

Implementation Plan

In the Matter of a Comprehensive Management and
Operations Audit of Consolidated Edison Company of New
York, Inc. and Orange and Rockland Utilities, Inc.
Case Number 21-M-0193

March 17, 2023



Consolidated Edison Company of New York, Inc. and
Orange and Rockland Utilities, Inc.
Case Number 21-M-0193

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Introduction

In May 2021, the New York State Public Service Commission (“Commission” or “PSC”), in Case 21-M-0193, commenced the Comprehensive Management and Operations Audit (“the Audit”) of Consolidated Edison Company of New York, Inc. (“CECONY”) and Orange & Rockland Utilities, Inc. (“O&R”) (collectively “the Companies” or “we”) in accordance with Public Service Law §66(19). Through a competitive bidding process, the PSC selected NorthStar Consulting Group (“NorthStar”) to perform the audit on behalf of the PSC. Since its start in September 2021, the Companies, Staff, and NorthStar have worked collaboratively to facilitate this review of the Companies’ management and operations. Pursuant to PSL §66(19), audits are required to be performed at least once every five years for combination electric and gas utilities and *“[t]he audit shall include, but not be limited to, an investigation of the company’s construction program planning in relation to the needs of its customers for reliable service, an evaluation of the efficiency of the company’s operations, recommendations with respect to same, and the timing with respect to the implementation of such recommendations.”*

NorthStar completed its field work in July 2022 and submitted its Final Report on December 27, 2022, which was released via Commission order on February 16, 2023. In this order, the Commission directed the Companies to file a plan to implement the Final Report’s recommendations within 30 days. In response to this order, the Companies submit this implementation plan, in which the Companies set forth our plan to implement the recommendations identified in the Final Report.

CECONY and O&R have been deferring the audit charges, with interest, that have been paid to NorthStar. CECONY electric and gas have included their share of the costs in their current base rate filing.¹ CECONY steam has included its share of the costs in its current base rate filing.² O&R will seek recovery of their share of the costs in their next base rate filings.

The scope of the Audit included a comprehensive review of the Companies’ management processes and operations, including the following eight scope areas:

¹ CASE 22-E-0064 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, and CASE 22-G-0065 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.

² CASE 22-S-0659 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service.

- Governance and Management
- Budgeting and Finance
- Electric Operations
- Gas Operations
- Project Management and Work Management
- Customer Operations
- Information Systems
- Performance Management

The Companies provided NorthStar with full access to our employees, records, and systems over the discovery period, answering over 920 multi-part data requests and participating in approximately 167 interviews. The Companies appreciated the numerous opportunities to provide feedback and engage in productive dialogue with NorthStar and Staff.

NorthStar included 42 recommendations for the Companies in its Final Report. The Companies developed 34 plans to implement these recommendations, as some recommendations cover similar topics and will be addressed with related solutions best described in a single plan.

The two plans to implement Recommendations VIII-10, 11 & 13 and VIII-14 each request authorization of the costs associated with the additional staffing required by CECONY to effectively implement the plans' respective recommendations. Upon PSC approval, these costs will be deferred and recovered in a future rate proceeding. CECONY seeks authorization for this staffing via this implementation plan rather than in its next rate proceeding (as directed in the PSC's order) because of the timing of the release of both NorthStar's Final Report and the joint proposal for CECONY's ongoing rate proceeding³ on February 16, 2023. Given the release of the joint proposal in the ongoing rate proceeding has already occurred, CECONY will need more immediate authorization of the increased operating and maintenance costs that will be incurred upon implementation of these recommendations than waiting until the Company's next rate proceeding will allow.

We believe NorthStar's Final Report reflects the Companies' commitment to safety, operational excellence, and the customer experience, as well as our strong governance and management practices and commitment to facilitating implementation of New York

³ CASE 22-E-0064 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, and CASE 22-G-0065 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.

State's Climate Leadership & Community Protection Act. We embrace the opportunity for improvement that arises from an independent review of the Companies' management and operations and recognize the dedication NorthStar and Staff brought to this effort. Through the implementation of NorthStar's recommendations, the Companies will seek to enhance our management and operations while realizing benefits for our customers.

List of Recommendations and Current Status

The Status column will be updated in each filing of the Companies' quarterly Implementation Plan Updates. It will reflect one of the following statuses:

- In Progress: Implementation plan with milestones and team established
- Complete: Implementation of the recommendation is complete
- Closed: DPS Staff has agreed with the Companies that implementation is complete

Rec. #	Report Rec. #	Recommendation	Status
Ch. III – Governance and Management			
1	III-1	Increase the frequency of the Business Model Enterprise Risk presentations to the CEI Board if this risk remains the primary location of the state's policy objectives. Currently it is on a 3-year cycle, which is insufficient given the current pace of change.	Complete
2	III-2	Establish a process for moving risks from the emerging issues and trends watchlist to the level of corporate Risks.	In Progress
3	III-3	Increase links between Enterprise Risk Management (ERM) and Strategic Planning and ensure that the cost implications of the recent long-range/strategic plans are considered in the ERM process.	Complete
4	III-4	Reassess the long-range strategic plan and related medium- and long- range rate impacts given the resolution of the current CECONY electric and gas rate cases.	In Progress

Rec. #	Report Rec. #	Recommendation	Status
5	III-5	<p>Develop and implement a plan to build a more widely shared vision for anticipated levels of medium- and long-term system improvements, rate impacts and economic offsets related to the major utility transformation to meet CLCPA goals.</p> <ul style="list-style-type: none"> • CECONY and O&R's next Long Range Plans should include a discussion of the costs and benefits of expected changes to the utility business model resulting from the clean energy transition. • The costs of implementing CLCPA being discussed in ongoing proceedings with a variety of stakeholders are changing in real-time as new opportunities to reduce costs, such as incentives available through the recent Inflation Reduction Act, arise. • CECONY and O&R's Long Range Plans offer a unique channel to discuss the costs and benefits of expected changes resulting from the clean energy transition. There are also aspects of the clean energy transition that will help achieve CLCPA goals but which may occur regardless of whether CLCPA is implemented (e.g., electrification of transportation may occur anyway due to technology advancement). • Broadening the focus of this recommendation beyond CLCPA to encompass the clean energy transition would pick up important developments that would not be picked up if just focusing on CLCPA. 	In Progress

Rec. #	Report Rec. #	Recommendation	Status
6	III-6	Update the Search link from the “conEdison” web site to direct inquiries directly to the Helpline stating “If you have questions, need advice, or wish to report an integrity-related concern, contact the Ethics Helpline at 1-855-FOR-ETHX (1-855-367-3849).”	In Progress
7	III-7	Update the contact link, “Contact Con Edison” to state “If you have questions, need advice, or wish to report an integrity-related concern, contact the Ethics Helpline at 1-855-FOR-ETHX (1-855-367-3849).”	In Progress
Ch. IV – Budgeting and Finance			
8	IV-1	Review and update the definitions and language associated with the capital project optimization process to reflect the strategic focus on CLCPA initiatives.	In Progress
9	IV-2	Develop a process and approach to incorporate techniques and lessons learned from the BCO program into cost reduction and continuous improvement efforts aimed at offsetting rate increases associated with implementing CLCPA initiatives.	In Progress
Ch. V – Electric Operations			
10	V-1	Should the sale of CEBs fail or be delayed beyond Q2-2023, perform the CECONY and O&R Energy Risk Management function solely with regulated utility employees and perform the CEB Energy Risk Management activities with CEB employees.	Complete
11	V-2	Should the sale of CEBs fail or be delayed beyond Q2-2023, isolate regulated utility sensitive information from non-regulated affiliates and eliminate any potential conduit of information transfer between regulated and non-regulated entities.	Complete

Rec. #	Report Rec. #	Recommendation	Status
12	V-3	Provide a detailed description of the assumptions, models, data sources and confidence levels used for demand forecast load modifiers in future Electric Long Range Plans.	In Progress
Ch. VI – Gas Operations			
13	VI-1	<p>Plan and develop annual LPP replacement in a prioritized sequence based on removal of highest risk pipeline segments.</p> <ul style="list-style-type: none"> • Utilize LPP GIS data by segment to develop a replacement project profile. <p>- Desired LPP replacement project length - Pipeline material characteristics - Associated services to be replaced.</p> <ul style="list-style-type: none"> • Utilize a pipeline project portfolio optimization application to determine the maximum LPP replacement project risk reduction potential annually. <p>- CECONY and O&R use a Microsoft computer application to analyze all projects submitted for approval within the parameters of budget limits and priority (based on the nine strategic drivers) to obtain the maximum strategic value for each company and utility service type as applicable to each utility. One of the primary end products of this effort is a list of capital projects submitted for budget approval ranked in descending order of strategic value.</p> <p>- For LPP replacement, budget limits and annual LPP mileage targets are rough equivalents while risk ranking is the rough equivalent of strategic drivers.</p> <ul style="list-style-type: none"> • Adjust the LPP replacement prioritized plan to accommodate local and regulatory requirements. • Begin removal and eliminate obstacles or impediments to prioritized projects so that they can be implemented at the earliest date. 	In Progress

Rec. #	Report Rec. #	Recommendation	Status
14	VI-2	Report the aggregated LPP system-wide risk reduction to the DPS annually.	In Progress
15	VI-3	Formally manage LPP replacement projects greater than \$1 million in compliance with the Company’s Capital Project Playbook policies and procedures.	In Progress
16	VI-4	Examine LPP replacement program and audit data to ensure its accuracy. Include each segment of LPP pipe replaced and its length in data reported to the DPS.	In Progress
17	VI-5	CECONY should: 1) modify the emergency report message and decision trees to minimize the amount of time before the customer reaches a live agent, and clarify that the line is for emergencies only; 2) determine the root cause of the relatively high number of non-emergency calls to the gas emergency line; and 3) based on the root cause analysis, mitigate the high proportion of non-emergency calls to the gas emergency line.	In Progress
Ch. VII – Project Management and Work Management			
18	VII-1	Provide DPS Staff with routine reports showing shifts in capital expenditures between projects and variances from rate case approved schedules. For major capital projects, the utilities should provide the following general information, but should work with DPS Staff on the specific content and frequency. The dollar amount used as the threshold for “major capital projects” should be determined in conjunction with the DPS Staff. All information should tie to other reported information. Explanations of deviations should be more detailed than information currently provided to DPS staff.	In Progress

Rec. #	Report Rec. #	Recommendation	Status
19	VII-2	<p>Perform an assessment of estimating accuracy to identify potential improvements. Results should be provided to the DPS and should be sufficiently granular to identify lessons learned. Underlying assumptions used in the estimating process should be updated based on lessons learned to improve estimating accuracy.</p> <ul style="list-style-type: none"> • Maintain all estimates and associated contingency assumptions/amounts for all projects over \$500,000 at each stage of the estimating process. • Compare estimates and actual project costs and explain significant variances. • Assess the improvements to estimating accuracy resulting from the use of HeavyBid. The Companies have already indicated their intent to perform such a study. • Maintain all schedules estimates (start and completion dates, including estimated construction start and completion dates). • Identify improvement opportunities. 	In Progress
20	VII-3	<p>Modify the Supply Chain definition of competitive procurement to require bids from at least three technically capable suppliers, with a preference for the receipt of actual bids from at least three technically capable suppliers.</p>	In Progress
21	VII-4	<p>Conduct an Internal Audit of Construction/Contractor Activity Audit/Project Review within the next year or two. The scope should include modifications to the Field Activity Report and Daily Activity Report, in addition to the standard scope of work.</p>	In Progress
Ch. VIII – Customer Operations			
22	VIII-1	<p>With the implementation of the new Oracle CC&B platform, modify the CECONY denial of service letters to clearly explain the reason for the denial, and mirror the language required by 16 NYCRR Part 11.3 (b) (2) and Part 13.2 (c) (2).</p>	Complete

Rec. #	Report Rec. #	Recommendation	Status
23	VIII-2	<p>Develop formal procedure documentation for the CECONY Low-Income Program. Procedures should include, but not be limited to, the schedule for updating annual discount amounts, actions to be taken in the event process breakdown occurs to ensure management visibility, timely resolution of issues (such as in the breakdown of quarterly process), and what to do when a customer record match is not found. Any issue should be noted in the quarterly report for the Commission.</p>	In Progress
24	VIII-3	<p>Reprogram the CECONY low-income discount calculation to be similar to other New York Utilities. This includes the following:</p> <ul style="list-style-type: none"> • Upon enrollment, inform the customer they are enrolled in the low-income program and reason they are enrolled. • HEAP payment: <ul style="list-style-type: none"> - Should be applied as a payment line item, not part of an aggregate bill adjustment. - Should not trigger any tax credits to the customer. • Bills should specify: <ul style="list-style-type: none"> - Heating or non-heating. - Line items for each commodity low-income discount amounts. • Low-Income discount amounts: <ul style="list-style-type: none"> - Should be static from month to month and match the published discount amounts (no proration). - Should not trigger any tax credits to the customer. • Levelized Payment Plan: <ul style="list-style-type: none"> - Customers should be automatically enrolled and this should be reflected on the main section of the calculated bill. - Should be a specified line item. • As a customer is nearing the end of their benefit period, adding a bill message to alert the customer that they are at risk from being removed from program and informing them how to reapply before the benefit expires. 	In Progress

Rec. #	Report Rec. #	Recommendation	Status
25	VIII-4	CECONY's Low-Income Program Tier logic resulted in customers receiving the incorrect discount. Further review of this issue is needed to understand the full impact and timespan over which this occurred. Customers that can be located should be credited the amount they are owed. Enhancement of testing and quality assurance practices is also needed.	In Progress
26	VIII-5	Enhance quality practices within the CECONY and O&R Low-Income Program. Quality review of bills should occur monthly with at least one representative bill example for every Tier level and commodity.	In Progress
27	VIII-6	CECONY's Low-Income Program needs a subsequent in-depth audit. An audit should also be done on the Program Fund to ensure only the expected low-income discount portion is applied against the fund and the tax credit is applied where originally charged.	In Progress
28	VIII-7	The CECONY and DSS quarterly process breakdown stemmed from a lack of change management and ownership of the process. Formal project management and change management practices should be developed and followed to ensure regulatory requirements are implemented timely, all stakeholders are aware of their responsibility, and there is visibility of the change across organizations. Document retention should include but not be limited to business system design, technical design, and test case documentation.	In Progress
29	VIII-8	Track meaningful changes to O&R and CECONY policies, procedures, training guides and similar documents identified in Archer as operative controls related to compliance with 16 NYCRR provisions.	In Progress
30	VIII-9	Conduct an Internal Audit focused follow-up audit of CECONY LSE procedures in 2023.	In Progress

Rec. #	Report Rec. #	Recommendation	Status
31	VIII-10	Conduct a workload analysis of the CECONY activities performed by the Personal Services Group, develop appropriate response time targets (working with the DPS Staff) and determine the appropriate staffing levels based on anticipated workload, activity/task duration and target completions timelines. Develop a more formal process for assigning work that balances time, age of the case, and priority.	In Progress
32	VIII-11	Explore additional opportunities to cross train CECONY call center CSRs and other back office personnel to assist the Personal Service Group and Specialized Activities during times of high backlog.	In Progress
33	VIII-12	<p>Work with DPS Staff to:</p> <ul style="list-style-type: none"> • Clarify the definition of backbill as it relates to long term estimates and whether estimated bills cancelled and rebilled with actuals are subject to the same requirements as backbills. • Determine how bills not rendered due to billing exceptions should be classified and whether they should be subject to backbilling restrictions. 	In Progress
34	VIII-13	Develop a formal plan for reducing the CECONY EAG and Personal Services Group work backlog and establish reasonable standards for future completion timelines.	In Progress
35	VIII-14	Change all CECONY associated policies and procedures to require a field investigation anytime a customer mentions the potential of a shared meter and flag the inquiry as a “shared meter inquiry” for tracking purposes. These inquiries should be completed in 30 days in compliance with the Shared Meter Law.	In Progress

Rec. #	Report Rec. #	Recommendation	Status
Ch. IX – Information Systems			
36	IX-1	Create change management guidelines with recommended processes that are included in IT PMO documentation, including criteria for when they should be applied.	Complete
37	IX-2	Establish organizational change management as a functional specialty within the Company, potentially within the Project Management Office organization.	Complete
38	IX-3	Based on lessons learned from the piloting the Value Realization Management (VRM) process, develop (a) a process for identifying, measuring, and tracking actual benefits and savings achieved from an IT project, and (b) criteria specifying when a project plan should include this process.	In Progress
39	IX-4	Prepare an updated estimate of projected savings and benefits from the AMI project that reflects actual results to date.	In Progress
Ch. X – Performance Management			
40	X-1	Update both the Corporate KPI Guidelines and the employee evaluation goal setting guidelines to reflect current challenges and priorities (such as CLCPA).	Complete
41	X-2	Establish more specific guidelines for the employee evaluation goal setting process that reinforces the need for the employee goals to be quantitative, limited to a reasonable number of goals, reflective of the corporate KPIs, consistent in format/structure across the organization and tied to the overall objectives of the organization. Goals/targets should not be “do your job” requirements.	Complete

Rec. #	Report Rec. #	Recommendation	Status
42	X-3	<p>Update the EIP, ATIP, MVP and LTIP programs as follows:</p> <ul style="list-style-type: none"> • Increase transparency of the metrics. • Reduce complexity and limit the use of indices, except in the cases of well-understood regulatory requirements. • In the case of CECONY, decrease the number of metrics. • Develop greater ties to the long-range plans and CLCPA objectives. • Modify targets so that they are achievable but drive performance improvement. Well understood regulatory requirements such as reliability, safety, and customer service should be considered “table stakes”. • Consider the inclusion of grid modernization metrics. The Grid Modernization Laboratory Consortium of the DOE provides a potential source of metrics. • Include more leading indicators. • Reconsider the use of the capital and O&M project modifiers. At a minimum, redesign the metrics to provide greater transparency, drive continuous improvement, and promote appropriate project/program management and cost/schedule controls. These should not just serve to increase incentives. 	In Progress

Implementation Plans

Chapter III: Governance and Management

Recommendation Number 1: III-1

Recommendation: Increase the frequency of the Business Model Enterprise Risk presentations to the CEI Board if this risk remains the primary location of the state’s policy objectives. Currently it is on a 3-year cycle, which is insufficient given the current pace of change.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Robert Hoglund – CFO and Senior VP, Finance
Team Lead	Zachary Wolff – Director, SOX and Enterprise Risk Management

Scope:

The purpose of this plan is to increase the frequency of the Business Model Corporate Risk presentation to the CEI Board, given the current pace of change driven by the State’s policy objectives.

