

# **SAGE MANAGEMENT CONSULTANTS, LLC**

**PROPOSAL TO CONDUCT  
A COMPREHENSIVE MANAGEMENT AND  
OPERATIONS AUDIT  
of  
National Fuel Gas Distribution Company**

**Case 25-G-0514**

**FOR THE  
New York State  
Public Service Commission**



**October 28, 2025**

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## I. INTRODUCTION AND FIRM EXPERIENCE

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This chapter includes the following sections:

- A. Background Information
- B. Understanding of the Scope and Objectives
- C. Firm Experience

### A. BACKGROUND INFORMATION

National Fuel Gas Distribution Corporation (NFGDC) is a wholly owned subsidiary of National Fuel Gas Company (NFG or the Company).

#### NATIONAL FUEL GAS COMPANY

NFG, incorporated in 1902, is a diversified energy company engaged principally in the production, gathering, transportation, storage, and distribution of natural gas. The Company operates an integrated business, with assets centered in western New York and Pennsylvania. The common geographic footprint of the NFG's subsidiaries enables them to share management, labor, facilities, and support services across various businesses and pursue coordinated projects designed to produce and transport natural gas to markets in the eastern United States and Canada.

NFG reports financial results for four business segments: Exploration and Production, Pipeline and Storage, Gathering, and Utility.

- Exploration and Production – operations are carried out by Seneca Resources Company, LLC, a Pennsylvania limited liability company. Seneca is engaged in the exploration for, and the development and production of, primarily natural gas in the Appalachian region of the United States.
- Pipeline and Storage – operations conducted by National Fuel Gas Supply Corporation (Supply Corporation), a Pennsylvania corporation, and Empire Pipeline, Inc. (Empire), a New York corporation. Supply Corporation and Empire provide interstate natural gas transportation services for affiliated and nonaffiliated companies through integrated natural gas pipeline systems in Pennsylvania and New York. Supply Corporation also provides storage services through its underground natural gas storage fields, and Empire provides storage service (via a lease with Supply Corporation) to a nonaffiliated company.
- Gathering – operations are carried out by wholly owned subsidiaries of National Fuel Gas Midstream Company, LLC (Midstream Company), a Pennsylvania limited liability company. Through these subsidiaries, Midstream Company builds, owns, and operates gathering facilities in the Appalachian region.
- Utility – operations are conducted by NFGDC, a New York corporation that provides natural gas utility services through a local distribution system located in western New York and northwestern Pennsylvania. The principal metropolitan areas served by NFGDC include Buffalo, Niagara Falls, and Jamestown, New York and Erie and Sharon, Pennsylvania.

The following table shows the earnings attributed to the four business segments for the past five years.

**NFG Business Segment Income from Continuing Operations (\$000)**  
**12 months ended September 30**

Description	2020	2021	2022	2023	2024
Exploration and Production	\$(326,904)	\$101,918	\$306,064	\$232,235	\$(163,954)
Pipeline and Storage	78,860	92,542	102,557	100,501	79,670
Gathering	68,631	80,274	101,111	99,724	106,913
Utility	57,366	54,335	68,946	48,395	57,089
Total Reported Segments	\$(122,047)	\$329,067	\$578,680	\$480,895	\$79,718
All Other	(269)	67,645	(9)	(531)	(617)
Corporate	(1,456)	(3,065)	(12,650)	(3,498)	(1,588)
Total Consolidated	\$(123,772)	\$363,647	\$566,021	\$476,866	\$77,513

Source: National Fuel Gas Company 2024 Financial & Statistical Report

Income for the Utility segment (NFGDC) has remained stable over the past five years, with income for 2024 at approximately the same level as 2020. During this five-year period, income for NFGDC ranged from a low of \$48.4 million in 2023 to a high of \$69 million in FY 2022. The only segment with large swings in income was Exploration and Production, with income ranging from a loss of \$326.9 million in 2020 to a profit of \$306.1 million in 2022.

**NFG Capital Expenditures (\$000)**  
**12 months ended September 30**

Description	2020	2021	2022	2023	2024
Exploration and Production	\$670,455	\$381,408	\$565,791	\$737,725	\$536,349
Pipeline and Storage	166,652	252,316	95,806	141,877	110,830
Gathering	297,806	34,669	55,546	103,295	109,251
Utility	97,273	100,845	111,033	139,922	184,615
Total Reported Segments	\$1,229,186	\$769,238	\$828,176	\$1,122,819	\$941,045
All Other	39				
Corporate	(608)	673	1,212	754	970
Total Consolidated	\$1,228,617	\$769,911	\$829,388	\$1,123,573	\$942,015

Source: National Fuel Gas Company 2024 Financial & Statistical Report

While annual spending on capital for NFG has declined over the past five years, capital expenditures for the Utility segment (NFGDC) have increased steadily. NFGDC's capital expenditures in FY 2024 were almost 90% greater than their capital expenditures in 2020.

NFG's businesses are subject to regulation under a variety of federal; state; and local laws, regulations, and policies. This includes federal and state agency regulations with respect to rate proceedings, project permitting, and environmental requirements. NFG is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) with respect to Supply Corporation, Empire, and some transactions performed by other subsidiaries. FERC approves the rates that Supply corporation and Empire may charge to their gas transportation and/or storage customers.

NFG is also subject to the jurisdiction of the Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA issues regulations and conducts evaluations, among other things, that set safety standards for pipelines and underground storage facilities.

PHMSA may delegate this authority to a state, as it has in New York and Pennsylvania, and that state may choose to institute more stringent safety regulations for the construction, operation, and maintenance of intrastate facilities. In addition to this state safety program, the Commission imposes additional requirements on the construction of certain utility facilities.

### NATIONAL FUEL GAS DISTRIBUTION CORPORATION

NFGDC is a local natural gas distribution company serving approximately 755,000 natural gas customers in Western New York (approximately 541,000) and Northwestern Pennsylvania (approximately 214,000). The following table displays NFGDC’s operating revenue and income for the past five years.

#### NFGDC Operating Revenue and Income (\$000) For year ended September 30

Description	2020	2021	2022	2023	2024
<b>Operating Revenue</b>					
Residential Sales	\$478,503	\$497,244	\$691,034	\$729,715	\$514,607
Commercial Sales	61,643	63,954	95,120	103,150	69,834
Industrial Sales	3,305	3,089	4,913	5,682	3,146
Total Sales	543,451	564,287	791,067	838,547	587,587
Transportation	114,128	108,213	111,072	103,305	111,031
Other	(5,281)	(5,249)	(3,918)	508	(1,256)
Total Operating Revenue	\$652,298	\$667,251	\$898,221	\$942,360	\$697,362
<b>Operating Income</b>	\$57,366	\$54,335	\$68,948	\$48,395	\$57,089

Source: National Fuel Gas Company 2024 Financial & Statistical Report

NFGDC’s increase in total sales over the past five years has been marginal, approximately eight percent. During this period Operating Income increased by almost seven percent, while Operating Income declined slightly.

The table below shows the average number of NFGDC customers by category from 2020 through 2024.

#### NFGDC Average Number of Customers

Description	2020	2021	2022	2023	2024
<b>Average Number of Customers</b>					
Residential (includes Transportation Customers)	695,064	701,239	702,499	701,784	702,813
Commercial	50,962	51,375	51,444	51,390	51,575
Industrial	1,025	1,034	1,038	1,039	1,037
Total Avg. Number of Customers	747,051	753,648	754,981	754,213	755,425
<b>Average Number of Transportation Customers</b>					
Aggregator Programs	93,218	74,481	65,985	77,720	57,864
Industrial	79	78	76	76	78
Total Avg. Number of Transportation Customers	93,297	74,559	66,061	77,796	57,942

Source: National Fuel Gas Company 2024 Financial & Statistical Report

Over the past five years the average number of customers remained static, increasing by just over one percent while the average number of transportation customers decreased by approximately 38%.

The operations of NFGDC are subject to the jurisdiction of the New York State Public Service Commission (Commission), the Pennsylvania Public Utility Commission (PaPUC) and, with respect to certain transactions, FERC. FERC also exercises jurisdiction over the construction and operation of interstate gas transmission and storage facilities and possesses significant penalty authority with respect to violations of the laws and regulations it administers.

## **PRIOR MANAGEMENT AUDIT**

The final report of the prior management audit on NFGDC was issued in 2020. Highlights of the auditor's conclusions are listed below:

### **Corporate Governance**

- NFGDC operates within a vertically integrated structure under NFG, which limits its autonomy.
- Strategic planning is conducted at the parent level, and NFGDC lacks a utility-specific strategic plan tailored to its own needs.
- There are concerns about protecting NFGDC's assets from financial risks associated with other NFG subsidiaries.

### **Information Systems**

- NFGDC has been in "catch-up mode" regarding IT modernization.
- While some legacy systems have been replaced (e.g., Customer Information Services [CIS] and timekeeping systems), others, like the Pipeline Facilities Inspection system, have faced delays.
- The focus has been on replicating existing functionality rather than leveraging new technologies.

### **Gas Planning**

- NFGDC has a stable customer base and is well-positioned geographically for low-cost supply.
- It effectively manages pipeline transportation and storage contracts.
- However, it has not yet adopted non-pipe alternatives for long-term demand management beyond energy efficiency and demand response programs.

### **Gas Safety**

- NFGDC has reduced cast iron mains by 50% and shows strong system knowledge.
- Operating procedures are sound, but documentation is often informal, posing risks in the event of an incident.
- The operator qualification program is robust.

## **Budgeting and Finance**

- Budgeting is top-down and lacks monthly forecasting detail.
- Capital and operating funds are provided by NFG through promissory notes and a corporate money pool.
- Retirement programs are managed by NFG, with some employee-directed investments.

## **Affiliate Interests and Transactions**

- NFGDC provides shared services across NFG subsidiaries, totaling ~\$60 million annually.
- Transactions follow internal procedures but lack formal regulatory oversight.
- A formal dividend policy was recently adopted but needs broader approval.

## **Program and Project Management**

- Improvements have been made since the last audit, but project selection and execution processes remain largely unchanged.
- Better estimating and centralized control are needed.

## **Work Management**

- Work management processes are informal and inconsistent across service centers.
- Progress on implementing a Work Management System (WMS) has been slow.
- Prior recommendations not dependent on WMS remain unaddressed.

## **Performance Management**

- Compensation includes fixed and incentive components aligned with shareholder interests.
- Performance goals are cascaded throughout the organization, but the process is less formal than in larger utilities.

## **Customer Operations**

- NFGDC maintains high customer service standards, including live agent availability.
- It uses historical performance targets internally despite not being subject to formal incentives/disincentives.

## **Audit Challenges**

- NFGDC was unprepared for the audit's scope and depth, leading to delays and resource strain.
- The vertically integrated structure complicated access to information and governance processes.
- The audit required more interviews and documentation than previous audits, causing frustration among stakeholders.

The status of the implementation of the recommendations from the previous audit was documented in a report issued on July 31, 2024.

## **ISSUES RELATED TO NFGDC**

There are several special issues that are unique to New York and NFGDC to be addressed in this audit:

- **The Climate Leadership and Community Protection Act (CLCPA)** – In order to meet the objectives of CLCPA, NFGDC will need to implement emission reduction measures, ensure that utility programs do not disproportionately burden disadvantaged communities, and continue reporting investments located in and benefiting disadvantaged communities.
- **Disadvantaged Communities (DACs)** – The CLCPA mandates that New York’s DACs receive no less than 35%, with a goal of at least 40%, of overall benefits of spending on clean energy and energy efficiency programs, projects, or investments.
- **Diversity, Equity, and Inclusion (DEI)**. – The Commission required electric, gas, and water companies to develop Diversity, Equity, and Inclusion plans, including Supplier Diversity programs, and to facilitate the sharing of best practices.
- **Data Resource and Access Framework** – The Commission has issued Orders:
  - ◆ Creating an Integrated Energy Data Resource to provide New York’s energy stakeholders with a platform to access system and customer energy data.
  - ◆ Adopting a Data Access Framework to standardize the necessary privacy and cybersecurity requirements for access to energy-related data.
  - ◆ Directing the development of an implementation plan following a comprehensive review of security for the protection of personally identifiable customer identification, audited annually by third parties and reviewed by the Department.
- **Gas Safety and System Planning** – The Commission required NFGDC to develop a Gas Long-Term Plan with the next plan to be filed by December 2026.
- **Home Energy Fair Practices Act** – The Commission requires that NFGDC comply with The Home Energy Fair Practices Act (HEPFA), which provides New York residential energy customers with comprehensive protections, including customer billing, applications for service, service for customers with medical appliances, termination of service, and customer complaint procedures.
- **Energy Affordability Program (EAP)** – The Commission requires that NFGDC comply with this program which seeks to provide income-eligible consumers at the federal poverty level with a discount on their monthly electric and/or natural gas bills.

SAGE Management Consultants, LLC (SAGE) will take all these issues into account during the conduct of an expert, independent, impartial, and insightful audit of NFGDC.

## **B. UNDERSTANDING OF THE SCOPE AND OBJECTIVES**

The following information is reprinted from the Request for Proposals to indicate SAGE’s understanding and acceptance of the scope and objectives for this audit.

*The New York State Public Service Commission (Commission) is seeking an independent consulting firm to perform a comprehensive management and operations audit of National Fuel Gas Distribution Corporation (NFGDC or the Company) in accordance with Public Service Law ¶166(19).*

*The Commission's management audit approach includes, but is not limited to, a prospective investigation of the construction program planning process and an evaluation of the efficiency with a focus on opportunities to improve performance. The Commission expects the selected consulting firm to analyze current and historical information to gain an understanding of the utility, with the goal of improving existing processes, practices, systems, and organizational structures to drive better performance. The Commission seeks proposals that set forth a framework within which Department of Public Service (the Department) staff can develop a comprehensive understanding of the utility's operations. The consulting firm will document its review of the utility in a brief report. The report will identify improvement opportunities and will include recommendations that address the root causes of the consulting firm's findings and seek to improve the NFGDC's performance going forward.*

*The scope of the audit will include a review of the following elements:*

- 1. Gas Planning and Operations*
- 2. Capital Project Oversight and Execution*
- 3. Budgeting and Procurement*
- 4. Affiliate Interests*
- 5. Physical and Cyber Security*
- 6. Information Systems*
- 7. Customer Operations*

## **C. FIRM EXPERIENCE**

This section describes SAGE; its focus; clients; and recent, relevant experience applicable to a comprehensive management and operations audit of NFGDC.

### **Focus**

SAGE is a national management consulting firm focused on the utility industry. This market includes gas, electric, water and wastewater, and telecommunications utilities, and the legal, financial, and regulatory entities associated with the industry. SAGE provides regulatory and litigation support services and serves both investor-owned and publicly owned utilities. The firm's consultants have deep experience in all aspects of utility management consulting and many years of management and consulting experience with large firms that are directly relevant to this project.

### **Business Model**

SAGE operates under a consortium model consisting of a core of key staff members supplemented by associated independent consultants and specialty firms. The consortium members work together regularly and have long personal and professional relationships. SAGE has found that this is a highly effective and efficient model for clients.

Each client receives exactly the right consulting team for its needs rather than whomever the consultancy has available at the moment.

### Code Of Ethics

SAGE subscribes to the Code of Ethics of the Institute of Management Consultants (IMC), USA. The Code can be found at <https://imcusa.org/about/ethics/code-of-ethics/>. The Code includes commitments of ethical conduct to clients, the public, and the profession.

### Clientele

Representative clients are shown below.

#### Representative Clients of SAGE and the SAGE Project Personnel

Public Utility Commissions	Investor-Owned Utility Subjects of Commission Ordered Audits or Proceedings
Alaska	Aqua New Jersey Water Company
California	Central Illinois Electric Company
Connecticut	Central Vermont Public Service Company
Florida	Elizabethtown Gas Company
Georgia	Eversource/Connecticut Light and Power
Guam	Emera/Bangor Hydroelectric/MPS
Illinois	Eon/Louisville Gas & Electric
Kentucky	FirstEnergy/Jersey Central Power & Light
Maryland	Iberdrola/Central Maine Power
Missouri	National Fuel Gas
New Jersey	National Grid/Niagara Mohawk
New York	NiSource/Bay State Gas
Pennsylvania	PPL Corporation/PPL Electric Utilities
Texas	Pacific Gas & Electric
Vermont	Peoples Gas Company
<b>Boards and Oversight Agencies</b>	South Jersey Gas Company
Colorado Springs City Council	Southern California Gas
Delaware River Port Authority Insp. Genl.	<b>Investor-Owned Utility Clients</b>
Lower Colorado River Authority Board	Exelon/Commonwealth Edison
Metropolitan District Commission	Integrays/Peoples Gas
Tacoma City Council	New Jersey Natural Gas
DC Office of the Peoples Council	PacifiCorp, Inc.
<b>Legal</b>	PHI/Atlantic City Electric
Alaska Attorney General	Public Service Company of NC
Bachus & Schanker (Law Firm)	Public Service Company of New Mexico
CenterPoint Energy Law Department	Southern California Edison
Colorado Springs City Attorney	United Cities Gas
Florida Office of Public Counsel	<b>Publicly Owned Enterprises</b>
Gibbs Law Group (Law Firm)	Colorado Springs Utilities
Benink & Slavins (Law Firm)	Los Angeles Dept. of Water and Power

Public Utility Commissions	Investor-Owned Utility Subjects of Commission Ordered Audits or Proceedings
Maine Office of Public Advocate	Lower Colorado River Authority
Massachusetts Attorney General	New York City Water & Wastewater
New Mexico Attorney General	Philadelphia Gas Works
Nixon Peabody (Law Firm)	Tacoma Public Utilities

**Recent, Relevant Experience**

Examples of SAGE’s recent and relevant engagements similar to the Comprehensive Management and Operations Audit of NFGDC are shown in the following table.

