

Audit Implementation Plan Updated

Consolidated Edison
Company of New York, Inc. and
Orange & Rockland Utilities, Inc.
Case 14-M-0001

September 27, 2016



**Consolidated Edison Company of New York, Inc. and
Orange & Rockland Utilities, Inc.
Case 14-M-0001**

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I Executive Summary

In December 2014, the New York Public Service Commission (“Commission” or “PSC”), in Case 14-M-0001, commenced the comprehensive management and operations audit of the Consolidated Edison Company of New York, Inc. (“CECONY”) and Orange & Rockland Utilities, Inc. (“O&R”) (collectively “the Company”) in accordance with Public Service Law §66(19). Through a competitive bidding process, the PSC selected NorthStar Consulting Group (“NorthStar”) to perform the audit on behalf of the PSC. Since its start in April of 2015, the Company, Staff, and NorthStar have worked collaboratively to facilitate this review of the Company’s management processes. Pursuant to PSL §66(19), audits are required to be performed at least once every five years for combination electric and gas utilities and “[t]he audit shall include, but not be limited to, an investigation of the company’s construction program planning in relation to the needs of its customers for reliable service, an evaluation of the efficiency of the company’s operations, recommendations with respect to same, and the timing with respect to the implementation of such recommendations.”¹

The audit concluded in February of 2016, and NorthStar’s Final Report dated April 21, 2016, was released on May 20, 2016. The audit was discussed at the Commission session on May 19th, and a Commission letter instructing the Company to submit an implementation plan by June 20, 2016 was issued on May 20, 2016. In response to the Commission’s letter of May 20, 2016, the Company now submits its implementation plan. In this audit implementation plan (“implementation plan”), the Company sets forth its plan and how it will implement the recommendations identified in the Final Report.

CECONY and O&R have been deferring the audit charges, with interest, that have been paid to NorthStar. CECONY electric and gas have included their share of the costs in their current base rate filing (Case 16-E-0060 and 16-G-0061). O&R and CECONY steam will seek recovery of their share of the costs in their next base rate filings.

A. Overall Process

The scope of the operations and management audit included a comprehensive examination of the multiple aspects of the Company’s management process, including the following focus areas:

- Corporate Governance
- System Planning and Capital and O&M Budgeting
- Program and Project Planning and Management
- Work Management
- Performance and Results Management
- Customer Operations
- Shared Services and Affiliate Transactions

The Company committed senior executives and a full-time management audit team at both CECONY and O&R to facilitate the audit process and to be timely and responsive to audit inquiries. The Company

¹ PSL §66(19).

embraced the idea of being involved in this collaborative work effort. The process was consistent with the Company’s commitment to excellence and seeking continuous improvement in its business processes. Identifying and implementing improvements enables the Company to operate more effectively and efficiently, fosters a culture of customer centric thinking and promotes delivery of the most reliable, safe and quality services to our customers.

Throughout the discovery process, the Company collaborated with Staff and NorthStar to work through inquiries and issues through positive and productive discussions, as well as meetings and presentations to ensure that each entity reached a mutual and full understanding of matter(s) at hand. This open and collaborative work practice fostered a smooth and efficient completion of the discovery process, acceptance of the final report, and the commencement of the implementation phase. The Company fully supports a collaborative audit approach in future management audits and believes that collaborative efforts lead to better understanding of issues and therefore better solutions.

The Final Report resulted in 36 recommendations. The Company will consider each of the 36 recommendations, engage the Company’s skilled subject matter experts to review each recommendation, and develop an implementation plan that will most effectively address each recommendation. The Company is fully committed to the success of this implementation plan.

B. Recommendations

The 36 recommendations from the audit are distributed across the areas of focus shown in the table below.

Recommendations By Focus Area	Total
Corporate Governance	4
System Planning and Capital and O&M Budgeting	5
Program & Project Planning and Management	7
Work Management	6
Performance and Results Management	1
Customer Operations	8
Shared Services and Affiliate Transactions	5
Total	36

The Company is taking an integrated and comprehensive approach in addressing these recommendations. The Company has created 36 work teams to independently review each recommendation and associated conclusions. As a commitment to the success of the implementation process, each of the work teams has been assigned one or more executive level sponsors. Each work team is also comprised of skilled Company subject matter experts appointed to evaluate, develop and drive the implementation of effective and appropriate solutions.

C. Organization Structure and Process for Implementation

The Company has established a project management approach as described within this implementation plan to evaluate and address each of the 36 recommendations. To facilitate this process, the recommendations have been assigned to 36 implementation work teams with at least one executive sponsor assigned to oversee each recommendation's implementation plan development and execution.

Overall responsibility for implementing the plan will be co-led by the Vice President of Business Finance at CECONY and the Vice President of Operations at O&R, who will ensure that recommendations are addressed in an integrated and comprehensive manner to achieve operating efficiency and consistency for the benefit of customers.

In addition to the executive sponsor(s) providing executive-level oversight on each recommendation work team, the Corporate Leadership Team (CLT) at CECONY and Corporate Policy Committee (CPC) at O&R, will be fully engaged providing review and guidance at appropriate intervals throughout the implementation process to ensure that all aspects of the plan are aligned with the Company's strategic goals and vision for the future. The CLT and CPC will also provide support in communicating any resultant policy changes to the Company's employees. The Boards will receive updates on implementation activities and status.

D. Goals of Implementation and Priorities

The implementation of the recommendations is a company-wide effort that includes active participation and engagement from employees at all levels throughout the Company, with the full support and leadership of both the CECONY and O&R Boards and executive management. Consistent with the Company's commitment to customer focus, operational excellence, safety and continuous improvement in its business processes, the Company envisions that the implementation plan and efforts will result in improvements that will provide more effective and efficient processes within the Company's operations, continue to build on the Company's culture of inspiring customer centric thinking and engagement, identify and apply best practices, and promote the delivery of the most reliable, safe and quality services to our customers at a reasonable cost. By leveraging this sharing of information, the Company can maximize efficiency and consistency in the way we do business and provide service to our customers.

The NorthStar Final Report cited key areas of recommendations as follows:

- Competitive Procurement Levels
- CEO Certification
- Integrated Electric Distribution System Plans
- Consistent Project and Program Management
- Work Management Process Improvement

The Company acknowledges that all 36 recommendations require thorough review, analysis and consideration to ensure that the best solutions are identified and implemented. Certain key recommendations are being pursued on an accelerated basis, such as driving Competitive Procurement

Levels to exceed previous levels of performance and others listed above. These high priority items address actions for implementation that will yield either significant strategic or the most immediate benefit to customers.

II Audit Implementation Plan

The Company recognizes that it needs to routinely re-examine its planning and operating processes to seek increased economic efficiency and to achieve long term success of the Company.

The Company's submission of this implementation plan is the first step toward compliance with PSL §66(19) (b). The Company intends to update this initial report on a periodic basis and provide those updates to the Commission. The table in Appendix A provides the numbering sequence, chapter reference, recommendation, relative priorities (i.e. high to low) and status regarding the implementation of each recommendation. The table in Appendix C provides a summary of cost and associated details regarding each recommendation.

A. Priority and Status of Recommendations

Each of the 36 teams has individually examined the Final Report's statements of relevant findings, conclusions, and the associated recommendation(s). As mentioned above, Appendix A to this implementation plan reflects the relative priorities (i.e. high to low) and status regarding the implementation of each recommendation. Each are assessed under one of the following four status categories:

- In Progress: Concurrence with Final Report's statement of relevant finding(s) and conclusion(s); recommendation is appropriate based on preliminary customer benefit and risk assessment; implementation plan with milestones established and in progress subject to additional cost benefit and risk review.
- Under Review: Evaluation of recommendation is in progress and acceptance will be contingent on results of further analysis. A determination will be made whether the recommendation is viable for being accepted, whether an alternative approach will be pursued or whether the recommendation will not be accepted.
- Not Accepted: Final report's identification of relevant finding(s) and conclusion(s) has been reviewed; implementation activity is not warranted at this time.
- Completed: The Company's response to this recommendation and its findings are complete; no further action is required or expected

Appendix B provides each recommendation's individual implementation plan. It provides information on each, including but not limited to, project description, objectives and scope as well as a work plan, inclusive of deliverables and milestones with associated dates, and a summary of customer-benefit and risk analysis, where applicable.

B. Customer Benefit and Risk Analysis

The Company is committed to customer-centric thinking and keeping customer value at the forefront of its business decisions. As such, a guiding principal throughout all qualitative and/or quantitative analyses is customer cost, benefit, and risk. The Company will evaluate the costs, benefits and risks of implementation actions where appropriate in order to determine whether implementation would be beneficial. These calculations are expected to be preliminary in the initial stages of the evaluation and develop further as efforts progress and more information is available. In addition, for some recommendations, a tangible cost benefit analysis will not be readily quantifiable, and in such cases the Company will require that qualitative measures indicate adequate customer benefits to warrant the implementation action.

Each recommendation will be evaluated by the Company in the context of cost, customer value and feasibility. In cases where the Company's evaluation supports the implementation of a recommendation, the Company will act to implement the recommendation. Similarly, should evaluation of a recommendation show that the identified benefits will not materialize to an extent appropriate to justify actions, the Company will suggest an alternative in accordance with the guidance provided by the Commission in its letter dated May 20, 2016. Furthermore, if analysis shows that further action to address an ongoing initiative will not be beneficial, the Company will change course accordingly to avoid negative impacts. These evaluations will be reflected in the Company's implementation plan updates to the PSC every four months.

III Conclusion

The Company recognizes that the findings, observations, and recommendations of the management audit represent an opportunity for effecting improvements for the benefit of customers. The Company and its executive leadership are committed to collaborating with the PSC and other stakeholders on implementation activities. The Company will provide formal updates to the Commission every four months. The Company will assess each of the recommendations carefully and looks forward to implementing those recommendations that will result in short term and long term benefits to our customers.

IV Appendices

Appendix A: Key of Recommendations, Priority, and Status

Note: Priority items are designated by an “H” (signifying a “high” priority), an “M” (signifying a “medium” priority), and “L” (signifying a “low” priority).

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
1	III-1 Corporate Governance	Increase the level of sharing of best practices between O&R and CECONY by developing a protocol, and explore additional opportunities for potential cost savings resulting from standardized process or economies of scale.	M	M	Accepted- In Progress
2	III-2 Corporate Governance	Regarding the Chief Executive Officer (CEO) Certification process: <ul style="list-style-type: none"> • Develop appropriate processes to disseminate modifications or updates to policies, procedures and controls as a result of Internal Audits and QA reviews to the appropriate CEO Certification representative in order to update matrices as required. • Individuals performing Internal Audits and QA reviews should be aware of the CEO Certification policies, procedures and controls that may be within the scope of the planned review. • On a going forward basis, using a risk-based prioritization process, revisit critical policies, procedures and controls to ensure they properly address the requirements to which they have been assigned. Consider adding monitoring requirements to safety- related procedures. 	H	H	Accepted- In Progress
3	III-3 Corporate Governance	DPS and the Joint Utilities should meet to clarify all parties’ understanding of the requirements of the CEO Certification process.	H	H	Accepted- In Progress
4	III-4 Corporate Governance	Replace one or more of the Named Fiduciaries with other employees not directly involved in management of the Consolidated Edison Retirement Plan Trust. The replaced officers, CFO and Chief Accounting Officer, could still provide his/her expertise as the senior officer in his/her area of responsibility. The newly appointed officers could meet the obligations of Named Fiduciaries and draw on the expertise of the senior offices who now serve as Named Fiduciaries.		L	Under Review

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
5	IV-1 System Planning	Develop comprehensive and integrated electric distribution system plans for CECONY and for O&R that utilize a consistent approach to asset management, regulatory programs (including Reforming the Energy Vision (REV)) and system growth. The initial structure and content of the plans should be included in the Distributed System Implementation Plans (DSIPs) to be submitted to the Commission mid-2016.	H	H	Accepted- In Progress
6	IV-2 System Planning	Develop and implement the capital program optimization model across both companies and organizational units in a consistent manner.	M	M	Accepted- In Progress
7	IV-3 System Planning	Develop a CECONY comprehensive secondary electric network asset management plan.	M	M	Accepted- In Progress
8	IV-4 System Planning	Reevaluate the projected costs and timeline of the Accelerated Main Replacement program for consistency with project objectives.	M	H	Accepted- Completed
9	IV-5 System Planning	Improve competitive procurement levels to reacquire and exceed previous levels of performance.	H	H	Accepted- In Progress
10	VI-1 Program and Project Planning and Management	Develop a consistent approach to program and project management throughout CECONY and O&R. Establish and enforce formal project management control procedures, especially regarding instances when CECONY capital projects are transferred between organizations. Establish an organizational unit responsible for standardizing project management practices to accomplish this effort.	H	H	Accepted- In Progress
11	VI-2 Program and Project Planning and Management	Charge actual CECONY engineering and construction oversight costs directly to capital projects so the booked capital costs reflect the actual costs of the project.	M	M	Under Review
12	VI-3 Program and Project Planning and Management	Revise CECONY processes and procedures to require that estimated and booked project costs include all costs.	H	M	Accepted- In Progress
13	VI-4 Program and Project Planning and Management	Update CECONY contracting and procurement procedures to assign roles and responsibilities in the event that Bid Check estimate is the low bid.	L	L	Accepted- In Progress

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
14	VI-5 Program and Project Planning and Management	Establish a process to ensure that there is a CECONY Project Manager assigned to manage the work when a CECONY project is performed by NYC contractors.	H	M	Accepted- In Progress
15	VI-6 Program and Project Planning and Management	Formalize the O&R contractor oversight rotation policy and revise O&R contract management procedures to provide more detailed guidance regarding the use of the Contractor Oversight System.	L	L	Accepted- In Progress
16	VI-7 Program and Project Planning and Management	Perform a formal review of O&R change orders on a semi-annual basis to identify and distribute lessons learned.	M	M	Accepted- In Progress
17	VII-1 Work Management	Continue CECONY Gas Operations work management process improvement activities in accordance with its Gas IT Roadmap.	H	H	Accepted- In Progress
18	VII-2 Work Management	Develop formal reports on CECONY and O&R trends in work load levels, workforce productivity and utilization.	M	M	Accepted- In Progress
19	VII-3 Work Management	Establish formal processes to use work management data for annual resource planning as part of the annual business planning activities of CECONY Gas Operations, Substations Operations, Transmission Operations and Steam Plants.	M	M	Under Review
20	VII-4 Work Management	Develop formal work management practices for CECONY and O&R engineering organizations. Where possible, leverage the results of CECONY Central Engineering's Continuous Improvement Program. The work management systems should have appropriate system tools to support the various individual and distinct engineering functional processes.	M	M	Under Review
21	VII-5 Work Management	Develop overtime targets for CECONY and O&R based on economic analyses and verified industry norms.	M	Ref. Liberty Staffing Audit	Ref. Liberty Staffing Audit*
22	VII-6 Work Management	Develop formal studies and provide updates of contractor versus in-house costs every three to five years, and use the results of these studies in CECONY and O&R resource planning to determine the optimal use of contractors.	M	Ref. Liberty Staffing Audit	Ref. Liberty Staffing Audit*

*This implementation plan will be updated if this recommendation is not addressed in the Liberty Staffing Audit (Case 13-M-0449) implementation plan.