The Business Model risk remains the primary Corporate Risk through which the State’s policy objectives are considered. Currently this risk is presented to the Board on a three-year cycle.

Work Plan:

- As part of 2023’s review, ERM will recommend that the frequency of the Business Model presentation to the CEI Board be increased to every 2 years
- ERM will work with the Corporate Secretary group to verify availability and scheduling of the change in frequency to present to the CEI Board.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update the Business Model presentation cadence to CEI Board to occur every two years	Complete	Complete	Final deliverable Completed February 23, 2023

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits of increasing frequency and delivery of the ERM presentation for Business Model to the Board is to have more updates, discussion and feedback regarding developments of any state policy objectives or changes in the competitive landscape. There are no recognized risks to implementing this recommendation.

Recommendation Number 2: III-2

Recommendation: Establish a process for moving risks from the emerging issues and trends watchlist to the level of corporate Risks.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Robert Hoglund – CFO and Senior VP, Finance
Team Lead	Zachary Wolff – Director, SOX and Enterprise Risk Management

Scope:

The scope of this implementation plan is to clarify the existing process for moving risks from the emerging issues and trends (EITs) watchlist to the level of Corporate Risks. EITs are evolving conditions or situations identified by Enterprise Risk Management (ERM) or the business leaders that may affect Con Edison’s operations, strategy, or position in the marketplace in the next two to ten years and which have a high degree of uncertainty with respect to impact.

EITs are tracked on Enterprise and/or Department Watch Lists. The Enterprise Watch List is comprised of EITs that may impact Department and Corporate Risks, whereas Department Watch Lists are comprised of EITs that impact the Department Risks only and have not risen to the Enterprise level.

Risks may either be Department Risks or both Department and Corporate Risks, as a risk must first be accepted by a Department before it can be elevated to a Corporate Risk. Thus, EITs can impact Department Risks only or both Department and their associated Corporate Risks by becoming new risks, by being incorporated into the assessment of existing risks, or by the additional options outlined in the Work Plan below.

Annually, as part of the ERM Department Risk review cycle, ERM provides each Department Risk Liaison with a Workbook which contains a list of Emerging Issues and Trends from the respective Department’s watchlist from the previous year, as well as new Emerging Issues and Trends that ERM recommends each Department consider for their watchlist.

During Department EIT reviews, Departments determine if a Department EIT should become a Department Risk. Once made a Department Risk, it can then be considered for elevation to a Corporate Risk. This process has existed since 2021.

Work Plan:

During the annual ERM Department Risk Profiles kick-off session, ERM provides the organizational risk leaders with the Department Risk Profile Kick-off Workbook, which includes the updated Department EIT Watchlist. The Workbook provides guidance on department risk assessments and mitigations, as well as options for assessing the items on the EIT Watchlist. ERM will update the EIT Watchlist section of the Workbook to give each department new options that will more clearly outline the opportunity to elevate an EIT to a Department Risk. Items 1 and 2 below are the current options. Items 3 through 5 below are the new options.

1. Add a new EIT(s) to the Department Watchlist
2. Retire EIT(s) on the Department Watchlist
3. Continue to monitor the EIT(s) on the Department Watchlist
4. Escalate EIT to an active Department Risk
5. Incorporate EIT(s) into the assessment and mitigation plan of existing Department Risk(s)

Once an EIT becomes an active Department Risk, it can be considered for elevation to a Corporate Risk. The process for elevating a Department Risk to a Corporate Risk was codified in CEI CI-203, section 4.2b “Identification of Corporate Risks” in 2021.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update of the ERM Department Risk Profile Kick-off Workbook	Complete	Complete	Final deliverable Completed December 9, 2022
Provide CEI CI-203 to demonstrate that a process for elevating Department Risks to Corporate Risks exists	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider

seeking recovery of such costs. Benefits include greater awareness of emerging risks and the increased ability of employees at all levels to respond effectively. There are no recognized risks to implementing this recommendation.

Recommendation Number 3: III-3

Recommendation: Increase links between Enterprise Risk management (ERM) and Strategic Planning and ensure that the cost implications of the recent long-range/strategic plans are considered in the ERM process.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Guru Nadkarni – VP, Strategic Planning
Team Leads	Zachary Wolff – Director, SOX and Enterprise Risk Management Nelson Yip – Director, Strategic Planning

Scope:

ERM and Strategic Planning will increase links to ensure cost implications of the recent long-range/strategic plans are considered in the ERM process.

ERM’s annual Cycle includes a process to review emerging issues and trends (EITs), which are evolving conditions or situations that may affect the Companies’ operations, strategy, or position in the marketplace in the next two to ten years. As part of its annual EIT cycle, ERM works with the EIT Council, which is comprised of various SMEs including, but not limited to, Strategic Planning, Regulatory Affairs, Government Affairs, R&D, Utility of the Future, and Distributed Resource Integration, to identify EITs that may impact the enterprise in the near- or long-term.

The key reporting output of the annual ERM EIT cycle is the ERM EIT Insights Report. The Insights Report focuses on the EITs that comprised the ERM EIT Enterprise Watch List. An EIT that captures the “cost implications of the recent long-range/strategic plans” was identified on the 2022 Enterprise Watchlist.

As part of the annual ERM risk review cycle, all EITs are reviewed for potential progression to new active ERM risks or inclusion in the assessment of other existing active ERM risks. The new EIT that captures the “cost implications of the recent long-range/strategic plans” will be subject to this review, among other EITs.

Work Plan:

In early 2022, ERM worked with the EIT Council to identify emerging issues and trends related to the cost implications of the recent long range/strategic plans. During the review process, an EIT related to the “cost implications stemming from the recent long

range or strategic plans” was identified and incorporated into the Enterprise EIT Watchlist.

Beginning with the 2023 annual risk review cycle, ERM identified the departments across Companies that should consider the new EIT related to the cost implications of the recent long-range/strategic plans, which is documented in the EIT Worksheet. These departments will have the following options to consider, as they do with any new EIT:

- Add EIT to their EIT Department Watchlist
- Escalate EIT to a new active Department Risk
- Incorporate the EIT into the assessment and mitigation plan of an existing Department Risk

Please see the implementation plan for Recommendation III-2 for additional detail on the process for considering EITs as Department and Corporate Risks.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
2023 EIT Worksheet, which identifies all departments that considered the new cost implications-related EIT	Complete	Complete	Final deliverable Completed December 15, 2022

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include increasing the links between ERM and Strategic Planning and ensuring that the cost implications of the recent long-range/strategic plans are considered in the ERM process. There are no known risks associated with the implementation of this plan. However, the risk of not implementing this plan is a lack of coordination that could result in the loss of opportunities to identify potential company risk exposure.

Recommendation Number 4: III-4

Recommendation: Reassess the long-range strategic plan and related medium- and long- range rate impacts given the resolution of the current CECONY electric and gas rate cases.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Guru Nadkarni –VP, Strategic Planning
Team Lead	Adam Newcomer – Director, Strategic Planning

Scope:

Strategic Planning will implement this recommendation as part of the Company’s ongoing long-range planning effort. The regular planning process outlined in the Utility Long-Range Planning Guideline (Guideline) highlights in Section 3.4 that Strategic Planning “collaborates with the Financial Planning and Analysis (FP&A) department to summarize business plans for five years and beyond”, using analysis of long-range planning inputs “to develop both 5-year and longer-range business plans (i.e., typically spanning a minimum 20-year time horizon).” FP&A revises the five-year capital expenditure plan every year and the Company provides that forecast to DPS Staff annually. The first version of this data, based on initial rate case data, was provided to DPS Staff on February 28, 2023. The Company will use the data and its progress from these annual reviews to reassess capital requirements for the next version of the long-range strategic plans.

In Section 3.6 of the Guideline the Company explains that “in the year prior to a rate-case filing or when warranted, in addition to updating the business plans, Strategic Planning also updates the written long-range plan documents and make them publicly available on the Company website.” Strategic Planning’s existing Guideline and process are consistent with this recommendation. As a result, Strategic Planning anticipates publishing new long-range plans prior to the next CECONY electric and gas rate filings.⁴

⁴2025 is the third year of the pending CECONY rate plan. For new rates to be effective in 2026, the Company would need to file a new rate plan in January 2025. Under the Guideline, the Company would publish new long range plans in 2024.

Work Plan:

As part of the regular Strategic Planning business cycle and process, the long-range plans will coordinate with financial forecasting, the rate case process, and capital budgets to incorporate the outcomes of the CECONY electric and gas rate cases.

Consistent with the Strategic Planning cycle, the Company will perform an annual review of strategy, incorporating available data (including rate case outcomes) and make major updates to the written long-range plans along with any subsequent rate case filing or sooner if warranted. These long-range plans will include approved and expected investments and associated revenue requirement as a proxy for customer cost impacts.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Provide the Utility Long-Range Planning Guideline to demonstrate existing practice	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Company’s costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits include continuing to link the long-range plan to rate case outcomes and the financial plan. There are no recognized risks to implementing this recommendation.

Recommendation Number 5: III-5

Recommendation: Develop and implement a plan to build a more widely shared vision for anticipated levels of medium- and long-term system improvements, rate impacts and economic offsets related to the major utility transformation required to meet CLCPA goals.

- CECONY and O&R’s next Long Range Plans should include a discussion of the costs and benefits of expected changes to the utility business model resulting from the clean energy transition.
- The costs of implementing CLCPA being discussed in ongoing proceedings with a variety of stakeholders are changing in real-time as new opportunities to reduce costs, such as incentives available through the recent Inflation Reduction Act, arise.
- CECONY and O&R’s Long Range Plans offer a unique channel to discuss the costs and benefits of expected changes resulting from the clean energy transition. There are also aspects of the clean energy transition that will help achieve CLCPA goals but which may occur regardless of whether CLCPA is implemented (e.g., electrification of transportation may occur anyway due to technology advancement).
- Broadening the focus of this recommendation beyond CLCPA to encompass the clean energy transition would pick up important developments that would not be picked up if just focusing on CLCPA.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Guru Nadkarni –VP, Strategic Planning
Team Leads	Shuchita Prakash – Director, Strategic Planning Nelson Yip – Director, Strategic Planning

Scope:

The clean energy transition is expected to require significant changes to the utility business. Strategic Planning will continue to use the Long Range Plans (LRPs) to identify these expected changes and discuss required investments and expected costs and benefits. The most recent versions of the LRPs identify investments that advance our strategic objectives of Clean Energy, Climate Resilience, Core Service, and Customer Engagement. These plans discussed costs for these investments and highlighted benefits to our customers, the economy, and society such as continued

safety, world-class reliability, improved customer engagement, resilience to projected climate risks, and GHG emissions reductions.

The next iteration of the LRPs provide an opportunity to further enhance our understanding of the evolving costs and benefits of the clean energy transition.

Work Plan:

Strategic Planning will implement this recommendation as part of the ongoing long-range planning effort. In their next Long Range Plans, CECONY and O&R will include discussion of the costs and benefits of expected changes to the utilities, including value provided to customers resulting from the clean energy transition.

We will update our view of required investments and will enhance our projections of net costs by considering new opportunities to reduce costs, such as incentives available through the recent Inflation Reduction Act. We will continue to frame costs in the LRPs at the customer level as well as a share of regional economy. Further, we will enhance our views of benefits by incorporating available updated externally published studies on societal benefits due to avoided GHG emissions such as improved health benefits and green job creation. We will also identify and review available, relevant external studies to qualitatively and/or quantitatively incorporate additional societal benefits such as health and/or job creation into the LRPs.

The requirement to include discussion of the costs and benefits of expected changes to the utilities, including value provided to customers resulting from the clean energy transition, in CECONY and O&R’s long-range plans will be incorporated into the Companies’ Utility Long-Range Planning Guideline.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update the Utility Long-Range Planning Guideline to require the inclusion of discussion of the costs and benefits of expected changes to the utilities in the utilities’ LRPs	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider

seeking recovery of such costs. Benefits include continuing to link the long-range plan to CLCPA goals and the clean energy transition. There are no recognized risks to implementing this recommendation.

Recommendation Numbers 6 and 7: III-6 and III-7

Recommendation III-6: Update the Search link from the conEdison site to direct inquiries directly to the Helpline stating “If you have questions, need advice, or wish to report an integrity-related concern, contact the Ethics Helpline at 1-855-FOR-ETHX (1-855-367-3849).”

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Recommendation III-7: Update the contact link, “Contact Con Edison” to state “If you have questions, need advice, or wish to report an integrity-related concern, contact the Ethics Helpline at 1-855-FOR-ETHX (1-855-367-3849).”

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Kimberly Strong – VP and Chief Ethics & Compliance Officer
Team Lead	Kevin Jamieson – Director, Compliance Management

Scope:

The purpose of this project is to enhance the visibility of the Ethics Helpline information on the Companies’ external facing websites (coned.com, conedison.com and oru.com), making it easier for the Companies’ customers and contractors to raise ethics-related concerns.

Work Plan:

During the course of the Audit, the Companies recognized the immediate value of making Ethics Helpline information more publicly accessible via the Companies’ external facing websites.

The Companies’ first step was to review its three external facing websites to determine the best placement to include Ethics Helpline information. This resulted in adding Ethics Helpline information to the Contact Us and About Us pages in July 2022.

In addition, to address Recommendations III-6 and III-7, the Companies will create an Ethics page and improve search functionality on the external-facing websites, making it easier to find Ethics Helpline information. Deliverables include:

- 1) Design and publish an Ethics page on the Companies' websites (coned.com, conedison.com, and oru.com) that will include:
 - Links to the Standards of Business Conduct and Vendor Code of Conduct with descriptive summary paragraphs
 - Ethics Helpline contact information
- 2) Enhance search results to increase visibility of the Ethics Helpline information and the new Ethics page
- 3) Update the Ethics Helpline content on the Contact Us page as follows: "To report ethics-related issues, contact the Ethics Helpline" and link to the new Ethics page
- 4) Update the Standards of Business Conduct content on the About Us page to include broader ethics-related content and link to the new Ethics Page

The Companies accept this recommendation with modification, as we will not be using the exact language recommended by NorthStar. NorthStar took this language from the Companies' Standards of Business Conduct, which is a document intended to guide the conduct of Company employees. As a result, the following language is not relevant to non-employees, who are the audience for the updated language included in Recommendations III-6 and III-7: "have questions" and "need advice." The Companies seek to provide an easily accessible channel for the public to report integrity-related concerns and is not the appropriate venue for members of the public to ask questions or seek advice.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Design and publish an ethics page on external websites	In Progress	March 31, 2023	Final deliverable
Update the Ethics Helpline content on the Contact Us page	In Progress	March 31, 2023	Final deliverable
Update the About Us Page Standards of Business Conduct content	In Progress	March 31, 2023	Final deliverable
Enhance search results	In Progress	May 31, 2023	Final deliverable
Analyze call volumes and call content to assess the third-party customer experience of calling the Ethics Helpline and make changes as needed	June 30, 2023	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing these recommendations are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of these recommendations turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include enhanced visibility of the Ethics Helpline information on the Companies' external-facing websites, making it easier for customers and contractors to contact the Ethics Helpline when they have ethics-related concerns. There are no recognized risks to implementing these recommendations, though the implementation of the recommendations mitigates the risk to the Companies of not being fully aware of customer and contractor ethics-related concerns.