Name of Client	Description
New Jersey Board of Public Utilities	<p><b>An Affiliated Transactions Audit of Elizabethtown Gas Company and its Affiliates and a Comprehensive Management Audit of Elizabethtown Gas Company, which included the following task areas:</b></p> <ul style="list-style-type: none"> <li>• Review of Affiliate Transactions, Planning, Operations, and Maintenance Practices <ul style="list-style-type: none"> <li>• Procurement and Purchasing</li> <li>• Affiliate Relationships</li> <li>• Market Conditions</li> <li>• Recommendations and Review of Previous Audit</li> <li>• Affiliate Cost Allocation Methodologies</li> <li>• Other Reporting</li> <li>• Merger</li> </ul> </li> <li>• Comprehensive Management Audit <ul style="list-style-type: none"> <li>• Executive Management and Corporate Governance</li> <li>• Organizational Structure</li> <li>• Human Resources</li> <li>• Strategic Planning</li> <li>• Finance</li> <li>• Cash Management</li> <li>• Accounting and Property Records</li> <li>• Customer Service</li> <li>• External Relations</li> <li>• Distribution and Operations Management</li> <li>• Purchasing and Procurement – Goods, Services and Bidding Process</li> <li>• Clean Energy</li> <li>• Support Services</li> <li>• Contractor Performance</li> <li>• Remediation Costs</li> <li>• Cyber Risk Mitigation/Cyber Security</li> </ul> </li> </ul>
New Jersey Board of Public Utilities	<p><b>A Comprehensive Management Audit of South Jersey Gas and an Audit of the Affiliated Transactions between South Jersey Gas and its Affiliates.</b> These audits included the following task areas:</p> <ul style="list-style-type: none"> <li>• Executive Management and Corporate Governance</li> <li>• Organizational Structure</li> </ul>

Name of Client	Description
	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Strategic Planning</li> <li>• Finance</li> <li>• Cash Management</li> <li>• Accounting and Property Records</li> <li>• Customer Service</li> <li>• External Relations</li> <li>• Distribution and Operations Management</li> <li>• Clean Energy</li> <li>• Support Services</li> <li>• Contractor Performance</li> <li>• Remediation Costs</li> <li>• Cyber Risk Mitigation/Cyber Security</li> <li>• Procurement and Purchasing</li> <li>• Affiliate Relationships</li> <li>• Market Conditions</li> <li>• Recommendations and Review of Previous Audit</li> <li>• Affiliate Cost Allocation Methodologies</li> <li>• Payroll Reporting</li> <li>• Other Reporting</li> <li>• Merger</li> </ul>
Massachusetts Office of the Attorney General	<ul style="list-style-type: none"> <li>• Expert Testimony and Technical Support in several NSTAR Electric Storm Cost Recovery Cases (DPU 23-131 and DPU 16-74)</li> <li>• Expert Technical Support in the investigation of the 2024 Gas System Enhancement Program Reconciliation Filings of Eversource Gas Company of Massachusetts (DPU 24-GREC-05).</li> <li>• Expert Technical Support in the investigation of the 2024 Gas System Enhancement Program Reconciliation Filings of NSTAR Gas Company (DPU 24-GREC-06).</li> </ul>
Public Utilities Commission of Ohio	<p><b>A Compliance Audit of the First Energy Three Ohio Operating Companies with the Corporate Separation Rules.</b> SAGE examined and evaluated the relationships among the following First Energy Ohio operating companies and their holding company, service company, and regulated and unregulated affiliates:</p> <ul style="list-style-type: none"> <li>• Ohio Edison Company</li> <li>• Cleveland Electric Illuminating Company</li> <li>• Toledo Edison Company</li> </ul>
Connecticut Public Utility Regulatory Authority	<p><b>Comprehensive Management Audit of Connecticut Light and Power Company.</b> SAGE completed this management audit, including the following task areas:</p> <ul style="list-style-type: none"> <li>• Executive Management and External Relationships</li> <li>• Electric Supply</li> <li>• System Operations</li> </ul>

Name of Client	Description
	<ul style="list-style-type: none"> <li>• Finance and Affiliate Transactions</li> <li>• Human Resources</li> <li>• Customer Services</li> <li>• Within these task areas there were 39 areas of focus and 17 special topics.</li> </ul>
<p>Pennsylvania Public Utility Commission</p>	<p><b>Stratified Management and Operations Audit of PPL Electric Utilities Corporation.</b> Serving under Vondle &amp; Associates, Inc., SAGE consultants including Messrs. Vondle, Rosenkoetter, and Collins performed all three phases of this comprehensive management audit that included 15 task areas:</p> <ul style="list-style-type: none"> <li>• Financial/Operating Statistics</li> <li>• Executive Management</li> <li>• Customer Services</li> <li>• Human Resources</li> <li>• Transmission &amp; Distribution</li> <li>• Finance &amp; Accounting</li> <li>• Information Technology</li> <li>• Governance</li> <li>• Affiliate Relationships</li> <li>• Customer Assistance Programs</li> <li>• Executive Compensation</li> <li>• Emergency Response</li> <li>• Diversity/EEO</li> <li>• Staffing Planning Process</li> <li>• Merger Synergies</li> </ul>
<p>Tacoma Public Utilities</p>	<p><b>Ten-Year Management Review and other Studies.</b> SAGE conducted a ten-year management review of this combination utility (electric, water, broadband, and railroad). Areas of emphasis included reliability, emergency response, safety, customer service, costs, and workforce strategy.</p>

## II. SCOPE AND OBJECTIVES

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This chapter includes the following sections:

- A. Gas Planning and Operations
- B. Capital Project Oversight and Execution
- C. Budgeting and Procurement
- D. Affiliate Interests
- E. Physical and Cyber Security
- F. Information Systems
- G. Customer Operations

This audit will utilize the SAGE Four Phase Approach which is detailed in the next chapter. Each task area follows its work plan using the same four phases. Further, the specific tasks and activities are the same for each task area. Each Lead Consultant, in conjunction with the SAGE Project Manager, will issue document requests; conduct interviews and site visits; analyze the information collected; form findings and recommendations; and write task reports detailing the background, findings, recommendations, and benefit/cost analyses for the task area. This standard set of tasks is shown in the following table:

**Common Work Plan Tasks**

Work Step	Description
1	Submit the initial document requests related to the evaluative criteria in the work plan, as presented below.
2	Review the provided document responses and identify potential issues and interview questions.
3	Prepare trend analyses, ratio calculations, and correlation studies of provided data.
4	Request follow-up documents to complete the data provided and answer questions raised.
5	Analyze the detailed organization chart provided by NFGDC from the initial document request and identify relevant executives, managers, professionals, and technical specialists for the initial interviews.
6	Request initial interviews.
7	Conduct site visit(s), as applicable.
8	Consult with NFGDC on potential substitutions and additions, as necessary.
9	Conduct the initial interviews and prepare interview summaries.
10	Request additional documents as discovered in the interviews.
11	Request additional interviews as identified in the initial interviews.
12	Compare interview responses to document responses and identify inconsistencies and areas of concern.

Work Step	Description
13	Conduct the follow-up interviews and prepare interview summaries, additional document requests, and additional interview requests as indicated.
14	Review additional documents provided.
15	Update trend analyses, ratio calculations, and correlation studies with additional provided data.
16	Summarize the background of the situation including organization structure and responsibilities, staffing, plans and programs, and performance measurements.
17	Craft findings on whether or not the evaluative criteria were met.
18	Develop recommendations to correct identified deficiencies including cost and benefit analyses or implementation plans.
19	Draft report including background, findings, recommendations, and benefit/cost conclusions.

The preliminary work plans for each task area provide examples of good practice evaluative criteria and the initial document requests for each sub-element. Associating the initial document requests with their respective sub-elements and evaluative criteria provides context for the audit process. We will work with the NFGDC’s Project Coordinator to elicit the document request responses to address the evaluative criteria.

The following tables lay out the preliminary work plan for each RFP audit sub-element within its assigned task area. These work plans may be revised during the initial project phase based on additional information obtained from NFGDC and in consultation with the Department Project Manager.

**A. GAS PLANNING AND OPERATIONS**

The focus in this scope element is reviewing NFGDC’s greenhouse gas emissions reduction and the strategic planning process, Non-Pipeline Alternatives project development and selection process, changes to the gas load forecasting processes, the forecasting and planning process, reaction to climate trends, weather normalization, gas capacity and supply procurement, hedging practices, and internal controls regarding upstream affiliates.

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
1. Assess how NFGDC incorporates greenhouse gas emissions (GHG) reductions into its	NFGDC considers non-Wire renewable energy from solar, wind, geothermal energy, heat pumps, biogas produced from organic waste, green hydrogen and Distributed	Copy of written policies and procedures for Climate Leadership and Community Protection Act (CLCPA) GHG emission guidelines through

<b>Gas Planning and Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
strategic planning process.	Energy Resources (DER) (e.g., combined heat and power systems) and their effect on natural gas consumption as part of its strategic planning process.	the accelerated deployment of clean energy Copy of all long-term and short-term gas supply plans since the previous management and operations audit Monthly volumetric data generated by greenhouse gas since the previous management and operations audit
2. Review NFGDC's Non-Pipeline Alternative selection processes and evaluation criteria in its capital investment support documentation, and solicitation process for selected projects.	NFGDC's capital investment support documentation and project solicitation process include Non-Pipeline Alternative selection processes and evaluation criteria.	List, description, and copy of written policies, procedures and data related to Non-Pipeline Alternative energy sources available in each footprint. Organization chart that reflects all in-house positions and titles associated with capital investment work. Processes and procedures associated with the RFP solicitation for those selected capital projects that involve use of Non-Pipeline Alternatives. List or chart of approved independent contractors on the short list for Non-Pipeline Alternative projects. Chart that reflects the Non-Pipeline Alternative projects and the independent contractor(s) awarded the job since the previous management and operations audit. Policies and procedures associated with the Creation of a Project Plan to include management policies and procedures based on

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
		<p>updating and integrating the various elements of a Non-Pipeline Alternative project.</p> <p>Copy of a typical executed vendor contract for a Non-Pipeline Alternative project together with all amendments.</p>
<p>3. Evaluate the effectiveness of changes to NFGDC's gas load forecasting processes since the previous management and operations audit.</p>	<p>Recommendations from the previous management and operations audit have been implemented.</p> <p>Changes to NFGDC's gas load forecasting processes since the previous management and operations audit have been proven to be effective and an improvement.</p>	<p>Copy of the previous management and operations audit.</p> <p>Documentation of any changes (written or verbal) to the gas load forecasting processes since the last management and operations audit.</p> <p>NFGDC reports concerning the current gas load forecasting process</p>
<p>4. Evaluate how NFGDC synchronizes and incorporates various forecasts (e.g., system-wide, main level, customer-specific) into the planning process and its effectiveness in improving forecast accuracy.</p>	<p>NFGDC effectively synchronizes and incorporates various forecasts (e.g., system-wide, main level, customer-specific) into its planning processes resulting in improved forecast accuracy.</p> <p>Development of monthly base load volumes, swing volume development of the near month, near 7-day, and next day forecasts is improved through synchronization and incorporation of various forecasts.</p> <p>The Planning/Engineering Services Department's role and the role of Rates &amp; Regulatory Affairs (RARA) Department's have a positive impact on load forecasting effectiveness.</p> <p>The model used to determine a "design day" effectively</p>	<p>Copy of the written policies and procedures for gas load forecasting, including long-term, near month, and next day.</p> <p>Explanation of forecast development by in-house in addition to advice provided by outside factors.</p> <p>Explanation of communications with Planning Department and their input into the forecast and for current month.</p> <p>Detailed report of the most recent long and short-term forecasts.</p> <p>Third-party forecasting reports for the period of this audit.</p> <p>Daily consumption volumes, grouped by month, for October through April for the period of this audit and</p>

<b>Gas Planning and Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	incorporates the various forecasts.	include the reported daily weather highs and lows. Provide monthly consumption volumes associated with commercial, industrial and residential customers. Provide volumetric data estimated based on (1) an average winter, (2) a 10% colder than average winter, and (3) a winter colder than the first two. The number of days during a winter period that NFGDC determined to be a normalized peak day requirement (i.e., 74-degree days because such conditions were experienced in a previous very cold month).
5. Evaluate how NFGDC incorporates climate trends, the impact of decarbonization of heating, and probabilistic gas load forecasts into the planning process.	NFGDC effectively incorporates climate trends (e.g., historic weather data together with wind factors and current forecasts on an hourly/average estimate basis), the impact of decarbonization of heating, and probabilistic gas load forecasts into the planning process.	Copy of the written policies and procedures detailing the planning process and all factors considered. within each footprint. Details and description of sources used to provide accurate weather data.
6. Assess NFGDC's weather normalization process for reasonableness, transparency, and consideration of climate trends.	NFGDC's weather normalization process is reasonable, transparent, and takes climate trends into consideration.	Copy of the written policies and procedures associated with determining a normal weather year and how it is used for planning and gas load forecasting. Data that supports surprises suffered in recent years to the estimated gas forecast. All available data concerning the consistency of renewable energy (i.e., patterns and the like).

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
<p>7. Assess the cost-effectiveness of NFGDC's gas capacity and supply procurement function and how the Company ensures adequate capacity for customer demand.</p>	<p>NFGDC's gas capacity and supply procurement function is cost effective and the Company reliably ensures adequate capacity for customer demand.</p> <p>The design day volume developed for the load profile is compared to firm transportation both long and short haul assets plus storage.</p>	<p>Copies of all firm storage contracts together with the firm transportation that injects gas into storage and firm transportation that withdraws from storage since the previous management and operations audit.</p> <p>Copies of all firm transportation contracts not associated with storage since the previous management and operations audit.</p> <p>Copies of all firm Peaking Contracts. Copies of contracts with third parties for LNG since the previous management and operations audit.</p> <p>Monthly data associated with capacity release greater than one month since the previous management and operations audit.</p> <p>Monthly data associated with capacity released on a short-term basis – less than a full month since the previous management and operations audit.</p> <p>Written policy and strategy for the procurement of physical gas and associated financial products. This may be a financial and/or physical gas Risk Management Policy since the previous management and operations audit.</p> <p>NFGDC's entire database that detail purchases from suppliers since the previous management and operations audit.</p>

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
		<p>Description of NFGDC's pricing tools designed for natural gas purchasing and physical hedging decisions.</p> <p>NFGDC's decision process concerning the timing for the purchase of physical hedges.</p> <p>Contract data of all physical gas supply contracts that extend beyond a 30/31-day period since the previous management and operations audit.</p> <p>NFGDC's entire database that details sales of excess gas associated with Off-System Sales (OSS) since the previous management and operations audit.</p> <p>Agency Agreements, Fuel Management Agreements or Asset Management Agreements (AMA), between NFGDC and any other entity in effect since the previous audit.</p> <p>Proof of profits that reflect that the payments owed to NFGDC were optimized because of AMAs since the previous audit.</p>
8. Review NFGDC's hedging practices and assess how well they protect customers from price volatility.	<p>NFGDC's hedging practices effectively protect customers from price volatility.</p> <p>Risk management applications designed for natural gas purchasing and hedging decisions are useful and effective.</p> <p>Hedging consultants have provided valuable advice to NFGDC.</p>	<p>List and explanation of the financial hedging products used by NFGDC to support its natural gas purchases since the previous management and operations audit.</p> <p>Processes and procedures in place to deal with Financial Hedging.</p> <p>Describe NFGDC's web-based hedging and risk management applications</p>

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
	NFGDC employs an effective strategy and plan to authorize commitments.	<p>designed for natural gas purchasing and hedging decisions.</p> <p>All International Swaps and Derivatives Association (ISDA) financial agreements since the previous management and operations audit and through the period of future commitments.</p> <p>Please explain what percentage of the load is covered by the various derivative products.</p> <p>Please indicate how far into the future NFGDC is hedged with financial price products.</p> <p>Is NFGDC automatically adding to the outer timeframe as near month(s) fall off regardless of timing considerations?</p> <p>A report of derivative "Futures" (i.e., a financial hedging tool for each month since the previous management and operations audit.</p> <p>Does NFGDC take title to the gas or sell and take cash?</p> <p>Identify all outside brokers and consultants used to arrange the price swaps with financial institutions and provide copies of agreements in place with these brokers since the previous management and operations audit.</p> <p>Please provide a chart of monthly profits and losses associated with all financial derivatives hedges since the</p>

Gas Planning and Operations		
Scope Element	Evaluative Criteria	Documents
		previous management and operations audit.
9. Evaluate the adequacy of internal controls regarding relationships with upstream affiliates.	<p>NFGDC’s internal controls regarding relationships with upstream affiliates are adequate.</p> <p>Interaction between NFGDC and its affiliates are always conducted at “arm’s length.”</p>	<p>Processes and procedures in place to compare city gate volume equivalents of gas purchases to volumes purchased at receipt points.</p> <p>Explanation of the role that NFGDC plays in the operation of meter stations in the Supply Corporation pipeline.</p> <p>List and description of employee functions that are shared between NFGDC and Supply Corporation.</p> <p>List and provide copies of all discounts granted by Supply Corporation to NFGDC’s transportation since the previous management and operations audit.</p> <p>Evidence of a non-public sharing of transmission capacities at interconnects – or sharing of pipeline maintenance in advance.</p> <p>List of Appalachia-based Marcellus and Utica Shale producers, together with monthly volumes that NFGDC purchased from them since the previous management and operations audit.</p> <p>Target customers that Midstream Company markets to</p> <p>Copies of in-house processes and procedures that address communication between NFGDC and its upstream affiliates.</p>

<b>Gas Planning and Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
		<p>Description of NFGDC Shared Systems shared with affiliates.</p> <p>Description of communications with upstream affiliates for the purchase of natural gas.</p> <p>Bid-week intelligence and advice between NFGDC's procurement department and their upstream affiliates since the previous management and operations audit.</p>

**B. CAPITAL PROJECT OVERSIGHT AND EXECUTION**

This scope element will review customer affordability, effects on disadvantaged communities, reductions in greenhouse gas emissions, oversight of capital projects, and changes to work management processes since the previous management audit.