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
23	VIII-1 Performance and Results Management	Modify the O&R performance management process as follows: <ul style="list-style-type: none"> • Modify the employee development key performance indicators (KPIs) to be more reflective of the objective, rather than an evaluation of Human Resources. • Establish more aggressive ATIP KPIs targets that are realistic, but not too easily attainable. • Increase the frequency of communication of performance objectives to the overall employee base and ensure that the use of indices is not creating any confusion or minimizing the significance of individual measures. • Make the ATIP dashboards easier to locate on the intranet site. 	M	M	Accepted-In Progress
24	IX-1 Customer Operations	O&R needs to complete its review of current processes to determine why the error occurred in the service turn on for a commercial customer which took almost one month to complete and implement necessary changes.	M	L	Accepted-In Progress

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
25	IX-2 Customer Operations	<p>CECONY has proposed the following solution to address the issues with the denial of service notification for customers that do not currently have service (i.e., service "cold"). NorthStar concurs with the proposed solution, but notes that CECONY must also address the denial of service and document retention requirements for residential and non-residential denials of service required by Parts 11 and 13 of 16 NYCRR for applicants that currently have service (i.e., service "hot").</p> <ul style="list-style-type: none"> • In order to establish processes and controls so that Turn-On denial letters are sent in all cases where service is not already on at the premise, CECONY proposes that a training document be sent to all Customer Service Representatives reminding them of the Turn- On denial process. • In addition, as an interim additional control measure, reports of all of the Turn-On Deny notations will be generated and produced on a daily basis for review. Customer Assistance staff will review the list to validate that the Turn-On Deny letter was sent to the applicant, and take action as necessary. • In the longer term, an automated solution will be evaluated to improve controls. A cross- functional team will be assembled to develop this automated solution and to evaluate feasibility, costs and prioritize implementation. It is expected that a recommendation for an automated solution will be available by third quarter 2016. • Currently, in situations where service is "hot" (i.e., already on at the premise), a control exists if the customer continues to use service but does not contact the company. Accounts registering usage on a meter after a cycle reading that do not have a customer of record generate inactive advance notices which are sent to the location. There is currently a group in Field Operations dedicated to reviewing accounts with a Turn-Off field order, which is generated after two cycle readings register usage on a meter. 	L	L	Accepted- In Progress

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
26	IX-3 Customer Operations	Modify O&R's Joint Procedures – 0011 “Customer Deposits for Gas and Electric Service” as follows: <ul style="list-style-type: none"> • Eliminate the section that allows O&R to charge a deposit for a new residential customer that is considered a credit risk. • Modify the language regarding deposit payment arrangements to allow the customer to pay in 12 monthly installments. • Eliminate the language that indicates that residential customers that cannot pay the deposit in full will either be turned off or not turned on. • Clarify that the payment of the security deposit in full as a condition of service for non- residential customers is applicable to new customers only. • Clarify the language regarding the length of time non-residential deposits such that it is clear that deposits will only be held longer than 3 years in the event of delinquency. 	L	L	Accepted- In Progress
27	IX-4 Customer Operations	Make the following modifications to O&R's collections notices and website: <ul style="list-style-type: none"> • Once current stock has been depleted or other changes warrant, modify O&R's “Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland” to specifically inform non-residential customers that they may request a review to ensure a required security deposit is not excessive. • Modify O&R's residential customer broken agreement letter to include the address and telephone number of the appropriate social services office or the local social service information number, as required by Part 11.10 of HEFPA. • Correct the portion of O&R's web page describing the requirements for enrollment into the residential levelized payment plan to clarify that customers may enroll at any time. 	L	L	Accepted- In Progress
28	IX-5 Customer Operations	Modify CECONY's CSR training (DR 201-C, Attachment 12, p. 9-14) to be consistent with the security deposit installment plan requirements of HEFPA. According to a 2/18/16 email from CECONY this issue has already been corrected in response to NorthStar's inquiry of 2/17/16. NorthStar has not verified the correction.	L	L	Accepted- In Progress

#	Chapter	Recommendation	NorthStar Priority	Company Priority	Status
29	IX-6 Customer Operations	Evaluate and document the following modifications to CECONY's bills and collections notices: <ul style="list-style-type: none"> • Modify the bill notice section to better highlight critical collections-related bill messages. • Correct CECONY's demand rate bill formats to correctly display the rates. • Modify CECONY's Special Agreement Offer (SAO) postcard to contain language regarding financial need, the \$10 minimum offer or the customer's ability to modify the terms based on changes in their financial circumstances. 	L	L	Accepted-In Progress
30	IX-7 Customer Operations	Determine the cost of limiting CIMS access (O&R) such that CSRs cannot remove the LSE code on a customer account (should be performed by a supervisor or other applicable group) or manually issue a lock for non-payment order on an EBD or LSE customer account. Alternatively, develop reporting to determine if such an event has occurred.	L	L	Accepted-In Progress
31	IX-8 Customer Operations	As part of the current rate case, CECONY and the DPS should review CECONY's customer satisfaction scoring methodologies and associated targets to ensure the indices provide the best information possible.	M	L	Under Review
32	X-1 Shared Services and Affiliate Transactions	Replace the spreadsheet-based affiliate billing process with an Oracle-based or other compatible based billing system.	L	M	Accepted-In Progress
33	X-2 Shared Services and Affiliate Transactions	Develop a corporate cost allocation manual that provides an overview of all allocations in the CEI enterprise and specific account numbers relating back to the shared services organization.		L	Accepted-In Progress
34	X-3 Shared Services and Affiliate Transactions	Replace the three-factor allocation formula for CEI costs with a more appropriate formula.		M	Under Review- In Progress
35	X-4 Shared Services and Affiliate Transactions	Establish CEI guidelines or clarify the Code of Conduct before appointment of future executives to the Boards of CEBs to prohibit executives with current experience in roles at the utilities related to the business engaged in by the CEB from serving on their Boards.		L	Accepted-In Progress
36	X-5 Shared Services and Affiliate Transactions	Follow CECONY internal procedures regarding oversight of affiliate transactions. Affiliate transactions should be a part of the responsibilities of the Regulatory Compliance Committee.		M	Accepted-In Progress

Appendix B - Implementation Plans

III. Corporate Governance

Recommendation Number 1: III-1

Recommendation: Increase the level of sharing of best practices between O&R and CECONY by developing a protocol, and explore additional opportunities for potential cost savings resulting from standardized process or economies of scale.

Roles and Responsibilities:

Executive Sponsor: Louis Bevilacqua, Frank Peverly
Team Lead(s): Frank LaRocca, Ken Kosior

Scope: Project Purpose, Objectives, and Assumptions:

Develop a standardized protocol, including provisions of when to use the protocol, to analyze processes for completing similar work at O&R and CECONY. The protocol should help users in deciding if a best practice exists; and if so, how to standardize.

Key Assumptions:

- Key SMEs will develop standardization protocol
- SMEs will be available as needed to support the project, in a timely manner
- Policies, procedures and/or guidance documents created to define the protocol will apply to both CECONY and O&R and will be consistently applied

Work Plan:

The team will identify examples of best practices for standardizing processes between O&R and CECONY.

The team will also benchmark other companies' approaches to standardizing best practices across subsidiaries.

The main product of this recommendation will be to develop a guidance document that will provide a process to guide users in sharing best practices between the companies. This document will:

- Explain that these evaluations will be conducted in the normal course of business and escalated throughout the organization to ensure proper review
- Detail the process for determining whether or not to share a practice between companies, and
- Outline the approval process for decisions to share or not to share a practice.

The team will meet on a scheduled basis to complete the project.

Approvals of all key documents and/or process changes will be provided by the Team Leads and Executive Sponsors of this work stream.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Planning	June 6, 2016	July 15, 2016	Complete
Establish team	June 6, 2016	July 1, 2016	Complete
Identify key stakeholders	July 5, 2016	July 15, 2016	Complete
Current State Analysis	July 18, 2016	November 15, 2016	
Identify best practices examples where processes have been standardized between O&R and CECONY	July 18, 2016	August 5, 2016	Complete
Benchmark best practices against external companies with similar challenges and opportunities	July 18, 2016	September 9, 2016	Complete
Document current state	September 10, 2016	September 23, 2016	Complete
Summarize external benchmarking results	September 23, 2016	November 15, 2016	
Design & Implement Future State	September 1, 2016	January 6, 2017	
Draft guidance document	September 1, 2016	October 7, 2016	
Obtain input and approval on guidance document from key stakeholders	October 10, 2016	November 11, 2016	
Finalize guidance document	November 14, 2016	December 30, 2016	
Deliver/Implement guidance documentation to be used by CECONY and O&R	January 3, 2017	January 6, 2017	
Communications / Change Management	September 1, 2016	June 30, 2017	
Develop change/ communication management plan (iterative process)	September 1, 2016	January 6, 2017	
Implement change/ communication management plan	January 9, 2017	February 28, 2017	
Document practices that were reviewed for standardization since beginning of 2016	September 1, 2016	June 30, 2017	

Cost Benefit Analysis:

The Company estimates that it will incur nominal incremental costs to develop a guideline. There may be some costs associated with benchmarking, which will be determined prior to moving ahead with the benchmarking effort.

The estimated internal cost is approximately \$25,000. The project work will be completed with in-house resources, and is estimated to require approximately 420 hours at approximately \$60.00 per hour.

Benefits are dependent on the implementation of specific best practices.

Risk Analysis:

The risks of not completing this recommendation include missed opportunities for knowledge transfer, potential cost savings or reduction of duplicative activities.

Recommendation Number 2: III-2

Recommendation: Regarding the Chief Executive Officer (CEO) Certification process:

- Develop appropriate processes to disseminate modifications or updates to policies, procedures and controls as a result of Internal Audits and QA reviews to the appropriate CEO Certification representative in order to update matrices as required.
- Individuals performing Internal Audits and QA reviews should be aware of the CEO Certification policies, procedures and controls that may be within the scope of the planned review.
- On a going forward basis, using a risk-based prioritization process, revisit critical policies, procedures and controls to ensure they properly address the requirements to which they have been assigned. Consider adding monitoring requirements to safety-related procedures.

Roles and Responsibilities:

Executive Sponsor: Kimberly Strong
Team Lead(s): Tayo Kurzman

Scope: Project Purpose, Objectives, and Assumptions:

Based on recommendations by the Moreland Commission for Utility Storm Preparation and Response, in 2013 the New York Legislature enacted changes to the Public Service Law to strengthen the oversight and enforcement mechanisms available to the Public Service Commission (PSC). The enactment of Public Service Law §65(15) requires that the CEO of any combination gas and electric corporation certify annually that the corporation has internal controls, policies, and procedures designed to ensure compliance with Public Service laws and the rules, regulations, orders, and procedures adopted thereto, including the obligation to provide safe and adequate service.

The Company worked with the other combination gas and electric utilities in the State to develop and implement consistent processes to comply with the certification requirement and to develop uniform language for the certifications used by each utility. Representatives from the Company and the other utilities reviewed these processes and the certification language with representatives from the General Counsel's Office of the New York State Department of Public Service.

A due diligence process was developed and executed to comply with Public Service Law §65(15). The Company identified the universe of applicable Public Service Law and PSC requirements and assigned the identified requirements to each applicable department. Each department then inventoried and linked each of those requirements to the corresponding Company controls, policies, and/or procedures. The CEO Certification Project Team was formed to manage the conduct of this due diligence process, including the annual maintenance and review of the inventory of requirements and the corresponding controls, policies or procedures.

In January 2015, the Company formed a Compliance Management department with the mission to lead the regulated businesses of Consolidated Edison, Inc. to maintain compliance with statutory and regulatory requirements through effective communication, documentation, monitoring, training, change

management, and policy implementation. In June 2015, the CEO Certification Project was placed under the supervision of Compliance Management.

The Purpose of this project is to increase the awareness of Internal Audit and QA groups of the PSC requirements and associated policies, procedures and controls that may be within the scope of planned reviews, and put in place a process so that results of audits and reviews are communicated to CEO Certification Project Team Members so matrices may be updated, as necessary and appropriate. Additionally, a risk-based methodology for prioritization should be applied to reviews of those policies, procedures and controls.

A survey was conducted of Internal Audit and each QA group. It was determined that some QA groups include their department’s CEO Certification Team Member(s) while others have a QA group separate from the CEO Certification Team Member(s). A few groups already have implemented the structure requested in these recommendations and some groups already use a risk-based prioritization process to plan and schedule reviews of their department’s processes. The Work Plan and chart in the Deliverables/Milestones section shows how the Company will implement plans to address the recommendations in a uniform manner across the Company.

Work Plan:

In Internal Audit and all QA groups, when a review is planned, the reviewer will conduct a search of the applicable department’s CEO Certification Matrices to see if any PSC requirements and corresponding controls, policies and procedures fall into the scope of the planned review and determine which, if any, will be tested within the review. The resulting report will be distributed to the relevant CEO Certification Team Member to ensure that any new or modified controls, policies or procedures resulting from the results of the review are added to the Matrix as necessary. Departments that do not currently have procedures for these processes will augment current procedures or draft procedures to delineate and implement these processes.

Compliance Management will train the groups about how to review the CEO Certification Matrices and other facets of the CEO Certification Program as requested. Compliance Management will develop a risk-based approach that sets priority and appropriate level of evaluation for CEO Certification requirements and the corresponding controls, policies and procedures.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date
Update Audit Planning documentation and procedures	May 10, 2016	September 30, 2016
Draft/Update/Approve relevant departmental procedures and communicate changes	June 1, 2016	December 31, 2016
Compliance Management to develop a risk-based approach that sets priority and appropriate level of evaluation for requirements and controls	May 13, 2016	December 31, 2016

Cost Benefit Analysis:

The estimated cost is approximately \$67,000. The project will be completed with in-house resources, estimated to require 950 hours at approximately \$70 per hour.

The benefits of implementing this recommendation include developing a consistent process for communication of audit findings and quality assurance recommendations where PSC requirements are part of the scope of such reviews. Other benefits may include improved policies, procedures, and processes resulting from such findings and recommendations.

Risk Analysis:

N/A

Recommendation Number 3: III-3

Recommendation: DPS and the Joint Utilities should meet to clarify all parties' understanding of the requirements of the CEO Certification process.

Roles and Responsibilities:

Executive Sponsor: Kimberly Strong
Team Lead(s): Tayo Kurzman

Scope: Project Purpose, Objectives, and Assumptions:

Based on recommendations by the Moreland Commission for Utility Storm Preparation and Response, in 2013 the New York Legislature enacted changes to the Public Service Law to strengthen the oversight and enforcement mechanisms available to the Public Service Commission (PSC). The enactment of Public Service Law §65(15) requires that the CEO of any combination gas and electric corporation certify annually that the corporation has internal controls, policies, and procedures designed to ensure compliance with Public Service laws and the rules, regulations, orders, and procedures adopted thereto, including the obligation to provide safe and adequate service.

CECONY and O&R (collectively the Company) worked with the other combination gas and electric utilities in the State to develop and implement consistent processes to comply with the certification requirement and to develop uniform language for the certifications used by each utility. Representatives from the Company and the other utilities reviewed these processes and the certification language with representatives from the General Counsel's Office of the New York State Department of Public Service.

A due diligence process was developed and executed to comply with Public Service Law §65(15). The Company identified the universe of applicable Public Service Law and PSC requirements and assigned the identified requirements to each applicable department. Each department then inventoried and linked each of those requirements to the corresponding controls, policies, or procedures.

The Purpose of this project is to provide an update to PSC Staff, discuss feedback, best practices and a common understanding of the requirements of Public Service Law §65(15).

This plan is based on the assumption that there will be both participation and collaboration between the Joint Utilities and PSC Staff to complete this effort.

Work Plan:

The Company has discussed this recommendation with the Joint Utilities and requested that they provide names of legal and program representatives for the proposed discussions. The Company will request that PSC staff meet with the utilities in the Fall of 2016.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Request to Joint Utility Working Group to appoint designees to present status to PSC Staff	May 24, 2016	May 27, 2016	Complete
Written request to NYS PSC for status meeting	May 24, 2016	July 15, 2016	Complete

Cost Benefit Analysis:

N/A

Risk Analysis:

N/A

Recommendation Number 4: III-4

Recommendation: Replace one or more of the Named Fiduciaries with other employees not directly involved in management of the Consolidated Edison Retirement Plan Trust. The replaced officers, CFO and Chief Accounting Officer, could still provide their expertise as the senior officers in their areas of responsibility. The newly appointed officers could meet the obligations of Named Fiduciaries and draw on the expertise of the senior officers who now serve as Named Fiduciaries.

Roles and Responsibilities:

Executive Sponsor: Robert Hoglund, Robert Muccilo, Richard Bagwell
Team Lead(s): Susan Carson, Douglas Shelling

Scope: Project Purpose, Objectives, and Assumptions:

The recommendation to change the structure of the Named Fiduciary Committee (NFC) is specific to the Consolidated Edison Retirement Plan Trust (Retirement Plan). The obligations of the NFC include the Thrift Savings Plan and the various OPEB assets held in qualified ERISA trusts. Because the responsibilities of the NFC extend beyond the Retirement Plan, any changes in the structure of the NFC must thoughtfully consider the impact on the oversight of all ERISA assets.