Chapter IV: Budgeting and Finance

Recommendation Number 8: IV-1

Recommendation: Review and update the definitions and language associated with the capital project optimization process to reflect the strategic focus on CLCPA initiatives.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): High

Implementation Leads:

Executive Sponsor	Scott Sanders – VP, Financial Planning & Analysis
Team Leads	Ann Cedrone – Director, Financial Planning & Analysis, O&R Vlad Salomon – Director, Financial Planning & Analysis, CECONY

Scope:

Prior to receiving this recommendation, the Companies recognized the need to incorporate anticipated changes from CLCPA initiatives and goals into the capital optimization process. As a result, CECONY and O&R have begun taking steps to make the necessary changes to the capital project optimization process, ensuring CLCPA related projects are appropriately ranked and incorporated into future plans.

The Companies will assess the state, business value, viability and appropriateness of the current capital optimization strategic drivers, rankings and impact statements. We will seek executive-level consensus on proposed changes and implement an updated model during the 2023 planning cycle, for optimization of projects planned for 2024.

The Companies will review the current plan for capital optimization refresh, which was developed in 2022, to identify potential gaps or areas in need of update as a result of this recommendation. We will work inclusively with internal stakeholders to provide a common set of recommendations to senior management for approval and implementation. We will then update the appropriate documents and procedures to align with this project outcome, communicate changes to, and garner feedback from, the necessary internal stakeholders throughout this process.

Work Plan:

- Present plan for capital optimization refresh at Finance Planning Day 2022 - COMPLETE

- Agreement on scope, evaluation of current definitions & incorporation of CLCPA focused amendments - COMPLETE
- Canvass stakeholders for recommended changes - COMPLETE
- Complete workshop with stakeholders to further investigate proposed changes as well as uncover additional recommendations - COMPLETE
- Present findings to Utility Steering Committee (“USC”)
- Reach executive consensus on changes
- Update corporate documentation (Capital Projects Playbook) with appropriate language

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update the Capital Projects Playbook (CPP-10: Capital Optimization Guideline) to align with proposed changes	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include an updated capital project selection process that better aligns corporate strategic drivers with CLCPA goals, leading to better optimization of capital projects. There are no recognized risks to implementing this recommendation.

Recommendation Number 9: IV-2

Recommendation: Develop a process and approach to incorporate techniques and lessons learned from the BCO program into cost reduction and continuous improvement efforts aimed at offsetting rate increases associated with implementing CLCPA initiatives.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Scott Sanders – VP, Financial Planning & Analysis
Team Lead	Brian Marangoni – Section Manager, Financial Planning & Analysis

Scope:

In Fall 2017, CECONY and O&R proactively embarked on an aggressive five-year campaign to identify process improvements, capital projects, operational efficiencies, and other means for optimizing our operating and maintenance (O&M) costs. The Business Cost Optimization (BCO) program aligns with the Companies’ mission and presented an opportunity to improve on our commitments to deliver safe, reliable, quality service in an environmentally responsible and cost-conscious manner for our customers.

The BCO Project Management Office was established to provide the necessary program oversight, serve as a centralized repository of program resources and information, and report on cost savings. As we come to the end of the program term, the Companies have achieved their cost savings goals and have made significant improvements to business operations, including:

1. Re-structuring of organizations to optimize resources,
2. Investing in system improvements for better oversight and reporting, and
3. Improving business processes to drive efficiencies across CECONY and O&R.

NorthStar’s Final Report praises the Companies for their governance and management, and specifically senior leadership’s authority over the Companies’ policies, operational practices and resulting performance. In response to this recommendation, the Companies’ plan to leverage the structured improvements mentioned above, along with established governance processes to sustain the Companies’ cost-conscious mindset developed over the past five years.

The Companies have outlined a workplan to distribute key BCO recommendations and lessons learned related to cost-conscious initiatives and will ensure a cost-conscious topic is embedded in our Financial Planning Day messaging.

Work Plan:

- Formally update BCO stakeholders on Audit recommendations
 - To be completed in Business Lead check-ins verbally - COMPLETE
- Provide a comprehensive document to BCO Business Leads that describes the BCO program and how best to operate a cost savings initiative
- Incorporate cost-conscious topics into presentation material at the annual Finance Planning Day
 - To ensure that a cost-conscious topic is presented annually, an Archer system requirement to do so will be initiated

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Distribute a comprehensive BCO process document	In Progress	July 31, 2023	Final deliverable
Initiate Archer System requirement to include a cost optimization presentation in the annual Finance Planning Day	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include the reinforcement of cost-conscious behaviors and lessons learned from the BCO program with management and stakeholders, helping to sustain those learnings. There are no recognized risks to implementing this recommendation.

Chapter V: Electric Operations

Recommendation Numbers 10 and 11: V-1 and V-2

Recommendation V-1: Should the sale of CEBs fail or be delayed beyond Q2-2023, perform the CECONY and O&R Energy Risk Management function solely with regulated utility employees and perform the CEB Energy Risk Management activities with CEB employees.

Accept/Accept with Modification/Reject: Reject

Implementation Priority (Low/Medium/High): Low

Recommendation V-2: Should the sale of CEBs fail or be delayed beyond Q2-2023, isolate regulated utility sensitive information from non-regulated affiliates and eliminate any potential conduit of information transfer between regulated and non-regulated entities.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Low

Implementation Leads:

Executive Sponsor	Rich Miller – VP, Energy & Environmental Law
Team Lead	David Warner – Associate Counsel, Energy & Environmental Law

Scope:

The Companies are disappointed that NorthStar has included recommendations V-1 and V-2, which relate to the application of the Companies' Affiliate Transactions Policy to the Energy Risk Management function, in the Final Audit Report.

The Companies' Commission-approved Affiliate Transactions Policy has undergone extensive review by the Companies and the Commission over more than two decades. During the course of the Audit there was minimal review concerning these matters. A thorough review would have revealed the following:

- Shared risk management personnel, and other such administrative corporate services, are legal and authorized by the Companies' Commission-approved Affiliate Transactions Policy.⁵
- FERC has also indicated that risk management personnel can be shared, even between a franchised public utility with captive customers and its competitive market-based affiliates.⁶ The Companies do not have captive customers because the Companies' customers may purchase their commodity from alternative suppliers.

The Final Audit Report does not show whether any other regulatory body has disapproved of this practice or if there is a best practice that the Companies are not following. In the absence of any benchmarking or peer-utility review, given the acceptance by the Commission and FERC, there is no legal or factual basis to require that the CECONY and O&R Energy Risk Management function be performed solely with regulated utility employees and perform the CEB Energy Risk Management activities with CEB employees. The Companies are thus rejecting Recommendation V-1.

In addition, the Final Audit Report contains no review of the Companies' practices and training concerning the "no-conduit rule" and other practices to prevent any potential information exchange between regulated and non-regulated affiliates. A thorough review would have revealed that the Companies already have training, practices, and controls in place to isolate such information and that structural separation is unnecessary. The Companies thus accept Recommendation V-2 and consider it complete, as existing practices and training ensure that regulated utility sensitive information is isolated from non-regulated affiliates, preventing any potential conduit of information transfer between regulated and non-regulated entities.

Finally, given the completion of the CEB sale on March 1, 2023, these recommendations are not applicable.

Work Plan:

(V-1) This Implementation Plan is complete. On March 1, 2023, Consolidated Edison Inc. successfully completed the sale of its wholly-owned subsidiary, Con Edison Clean

⁵ Settlement Agreement – Approved pursuant to the Commission's *Order Authorizing Merger*, issued April 2, 1999, in Case 98-M-0961; Amended by Commission Order dated February 21, 2014 in Case 13-E-0030 et al; Amended pursuant to compliance filing submitted March 1, 2019 in Case 15-M-0501.

⁶ In Order 697-B, FERC indicated that a franchised public utility with captive customers and its market-regulated power sales affiliates should be permitted to share risk management personnel so long as they are acting in their roles as risk management personnel and are subject to the no conduit rule. [125 FERC 61326, P. 55-59].

Energy Businesses, Inc., including the transfer of substantially all of its assets,⁷ to RWE Renewables Americas, LLC.

(V-2) This implementation plan is complete. On March 1, 2023, Consolidated Edison Inc. successfully completed the sale of its wholly-owned subsidiary, Con Edison Clean Energy Businesses, Inc., including the transfer of substantially all of its assets, to RWE Renewables Americas, LLC. In addition, the Final Audit report did not take into account or review the procedures and controls that the Companies had in place at the time, to protect utility sensitive information. Existing practices include:

- Employees that come into contact with regulated utility sensitive information are required annually to take a FERC Standards of Conduct training course and are subject to the no-conduit rule.
- Maintain separate servers for the regulated utilities and CEBs;
- Maintain separate instances of Allegro for the regulated utilities and CEBs;
- Maintain dedicated employees to respectively work on regulated and unregulated businesses. The Director of Energy Risk Management may occasionally ask for assistance from an employee who typically works on one business to work on the other if additional resources are needed, typically for administrative tasks related to already completed trades, such as daily collateral calls or work with brokerage accounts. In such instances, these employees must abide by the no conduit rule.
- Maintain physically separate work locations for employees working on the regulated and unregulated businesses. If Energy Risk Management employees need to access regulated utility data from the CEB premises in Valhalla they must go into a separate room to do so
- All management employees are trained annually in the Company’s Standards of Business Conduct.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
N/A			

Benefit-Cost and Risk Analyses:

⁷ Consolidated Edison, Inc. retained the equity interests in a wind power project, as well as tax equity interests in solar energy projects, located outside of New York State.

There is no benefit-cost or risk analysis of implementation, as there are no plans to implement.

Recommendation Number 12: V-3

Recommendation: Provide a detailed description of the assumptions, models, data sources and confidence levels used for demand forecast load modifiers in future Electric Long Range Plans.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Team Leads:

Executive Sponsor	Guru Nadkarni –VP, Strategic Planning
Team Lead	Nelson Yip – Director, Strategic Planning

Scope:

The purpose of this implementation plan is to provide awareness and transparency on assumptions, models, data sources and confidence levels used for demand forecast load modifiers in Electric Long Range Plans (ELRPs).

Demand forecast load modifiers in ELRPs are informed by Energy Management’s long-term system-level forecast, as well as long-term pathways that are determined by Strategic Planning in accordance with market outlooks and policy targets.

Work Plan:

During the ELRP development process, Strategic Planning will develop pathways for use in the ELRP that consider industry trends, market outlooks, and policy targets. Strategic Planning also reviews Energy Management’s most recent long-term forecast to inform the final load modifiers that will be used in the ELRP.

The assumptions, models, data sources and confidence for the electric system summer and winter peak demand forecast load modifiers will be documented in the CECONY and O&R ELRPs, in accordance with their respective rate case cycles and associated ELRP re-write cycles. These load modifier descriptions will be confirmed in consultation with Energy Management and will be added to future versions of the ELRPs.

The requirement to include a detailed description of the assumptions, models, data sources and confidence levels used for demand forecast load modifiers in CECONY and O&R’s ELRPs will be incorporated into the Companies’ Utility Long-Range Planning Guideline. With this change, the assumptions will be inserted into future ELRP documents in alignment with future rate case submittals

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update the Utility Long-Range Planning Guideline to require the inclusion of a description of the assumptions, models, data sources and confidence levels used for demand forecast load modifiers in ELRPs	In Progress	July 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include the ability to have a shared understanding of the implications of long-term programs and their impacts. There are no recognized risks to implementing this recommendation.

Chapter VI: Gas Operations

Recommendation Numbers 13 and 14: VI-1 and VI-2

Recommendation VI-1: Plan and develop annual LPP replacement in a prioritized sequence based on removal of highest risk pipeline segments.

- Utilize LPP GIS data by segment to develop a replacement project profile.
 - Desired LPP replacement project length
 - Pipeline material characteristics
 - Associated services to be replaced.
- Utilize a pipeline project portfolio optimization application to determine the maximum LPP replacement project risk reduction potential annually.
 - CECONY and O&R use a Microsoft computer application to analyze all projects submitted for approval within the parameters of budget limits and priority (based on the nine strategic drivers) to obtain the maximum strategic value for each company and utility service type as applicable to each utility. One of the primary end products of this effort is a list of capital projects submitted for budget approval ranked in descending order of strategic value.
 - For LPP replacement, budget limits and annual LPP mileage targets are rough equivalents while risk ranking is the rough equivalent of strategic drivers.
- Adjust the LPP replacement prioritized plan to accommodate local and regulatory requirements.
- Begin removal and eliminate obstacles or impediments to prioritized projects so that they can be implemented at the earliest date.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): High

Recommendation VI-2: Report the aggregated LPP system-wide risk reduction to the DPS annually.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsors	Amr Hassan – VP, Gas Operations, CECONY Orville Cocking – VP, Operations, O&R
Team Leads	Nickolas Hellen – Chief Engineer, Gas Engineering, CECONY Flannan Hehir – Director, Gas Technical Services, O&R

Scope:

The Companies currently prioritize the replacement of leak prone pipe (LPP) using existing risk model tools. This implementation plan establishes a leak prone pipe replacement strategy and tools that will allow for the continued prioritized replacement of top ranked leak prone pipe at the segment level, using GIS data, and advance the program strategies to incorporate additional local and regulatory requirements. We will continue to utilize existing risk models to prioritize LPP replacement while we develop and test our new risk models.

Using the Companies’ new risk models, each company will submit the total aggregated distribution leak prone pipe risk score to DPS. This will be submitted for the first time when available, after the new Distribution Integrity Management Plan (DIMP) risk model is published. The system-wide risk score will be re-submitted on an annual basis to Staff and updated in years when the DIMP Risk Models are run.

As part of Public Safety Law § 66-u on Gas Safety Reporting, the Companies will also provide a thorough description and explanation of the strategic planning and decision-making methodology used to determine and prioritize pipeline replacement projects. Each Company’s distinct plan is outlined below:

CECONY

- Implement a probabilistic risk model to maintain the function currently provided by the Optimain DS model by November 2024. The new model will be used for re-evaluation of CECONY’s DIMP program in compliance with §192.1015.
- Create and maintain a Top Ranked Pipe Replacement tracking dashboard. Use this dashboard to report on Top Ranked Pipe Replacement.
- The aggregate risk score will be dependent upon the new Risk Model which is slated for implementation by November 2024, and this risk score will be released in March 2025.

O&R

- Continue development and implementation of a new Main Replacement Risk tool. This new tool will align with O&R’s DIMP guidelines.

- The new risk model is in the process of being finalized. It will be used to generate an aggregate risk score in March 2024.

A new probabilistic risk model will enable the continued development of a replacement project profile for each segment of leak prone pipe in CECONY and O&R's gas distribution systems.

The new model will also allow for continuity in CECONY's risk analyses and serve as a strategic driver assessment for leak prone pipe prioritization within the budget limits of each Company's leak prone pipe main replacement program. Budget limits are determined using the existing PI 360 assessment.

Both Companies will work to identify project obstacles (e.g., long permit and procurement delays) and develop strategies to overcome them. For CECONY, the Top Ranked Pipe Replacement tracking dashboard will be used to increase visibility of those obstacles and maintain focus on their removal. For O&R, the risk priority list generated by the new Main Replacement Risk tool will be used to maintain focus on the high priority projects that may experience project obstacles and help to manage their timely completion.

Work Plan:

CECONY

A cross functional team began work in February 2022 to identify viable replacement software products for Optimain DS, with the goal of selecting a replacement product. CECONY currently plans to award a contract to a vendor to develop the replacement DIMP Risk Model by the end of the second quarter of 2023. To-date, the Company has completed the following steps:

- Identify available products for Request for Information
- Identify viable products that fit CECONY's needs
- Release request for proposal to viable product vendors
- Receive vendors bids
- Receive CECONY IT approval for bidders

CECONY Gas Engineering began work in May 2022 to enhance the planning, tracking, and reporting process for the "Top Ranked" segment of the Main Replacement Program. CECONY has created a dashboard for Top-Ranked projects identified by Optimain DS and is working to identify obstacles and leverage the existing Gas Pipeline Safety Senior Management review meeting to report on:

- Top Ranked replacement progress
- Active project obstacles and obstacle alleviation plans

Next steps include:

- Award risk model contract.
- Metric reporting of Top Ranked project completion along with review of any project delay justifications at periodic (three times per year) Gas Pipeline Safety Management Senior Management Review meetings, starting in 2023. Progress of Top Ranked replacement completion will be tracked weekly in the Gas Work Status meeting.
- Document the process for planning and developing annual LPP replacement in a prioritized sequence based on removal of Top Ranked pipeline segments, including the use of the Gas Pipeline Safety Management Senior Management Review meetings as the forum in which to review project delays.
- Begin incorporating the new DIMP Risk Model results into CECONY's annual Capital Expenditures Report (Case 22-G-0065) to DPS.
- Generate and submit aggregate LPP risk score to DPS.