<b>Capital Project Oversight and Execution</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
1. Evaluate how NFGDC considers customer affordability, burdens on disadvantaged communities, and greenhouse gas emissions reductions in its project prioritization and selection processes.	NFGDC considers customer affordability, burdens on disadvantaged communities, and greenhouse gas emissions reductions in its project prioritization and selection processes.	<p>Describe in detail how NFGDC considers customer affordability, burdens on disadvantaged communities, and greenhouse gas emissions reductions in its project prioritization and selection processes.</p> <p>Provide any available evidence that NFGDC's consideration of customer affordability, burdens on disadvantaged communities, and greenhouse gas emissions reductions has resulted in changes to its project prioritizations and selections.</p>
2. Review NFGDC's oversight of capital projects, including project selection, budget	Review NFGDC's oversight of capital projects, including project selection, budget development, and project	Provide all available documentation of oversight of capital projects, including project selection, budget

<b>Capital Project Oversight and Execution</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
development, and project cost and schedule monitoring.	cost and schedule monitoring.	development, and project cost and schedule monitoring.
3. Review changes to NFGDC's work management processes since the prior management and operations audit.	Review changes to NFGDC's work management processes since the prior management and operations audit.	Describe in detail all current work management processes and note the changes since the last management and operations audit.

**C. BUDGETING AND PROCUREMENT**

This scope element will assess the efficiency of NFGDC's operations while looking at the O&M budget development and approval process, changes since the previous audit in the procurement processes and internal controls, and NFGDC's Supplier Diversity program.

<b>Budgeting and Procurement</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
1. Review the O&M budget development and approval process to assess the efficiency of the Company's operations.	<p>A clearly defined process exists with clear instructions.</p> <p>The budgeting process supports the NFGDC's goals and strategy.</p> <p>Appropriate training is conducted for those who develop the budget.</p> <p>A demonstrated understanding of cost-volume-profit-pricing drivers among process leaders.</p> <p>Budgets provide appropriate details for responsibility centers, costs, and revenues.</p> <p>Relevant variance analyses are conducted on a timely basis and in sufficient detail and distributed to those who can facilitate control and take corrective action if needed.</p> <p>Units / individuals to review and approve proposed budgets are appropriate.</p> <p>There is an appropriate methodology to rank</p>	<p>A copy of the organization chart for the budgeting group.</p> <p>Operating and maintenance budgets since the prior management and operations audit.</p> <p>Actual vs. Budget comparisons since the prior management and operations audit.</p> <p>Budget schedule / calendar.</p> <p>Budget instructions, including key assumptions for FY 2025.</p> <p>Budget Manual.</p> <p>Copies of economic and cost-benefit analyses conducted in support of the budget development process.</p> <p>Copies of all budget and performance analyses since the prior management and operations audit.</p> <p>Copies of all internal audit reports concerning the Budget Group and the O&amp;M</p>

<b>Budgeting and Procurement</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	<p>alternatives, if and as needed.</p> <p>Appropriate post-mortem analyses of actual vs. budget results annually or when a major variation occurs.</p> <p>User satisfaction expressed by executives and managers.</p>	<p>budget process since the prior management and operations audit.</p> <p>Copies of management letters issued by Price Waterhouse &amp; Co. since the prior management and operations audit.</p> <p>Copies of most recent credit rating agency reports on NFG and NFGDC and the most recent Wall Street analysts' reports.</p>
<p>2. Review changes to NFGDC's procurement processes and internal controls since the prior management and operations audit.</p>	<p>Cost per PO and/or Invoice.</p> <p>PO cycle time.</p> <p>Number of suppliers.</p> <p>Supplier Diversification Ratio (e.g., no. of minority-, women- and veteran-owned businesses as a percent of total suppliers).</p> <p>Cost Savings.</p> <p>Procurement ROI (cost savings as a percentage of the total value of procurements).</p> <p>Supplier Defect Rate</p> <p>Stakeholder Satisfaction.</p>	<p>A copy of the organization chart for the procurement group.</p> <p>A copy of the final report for the prior management audit with recommendations.</p> <p>Annotated list of all changes to NFGDC's procurement process and internal controls since the last management audit.</p> <p>Copies of reports, analyses and other documentation to confirm implementation of all procurement recommendations.</p> <p>Copies of internal audit reports and management responses for procurement since the prior management and operations audit.</p> <p>A copy of NFGDC's Procurement Manual.</p> <p>Description of internal audit controls over procurement.</p> <p>Analysis of training hours per procurement specialist.</p>
<p>3. Assess NFGDC's Supplier Diversity program and identify any changes that</p>	<p>Membership in organizations that support / enable the use of minority-, women- and veteran-owned firms, those</p>	<p>Copy of PSC Case 22-M-0314.</p>

<b>Budgeting and Procurement</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
will help it achieve the goals of the program.	<p>owned by the differentially abled, and members of the LGBTQ community [e.g., the Supplier Diversity Development Council (SDDC), among others]. Use best practices including the creation / use of:</p> <ul style="list-style-type: none"> <li>• Board and C-suite support.</li> <li>• A supplier development plan.</li> <li>• A communications plan.</li> <li>• Program to mentor current and prospective suppliers.</li> <li>• Workplace Diversity Steering Committee.</li> <li>• Monitor Supplier Diversity.</li> <li>• Establish Accountability and Transparency.</li> <li>• Foster Second-Tier Vendors.</li> <li>• Seminars for diverse groups.</li> <li>• Engage Diverse Groups.</li> </ul>	<p>An analysis of employees by ethnic, gender, and veteran status since the prior management and operations audit.</p> <p>An analysis of the number of minority-, women- and veteran-owned suppliers and the value of purchases from each group since the prior management and operations audit.</p> <p>A copy of NFGDC's DEI plan, including a description of its Supplier Diversity program.</p> <p>A copy of the Commission's final assessment of NFGDC's final DEI plan.</p> <p>Copies of meeting minutes, reports, and any analyses or discussion papers issued by the Department's DEI working group, especially those that discuss best practices.</p>

#### **D. AFFILIATE INTERESTS**

The review of affiliate interests will focus on the internal audit process and the internal controls surrounding affiliate transactions, as well as time tracking and reporting practices.

<b>Affiliate Interest</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
1. Evaluate NFGDC's internal audit process and internal controls related to affiliate transactions.	NFGDC's Internal Audit function should perform an annual risk assessment that identifies the level of risk associated with each type of affiliate transaction.	NFGDC's Internal Audit Charter. NFGDC's most recent peer review.

Affiliate Interest		
Scope Element	Evaluative Criteria	Documents
	<p>NFGDC’s Internal Audit function should routinely perform audits related to affiliate transactions based on the assigned level of risk.</p> <p>Any findings and recommendations resulting from audit work should be addressed and corrected in a timely manner.</p> <p>Internal controls should provide reasonable assurance of compliance with regulations, policies, and procedures pertaining to affiliate relationships and transactions.</p> <p>NFGDC should have an Employee Code of Conduct and related policies that govern the actions of employees who perform affiliated transactions.</p> <p>Employees should be provided routine training to ensure employees understand federal, state, and company compliance requirements relating to affiliate relationships and transactions.</p> <p>Every affiliate relationship should be identified, documented, and well-defined.</p> <p>All affiliated transactions should be tracked.</p> <p>Appropriate ring-fencing initiatives should be incorporated into the internal control structure of NFGDC.</p>	<p>NFGDC’s policy/procedure documenting the annual risk assessment process.</p> <p>A listing of internal and external audits performed by or on behalf of NFGDC’s Internal Audit Function.</p> <p>Copies of any internal and external audit reports relevant to affiliate relationships and transactions since the prior management and operations audit.</p> <p>A listing (and any supporting workflows) of SOX controls pertaining to affiliate relationships and transactions.</p> <p>A copy of the organization’s Code of Conduct and any related documents specific to affiliate relationships and transactions.</p> <p>Copies of training materials used to train employees on affiliate relationships and transactions.</p> <p>A listing of all employees required to and who have completed the training since the prior management and operations audit.</p> <p>All contracts, master service agreements, shared service agreements, and asset management agreements between NFGDC and affiliates.</p> <p>A list of all affiliate relationships.</p> <p>A chart depicting the legal relationship of all affiliates (the tax entity chart).</p>

Affiliate Interest		
Scope Element	Evaluative Criteria	Documents
		<p>Any policies specific to affiliate contracts, agreements, and transactions.</p> <p>The current Cost Allocation Manual (CAM) and all versions of the CAM that have been utilized since the previous management and operations audit</p> <p>A listing of the total dollars transacted between NFGDC and its affiliates, by affiliate and by year since the prior management and operations audit.</p> <p>Explanation and documentation of each ring-fencing initiative in place.</p>
2. Evaluate NFGDC's time tracking and time reporting practices.	<p>Employee time reporting should, if feasible, be based on actual time reporting rather than using exception or fixed allocation report.</p> <p>Allocated time should be allocated on a fair and reasonable basis.</p> <p>Fixed time should undergo periodic review to ensure no changes have occurred.</p>	<p>A listing of all employees who bill time to both NFGDC and an affiliate.</p> <p>Time reporting policy and procedures.</p> <p>Provide the methodology used to determine time allocations for all employees with time split between NFGDC and an affiliate.</p> <p>Copies of any studies used to determine time allocations.</p>

**E. PHYSICAL AND CYBER SECURITY**

The security of NFG's physical plant, processes, and systems will be addressed in this scope element. This will include a review and assessment of the operating sites and assets and information systems and NFGDC's exposure to potential cyber threats. Customer privacy will be examined, including gas usage and all customer identifiable information. The disaster recovery plans, including testing of plans will be examined. The adequacy of the Comprehensive Security Plan will be assessed and processes for compliance with the State and Federal security event notification requirements will be evaluated as well as the process for hiring senior security staff.

<b>Physical and Cyber Security</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
<p>1. Assess how NFGDC protects critical energy infrastructure, including assets, sites, and physical and virtual systems.</p>	<p>Critical energy infrastructure, including assets, sites, and physical and virtual systems have been clearly identified.</p> <p>Changes in critical energy infrastructure have been recognized and treated accordingly.</p> <p>Critical energy infrastructure is adequately supported by external and internal experts.</p> <p>Critical energy infrastructure is supported with comprehensive and current information systems.</p> <p>Data flows smoothly among key systems with little or no manual interaction required.</p> <p>Information systems are linked to, and fully support, the processes managing critical energy infrastructure.</p> <p>There is an adequate system and organization to respond to requests for modifications, additions, and changes to critical energy infrastructure.</p> <p>Appropriate business units have lead roles in protecting critical energy infrastructure.</p>	<p>Comprehensive inventory list of all critical energy infrastructure at NFGDC.</p> <p>Description of all critical energy infrastructure, including functions, business purpose served, and user organization.</p> <p>List of all new or replaced critical energy infrastructure since the prior management and operations audit.</p> <p>Schematic drawing of all critical infrastructure at NFGDC, including all interfaces.</p> <p>List of all periodic reports generated concerning security of critical energy infrastructure.</p> <p>List of all internal and external audits of critical energy infrastructure at NFGDC since the prior management and operations audit.</p>
<p>2. Evaluate how NFGDC protects customer privacy, including but not limited to gas consumption, and examine any cybersecurity/information security systems and procedures protecting customer personally identifiable information.</p>	<p>Information systems that contain customer information contain the latest applicable technological advancements in cybersecurity.</p> <p>Progress in combating cybersecurity attacks is reported on a periodic basis.</p> <p>Cybersecurity/information system plans are linked to NFGDC's goals and objectives.</p> <p>There are adequate reviews to ensure that cybersecurity</p>	<p>All short-term and long-term information system plans developed since the prior management and operations audit.</p> <p>Description of the short-term and long-term IT systems planning process.</p> <p>Organization chart of the IT Department.</p> <p>Detailed description of the CIS used by NFGDC.</p> <p>Description and schematic of the customer information</p>

<b>Physical and Cyber Security</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	<p>plans support the financial and credit goals of NFGDC.</p> <p>Customer Information Systems (CIS) provide timely information concerning required customer information.</p> <p>CIS provide timely and accurate updates of customer accounts.</p> <p>CIS is secure from unauthorized access.</p> <p>CIS's additions, enhancements, and modifications are introduced, reviewed, and managed by responsible Customer Operations personnel.</p>	<p>systems and interfaces with other systems for NFGDC.</p> <p>Description of the billing process.</p> <p>Description of the credit and collections process.</p> <p>List of Customer Service Liaison's between the Customer Service Department and the IT Department for NFGDC.</p> <p>List of all breaches of security concerning customer data since the previous management and operations audit.</p>
<p>3. Evaluate NFGDC's existing disaster recovery and security incident response plans and how NFGDC tests these plans.</p>	<p>Disaster recovery and security incident response plans are current and complete.</p> <p>Disaster recovery and security incident response plans are reviewed by management periodically, but at least annually.</p> <p>Disaster recovery and security incident response plans are audited by knowledgeable external and internal audit entities.</p> <p>Results of audits and reviews of disaster recovery and security incident response plans are reviewed by appropriate management.</p>	<p>All disaster recovery and security incident response plans for NFGDC.</p> <p>A list of all security incidents and responses since the previous management and operations audit.</p> <p>All external and internal audits or reviews of NFGDC's disaster recovery and security incident response plans since the previous management and operations audit.</p> <p>Copies of reports to the Board of Directors concerning disaster recovery and security incident plans and activities since the previous management and operations audit.</p> <p>List of all federal, state, and utility industry organizations concerning disaster recovery and security incident responses with whom the</p>

<b>Physical and Cyber Security</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
		Utility coordinate activities and to whom they report.
4. Assess the adequacy of NFGDC's Comprehensive Security Plan.	<p>Organizations and positions responsible for planning, prioritizing, approving, developing, and implementing the Comprehensive Security Plan are appropriate and reasonable.</p> <p>Policies and procedures governing the Comprehensive Security Plan are complete and current.</p> <p>The Comprehensive Security Plan contains an appropriate level of detail in defining affected organizations, work groups, functions, and other information systems and processes.</p> <p>The Comprehensive Security Plan is reviewed periodically at an appropriate management level.</p> <p>The Comprehensive Security Plan is reviewed externally by appropriate security experts.</p>	<p>IT Organization chart, detailing primary functions of all work groups related to security.</p> <p>Policies and procedures governing NFGDC's Comprehensive Security Plan.</p> <p>NFGDC's Comprehensive Security Plan.</p> <p>Modifications to NFGDC's Comprehensive Security Plan since the previous management and operations audit.</p> <p>List of all audits or reviews, external or internal, conducted of NFGDC's Comprehensive Security Plan since the previous management and operations audit.</p> <p>List of all outside contractors used to develop the current Comprehensive Security Plan.</p> <p>Periodic reports used to manage, control, or report on NFGDC's Comprehensive Security Plan.</p>
5. Evaluate NFGDC's processes for compliance with State and Federal security event notification requirements.	<p>Policies and procedures related to security events are complete, current, and appropriate for a utility company.</p> <p>There is a record of interaction and compliance with State and Federal authorities regarding security events.</p> <p>There are appropriate checks and reviews to ensure that all</p>	<p>List of all State and Federal agencies and organizations with whom NFGDC corresponds related to security events.</p> <p>List of all State and Federal notifications received since the previous and operations management audit.</p> <p>List organizations or personnel responsible for responding to State and</p>

<b>Physical and Cyber Security</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	security event notifications are received and complied with.	Federal agencies and organizations related to security events. Policies and procedures related to responding to security event notifications.
6. Evaluate NFGDC's process for hiring senior security staff, including, but not limited to, onboarding staff, communicating expectations and responsibilities for roles, and reporting personnel changes to the Department.	The background and experience of senior security staff is appropriate for the positions held. The turnover among senior security staff is minimal or appropriate for the situation. Roles and responsibilities are clearly defined and documented. The function of acquiring senior security staff is appropriate for a utility company.	Organization chart highlighting security organization(s) and position(s). Security personnel hires since the previous management and operations audit. Documentation of the onboarding process for all employees and for security positions. Documentation of roles and responsibilities for all security positions.

**F. INFORMATION SYSTEMS**

The Information Systems scope element focuses on the current systems and changes to the planning (short- and long-term) for future systems since the last management audit. Also addressed will be IT performance and internal satisfaction metrics since the previous management audit, the implementation of the Pipeline Facilities Information system, and the adequacy of the customer information system.