The purpose of this project is to evaluate the appropriateness of the current staffing of the NFC for achieving the objectives of the Retirement Plan. Benchmarking and surveys will be used to determine the prevalence of specific titles on a fiduciary committee and the reporting relationships between functional staff and the committee members. Results of these studies will be used to evaluate whether changes to the Company's NFC may be appropriate.

Work Plan:

In 2011, the size and composition of the NFC was benchmarked through a review of best practices, peer benchmarking and academic research on optimal committee structure and dynamics. As a result of this benchmarking, two changes were made. The CEO was replaced by the VP – Human Resources as one of the three titled positions included in the various plan documents as a Named Fiduciary. And, consistent with the language already contained within the various plan documents, the size of the committee was expanded from three to five members, with the two additional members selected by the CEO.

The 2011 benchmarking and evaluation of best practices will be updated with a specific focus on the perceived concentration of authority between the staff, the CFO and the Chief Accounting Officer when it comes to the effective oversight of the Retirement Plan assets.

Deliverables/Milestones:

Deliverable/ Milestone	Start Date	Delivery Date	Comments
Data gathering/ benchmarking	June 1, 2016	September 15, 2016	Complete
Internal assessment of benchmarking results	September 15, 2016	October 15, 2016	
Report findings of 2016 benchmarking study	October 15, 2016	November 15, 2016	
Position Paper /analysis based on benchmarking and internal analysis	November 30, 2016	December 30, 2016	
Recommend any changes to the MD&C Committee		February, 2017	Only if changes recommended
Amend plan documents		March 2017	Only if changes are adopted by MD&C
Screen/recommend new Fiduciaries		April 2017	Only if changes are adopted by MD&C

Cost Benefit Analysis:

The suggested benefit of altering the Company's NFC by removing the CFO and the Chief Accounting Officer, is to improve the independence of the other committee members to challenge the work performed by the investment staff.

The training and education process for new fiduciaries (outside the formal group training) takes about one year and requires significant time outside of the scheduled meetings to understand the background and significance of the topics being discussed. The cost of this training would be approximately \$60,000.

Risk Analysis:

The Company is somewhat limited in the number of potential replacement committee members that possess the necessary financial acumen, availability and interest in participating on a committee that comes with personal liability for the decisions of the entire committee. The majority of the officers and senior leaders within the Company have extensive operating and engineering expertise, so they will need to draw heavily on the financial expertise of the same officers they are replacing. This situation could result in a "shadow" committee of former members that have considerable influence over the Named Fiduciaries, but none of the liability under ERISA.

The current committee members have been working as a group for almost two years, and are currently working on the scheduled update to the asset-liability study (a project performed every three to five years). Any changes in the committee structure prior to the completion and implementation of the study (mid-2017) could delay the timing of any changes as new member(s) would need to be brought up to speed.

IV. System Planning

Recommendation Number 5: IV-1

Recommendation: Develop a comprehensive and integrated electric distribution system plan for CECONY and for O&R that utilizes a consistent approach to asset management, regulatory programs (including Reforming the Energy Vision (REV)) and system growth. The initial structure and content of the plans should be included in the Distributed System Implementation Plan (DSIP) to be submitted to the Commission mid-2016.

- A long-term view of the entire electric distribution system that identifies the necessary design, operation and infrastructure required to meet acceptable reliability standards at each voltage level and support the integration of distributive energy resources.
- A concise statement of infrastructure needs required for the planning horizon. Planning horizon must be at least ten years and address the integration and control of a competitive distribution energy market.
- Ability to analyze system options against other alternatives to develop cost-benefit analyses.
- A total cost for upgrading and repairing the system.
- A stated level of expected reliability for all voltage classes.
- Understanding the operational challenges due to the addition of distribution energy resources.
- Development of overall public and regulatory policy concerning the retail distributive energy market.
- Future sensitivity analysis of cost versus reliability
- Expected level of reliability to be obtained by implementing distribution programs.
- Anticipation and remediation of short-term system problems.

Roles and Responsibilities:

Executive Sponsor: Matthew Ketschke, Patrick McHugh, Edwin Ortiz, Frank Peverly
Team Lead(s): Damien Sciano, David Pearce, Joseph Lenge, Angelo Regan, Roberta Scerbo, and Wayne Banker

Scope: Project Purpose, Objectives, and Assumptions:

The Company sought clarification from Department of Public Service Staff (Staff) on how the comprehensive and integrated electric distribution plan was to be included in the DSIP and contacted the Chief – Electric Distribution Systems and Deputy Director from Staff. Staff advised the Company on June 2nd, 2016 that in order to fully meet the intent of this recommendation, the long term system plan should be included with the DSIP filing in the REV proceeding and not be a separate document or an appendix to the DSIP. As a result, the content of the comprehensive and integrated electric distribution plan cited below has been submitted and included in the DSIP filing in the REV proceeding and future filings. CECONY’s DSIP filing containing the content of the integrated electric distribution system plan is found in Chapter III – Distribution System Planning, Part D – Delivery Infrastructure Capital Investment Plans, Section 3 – Electric Distribution Capital Investment Plan, Page 86. O&R’s DSIP filing containing the

content of the integrated electric distribution system was integrated into the Capital Budget section, but specifically covered in the Integrated Asset Management Section subsection of Capital Budget on pages 71-72.

A comprehensive and integrated electric distribution plan will provide a business approach intended to align the system investment requirements with specific and achievable system performance reliability objectives. It will not only provide a tactical approach for current system conditions but also a strategic approach for forecasting spending trends and incorporating successful approaches and programs, thereby assisting the Company to meet changing objectives.

The background of this recommendation was the recognition that CECONY and O&R have a clear and concise approach for the following capital program categories: New Business, Replacement, System Expansion, Risk Reduction, Environmental, Information Technology, Storm Hardening and Equipment Purchases. However, NorthStar thought that the Company lacked a single process or plan that summarized and provided a respective planning horizon as a whole.

The objective is that by developing a comprehensive and integrated electric distribution plan, the Company will be better able to project current and future system costs and define system reliability expectations and objectives.

Success of the project would be determined by the completion of the plan and its acceptance and implementation by CECONY and O&R management.

The scope of the project will be in the context CECONY's and O&R's electric distribution systems.

The Company will develop a comprehensive and integrated electric distribution plan that will focus on a long-term view of the entire electric distribution system. The Plan will encompass design and reliability standard objectives for the following capital cost categories: New Business, Replacement, System Expansion, Risk Reduction, Environmental, Information Technology, Storm Hardening and Equipment Purchases. The System Expansion cost category will also address the integration of distributed energy resources.

Each plan will include the following:

- A summary of infrastructure needs and costs
- A status of asset management strategies currently utilized and which programs are impacted
- By cost category, a summary per program of the expected level of reliability to be obtained through each program
- A summary of system problems that have contributed to work that has exceeded the budget forecast for repairs and any remediation plan to return to the normal forecasted workload
- A report on the current status of REV specific to the integration of distributed energy resources and the integration and control of a competitive distribution energy market
- The distribution capital project/program ranking results of P1360, a funding optimization tool used by the Company

While the scope of the project is limited as stated above, the project to develop a CECONY and O&R comprehensive and integrated electric distribution plan will involve coordination with the filing of the Company's Distributed System Integration Plan (DSIP) in the REV proceeding.

Work Plan:

The development of the comprehensive and integrated electric distribution section of the DSIP will involve a team of individuals from O&R's and CECONY's distribution engineering, regional engineering and Distributed Resource Integration (DRI) organizations to draft the plan. Team members will consult with Cost Management and Long Range Planning for budget, forecasting, and long range trends. Current yearly and five year budget plans, Electric Governance reports, capital program white papers, and the Rate Case will provide the basis of information provided in this report.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Review implementation template	May 9, 2016	June 6, 2016	Complete
Submit draft System Section to Executive Sponsors for comments	June 6, 2016	June 9, 2016	Complete
<i>**Follows DSIP Schedule</i>			
Internal review	June 9, 2016	June 15, 2016	Complete
Final Edits and approval process	June 24, 2016	June 29, 2016	Complete
Initial structure & content in DSIP submission	June 30, 2016	June 30, 2016	Complete

Cost Benefit Analysis:

The costs associated with this project will be primarily driven by Company labor. The current cost estimate is for six employees to work on this project for two weeks. The estimated cost of this work based upon the hours forecasted is \$25,000.

Potential Action	Benefits	Benefits High=3 Med=2 Low=1	Costs	Costs High=3 Med=2 Low=1	$Ratio = \frac{Benefits}{Costs}$
Include a long-term view of the entire electric distribution system identifying the necessary design, operation & infrastructure required to meet acceptable reliability standards at each voltage	<ul style="list-style-type: none"> Better focus for investment requirement in distribution system Better focus for energy efficiency efforts Actively involves all programs and initiatives 	3	<ul style="list-style-type: none"> Administrative cost Labor cost Audit for efficiency of current programs and initiatives 	1	3

level and support integration of distributive energy resources	<ul style="list-style-type: none"> Better anticipation of short-term system problems 				
Establish DSIP without the recommended 10-year planning horizon	<ul style="list-style-type: none"> Each program/initiative is focused on its own attainment levels 	1	<ul style="list-style-type: none"> Administrative cost Labor cost 	1	1

Assumptions:

- Separate document submittal for CECONY and O&R
- Plan submittal is to be included along with DSIP submittal

Constraints:

- Schedule:* The DSIP submittal date is fixed at 2 year intervals.
- Resources:* Allocated personnel are fixed at 6 engineering employees.

Risk Analysis:

Identified Risk	Condition & Threat / Opportunity	Severity Factor	Likelihood Description	Likelihood Factor	Control Description	Control Factor	Risk Priority Level	Recommendation	Action	Responsible Group	Target Completion Date
Late document submittal	Time - Threat	Minor	One incident between 1 & 2 years	Frequent	Highly predictable detection & control over triggering event	High Probability	Medium	Proceduralize notification with sufficient time lapses for response	Create a procedure	Distribution Engineering	07/30/2016
Non-dedicated resources	Resource – Threat	Minor	One incident between 1 & 2 years	Frequent	Highly predictable detection & control over triggering event	High probability	Medium	Proceduralize notification and identify the responsible department	Create a procedure	Distribution Engineering	07/30/2016

Recommendation Number 6: IV-2

Recommendation: Develop and implement the capital program optimization model across both companies and organizational units in a consistent manner.

- Clarify the role and responsibilities of the “project sponsor” – as the individual and organizational unit requesting and justifying the capital project until its completion.
- Strictly enforce the policy that all capital projects including those within capital programs must have completed white papers and individual funding appropriation approvals.
- Prohibit grouping of multiple capital projects (e.g., within programs or of similar characteristics) that undermines the strategic value analysis.
- Improve the alignment of the somewhat idealistic strategic drivers with actual capital project characteristics.
- Integrate the capital program optimization model results with system improvement execution plans (as described in recommendations #1) recognizing schedule and resource limitations.

Roles and Responsibilities:

Executive Sponsor: Louis Bevilacqua, Frank Peverly
Team Lead(s): Frank LaRocca, Gary Windman

Scope: Project Purpose, Objectives, and Assumptions:

Scope/Purpose:

The Company will continue to develop and implement the capital program optimization model across both companies and organizational units in a consistent manner at CECONY and O&R.

Capital Portfolio Optimization at CECONY and O&R is performed through the use of the Portfolio Intelligence 360 (PI360) system. Capital optimization is the process that aligns and ranks proposed capital projects to best fit CECONY and O&R strategic objectives. Nine corporate strategic drivers are used to rank the projects within each Company’s portfolio. Once the capital optimization process is complete, each Company’s Capital Governance Committee reviews and approves the results, which are then incorporated into the corporate budgeting process.

Objectives:

By mid-2017, in addition to documenting the as-is and to-be optimization process, the project will clarify the role and responsibilities of the Project Sponsor, define tiering, and outline clear guidance for when a white paper is necessary and the requirements for individual funding appropriation approvals. The project will also review and validate the current corporate strategic drivers and, if necessary, document a proposal for any potential updates. A communication and change management plan will be developed to roll out any new or updated process improvements, enterprise-wide.

Assumptions:

- Key SMEs (EPMO/O&R Cost Management/PMO) will develop the guidelines

- SMEs will be available as needed to support the project, in a timely manner
- The guidance documents developed will apply to both CECONY and O&R and will be consistently applied
- Funds for training and adoption and/or other funding needs (such as PI360 system enhancements) will be obtained as required
- Any changes needed to PI360 (the tool used for capital optimization process) will be simple and can be completed in-house

Work Plan:

The team will document any differences between the CECONY and O&R optimization processes and make recommendations. The team will develop a guidance document for the capital optimization process. The team will review CECONY Corporate Instruction, CI-610-1 and O&R CB-1 Procedure, for consistency, and will make recommendations for improvements, as needed. The team will review and validate the current strategic driver impact statements and, dependent upon the outcome of the review, will document a proposal for any potential updates.

The team will explore better use of tiering to support strategic value analysis. The team will ensure that clear guidance is given on how projects and programs are properly appropriated and funded, and when white papers are required for specific capital projects and programs.

The team will communicate the guidance and any changes enterprise-wide.

Additionally, the following recommendation will be moved into the scope of recommendation IV-1, as it is more aligned with the objectives of that recommendation:

- Integrate the capital program optimization model results with system improvement execution plans (as described in recommendations #1) recognizing schedule and resource limitations.

The team will meet on a scheduled basis to complete the project.

Approvals of all key documents and/or process changes will be provided by the Team Leads and Executive Sponsors of this work stream.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Planning & Current State Analysis	June 1, 2016	December 31, 2016	
Establish team	June 1, 2016	July 1, 2016	Complete
Identify key stakeholders	June 1, 2016	July 1, 2016	Complete
Review Current CI-610-1and CB-1 Procedures, and any other optimization process/guidance docs	July 1, 2016	September 30, 2016	
Interview EPMD and O&R Cost Mgmt/PMO on current state of capital optimization process	July 1, 2016	September 30, 2016	

Document "As-Is" Process and any differences between CECONY and O&R	August 1, 2016	October 31, 2016	
Document recommendations to close any gaps on differences	October 15, 2016	December 31, 2016	
Strategic Driver Impact Statement Review	September 1, 2016	March 31, 2017	
Review and Validate Impact Statements – hold working sessions, finalize and confirm	September 1, 2016	March 1, 2017	
If necessary, document proposal for update to impact statements	March 1, 2017	March 31, 2017	
Document Consistent Procedures/Guidance	November 2, 2016	March 6, 2017	
Define Project Sponsor and input definition into PI360 system	November 2, 2016	December 31, 2016	
Define and Document "Tiering"	November 2, 2016	December 31, 2016	
Draft Capital Optimization Guidance Document(s)	November 2, 2016	December 31, 2016	
Obtain input and approval on above documentation/guidance from key stakeholders	January 3, 2017	February 15, 2017	
Finalize above documentation/guidance	February 16, 2017	March 3, 2017	
Deliver/Implement Guidance Document to be used by CECONY and O&R	March 6, 2017	March 6, 2017	
Communication / Change Management Planning	September 1, 2016	March 31, 2017	
Develop change/ communication management plan (iterative process)	September 1, 2016	February 28, 2017	
Implement change/ communication management plan	March 7, 2017	March 31, 2017	

Cost Benefit Analysis:

The estimated cost is approximately \$62,500. The project work will be completed with in-house resources. It is estimated that those resources will spend a total of 1,040 hours at approximately \$60.00 per hour to complete this recommendation.

A corporately aligned capital optimization process will improve the business planning cycle and result in a portfolio of projects that better supports the corporate strategic objectives.