O&R

In 2020, O&R began developing a new DIMP risk model. The new model provides a more holistic analysis of the system risk level than its predecessor, utilizing many more data inputs. The risk is calculated on a segment-by-segment basis. The Company's DIMP consultant developed a Main Replacement Risk Tool, utilizing the results of the new DIMP risk model, to use for main replacement prioritization. The Company is nearing completion of verification/evaluation of the tool.

Next steps include:

- Verification testing and implementation of new risk tool
- Make necessary procedural updates to WP-6003 (*Evaluations for Main Replacement*), including the addition of a process to identify and address those high-priority main replacement projects which may encounter obstacles to timely completion.
- Begin incorporating the new MR Risk Tool results into O&R's Annual LPP Replacement Project Report (Case 21-G-0073) to DPS.
- Begin incorporating the MR Risk Tool projects into current 2023 MRP projects list
- Generate and submit aggregate LPP risk score to DPS.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Document the process for planning and developing annual LPP replacement in a prioritized sequence based on removal of highest risk pipeline segments, including review of project delays (CECONY)	In Progress	May 30, 2023	Final Deliverable, VI-1, CECONY
Update respective work procedure WP-6003 to document changes to the risk model and a process to address barriers to high-priority LPP replacement (O&R)	July 1, 2023	December 31, 2023	Final Deliverable, VI-1, O&R
Based on risk model outputs, generate and submit PSC reports documenting the plan for ranked replacement of LPP segments (O&R)	January 2, 2024	February 28, 2024	Final Deliverable, VI-1, O&R
Based on risk model outputs, generate and submit PSC reports documenting the plan for ranked replacement of LPP segments (CECONY)	January 2, 2025	February 28, 2025	Final Deliverable, VI-1, CECONY
Create and submit aggregate distribution system-wide risk score (O&R)	January 2, 2024	March 21, 2024	Final Deliverable, VI-2, O&R
Create and submit aggregate distribution system-wide risk score (CECONY)	January 2, 2025	March 21, 2025	Final Deliverable, VI-2, CECONY

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs, as both Companies had previously

allocated funding to the development of new risk models. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs.

The benefit of the new risk model implementation is continued compliance with state and federal distribution integrity management requirements and LPP replacement in a prioritized sequence based on removal of the top-ranked pipeline segments. For CECONY this process will assist with risk model continuity during the retirement of the current DIMP Risk model (Optimain DS) by the product vendor in 2023.

For CECONY, risks that could prevent this recommendation from happening are a delayed bid award and implementation timeline for the new DIMP Risk model. This could occur due to unavoidable delays in any stage of the project implementation plan, including Supply Chain procurement, contract negotiations, and IT implementation.

Similarly for O&R, delays in the testing and implementation phase of this plan pose the greatest risk to this implementation.

The CECONY risks if this plan is not implemented on time or correctly could be potential delays in, or less accurate prioritization of, top-ranked leak prone pipe replacement.

Compliance with DIMP requirements will continue to be a priority for both Companies.

Recommendation Number 15: VI-3

Recommendation: Formally manage LPP replacement projects greater than \$1 million in compliance with the Company’s Capital Project Playbook policies and procedures.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsors	Amr Hassan – VP, Gas Operations, CECONY Orville Cocking – VP, Operations, O&R
Team Leads	Christine Cummings – Director, Gas Project Management & Customer Programs, CECONY Flannan Hehir – General Manager, Gas Technical Services, O&R

Scope:

The Companies will each pilot an effort to manage certain planned leak-prone pipe (LPP) replacement/retirement projects in accordance with the Capital Projects Playbook’s (CPP’s) requirements for managing projects. Though the LPP program is already managed in accordance with the CPP as a program rather than as individual projects, this recommendation presents an opportunity to see if cost savings are achieved through more rigorous oversight of the highest cost leak prone pipe retirement and replacement projects. This plan outlines the Companies’ proposed effort to evaluate this recommendation on a smaller scale to better understand the potential benefits of full implementation. Thus, the recommendation is accepted with modification.

CECONY

Managing all leak prone pipe replacement projects estimated to be greater than \$1M in compliance with the CPP is expected to require significantly more staffing beyond those employees currently managing leak prone pipe replacement projects, with an initial estimate of 18 additional employees for CECONY. Since the benefits of such an effort are uncertain at this point, CECONY is conducting a pilot program in advance of full implementation.

CECONY will use a pilot in 2024 across all four geographic areas to measure the effectiveness of managing specific LPP projects in accordance with the CPP before expanding this recommendation to more projects. The 2024 selection criteria used to identify target projects are tailored to be implementable with current staffing levels.

Specifically, in 2024, the two highest cost projects in each of the four geographical areas will be used for this initial pilot effort. Spreading the work equally across the areas allows for efficient use of existing resources and testing across all geographic areas. The evaluation of eight projects is expected to be manageable with current resource levels while still providing a sufficient sample size to properly assess the pilot program. CECONY will then evaluate expanding the selection criteria in subsequent years once it has fully evaluated the benefits of this pilot program.

O&R

Similarly for O&R, managing all leak prone pipe replacement projects estimated at greater than \$1M in compliance with the CPP is expected to require significantly more resources than currently available. O&R currently has a LPP main replacement project management process that is consistent with the principles of the CPP and is utilized for mains on municipal and county roadways. Such projects under \$2M have historically been performed at competitive costs per foot. Projects over \$2M tend to be on state roads and involve considerably more project planning, a time-consuming and extensive permitting process, complex engineering drawings and designs/redesigns, and challenging scheduling. The latter set of projects (over \$2M and on state roads) are likely to benefit the most from a more robust project management process and the full-scale use of all tools available in the CPP.

O&R intends to use a staged approach to pilot this recommendation. The selection criteria will be applied to projects budgeted for 2024 and tailored to be achievable with current resource levels. O&R will evaluate the results of this one-year pilot to determine if the effort should be expanded to additional projects.

Using this multi-staged approach will enable the identification of any aspect of the CPP management that is delivering outsized value. For instance, if the schedule was determined to deliver the most benefit for the effort required, the Company could look to prioritize schedule rollout for an additional tier of large main replacement projects earlier in the multi-year implementation process.

Work Plan:

Work activities will include:

- Identify applicable projects
- Update project documentation to manage identified projects in alignment with all applicable components of the CPP. The team will provide documentation to DPS Staff of the following components of the CPP to demonstrate compliance:
 - Project Management Plan
 - Risk Registry

- Schedule
- Establish schedule
- Manage and track project status throughout the year
- Evaluate savings following project completion and determine if the process should be scaled to more projects
- If scaling is appropriate, develop and document a process to do so

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Generate project initiation documentation in compliance with the CPP (CECONY)	January 2, 2024	March 31, 2024	Final deliverable – Project Management Plan Risk Registry, Schedule, CECONY
Generate project initiation documentation in compliance with the CPP (O&R)	January 2, 2024	March 31, 2024	Final deliverable – Project Management Plan Risk Registry, Schedule, O&R
Evaluate costs and benefits of 2024 pilot (CECONY)	October 1, 2024	February 16, 2025	Final deliverable, CECONY
Evaluate costs and benefits of 2024 pilot (O&R)	October 1, 2024	February 16, 2025	Final deliverable, O&R
If applicable, develop and document a process to scale (CECONY)	January 2, 2025	July 31, 2025	Final deliverable, CECONY (if applicable)
If applicable, develop and document a process to scale (O&R)	January 2, 2025	July 31, 2025	Final deliverable, O&R (if applicable)

Benefit-Cost & Risk Analyses:

This recommendation is expected to be implemented in tiered stages due to the increased staffing requirements necessary to meet a \$1M threshold. The Company’s costs associated with implementing the pilot program for this recommendation are not expected to include significant incremental costs. The financial review completed in 2025 on qualifying 2024 projects will be used to determine the extent of either Company’s needs for additional staffing to scale the pilot program, at which time costs will be determined. The Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs.

Benefits include the potential savings that may be achieved by implementing the recommendations. These savings, if achieved, will be calculated by comparing the actual cost of each project with the estimate in the major categories of company labor, contractor costs, material costs, restoration costs (if separate from contractor costs, and other direct expenses). The variance in each category will be compared with the averages for historically similar projects and for the aggregate totals of the program not covered by this recommendation. These two baselines will be used to determine the resultant savings, which will represent the quantitative project benefits.

A risk of implementing this recommendation is a result that directs outsized attention to LPP projects in geographic areas in which LPP projects are more expensive, to the detriment of all other leak prone pipe replacement projects. The plan to mitigate this risk is to utilize the tiered stages and increase staffing appropriately to avoid diluting the attention paid to operationally critical projects in other geographic areas.

Recommendation Number 16: VI-4

Recommendation: Examine LPP replacement program and audit data to ensure its accuracy. Include each segment of LPP pipe replaced and its length in data reported to the DPS.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsors	Amr Hassan – VP, Gas Operations, CECONY Orville Cocking – VP, Operations, O&R
Team Leads	Nickolas Hellen – Chief Engineer, Gas Engineering, CECONY Flannan Hehir – Director, Gas Technical Services, O&R

Scope:

CECONY will perform an annual Quality Assurance review of year-end Capital Expenditure Form 7: Main Replacement Locations to validate the accuracy of the data. This form lists each location of LPP replaced, along with its length, and is reported to DPS as part of the Capital Expenditure Report. Similarly, O&R Quality Assurance will perform a quality check of the Annual Leak Prone Pipe Program Report data submitted to DPS, which also lists each location of LPP replaced, along with its length.

Both companies will ensure that the generated reports include an accurate representation of leak-prone pipe replaced along with respective length of each pipe.

Work Plan:

1. Companies will generate their respective annual reports for submittal to DPS, which include each segment replaced and its length.
 - Capital Expenditure Report (CECONY Gas Distribution Integrity Management)
 - Annual Leak Prone Pipe Program Report (O&R Gas Engineering)
2. CECONY’s and O&R’s respective Gas Quality Assurance organizations will perform an annual review of each company’s Leak Prone Pipe Replacement Program, consisting of:
 - A review of the process in place to manage the LPP Replacement Program
 - Interview personnel responsible for implementation, facilitation, and management of the program

- Review a statistical sampling of LPP replaced during the year to verify the accuracy of the DPS report for LPP segments replaced
3. Submit QA reviews on year-end Capital Expenditure report (CECONY) and QA review on Annual Leak Prone Pipe Program Report (O&R) to DPS, along with the respective underlying reports

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
(CECONY) Perform and document QA Review on year-end Capital Expenditure Report	Complete	Complete	Final deliverable, CECONY Completed February 28, 2023
(CECONY) Submit year-end Capital Expenditure Report to DPS	Complete	Complete	Final deliverable, CECONY Completed February 28, 2023
(O&R) Perform and document QA Review on Annual Leak Prone Pipe Program Report	January 2, 2024	February 28, 2024	Final deliverable, O&R
(O&R) Submit LPP Program Report to DPS	January 2, 2024	February 28, 2024	Final deliverable, O&R

Benefit-Cost & Risk Analyses:

Both Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. The benefit of an annual quality assurance review of both CECONY's Capital Expenditure Form 7 report and O&R's Annual LPP Program Report will be verification of the accuracy of the main replacement location data that is submitted by CECONY and O&R annually to DPS Staff. Risks of not implementing this recommendation include inadvertent errors existing in either report of which the Companies are unaware and therefore unable to rectify.

Recommendation Number 17: VI-5

Recommendation: CECONY should: 1) modify the emergency report message and decision trees to minimize the amount of time before the customer reaches a live agent, and clarify that the line is for emergencies only; 2) determine the root cause of the relatively high number of non-emergency calls to the gas emergency line; and 3) based on the root cause analysis, mitigate the high proportion of non-emergency calls to the gas emergency line.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Lead	Christine Osuji – General Manager, Customer Assistance

Scope:

In response to this recommendation, CECONY Customer Operations will first conduct a study to further investigate the frequency of non-emergency calls to the gas emergency line using a larger sample size than that which NorthStar analyzed in Chapter VI, Finding 20 of its Final Report and the reasons callers give when claiming an emergency. Based on the results of this study, Customer Operations will evaluate whether changes to the emergency report message and/or decision trees would mitigate such calls.

CECONY is accepting this recommendation with modification, by adding a study component, for several reasons. First, the Company will validate Chapter VI, Finding 20 as described above, as the sample size of 15 calls was small.

Second, the Company's existing call prompt structure is intended to minimize the amount of time before an emergency caller reaches a CSR. The only message that comes before the emergency message is a prompt for customers to select which of the seven languages offered in the IVR they would like to use. Relaying the emergency message before the language option puts non-English speakers at risk of not understanding this critical message. Adding more language to the emergency message clarifying that that option is for emergencies only would simply add seconds to the amount of time before the caller reaches a CSR. However, as noted above, the Customer Operations study will determine whether there is some modification to the message and decision trees which could be useful.

Work Plan:

Item 1 – Analyze calls/data provided to NorthStar as well as two months of additional gas emergency call samples to determine the cause of the “relatively high number of non-emergency calls to the gas emergency line” which NorthStar references in its recommendation. This analysis will also evaluate whether legitimate gas emergency calls are routed to CSRs in a timely manner.

Item 2 – Implement corrective measures, if any, that can be gleaned from the above analysis. If warranted by the analysis, the Company will make changes to the emergency report message and/or decision trees. If no enhancements to the Call Center IVR or call prompts are identified by this internal analysis, Customer Operations will also benchmark with industry leaders on best practices to deter non-emergency callers from calling the gas emergency line.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Report summarizing call analysis and findings on gas emergency calls	In Progress	July 31, 2023	Final deliverable
Benchmark with industry leaders (if no enhancements identified by internal analysis)	August 1, 2023	October 31, 2023	Final deliverable (if applicable)
Implement any enhancements identified through the call analysis or benchmarking (if any)	November 1, 2023	December 31, 2023	Final deliverable (if applicable)

Benefit-Cost and Risk Analyses:

The Company’s costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits may include reduced time gas emergency callers must wait to speak with a representative (to the extent any enhancements are found), timely routing of callers to the gas emergency line, and improved caller understanding of what constitutes a gas emergency.

The risks of conducting this analysis and implementing any identified enhancements include: 1) potential for increased confusion of non-English speaking callers if the emergency message is placed before the IVR language prompt, which could also increase the amount of time before a legitimate gas emergency call is routed to a CSR, and 2) lengthened time before a legitimate gas emergency call is routed to a CSR if the emergency message is expanded to include clarification that the line is for emergencies only.

Chapter VII: Project Management and Work Management

Recommendation Number 18: VII-1

Recommendation: This recommendation requires CECONY and O&R to provide DPS Staff with capital reports showing shifts in capital expenditures between projects and variances from rate case approved schedules. For major capital projects, the utilities should provide the following general information, but should work with DPS Staff on the specific content and frequency. The dollar amount used as the threshold for “major capital projects” should be determined in conjunction with the DPS Staff. All information should tie to other reported information. Explanations of deviations should be more detailed than information currently provided to DPS staff.

Commodity: Electric, Gas, Common, Major IT										
Project	Rate Case Approved Amount					PSC Target Start Date (MM/YY)	Actual/Forecast Start Date (MM/YY)	PSC Target In-Service Date (MM/YY)	Actual/Forecast In-Service Date (MM/YY)	Explanation of Deviations
	Year XXXX	Year XXXX	Year XXXX	Year XXXX	Year XXXX					

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Scott Sanders – VP, Financial Planning & Analysis
Team Leads	Ann Cedrone – Director, Financial Planning & Analysis, O&R Vlad Salomon – Director, Financial Planning & Analysis, CECONY

Scope:

In Cases 22-E-0064 and 22-G-0065 CECONY and DPS Staff have agreed to quarterly and annual reporting requirements for the Company’s capital projects and programs and associated expenditures for electric transmission, substations and distribution operations, electric production, Distributed System Implementation Plan (DSIP), municipal infrastructure, and common. For Gas Operations, CECONY and DPS Staff have agreed to semi-annual and annual capital expenditure reports. Quarterly meetings are held with Staff to provide the Companies’ current expectations for meeting the annual electric capital budget and plant targets provided in these reports.

Similarly, in Cases 21-E-0074 and 21-G-0073, O&R and DPS Staff have agreed to both quarterly and annual reports outlining electric, gas and common capital expenditures, including R&D spending and major project schedules.