<b>Information Systems</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
1. Review any changes to the Company's short- and long-term information system plans since the previous management and operations audit.	Short-term information system plans are tied to the annual budgets. Long-term information system plans are tied to multi-year budgets and long-range financial plans. Information system plans encompass the latest applicable technological advancements.	All short-term and long-term IT system plans that have been developed since the prior management and operations audit. IT operating budgets for all years since the previous management and operations audit. IT capital budgets for all years since the previous

<b>Information Systems</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	<p>Progress against information system plans is reported on a periodic basis.</p> <p>Information system plans are linked to NFGDC's goals and objectives.</p> <p>There are adequate reviews to ensure that information system plans support financial and credit goals of NFGDC.</p>	<p>management and operations audit.</p> <p>Latest schedule of progress against short-term and/or long-term IT system plans.</p> <p>Monthly progress report of IT implementation against budgets as of the end of 2024.</p> <p>Description of the short-term and long-term IT systems planning process.</p> <p>Organization chart of the IT Department.</p>
<p>2. Assess changes in how NFGDC monitors internal satisfaction metrics and IT performance since the previous management and operations audit.</p>	<p>Internal satisfaction metrics have trended up since the previous management and operations audit.</p> <p>IT performance measurement statistics have improved since the previous management and operations audit.</p>	<p>All internal satisfaction metrics related to IT since the previous management and operations audit.</p> <p>All IT performance measurement statistics since the previous management and operations audit.</p> <p>All surveys conducted since the previous management and operations audit concerning satisfaction with IT systems, IT support, and NFGDC's IT departments.</p>
<p>3. Examine NFGDC's implementation of the Pipeline Facilities Information system and determine whether the Company has achieved the expected document management benefits.</p>	<p>Progress on implementation of the Pipeline Facilities Information System matches their implementation plans.</p> <p>Benefits touted in planning and authorization documentation have been achieved.</p> <p>The cost of implementation is within budget estimates.</p> <p>If completed, business case evaluations have been proven accurate.</p>	<p>Implementation plans for the Pipeline Facilities Information System.</p> <p>Any Needs Assessment or other documentation used to justify development and implementation of these programs.</p> <p>Latest progress reports on implementation of the Pipeline Facilities Information System</p> <p>Business case or other evaluation tools used to review and approve the</p>

Information Systems		
Scope Element	Evaluative Criteria	Documents
		Pipeline Facilities Information System Resources utilized in developing the Pipeline Facilities Information System (internal vs external IT staff).
4. Evaluate the capability of the Company's customer information system to meet current and future needs and determine the adequacy of plans to update or support the existing systems.	The Customer Information System (CIS) provides timely information concerning customers and billing. The CIS provides a timely update of customer accounts. The CIS is secure from unauthorized access. The CIS additions, enhancements, and modifications are introduced, reviewed, and managed by responsible Customer Operations personnel. The CIS is interfaced with appropriate financial enterprise resource planning (ERP) systems. The CIS reflects the changing environment and customer population.	Detailed description of NFGDC's CIS Description of NFGDC's billing process Description of the credit and collections process Annual billing KPIs, unit metrics and unit cost, performance metrics, productivity, accuracy, estimated readings, headcounts by function, and budget performance since the prior management audit. List of Customer Service Liaison's between the Customer Service Department and the IT Department Description and schematic of the CIS and interfaces with other NFGDC systems

**G. CUSTOMER OPERATIONS**

This scope element evaluates changes in customer service controls and processes since the previous audit. It also will assess the accuracy of reports filed with the Commission, the shared meter investigation processes, accuracy and timeliness of customer bills, complaint levels, work backlogs, billing and metering issues, outreach and marketing efforts, and staffing trends and issues. Additionally, NFGDC's customer service staffing trends will be evaluated, as well as NFGDC's compliance with the Commission's Energy Affordability Program.

Customer Operations		
Scope Element	Evaluative Criteria	Documents
1. Evaluate modifications to customer operations internal controls and	NFGDC should have implemented customer service internal control and	A copy of a Corrective Action Plan or similar item created and used by NGFDC to

Customer Operations		
Scope Element	Evaluative Criteria	Documents
<p>processes since the previous management and operations audit.</p>	<p>process recommendations or should have an appropriate reason as to why recommendations were not implemented.</p> <p>The Internal Audit function should have conducted audits or similar engagements for the purpose of verifying that recommendations were implemented and working as intended.</p> <p>The utility should not have reduced the customer operations internal control structure since the last audit as evidenced by comparison of current to past controls.</p> <p>Monitoring controls related to missed appointment credits should have been implemented after the last audit.</p> <p>SOX controls for Customer Operations should be complete and periodically audited.</p> <p>The Internal Auditing department should have scheduled assessments of Customer Operations and should follow up on the implementation of corrections and improvements.</p> <p>Internal controls should be appropriately incorporated within the customer information and customer billing system(s).</p>	<p>document its plan to implement recommendations stemming from the previous management and operations audit.</p> <p>Copies of all customer service policies, procedures, and workflows with revision dates subsequent to the previous management and operations audit.</p> <p>Copies of Internal Audit reports of Customer Operations since the previous management and operations audit and the corresponding implementation status reports.</p> <p>List or flowchart identifying all Customer Operations SOX controls with process name, frequency, description, and name of responsible employee.</p> <p>List of SOX controls in place at time of prior audit.</p> <p>Copies of any audits associated with the internal controls of Customer Operations completed by the external auditor since the previous management and operations audit.</p>
<p>2. Examine the accuracy of reports NFGDC files with the Commission, including the systems used to generate the</p>	<p>Totals should be traceable from the customer operations reports to the Commission back to the source documents or systems.</p>	<p>Copies of all customer operations reports filed with the Commission since the previous management and operations audit.</p>

<b>Customer Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
reports, and assess any planned changes to the reporting process.	Verify the accuracy of the annual reports that have been submitted since the previous audit.	<p>List of information systems used to generate reports filed with the Commission.</p> <p>List of all audits specific to the information systems used to generate reports filed with the Commission.</p> <p>Flow chart of process to populate customer operation reports, showing all inputs and outputs.</p> <p>List of all changes that have occurred in the customer operations reports identified above since the previous management and operations audit.</p> <p>List of all planned changes to the systems and reporting process that generate the customer operations reports identified above since the previous management and operations audit.</p>
3. Evaluate the Company's meter investigation processes, resources, documentation, staffing and training adequacy, and quality assurance measures.	<p>Meter investigations should comply with regulatory requirements and be subject to internal compliance audits.</p> <p>Meter complaints should be investigated and resolved within the required time periods.</p> <p>Periodic analyses of meter investigation results should be performed to identify patterns of building owners who may be responsible for multiple structures.</p>	<p>Policies and procedures governing the use of meters.</p> <p>Policies and procedures concerning the investigation and complaint processes related to meters.</p> <p>The number of meter investigations for each year since the previous management and operations audit.</p> <p>The number of FTE employees performing meter investigations each year since the previous management and operations audit.</p>
4. Review how NFGDC ensures the accuracy and timeliness of customer bills, including bill	The customer billing process should be concise, efficient,	Flow chart of the customer billing process.

<b>Customer Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
estimation procedures and efforts to minimize the number of estimated bills.	and appropriate for a utility company. Policies and procedures governing the customer billing process, including the bill estimation process, should be complete, current, and accurate. The customer billing process should have adequate controls that ensure accuracy and timeliness of bills including the bill estimation process.	Policies and procedures concerning customer billing and the bill estimation process. Any internal or external audits concerning customer billing since the previous management and operations audit.
5. Review how the Company monitors and manages complaint levels, work backlogs, billing and metering issues, and other performance problems.	There should be a positive trend (fewer numbers) since the previous management audit of complaint levels, work backlogs, billing and metering issues, and other performance problems. NFGDC should have a dashboard, KPI, or similar system or method for monitoring complaint levels, work backlogs, billing and metering issues, and other performance problems. There should be clear, concise instructions for follow-up and remedial actions to be taken concerning complaints, work backlogs, billing and metering issues, and other performance issues.	The number and types of complaints concerning customer billing recorded by year since the previous management and operations audit. A description of the system and/or method used to track performance problems. A list of periodic reports that track complaints, work backlog, billing and metering issues, and customer operations performance. Reviews and audits conducted by NFGDC concerning customer complaints, work backlogs, billing, and metering issues since the previous management and operations audit.
6. Assess outreach and marketing to customers regarding energy efficiency, low income, consumer protections, gas safety, and assistance programs.	Goals, policies, and procedures related to energy efficiency programs should be complete, concise, and current. Key Performance Indicators should be established and monitored as a means of	Goals, policies and procedures concerning NFGDC's outreach and marketing for energy efficiency, gas safety, and low-income assistance programs. KPIs, performance metrics, or similar information used to

<b>Customer Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
	<p>assessing outreach and marketing effectiveness.</p> <p>There should be an organization or personnel positions tasked with the responsibility for carrying out NFGDC’s energy efficiency, gas safety, and low-income assistance programs.</p> <p>Reports, audits, and reviews of NFGDC’s energy efficiency program, gas safety, and low-income assistance programs should show positive or improved trends since the previous management and operations audit.</p>	<p>evaluate program effectiveness.</p> <p>All reports, internal or external, concerning energy efficiency programs, gas safety programs, and low-income assistance programs since the previous management and operations audit.</p> <p>Organization chart for the department(s) and position(s) responsible for NFGDC’s energy efficiency programs, gas safety programs, and low-income assistance programs.</p> <p>SOX controls concerning energy efficiency, gas safety, and low-income assistance programs</p>
<p>7. Review how the Company monitors staffing trends for customer service positions and assess the performance of hiring, retention, and training efforts.</p>	<p>The number of customer operations staff should be appropriate for the number of customers and services provided.</p> <p>Trends for hiring, retention, and training should be positive.</p> <p>NFGDC should have performance metrics and meaningful, timely reports concerning staffing, hiring, retention, and training of customer operations staff.</p>	<p>Number of NFGDC customer operations staff for the years since the previous management and operations audit.</p> <p>Any benchmarking or similar studies relevant to customer service staffing.</p> <p>Policies and procedures governing the hiring, retention, and training of customer operations personnel.</p> <p>All annual reports concerning the numbers of current customer operations staff and hiring, retention, and training efforts since the previous management and operations audit.</p>
<p>8. Review how NFGDC ensures conformance with the Commission’s</p>	<p>EAP information should be readily available and easy to find on NFGDC’s websites.</p>	<p>Training materials provided to EAP program staff.</p>

<b>Customer Operations</b>		
<b>Scope Element</b>	<b>Evaluative Criteria</b>	<b>Documents</b>
Energy Affordability Program (EAP).	<p>Applications should be submittable both online and by mail.</p> <p>Program staffing levels should result in timely review of applications.</p> <p>The application review process should include a control to mitigate against risk of incorrect denial of program benefits.</p> <p>Application process should include timely notification to applicants of denial and a process by which denied applicant can appeal denial decision.</p> <p>Employees responsible for administering the EAP program should be trained on program eligibility and other requirements.</p> <p>Program application numbers, acceptance/denial rates, and processing times should be tracked and reported/monitored in a manner that would identify any anomalies or changes in program performance.</p> <p>There should be a process for determining if a new customer is enrolled in a qualifying EAP program (e.g., HEAP, SNAP, etc.) and then automatically enrolling qualifying new customers.</p> <p>EAP participants should be automatically enrolled in budget billing.</p> <p>EAP discount amounts should agree with DPS program guidelines.</p>	<p>Exception reports used in conjunction with the EAP program.</p> <p>Any documents that describe the process or systems used to match utility records to the records of qualifying programs (e.g., HEAP) for the purpose of determining EAP eligibility.</p> <p>Any policy or other document that describes the process for determining discount rates.</p>

### III. APPROACH, METHODS, AND PROJECT MANAGEMENT

This chapter includes the following sections:

- A. Approach
- B. Program and Project Sampling
- C. Project Management

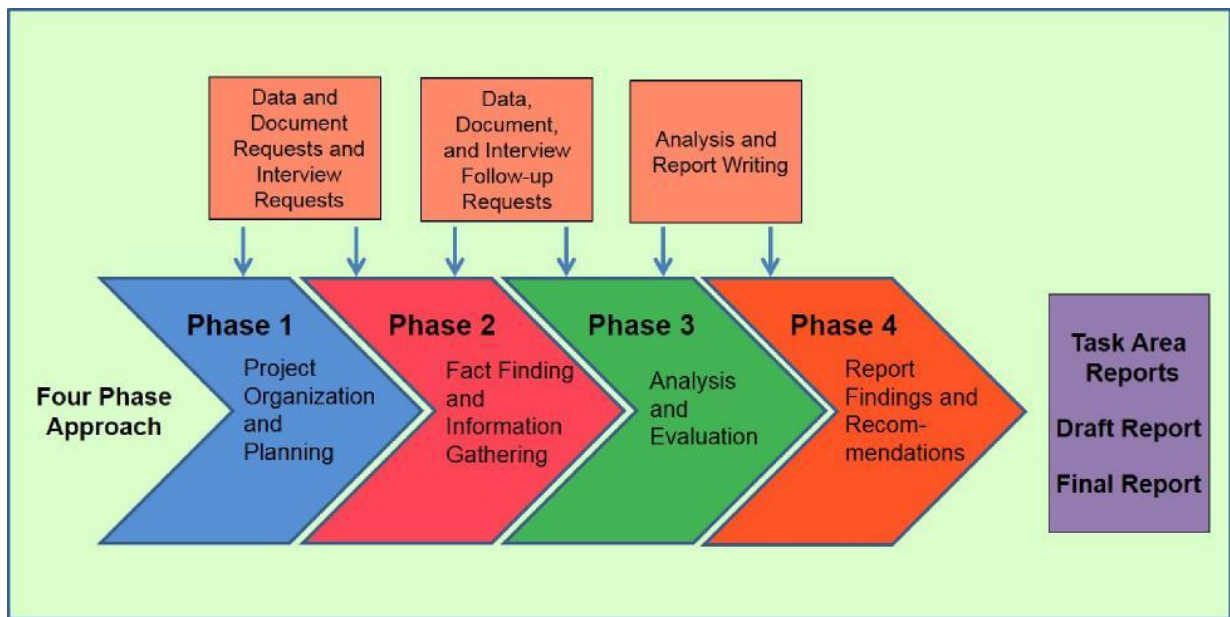
#### A. APPROACH

SAGE will utilize a well-developed Four Phase Approach:

- 1. Project Organization and Planning
- 2. Fact Finding and Information Gathering
- 3. Analysis and Evaluation
- 4. Report Findings and Recommendations

This is illustrated in the following exhibit.

**Four Phase Approach**



Each of the four steps of the approach is described below.

#### PHASE 1 – PROJECT ORGANIZATION AND PLANNING

This initial phase of this approach consists of the following activities: **Orientation and Overview**.

The orientation meeting will include discussions first with the Department Project Manager and other representatives and, later, with senior utility management personnel and other involved parties to confirm the understanding of the overall scope and objectives of the audit.

Assuming a counterpart NFGDC Project Coordinator is appointed, this will be an excellent opportunity for introductions and clarification of NFGDC's Project Coordinator individual role and responsibilities. A major focus of this step is to confirm specific approaches needed to optimize the outcome of the audit. Specifics regarding project logistics, key contacts, interfaces, schedules, and communications will be established during this step.

We will review NFGDC's organizational structure and staffing table with NFGDC's Project Coordinator. We will develop a good understanding of the practices and policies within NFGDC. This understanding of the organization structures will inform detailed work planning for any work plan adjustments, interview requests, and issues.

We ask that during the orientation meeting NFGDC make an overview presentation to the Department representatives and our consulting team covering the major aspects of their operations and the departments covered in this audit.

### **Updated Work Plans**

Following the orientation meeting, our consulting team, in consultation with the Department's Project Manager, will prepare updated work plans. These updated plans will be developed and presented to Department staff for approval. Plans will include such details as:

- Task Area scope refinements based on detailed analysis of NFGDC's current organization structure
- Data and document requests
- Interview plans and schedules based on current organization charts and discussions with NFGDC's Project Coordinator
- The level of field visit interviews that will be made and the alternative audio video system that will be utilized when working remotely
- Field observations to be made
- Analysis techniques to be used
- Audit deliverables and scope clarifications
- Audit schedule update

## **PHASE 2 – FACT FINDING AND INFORMATION GATHERING**

### **Data and Document Collection and Review**

This activity will be conducted jointly by the SAGE team, Department representatives, and NFGDC's Project Coordinator. The audit team will provide NFGDC with a listing of specific data and documents required for the assessment from the updated work plans. NFGDC's Project Coordinator will then assemble the available data and documents requested by the audit team. Once assembled, the audit team will carefully review this information prior to commencing any field work, to the extent practical. Experience has shown that reviewing the available information prior to interviews and site visits substantially improves the overall efficiency and effectiveness of our field work. Additionally, we suggest locating the data and documents in a single, centralized, and secure electronic database. This will facilitate our review process, ensure access to information to follow

up on facts and details later in the audit, and provide a complete document and data audit trail.

### **Field Work**

Field work for the audit will involve all assigned audit consultants and the project manager and will include the following activities:

- Remote interviews with selected functional utility executives, managers, supervisors, and professionals
- Operational and business process observations
- Site visits and tours of utility and affiliate offices, plant facilities, work centers, and other relevant facilities, as appropriate
- Interviews with other stakeholders as determined by the scope and objectives of the audit and as recommended by the Department staff
- Preliminary one-line findings

Detailed field notes of interviews, site and facility visits, and other meetings will be developed by the audit team for use during the Analysis and Evaluation step. The interview summaries will also be stored in a centralized, secure database and will serve as another major component, along with data and document request responses, of the audit trail.