Risk Analysis:

The Company will complete this review and look to further develop its existing capital optimization process in an effort to avoid capital expenditures that offer less earned value/effectiveness for the overall program because:

- Lower value projects are executed
- Higher value projects are delayed
- Higher capital budgets are required for the equivalent earned value

Recommendation Number 7: IV-3

Recommendation: Develop a CECONY comprehensive secondary electric network asset management plan. An asset management plan is in its most simple terms is a business approach intended to align the financial management of assets to corporate goals. Performance goals should change into the future, representing improvements in overall asset condition. Integral to this plan are the following:

- Establishment of performance goals. Goals must be tangible and serve as a realistic indicator of overall system condition and financial performance. Typical goals could include:
 - Meeting Frequency and Network Outage Durations
 - Limiting equipment failures to a certain number annually
 - Extending equipment life expectancy through enhanced O&M activities
 - Completing all planned work within budget
- Analysis of risk to determine most critical system issues.
 - Data collection – CECONY should develop a database of the components to the asset
 - System assessment – an assessment of asset components including age, maintenance records and industry trends
 - Determination of risk – Based on the system assessment identify highest risk in maintaining operations and reliability
- Development of strategies to mitigate risk. CECONY must develop tactical strategies for both asset replacement and operating and maintenance practices that address:
 - Aging infrastructure – the CECONY asset is aging faster than equipment can be replaced
 - Limited growth – revenue and rate of return is limited to the existing rate base.
 - Limited resources – a limit on how much capital can be directed toward this business unit and how much rates can be increased.
- Implementation Plan – long-term plan with annual projects and programs and expected results.
- Evaluation of Progress – comparison of past year’s performance against goals. It is important to recognize that performance is indeed a vision and should be tracked over time and evaluated for achievability.
- Collaboration – limited growth and aging infrastructure is a challenge in many areas of the North East. Establishing a working group with other utilities with similar challenges may provide opportunities to advance this issue.

Roles and Responsibilities:

Executive Sponsor: Patrick McHugh
Team Lead(s): Joseph Lenge

Scope: Project Purpose, Objectives, and Assumptions:

The background for this recommendation was the recognition that approximately half of the \$17 billion book value of assets in CECONY's electric distribution system is associated with underground infrastructure, and that CECONY faces increasing pressure from three factors: limited growth, aging infrastructure, and changing regulatory requirements. System reliability is dependent in part on the secondary distribution network, which in recent years has seen performance problems in terms of customer interruption frequency, duration, and cable failures. The number of manhole events, which are driven by secondary cable insulation failures, has increased each year since 2013. In addition, corrosion is still by far the main driver of network transformer failures on the distribution system. While this increase in activity can be for the most part attributed to higher than average snowfall and therefore, higher than average corrosive road salt spread, these trends may continue due to predicted changes in weather norms in our service territory. Developing a secondary distribution network asset management plan provides resources for CECONY to address secondary system performance.

The main power delivery assets of the secondary distribution network system include the following:

- The network transformers and their attached network protectors, most of which are submersible as a result of storm hardening efforts following Superstorm Sandy.
- The secondary cable and associated splices and connectors; the cables, also known as "mains", comprise the interconnected "grid" and extend between transformer vaults.

The scope for the development of an asset management plan for secondary network assets will focus on the assets listed above. The activities include installation, inspection, maintenance, repair, upgrade, and replacement of these facilities.

While the scope of this project will address the secondary power delivery assets mentioned above, some of the key modeling decisions and recommendations may also impact the associated civil structures that contain these assets. These civil structures, such as vaults, conduits, and structures, will only be included to the extent that they are addressed as causes of failure in the targeted assets or affected by asset management decisions related to the network transformer, network protector, and secondary mains asset classes.

Component assets of the various distribution monitoring systems, including meters, Remote Monitoring System (RMS), stray voltage detection equipment, and any other sensors, will not have an asset management plan developed for those components; however, the data provided via these components will be utilized in the secondary network asset models that will be created.

Since primary assets making up the primary distribution system have already been managed through previous work done with network reliability index (NRI) modeling, they will not be included with the asset classes involved in this recommendation.

While the scope of the project is limited as stated above, the project to develop a CECONY secondary electric network asset management plan will involve coordination of many different existing projects, plans, and initiatives, that themselves are not part of the scope of the plan.

Work Plan:

The development of an asset management plan for the secondary network can best be seen as the development of three separate but integrated plans for separate groups of assets:

- Network transformers²
- Network protectors
- Secondary mains

The plan is for the Distribution Engineering Asset Management (DEAM) group to work on two of the three asset management plans in parallel starting in 2017, with two teams addressing network transformers and network protectors in 2017, and a joint team addressing secondary mains in 2018.

Within each of the three asset classes, a key activity of the plan will be to build a base of intellectual capital. This will include known causal relationships, previous studies, best practices of other utilities, and interviewing specialized subject matter experts inside and outside of the Company. It will also include meetings/communication with SMEs, documenting results, and establishing a data storage mechanism that is readily accessible for the use of relevant employees.

Once the asset models are ready, the gathering and compiling of this asset-specific intellectual capital will be the first major activity within each year of the work plan. This will then serve as a foundation for the final major activity (to be worked concurrently with the above activity for several months) within each year of the work plan. Specifically, this major activity involves the creation of the asset-specific decision analytic models that will use the intellectual capital to inform CECONY's asset management strategy. Training and procedures will be developed that explain how the models are developed, maintained and utilized. The procedures will identify how the models are updated, who is responsible for updating them, and the frequency of updates. The procedures will also explain how the information output of the model is to be used in the decision making process, including budgeting, work planning, and program development. Factoring the information into annual load relief planning, annual reliability planning and long range planning efforts will be integrated into both the procedures and the associated training.

The planned decision analytic models will include the ability to forecast performance of the secondary distribution system for the asset classes modeled under different scenarios of investment, provide recommendations for specification changes, and provide alternatives for inspection and maintenance practices. The performance of the system will be modeled in terms of predicted equipment failures of various types, including faults, burnouts, smoke/fire/explosions in manholes, ducts, and vaults where the equipment resides, 'stray voltage' events (energized structures), and possibly other environmental factors. The decision analyses will involve modeling the consequences of recommendations while factoring in system performance variables. Risk will be accounted for via the range of possible maintenance and replacement strategies that will affect the life cycles of the different asset classes and via the estimated impact these strategies will have on different system performance variables (such as the manhole events and stray voltage events mentioned previously). Finally, the evaluation of the

² Within the network transformer plan, it will be evaluated whether a distinction between street network vaults and spot network vaults is necessary.

strategies will be based on the cost-effectiveness of alternatives as modeled – achieving the strategy that will maximize risk reduction versus cost – while using an appropriate life-cycle framework that will incorporate not only initial costs, but also future costs.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date
Network transformer/network protector asset modeling project kick-off meeting	January 9, 2017	January 31, 2017
Develop network transformer/network protector intellectual capital repository	January 9, 2017	July 31, 2017
Develop network transformer/network protector decision analytic model, including training and procedures for maintenance and use	March 6, 2017	December 29, 2017
Secondary mains asset modeling project kick-off meeting	January 8, 2018	January 31, 2018
Develop secondary mains intellectual capital repository	January 8, 2018	July 31, 2018
Develop secondary mains decision analytic model, including training and procedures for maintenance and use	March 5, 2018	December 31, 2018

Prior to the release of the audit recommendations, the DEAM group had already committed to CECONY upper management to develop decision analytic models for poles and direct buried cables by the end of 2016. These models will be utilized as templates for the new asset class models listed in the table above. As a result, work on the deliverables will begin in January 2017.

Cost Benefit Analysis:

The costs associated with this project will be primarily driven by the following labor costs:

- Two CECONY management employees
- One full-time contractor or an additional CECONY employee assigned to the DEAM group; and,
- O’Neill Management Consulting, a leader in the utility asset and risk management space.

Currently, the Asset Management team has three employees; two management employees and one contractor. The consultant may at any given time have one to three employees working on its behalf. The majority of the team members’ time will be spent working on this project which will take two years to implement. The initial cost estimate is between \$500K and \$1M. Additional server capacity will be

needed and is projected to cost approximately \$250,000. The team does not currently foresee any other significant equipment costs associated with implementing this project.

The potential benefit that can be gained from this project will be a reduction in spend in specific capital programs – specifically the secondary open mains, underground secondary reliability, transformer installation, and transformer purchase programs – associated with secondary network systems where an asset management approach can lead to more efficient spending based upon more tangible program goals and objectives. CECONY spends \$350M annually on these programs.

Risk Analysis:

The risk of carrying out this recommendation is that there may not be any perceived improvement in secondary system performance even though substantial amounts of time and effort will be dedicated to this initiative. This is because there is still no reliable method to normalize the data, since the majority of secondary failures are driven by weather patterns and external factors (such as salt for manhole events & transformer corrosion and manufacturing defects for network transformers and protectors) where the Company has limited control. In addition, the current lack of telemetry downstream of the network transformer prevents CECONY from identifying incipient secondary cable failures prior to failure, thereby limiting CECONY's targeted replacement strategy.

The risk of not implementing this recommendation is that CECONY may miss an opportunity to realize savings and develop a more coherent, integrated approach to the spending and activities associated with the key assets of the secondary network.

Recommendation Number 8: IV-4

Recommendation: Reevaluate the projected costs and timeline of the Accelerated Main Replacement program for consistency with project objectives.

- Reconcile previously developed resource, budget projections and main replacement work volumes.
- Refine tactical plans and requirements.
- Correct any potential for overly optimistic expectations.

Roles and Responsibilities:

Executive Sponsor: Marc Huestis, Mary Kelly
Team Lead(s): John Ciallella

Scope: Project Purpose, Objectives, and Assumptions:

The Accelerated Main Replacement program seeks to replace the highest risk unprotected steel, cast iron, and wrought iron gas mains (and associated services) over a twenty year period starting in 2017. Unprotected steel, cast iron, and wrought iron pipe are responsible for producing the majority of gas leaks on CECONY's gas distribution system; replacement of this pipe will improve public safety and reduce methane emissions.

Since 2014, CECONY has ramped up the main replacement program in 5 mile increments annually from 60 to 70 miles. In 2015, CECONY replaced over 74 miles of unprotected steel, cast iron, and wrought iron and is on track to meet or exceed 74 miles in 2016. Starting in 2017, CECONY plans to replace 80 miles, and then increase the program in 5 mile increments until 100 miles per year of replacement is achieved in the year 2021. This rate will be maintained until 2032. The program will then decrease by approximately 5 miles per year until completion of the program in 2036. Additionally, the increased capital work associated with Accelerated Main Replacement will be offset by reductions in Oil to Gas conversions and Flood Prone Pipe work during the same time period.

The Accelerated Main Replacement program is continuously evaluated for viability and alignment with project objectives. During the annual budget process, formal adjustments to the plan are evaluated based on experiences to date and projections (including cost, resources, and engineering/construction limitations). CECONY has revisited the plan during the current rate case filing and has addressed resource and knowledge gaps as outlined in the "Work Plan" section of this document as a result of discussion prior to and during the audit process. CECONY believes the plan outlined in the current rate case filing is feasible and needs no further alteration.

Work Plan:

CECONY Gas Operations is improving project management efforts, centralizing responsibility for planned work, and increasing staffing levels. Project managers are now in place to focus on oversight of project schedule, scope, cost, and status reporting related to capital projects and programs. Work volume is the primary driver for the Gas Operations resource plan. In order to meet the resource demand a sustained

hiring effort was initiated. Additionally, the main replacement plan will take advantage of a geographic area approach to main replacement to promote economies of scale. The Gas Operations resource plan aligns with the planned increase in the main replacement program. CECONY is on schedule with bringing on new Construction resources to keep up with the increased capital work. Since 2014, CECONY has increased its in-house Gas Operations construction workforce by 25% and its contractor workforce by 30%. In addition to increasing the construction resources, CECONY is also requesting an increase in engineering resources in the current rate case filing to support the increase in the main replacement work volumes. CECONY is also working with qualified organizations to improve workforce development programs and train future potential candidates in the tasks related to Gas Operations. This enables CECONY to address knowledge gaps that attrition creates and prepares new employees with technical knowledge and gas infrastructure experience.

Please see the table below for data supporting the capital expenditure forecast and the estimated units by area of the main replacement program. The 2015 column represents the actual expenditure and the 2016 – 2020 columns represent the forecasted budget.

			2015 Actual	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Manhattan	Replace Corroded Steel Mains	Expenses	\$2,482,000	\$2,528,000	\$9,457,000	\$10,348,000	\$12,664,000	\$14,480,000
		Units	1,222	1,584	5,682	6,081	7,247	7,881
		Unit Cost	\$2,031	\$1,596	\$1,664	\$1,702	\$1,747	\$1,837
	Replace Cast Iron Mains	Expenses	\$5,939,000	\$6,299,000	\$70,266,000	\$76,907,000	\$84,465,000	\$93,269,000
		Units	4,126	3,960	44,925	48,134	51,343	55,836
		Unit Cost	\$1,439	\$1,591	\$1,564	\$1,598	\$1,645	\$1,670
Queens	Replace Corroded Steel Mains	Expenses	\$20,602,000	\$24,177,000	\$23,963,000	\$26,221,000	\$28,443,000	\$31,603,000
		Units	49,892	44,352	42,673	45,721	48,769	53,038
		Unit Cost	\$413	\$545	\$562	\$574	\$583	\$596
	Replace Cast Iron Mains	Expenses	\$8,323,000	\$5,882,000	\$8,720,000	\$9,550,000	\$10,375,000	\$11,510,000
		Units	11,130	13,200	18,974	20,329	21,685	23,583
		Unit Cost	\$748	\$446	\$460	\$470	\$478	\$488
Bronx	Replace Corroded Steel Mains	Expenses	\$5,558,000	\$1,071,000	\$12,625,000	\$13,810,000	\$15,051,000	\$16,759,000
		Units	8,885	1,584	17,847	19,122	20,397	22,182
		Unit Cost	\$626	\$676	\$707	\$722	\$738	\$756
	Replace Cast Iron Mains	Expenses	\$18,986,000	\$22,179,000	\$40,490,000	\$44,236,000	\$49,027,000	\$54,541,000
		Units	29,585	33,000	58,371	62,541	66,710	72,549
		Unit Cost	\$642	\$672	\$694	\$707	\$735	\$752
Westchester	Replace Corroded Steel Mains	Expenses	\$32,109,000	\$49,627,000	\$52,274,000	\$56,306,000	\$65,133,000	\$78,795,000
		Units	103,510	110,880	119,737	128,291	136,844	148,820
		Unit Cost	\$310	\$448	\$437	\$439	\$476	\$529
	Replace Cast Iron Mains	Expenses	\$29,774,000	\$36,248,000	\$32,263,000	\$35,288,000	\$36,283,000	\$43,384,000
		Units	77,419	81,840	60,506	64,828	69,151	75,202
		Unit Cost	\$385	\$443	\$533	\$544	\$525	\$577

The table above shows a significant increase in units for the borough of Manhattan from 2016 to 2017 (1.05 miles to 9.58 miles). For 2016, CECONY anticipates replacing approximately 4 miles of pipe in Manhattan between both the main replacement and flood prone pipe replacement programs. Starting in 2017, there will no longer be a separate flood prone pipe replacement program. Therefore, the incremental increase from 2016 to 2017 will be approximately 5.6 miles. It is believed that success can be achieved through the combination of the resource plan and funding request outlined above, coupled with improved communication with city agencies and the economies of scale produced by the geographic area replacement approach.

Deliverables/Milestones:

CECONY believes that the plan outlined in the current rate case filing related to project costs, resources, and timeline is feasible and needs no further alteration. Deliverables regarding resources, unit installation, and budget concerns are outlined above in the “Work Plan.”

Cost Benefit Analysis:

CECONY believes that the plan outlined in the current rate case filing is feasible and needs no further alteration. No incremental costs are identified for implementation of this recommendation.

Risk Analysis:

The risks of not implementing this recommendation are as follows:

- Insufficient resources to plan, implement, and construct the accelerated main replacement program
- Inadequate training of newly hired resources resulting in knowledge gaps and inability to perform required work
- Insufficient funding to meet main replacement requirements
- Potential excessive funding if resources cannot meet replacement goals

CECONY has revisited the plan during its current rate case filing and has addressed resource and knowledge gaps as outlined above in the “Work Plan” section of this document. CECONY believes the plan outlined in the current rate case filing is feasible and needs no further alteration.