The Companies held a meeting with Staff on March 7, 2023 to discuss this recommendation and develop a report that maintains the agreed upon reporting requirements, but also provides DPS Staff with better insight into CECONY and O&R's Capital portfolio. Pursuant to this conversation, the Companies and DPS Staff have agreed that the Companies will also include the following additional information in the quarterly report data:

- Actual Start Date (Date project incurs cost based on the data in the Company's financial system)
- Target In-Service Date (Planned In-Service Date based on the Company's Plant model)
- Revised In-Service Date (Change from Target In-Service Date based on Plant model)

These changes to current reporting requirements will be reflected in the 2023 reporting cycle for both companies, as outlined below.

Work Plan:

- Met with Staff on March 7, 2023 to align current reporting requirements outlined in the Joint Proposal for CECONY (Cases 22-E-0064 & 22-G-0065) and O&R (Cases 21-E-0074 and 21-G-0073) with items outlined in this recommendation
- The Companies will add the newly agreed upon reporting requirements to the quarterly reports provided to DPS Staff.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
File the CECONY Electric and Common Quarterly Report	In Progress	May 15, 2023	Final deliverable (CECONY)
File the O&R Electric, Gas and Common CapEx Quarterly Report	In Progress	May 15, 2023	Final deliverable (O&R)
File the CECONY Gas Semi- Annual Report	In Progress	August 31, 2023	Final deliverable (CECONY)

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Potential resource needs present a risk, as their sourcing could delay the timeline to begin compliance with revised reporting requirements. Benefits include compliant capital reporting that meets the needs of DPS Staff and the terms of the CECONY and O&R joint proposals.

Recommendation Number 19: VII-2

Recommendation: Perform an assessment of estimating accuracy to identify potential improvements. Results should be provided to the DPS and should be sufficiently granular to identify lessons learned. Underlying assumptions used in the estimating process should be updated based on lessons learned to improve estimating accuracy.

- Maintain all estimates and associated contingency assumptions/amounts for all projects over \$500,000 at each stage of the estimating process.
- Compare estimates and actual project costs and explain significant variances.
- Assess the improvements to estimating accuracy resulting from the use of HeavyBid. The Companies have already indicated their intent to perform such a study.
- Maintain all schedules estimates (start and completion dates, including estimated construction start and completion dates).
- Identify improvement opportunities.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Hugh Grant – VP, Substation Operations
Team Lead	Jason Ragona – General Manager, Substation Operations Planning

Scope:

The Companies will develop a standardized protocol to analyze the accuracy of capital project appropriation estimates at both CECONY and O&R on an ongoing basis. This protocol will identify estimates to be analyzed for accuracy, establish a process for performing the analysis, and assist organizations in identifying variances and root causes. The lessons learned from this analysis will assist in improving overall estimating accuracy. Both companies currently keep a record of all appropriation estimates over \$500,000, along with estimate assumptions, and will continue with this approach. Order of Magnitude and conceptual estimates are not subject to the scope of this implementation plan but will be documented when procedurally required. The Companies will continue to track the estimated and actual construction start and completion dates using existing work management systems and practices.

Both companies will establish criteria to use in the selection of projects and will identify the factors that have the greatest impact on the accuracy of estimates, by organization, so that those factors can be mitigated.

HeavyBid Assessment:

Bid-Check Estimating (BCE) prices construction work activities within CECONY and O&R, which is then used for developing estimates. BCE's portfolio of work includes, but is not limited to, the review of all construction contracts at bid-award over \$500K for the following programs: Outside Plant Electrical, Outside Plant Gas, Substations, Facilities, Power Generation Plant, Environmental, Tunnels and Docks.

BCE has utilized HeavyBid as its estimating software since 2019. The system's ease of use enables labor and equipment rates to be readily adjusted and Estimators to build new or modify existing production rates based on site-specific conditions.

BCE updates the labor, equipment, and material pricing within HeavyBid multiple times per year. HeavyBid's functionality allows these updates to be made with less effort than the Company's legacy estimating software and tools.

BCE will assess estimating accuracy improvements due to the use of HeavyBid for four of the programs listed above. Projects with large costs and/or significance will be used in the assessment. Approximately three to five projects per program will be analyzed. to determine if the use of HeavyBid as compared to our legacy estimating programs/techniques has improved estimate accuracy.

For these projects, BCE will gather bids that were priced prior to HeavyBid. Major scopes and/or activities within the selected projects will be examined. BCE will escalate the labor, material and equipment rates that were used prior to HeavyBid and compare those against the updated, contemporaneous rates that are used in HeavyBid today. BCE will also determine the effects of crewing, productivity, and schedule adjustment functionality in the HeavyBid software.

Work Plan:

This work plan will be facilitated by the Company's Enterprise Project Management Office (EPMO). The EPMO is a project management center of excellence that designs and implements enterprise standards, tools, systems and processes, as well as provides enterprise governance and strategic direction for the management of projects and programs. Upon completion of this work plan, the EPMO will update the Company's Capital Projects Playbook (CPP) to include any protocols adopted.

- The Companies will review and document existing estimating analyses, tools and resources used by CECONY Electric Operations, Central Operations, Gas Operations and Orange & Rockland Utilities.
- On an annual basis, the Companies will generate a report of all projects substantially complete in the previous calendar year (physical construction is 90%+), by organization.
 - Report should be delineated by organization
 - Should consist of projects with total spend greater than \$3M
 - Note: This first report will consist of projects completed in 2022 & 2023
- Each estimating organization will perform an in-depth assessment of the top 5 projects with actual spend in excess of +/- 10% of the appropriation estimate.
- Identify drivers for the variances
- Findings will be documented in the lessons learned for the project

The assessment of HeavyBid accuracy will be captured under a separate report and analysis, as described in the scope above, and will assess components of Construction Contracts. BCE will generate a report listing the variances between similar work estimated with and without the use of HeavyBid.

The team will update relevant policies and procedures to reflect these changes, including:

- CPP-02: Cost Estimating Guideline, which will require an annual estimating accuracy review
 - Updated language to include the requirement to maintain all estimates and associated contingency assumptions/amounts for all projects over \$500,000 at each stage of the estimating process.
- CPP-04: Scheduling and Planning Guideline, which will be updated to ensure project start and completion dates, including estimated construction start and completion dates, are maintained
- Any other identified applicable procedures

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update CPP-02, CPP-04, and other procedures as needed, in accordance with the work plan	August 1, 2023	December 15, 2023	Final deliverable (CECONY/O&R)
Perform estimating accuracy review and generate report with findings and drivers	June 1, 2024	November 30, 2024	Final deliverable (CECONY/O&R)

HeavyBid Estimate Accuracy Review and report	June 1, 2024	November 30, 2024	Final deliverable (CECONY/O&R)
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Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include a recurring assessment of estimating accuracy, which will provide quantitative insight into the Companies' estimating practices and will yield lessons from identified estimating challenges and in turn may improve the accuracy of future estimates. There are no recognized risks to implementing this recommendation.

Recommendation Number 20: VII-3

Recommendation: Modify the Supply Chain definition of competitive procurement to require bids from at least three technically capable suppliers, with a preference for the receipt of actual bids from at least three technically capable suppliers.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Lynton Scotland – VP & Chief Procurement Officer
Team Lead	Jason Henry – Director, Supply Chain

Scope:

The purpose of this Implementation Plan is to determine if Supply Chain’s definition of “competitive” procurement should be updated to require bids from at least three technically capable suppliers, and then make any necessary updates to that definition. As described below, benchmarking will inform any potential changes to the Companies’ definition of competitive. This recommendation is thus accepted with modification, as the Companies will leverage benchmarking to determine if this recommendation as written reflects best practices. Additionally, exceptions to the definition may be necessary for procurements where only two technically capable suppliers exist.

Work Plan:

- (1) Conduct survey-based benchmarking exercise (with both utility and non-utility companies, industry groups (Association for Supply Chain Management (APICS), Institute for Supply Management (ISM)) to determine if surveyed entities define competitive as requiring bids from at least three technically capable suppliers.
- (2) Analyze results of benchmarking exercise and note any material variances between Management Audit recommendation and survey results.
- (3) Engage Staff regarding any material variances observed in (2) above.
- (4) Modify relevant Supply Chain Operating Procedures (SCOP) to update the definition of competitive (if required).

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Analyze Benchmarking Survey results	August 1, 2023	August 31, 2023	Final deliverable

Engage with Staff	November 1, 2023	November 30, 2023	
Supply Chain Operating Procedure (SCOP) revision, if applicable	December 1, 2023	December 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include increased transparency into procurement decisions. There are no recognized risks to implementing this recommendation, though timing may be impacted by the availability of an open window within which the Oracle Support Team can make modifications to the ERP.

Recommendation Number 21: VII-4

Recommendation: Conduct an Internal Audit of Construction/ Contractor Activity Audit/Project Review within the next year or two. The scope should include modifications to the Field Activity Report and Daily Activity Report, in addition to the standard scope of work.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Edlyn Misquita – VP & General Auditor
Team Lead	Alan Sama – Director, Auditing

Scope:

The annual audit planning process produces an Audit Plan for approval by the Audit Committee of the Board. As part of the planning for the 2024 Audit Plan, which the Audit Committee will approve in October 2023, Auditing will propose an audit to assess CECONY Public Improvement construction and contractor activity that will include the standard scope of work for such an audit, as well as a new objective to review the Field Activity Report (FAR) and the Daily Activity Report (DAR) process.

Work Plan:

Similar to the six (6) Public Improvement (PI) audits Auditing performed from 2016 to 2021, Auditing will evaluate PI project management activities which may include the following objectives:

- Determine whether efficient processes exist to engineer and plan PI project work
- Review contract administration and monitoring of city contractors
- Review of invoice/payment review procedures including billing disputes and/or resolution of erroneous billing examples
- Review whether FAR/DARs are completed accurately and supported by documentation

Deliverables/Milestones:

Deliverable/ Milestone	Start Date	Delivery Date	Comments
Conduct a Public Improvement audit	October 1, 2024	December 31, 2024	Final deliverable

Benefit-Cost & Risk Analyses:

The Company's costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits include providing assurance to management regarding the adequacy and effectiveness of the FAR/DAR process controls and the identification of opportunities for improvement. There are no recognized risks to implementing this recommendation.

Chapter VIII: Customer Operations

Recommendation Number 22: VIII-1

Recommendation: With the implementation of the new CIS, modify the CECONY denial of service letters to clearly explain the reason for the denial, and mirror the language required by 16 NYCRR Part 11.3 (b) (2) and Part 13.2 (c) (2).

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Leads	Michael Murphy – General Manager, CSS Implementation Christine Osuji – General Manager, Customer Assistance

Scope:

CECONY has revised its denial of service letter templates to clearly explain the reason for the denial and to mirror the language required by 16 NYCRR Part 11.3 (b) (2) and Part 13.2 (c) (2). The Company was able to implement this recommendation prior to the go-live of the Company's new customer service system, the Customer Care and Billing (CC&B) system. The same revisions are also programmed into CC&B.

Work Plan:

Revise denial of service letter templates to clearly explain the reason for the denial and to mirror the language required by 16 NYCRR Part 11.3 (b) (2) and Part 13.2 (c) (2). The same revisions are also programmed in the Company's new customer service system, referred to as the Customer Care and Billing (CC&B) system.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Revise denial of service letters	Complete	Complete	Final deliverable Completed on June 18, 2022

Benefit-Cost & Risk Analyses:

The Company's costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider

seeking recovery of such costs. Benefits include increased clarity on correspondence making customers aware of 1) why their service application was denied and what steps they need to take to start service, and 2) their right to “an investigation and review” if they disagree with the Company’s denial of service. There are no recognized risks to implementing this recommendation.

Recommendation Number 23: VIII-2

Recommendation: Develop formal procedure documentation for the CECONY Low-Income Program. Procedures should include, but not be limited to, the schedule for updating annual discount amounts, actions to be taken in the event process breakdown occurs to ensure management visibility, timely resolution of issues (such as in the breakdown of quarterly process), and what to do when a customer record match is not found. Any issue should be noted in the quarterly report for the Commission.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): High

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Leads	Michael Murphy – General Manager, CSS Implementation Chris Grant – General Manager, Field Operations

Scope:

CECONY will create and implement a new Customer Service Procedure (CSP) for management of the Energy Affordability Program (EAP), including but not limited to updating discount amounts and execution of the quarterly file matching process with Human Resources Administration (HRA) and Westchester Department of Social Services (DSS). Employees involved in the EAP will be trained on the new CSP once it is approved by the Senior Vice President of Customer Operations.

Note that CECONY, unlike many other utilities in the state, does not rely on data from the NYS Office of Temporary and Disability Assistance (OTDA) to enroll customers in the EAP, so “what to do when a customer record match is not found,” is not addressed in this Implementation Plan and the recommendation is thus Accepted with Modification. (When the Company matches records with HRA and DSS, the Company initiates the data exchange with a list of its residential accounts, and therefore there are no issues with unidentifiable account numbers.) Any issues stemming from the timely resolution of matches between CECONY and HRA and/or DSS will be addressed in the EAP Working Group. Additionally, the Company will include as a footnote in its monthly EAP reports the date(s) that the most recent quarterly agency match results were processed by the Company.

Work Plan:

Form cross-functional team to develop CSP led by Customer Operations Quality Assurance. The team will include representatives from Credit and Field Operations (CFO), Operations and Application Support (O&AS), Customer Outreach, Regulatory and Performance Analysis, and CORE.

The team will undertake a discovery process to document all regulatory requirements and existing internal processes associated with the EAP. Using these discovery findings, the team will draft a CSP that includes, at a minimum, the following items:

- Program management, including internal processes to address issues that may arise
- Program eligibility
- Enrollment processes
 - HRA/DSS matching processes
 - Home Energy Assistance Program (HEAP)
 - Utility Guarantee/Direct Vendor (UG/DV)
 - Self-certification
- Removal processes
 - HRA/DSS matching processes
 - Re-certification timer
 - HEAP timer
 - UG/DV
- Policy regarding EAP customers participating in Retail Access
- Auto-enrollment in LPP
- EAP Outreach
- Updating EAP discounts and HEAP grant amounts in Customer Service System/Customer Care & Billing system (CSS/CC&B)
- Monthly EAP bill QA review
- Participation in the EAP Working Group, including raising issues regarding the agency matching process or other elements of the EAP as needed
- PSC Reporting – Monthly and Annually

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Final CSP	April 1, 2023	December 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Company's costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs.

Benefits include:

- Creation of formal controls for EAP-related regulatory requirements, which in turn strengthens the Company's ability to comply with PSC Orders,
- Increased awareness among employees regarding the scope of the EAP, processes necessary to operate the program, and regulatory requirements, and
- Improved schedule adherence.

Implementation of this recommendation does not involve any substantial risks. The risks of not implementing this recommendation include potential for future breakdowns of the agency data matching process, avoidable errors in updating discounts, miscommunication with customers about various aspects of the EAP, and employee confusion regarding EAP program requirements.

Recommendation Number 24: VIII-3

Recommendation: Reprogram the CECONY low-income discount calculation to be similar to other New York Utilities. This includes the following:

- Upon enrollment, inform the customer they are enrolled in the low-income program and reason they are enrolled.
- HEAP payment:
 - Should be applied as a payment line item, not part of an aggregate bill adjustment.
 - Should not trigger any tax credits to the customer.
- Bills should specify:
 - Heating or non-heating.
 - Line items for each commodity low-income discount amounts.
- Low-Income discount amounts:
 - Should be static from month to month and match the published discount amounts (no proration).
 - Should not trigger any tax credits to the customer.
- Levelized Payment Plan:
 - Customers should be automatically enrolled and this should be reflected on the main section of the calculated bill.
 - Should be a specified line item.
- As a customer is nearing the end of their benefit period, adding a bill message to alert the customer that they are at risk from being removed from program and informing them how to reapply before the benefit expires.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Leads	Michael Murphy – General Manager, CSS Implementation Chris Grant – General Manager, Field Operations

Scope:

The Company has already adopted some of the practices outlined in this recommendation, including sending letters when customers are enrolled in the Energy Affordability Program (EAP) explaining the reason for their enrollment, automatically enrolling EAP participants in the level payment plan (LPP) consistent with the terms outlined in the Company's electric and gas tariffs, and reflecting the LPP on the main

section of the calculated bill as a specified line item. As a result of the audit process, the Company has identified improvements to the way that EAP customers are welcomed into the LPP and presented with their LPP amount on their first bill after auto-enrollment. These changes will be made to customer bills when the Company transitions to its new billing system, Customer Care & Billing (CC&B).

Additionally, the Company is working on operational changes that align with the recommendation regarding self-certifying customers that need to submit updated documentation in order to remain on the EAP. This work is incorporated into the Work Plan below in Item 2.