### **PHASE 3 – ANALYSIS AND EVALUATION**

This step consists of developing draft Task Reports that cover all RFP scope items. Based on the results of the document review and field work, the audit team will develop working drafts of the background, findings, and recommendations. These drafts will include:

- Background describing relevant information to put in context the findings and recommendations
- Preliminary findings
- Preliminary recommendations

The content of the draft Task Reports will be based on findings of fact, generally accepted industry practices, and performance standards known to the consulting team members, as well as the judgment and experience of the audit team. The Task Reports will cover all RFP scope elements and additional topics identified as important by our consulting team.

The Task Report drafts will be submitted to the Department Project Manager for review as they are completed.

### **PHASE 4 – REPORT FINDINGS AND RECOMMENDATIONS**

This final step in the audit methodology consists of the following activities.

#### **Draft Report Preparation**

Once the Department Staff review of the draft Task Reports is completed, the audit team will finalize the Task Reports and assemble them into a Draft Report that will be submitted to the Department Project Manager.

## **Department and NFGDC Review and Comment**

Once the Draft Report has been presented to the Department Staff, we will provide it to NFGDC with the direction of the Department Project Manager for NFGDC's factual review, if appropriate. NFGDC, if permitted by the Department, and at its option, may also prepare comments in response to the Draft Report. We will consider these comments and incorporate into the final report those inputs that present factual information or clarification of conditions or circumstances.

## **Final Report**

Upon receiving NFGDC's and Department's input on the Draft Report, the audit team will incorporate the input into the Draft Report and submit the Final Report to the Department Project Manager. Work papers will be made available by the audit team, as requested by the Department Project Manager. The Final Report, as approved by the Department Project Manager, will be produced in a manner suitable for distribution as specified by the Department. NFGDC designated confidential information, if confirmed as confidential by the Department, will be redacted in the public version of the Final Report. However, we prefer to have only one version of the report and will work with NFGDC and the Department Project Manager to present the information required to support findings and recommendations in a manner that does not reveal confidential information.

## **POST-AUDIT ACTIVITIES**

In addition to submitting the Final Report, SAGE consultants will serve as expert witnesses and provide testimony, if requested by the Commission or Department. All requested assistance will be provided on a time and materials basis at the hourly rates quoted in the fees and expenses section of this proposal; actual, reasonable travel expenses will be charged for any post-audit work.

## **B. PROJECT MANAGEMENT**

We will utilize several proven and effective project management techniques that will ensure the effective and efficient management of this assignment while enhancing communications among the consulting team members and Department staff. This can only be accomplished through the efforts of strong project management, effective controls, and the coordinated efforts of senior personnel. The SAGE Project Manager will be responsible for ensuring that the project work is progressing on schedule and within the planned budget. In addition, our Project Manager will be responsible for the overall work quality, ensuring that the activities across all scope areas are consistently executed and well-coordinated. Key elements of our project management approach are described below.

- **Project Planning.** We will use a logical and efficient plan of action for the review that is clearly understood by the project team and the Department staff. Project planning activities will include:
  - ◆ Defining tasks to investigate thoroughly all review areas
  - ◆ Specifying task dependencies so that interdependent tasks will be completed in the appropriate sequence to ensure that the flow of work builds a cumulative

body of knowledge rather than clusters of data with possible contrasting conclusions

- ◆ Estimating consulting hours and preparing schedules to complete each task
- **Project Controls.** To monitor costs and schedule, the Project Manager will:
  - ◆ Periodically, compare actual versus estimated consulting hours by staff for each phase defined in the budget
  - ◆ Working with each team member, estimate the time to complete each task, including the total elapsed time as well as the level of effort
  - ◆ Make project plan adjustments based on the project progress to date, changes in project scope, or changes in priorities in concert with the Department Project Manager
- **Project Administration.** The SAGE Project Manager, with the assistance of the report editor, will use the following techniques to ensure the smooth execution of the review:
  - ◆ Enforce standards for project documentation and work papers to ensure confidentiality, accuracy, completeness, and consistency
  - ◆ Establish a simple, workable set of administrative procedures covering:
    - Requesting, storing, and returning documentation
    - Scheduling interviews and documenting results
    - Reporting project hours and expenses
    - Reporting progress and dealing with exceptions
    - Defining protocols for interfacing with the Board representatives and utility staff

## PROJECT STANDARDS

SAGE strives for the highest quality in all our work products. Comprehensive management audits are complex projects, involving several consultants and many separate tasks. While careful planning is an important task in an audit, we believe that the experience and organization of the project team is the most important factor in determining the quality of the final product. Four distinctive features of our proposed team and approach will ensure a quality product:

- The Project Manager and Lead Consultants are experienced management consulting professionals.
- The consulting team will perform all work in a professional manner in general accordance with the United States General Accounting Office's Standards for Audit of Government Organizations, Programs, Activities, and Functions, as applicable to this project, and the National Association of Regulatory Commissioners' Consultant Standards and Ethics for the Performance of Management Analysis. All facts will be referenced to document responses or interview summaries. Adherence to these standards will provide the project controls and reporting standards necessary to perform the audit effectively and provide sufficient justification for all recommendations.

- The project team members have a demonstrated track record for producing quality products within schedule and budget limits. Members of the proposed consulting team have successfully performed audits and similar projects in many states.
- This project will emphasize communication and cooperation among the consulting team members and Department representatives, which will help identify the most important enterprise-wide issues.

Our Project Manager will ensure consistent application of the SAGE approach among the consultants and will review all the work products prepared by the consulting team. This review will prove useful in helping the consulting team place appropriate emphasis on issues important to the Department.

We will maintain appropriate documentation of report background, findings, and recommendations to ensure that our work is factually based; that our findings are supported by relevant data; that our professional judgment, where applied, is differentiated from analytical results; and that the results of our audit are easily traceable to specific consultant efforts. In short, we will establish a clear "audit trail." Our consultants are familiar with the need for such an audit trail. Our consultants' involvement in numerous proceedings that have called for providing expert witnesses for public testimony has sensitized them to the need to correlate each fact in a report with the working papers and documents that support it.

In accordance with generally accepted auditing standards (GAAS), our work papers will be:

- Complete and accurate
- Clear and easily understandable
- Legible and neat
- Relevant (i.e., "restricted to matters that are materially important and relevant to the objectives of the assignment")

## **WORK PAPERS**

As part of the audit process, we will prepare and obtain a number of documents, work papers, and reports that will be available during and upon completion of the project to the Department. These include the following:

- **Interview Documentation.** The project team will use a formal interview request form or list that will be provided as a record of our request. Each interview request will be assigned a unique number that will allow us to track the status of responses and reference the specific interview summary in the final report. When possible, interviews with personnel will be requested at least five working days in advance. Upon completion of each interview, we will prepare a formal interview summary. The interview summaries will become part of our audit work papers.
- **Data and Document Requests.** Throughout the audit, we will provide written requests for documents and other information. These document requests will clearly specify the information or documents needed and, if possible, the person most likely to have access to the document or information. Each data request will

be assigned a unique number that will allow us to track the status of responses and reference the specific document in the final report.

- **Data Request Log.** This log will identify documents requested and date received and will be available electronically. Documents will be kept in a secure document database.
- **Interviews and Site Visits Log and Schedules.** A log of interviews and site visits scheduled and completed will be kept. At a minimum, this log will include the interviewee, interviewer, and dates requested and completed.
- **Interview Summaries.** At a minimum, the interview summaries will include the names of the interviewee and interviewer, the title and organization of the interviewee, documents requested, and items discussed.
- **Progress Reports.** To keep the Department apprised of audit progress, we expect to have frequent meetings to report on the progress of the audit and will provide written status reports with each monthly invoice indicating the audit's overall progress from the preceding month, as well as reporting against the schedule and budget and anticipated activities for the following month.
- **Briefings.** We will brief the Department approximately halfway through the audit to discuss tentative findings, preliminary assessments, and potential conclusions. We will be available to brief the Department or Commission at other times as well and to meet with NFGDC's senior management or Board of Directors, as necessary.
- **Task Reports.** Task reports will be developed for each of the audit review task areas. The facts in these task reports will be reviewed by the utility for factual verification and will be included in the final report. Comments provided to us regarding the verification will be documented and become part of our project work papers.
- **Draft and Final Audit Reports.** We will provide electronic copies of the full report to the Department. The full report will describe the background, findings, and recommendations for each task area. The report will be a complete description of the results of our audit of the respective task areas. In preparing the final report, the only changes SAGE will make to the final draft reports will be in response to specific comments from the Department or factual corrections from the utility.
- **Work Papers.** We will develop an organized set of work papers that will be the basis for our reports. The reports will be referenced to these work papers as the source of its factual statements as well as the basis for its background, findings, and recommendations. If requested, we will provide a complete set of working papers upon completion of the audit. All work papers, interview notes, statistical analyses, and other supporting documents developed or obtained during the course of the audit will be made available to staff, if requested.

## CONFIDENTIALITY PROTECTION

As part of its commitment to ethical behavior in all matters, we will rigorously protect client confidential material. In this case, our commitment extends to both the Department and NFGDC. All consulting team members are briefed on confidentiality standards and processes, and the Project Manager monitors the project process to ensure that

confidentiality is respected at all times. All our audit team members will sign Department approved, reasonable company non-disclosure agreements, if requested.

We expect that some data and document responses and interview summaries will contain company designated confidential information. All project work papers will be stored in confidential, restricted access, password protected databases. We prefer not to receive hard copy confidential information. However, if this is unavoidable, the hard copy confidential information will be stored securely and returned to the company at the completion of the audit.

We will endeavor to write the audit report without referencing any confidential material. If referencing confidential material is unavoidable, we will first develop a confidential version with all information designated as confidential by the company noted. Any disputes about whether specific information is confidential will be resolved among the Department Project Manager, the audit team Project Manager, and NFGDC's Project Coordinator. Then, we will work with the Department Project Manager and staff to produce a public version of the report with the confidential information properly redacted. The confidential version of the report will be always protected.

### **TEAM COMMUNICATION**

While ensuring subject matter expertise in each scope element, we emphasize communication among the team and with the Department representatives during each step of the project, but particularly during project planning and fieldwork.

In addition to encouraging communication among the team members, our Project Manager will regularly poll team members on preliminary observations and concerns. For topics of general interest, the Project Manager will make sure that all interested team members are aware of factors in other areas that may influence their analyses. The Project Manager will also assign principal responsibility for resolution of each enterprise-wide issue to one of the audit team members.

## IV. BENEFIT/COST ANALYSES

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A benefit/cost analysis (BCA) will be developed for each recommendation that the SAGE consultants make. The BCA will identify opportunities for better reliability and service, reduced risk, and better cost containment. The service level versus cost tradeoff and the capital cost versus operating cost tradeoff will be examined for each improvement opportunity. That is, improvements in reliability, risk reduction, or customer service that require increased expenditure will need to be justified. Likewise, capital expenditures expected to reduce O&M costs will have to have a realistic chance of success and be economically sound.

We will evaluate both the qualitative benefits of each recommendation as well as the quantitative benefits. Certain recommendations may have personnel safety, customer relations, or regulatory benefits that do not lend themselves to quantification but are still important. Such qualitative benefits will also be analyzed, evaluated, and prioritized among all benefits.

We will employ the following process in order to implement the BCA model as part of the audit:

- Establish baseline trends of current performance metrics for NFGDC utilizing data provided under the initial data requests and publicly available information.
- As recommendations are identified in each of the seven scope elements, available baseline cost, resource, and performance data will be collected for use in quantifying the potential costs and benefits of implementation.
- Potential benefits of implementation will be identified and related to KPIs, where relevant.
- Resource and cost estimates for implementation of each recommendation will then be developed.
- During Phase 3, Analysis and Evaluation, each preliminary recommendation will be analyzed and evaluated using the BCA template shown below.
- The BCA will be used as a factor in prioritizing the recommendations.
- A brief summary of the BCA benefits, implementation effort, and cost will be included in a list of the recommendations.
- The initial BCAs will be included in the draft report for the Department and utility review and comment.

The BCAs will be adjusted for the final report as necessary to conform to any modifications of the recommendations and to incorporate feedback received on the draft report.

## BCA Template

Recommendation Component	Recommendation Component Detail
Recommendation Number:	(From Findings and Recommendation Summary)
Recommendation Statement:	(As stated in Audit Report)
Description of Improvement:	(Narrative of actions, investment or improvement necessary to achieve the benefits of the recommendation)
Priority:	High, Medium, or Low
Responsible Manager:	(Suggest the most appropriate Manager or Position to be assigned responsibility for implementation)
Estimated Implementation Commencement:	Month and year
Estimated Implementation Duration:	Time in months
Cost of Improvement Implementation:	Total Capital Costs: Total O&M Costs:
Capital Cost Cash Flow:	Year 1: Year 2: Year 3: Year 4: Year 5:
O&M Cost Cash Flows:	Year 1: Year 2: Year 3: Year 4: Year 5
Qualitative Costs:	(Narrative Description, i.e., Staff morale, customer relations, community relations impacts, etc.)
Quantitative Benefits:	One Time: Annual: Total Five Year Benefits:
Qualitative Benefits:	(Narrative Description, i.e., Staff morale, customer relations, community relations impacts, etc.)
Net Present Value of Quantifiable Five Year Costs/Benefits:	Net Present Value of Benefits (using NFGDC cost of capital)

## V. PROJECT TEAM AND RESPONSIBILITIES

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This chapter includes the following sections:

- A. Project Management
- B. Audit Team Members
- C. Scope Area Assignments
- D. Well-balanced, Expert Team
- E. SAGE Project Organization
- F. Allocation of Consultant Hours

### A. PROJECT MANAGEMENT

The SAGE Managing Director, Mr. Robert Rosenkoetter, will serve as the Project Manager for this audit. In this role, he will have responsibility for all audit activities and the client's ultimate satisfaction with the audit. Mr. Rosenkoetter will be intimately involved with all aspects of the audit.

Jim Collins, the project's Administrative Manager, will edit all reports, manage work papers, coordinate and consolidate interview and document requests, and organize and manage interview schedules for the audit team. Mr. Collins will work closely with the Project Manager to confirm that all client commitments are completed accurately and in a timely manner.

### B. AUDIT TEAM MEMBERS

Each of the SAGE consultants has been assigned responsibility as a Lead Consultant for one of the seven scope elements from the RFP or as a Support Consultant, tasked with one or more sub-tasks within a scope element. Lead Consultants are responsible for managing work within a scope element and for producing the scope element task report. Support Consultants are responsible for sub-tasks and providing input to the scope element task reports. Task reports ultimately become chapters in the final report of the management audit.

All consultants are well-qualified to cover the scope of their assigned task area. All are responsible and accountable for following the SAGE approach and work plans for the assigned task area and completing the audit within the project schedule.

The SAGE team members and their task area assignments are as follows.

- Robert L. Rosenkoetter, CPA, MBA, MPA – Project Manager and Lead Consultant for Information Systems and Support Consultant for Physical and Cyber Security.
- David P. Vondle, MBA, CMC –Lead Consultant for Capital Project Oversight and Execution and Physical and Cyber Security and Support Consultant for Information Systems.
- Julia Bodamer – Lead Consultant for Gas Planning and Operations.
- James Hogan, CPA, CGMA, CVA, CMC – Lead Consultant for Budgeting and Procurement and Affiliate Interests and Support Consultant for Information Systems.

- Eric Spivak, CIA, GGAP, CRMA – Lead Consultant for Customer Operations and Support Consultant for Physical and Cyber Security and Information Systems.

### C. SCOPE AREA ASSIGNMENTS

The following table displays the audit scope areas and the assigned Lead and Support Consultants.

**Scope Area Assignments**

Scope Area	Consultant	
	Lead	Support
Gas Planning and Operations	Bodamer	
Capital Project Oversight and Execution	Vondle	
Budgeting and Procurement	Hogan	
Affiliate Interests	Hogan	
Physical and Cyber Security	Vondle	Rosenkoetter and Spivak
Information Systems	Rosenkoetter	Vondle, Hogan, and Spivak
Customer Operations	Spivak	

Full resumes of all SAGE team members are provided in Chapter VIII, Individual Experience and Qualifications.