Recommendation Number 9: IV-5

Recommendation: Improve competitive procurement levels to reacquire and exceed previous levels of performance.

- Edit and modify procurement policies and procedures to establish a stronger competitive bias.
- Increase approval levels for any non-competitive transactions.
- Competitively re-bid contracts or formally re-confirm competitive basis instead of providing funding extensions and renewals.
- Perform a verifiable benchmarking study of large utility purchasing functions to establish best in class performance levels. Use this information to establish competitive metrics for future competitive performance goals.
- Adopt competitive procurement KPIs to balance the current transaction processing time KPIs.
- Develop an improved competitive approach to contractors, their geographic coverage and staggered strategy for multi-year procurement contracts.
- Remove end-users from participation in the selection of multiple service providers for similar services or provide specific guidelines to be followed and report these results to senior management.
- Revise purchasing analytical processes to improve performance reporting clarity and consistency, reduce variations in terminology, and provide greater corporate attention to competition.
- Formally commit to a timetable for reacquiring competitive procurement levels previously demonstrated. Report improvement progress to the DPS on a quarterly frequency until these levels are reached.

Roles and Responsibilities:

Executive Sponsor: Michael Haggerty
Team Lead(s): Michael Graham

Scope: Project Purpose, Objectives, and Assumptions:

The purpose of this plan is to identify areas of improvement that will lead to increased competitive procurement levels. As outlined below, Supply Chain will complete a verifiable benchmark with other large utilities and organizations of similar size and scope, establish definitions for competitive bidding, and modify internal policies and processes. The processes and policies implemented will be designed to maximize the value of the procurement process, clarify objectives for our internal customers, and develop working partnerships.

The benchmarking findings will help drive the policies and procedures, as well as additional factors such as the development of complementary KPIs to cycle time, modified definitions, reports, and dashboards. Senior management will be involved in the approval and communication of these refined procedures and processes.

Work Plan:

Sub-teams will be created to:

- Modify and strengthen the understanding of competitive vs. non-competitive bidding
- Identify an approach to increase approval levels for non-competitive procurements
- Competitively re-bid contracts or formally re-confirm competitive basis instead of providing funding extensions and renewals
- Perform a verifiable benchmarking study of large utility purchasing functions to establish best in class performance levels
- Develop appropriate competitive metrics
- Develop an improved competitive approach to contractors, their geographic coverage and staggered strategy for multi-year procurement contracts
- Remove end-users from participation in the selection of multiple-service-providers for similar services or provide specific guidelines to be followed and report these results to senior management
- Identify, review, and modify all relevant Supply Chain Operating Procedures (SCOPs) and Corporate Instructions (CIs)

Deliverables/Milestones:

A - Edit & modify procurement policies and procedures to establish a stronger competitive bias.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Defined Terminology for Competition	June 20, 2016	July 30, 2016	Complete
Drafted/Approved SCOPs/CIs	June 20, 2016	March 31, 2017	
Communication & Training Seminars on SCOPs/CIs	January 3, 2017	March 31, 2017	

B - Increase approval levels for non-competitive transactions.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Evaluation of Process Change Options	June 20, 2016	August 31, 2016	Complete
Drafted/ Approved SCOPs/CIs	September 1, 2016	March 31, 2017	
Communication & Training Seminars on SCOPs/CIs	January 3, 2017	March 31, 2017	

C - Competitively re-bid contracts or formally re-confirm competitive basis instead of providing funding extensions and renewals.

Deliverable/Milestone	Start Date	Delivery Date
Evaluation of Process Change	June 20, 2016	October 31, 2016
Drafted/ Approved SCOPs/CIs	June 20, 2016	March 31, 2017
Communication & Training Seminars on SCOPs/CIs	January 3, 2017	March 31, 2017

D - Perform a verifiable benchmarking study of large utility purchasing functions to establish best in class performance levels. Use information to establish appropriate competitive metrics for future performance.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Draft and Finalize Benchmark Survey	June 20, 2016	August 31, 2016	Complete
Aggregate and Analyze Survey Results	September 1, 2016	November 15, 2016	
Develop Competitive Metrics and adopt for performance measurement for calendar year 2017	November 1, 2016	January 31, 2017	

E - Adopt competitive procurement KPIs to balance the current-transaction-processing-time KPIs.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Evaluate KPI Options	June 20, 2016	July 31, 2016	Complete
Communicate Options to Internal Stakeholders	August 1, 2016	October 31, 2016	Dependent upon benchmarking results (Recommendation D)
Adopt KPI(s) for 2017	August 1, 2016	December 31, 2016	

F - Develop an improved competitive approach to contractors, their geographic coverage and staggered strategy for multi-year procurement contracts.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Select 3 rd party supplier to help develop the approach	June 20, 2016	September 1, 2016	Complete
Finalize and Implement Strategic Plan with the Supplier and Stakeholders	September 1, 2016	June 30, 2017	
Drafted/Approved SCOPs/CIs	March 1, 2017	June 30, 2017	
Communication & Training Seminars on SCOPs/CIs	March 1, 2017	June 30, 2017	

G - Remove end-users from participation in the selection of multiple-service-providers for similar services or provide specific guidelines to be followed and report these results to senior management.

Deliverable/Milestone	Start Date	Delivery Date
Evaluation of Process Change Options	June 20, 2016	September 30, 2016
Drafted/Approved SCOPs/CIs	September 15, 2016	March 31, 2017
SCOP Training Seminars/Communication for Procurement	January 3, 2017	March 31, 2017

H - Revise purchasing analytical processes to improve performance reporting clarity and consistency, reduce variations in terminology, and provide greater corporate attention to competition.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Create a Glossary of Supply Chain Terminology	July 1, 2016	August 31, 2016	Complete
Develop and Implement Dashboards/Reports	August 1, 2016	November 15, 2016	

I - Formally commit to a timetable for reacquiring competitive procurement levels previously demonstrated. Report improvement progress to the DPS on a quarterly frequency until these levels are reached.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Reacquire Competitive Procurement Levels	January 1, 2016	May 31, 2016	Complete

Cost Benefit Analysis:

As indicated in Recommendation I, Supply Chain has re-achieved competitive levels of 86% as of May 31st, 2016. Therefore, no additional savings will be achieved.

The estimated cost is approximately \$990,250. The project will be completed with in-house resources, estimated to require 10,725 hours at approximately \$50.00 per hour, and external forces for benchmarking purposes estimated at \$454,000. The actual cost of the external forces used for benchmarking will be determined after the selection of the vendor.

Risk Analysis:

If this plan is not implemented, potential savings may be unrealized and competitive procurement levels may not be sustained.

VI. Program and Project Planning and Management

Recommendation Number 10: VI-1

Recommendation: Develop a consistent approach to program and project management throughout CECONY and O&R. Establish and enforce formal project management control procedures, especially regarding instances when CECONY capital projects are transferred between organizations. Establish an organizational unit responsible for standardizing project management practices to accomplish this effort.

- Develop formal, controlled procedures that address:
 - Project management for all projects, both large and small
 - Program management and the responsibilities of program owners
 - Contract change orders and contractor payment verification and processing
 - Development of project estimates, including the determination of contingency amounts.
 - Development of guidelines for the establishment of project schedules and the reporting of progress relative to the schedule.
 - Project Status reporting requirements.
- Develop consistent reporting for programs and projects across the organizations.
- Incorporate a WBS in the development of project/program estimates. Effective cost management begins with estimates that are based on a logical delineation of the project's key components. The WBS provides the structure for estimating and tracking the project cost.
- Standardize monthly CWE reports throughout the organizations and the CWEs to the projects' WBS.

Roles and Responsibilities:

Executive Sponsor: Louis Bevilacqua, Frank Peveryly
Team Lead(s): Frank LaRocca, Gary Windman

Scope: Project Purpose, Objectives, and Assumptions:

Scope/Purpose:

The purpose of this project is to document the current state of program and project management throughout CECONY and O&R, design the future state, obtain buy-in from all key stakeholders, roll out consistent guidelines for program and project management, and formalize a new organizational unit to manage the guidelines and maintain the quality of project management going forward. The project will also integrate with the Primavera P6 and PI360 project efforts.

Objectives:

- By the end of 2016, establish an organizational unit responsible for standardizing project management practices to accomplish this effort
- By mid-2017, establish and enforce formal program/project management guidelines

Key Assumptions:

- Key SMEs (stakeholders/operating areas) will be involved in the development of the guidance documents
- SMEs will be available as needed to support the project, in a timely manner
- The guidance documents developed will apply to both CECONY and O&R and will be consistently applied
- Funds for training and adoption and/or other funding needs will be available if required

Key Dependencies:

- Primavera P6 implementation
- PI360 implementation
- Operating areas heavily involved in project management

Work Plan:

The team will analyze the current state and document all policies, procedures, and other documents related to project management related policies, procedures, documents, etc. in a single repository.

At the same time, a new unit will be established to standardize project management practices and ensure quality.

The team will employ a project steering committee for the effort.

The team will integrate with the PI360 project and Primavera P6 project.

Once the assessment of the current state is complete, the team will design the future state and identify the guidelines to be standardized.

Once the guidelines are agreed upon, they will be drafted and approved.

A communication/change management plan will be established to assist in rolling out the new guidelines, and to support adoption.

As part of the unit that is established, a review function will be performed to confirm adherence to the guidelines.

The team will meet regularly to complete the project.

Approvals of all key documents and/or process changes will be provided by the project steering committee, in addition to the Executive Sponsors and Team Leads of this recommendation.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Complete
Planning	June 6, 2016	December 31, 2016	
Establish team	June 6, 2016	July 1, 2016	Complete
Identify key stakeholders	July 1, 2016	July 15, 2016	Complete
Establish new organizational unit	June 6, 2016	December 31, 2016	
Current State Analysis	July 18, 2016	October 21, 2016	
Interview key stakeholders on project management procedures and reporting	July 18, 2016	October 21, 2016	
Interview key stakeholders on current use of WBS in the development of project/program estimates	July 18, 2016	October 21, 2016	
Interview key stakeholders on current state of CWE process and reporting	July 18, 2016	October 21, 2016	
Review any existing operating procedures or other documentation	August 15, 2016	October 21, 2016	
Summarize current state findings (incl. reviews)	September 19, 2016	October 21, 2016	
Future State Design	October 24, 2016	May 31, 2017	
Design future state; Identify target project management guidelines to be standardized and document guidance documents	October 24, 2016	February 28, 2017	
Define and document standard use of WBS in estimates	October 24, 2016	February 28, 2017	
Define and document standard use of CWE process and reporting to projects WBS	January 3, 2017	February 28, 2017	
Review and obtain input of standards with key stakeholders	March 1, 2017	May 1, 2017	
Approve and publish standard guidance documents	May 2, 2017	May 31, 2017	
Training and Communication	January 3, 2017	June 1, 2017	
Create change management / communication plan	January 3, 2017	February 28, 2017	
Implement change management/communication plan within organizations	May 2, 2017	June 1, 2017	
P6/PI360 Workstream	July 25, 2016	December 31, 2016	
Agree on standardized approach to P6 across CECONY & O&R	July 25, 2016	December 31, 2016	
Identify any impacts to PI360 implementation	July 25, 2016	December 31, 2016	

Cost Benefit Analysis:

Cost Analysis:

- Resources - An additional 4 FTEs will be required to design, enforce and maintain project management standards across the enterprise, and support the delivery of the scope identified:
 - 4 FTEs at \$150K - \$600K per year
 - Resources to be hired in 4th Quarter 2016
- Portfolio Management System - On PI360 implementation, the Company (O&R and CECONY) spent \$2.3M through 2015, and \$1.8M is projected in 2016. An additional \$3M is planned. There may be additional costs due to any new in scope items as a result of this recommendation
- Project Management System – For the Primavera P6 implementation across all organizational units, the Company (O&R and CECONY) spent \$4.2M through 2015; \$3.1M is projected in 2016
 - Future cost estimates for an enterprise-wide P6 implementation will require a detailed review by IT, and will include costs for software, hardware, integration, maintenance, etc.

Benefit Analysis:

Improved enterprise-wide project management systems and processes, and formal, controlled procedures will provide the following expected benefits:

- Ability to deliver higher portfolio value with the same capital spend, or the ability to deliver the same portfolio value with reduced capital spend
- Projects and available resource capability aligned thereby improving resource utilization/labor cost
- Projects scheduled and executed for the highest impact/lowest risk
- Improved skills assignment
- Improved estimating tools
- Identification and implementation of best-practices and lessons learned thereby improving performance
- Standardized project management methods that shorten the learning curve for other organizational units
- A better basis for transfers of skill sets and resource across organizations thereby reducing training, improving labor costs and overall capability
- Better project management and oversight
- Improved collaboration of team members
- Consistent document control
- Better project cost and schedule control
- Better risk management
- Improved, standardized reporting capabilities for project team and utility management

Improved project management and implementation of lessons learned may also result in the following benefits:

- Improved project schedules – more timely execution of important projects and commercialization
- Improved workforce productivity – reduced labor costs
- Improved budget monitoring – improved cost management and reduced waste

Risk Analysis:

Consistency of project management practices provides better project governance, improved sharing of lessons learned, and enhanced process and resource synergies among the organizations.

Recommendation Number 11: VI-2

Recommendation: Charge actual CECONY engineering and construction oversight costs directly to capital projects so the booked capital costs reflect the actual costs of the project.

Roles and Responsibilities:

Executive Sponsor: Mary Kelly, Sanjay Bose, Patrick McHugh, Robert Muccilo, Robert Boyle
Team Lead(s): Tomas Hernandez, Victor Mullin, Stephen Maikisch, Grace Scarpitta, Thomas Poirier

Scope: Project Purpose, Objectives, and Assumptions:

Document the as-is state of the cost allocation process for engineering and construction, perform benchmarking with utilities, engineering firms, and construction companies, and measure the value added by changing to a direct charging model.

Analyze the feasibility of changing to a direct charging model.

Work Plan:

This effort will be pursued in two phases. During the first phase, CECONY will document the as-is state of the cost allocation process, perform benchmarking with utilities, engineering firms, and construction companies, and measure the value added by changing to a direct charging model. The feasibility study will determine whether or not direct charging of engineering and construction costs is indeed a best practice. The study will explore whether direct charging engineering and construction costs is more accurate and efficient, produces more accurate cost accounting for projects, and is a practical and cost effective change. CECONY will then develop an implementation plan based on the results of the feasibility study and will provide a detailed Phase II schedule, if applicable.

In the second phase, CECONY will implement the changes, if any, that are recommended as a result of the first phase.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Phase I:	June 1, 2016	June 30, 2017	
Initiation – Form Team	June 1, 2016	June 30, 2016	Complete
Prepare plan for feasibility study	June 30, 2016	September 30, 2016	
Internal (As – Is) and external benchmarking	June 30, 2016	December 15, 2016	
Define To-be state	December 1, 2016	February 28, 2017	
Cost/Benefit/Risk analysis of Proposed To-Be State	March 1, 2017	March 31, 2017	

Fact Finding – Feasibility Study	April 1, 2017	April 30, 2017	
Position Paper/analysis	April 30, 2017	May 30, 2017	
Develop Implementation Plan – If Required	May 30, 2017	July 30, 2017	Pending results of Phase I
Phase II:		TBD	

Cost Benefit Analysis:

The estimated cost of implementation will be determined as part of the feasibility study. The estimated internal cost for the feasibility study is approximately \$126,000. The project will be completed with in-house resources, estimated to require 1,800 hours at approximately \$70.00 per hour, and external forces for benchmarking purposes. The cost of the external forces used for benchmarking will be determined after the selection of the vendor.

Benefits will be determined as part of the feasibility study, however it is expected that the benefits will include having the availability of accounting data that can be analyzed to understand costs and cost drivers which can support the overall planning process as well as the ability to use the data in developing the actual costs of a project.