The Company will take further steps to consider the other changes recommended by the auditor after CC&B has launched. Specifically, Customer Operations will work with the CORE team starting in Q3 2023 to conduct a feasibility assessment of the changes described in Item 3 below. Any changes resulting from this feasibility assessment would be considered among the list of 'Day 2' items in CC&B and therefore would take place in 2024 at the earliest. This recommendation is accepted with modification due to the need for this feasibility assessment.

Note that automation of the notifications described in Item 2 and all of the potential CC&B work in Item 3 are subject to delay if the Company's transition to CC&B is delayed.

Work Plan:

Item 1 – Levelized Payment Plan: Confirmed that in CC&B, EAP customers will receive a “welcome to the level payment plan” message and LPP billing amounts will be displayed on their first bill under the LPP program.

Item 2 – Implement notifications for customers who self-certified to enroll in the EAP and are nearing the end of their enrollment period, reminding them that they need to submit updated documentation of their participation in public assistance in order to remain on the program. These customers will receive a letter at 60 and 30 days prior to their re-enrollment deadline informing them that they need to either submit documentation of their continued participation in a qualifying public assistance program, or apply for and receive a HEAP grant, in order to remain on the EAP for another 12 months. Customer Operations developed, tested and implemented a manual process to send these letters in December 2022 (60 day letters) and February 2023 (30 day letters). Customers that have cell phones on their account records will also receive a text notification at the 30-day mark. Implementation of the text reminders will be

completed by May 31, 2023. Automation of the 60 and 30-day letters as well as the 30-day text reminders will be put on the list of Day 2 items in CC&B.

Item 3 – Customer Operations and the CORE team will conduct a feasibility analysis of the following changes in CC&B starting in Q4 2023. If such changes are feasible and in the interest of customers, a scope will be developed and costs will be estimated. Customer Operations will submit a Project Change Request (PCR) to make configuration changes in CC&B. Any changes resulting from this feasibility assessment would be considered among the list of ‘Day 2’ items in CC&B and therefore would take place in 2024 at the earliest.

- HEAP payment:
 - Should be applied as a payment line item, not part of an aggregate bill adjustment
 - Should not trigger any tax credits to the customer
- Bills should specify:
 - Heating or non-heating
 - Line items for each commodity’s low-income discount amounts
- Low income discount amounts:
 - Should be static from month to month and match the published discount amounts (no proration)
 - Should not trigger any tax credits to the customer
- To be consistent with the notification process outlined in Item 2, customers that are enrolled in the EAP due to receipt of a HEAP grant should also receive an alert prior to the end of their 12 month EAP enrollment period. This alert would inform customers that they need to apply for and receive another HEAP grant, or submit documentation of participation in another qualifying program, prior to the end of their 12-month enrollment period.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Implement notifications for EAP self-certifiers	In Progress	June 30, 2023	Final deliverable – copy of 60 and 30 day letters and text message
Feasibility analysis of further EAP changes in CC&B	July 1, 2023	December 31, 2023	Final deliverable if it is determined that changes are not feasible
CC&B changes implemented (if any) to	October 1, 2023	December 31, 2024	Final deliverable if it is determined that changes are feasible – copy of customer bill

generate customer bills that incorporate changes			
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Benefit-Cost & Risk Analyses:

Benefits of implementing this recommendation include clearer communication with customers about enrollment and de-enrollment in the EAP and LPP; improved customer understanding of the benefits they receive on their utility bill; increased likelihood that customers will submit required documentation to remain on the program, avoiding a temporary loss of benefits; and consistency with other utilities on tax crediting and proration rules.

The Company’s costs associated with implementing Items 1 and 2 of this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. There is an unknown level of effort to configure changes in CC&B, Item 3. Costs for Item 3 will be evaluated after the feasibility analysis described in the Work Plan is conducted.

Changing how the EAP discounts and HEAP grants are calculated, applied and displayed on the bill carries a nominal risk of execution errors. Not implementing this recommendation could lead to customer confusion regarding discount amounts, customers failing to submit the necessary documentation to remain on the EAP after 12 months, and consequential loss of benefits.

Note that automation of the notifications described in Item 2, and all of the potential CC&B work in Item 3, are subject to delay if the Company’s transition to CC&B is delayed.

Recommendation Numbers 25 and 26: VIII-4 and VIII-5

Recommendation VII-4: CECONY’s Low-Income Program Tier logic resulted in customers receiving the incorrect discount. Further review of this issue is needed to understand the full impact and timespan over which this occurred. Customers that can be located should be credited the amount they are owed. Enhancement of testing and quality assurance practices is also needed.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): High

Recommendation VIII-5: Enhance quality practices within the CECONY and O&R Low-Income Program. Quality review of bills should occur monthly with at least one representative bill example for every Tier level and commodity.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): High

Implementation Leads:

Executive Sponsor	Michele O’Connell – Senior VP, Customer Operations, CECONY
Team Leads	Michael Murphy – General Manager, CSS Implementation, CECONY Charmaine Cigliano – Director, Customer Energy Services, O&R

Scope:

For Recommendation VIII-4, the full impact and timespan of the error in the Energy Affordability Program (EAP) tier logic is now understood. CECONY identified 1,517 electric heating customers that received incorrect Energy Affordability Program (EAP) discounts and credited those customers a total of \$120,100 on October 4, 2022. As part of this Implementation Plan, a cross-functional team from Operations & Applications Support (O&AS) and IT is conducting an in-depth analysis to determine the root cause of the error. Once the root cause is understood, the team will also confirm it is not perpetuated in the Companies’ new billing system, CC&B.

Regarding enhancement of testing and quality assurance practices for the EAP discounts, CECONY and O&R will adopt the process described in Recommendation VIII-5. CECONY will leverage its four-person quality assurance team within the O&AS department to conduct this quality review. Additionally, CECONY believes that its Implementation Plans for Recommendations VIII-2 and VIII-6 will have the intended

effect of improving quality assurance across all aspects of the EAP. O&R will leverage its two-person quality assurance team within the Customer Energy Services department to conduct this quality review.

Work Plan:

As noted above, CECONY has already identified the customers impacted by the incorrect EAP discount. The impacted customers were provided with credits to their account along with a letter explaining the issue. CECONY will provide Staff with evidence of the issuance of the credits through a list of the 1,517 customers impacted and amount credited.

For this Implementation Plan, the cross-functional team will continue its in-depth root cause analysis and identify any changes that need to be made to the Company's new billing system prior to launch in order to prevent future errors. Project Change Requests (PCRs) will be issued for any necessary changes. The team will deliver an internal presentation to upper management with a summary of its findings and a proposal for how to resolve any lingering issues that may exist in CC&B.

CECONY will also leverage its existing team of four analysts in the O&AS department, as well as external third-party consulting resources, to continue its practice of performing a multi-layered rate validation and peer review process for all rate changes. As suggested in Recommendation VIII-5, CECONY will incorporate into this process an independent check for a minimum of 16 EAP bills per month (one for each tier and service type). The requirements of these monthly reviews will be incorporated into the Customer Service Procedure (CSP) being developed for the EAP in response to Recommendation VIII-2. The results of these bill checks will be internally stored for future auditing purposes. These quality checks began on December 1, 2022.

Additionally, the in-depth Internal Audit on EAP described in Recommendation VIII-6 will be used as an opportunity to identify further potential enhancements to the validation and peer review process. See CECONY's Implementation Plan for Recommendation VIII-6 for further information.

O&R will update its existing procedure, CES 0009 NY Low Income Program Monthly Credits Procedure, to reflect the additional monthly checks on enrolled EAP customers to verify that they are enrolled in the correct tier. This will be performed as recommended in VIII-5 with one representative bill sample by tier and commodity for a minimum of 16 EAP bills per month, unless O&R does not have an existing customer in a particular tier. In addition, O&R has established monthly reports to reconcile the credit amounts issued. Additional checks are also performed when preparing the quarterly and

monthly reports for submission to the Commission to determine that actual data are in line with historical data and trends.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
CECONY produces Root Cause Analysis Report	In Progress	June 1, 2023	Final deliverable, VIII-4
CECONY provides list of the 1,517 EAP customers who received incorrect discounts and the amount credited on October 4, 2022	In Progress	July 31, 2023	Final deliverable, VIII-4
CECONY to document the requirement to conduct monthly quality reviews on EAP bills in new CSP	In Progress	December 31, 2023	Final deliverable, VIII-4 & VIII-5
O&R to document the requirement to conduct monthly quality reviews on EAP bills in CES 0009 NY Low Income Program Monthly Credits Procedure	In Progress	July 31, 2023	Final deliverable, VIII-5

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing these recommendations are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of these recommendations turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include corrected billing errors and issuance of corresponding account credits, quality review of EAP customer bills to avoid future errors, and potential improvements to the Companies’ rate validation and peer preview practices.

There are no recognized risks to implementing this recommendation. This Implementation Plan, and the other Plans referenced above, will serve to reduce the Companies’ risk of execution error in its programming and updating of the EAP discounts moving forward. Not implementing this recommendation could result in future

billing system errors with a larger scope than the issue that already occurred, leading to customer confusion and the need to provide additional credits on customer bills.

Recommendation Number 27: VIII-6

Recommendation: CECONY’s Low-Income Program needs a subsequent in-depth audit. An audit should also be done on the Program Fund to ensure only the expected low-income discount portion is applied against the fund and the tax credit is applied where originally charged.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Edlyn Misquita – VP & General Auditor
Team Lead	Stephanie Shen – Director, Auditing

Scope:

The annual audit planning process produces an Audit Plan for approval by the Audit Committee of the Board. In accordance with its 2023 Audit Plan, Auditing will conduct an Energy Affordability Program (previously called Low Income Program) Review to evaluate the adequacy and effectiveness of controls and processes governing the appropriate application of low-income discounts.

Auditing will review CECONY’s Energy Affordability Program, through which eligible customers receive reduced rates on their monthly usage charges, and assess whether customer account annotation accurately identifies reduced rates; and

Included in the scope of this audit, Auditing will evaluate the Program Fund to review whether only the expected low-income discount portion is applied against the Fund and the tax credit is applied where originally charged.

Assumptions:

- CECONY’s Energy Affordability Program customers who receive Home Energy Assistance Program (HEAP) benefits receive their HEAP credits with sales tax applied.
- CECONY’s Energy Affordability Program Tier credits are applied based on prorated credit, gross receipt tax and sales tax charge.

Work Plan:

- To evaluate the controls and processes governing the application of low-income discount rates, including the New York State (NYS) electric and gas customer bill relief credits;
- To review the Energy Affordability Program to validate that procedures, processes or controls are in place so that customers who are eligible to receive low-income discount rates receive the correct discount on their monthly usage charges and that those discounts are accurately applied;
- To assess customer account annotation to accurately identify those customers receiving reduced rates; and
- To evaluate compliance with the recent NYS and Public Service Commission legislation to protect customers and address customer arrears through the Electric and Gas Bill Relief Program.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Conduct audit – “Energy Affordability and Customer Bill Relief Programs Review”	September 1, 2023	December 31, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Company’s costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits of this review include the validation of compliance with and adherence to state regulations, improvement of existing processes, and enhanced work quality. There are no recognized risks to implementing this recommendation.

Recommendation Number 28: VIII-7

Recommendation: The CECONY and DSS quarterly process breakdown stemmed from a lack of change management and ownership of the process. Formal project management and change management practices should be developed and followed to ensure regulatory requirements are implemented timely, all stakeholders are aware of their responsibility, and there is visibility of the change across organizations. Document retention should include but not be limited to business system design, technical design, and test case documentation.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Leads	Michael Murphy – General Manager, CSS Implementation Chris Grant – General Manager, Field Operations

Scope:

CECONY has begun and will continue to improve its project management of the quarterly matching process with NYC Human Resources Administration (HRA) and the Westchester Department of Social Services (DSS). Steps already taken as of this filing include:

- Implemented new communication channels between CECONY, HRA and DSS (e.g., recurring check-in meetings, automatically generated emails when the Company sends files to each agency, process to confirm file receipt or contact agency if the file is not returned).
- Developed internal controls for Company management to be notified of completed EAP file match each quarter.
- Initiated monthly meetings with HRA and DSS to discuss the matching process, potential delays, and any other EAP-related issues that may arise.

The above practices will be incorporated into the Customer Service Procedure (CSP) for the Energy Affordability Program (EAP) being developed in response to Recommendation VIII-2. To round out implementation of Recommendation VIII-7 CECONY will take the following steps, which will also be incorporated into the new CSP:

- Establish process wherein Public Assistance Central (PAC) performs a review of HRA/DSS results.

- Dedicate a Band 2 resource to day-to-day management of the EAP, including but not limited to monitoring compliance with the CSP, coordinating the mechanics of the agency matching process across internal departments (i.e., O&AS, CFO, IT), maintaining close relationships with HRA and DSS, gathering and validating data for monthly PSC reporting, adjusting EAP customer communications as the program changes, implementing ongoing policy changes and program refinements expected from the PSC, responding to inquiries and collaborating with other internal departments (e.g., Customer Energy Solutions) that have low income customers as a focus area in their programs, calculating revised discount levels, updating management regarding EAP operations, and managing changes to system programming, including those addressed in Recommendation VIII-3.

Work Plan:

- Implement process wherein PAC performs a review of HRA/DSS results to confirm the number of additions (enrollments) and deletions (de-enrollments) is reasonable, identify any obvious errors in the data, etc.
 - If the review reveals more than a 25% increase or decrease in customers added and/or deleted from the previous quarterly file, an email will be sent to the agency to confirm the information is accurate.
 - Results of this review will be documented for future reference.
- Fill position for a Band 2 day-to-day manager of the EAP to coordinate the mechanics of the agency matching process across internal departments and relationships with HRA and DSS, as well as other aspects of the EAP.
- Develop new CSP for EAP as described in Implementation Plan VIII-2.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Implement PAC review of agency results	In Progress	March 31, 2023	Final deliverable
Hire Band 2 EAP Manager	April 1, 2023	June 30, 2023	Final deliverable
Final CSP	April 1, 2023	December 31, 2023	Final deliverable See Implementation Plan VIII-2

Benefit-Cost & Risk Analyses:

Benefits of implementing this recommendation include improved management of the agency matching process to ensure that the Company has the most up-to-date information on customer EAP eligibility, which in turn will lead to the correct population

of customers receiving utility discounts. Additionally, customers who are no longer eligible for the EAP will not continue to receive discounts.

The above enhancements to the agency matching process and developing the CSP are not expected to include significant incremental costs. The cost of hiring a Band 2 program manager is \$130K for which the Company formally requests authorization via this Implementation Plan. Given the importance of the EAP, the range of day-to-day operational activities that need coordination (outlined above), and the scope of improvements to be made resulting from NorthStar's recommendations, the addition of this resource is needed. Upon Commission approval of this Implementation Plan, the Company will proceed with hiring the Band 2 program manager and defer these costs to be recovered in a future base rate proceeding.

There are no recognized risks to implementing this recommendation. The risk of not implementing the above enhancements includes future breakdowns of communication between the Company and social services agencies, use of stale information to apply low income discounts to customer bills, and failure to provide discounts to newly eligible customers on a timely basis.

Recommendation Number 29: VIII-8

Recommendation: Track meaningful changes to O&R and CECONY policies, procedures, training guides and similar documents identified in Archer as operative controls related to compliance with 16 NYCRR provisions.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsors	Michele O'Connell – Senior VP, Customer Operations, CECONY Janette Espino – VP, Customer Service, O&R
Team Leads	Michael Murphy – General Manager, CSS Implementation, CECONY Donella Walker – Section Manager, Support Operations, O&R

Scope:

To achieve the goal outlined in this recommendation CECONY Customer Operations and O&R Customer Service will enable a field in the Archer system that can be used to document the date and nature of changes made to each control document referenced in the individual CEO Certification matrix (e.g., policies, procedures, training guides and similar documents) for CECONY Customer Operations and for O&R Customer Service Operations, known as the “control approval history.” Annually, as part of its CEO Certification process, CECONY Customer Operations business owners and O&R Customer Service business owners will review this field for each of their controls and update Archer if there were any meaningful changes to the controls since the last CEO Certification process.

CECONY:

To formally implement this new practice the Customer Operations Quality Assurance team will revise Customer Service Procedure (CSP) 2-0-23, *Customer Operations CEO Certification Process*, to document the steps that will be taken to review and update control changes. Quality Assurance will also develop training for business owners, so they can begin monitoring their controls for changes. The newly enabled Archer field will be populated by business owners for the first time in the 2024 CEO Certification process, and thereafter will be updated annually.

O&R:

To formally implement use of the enhanced field in the Archer system, the O&R Customer Service Support Operations team will develop a training for business owners,

so they can begin monitoring their controls for changes. The newly enabled Archer field will be populated by the business owners for the first time in 2024 for the CEO certification process, and thereafter will be updated annually.