### D. WELL-BALANCED, EXPERT TEAM

Our well-balanced teams are thoroughly experienced with all aspects of electric utilities, natural gas utilities, holding companies, and affiliates. Our audit team offers the following advantages:

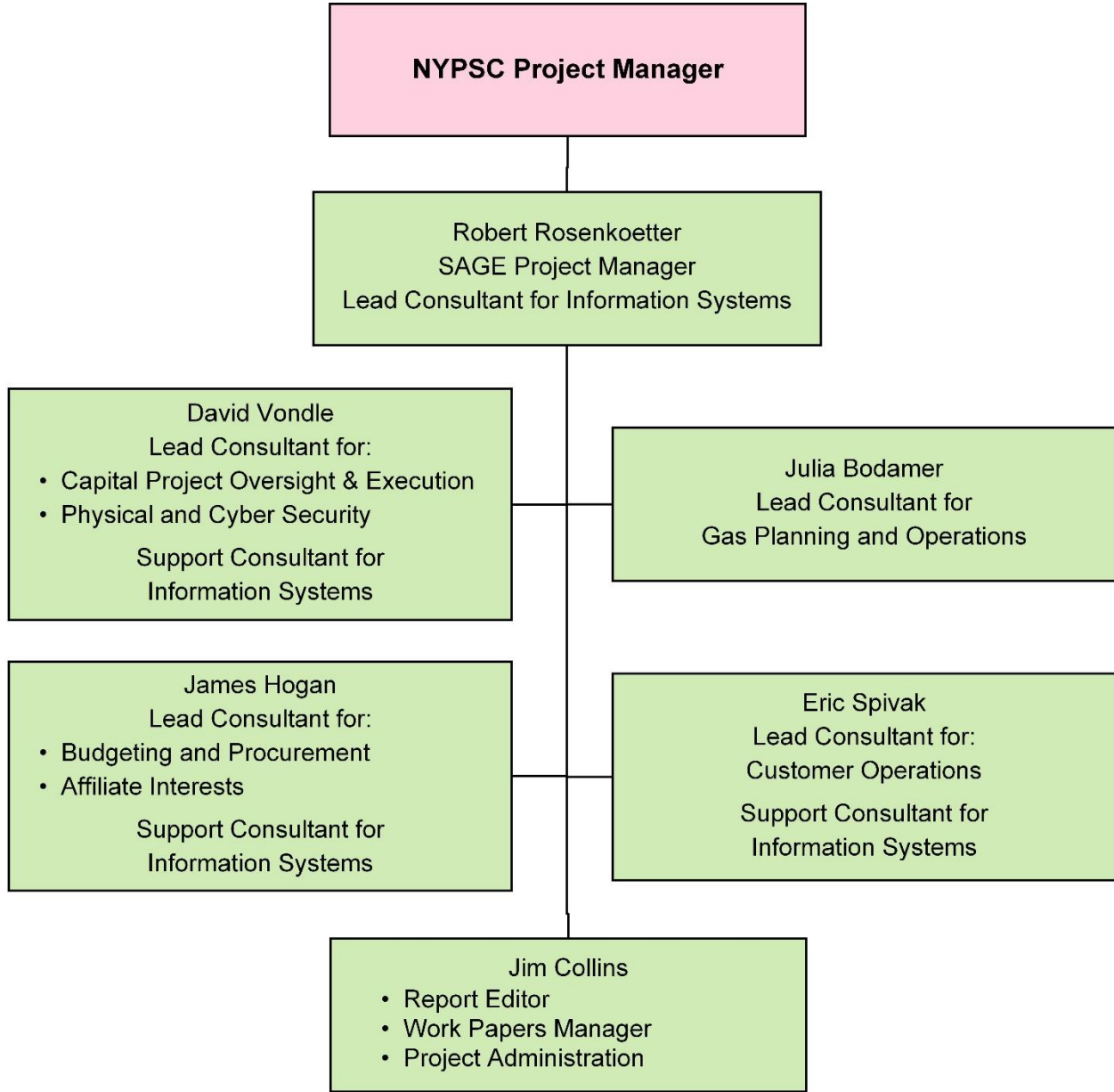
- **Cross pollination.** Our team members have experience and expertise outside their assigned scope areas and each team member brings an important perspective to enterprise-wide issues. Each task area will receive our entire team’s best thinking. Many audit issues overlap with each other, and this approach addresses the overlapping areas effectively. It also promotes the identification of overarching, root-cause, enterprise-wide issues, such as governance and strategic planning.
- **Robust communication.** The small team also allows continual communication among the team members and with the Board Staff. At the end of each field workday, we will have an informal round robin discussion of observations and issues identified in each scope area, as practical. Additionally, when off-site, the team will meet bi-weekly via Microsoft TEAMS audio video means.
- The SAGE team members have **a broad management perspective and a reputation for integrity.** As a result, we are well suited to performing highly visible, politically sensitive assignments.
- **SAGE is independent and objective.** SAGE has not worked directly or indirectly for any New York utilities, and we offer no engineering, information technology,

training, or similar services that may cloud our independence and objectivity with NFGDC.

### E. SAGE PROJECT ORGANIZATION

The SAGE organization chart for this audit is shown below.

**SAGE Project Organization Chart**



## F. ALLOCATION OF CONSULTANT HOURS

Consultant hours have been allocated based on the preliminary work plans commensurate with the scope of work in each task area. The following exhibit provides consultant hours allocation for each audit team member.

### Consultant Hours by Task Area

Task Area	Rosenkoetter	Vondle	Bodamer	Hogan	Spivak	Collins	Total
Gas Planning and Operations	72		520			72	664
Capital Project Oversight and Execution	24	312				24	360
Budgeting and Procurement	24			240		24	288
Affiliate Interests	16			200		16	232
Physical and Cyber Security	160	208			40	48	456
Information Systems	240	24		40	72	32	408
Customer Operations	64				392	64	520
Project Administration	160					240	400
<b>Total Hours</b>	<b>760</b>	<b>544</b>	<b>520</b>	<b>480</b>	<b>504</b>	<b>520</b>	<b>3,328</b>

## VI. WORK TIMELINE

SAGE commits to the following schedule dates as specified in the RFP, assuming the contract signing in December 2025 and no more than two calendar weeks turnaround on data and document requests and one week’s lead time for interview schedules.

### SAGE Schedule Commitments

Task	Target Date
Orientation Meeting	January 2026
Initial Work Plan	February 2026
Draft Report	June 2026
Final Report	August 2026

The following exhibit details the preliminary project schedule by phase. This schedule will be updated during Phase I of the audits in consultation with the Department Project Manager.

### Project Schedule by Phase

Project Phase	Project Activities	2026							
		Jan	Feb	Mar	April	May	June	July	Aug
Phase 1: Project Organization and Planning	Orientation & Overview and Entrance Conference								
	Detailed Work Plan								
Phase 2: Fact Finding and Information Gathering	Data and Document Collection and Review								
	Field Work								
Phase 3: Analysis and Evaluation	Develop Task Reports								
Phase 4: Report Findings and Recommendations	Draft Report Preparation								
	Submit Draft Report								
	Department Review and Comment								
	NFGDC’s Written Comments								
	Complete and Release Final Report*								
Milestones and Reporting	Project Milestones and <b>Midpoint Briefing</b>	♦				♦			
	Weekly Informal Status Updates	•	•	•	•	•	•	•	•
	Month-end Written Status Reports	√	√	√	√	√	√	√	√

## VII. INDIVIDUAL EXPERIENCE AND QUALIFICATIONS

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### A. SAGE RESUMES

This section includes a resume for each member of the SAGE audit team detailing recent and relevant experience and credentials that are applicable to these audits.

#### **ROBERT L. ROSENKOETTER, MBA, MPA, CPA**

Mr. Rosenkoetter has over 25 years of experience as a management consultant. He has been a project manager and functional expert on consulting and auditing engagements in the utility industry. He has designed, directed, and participated in numerous management audits of gas, electric, and water and waste-water utilities as well as telecommunications companies, government agencies, and public and private entities. He has analyzed and evaluated utility organizations and their staffing levels; reviewed transactions, cost allocations formulas, and shared costs among affiliated companies and subsidiary organizations; designed and implemented financial reporting, accounting, and information systems; and performed numerous analytical and financial reviews to reduce costs and improve effectiveness and efficiency.

Mr. Rosenkoetter has served as lead or senior consultant on over 40 affiliate and management audits or assessments of public and investor-owned utilities, focusing on affiliate transactions, cost allocations, shared services, accounting and financial policies, internal controls, rates and regulatory affairs, cash management and treasury functions, financial forecasting, records management, human resources, information technology, and O&M and capital budgeting. He has been involved in focused cost verification audits, prudence reviews, and audits of efficiency programs and contract compliance.

Mr. Rosenkoetter has worked with the following electric utilities: Colorado Spring Utilities, Commonwealth Edison, Connecticut Power & Light, Dayton Power & Light, Duke Energy Indiana, Duke Energy Kentucky, Duke Energy Ohio, Duke Energy North Carolina, El Paso Electric, Georgia Power, Guam Power Authority, Florida Power, Jersey Central Power & Light, Kansas City Power & Light, Nebraska Public Power District, Ohio Edison, Orange and Rockland, PECO Energy, Potomac Edison, Potomac Electric, Public Service of New Mexico, Puerto Rico Electric Power Authority, Rockland Electric, Sacramento Municipal Utility District, San Diego Gas & Electric, The Cleveland Electric Illuminating Company, Toledo Edison, EVN (Electricity Vietnam), PLN (State Electricity Company of Indonesia), and the Russian Electric Power Industry.

Mr. Rosenkoetter's prior professional experience includes positions as a Principal in the consulting practice of Ernst & Young, a Senior Practice Director in the National Utilities Practice for Oracle, and a financial analyst for an international petrochemical company.

#### **Education and Certification**

- Bachelor of Science, Business Administration, Auburn University
- Master of Business Administration (Finance), Georgia State University
- Master of Professional Accountancy, Georgia State University
- Certified Public Accountant

## Relevant Consulting Experience

- Project manager in a management audit and an affiliate transactions audit of South Jersey Gas for the New Jersey Board of Public Utilities. Responsibilities included gas procurement and purchasing, affiliate relationships, market conditions, affiliate cost allocation methodologies, merger results, executive management and corporate governance, organizational structure, human resources, strategic planning, finance, cash management, accounting and property records, customer service, external relations, distribution and operations management, purchasing and procurement of goods and services, clean energy, support services, contractor performance, remediation costs, and cyber risk mitigation/cyber security.
- Project manager in a comprehensive management and affiliate transactions audit of Elizabethtown Gas Company for the New Jersey Board of Public Utilities. Scope areas included gas procurement and purchasing, affiliate relationships, market conditions, affiliate cost allocation methodologies, merger results, executive management and corporate governance, organizational structure, human resources, strategic planning, finance, cash management, accounting and property records, customer service, external relations, distribution and operations management, purchasing and procurement of goods and services, clean energy, support services, contractor performance, remediation costs, and cyber risk mitigation/cyber security.
- Senior practice director overseeing the implementation of software at major utility and communications companies in the eastern United States and Puerto Rico. Implementations were completed for Alltel, Bangor Hydro, Boston Gas Company, Consolidated Natural Gas (CNG), Dayton Power & Light, IPALCO, Louisville Gas & Electric, and PREPA (Puerto Rico Electric Power Authority).
- Lead consultant in a management audit of Aqua New Jersey for the New Jersey Board of Public Utilities. Responsibilities included reviewing and assessing the adequacy of all information technology and cyber security and accounting and finance functions and affiliate transactions.
- Project manager on a USAID project in the design of a regulatory financial information system for the Russian electric power industry.
- Project manager on a World Bank project designing a financial information system for EVN (Electricity of Vietnam).
- Lead consultant in a management audit of Cincinnati Bell Telephone Company for the Public Utility Commission of Ohio. Responsibilities included reviewing and assessing the functions of the information technology department and all finance and accounting functions.
- Lead consultant in an ethics oversight review of Orange and Rockland Utilities for the New Jersey Board of Public Utilities. This work included assessing the organizations, practices, and procedures governing all information technology and finance and accounting functions, as well as all transactions between affiliated entities and cost allocation transactions.
- Lead consultant in performing a financial management audit of the Potomac Edison Company for the Maryland Public Service Commission. Responsibilities

included the review of organizational units, policies, and systems relating to all information technology, accounting, and finance functions.

- Lead consultant in a management audit of Tacoma Public Utilities. Responsibilities included the review of information systems and accounting and finance functions, and affiliate transactions for the water and electricity divisions of this multi-utility company.
- Lead consultant in a management audit of GTE's northeastern regional telephone operations for the Illinois Commerce Commission. Work included assessing affiliated interest transactions and all human resources, finance, and accounting policies, procedures, functions, and information systems.
- Lead consultant in providing regulatory support to the Public Advocate Office of the State of Maine regarding the Central Maine Power request for approval of a new Customer Relations Management & Billing (CRM&B) system estimated to cost \$57.3 million. Specific responsibilities included reviewing and evaluating the filing, conducting discovery, preparing cross-examination of witnesses, reviewing and presenting direct testimony, and preparing briefs.
- Lead consultant in a comprehensive management audit of Rockland Electric for the New Jersey Board of Public Utilities. Work included reviewing and assessing accounting and finance functions, organizations, systems, and documentation, including customer billing and credit and collections.
- Lead consultant in providing regulatory support to the Public Advocate Office of the State of Maine regarding Central Maine Power Company's credit and collection policies and standard offer uncollectible balances.
- Lead consultant in a Compliance Audit of the First Energy Three Ohio Operating Companies with the Corporate Separation Rules for the Public Utilities Commission of Ohio. The audit included examining the relationships among the three Ohio operating companies and the holding company, service company, and the several regulated and unregulated affiliates and included reviewing all customer service functions – customer billing, credit and collections, and customer interaction.
- Lead consultant in a management review of PLN, the electric power company of Indonesia for the World Bank. Responsibilities included evaluating PLN's customer service functions, including all credit and collection activities.
- Lead consultant in an on-going management audit of the Elizabethtown Gas Company (ETG) for the New Jersey Board of Public Utilities (NJBPU). Responsibilities included evaluating ETG's Cyber Risk Mitigation plan and adherence to the NJBPU's policy and ordered Cyber Security Program Requirements.
- Lead consultant in a management audit of Aqua New Jersey for the New Jersey Board of Public Utilities. Responsibilities included reviewing and evaluating cyber security and information technology, accounting and finance, and affiliate transactions.
- Lead consultant in a management audit of South Jersey Gas Company for the New Jersey Board of Public Utilities. Cyber security responsibilities included reviewing

governance, overall approaches, risk assessment and awareness, recruitment and training of personnel, third party contractors, cooperation and compliance with regulatory authorities, and the status of actions and plans for addressing cyber security orders.

- Lead consultant in a management audit of Connecticut Power and Light for the Connecticut Public Utility Regulatory Authority. Responsibilities included the review and assessment of risk assessment and mitigation, finance, O&M and capital budgeting, accounting, pension benefits, and affiliate transactions.

### **DAVID P. VONDLE, MBA, CMC**

Mr. Vondle has over 25 years of management consulting experience with special emphasis on conducting management audits of electric, natural gas, water, and telecommunications utilities for state regulatory commissions. He was the Lead Consultant for Governance, Executive Management, and System Operations on SAGE's recent affiliate and management audits of South Jersey Gas for the New Jersey Board of Public Utilities.

Mr. Vondle has played a key role in over 30 state regulatory commission sponsored management and affiliate audits and studies. Electric and gas management audit or other regulatory proceeding subjects have included: AVANGRID/Central Maine Power, National Grid/Niagara Mohawk, PPL Corporation/PPL Electric Utilities, Florida Power & Light, Eversource/Connecticut Light and Power, United Illuminating, El Paso Electric, FirstEnergy/JCP&L, the three Pennsylvania FirstEnergy LDCs, the three Ohio FirstEnergy LDCs, Pacific Gas & Electric Company, the two Emera Maine LDCs, Los Angeles Department of Water and Power, Central Vermont Public Service Company, Eon/Louisville Gas & Electric and Kentucky Utilities, Green Mountain Power, AEP/Kentucky Power, Philadelphia Gas Works, NiSource/Bay State Gas, Southern Connecticut Gas, Peoples Gas, Southern California Gas, National Fuel Gas, and the Central Illinois Light Company Gas Division.

In addition, much of Mr. Vondle's management consulting experience is with electric and gas transmission and distribution companies, including: Xcel Energy/Southwestern Public Service; San Diego Gas and Electric; Southern California Edison; Public Service Company of New Mexico, Gas Company of New Mexico; Vectren/Southern Indiana Gas and Electric/Indiana Gas Company; United Cities Gas; Public Service Company of North Carolina; Integrys/Peoples Gas; New Jersey Natural Gas Company; and the municipal electric and gas utilities of Colorado Springs, Tacoma, Corpus Christi, and Los Alamos.

Mr. Vondle initiated, developed, and directed the AUC Management Consultants International Best Practices Consortium for natural gas transmission and distribution utilities. Over its seven years of operation, the Consortium had thirty utility participants from six countries. The Consortium included a balanced scorecard of benchmarked performance measures covering all aspects of company operations and customer service and examined innovative best practices from around the world.

Mr. Vondle has led many consulting engagements with utilities in the areas of corporate governance, executive management, performance management, affiliate relationships and transactions, organization and staffing, system operations, electric and gas supply, human resources, workforce planning, professional and technical work management,

contracting and contractor management, and succession planning. He has directly relevant experience in all of the scope areas for this management audit.

Mr. Vondle is also an expert in affiliate relationships and transactions, corporate/subsidiary relationships, transfer pricing, shared services, and inter-company services contracting and contractor management. Mr. Vondle has provided expert witness testimony on affiliate interest topics in twelve jurisdictions, including state regulatory commissions and US and state district courts.

Mr. Vondle worked as an outside plant engineer and supervisor for the Ohio Bell Telephone Company before entering management consulting. His book, *Service Management Systems: How to Create Competitive Advantages through Integrated Work Management, Materials Management, Facilities Management, and Cost Management Systems*, was published by McGraw-Hill.