Risk Analysis:

- Direct charges would capture the cost of the engineers and construction personnel working on a project, but many others are indirectly involved. So direct charging will not lead to a fully accurate allocation of engineering and construction costs
- For short-duration, low-cost projects, the volume of charges may present significant administrative challenges to capture per project direct charge
 - May introduce time delays
 - May not be administratively practical and cost effective

Recommendation Number 12: VI-3

Recommendation: Revise CECONY processes and procedures to require that estimated and booked project costs include all costs.

Roles and Responsibilities:

Executive Sponsor: Louis Bevilacqua, Robert Muccilo
 Team Lead(s): Nicholas Colonna, John Burzo

Scope: Project Purpose, Objectives, and Assumptions:

This recommendation requires the update and/or development of CECONY policies in the form of corporate instructions and/or general accounting procedures. These requirements can be accomplished with existing CECONY employees and are not dependent on any external events or externally-supplied resources.

Work Plan:

The activities required to implement this recommendation include the identification, review and update of existing corporate instructions and/or procedures that address project costs when utility equipment (i.e. station transformers, circuit breakers, switchgear, or capacitor banks) is purchased in advance of installation.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Identify corporate instructions and/or procedures that address project costs when utility equipment is purchased in advance of installation	June 1, 2016	July 1, 2016	Complete
Update the documents identified in Step 1 above to provide guidance on completing an appropriation when equipment is purchased in advance of installation	July 1, 2016	September 30, 2016	
Clarify any associated accounting requirements for booked project costs	July 1, 2016	September 30, 2016	
Complete approval process for any changes to corporate instructions and/or procedures	October 3, 2016	December 30, 2016	
Communicate to stakeholders any changes in corporate instructions and/or procedures	January 2, 2017	January 31, 2017	Policy changes will be announced at Corporate Governance Committee Meetings

Cost Benefit Analysis:

The benefit of this recommendation is to provide enhanced visibility and cost monitoring for capital projects. The estimated cost is approximately \$24,000. This effort is expected to require approximately 400 internal labor hours at approximately \$60.00 per hour for identifying and updating any relevant documents, clarifying accounting requirements and communicating to stakeholders any changes in the corporate instructions or procedures. The expected Company benefits are enhanced visibility and cost monitoring for capital projects.

Risk Analysis:

Excluding the cost of major utility equipment from capital appropriations may diminish the effectiveness of the governance process.

Recommendation Number 13: VI-4

Recommendation: Update CECONY contracting and procurement procedures to assign roles and responsibilities in the event that Bid Check estimate is the low bid.

Roles and Responsibilities:

Executive Sponsor: Michael Haggerty, Frank Peverly, Robert Boyle
Team Lead(s): Michael Graham, Gary Windman, Tim Stewart

Scope: Project Purpose, Objectives, and Assumptions:

The purpose of this objective is to identify areas of improvement and modify the existing Supply Chain Operating Procedures and Contract Administration Manual (“referenced documents”). The modifications will clearly define roles and responsibilities in the event that Bid Check estimate is the low bid. As outlined below, the plan includes deliverables to review, modify and approve the referenced documents. Supply Chain, Construction, O&R Project Management, and Estimating will collaborate and propose the recommendations for review and approval.

Although there are policies and procedures in-place, this project is based on the assumption that roles and responsibilities are not clearly defined when Bid Check estimate is the low bid.

This project will impact all construction procurements in which negotiations and fact finding meetings are conducted and a bid check estimate is required.

Work Plan:

The team will review the current Supply Chain Operating Procedures and Contract Administration Manual, identify areas of improvement, and provide modifications to include roles and responsibilities when Bid Check estimate is the low bid. Upon completion of the proposed modifications, the team will seek review and approval. Once approved, the team will notify all organizations that are impacted by the changes.

The team will meet on a scheduled basis to complete the revisions and rollout of the updated Supply Chain Operating Procedures and Contract Administration Manual.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Identify and modify Supply Chain Procurement Operating Procedures and Contract Administration Manual to ensure that the roles of responsibilities are clearly identified when Bid Check is the low bid.	May 15, 2016	August 15, 2016	Complete

Approve updated Supply Chain Procurement Operating Procedures and Contract Administration Manual ensuring that the roles of responsibilities are clearly identified when Bid Check is the low bid.	August 16, 2016	September 15, 2016	Complete
Provide approved documents to all affected organizations within CECONY	September 16, 2016	September 30, 2016	

Cost Benefit Analysis:

The cost to modify the contract management and procurement procedures are minimal.

Documented roles and responsibilities will support compliance with procurement and contract administration policies, enhance the knowledge of all employees in responsible groups and provide for a common understanding of the processes and procedures used within the groups.

Risk Analysis:

Without documented responsibilities, the clarity and transparency needed to comply with established procedures and/or policies is unclear.

Recommendation Number 14: VI-5

Recommendation: Establish a process to ensure that there is a CECONY Project Manager assigned to manage the work when a CECONY project is performed by NYC contractors.

Roles and Responsibilities:

Executive Sponsor: Robert Boyle
Team Lead(s): Anthony Mancino

Scope: Project Purpose, Objectives, and Assumptions:

The scope of this project will be to develop a process for assigning a CECONY Project Manager to manage work when a CECONY project is performed by a NYC/Municipal contractor. The process will include assigning a CECONY project manager when non-interference related CECONY project work is requested by an operating group to be performed by a NYC/Municipal contractor.

Work Plan:

The team will develop the process and add the new requirement to the Public Improvement Interference Control Manual, CONST-009, which is the guidance document for all Public Improvement related work. CONST-009 is currently being updated and reformatted and is expected to be finalized by year-end 2016. This process will be added as an Advanced Change Notice (ACN) by September 1, 2016.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
ACN added to CONST-009	May 1, 2016	September 1, 2016	Complete
CONST-009 revised		December 31, 2016	Process included in revised document

Cost Benefit Analysis:

A benefit of implementing this process will be the review and acceptance, by the Project Manager of the respective operating group, of the cost estimate for the work to be performed by a NYC/Municipal contractor, prior to starting any non-interference CECONY project work. This process will provide the requesting organization the opportunity to accept the cost estimate and move forward with the work, or to postpone. Once the decision is made to move forward, Public Improvement will be able to work with the Project Manager to schedule work resources in a timely fashion, which will reduce downtime of the NYC/Municipal contractor and help control costs. An added benefit of implementation of this recommendation is improved safety oversight, protection of company assets and verification of project completeness.

The cost to include this process into the PI Interference Control Manual will be minimal since the document is in the process of being updated.

Risk Analysis:

The risk of not implementing this recommendation is that CECONY project work could get issued to a NYC/Municipal contractor and the operating group responsible for the financial oversight may not accurately track the costs, which could result in an appropriation over run.

Recommendation Number 15: VI-6

Recommendation: Formalize the O&R contractor oversight rotation policy and revise O&R contract management procedures to provide more detailed guidance regarding the use of the Contractor Oversight System.

Roles and Responsibilities:

Executive Sponsor: Frank Peverly
Team Lead(s): Gary Windman

Scope: Project Purpose, Objectives, and Assumptions

O&R will formalize its contractor oversight rotation policy and revise the O&R contract management procedures to provide more detailed guidance regarding the use of the Contractor Oversight System (COS), inclusive of documenting roles and responsibilities to ensure that contractor oversight is performed effectively and that the results are documented in the Contractor Oversight System.

There are two distinct work streams within the scope of this implementation plan:

- 1) The development of a Management Rotation Policy for Operations personnel who have purchasing authority, contract payment authorization or oversight responsibility of contractor activities.
- 2) The revision of O&R's Project Management's Construction Management Manual (CMM) to define and provide adequate guidelines regarding the use of the Contractor Oversight System (COS).

The assumptions made during the development of this implementation plan are as follows:

- This project will impact all Operations (Gas, Electric, and Project Management)
- The policy changes will be communicated to all management employees in Operations.

Work Plan:

O&R will develop a Management Rotation Policy utilizing CECONY's Management Rotation Policy Procedure, CONST-011 Revision 2, as a guideline. The team will also revise O&R's CMM defined guidelines on the use of the COS System. The implementation team will meet on a regularly scheduled basis to complete the policy and the revisions as further defined in the Deliverables/Milestones section below.

Deliverables/Milestones:

Deliverable/ Milestone	Start Date	Delivery Date	Comments
Rotation Policy	April 18, 2016	December 31, 2016, 2016	
Establish Contractor Rotation Policy Work Team	April 18, 2016	May 1, 2016	Complete
Review Con Edison Contractor Rotation Policy	May 2, 2106	May 15, 2016	Complete
Draft O&R Contractor Rotation Policy	April 18, 2016	June 3, 2016	Complete
Submit for Review and Approval	June 4, 2016	June 17, 2016	Complete
Executive/CPC Approval	June 20,2016	December 31, 2016	
COS Guidelines	April 18,2016	June 16, 2016	
Draft COS clause within CMM	April 18, 2016	June 3, 2016	Complete
Submit for Department Review and Approval	June 4, 2016	June 10, 2016	Complete
Employee Change Management Communication	June 10, 2016	June 16, 2016	Complete

Cost Benefit Analysis:

This work will be completed with in-house resources. There is nominal cost to develop the rotation policy and document an existing COS practice in the CMM procedure.

Although good practice is not always tangible, benefits can include the reduction in the potential for malfeasance and promotion of a more robust contractor review process during bidding based on COS entries that can contribute to a more effective bid process and better service to customers.

Risk Analysis:

Lack of documented requirements to rotate contractor oversight assignments increases the possibility that rotations will not occur, increasing the opportunity for malfeasance.

Without formally documented procedures it may increase the risk that employees will not properly use COS to document contractor performance. This would reduce the necessary data to adequately prepare bid lists and to properly evaluate contractors.

Recommendation Number 16: VI-7

Recommendation: Perform a formal review of O&R change orders on a semi-annual basis to identify and distribute lessons learned.

Roles and Responsibilities:

Executive Sponsor: Frank Peverly
Team Lead(s): Gary Windman

Scope: Project Purpose, Objectives, and Assumptions:

O&R's project team will document a process for the Project Management Organization (PMO) to formally review change orders on a semi-annual basis. The objectives of the semi-annual change order review process is to identify change orders for review, develop steps for review and analysis, and distribute the lessons learned from the review to the appropriate organizational entities.

For the purposes of this implementation plan, O&R has relied on the following assumptions:

- Change orders are those changes associated with change in scope
- Change orders do not include contract changes where time is extended and/or funding is added, such as with Blanket Purchase Agreements (BPAs), where units for services are pre-defined.
- Post Approved Change Orders refers to change orders that were completed and approved in accordance with established policies and practices for approval that will now be subject to a semi-annual review process.
- There is no existing post approval periodic review process established at O&R for reviewing change orders.

At O&R, the predominance of change orders result from construction contracts. The PMO is the organization that performs the majority of the construction work for O&R. This project will impact the PMO and all work associated with this project will be done by the PMO.

Work Plan:

The team will first develop a process that will detail which Post Approved Change Orders are subject to the semi-annual review, how change orders in this process will be analyzed, and how to establish, communicate, and distribute lessons learned from the review.

After the process and review method is established, the team will develop a standard report template for the reviewed change orders.

Finally, the team will decide whether to develop a guidance document for the change order review process or incorporate it within PMO's existing Project Execution Manual.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Develop change order review process	June 1, 2016	September 30, 2016	Complete
Methodology and standard template	October 1, 2016	November 15, 2016	Complete
Finalize change order review process and establish communications plan for employees.	November 16, 2016	December 31, 2016	Complete

Cost Benefit Analysis:

This work will be completed with in-house resources. There is minimal cost to develop the change order review process and nominal cost to document the process within an existing procedure or a guidance document.

Although the amount of construction change orders at O&R are relatively low in number, the benefits associated with this review effort may include stronger approval practices, a reduction in future change orders, and/or the avoidance of future scope or changes in engineering design which may result in improved efficiency, productivity, or reduced cost.

Risk Analysis:

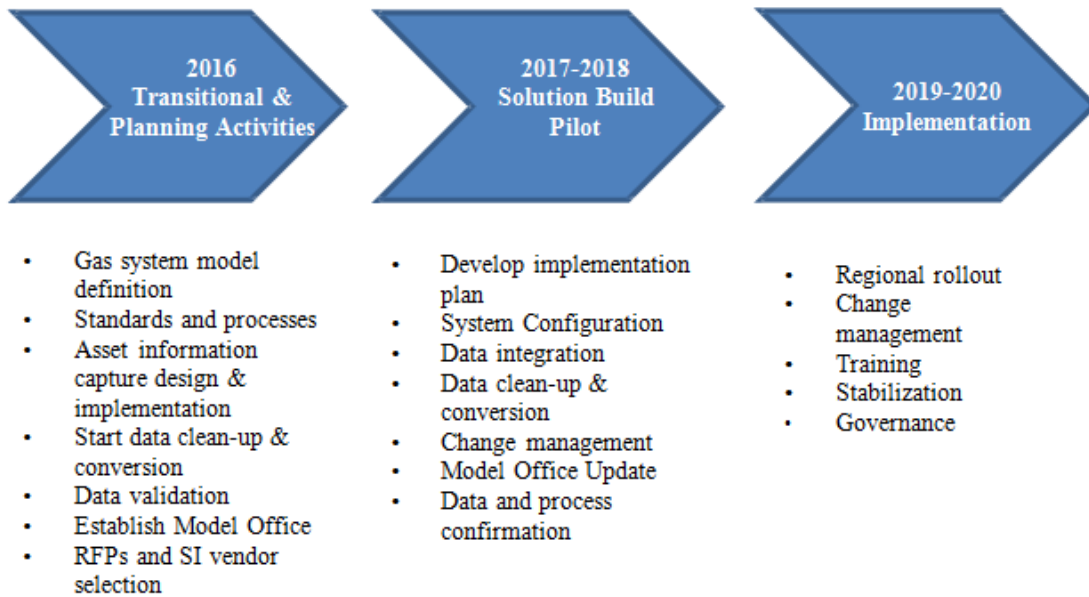
Root cause change order analysis may result in stronger approval practices, a reduction in future change orders, and/or the avoidance of future changes to scope or engineering design. The risk in not performing periodic reviews of past change orders could result in future avoidable change orders potentially causing inefficiencies, reduced productivity, or increased costs.

VII. Work Management

Recommendation Number 17: VII-1

Recommendation: Continue CECONY Gas Operations work management process improvement activities in accordance with its Gas IT Roadmap. A high level overview of the implementation plan is shown below.

High Level Gas Operations Work and Asset Management Improvement Road Map



Roles and Responsibilities:

Executive Sponsor: Marc, Huestis, Katherine Boden, Mary Kelly, Manny Cancel
Team Lead(s): Pascale Ambrosio, Karen Stanford

Scope: Project Purpose, Objectives, and Assumptions:

CECONY Gas Operations identified the need for an integrated work and asset management system to optimize its ability to plan and manage all types of work. A Gas Work Management Roadmap project team was established to examine and develop the justification and implementation plan (Roadmap assessment) for an investment in developing standardized work and asset management business processes for CECONY Gas Operations.

Leveraging the results and recommendations within the Roadmap assessment, the project team will select and deploy an integrated Work and Asset Management Solution for Gas Operations that will allow for standardization of work processes, better work scheduling and prioritization, as well as provide a single repository for all work and asset data related to CECONY's gas facilities.

This project will also yield strategic benefits that support both CECONY's and Gas Operations' goals and objectives. Some examples are: an integrated view of financial and operational data resulting in more

effective risk mitigation strategies, increased transparency, more effective trending and analysis, improved operational efficiencies, and an enhanced customer experience through more accurate and timely information around work flow and job status. In addition, while the business has always operated within a stringent regulatory environment, the advent (and ongoing) implementation of stricter integrity management regulations has given rise to a new set of requirements that the existing operating model, supporting systems and processes will be challenged to maintain.