Work Plan:

CECONY:

Customer Operations will work with IT to enable the Archer field for “control approval history.” This activity was completed in December of 2022.

CSP 2-0-23 will be updated to document the requirement to capture meaningful changes to controls identified in Archer. Quality Assurance will draft the update and circulate for approval. This process will conclude in Q2 2023.

O&R:

Customer Service will work with IT to enable the Archer field for “control approval history.” This activity was completed in December of 2022.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Enable fields in Archer (CECONY & O&R)	Complete	Complete	Final deliverable Completed on November 17, 2022, CECONY Completed in December 2022, O&R
Revise CECONY’s CSP 2-0-23	April 1, 2023	June 30, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits include better awareness and documentation of changes to Customer Operations controls over time and improved record-keeping practices making historical policy and procedural information more readily available during investigations. There are no recognized risks to implementing this recommendation.

Recommendation Number 30: VIII-9

Recommendation: Conduct an Internal Audit focused follow-up audit of CECONY LSE procedures in 2023.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Edlyn Misquita – VP & General Auditor
Team Lead	Stephanie Shen – Director, Auditing

Scope:

The annual audit planning process produces an Audit Plan for approval by the Audit Committee of the Board. In accordance with its 2023 Audit Plan, Auditing will conduct a Life Sustaining Equipment (LSE) Review to evaluate the adequacy and effectiveness of controls and procedures in place for CECONY LSE customers. This Audit will build on prior LSE Reviews conducted by Auditing in 2016, 2019, and 2021.

Work Plan:

- To evaluate the established controls and procedures in place to provide utility services to customers who operate LSE;
- To assess whether LSE meter seals are affixed or replaced by authorized personnel to avoid the Turn Off in Error of utility services;
- To evaluate the accuracy of the Company’s various mapping tools for customers who operate LSE; and
- To assess whether proper processes are in place to initially accept, review, and approve LSE referrals before customers receive utility services via the online portal and to annually reconcile customers who operate LSE.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Conduct audit – “Life Sustaining Equipment Review”	June 1, 2023	September 30, 2023	Final deliverable

Benefit-Cost & Risk Analyses:

The Company's costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits are qualitative, as this review will help ensure compliance with and adherence to state regulations, improve existing processes, and enhance work quality. There are no recognized risks to implementing this recommendation.

Recommendation Numbers 31, 32 and 34: VIII-10, 11 and 13

Recommendation VIII-10: Conduct a workload analysis of the CECONY activities performed by the Personal Services Group, develop appropriate response time targets (working with the DPS Staff) and determine the appropriate staffing levels based on anticipated workload, activity/task duration and target completions timelines. Develop a more formal process for assigning work that balances time, age of the case, and priority.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Recommendation VIII-11: Explore additional opportunities to cross train CECONY call center CSRs and other back office personnel to assist the Personal Service Group and Specialized Activities during times of high backlog.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Recommendation VIII-13: Develop a formal plan for reducing the CECONY EAG and Personal Services Group work backlog and establish reasonable standards for future completion timelines.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations
Team Lead	Christine Osuji – General Manager, Customer Assistance

Scope:

CECONY Customer Operations will conduct a workload analysis of the volume of the various activities in the Personal Services Group, how they are prioritized and how many hours each activity takes. Once CECONY analyzes the workload, proper staffing and prioritization will be implemented to minimize backlogs going forward.

As observed in this audit, the Personal Services Group currently has a backlog of cases whereas the CECONY Executive Action Group does not have a backlog. CECONY has already taken steps to reduce the existing backlog and, in response to Recommendation 13, the Company will develop a plan to continue reducing the CECONY Personal Services Group backlog as part of its workload analysis.

Recommendation VIII-11 suggests that the Company should train main line CSRs to perform work routed to the Personal Services Group and Specialized Activities during times of high backlog. However, due to constraints in its collective bargaining contract the Company cannot ask CSRs to train for and perform the work of Senior CSRs, who handle the Personal Services Group and Specialized Activities workload, and thus CECONY accepts this recommendation with modification. For a CSR to assist, they would not only need to be trained properly but also promoted to a Senior CSR level. In light of these contractual constraints, the Company will utilize the aforementioned workload analysis to better understand its Senior CSR staffing needs. The Company will also continue its existing practice of regular meetings between Customer Assistance and Specialized Activities to discuss training and promotion of CSRs.

Work Plan:

Item 1 – Conduct a Workload Analysis and document in a report.

- a. Document Personal Services activities, including how much time each case takes on average, what normal volumes look like, etc.
- b. Work with management to identify appropriate response times and prioritizations for the various activities, assuming existing backlog is mitigated
- c. Develop a plan to mitigate the Personal Services backlog
- d. Determine appropriate staffing based on expected workload and timelines, factoring in near-term resource needs to reduce backlog
- e. Review response times and prioritizations with DPS Staff
- f. Discuss with Staff any differences between existing staffing levels and required staffing levels to meet reasonable timelines

Item 2 – Following the completion of the analysis outlined in Item 1, explore potential adjustments to the process for assigning Personal Services work that balances time, age, and priority. Develop a plan to implement identified process changes, if applicable.

Item 3 – Reduce existing backlog

CECONY is already working on reducing the Personal Services case backlog by offering employees more overtime work. Please see Implementation Plan VIII-14 for

additional information on this activity, as it is related to Recommendation VIII-14 regarding shared meter cases.

In parallel, the team will perform the workload analysis described in Item 1, which may identify operational improvements that will further accelerate completion of backlogged cases. For example, the Company is exploring additional ways to automate/close out cases, thereby eliminating the need for manual work/intervention (e.g., automatically closing out case referrals for “found okay” and “no access” scenarios).

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Complete Workload Analysis Report	July 1, 2023	October 31, 2023	Final deliverable, VIII-10, VIII-11
Develop a plan to implement process changes (if any)	July 1, 2023	December 31, 2023	Final deliverable, VIII-10, VIII-11 (if applicable)
Work down Personal Services backlog	In Progress	December 31, 2024	Final deliverable VIII-13 See Implementation Plan VIII-14

Benefit-Cost & Risk Analyses:

The Company’s costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs, particularly if the workload analysis yields work or resource needs that require significant incremental costs.

Potential benefits of a workload analysis include improved operational performance leading to shorter wait times and quicker resolution of customer concerns, better prioritization of cases, and staffing optimization.

Potential benefits of a formal plan to reduce backlog include a reduced backlog of activities performed by the Personal Services Group, which will allow for shorter wait times and quicker resolution to customer concerns that are presented to the group, as well as lower call volume from customers who are waiting on a resolution from the Personal Services Group.

The risk of conducting this workload analysis and implementing any identified enhancements include: 1) a temporary delay in working the backlog as resources are

used to conduct the workload analysis, and 2) once CC&B goes live, training and change management may delay or possibly improve the workload analysis on response time targets.

The risk of using overtime to reduce the backlog is that doing so will reduce the available overtime that may be needed for other important activities.

This plan could be affected if unforeseen events (e.g., storm, pandemic, etc.) divert resources from their usual work, or prevent field visits to customer premises.

Recommendation Number 33: VIII-12

Recommendation: Work with DPS Staff to:

- Clarify the definition of backbill as it relates to long term estimates and whether estimated bills cancelled and rebilled with actuals are subject to the same requirements as backbills.
- Determine how bills not rendered due to billing exceptions should be classified and whether they should be subject to backbilling restrictions.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations, CECONY
Team Leads	Janette Espino – VP, Customer Service, O&R David Braunfotel – Director, Customer Assistance, O&R Michael Murphy – General Manager, CSS Implementation, CECONY Christine Osuji – General Manager, Customer Assistance, CECONY Matt Sexton – General Manager, Specialized Activities, CECONY

Scope:

The scope of this plan is to assess CECONY and O&R’s existing policies and procedures related to estimated bills, billing exceptions, and backbilling policies, and determine whether any adjustments are necessary to align with Commission regulations.

This project is indirectly related to the Companies’ transition to a new customer service system, called the Customer Care and Billing (CC&B) system, scheduled for 2023. Any changes to customer bills or billing logic identified as part of this project would need to be incorporated into CC&B after the system is implemented and stabilized (referred to as a “Phase 2 item”). Phase 2 items will be addressed in 2024 at the earliest and are subject to delay if the Companies’ transition to CC&B is delayed.

Work Plan:

Item 1 – Gather internal training and reference documents, procedures, billing logic, and reports that address estimated bills, billing exceptions, and backbilling policies. Compare the Companies’ practices for long-term estimated and unbilled accounts with the definitions and requirements set forth in 16 NYCRR Parts 11 and 13. Draft a report

that includes key findings and opportunities for improvement. The Companies will meet with DPS Staff to present the results of the analysis and discuss the findings.

Item 2 – Based on the report findings and the discussion with DPS Staff, CECONY Customer Operations and O&R Customer Service will revise procedures, training, etc. where necessary to clarify the definition of a backbill and the impact of backbilling rules on long-term estimated and unbilled processes on a prospective basis.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Report that assesses alignment between Companies’ practices and regulations	October 1, 2023	December 31, 2023	Final deliverable
Revise policies/procedures as necessary to address report findings	January 1, 2024	December 31, 2024	Final deliverable

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. The benefit of implementing this recommendation is a clear definition of a backbill. Changing billing practices (to the extent it is deemed necessary) carries a nominal risk of execution errors.

Recommendation Number 35: VIII-14

Recommendation: Change all CECONY associated policies and procedures to require a field investigation any time a customer mentions the potential of a shared meter and flag the inquiry as a “shared meter inquiry” for tracking purposes. These inquiries should be completed in 30 days in compliance with the Shared Meter Law.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): High

Implementation Leads:

Executive Sponsor	Michele O'Connell – Senior VP, Customer Operations, CECONY
Team Leads	Michael Murphy – General Manager, CSS Implementation, CECONY Christine Osuji – General Manager, Customer Assistance, CECONY Matt Sexton – General Manager, Specialized Activities, CECONY

Scope:

In response to this recommendation, the Company will clarify its policies and procedures to require a field investigation any time a customer mentions the potential of a shared meter, or provides information indicating that a shared meter may exist, and to flag the inquiry as shared meter for tracking purposes. Employees working shared meter cases will be trained on the revised policies and procedures.

Also, the Company will adjust its timeline for addressing shared meter inquiries such that a written determination will be sent to all required parties within 30 business days of the customer inquiry or receipt of information indicating that a shared meter may exist. While the Company has sufficient processes in place to track shared meter inquiries, investigate shared meter conditions in the field, and correspond with customers, landlords and other third parties regarding any found shared meter conditions, we do not currently have sufficient staff to fully investigate shared meter claims and issue written determinations within 30 business days of the initial customer inquiry. Achieving this goal requires the Company to increase senior customer service representative (SCSR) staffing and supervision in the Personal Services department and Executive Action Group, as explained in the Work Plan below.

The SCSRs needed to do this work cannot be hired outright, as they must be promoted from the pool of existing CSRs. The Company thus must plan a 14-16-week training process for existing CSRs to bring them up to the senior level before they can be assigned to work shared meter cases. (See Implementation Plan VIII-11 for more

information on why the Company cannot use CSRs to perform SCSR work.) Under this plan, Customer Assistance will backfill the 13 CSR positions that are vacated when the training is complete.

A key dependency for this plan is the transition to CC&B-based training needed for SCSRs and supervisors, which impacts the timeline of the Company's efforts to achieve the goals laid out in this recommendation. Additionally, any overall delay to the launch of the Company's new billing system is likely to delay the start of the SCSR training process.

Work Plan:

Item 1 – Update training guides, CSPs and knowledge management system to clarify policies and procedures to require a field investigation any time a customer mentions the potential of a shared meter, or provides information indicating that a shared meter may exist, and to flag the inquiry as shared meter for tracking purposes. Employees involved in shared meter cases will be trained on the revised policies and procedures.

Item 2 – To ensure all future written determinations are provided to customers within the 30-business-day timeframe, the Company will add 11 SCSRs to the Personal Services department and 2 SCSRs to the Executive Action Group. The new SCSRs will be dedicated to managing the shared meter workflow, including field investigations, billing adjustments, communicating with customers regarding cases, scheduling appointments, etc.

NorthStar's final audit report demonstrates that the Personal Services department is experiencing delays "attributable to backlogs, work prioritization and resource issues" (p. 61) and that shared meter cases in particular are taking an unacceptably long time based on NorthStar's interpretation of the Public Service Law (p. 74). Given these circumstances and considering that CSRs will be more likely to initiate shared meter cases after being trained as described in Item 1 above, the Company must add incremental resources to accelerate the shared meter timeline from a roughly three-month process to 30 business days.

This compressed timeline and increased sensitivity to possible shared meter conditions is expected to result in a roughly 33% increase in shared meter field appointments each year. Additionally, to begin scheduling shared meter appointments very soon after a customer (or other entity) raises the issue, Personal Services must work down its 6,000-case backlog to near-zero. (Note that a minimal level of backlog is acceptable due to variations in case volume throughout the year.) Working down the Personal Services

backlog is also the subject of Recommendation VIII-13 but is addressed in this plan due to the impact it has on the Company’s efforts to accelerate the shared meter timeline.

To handle the higher volume of shared meter cases on a compressed timeline while also reducing the backlog, Personal Services will need to utilize 4,500 hours of overtime for existing employees in 2023 and 2024, and add 11 incremental SCSRs in 2024. The Executive Action Group will also experience an increase in shared meter caseload and will need to add two SCSRs to its existing team of six SCSRs who handle shared meter cases. The Company will reduce the Personal Services team by approximately 7 SCSRs through attrition once the backlog is minimized. The Company will provide DPS Staff with a workpaper containing a detailed breakdown of the case volume and resource needs that were factored into this Implementation Plan.

As noted above, CSRs must be trained to perform SCSR-level work. The minimum training process is 14 weeks for employees who will be working on shared meter cases. Representatives performing field investigations for shared meter cases will receive an additional two weeks of field training.

To supervise the newly promoted SCSRs, the Personal Services department will hire one full-time supervisor as the SCSRs finish training. The incremental employees in the Executive Action Group will be supervised by existing management employees.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Resource needs workpaper	In Progress	March 24, 2023	Final deliverable
Update training guides, CSPs and knowledge management system	October 1, 2023	December 31, 2023	Final deliverable
Work down Personal Services backlog	In Progress	December 31, 2024	Final deliverable
Complete SCSR training	June 1, 2024	September 30, 2024	Final deliverable

Benefit-Cost Analyses & Risk Analysis:

Benefits of implementing this recommendation include compliance with the Public Service Law and timely responses to customers, landlords, owners, and other tenants

no more than 30 business days after the initial complaint/inquiry about a potential shared meter situation.

The Company will incur costs to work down the Personal Services backlog, promote CSRs to SCSRs, and supervise the new SCSRs, for which the Company formally requests authorization via this Implementation Plan. Upon Commission approval of this Implementation Plan, the Company will proceed with hiring and training the approved resources and defer these costs to be recovered in a future base rate proceeding.

O&M Costs: (Dollars in Thousands)

	2023	2024	2025
Overtime costs to reduce backlog	\$150	\$232	\$0
11 SCSRs Personal Services	\$0	\$1,100	\$1,100
2 SCSRs Executive Action Group	\$0	\$200	\$200
1 Supervisor	\$0	\$80	\$80
Total	\$177	\$1,612	\$1,380

The objectives of this recommendation could be at risk in the following circumstances: 1) customers repeatedly call with shared meter complaints, requiring the Company to perform multiple field visits and compressing the timeline for other cases, or 2) prioritization of shared meter appointments and associated casework may be delayed during unforeseen events (e.g., storm, pandemic, etc.).

The risk of using overtime to reduce the backlog is that doing so will reduce the available overtime that may be needed for other important activities.

Chapter IX: Information Systems

Recommendation Numbers 36 and 37: IX-1 and IX-2

Recommendation IX-1: Create change management guidelines with recommended processes that are included in IT PMO documentation, including criteria for when they should be applied.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Recommendation IX-2: Establish organizational change management as a functional specialty within the Company, potentially within the Project Management Office organization.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Jeannine Haggerty – VP, IT Solutions Delivery
Team Lead	Bill Kearns – Department Manager, Office of the Chief Information Officer

Scope:

In accordance with Recommendation IX-1 of NorthStar’s Final Report, the IT Portfolio Management Office is enhancing existing guidelines and developing a new IT Capital Project Management Procedure to provide more specific guidance on managing Information Technology (IT) capital projects, including Organizational Change Management (OCM).

The procedure will provide information regarding the project phases in which OCM is initiated (planning) and executed (execution). OCM will be part of the project plan, which is created during the planning phase and implemented during the execution phase. Templates and guides will be available to supplement the procedure.