### **Education and Certification**

- Bachelor of Science, Industrial Management, University of Akron
- Master of Business Administration, Southern Methodist University
- Certified Management Consultant by the Institute of Management Consultants

### **Relevant Consulting Experience**

- Lead consultant for the comprehensive management and affiliate audits of Elizabethtown Gas Company and Southern New Jersey Gas Company for the New Jersey Board of Public Utilities. Areas of responsibility included governance, corporate performance management, transmission and distribution operations, and all support services.
- Lead consultant for executive management and corporate governance in the management audit of Eversource/Connecticut Light and Power. The audit included an analysis of the results of the Northeast Utilities merger with NSTAR to form Eversource.
- Project manager for executive management and corporate governance in the management audit of PPL Corporation/PPL Electric Utilities.
- Lead consultant in an analysis of Louisville Gas & Electric's and Kentucky Utilities' earnings sharing mechanism for the Kentucky Public Service Commission.
- Lead consultant for executive management in the affiliate and management audits of Aqua New Jersey for the New Jersey Board of Public Utilities.
- Assisted an electric transmission and distribution utility prepare for a management audit. Topics included executive management and governance, affiliate relationships and transactions, and performance management.
- Lead consultant for planning and performance management on a management audit of National Grid/Niagara Mohawk for the New York Department of Public Service.
- Lead Consultant for transmission and distribution in a management audit of the FirstEnergy Jersey Power & Light Company for the New Jersey Board of Public Utilities.

- Assisted a regulated transmission and distribution utility prepare for a management audit. Topics included executive management, affiliate relationships and transactions, and performance management.
- Lead consultant for gas system operations in a management audit of Southern Connecticut Gas for the Connecticut Department of Public Utility Control. The audit scope included gas system safety performance and pipeline safety regulations compliance programs.
- Project Manager for the management audit of National Fuel Gas' Pennsylvania operations for the Pennsylvania Public Utility Commission. Also served as the Lead consultant for gas system planning, design, and construction; gas system operations and maintenance; gas supply; and staffing levels. The audit scope included gas system safety performance and pipeline safety regulations compliance programs.
- Lead consultant for the affiliate relationships and transactions audit of Southern Connecticut Gas for the Connecticut Department of Public Utility Control. Examined the relationship between SCG and an affiliated customer information system company.
- Lead consultant on the management audit of Central Illinois Light Company gas utility for the Illinois Commerce Commission in the areas of gas supply; organization and work force management; gas systems planning, design and construction; and operations and maintenance. Examined the cast iron pipe replacement program and the mobile dispatch system.
- Lead consultant on the management audit of Peoples Gas Light/North Shore Gas for the Illinois Commerce Commission in the areas of technology use, systems betterment, maintenance programs, and system mapping and records. Examined the economics of an urban utility cast iron replacement program and the adequacy of the cathodic protection program.
- Team Leader in the areas of distribution operations and measurement in the California Public Utility Commission's ordered management audit of Southern California Gas.
- Lead consultant in the review and analysis of Pacific Gas & Electric's gas supply portfolio in conjunction with the California Public Utility Commission's sponsored study during the California energy crisis. Examined the gas supply portfolio and related storage and peaking facilities in the context of the cash crisis to assure continued reliable gas supply for the remainder of the winter. The study also examined PG&E's financial hedging activities.
- Lead consultant for gas supply planning and gas portfolio management for the Pennsylvania Public Utility Commission's sponsored management audit of the Philadelphia Gas Works. The study included the organization and staffing for gas supply, gas supply information systems, gas supply planning process, and the gas supply portfolio and hedging activity.
- Led the Workforce Planning, Business Information Systems, and Gas Procurement and Risk Management task areas in an Industrial, Economic, and Administrative Survey of the Los Angeles Department of Water and Power.

- Lead consultant on a Corporate Performance Management Organization and Process Improvement program for a Midwest investor-owned combination electric and gas utility. The program included the mission statement, strategic planning, business planning, issues management, performance metrics, individual performance planning and evaluation and incentive compensation.
- Conducted a detailed review and improvement program for a large electric and gas combination utility's performance management program. Topics included key performance indicators, benchmarking and target setting, gap analysis, improvement initiatives, and integration with the planning and budgeting process.
- Lead consultant on an engagement for an electric and gas combination utility to develop a labor resource optimization program. The program included a review of enterprise metrics and targets and leveraging the performance management process to achieve the program objectives of reducing employee staffing by ten percent.
- Conducted a review and analysis of an electric utility's and its affiliates' benchmarking and performance management programs in connection with a rate case. The effort resulted in testimony to establish "good performance" by the utility and its affiliates.
- Project manager on an engagement to develop a balanced scorecard of key performance indicators for a large Midwestern energy utility. The indicators were developed to guide the business planning process and for self-evaluation.
- Lead consultant on an engagement to assist a combination utility develop a succession management program that was fully integrated with its performance management program.
- Provided strategic planning for the consolidation of all corporate administrative support services of a large telecommunications company. The consolidation reduced costs, improved service, increased competitiveness, and sharpened customer focus. Also developed the transfer pricing policy (charge-back system).
- Lead consultant on a Corporate Performance Management Organization and Process Improvement program for a Midwest investor owned combination utility. The program included the mission statement, strategic planning, business planning, issues management, performance metrics, individual performance planning, and evaluation and incentive compensation.
- Project manager and principal consultant on an engagement to develop an electric, gas, water and wastewater utility's asset management program. The program includes the governance process, service levels, cost tracking, organization structure, asset management performance scorecards for each asset group, maintenance management, work management, information systems support, and integration with capital and O&M budgeting and rate making.
- Principal consultant in assisting a combination utility develop a labor resource optimization program. The program included a thorough review of enterprise metrics and targets and leveraging the performance management process to achieve the objectives of reducing employee staffing by ten percent.

- Directed the overhaul and modernization of the services contracting process for a large energy utility. The effort included the company's contracting philosophy, contracting economics, contractor qualifications, labor relations issues, bid packaging, bidding and selection procedures, contract pricing, contract documents, internal controls, and audit requirements.
- Project manager on an engagement to develop a balanced scorecard of key performance indicators for a large Midwestern energy utility. The indicators were developed to guide the business planning process and for self-evaluation.
- Led the Workforce Planning, Business Information Systems, and Gas Procurement and Risk Management task areas in a recent Industrial, Economic and Administrative Survey of the Los Angeles Department of Water and Power. Recommendations covered many areas, including workforce planning with respect to changing construction, operations and maintenance work loads, position budgeting and control, the use of contractors, management training and development, succession planning, organization structure, shared services management, internal controls, centralization and decentralization, and skill and experience gaps in the workforce.
- Conducted a comprehensive audit of an electric company's workforce planning, productivity and staffing levels. Addressed the workforce planning process, contract versus in-house decision-making, overtime control, proposed labor saving investments and reward systems.
- Directed a process improvement program for a major southeastern gas utility. Areas included were system integrity (leak survey, leak repair, valve maintenance, right of way maintenance, patrols and inspections, cathodic protection, and pipe replacement program) and pressure management (compressor stations, SCADA, metering, regulation, measurement, city gate stations, LNG plant, farm taps, odorization, and the gas operations center).
- Facilitated two process improvement teams for a major western gas transmission and distribution company. One team addressed compressor station operations and maintenance and the other team covered damage prevention. Improvements included lower costs, reduced downtime, and fewer damage incidents.
- Directed a project to achieve cost reductions and customer service improvements through organization, work management policy, and facility changes for a large gas company. Areas covered included engineering, customer service, construction, maintenance, warehousing, and business offices.
- Conducted a review of the engineering department for a large generation, transmission, and distribution utility. The study involved a comprehensive analysis of the needs of internal customers of the department, the services provided, and an evaluation of the current state performance of this work. The recommendations contained in the study report provided numerous methods to improve the communications of this department with its internal customers and the means to establish clear lines of responsibility and accountability for engineering work, as well as proven methods to enhance the service levels and efficiency of the department.

## **JULIA BODAMER**

Ms. Bodamer has over 14 years of experience as an energy consultant/auditor and more than 19 years of experience as a damage expert. Ms. Bodamer has been a lead and functional expert on consulting and auditing engagements in the utility industry. She has directed and participated in electric and gas utility companies, and interstate pipeline companies. She has analyzed and evaluated energy organizations and their staffing levels; analyzed natural gas RFP processes, commodity contracts, and transportation contracts; reviewed transactions, reviewed market pricing in the purchase/sale of commodities, and determined the levels of transportation required for both long-haul and local transportation; assessed the nomination and confirmation process for the movement of the physical gas; designed and implemented transactional reporting and evaluated natural gas tracking computer systems; and performed numerous analytical reviews to reduce costs and improve reliability of commodity supplies at the city gates.

Ms. Bodamer examined the features of Aggregator/Marketer's residential and small industrial customer programs. The review included the transfer of firm transportation by the utility to the programs, the review looked at other services provided by the utility (i.e., billings and collections). The growth of customers migration to other suppliers was graphed as well as a review of pricing in the CHOICE programs compared to the pricing offered by the utility.

Ms. Bodamer has worked with the following gas and electric utilities: El Paso Electric Company (power), National Fuel Distribution Company, Public Service Company of New Mexico, Equitable Gas Company, Philadelphia Gas Works, and Peco Energy Company.

Ms. Bodamer audited Cobra Interstate Pipeline and Orwell Trumbull Interstate Pipeline based in Ohio. The audit provides for a final report by the auditing group with findings and recommendations made available to the Public Utility Commission. The most recent audit identified more than \$22 million dollars in savings on the procurement and transportation function of delivered natural gas.

Ms. Bodamer has served as a damage expert in natural gas, financial hedges, financial price swaps and oil. She provided expert testimony in jury trials, gave depositions, and served as an expert witness for arbitrations and settlements. She provided guidance, general assistance, and litigation support to the legal team representing the clients. The general category of lawsuits was based on equity owners being financially damaged when the natural gas and/or oil was sold at below market prices. Ms. Bodamer assessed the measured volumes at the wellhead, determined the levels of transportation required, determined the point of sale, determined the fair market pricing in the purchase/sale of the gas commodity, and calculated financial damages. Ms. Bodamer calculations and testimony resulted in jury decisions of \$404 million dollars, \$28 million dollars, \$15 million dollars, \$1.3 million dollars, \$53.5 million dollars, and \$200,000 dollars.

Ms. Bodamer was certified as an expert in energy matters in the following cases: United States Bankruptcy Court, S. Dist. Columbus, Ohio. Civil Action No. 01-CVHO6 5390, in a Class Action Frankfort, KY Civil Action 7:07-CV-00026, in Class Action Clendenin, WV Civil Action No. 03-C-10E, in Class Action in Federal Circuit Court Civil Action 2: 04-0867, a Class Action in Federal Court Pittsburgh Civil Action No. 10-1553, a Pittsburgh individual case Civil Action 15-10132. Under appeal in the state of Pennsylvania, Ms.

Bodamer was certified as an expert in all gas matters by the Supreme Court of PA. Ms. Bodamer was certified as an expert in financial instruments and hedging practices in Clarksburg, WV. An individual case Civil Action No. 15-C-124-1, WV 13-CV-151.

### **Education**

- Bachelor's Degree, Business and Finance, from the London College of Business, London, England.
- Associate Degree in Legal Studies from Marshall University, Huntington WV.

### **Relevant Industry Experience**

Pepco Gas Services, Inc. Columbia, MD. Sr. Vice President.

- Developed business strategies and business plans to form a gas marketing company, implemented start-up plans to launch a marketing effort in the Northeast and Southeast regions.
- Selected and implemented a computer system to track all transactions from risk to invoicing.
- Established and implemented processes and procedures for the transportation of gas.
- Established and implemented the final tracking system that generates invoices.
- Determined monthly load profiles for end-use customers.
- Contracted with suppliers and end use customers.
- Established processes and procedures for the purchase of supply and authorized the associated payment to suppliers.
- Developed, analyzed and implemented hedging strategies, working with financial analysts.
- Managed and participated at the trading desk on a daily basis.

Gaslantic Corporation, Inc. Forest Hill, MD. Manager of Operations and Supply.

- Coordinated ongoing activities for industrial representatives.
- Purchased all gas commodities and transportation, both long-term and spot supplies alike.
- Remarketed excess gas.
- Developed, analyzed, and implemented hedging strategies, working with financial analysts.
- Managed all T&E activity as it related to industrial clients.
- Managed imbalances, daily deliveries and compliance with daily LDC balancing requirements.

Columbia Gas Transmission Corporation, Charleston, WV. Sr. Transport. and Exchange Representative.

- Managed the affiliate relationship to ensure that unfair advantage was not provided by the intrastate pipeline to its affiliates.
- Responsible for the overall direction of customer service.

- Responsible for maximizing throughput at the highest profit possible.
- Responsible for discounting transportation rates to compete with alternate fuels and other pipelines.
- Responsible for all aspects of account management including contracting for services, nominating, allocating, billing issues, disputes and balancing requirements.
- Responsible for Natural Gas Tariff issues with customers, developed and implemented a program to reduce take-or-pay obligations for the pipeline from \$30 million annually to \$1 million annually.

### **Relevant Consulting Experience**

Ms. Bodamer has relevant management consulting experience in the areas of:

- Natural gas load forecasting
- Natural gas and transportation contracting
- The mix of suppliers and the RFP process
- CHOICE residential and small industrial gas programs
- The purchase and sale of the gas commodity
- Financial hedges and commodity price swaps
- All aspects of gas transportation
- Capacity release
- All aspects of gas storage
- The physical movement of natural gas through nominations
- The confirmation process to ensure the physical gas is flowing
- Asset management through agent relationships
- Information technology computer systems to house all gas transactions
- Management skills in gas operations,
- Financial administration, staff development, and performance improvement.

### **JAMES HOGAN, CPA, CGMA, CVA, CMC**

In 45 years of consulting, Mr. Hogan has successfully completed 100 assignments for more than 75 clients in the utility sector involving management audits, operational efficiency reviews, financial and cost analyses, and corporate governance assistance plus organizational restructuring projects for clients in North America, Europe, and Asia.

Mr. Hogan has testified as an expert witness before five regulatory commissions on: management audits, the financial viability of troubled utilities, financial forecasts, and the cost-to-complete of a nuclear construction project. He began his career with Price Waterhouse in New York City and spent five years as Finance Manager for the European Operations of Interdata, a minicomputer subsidiary of Perkin Elmer Corp. Afterwards, he joined Theodore Barry & Associates, where he was awarded the Chairman's Cup for outstanding performance. He also served with Arthur Andersen where he led a team of more than 100 professionals including consultants, engineers, lawyers, and investment bankers in the restructuring of a state-owned electricity company in India with 56,000

employees that was later judged to be the best in India by a major credit rating agency. He also worked with PA Consulting and Tetra Tech and, for ten years, as president of Hogan & Company specializing in management audits in the USA.

His consulting work includes electric, gas, telephone, and water utilities in North America, including audits of Centerior Energy, Central Hudson Gas & Electric, Cilcorp, Consolidated Edison Co. of New York, East Ohio Gas Company, El Paso Electric, Equitable Gas, General Public Utilities, Kansas City Board of Public Utilities, Kentucky Power, Long Island Lighting, Louisiana Power & Light, National Fuel Gas Distribution, Memphis Light, Gas and Water, Nevada Power, New Orleans Public Service, Inc., New York State Electric & Gas Corp., Niagara Mohawk Power Corp., Northeast Utilities, Ohio Edison, Orange and Rockland Utilities, Pacific Gas and Electric, Pennsylvania Power, Potomac Edison, River Gas Company, Southern California Edison Company, Southern California Gas Company, T.W. Phillips Gas & Oil, United Illuminating Company, and Wisconsin Electric Power. His clients also include 12 regulatory commissions in the U.S. and six Ministries of Energy and Regulatory Agencies in developing countries.

After 15 years performing and leading management audits in the U.S., he spent 25 years managing power sector reform and operational improvement projects for USAID, The World Bank and the U.K.'s Department for International Development. Mr. Hogan also taught cost accounting at Kean College of the State University System of New Jersey. He is a member of the American Institute of Certified Public Accountants (AICPA) and the Society of Regulatory and Financial Analysts (SURFA).

### **Education and Certifications**

- Bachelor of Arts, English Literature, College of the Holy Cross
- Master of Business Administration (Accounting), Rutgers University
- Certified Public Accountant (CPA)
- Chartered Global Management Accountant (CGMA)
- Certified Valuation Analyst (CVA)
- Certified Management Consultant (CMC).

### **Electric and Gas Utility Management Audits**

Mr. Hogan has served as Engagement Director, Project Manager, or Lead consultant on management audits of electric and natural gas local distribution companies, including: British Columbia Hydro, Centerior Energy, Central Hudson Gas & Electric, Cilcorp, Consolidated Edison Co. of New York, East Ohio Gas, El Paso Electric, Equitable Gas, General Public Utilities, Kansas City Board of Public Utilities, Kentucky Power, Long Island Lighting, Louisiana Power & Light, National Fuel Gas Distribution Company, Nevada Power, New Orleans Public Service, Inc., New York State Electric & Gas Corp., Niagara Mohawk Power Corp., Northeast Utilities, Ohio Edison, Orange and Rockland Utilities, Pacific Gas and Electric, Pennsylvania Power, Potomac Edison, River Gas, Southern California Edison, Southern California Gas, T.W. Phillips Gas & Oil, United Illuminating, and Wisconsin Electric Power Company.