Work Plan:

The creation of a 2017 – 2021 detailed implementation plan is a deliverable for 2017. The high level implementation plan is as follows:

2016	2017-2018	2019 - 2021
Gas system model definition	Develop implementation plan	Training
Standards and processes	System configuration	Regional rollout
Asset information capture design	Data integration	Stabilization
Initiate data clean-up & conversion	Data clean-up & conversion	Governance
Data validation	Change management	Change Management
RFPs and SI vendor selection	Data and process confirmation	

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date
Gas system model definition	April 1, 2016	December 31, 2016
Standards and processes	April 1, 2016	December 31, 2016
Asset information capture design	April 1, 2016	December 31, 2016
2017 Budget Approval	May 1, 2016	December 31, 2016
Initiate data clean-up & conversion	July 1, 2016	September 30, 2016
Data validation	July 1, 2016	September 30, 2016
Develop implementation plan	July 1, 2016	March 31, 2017
RFPs and SI vendor selection	August 1, 2016	December 31, 2016
Data clean-up & conversion*	April 1, 2017	June 30, 2018
Data and process confirmation*	April 1, 2017	December 31, 2018
Change Management*	April 1, 2017	December 31, 2021
System configuration*	July 1, 2017	December 31, 2018
Data integration*	July 1, 2017	March 31, 2018
Training*	February 1, 2019	December 30, 2019
Regional Rollout*	January 1, 2020	January 30, 2021
Stabilization*	February 1, 2021	July 31, 2021
Governance*	August 1, 2021	December 31, 2021

*To be refined upon completion of development of implementation plan

Cost Benefit Analysis:

The estimated project costs are provided in the table below.

Year	Estimate*
2016	\$3,952
2017	\$21,928
2018	\$27,149
2019	\$32,714
2020	\$25,005
Total	\$110,748

*Note: Numbers in thousands. Also, The total estimated cost is not anticipated to change, however, because of the schedule extension to 2021, the cash flow must be updated to reflect this schedule change.

The cost savings were derived through data collection of existing processes and post-implementation equivalents to produce an estimate of the time savings or productivity improvements. Specific examples of areas where cost savings are expected include, but are not limited to:

- Field personnel activities: Supervisors are able spend more time in the field, less time in the office completing manual paper tasks like scheduling and closing out documents. Improvement in scheduling and routing is expected to be realized through use of scheduling software tools.
- Clerical personnel activities: Integration of closeout activities, which are currently manual and largely all on paper, will decrease the time to complete these activities as there will be less need to manually enter the data.
- Engineering Designer activities: Efficiencies expected in engineering include standardization of design tools, increased bundling opportunities before releasing projects to the field, and automation of the closeout process when asset manager and property records databases are integrated.

The table below summarizes the estimated annual cost savings.

Benefits Summary by Benefit Category			
	Benefit Dollars*		
Benefit Category	O&M	Capital	Total Benefits
Field Personnel	\$3,513	\$3,898	\$7,411
Clerical	\$1,092	\$893	\$1,985
Designer	\$193	\$773	\$966
Supervisor	\$360	\$296	\$656
IT Support	\$635		\$635
Non-Labor	\$206	\$1,485	\$1,691
Total Annual Benefits	\$5,999	\$7,345	\$13,344
*Numbers in thousands			

Risk Analysis:

Risk of no action:

Without the combination of standardized processes and integrated information technology solution, Gas Operations would be in an inferior position to meet future operational and regulatory challenges and complexities. Moreover, Gas Operations would continue to manage assets in a labor intensive fashion which will present significant challenges with increases in the work and resources that will need to be managed.

Risk to project success:

- Initiation of the implementation of this project is contingent upon approval of the capital funding in the current rate case request.
- Competing activities such as the AMI project places a strain on the availability of subject matter experts to participate in the project.
- Regulatory requirements continue to become more stringent and may impact the scope and duration of the project.

Recommendation Number 18: VII-2

Recommendation: Develop formal reports on CECONY and O&R trends in work load levels, workforce productivity and utilization.

Roles and Responsibilities:

Executive Sponsor: Manny Cancel, Louis Bevilacqua, Milovan Blair, Robert Schimmenti, Marc Huestis, Frank Peverly
Team Lead(s): Nicholas Colonna

Scope: Project Purpose, Objectives, and Assumptions:

This recommendation requires CECONY and O&R to create formal trending reports for work load levels, workforce productivity, and utilization. Each of these three reports is defined as follows:

- Work load levels: A measure of units received versus units completed and the units in the backlog for various work categories to be defined by each organization.
- Workforce productivity: A measure of the estimated labor hours for each planned work activity versus the actual labor hours to complete each planned work activity.
- Utilization:
 - A measure of the number of labor hours scheduled to work versus the number of labor hours available to work.
 - A measure of quantity of work versus the crew capability (productive hours versus total available hours)

CECONY Electric Operations

The development of a standardized dashboard for measuring and trending of work load levels and workforce productivity will require minor modifications to the CGI - Logica Work Management System and supporting dashboard. The current utilization report meets the requirements.

The work load level dashboard will address trends relating to units received, units completed and units in backlog for various work categories such as shunts & bridges, open secondary mains, transformer banks off, damaged poles and primary faults.

The workforce productivity dashboard will address trends relating to operational productivity (OPI) and productivity index (PI). Operational Productivity (OPI) measures actual charged hours, including travel and delays, compared to design hours. The Productivity Index (PI) measures actual charged hours (hands on hours) compared to design hours. The metrics will be defined at the Electric Operations level, the regional organization level, the work out location level, the section level, supervisor level and crew level.

The current utilization report addresses trends in crew hours scheduled as compared to available crew hours for Electric Operations, the regional organization and the various regional departments. The utilization report addresses trends in the actual number of scheduled work components that are worked compared to total number of work components scheduled.

CECONY Central Operations

Central Operations uses more than one work management system, so the information necessary for the creation of these reports is being collected and stored by different methods in each organization. In order for this project to be successful, an assessment of available information and processes will be performed. In organizations where it is determined this information is not available, CECONY will assess different methods of collecting and reporting information that can be used to develop trend reports. A standardized dashboard for measuring and trending work load levels, work force productivity and utilization will be developed and deployed where feasible. Standalone reports will be created where a dashboard solution is not practical.

CECONY Gas Operations

CECONY Gas Operations uses a variety of systems and data to manage work. Gas Operations plans to implement a similar work management system that is in use in Electric Operations (CGI ARM – formerly Logica ARM). This system includes the use of work management data for resource planning. Once in place, Gas Operations will employ a similar process for using work management data in resource planning. To address this recommendation in the near term, Gas Operations will continue to develop and modify the capability analysis that was used to develop the Five-Year Resource Plan and will use the information and data it currently has and provides through existing work management systems and processes as well as Oracle Business Intelligence.

Orange and Rockland

Through a collaborative effort with O&R’s planning groups for Electric, Gas and Substation Operations, the Project Team will design and implement effective work load level, workforce productivity and utilization trending reports.

Currently O&R Electric, Gas and Substation Operations provide a monthly formal productivity report produced from the work management system. The trending data O&R will use for reporting currently resides in the work management system database. The plan is to leverage existing data already being accumulated in the work management system and build on a reporting effort started prior to the NorthStar recommendation.

Work Plan:

Activity	Target Completion Date
Review and assess current capabilities of work management processes, trend reporting, and systems in each organization.	10/31/2016
Identify any process or system changes that are necessary to support this initiative.	10/31/2016
Develop action plans to implement changes to existing work management process, trend reporting and/or system changes.	12/31/2016
Create the capability to measure the required parameters in each organization for each of the trend reports and an automated method to perform the analysis.	12/31/2016
Implement enhancements to existing reports.	12/31/2016
Review and identify any gaps in staffing required to facilitate work and	12/31/2016

resource planning activities.	
Create a mechanism to institutionalize the work management changes and the creation, distribution, and review of the trend reports.	6/30/2017
Implement the trend reports through the use of information sessions and webinars.	6/30/2017
Incorporate process changes and report templates into design documentations for any new Work Management System implementation.	6/30/2017

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Work Force Productivity Report	June 1, 2016	June 30, 2017	Define business requirements and either convert existing or develop new reports/dashboards
Work Load Levels Report	June 1, 2016	June 30, 2017	Define business requirements and either convert existing or develop new reports/dashboards
Utilization Report	June 1, 2016	June 30, 2017	Define business requirements and either convert existing or develop new reports/dashboards

Cost Benefit Analysis:

CECONY Electric Operations and Gas Operations

The incremental costs associated with developing the trend reports is expected to be nominal since the implementation of this recommendation will occur in concert with the implementation of ongoing and planned improvements to the work management systems.

CECONY Central Operations

Since there are on-going and planned improvements to some of the Work Management Systems for Transmission Operations, Substation Operations and Steam Operations, the trend reports for these areas will be implemented as part of these improvements. The reports will be created on a standalone basis in all other areas.

Orange and Rockland

The project work is anticipated to be completed with in-house resources. The cost of development will depend on the technical design which will be determined as part of this initiative.

Trending analysis may allow for better utilization of company crews and optimized scheduling. Additional benefits may be identified as the business requirements and technical specifications are developed.

Risk Analysis:

Performing routine trend analyses of work load levels, workforce productivity and utilization is likely to encourage the effective management of resources and costs.

Risk is defined as anything that impacts the cost or timeline of the project. This may include but is not limited to the loss of key team members. The mitigation plan for this risk would be to re-allocate current resources or bring on additional contract resources.

Recommendation Number 19: VII-3

Recommendation: Establish formal processes to use work management data for annual resource planning as part of the annual business planning activities of CECONY Gas Operations, Substations Operations, Transmission Operations and Steam Plants.

Roles and Responsibilities:

Executive Sponsor: Milovan Blair, Marc Huestis
Team Lead(s): Gina Callender, Laura McCaffrey, Vernon Schaefer, Scott Kalberer, Brian Yee-Chan

Scope: Project Purpose, Objectives, and Assumptions:

CECONY Substation Operations, Transmission Operations, and Steam Plants use Maximo and other work management applications that interface with Maximo to effectively identify, prioritize, plan, schedule, and track work. The data from these systems will be evaluated to determine how it can be used to develop annual resource plans.

CECONY Substations Operations, Transmission Operations and Steam Plants will formalize processes to specifically address the resource planning aspect of the annual business planning activities, and evaluate the feasibility and benefits of standardizing processes across organizations. These activities will include the use of work management data for resource planning.

CECONY Gas Operations uses a variety of systems to manage work. Gas Operations plans to implement a similar work management system as is in use in Electric Operations (CGI ARM – formerly Logica ARM). This system includes the use of work management data for resource planning. Once in place, Gas Operations will utilize a similar process for using work management data in resource planning. To address this recommendation in the near term, Gas Operations will continue to develop and modify the capability analysis that was used to develop the 5 Year Resource Plan. In the absence of crew-level details, the plan supports high-level recommendations for resource allocation, workload, and budget implications.

Work Plan:

Document existing resource planning practices:

1. Review and document Steam Distribution resource planning
2. Review and document Electric Operations resource planning
3. Review and document existing practices (Substation Operations, Transmission Operations, Gas Operations, and Steam Plants)
 - a. Review and document CENG Order of Magnitude estimating process

Analysis:

1. Define Resource Planning Types

- a. Fixed post vs. capital project work, vs. preventative maintenance, vs. corrective maintenance (FCATS)
- b. Company Labor vs. Contractors
 - i. OT vs. straight time
- 2. Analyze existing work management data to determine how to use it to predict resource needs for future planned work
 - a. Identify data that is needed but not currently available (gaps in data)

Develop the resource planning process (if required):

- 1. Determine which Systems/ Processes for each applicable use case
 - a. Evaluate standardization opportunities across business units
 - b. Develop processes (where processes don't already exist or are inadequate)
 - c. Executive review and approval of process
- 2. Make related process changes – i.e. Budget Development incorporating new systems/processes, which could be a significant effort. Plans to implement new process will be evaluated and estimated at that time
 - a. Include monitoring of effectiveness and improvement
- 3. Training and Communication to stakeholders
 - a. Training
 - b. Communication
- 4. Implement new practice

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date
Benchmark & document existing resource planning practices	June 1, 2016	December 15, 2016
Determine which systems/processes can be used for specific work types for each organization	December 15, 2016	March 15, 2017
Position Paper/analysis	March 15, 2017	April 15, 2017
Formalize processes for annual resource planning (if required)	April 15, 2017	April 15, 2018

Cost Benefit Analysis:

For CECONY Substation Operations, Transmission Operations, and Steam Plants this initiative is an enhancement to current processes and does not require additional hardware or software to implement. The cost of implementing new systems/processes based on data already contained within work management systems may require significant manpower to assess and implement. The benefit of implementing this process will be the increased accuracy in projecting resource requirements.

The estimated cost is approximately \$175,000. The project will be completed with in-house resources, estimated to require 2,500 hours at approximately \$70.00 per hour, and external forces for benchmarking purposes. The cost of the external forces used for benchmarking will be determined after the selection of the vendor.

Gas Operations will fully achieve increased accuracy in projecting resource requirements following the implementation of a new Gas Work Management System referenced in Recommendation Number: VII-1. Cost benefits are outlined in the response to that recommendation.

Risk Analysis:

The risk of not implementing this recommendation could potentially be inaccurate forecasts of resource needs. This ultimately impacts the budget for each organization.

There is a potential risk of making the work management process too rigid which would not allow for proper flexibility in the resource planning process. To mitigate this risk, the team should allow for refinement of the process, on an as needed basis.

Recommendation Number 20: VII-4

Recommendation: Develop formal work management practices for CECONY and O&R engineering organizations. Where possible, leverage the results of CECONY Central Engineering's Continuous Improvement Program. The work management systems should have appropriate system tools to support the various individual and distinct engineering functional processes.

- Central Engineering should prepare a document which provides an overview of its Continuous Improvement Program to share with engineering management personnel in the other CECONY and O&R operations organizations. The overview should describe the purpose, methodology, and results of each initiative, including the impact on the engineering work processes. Elements that should be included are:
 - Scheduling
 - Prioritization and planning
 - Resource allocation and leveling
 - Performance measurement
 - Budget planning and control
 - Vendor tracking
 - Document/drawing control
 - Records management
 - Procurement management
 - Time reporting
- Each engineering organization should form a team to assess whether any of the Central Engineering initiatives would improve its operations, and to identify other opportunities to improve its work processes.
- Once each engineering organization has identified needed Continuous Improvement Program initiatives, it should meet with members of the Continuous Improvement team to discuss the implementation process and any lessons learned.

Roles and Responsibilities:

Executive Sponsor: Sanjay Bose, Patrick McHugh, Mary Kelly, Frank Peverly
Team Lead(s): James Leary, Jonathan Russell, Tomas Hernandez, Angelo Regan, Flannan Hehir

Scope: Project Purpose, Objectives, and Assumptions:

Scope/Purpose: A corporate wide team will be formed, with sub-teams in each engineering organization, to validate existing work management practices and systems that support the various engineering functional processes and, to the extent possible, develop work management practices and systems where gaps are found.

To do so, the team will:

- Develop a document providing an overview of the Central Engineering Continuous Improvement Program (CIP).
- Document As-Is state of work management practices and systems that support engineering functions.
- Perform external benchmarking of work management practices and systems that support engineering functions.
- Perform gap analyses.
- Develop business case to implement work management practices in engineering groups.

By June 2017, document and formalize any agreed-upon initiatives that would substantially and measurably improve the work management process within each organization. The Engineering Organizations are shown below:

ORU

Electric Engineering
Gas Engineering

CECONY

Central Operations
Central Engineering
Electric Operations
Regional Engineering Groups
Bronx/Westchester
Manhattan
Brooklyn/Queens
Staten Island
Public Improvement
Customer Engineering
Distribution Engineering
Gas Operations
Transmission
Distribution
New Business/ Oil to Gas
Technical Operations

Assumptions:

- The conjunctional direct time reporting recommendation (VI-2) and proposed pilot will be considered in the initial evaluation and gap analysis processes outlined herein.
- Engineering staffing levels must be maintained to meet the minimum requirements for storm, emergency responses, operational support, and regulatory compliance and initiatives.

Work Plan:

This recommendation will be addressed in phases. First, a feasibility study will be conducted to determine where and what work management practices are beneficial and practical in the areas of engineering. The feasibility study will include internal and external benchmarking to gather information about existing best practices in work management. The feasibility study will result in recommendations

of what work management practices should be implemented and in which organizations. Once this scope is identified, detailed plans for implementation will be developed and executed and a detailed Phase II schedule will be provided, if applicable.