Organizational Change Management will be a function within large transformational IT project teams, such as it is currently within the CORE and GIS projects. This will be formally documented in the aforementioned new IT Capital Project Management Procedure, which will outline when OCM practices are required. The Companies believe

this is a more efficient use of resources than a dedicated, PMO-based change management function because it allows for the appropriate volume of knowledgeable resources to be assigned to transformational projects, as opposed to having a static number of resources that may or may not be knowledgeable about the business that owns that project (e.g., Gas, Electric, Customer Operations, etc.) and may not always have a project to support. The Companies are thus accepting Recommendation IX-2 with modification.

Work Plan:

The above referenced procedure will be completed by the end of Q1 2023. A communications campaign to promote awareness will be conducted by the IT Portfolio Management Office and will reach all IT employees, as well as project managers of active IT capital projects. The IT Portfolio Management Office will issue an email communication prior to the effective date of the procedure and will post an announcement and relevant materials on the IT Portfolio Management Office SharePoint site. The IT Portfolio Management Office will conduct and record training sessions on the new procedure. These training session recordings and training materials will be posted on the IT Portfolio Management Office SharePoint site for future reference.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Develop IT Capital Project Management Procedure	Complete	Complete	Final deliverable Completed February 15, 2023

Benefit-Cost & Risk Analyses:

The Companies’ costs associated with implementing these recommendations are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of these recommendations turns out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits of the development and implementation of the *IT Capital Project Management Procedure* include the standardization of project management processes as well as provision of the minimum requirements and documentation for IT capital projects, including Organizational Change Management criteria. There are no recognized risks to implementing these recommendations.

Recommendation Number 38: IX-3

Recommendation: Based on lessons learned from the piloting the Value Realization Management (VRM) process, develop (a) a process for identifying, measuring, and tracking actual benefits and savings achieved from an IT project, and (b) criteria specifying when a project plan should include this process.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Jeannine Haggerty – VP, IT Solutions Delivery
Team Lead	Bill Kearns – Department Manager, Office of the Chief Information Officer

Scope:

The Value Realization Management (VRM) initiative for CORE will be completed at a to-be-determined date following project go-live. At that time, the CORE team will develop a “VRM Playbook.” Once the “VRM Playbook” is finalized, the Companies will have the lessons learned needed to determine if this process should be implemented going forward and for what projects. For this reason, the Companies have accepted this recommendation with modification.

The CORE project defines VRM as “measuring business value to ensure maximum return on investment.” It is an approach conducted in three phases designed to identify, track, and then report on value metrics. Some of the expected benefits of CORE’s VRM initiative include:

- Early and frequent communication to team members on value metrics
- Ability to forecast expected missed targets in advance, which can provide the opportunity to enhance value from the project and to proactively find alternate areas of value to offset the missed target
- Clear traceability on metrics and associated historical data

Work Plan:

Once the CORE Business team has gathered the lessons learned from the VRM initiative and creates the “VRM Playbook,” the Companies will:

- Review the information from the lessons learned and the “VRM Playbook”
- Assess the value generated by the VRM process and determine if the process should be adopted for other IT projects

- If it is determined that the VRM process should be adopted, FP&A and IT will work together to determine the approach for doing so

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Assess the value generated by the VRM process and determine if it should be adopted more widely	April 1, 2024	January 31, 2025	Final deliverable
Develop an approach for wider adoption of the VRM process (if applicable)	February 1, 2025	April 30, 2025	Final deliverable (if applicable)

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits cannot be assessed until lessons learned from the CORE VRM initiative are available. There are no currently recognized risks to implementing this recommendation.

Recommendation Number 39: IX-4

Recommendation: Prepare an updated estimate of projected savings and benefits from the AMI project that reflects actual results to date.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Vicki Kuo – Senior VP, Customer Energy Solutions
Team Lead	Tom Magee – General Manager, AMI Implementation

Scope:

This Implementation Plan will produce the following outputs: (1) an updated AMI benefit comparison table that will include the current valuation of AMI benefits and (2) a supplemental report that describes changes and updates to the AMI benefit-cost analyses (BCAs).

While CECONY is accepting this recommendation, CECONY notes that NorthStar’s assessment of AMI benefits in its Final Report is based on a misinterpretation of data provided by CECONY. In multiple instances, NorthStar added CECONY’s 2017 – 2021 estimate of benefits to be achieved by AMI to the actuals achieved, rather than comparing the two numbers, thus reporting figures that are not accurate. Some examples of this include: on page IX-39 of the Final Report, NorthStar incorrectly cites an estimated cost reduction of \$25MM for outage management, when the Company’s estimate was \$12.3MM and actual was \$12.7MM; and on page IX-40 of the Final Report, NorthStar incorrectly cites an estimated \$224MM in benefits for meter accuracy and irregular meter conditions, when the Company’s estimate was \$112MM and actual was \$112MM.

NorthStar’s Final Report Exhibit IX-23 compares the 20 Year net present value (NPV), which is CECONY’s initial projected benefit cost analysis filed in its original AMI Business Plan,⁸ with actual benefits achieved from 2017-2021. This is not a parallel comparison, as the former covers a 20-year period, and the latter covers a 5-year period.

In addition, the PSC’s 2016 "Order Approving the AMI Business Plan Subject to Conditions" required CECONY to file an updated BCA to reflect the PSC’s newly

⁸ Case 15-E-0050, "CE AMI Business Plan," November 16, 2015, p. 50-51, Table 5, 20 Year NPV column

adopted BCA framework, which leverages the Societal Cost Test (SCT).⁹ The SCT analysis led to the removal of some benefits, including revenue protection, which NorthStar incorrectly indicates on page IX-41 had overstated benefits when in fact none are included under the SCT calculation framework.

An accurate summary of AMI projected and preliminary actual benefits is provided in Table 1 below, which is a corrected and more complete version of NorthStar's Exhibit IX-23. The information for the full 20 Year NPV for both the Business Case BCA and SCT BCA will be more completely updated in the output of this Implementation Plan.

Table 1

Benefits/Description	Business Case 20 Year NPV (Millions)	Updated BCA - SCT 20 Year NPV (Millions)	Business Case 2017-2021 (Millions)	Updated Valuation 2017-2021 (Millions)
Meter reading labor	\$353	\$417	\$126	\$90
Field Services labor	\$238	\$217	Combined	Combined
Call Center labor	\$39	\$35	Combined	Combined
Meter capital	\$300	\$280	\$133	\$133
Outage Management	\$86	\$78	\$12	\$13
Interval metering	\$47	\$43		
Gas meter replacement	\$47	\$45		
Distribution system capital expenditures	\$35	\$33		
Billing improvements	\$16	\$14		
Meter reading support systems	\$16	\$14		
Distribution transformers	\$8	\$7		
Solar support avoided	\$36	\$33		
System retirement	\$61	\$59		

⁹ Case 15-E-0050, "Order Approving Advanced Metering Infrastructure Business Plan Subject to Conditions," March 17, 2016, p. 5, footnote 4

Subtotal - Cost Reduction Benefits	\$1,282	\$1,276		
Revenue Protection	\$388	Removed	\$56	\$0.4
Meter accuracy/irregular conditions	\$491	Removed	\$112	\$112
Conservation Voltage Optimization	\$346	\$533	\$11	\$36
Bad debt	\$34	Removed		
Demand Side Management expansion	\$90	\$81	\$0	\$30
Inactive meter/unoccupied premises	\$75	\$68		
Subtotal - Customer and Company Benefits	\$1,424	\$683		
Total Benefits	\$2,706	\$1,959		

The impact of the following additional factors on both actual results to-date and future benefits to be achieved will be considered in the output of this Implementation Plan: (1) the impact of the COVID-19 pandemic, (2) regulatory policy changes since the initial BCAs were developed, and (3) additional benefits that were not quantified in the initial BCAs.

Work Plan:

- Additional Resources Required: Re-engage Z2Solutions, AMI Advisor, to conduct AMI BCA update
- Activities:
 - Collaborate with various organizations and SMEs throughout the Company to provide updates on each benefit stream
 - Review and update benefit inputs
 - Review qualitative AMI benefits and identify whether they can be quantified
 - Review all benefits and determine impacts resulting from the COVID-19 pandemic, regulatory policy changes, etc.
 - Evaluate new benefit streams not previously included in the original AMI business plan

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Updated AMI benefit comparison table	In Progress	January 31, 2024	Final deliverable

Supplemental report that describes changes and updates to the AMI BCA	In Progress	January 31, 2024	Final deliverable
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Benefit-Cost & Risk Analyses:

The Company’s costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Company will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Company may consider seeking recovery of such costs. Benefits include a comprehensive update to AMI BCA valuation. There are no recognized risks to implementing this recommendation.

Chapter X: Performance Management

Recommendation Numbers 40 and 41: X-1 and X-2

Recommendation X-1: Update both the Corporate KPI Guidelines and the employee evaluation goal setting guidelines to reflect current challenges and priorities (such as CLCPA).

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Recommendation X-2: Establish more specific guidelines for the employee evaluation goal setting process that reinforces the need for the employee goals to be quantitative, limited to a reasonable number of goals, reflective of the corporate KPIs, consistent in format/structure across the organization and tied to the overall objectives of the organization. Goals/targets should not be “do your job” requirements.

Accept/Accept with Modification/Reject: Accept

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Joan Jacobs – VP, Learning and Inclusion
Team Lead	Rebecca Lynch – Director, Talent Management

Scope:

On an annual basis, CECONY and O&R review and revise, as applicable, both the Corporate KPI Guideline and the management employee Performance Review Guide. The Corporate KPI Guideline provides guidance to organizations to help them set their key performance indicators (KPIs) for the upcoming year and is reflective of the Companies' current priorities. The Performance Review Guide provides comprehensive guidance to support managers in completing and administering performance reviews for their management employees. The Performance Review Guide includes a section focused on Development/Goal Plans, in which managers document employee goals for the upcoming year with the objective of maximizing employee performance and impact.

Recommendation X-1 presents an opportunity to update both the Corporate KPI Guideline and the Performance Review Guide to more closely reflect current challenges, opportunities, and priorities which the transition to a clean energy future

presents, such as those presented by New York State's Climate Leadership & Community Protection Act (CLCPA) and the Companies' Clean Energy Commitment. Recommendation X-2 presents an opportunity to review and refine the employee goal setting process more broadly.

Work Plan:

To meet the objectives of Recommendations X-1 and X-2, the Company will take the following actions:

1. Revise the Corporate KPI Guideline to promote the inclusion of KPIs that support the objectives of the clean energy transition, including of the CLCPA and the Companies' Clean Energy Commitment.
2. Revise the Companies' Performance Review Guide for management employees to include more specific details and direction in setting productive goals. The guide will be edited to include guidance to make goals reflective of corporate KPIs where feasible, to limit the number of goals per employee, and to further instruct on how to create meaningful goals, including guidance that operational goals should be quantitative.
3. Revise the Management Performance Review Form, which is used annually by managers to evaluate the performance of their employees and set goals for the upcoming year, to include revised instructions in the Development/Goal Plan section of the form (where employee goals are set) to include an appropriate number of goals and to elaborate on appropriate goal characteristics in an effort to increase consistency of goal format across employees. Additionally, the Form's goal drop-down menu, which offers a pre-defined set of goal categories, will include a new Clean Energy goal category to reflect the current priorities of the Companies, including those tied to CLCPA and the Clean Energy Commitment. Finally, the Form's link to the Performance Review Guide will be updated to link to the revised guide.
4. Create a Goal Setting Checklist to assist managers and employees in developing productive goals.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Revise Corporate KPI Guideline	Complete	Complete	Final deliverable, X-1 Completed October 19, 2022
Revise Performance Review Guide	Complete	Complete	Final deliverable, X-2 Completed December 12, 2022
Revise Management Performance Review Form	Complete	Complete	Final deliverable, X-1 Completed December 12, 2022
Create Goal Setting Checklist to assist managers and employees in creating productive goals.	Complete	Complete	Final deliverable, X-2 Completed December 12, 2022

Benefit-Cost & Risk Analyses:

The Companies' costs associated with implementing these recommendations are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of these recommendations turn out to be significant, such that the Companies may consider seeking recovery of such costs. Benefits are qualitative and include the incorporation of current corporate challenges and priorities into KPI and employee goal setting guidelines, more specific guidelines for the goal setting process that reinforce the need for some employee goals to be quantitative, limited to a reasonable number of goals, reflective of the corporate KPIs, consistent in format/structure across the organization, and tied to the overall objectives of the organization. There are no recognized risks to implementing these recommendations.

Recommendation Number 42: X-3

Recommendation: Update the EIP, ATIP, MVP and LTIP programs as follows:

- Increase transparency of the metrics.
- Reduce complexity and limit the use of indices, except in the cases of well-understood regulatory requirements.
- In the case of CECONY, decrease the number of metrics.
- Develop greater ties to the long-range plans and CLCPA objectives.
- Modify targets so that they are achievable but drive performance improvement. Well understood regulatory requirements such as reliability, safety, and customer service should be considered “table stakes”.
- Consider the inclusion of grid modernization metrics. The Grid Modernization Laboratory Consortium of the DOE provides a potential source of metrics.
- Include more leading indicators.
- Reconsider the use of the capital and O&M project modifiers. At a minimum, redesign the metrics to provide greater transparency, drive continuous improvement, and promote appropriate project/program management and cost/schedule controls. These should not just serve to increase incentives.

Accept/Accept with Modification/Reject: Accept with Modification

Implementation Priority (Low/Medium/High): Medium

Implementation Leads:

Executive Sponsor	Mary Kelly – Senior VP, Corporate Shared Services
Team Lead	Nicole Leon – VP, Human Resources

Scope:

The purpose of this project is to ensure that the Companies’ incentive plans are structured in a manner that allows for transparency and clear oversight, and which drives performance.

A pay for performance compensation philosophy enables the Companies to show a relationship between executive pay, employee pay and company performance. This framework also provides greater transparency and demonstrates that compensation/incentive plans are aligned with corporate goals and structured appropriately to recognize the level of performance.

One of the main challenges in designing an incentive plan is being able to forecast company performance and setting goals at the right level. In the Companies' experience, performance may increase under incentive plans with:

1. Clear performance metrics—performance goals that are understandable and viewed as stretch but achievable
2. Clear ties to pay—there is a clear link between performance and compensation
3. Meaningful incentive levels— the pay associated with the incentive plan is viewed as meaningful to driving and measuring successful company performance

In the utility industry, metrics such as safety, reliability and the customer experience are a foundational part of the philosophy and approach to work. Additional metrics that align with the direction of the Companies' long-term goals and objectives will be researched/benchmarked to support the Companies' efforts to advance a clean energy future and sustained reliability of the Companies' infrastructure and systems. New York State's Climate Leadership and Community Protection Act (CLCPA) is intended to address climate change and reach net zero emissions in New York State. The Companies will look for opportunities to embed streamlined and effective metrics that align with the CLCPA objectives and the Companies' corporate commitment to the clean energy future. The Companies will also review metrics provided through the Department of Energy (DOE) Grid Modernization laboratory. Because benchmarking is required, this recommendation is accepted with modification.

Work Plan:

A working committee will be created to identify external resources to assist with the facilitation of this effort, review research and benchmarking data of various incentive programs and metrics to foster a pay for performance culture that aligns company performance, goals and expectations with executive compensation.

Based on guidance from an external consultant and in collaboration with executive committee members, the Companies will develop a framework for utilizing benchmarking data and best practices. The framework will identify potential metrics for use in designing revised compensation incentive models and will be presented to senior leadership and the Board for review and consideration.

If it is determined that the Companies should proceed with revising its incentive programs, revisions will occur that incorporate the outcome of the benchmarking effort and guidance from senior leadership and the Board.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Produce benchmarking report	In Progress	July 31, 2023	Final deliverable
Revise incentive programs (if applicable)	August 1, 2023	March 1, 2024	Final deliverable (if applicable)

Benefit-Cost & Risk Analyses:

Potential benefits include:

- Increased transparency of metrics
- Identification of best practices via benchmarking
- Increased understanding of how goals are achieved and setting of clearer expectations
- Attainment of metrics directly tied to goals that drive Company performance
- Goals structured to drive enhanced performance while still focusing on core areas such as regulatory requirements, strategic initiatives, corporate directives (safety, reliability, customer service)
- A compensation philosophy that advances a corporate culture in support of the clean energy future and grid modernization

Potential costs include that of a vendor to conduct market studies, the benchmarking analysis, and peer research. The Companies' costs associated with implementing this recommendation are not expected to include significant incremental costs. However, the Companies will update DPS Staff if the incremental costs associated with implementation of this recommendation turn out to be significant, such that the Companies may consider seeking recovery of such costs. There are no recognized risks to implementing this recommendation.