## Relevant Consulting Experience

- Technical Director for a management and operational audit of PLN, The State Electric Company of Indonesia. The project developed cost and performance analyses and evaluated planning and organization, finance and accounting, management information systems, power production, engineering and construction, transmission and distribution, purchasing, and customer service. The study developed corporate performance indicators reflecting world-class standards for use by PLN's Board, the Government, and international financial institutions to evaluate PLN's performance in relation to privatization and obtaining capital on international markets. The study identified key performance indicators and developed a comparative analysis of PLN's results against a global panel of electric utilities.
- Lead consultant in a management audit of Elizabethtown Gas for the New Jersey Board of Public Utilities. Responsibilities included review of purchasing and procurement of goods, services, and bidding processes.
- Engagement director and lead consultant for reviews of financial systems and cost allocations for a management and operations review of Pennsylvania Power Company for the Pennsylvania Public Utilities Commission (PUC). The review included a study of all functional areas, including planning and organization, resource planning, fuel management, marketing, accounting and finance, customer services, MIS and data processing (DP), human resource management, power production, transmission and distribution management, and seven specific objectives identified by the PUC.
- Project manager and lead consultant for finance and accounting in the management and operations audit of Orange and Rockland Utilities, Inc. on behalf of the New York Public Service Commission (NYPSC). The audit included a study of all functional areas, including organization, corporate planning, resource planning, gas supply and marketing, construction program planning, accounting and finance, customer services, outreach programs, MIS/DP, human resource management, Equal Employment Opportunity (EEO) and Affirmative Action, engineering and production, and electric and gas operations.
- Engagement director and lead consultant for a management audit of Central Hudson Gas & Electric Corp. for the NYPSC. The audit included all functional areas, including strategic planning, resource planning, gas supply and marketing, construction program planning, accounting and finance, customer service, productivity systems, MIS/DP, human resource management, power production, and T&D management.
- Assistant Project Manager and Lead Consultant for Finance and Accounting for an assessment of General Public Utilities' corporate viability after the accident at GPU's Three Mile Island nuclear facility for the Pennsylvania PUC. Mr. Hogan led the analysis of the company's cash flow projections and testified before the Erdahl Committee of the U.S. House of Representatives as well as the Pennsylvania PUC.
- Project Manager and Principal Investigator on a review of the strategic planning process and strategic plan of Centerior Energy, a financially distressed nuclear

utility. The review of the strategy development process included the plan structure, its content, and the major options evaluated. Key results included a defense of the study findings in four days of testimony and cross-examination in a contested regulatory hearing. The analysis and presentation of complex issues was highly satisfactory to both the company and PUCO.

- Lead Consultant for an assessment of the short-term financial viability of Northeast Utilities' troubled CL&P subsidiary for the state regulator. The financial review included issues related to the continued outage of the Company's Millstone Nuclear Generating Station and evaluated CL&P's short-term liquidity. A survey of the financial community was conducted to identify relevant issues and assess Wall Street sentiment. The study results were presented to the company's regulators and served as a key input to their decision-making.
- Advisor to the CFO of a \$100 million utility in developing a viable organization, improving internal controls and implementing an automated accounting system (Microsoft Dynamics), including a new chart of accounts and coding structure and preparation of the first-ever financial statements. He also helped recruit key staff and implement a training program. Finally, a Big Four accountancy was retained to conduct an external audit.
- Project manager and principal analyst on a review of the strategic planning process of a financially distressed nuclear utility for the Public Utility Commission of Ohio. Mr. Hogan defended the study results in four days of cross-examination in a contested regulatory proceeding. The analytic presentation of complex issues was highly satisfactory to the company and the regulator.
- Advisor to the CFO on an assignment to help United American Energy assess its strategy in the face of changing market dynamics. Tasks included an appraisal of corporate capabilities and market trends. The project analyzed line-of-business profitability, identified candidate market opportunities, and developed screening criteria to identify a "best fit" solution.
- Technical Director and principal analyst on a benchmarking study of the Indonesian National Electric Company for The World Bank. The goal was to develop a handful of corporate performance indicators reflecting world class standards to be used by the Board of Directors, the Government and international financial institutions to evaluate PLN's performance in relation to: (1) privatization and (2) obtaining capital on the international capital markets. The study involved an evaluation of key performance factors and a comparative analysis of its results against a panel of global electric companies.
- Corporate Governance Advisor on USAID's RESET project in Kyrgyzstan. The initial role was to help the State Property Management Fund (SPMF), the shareholder of the state-owned electric enterprises, to introduce good governance practices to the electricity supply sector. The SPMF asked for an analysis of the seven companies' annual reports and the scope of work was expanded to include in-depth financial analysis of the sector. The results were used as the basis for plans to improve the quality of financial reporting and corporate governance.
- Lead Consultant for a review of corporate governance for USAID at DABS, Afghanistan's national power company. With a growing awareness of the role that

corporate governance plays in business success, the review focused on the Board of Directors, including how it was constituted, how members are selected and evaluated, and how the Board sets goals and monitors management's performance, among other issues. The results were delivered in July 2019 and the recommendations were the basis for an RFP issued by USAID.

### **Selected Published Articles and Presentations**

- State-Owned Utilities: What Do Investors Want? Kyiv Energy Research Institute (KERI), International Energy Conference, Kyiv, Ukraine, April 14, 2016
- The High Cost of Cheap Power, Presentation to the Minister of Energy, Kyrgyz Republic, March 2014
- The Smart Grid Vision for India, Editor, PA Consulting for USAID, April 2010
- In Search of Excellence in India's Power Distribution Sector, with BP Mukherjee IEEMA Journal, Mar 2007
- Creating Bankable Regional Electric Companies, InvestKazakhstan, June 2004
- Creating Shareholder Value, with Robert Neyland and E. Mark Gressle, Electric Perspectives, Sept 1999
- A New Strategy for a New Era, with R. Neyland and M. Gressle, Public Utilities Fortnightly, Sept 15, 1999
- Dawn of a New Strategic Era, RDI & Deloitte Consulting, June 1999
- Benchmarking and Reengineering, APPA Performance Analysis Workshop, November 1995
- The Management Audit as Corporate Sextant, Inside Hagler Bailly, June 1994

### **ERIC SPIVAK, CIA, GGAP, CRMA**

Mr. Spivak has over 25 years of experience as an auditor, audit trainer, and management consultant working primarily in the public sector and in the utilities industry. Mr. Spivak has served as the County Auditor of Jackson County, Oregon and has held public sector audit positions with the State of Arizona and the City of Scottsdale, Arizona. He served as the Auditor Manager of the National Public Auditor's Office in the Federated States of Micronesia and trained government auditors in Bhutan and India.

Mr. Spivak has served in a senior level capacity on numerous engagements focused on internal control, compliance, performance, and risk assessment involving local and state governmental entities. As Jackson County Auditor, Mr. Spivak oversaw the County's annual risk assessment process, directed all audits, sat on the County's Classification and Compensation Committee, and managed the County's ethics hotline.

Mr. Spivak has worked with the following utilities: Elizabethtown Gas Company, NSTAR Gas Company, Eversource Gas Company of Massachusetts, Chugach Electric Association, Inc., Commonwealth Edison, San Diego Gas and Electric, and the Southern California Gas Company. His work within the utilities industry has focused on affiliate relationships and Sarbanes-Oxley internal control reporting requirements.

### **Education and Certifications**

- Bachelor of Arts, Political Science, Arizona State University

- Master of Public Administration, Arizona State University
- Certified Internal Auditor
- Certified Government Auditing Professional
- Certification in Risk Management Assurance

### **Relevant Consulting Experience**

- Consultant in an affiliate compliance audit of Sempra Energy Utilities for the California Public Utilities Commission. Responsibilities included assessing compliance by San Diego Gas & Electric Company and Southern California Gas Company with California's affiliate transactions rules and addressing potential affiliate audit issues.
- Lead consultant in an affiliate interests and comprehensive management audit of Elizabethtown Gas Company. Responsibilities included reviewing affiliate relationships and transactions, customer operations, and finance and accounting functions.
- Lead consultant in a review of the gas system enhancement program reconciliation filings of NSTAR Gas Company and Eversource Gas Company of Massachusetts for the Office of the Attorney General for the Commonwealth of Massachusetts.
- Consultant in original cost audit of Commonwealth Edison for the Illinois Commerce Commission. Responsibilities included reviewing additions to the electric utility plant over a 20-year period and verifying the appropriateness of the recorded original cost and accumulated depreciation.
- Consultant in a focused affiliate interest audit of the Southern California Gas Company for the California Public Utilities Commission. Responsibilities included the review, analysis, and evaluation of the cost allocation model and affiliate interest transactions between this utility and its parent holding company and other affiliated subsidiaries.
- Lead consultant providing technical support to the Massachusetts Attorney General, Office of Ratepayer Advocacy in the NSTAR Storm Cost Recovery Case (DPU 24-158). Primary responsibility involved reviewing and evaluating reasonableness and appropriateness of expenditure classification as capital or operating expenses.
- Consultant on financial audit of construction of Goose Creek Correctional Facility for the Alaska Senate Finance Committee. Responsibilities included evaluation of site selection process and accounting for capital expenditures.
- Project Manager of annual audits of gas tax expenditures charges for Jackson County. Audits were conducted to evaluate compliance with statutory requirements pertaining to gas tax revenue expenditures.
- Project Manager of annual audit of Passenger Facility Charges audit of Rogue Valley International – Medford Airport for Jackson County. Audits were conducted to evaluate if revenue use complied with Federal Aviation Administration requirements.
- Lead consultant in risk assessment and audit of financial controls for State of Washington's Department of Financial Institutions. Responsibilities included

performing a risk assessment and reviewing, analyzing, and evaluating controls over payroll, employee reimbursements, inventory control, and other areas of central management.

- Lead consultant in audit of Atherton, California Building Department. Responsibilities included designing and performing tests to evaluate the effectiveness of the department's internal control and organizational structures.
- Directed numerous audits of Jackson County departments to verify effectiveness of financial controls, accuracy of revenue recordation, and appropriate safeguarding of county revenue.
- Lead consultant in an internal review for the Chugach Electric Association, Inc. Responsibilities included the identification, documentation and testing of key controls in the areas of customers served, accounts payable, and accounts receivable.
- Consultant in SOX 404 testing of Fisher Communications, a Seattle-based communications and media company operating 20 television and 8 radio stations. Responsibilities involved testing controls over revenue recordation and receivables.
- Lead auditor on numerous audits of Arizona County Juvenile Justice Departments for the State of Arizona. Responsibilities included evaluating compliance with state statutes and administrative regulations governing financial management, employment of licensed individuals, and the standards of care for juveniles in custody.
- Auditor of compliance with OMB Circular A-1333 (Single Audit) requirements of multiple local governments for the State of Ohio. Responsibilities involved testing, determining compliance, developing recommendations, and reporting results.
- Project Manager of central service chargeback audits of Jackson County, OR. Responsibilities included the methodological development and oversight of audit activities conducted to evaluate the appropriateness of cost allocation models and to determine whether county practices complied with requirements established by the federal government for local governments receiving federal funds.
- Directed audits of County Clerk, District Attorney, and other Jackson County Departments to evaluate appropriateness of staffing levels and effectiveness of staffing models. Responsibilities included developing methodologies to determine workload, measure productivity, and evaluate staffing models. Projects resulted in determination of optimal staffing models and recommendation of appropriate staffing levels.
- Consultant in evaluation of Maricopa County Probation Department's training program. Responsibilities included designing and evaluating customer satisfaction surveys and facilitation of focus groups.
- Consultant in organizational effectiveness of Pharmacy and Medical Records departments for Riverview Hospital, Red Bank, New Jersey.

## **JAMES P. COLLINS**

Mr. Collins is a highly accomplished technical communicator with over sixteen years of professional documentation creation and management experience. Mr. Collins has a proven record of producing documents on time and to exacting standards through excellent communication combined with analytical and writing skills. He is a wizard at translating convoluted, highly technical language into text the everyday user can easily understand. Mr. Collins has extensive experience researching and developing scientific and technical reports, publications, and other documentation.

Mr. Collins served in similar roles for a number of SAGE audits ensuring that reports were edited for correct grammar and spelling, readability, accuracy, logical organization, and compliance with SAGE's style guide and report content requirements. Mr. Collins also supervised the development of a complete set of working papers and audit trail for each engagement. Audits included:

- Comprehensive Management and Affiliated Transactions Audit of Elizabethtown Gas Company for the New Jersey Board of Public Utilities
- Comprehensive Management and Affiliated Transactions Audit of Aqua New Jersey Water Company for the New Jersey Board of Public Utilities
- Comprehensive Management and Affiliated Transactions Audit of South Jersey Gas Company for the New Jersey Board of Public Utilities
- Compliance Audit of First Energy Operating Companies for the Public Utilities Commission of Ohio
- Management Audit of the Connecticut Light and Power Company for the State of Connecticut Public Utilities Regulatory Authority
- Stratified Management and Operations Audit of PPL Electric Utilities Corporation for the Pennsylvania Public Utility Commission.
- Management Review of the City of Tacoma Public Utilities

### **Education**

- Certificate in General Business Studies with Concentration in Technical Communications, University of California, Los Angeles, Extension
- Associate of Arts, University of Phoenix
- Presenting Data and Information seminar (Edward Tufte), San Jose, California

## VIII. WRITING SAMPLES

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The SAGE Management Audit of South Jersey Gas can be found at:

[https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case\\_id=2108587](https://publicaccess.bpu.state.nj.us/CaseSummary.aspx?case_id=2108587)

The SAGE Management Audit of Eversource/Connecticut Light and Power final report can be found at:

<https://www.dpuc.state.ct.us/Electric.nsf/22d33958d7bd318385256b72006c27ec/a7700abf0564c96d8525807a005798e4?OpenDocument>

The final report for the SAGE Management Audit of Aqua New Jersey, Inc. can be found at:

<http://SAGEconsultants.org/files/SAGE-AquaNJFinalReport.pdf>

## **IX. CONFLICTS OF INTEREST**

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Neither SAGE nor any members of the proposed project team have any current or past professional, personal, or financial relationship with NFGDC, NFG, or their affiliates. While none of the team members hold stock in the company directly, they may hold mutual funds or exchange traded funds that hold stock in the company.

## X. REFERENCES

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The following are references for recent projects performed by SAGE and the consulting team proposed for this engagement.

### **New Jersey Board of Public Utilities**

SAGE recently completed an Affiliate Transactions Audit and a Comprehensive Management Audit of **Elizabethtown Gas** for the New Jersey Board of Public Utilities.

Reference:

Paul Buhagiar

Deputy Director – Division of Audits

New Jersey Board of Public Utilities

(609) 322-9607

[Paul.Buhagiar@bpu.nj.gov](mailto:Paul.Buhagiar@bpu.nj.gov)

SAGE completed an Affiliate Transactions Audit and a Comprehensive Management Audit of **South Jersey Gas** for the New Jersey Board of Public Utilities.

Reference:

Alice Bator

Director - Division of Audits

New Jersey Board of Public Utilities

(609) 292-0626

[Alice.Bator@bpu.nj.gov](mailto:Alice.Bator@bpu.nj.gov)

### **Massachusetts Attorney General**

SAGE recently provided technical expert consulting services to the Massachusetts Attorney General's Office of Ratepayer Advocacy in evaluating the petition of **NSTAR Electric Company d/b/a Eversource Energy** for recovery of incremental storm-related expenses associated with qualifying weather events (DPU 23-131).

Reference:

Christopher Modlish

Assistant Attorney General

Office of Ratepayer Advocacy

(617) 727-2200

[Chris.Modlish@mass.gov](mailto:Chris.Modlish@mass.gov)

## **XI. INSURANCE ATTESTATION**

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SAGE understands the mandatory insurance requirements for any business applying for permits, licenses, or contracts with New York State and will provide documentation of such insurance to the Department upon selection to conduct a Comprehensive Management and Operations Audit of National Fuel Gas Distribution Corporation.

## XII. COST

### A. PROFESSIONAL FEES AND TRAVEL EXPENSES

The cost of management audits is dependent on the level of effort required to complete the engagement. SAGE estimates that this engagement as specified and proposed will require a **3,328** work hour level of effort which translates to **\$964,480** in professional fees.

Potential travel expenses are based on **12** planned site visits to NFG and NFGDC offices and facilities in Williamsville, New York and NFGDC offices and facilities in Buffalo, Cheektowaga, and Jamestown, as necessary. Based on these site visits, expenses are estimated to be **\$30,000**, and the total not to exceed project cost is **\$994,480**. This total cost does not include any post-project activities.

The following exhibit provides consultant hours for each task area, hourly rates and total fees for each consultant, and the total not to exceed price, including estimated travel expenses.

#### Total Work Hours and Cost by Consultant

Task Area	Rosenkoetter	Vondle	Bodamer	Hogan	Spivak	Collins	Total
Gas Planning and Operations	72		520			72	664
Capital Project Oversight and Execution	24	312				24	360
Budgeting and Procurement	24			240		24	288
Affiliate Interests	16			200		16	232
Physical and Cyber Security	160	208			40	48	456
Information Systems	240	24		40	72	32	408
Customer Operations	64				392	64	520
Project Administration	160					240	400
<b>Total Hours</b>	<b>760</b>	<b>544</b>	<b>520</b>	<b>480</b>	<b>504</b>	<b>520</b>	<b>3,328</b>
Consultant Rate	\$350	\$325	\$295	\$295	\$295	\$150	
Professional Fees	\$266,000	\$176,800	\$153,400	\$141,600	\$148,680	\$78,000	<b>\$964,480</b>
Estimated Travel Expenses							\$30,000
<b>Total Not To Exceed Price</b>							<b>\$994,480</b>