	4	0
Capital and O&M Budgeting	10	9	9	0
Program and Project Planning and Management	6	1	1	0
Work Management	6	3	3	0
Performance and Results Management	5	5	4	1
Total	45	32	31	1
Notes	* Includes 1 Rejected Recommendation			
Next Implementation Update Due	January 2014			
Expected Completion	2014 - Nine of the remaining “In Progress” recommendations are linked to SAP, and the timing of their completion is ultimately dependent on when SAP gets stabilized.			

Case 09-M-0764 - Comprehensive Management and Operations Audit of Central Hudson Gas & Electric Corporation

Subject	Central Hudson’s Electric and Gas Operations			
Scope	Management and Operations Audit focused on construction program planning, with the added review of Affiliate Transactions			
Consultant	NorthStar Consulting Group			
Final Report	March 2011			
Initial Implementation Plan Filed	July 2011			
Latest Implementation Update Filed	November 2013			
Implementation Status				
Scope Area	Total Recs	Company Completed	Staff Accepted	Under Review
Corporate Mission, Objectives, Goals and Planning	6	6	5	1
Load Forecasting	3	3	3	0
Supply Procurement	1	1	1	0
System Planning	2	2	0	2
Capital and O&M Budgeting	2	2	1	1
Program and Project Planning and Management	4	3	0	3
Work Management	1	0	0	0
Performance and Results Management	1	1	0	1
Total	20	18	10	8
Notes	April 2012 -- Central Hudson Energy Group, Inc. (CHEG), the parent company of Central Hudson, filed a joint petition with Fortis, Inc. (Fortis) seeking approval for Central Hudson to be acquired by Fortis. ⁵ The management and operations audit recommendation related to the			

⁵ Case 12-M-0192 - Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions.

	Board of Directors was reviewed as part of the Fortis Merger Joint Proposal, and was subsequently closed after the Commission approved the acquisition.
Next Implementation Update Due	March 2014
Expected Completion	July 2015

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

Subject	NYSEG and RG&E’s Electric and Gas Operations			
Scope	Management and Operations Audit focused on construction program planning with additional reviews of Affiliate Transactions, Consolidation of New York Operations and Rates, Wholesale Market Issues and Vegetation Management			
Consultant	Liberty Consulting Group			
Final Report	August 2012			
Initial Implementation Plan Filed	October 2012			
Latest Implementation Update Filed	October 2013			
Implementation Status				
Scope Area	Total Recs	Company Completed	Staff Accepted	Under Review
Corporate Mission, Objectives, Goals and Planning	0	0	0	0
Affiliate Transactions	5	5	4	1
Load Forecasting	6	3	3	0
Wholesale Market	2	2	1	1
Supply Procurement	10	4	2	2
System Planning	7	4	1	3
Capital and O&M Budgeting	2	0	0	0
Program and Project Planning and Management	12	7	0	7
Work Management	12	7	0	7
Performance and Results Management	6	3	0	3
Total	62	35	11	24
Notes	11 Recommendations from Case 12-M-0066 (related to governance) will be folded back into the Company’s Management and Operations Audit Implementation Plan in conjunction with the February 2014 update. Recommendation 2.2 will			

	remain in Case 12-M-0066 (related to consolidation of gas business). Recommendation 2.1 is remanded to Case 13-M-0483 (related to IEP, the affiliate that provided engineering services).
Next Implementation Update Due	February 2014
Expected Completion	December 2014

**Case 11-G-0580 – Comprehensive Management and Operations Audit
of National Fuel Gas Distribution Corporation**

Subject	National Fuel Gas Distribution Corporation's New York Business				
Scope	Management and Operations Audit focused on construction program planning, with the added reviews of Affiliate Interests and Natural Gas Expansion				
Consultant	Schumaker & Company				
Final Report	August 2013				
Initial Implementation Plan Filed	September 18, 2013*				
Latest Implementation Update Filed	N/A				
Implementation Status					
Scope Area		Total Recs	Company Completed	Staff Accepted	Under Review
Corporate Mission, Objectives, Goals and Planning		8			
Affiliate Interests		19			
Capital and O&M Budgeting		7			
System Planning		7			
Program and Project Planning and Management		7			
Work Management		11			
Load Forecasting		3			
Supply Procurement		13			
Performance and Results Management		1			
Total		76			
Notes	* Initial filing lacked sufficient detail. Staff has been working with the Company to resolve this issue, and a Revised Implementation Plan is expected to be filed on January 17, 2014.				
Next Implementation Update Due	N/A				
Expected Completion	N/A				