Phase I: Feasibility Study

- a. Benchmarking
 - a. Define As-Is State
 - b. External Benchmarking
- b. GAP analysis in current processes/practices
- c. To – Be State
 - a. Define Expected Goals of To – Be state
 - b. Develop To-be process(es) for each organization
 - c. Evaluate organizational change required to implement
 - d. Evaluate tools to support processes
- d. Cost/Benefit analysis
 - i. Identify costs associated with performing the process
 - ii. Identify implementation cost
 - iii. Identify cost savings expected from performing the process
- e. To – Be recommendation – /Position paper/analysis

Phase II: Implementation

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Phase I: Feasibility			
CENG Continuous Improvement Program Report	June 30, 2016	August 31, 2016	Complete
Work Management Practices As-Is Study	June 30, 2016	December 15, 2016	
External Benchmarking	June 30, 2016	December 15, 2016	
Gap Analysis Report	December 15, 2016	March 31, 2017	
Position Paper/analysis	March 31, 2017	June 30, 2017	
Phase II: Create Implementation Plan upon completion of feasibility study, identified in Phase I		TBD	Only if changes recommended

Cost Benefit Analysis:

The estimated cost is approximately \$175,000. The project will be completed with in-house resources, estimated to require 2500 hours at approximately \$70.00 per hour, and external forces for benchmarking purposes. The cost of the external forces used for benchmarking will be determined after the selection of the vendor. The final cost and benefits will be determined once the overall scope has been determined.

Benefits will be determined as part of the feasibility study, however it is expected that implementation of work management practices could yield greater insight into how engineering is deployed and what

effort is required for production. This may give us the ability to analyze our process performance, which could in turn lead to better predictions of future performance and needs, as well as metrics against which to measure the impact of any improvement efforts, ultimately leading to optimized sizing and management of the workforce. In the process of performing the feasibility study we will define the desired benefits, the options, and costs and impacts associated with each option.

Risk Analysis:

- Potential risks associated with not following the recommendation:
 - Inefficient use of existing resources
 - Missed deadlines – ability to understand impact of new efforts on planned work
 - Inability to prioritize, optimize, and levelize resource utilization
- Potential risks associated with following the recommendation:
 - Administrative burden may outweigh the benefits
 - Potentially high cost associated with system maintenance and administration

Recommendation Number 21: VII-5

Recommendation: Develop overtime targets for CECONY and O&R based on economic analyses and verified industry norms.

Roles and Responsibilities:

Executive Sponsor: Louis Bevilacqua, Frank Peverly
Team Lead(s): Nicholas Colonna, Ken Kosior, Ken McKenna

Scope: Project Purpose, Objectives, and Assumptions:

It has been determined through discussion with the Company and Staff that the requirements of this recommendation are an area of focus in another active PSC proceeding “In the Matter of Focused Operations Audit of the Internal Staffing Levels and the Use of Contractors for Selected Core Utility Functions at Major New York Energy Utilities” Case 13-M-0449 (Staffing Audit).

In June 2014, the PSC retained The Liberty Consulting Group (Liberty) to conduct a statewide focused operations audit of core-function staffing levels for both employees and contractors. The objective of the Staffing Audit is to evaluate the processes by which the large New York State electric and gas utilities determine internal (employee) and external (contractor) staffing. As part of satisfying this objective, Liberty is expected to propose prospective approaches and tools for evaluating staffing needs in the issuance of their final report.

Work Plan:

There is no work plan for this recommendation. The Company will address the themes embodied in this recommendation in Case 13-M-0449. This implementation plan will be updated if this recommendation is not addressed in the Liberty Staffing Audit (Case 13-M-0449) implementation plan.

Deliverables/Milestones:

N/A

Cost Benefit Analysis:

N/A

Risk Analysis:

N/A

Recommendation Number 22: VII-6

Recommendation: Develop formal studies and provide updates of contractor versus in-house costs every three to five years, and use the results of these studies in CECONY and O&R resource planning to determine the optimal use of contractors.

Roles and Responsibilities:

Executive Sponsor: Constantine Sanoulis
Team Lead(s): None

Scope: Project Purpose, Objectives, and Assumptions:

It has been determined through discussion with the Company, NorthStar, and Staff that the requirements of this recommendation are a primary area of focus in another active PSC proceeding “In the Matter of Focused Operations Audit of the Internal Staffing Levels and the Use of Contractors for Selected Core Utility Functions at Major New York Energy Utilities” Case 13-M-0449 (Staffing Audit).

In June 2014, the PSC retained The Liberty Consulting Group (Liberty) to conduct a statewide focused operations audit of core-function staffing levels for both employees and contractors. The objective of the Staffing Audit is to evaluate the processes by which the large New York State electric and gas utilities determine internal (employee) and external (contractor) staffing. As part of satisfying this objective, Liberty is expected to propose prospective approaches and tools for evaluating staffing needs in the issuance of their final report.

Work Plan:

There is no work plan for this recommendation. The Company will address the themes embodied in this recommendation in Case 13-M-0449. This implementation plan will be updated if this recommendation is not addressed in the Liberty Staffing Audit (Case 13-M-0449) implementation plan.

Deliverables/Milestones:

N/A

Cost Benefit Analysis:

N/A

Risk Analysis:

N/A

VIII. Performance and Results Management

Recommendation Number 23: VIII-1

Recommendation: Modify the O&R performance management process as follows:

- Modify the employee development key performance indicators (KPIs) to be more reflective of the objective, rather than an evaluation of Human Resources.
- Establish more aggressive ATIP KPIs targets that are realistic, but not too easily attainable.
- Increase the frequency of communication of performance objectives to the overall employee base and ensure that the use of indices is not creating any confusion or minimizing the significance of individual measures.
- Make the ATIP dashboards easier to locate on the intranet site.

Roles and Responsibilities:

Executive Sponsor: Joe Oates, Rich Bagwell, Frances Resheske

Team Lead(s): Joanna Wolff, Frank Peverly, Cecille Jones, Scott Gruber, Ken Kosior, Sophia Salis

Scope: Project Purpose, Objectives, and Assumptions

The project purpose is to ensure that executive management uses measurable goals to achieve the corporate mission and objectives as well as ensure that operational performance measures provide early warning of potential performance deficiencies. Effectively communicating these goals to employees is critical to sustaining the alignment of the Company's objectives with the performance of the individual.

Performance management is an ongoing process and the development of metrics and associated targets, and monitoring, communicating and implementing an appropriate employee performance review process with linkages to objectives and targets, helps facilitate achievement of overall corporate objectives.

While both CECONY and O&R use measurable goals to achieve the corporate mission and objectives, consistent processes and procedures create a more direct line of sight between the key performance indices and the drivers behind performance. As such, the O&R Annual Team Incentive Plan (ATIP) and the CECONY Management Variable Pay Program (MVP) are undergoing a review and assessment (the study). The purpose of the study is to better align the two incentive compensation programs with each other and with the three corporate imperatives of Safety, Operational Excellence, and Enhancing the Customer Experience. Inherent to the study is redefining not only department specific metrics, but also the development of aggressive performance targets that are realistic. These targets will include multi-year stretch goals as well as retaining targets associated with the rate case negative revenue adjustment clauses.

In order to more effectively communicate the performance objectives to the overall employee base and ensure that the use of indices are not creating any confusion or minimizing the significance of individual

measures, O&R will enhance the frequency of communication and ease at which the information is accessible to the employee as part of the multi-platform communication plan.

Work Plan:

A senior executive team is currently reviewing the O&R ATIP and the CECONY MVP programs to create further alignment between the companies and the imperatives of Safety, Operational Excellence, and Enhancing the Customer Experience. This work had begun before the conclusion of the NorthStar Management Audit and is tentatively scheduled to be reviewed with the Corporate Leadership Team (CLT) late this summer.

As part of the 2017 Business Plan development, O&R leadership will evaluate opportunities to strengthen the line of sight between performance targets and business drivers. As part of this evaluation, O&R will seek to develop additional five year metrics and will also retain PSC negative revenue adjustment metrics that had been developed in negotiations between the Company, Staff and third party interveners.

O&R will continue to present ATIP updates for management employees on a quarterly basis at the O&R Update Meetings held at the O&R Spring Valley Operations Center Auditorium and simulcast to the Blooming Grove, West Nyack, and Middletown facilities. Continuance of this practice offers an effective means of communicating on ATIP goals performance four times each year.

In addition to the four O&R Update ATIP presentations and as part of the multi-platform communications plan, following each of the quarterly ATIP presentations at the O&R Update meetings, the Manager of O&R Employee Communications in the Corporate Communications Department will send an e-mail blast to employees. The email will have links to the Intranet, which will archive the ATIP presentation at the O&R Update meeting. The email blast offers two benefits:

- (1) Management employees who are unable to attend the quarterly ATIP presentations can access the information those in attendance at the meeting received.
- (2) Archiving the presentation on the Intranet offers all employees electronic access to the update report and year-to-date KPI information

Corporate Communications will create an ATIP dashboard, updated monthly, and conveniently located on the *O&R Intranet* home page. There will be a table on the homepage with the three main components of ATIP. In this way, every employee will have convenient and easy access to ATIP information on a daily basis. The ATIP dashboard information will be refreshed monthly by the Financial Services Department, who will provide the updated information to the Corporate Communications Webmaster. In this way, the ATIP Dashboard will accurately reflect year-to-date ATIP information to all employees.

Finally, twice each year, an executive email blast will be sent to all management employees. The email will summarize O&R's goal performance and provide a status on KPI achievements.

Deliverables/Milestones:

Deliverable/Milestone	Delivery Date	Comments
Evaluation of ATIP and MVP programs to create more alignment and synergy between the companies and the cultural imperatives	January 2017	Upon acceptance by senior management, the CEI Board would be required to approve any changes to the compensation system
ATIP and MVP program change approvals	January 2017	Pending senior management approval for the 2017 compensation cycle.
Strengthen the line of sight between performance targets and business drivers by creating multi-year KPIs	January 2017	Final approval contingent on acceptance by the O&R Board of the new ATIP indicators.
E-mail blast following each quarterly ATIP presentation	September 2016	Complete
Archived ATIP Update Meeting presentations and year-to-date KPI information	September 2016	Complete
ATIP dashboard, updated monthly, located on the <i>O&R Intranet</i> home page	By September 2016	Complete
Executive email blast status on KPI achievements	Twice annually as determined by Executive	Complete

Cost Benefit Analysis:

Cost may be associated with additional licensing of PoliteMail software, which measures the open rate of email blasts to employees. This cost may be negligible.

All other costs associated with this Plan have already been charged to an in progress effort or are de minimis in nature to complete this Plan.

Risk Analysis:

Employee base may become over saturated with the frequency of communication. This could cause employees to tune out or ignore the information.

IX. Customer Operations

Recommendation Number 24: IX-1

Recommendation: O&R needs to complete its review of current processes to determine why the error occurred in the service turn on for a commercial customer, which took almost one month to complete and implement necessary changes. The required documentation was provided on 5/27/15; however, the service was not physically turned on until 6/25/15.

Roles and Responsibilities:

Executive Sponsor: Ed Ortiz
Team Lead(s): Karin Sullivan

Scope: Project Purpose, Objectives, and Assumptions

The referenced delay in service was due to human error where timely follow up was not performed. In order to prevent this from occurring in the future, O&R will create a tool and control process to review commercial connect orders to verify all meters have been unlocked by the customer request date and that the meter status (on or off) in CIMS has been updated to reflect the meter is on.

Work Plan:

Develop a daily report that provides a listing of all commercial connects that were scheduled for turn on and completed the previous work day. A quality review will be completed to verify:

- all meters have been unlocked by the customer request date
- that the meter status is “on”
- CIMS has been updated to reflect the meter is on.

The Team will develop and implement the work scope as described below in detail in the Deliverables/Milestones section of this plan.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Update Policy to include control process	May 1, 2016	August 15, 2016	Complete
Train users and reviewers	May 1, 2016	August 30, 2016	Complete

Cost Benefit Analysis:

There are nominal costs associated with the revision of the specified tool and control process. The benefits of the improved control will bolster regulatory compliance, mitigate potential lost revenues and enhance customer satisfaction.

Risk Analysis:

O&R will implement this control process in order to minimize the risk that customers may experience delayed service. The timely provision of service is a regulatory requirement.

Recommendation Number 25: IX-2

Recommendation: CECONY has proposed the following solution to address the issues with the denial of service notification for customers that do not currently have service (i.e., service "cold"). NorthStar concurs with the proposed solution, but notes that CECONY must also address the denial of service and document retention requirements for residential and non-residential denials of service required by Parts 11 and 13 of 16 NYCRR for applicants that currently have service (i.e., service "hot").

- In order to establish processes and controls so that Turn-On denial letters are sent in all cases where service is not already on at the premise, CECONY proposes that a training document be sent to all Customer Service Representatives reminding them of the Turn-On denial process.
- In addition, as an interim additional control measure, reports of all of the Turn-On Deny notations will be generated and produced on a daily basis for review. Customer Assistance staff will review the list to validate that the Turn-On Deny letter was sent to the applicant, and take action as necessary.
- In the longer term, an automated solution will be evaluated to improve controls. A cross-functional team will be assembled to develop this automated solution and to evaluate feasibility, costs and prioritize implementation. It is expected that a recommendation for an automated solution will be available by third quarter 2016.
- Currently, in situations where service is "hot" (i.e., already on at the premise), a control exists if the customer continues to use service but does not contact the company. Accounts registering usage on a meter after a cycle reading that do not have a customer of record generate inactive advance notices which are sent to the location. There is currently a group in Field Operations dedicated to reviewing accounts with a Turn-Off field order, which is generated after two cycle readings register usage on a meter.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy, Christine Osuji

Scope: Project Purpose, Objectives, and Assumptions:

The purpose of this plan is to ensure that CECONY is in compliance with the denial of service notification and retention requirements as per 16 NYCRR for hot and cold service. Plan will include both a short term and long term solution that satisfies hot and cold service.

Work Plan:

- Send training document to all Customer Service Representatives to remind them of the requirements associated with denial of service.
- Implement short term fix for service denials, ensuring that customers who are denied service for both hot and cold service are sent the proper correspondence.

- Implementation will include development of a semi-automated solution where turn on denials notated on the CECONY billing system will be included on a daily report. Each turn on denial will then have the letter generated by Customer Assistance where necessary. This report will be developed first to include all accounts coded as denial of service on the CECONY billing system (current practice for cold service). The report will then be expanded to include any account where a customer requested service and was asked to provide documentation and agreed to send the requested documentation to CECONY (current practice for hot service). In addition, all correspondence will be saved for 12 months in accordance with regulations.
- Develop a long term solution with additional controls, and additional automation.
 - Long term solution will include modifications to the CECONY Customer Service Representative (CSR) Desktop system to provide additional prompts and reminders to CSRs regarding the requirement for sending correspondence to customers when service is denied. The modifications will allow for both hot and cold service to be properly designated as denial of service.
 - The long term solution will also include modifications to the CSR Desktop system to add additional controls that prevent CSRs from exiting the application without generation of the required correspondence when an account has been designated as denial of service.
 - The generation of the correspondence to the customer will also be further automated, so that denial of services letters are generated automatically, and only when the customer has not subsequently successfully applied for service with CECONY. In these cases, the letter will not be sent to avoid customer confusion. To accomplish this, a new automated system will be developed to generate the letters and track any subsequent successful service applications. Finally, all letters will be saved for 12 months in accordance with regulations.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Implement short term solution for accounts coded denial of service on CECONY's billing system (current practice for cold service)	February 25, 2016	February 25, 2016	Complete
Send training document to all Customer Service Representatives to remind them of the requirements associated with denial of service.	May 5, 2016	May 5, 2016	Complete
Implement short term fix for accounts coded as following up with service application documents (current practice for hot service)	May 15, 2016	June 15, 2016	Complete
Develop requirements for long term automated solution.	May 15, 2016	July 1, 2016	Complete
Modify CSR Desktop based on long	July 10, 2016	August 31, 2016	Complete

term solution requirements			
Develop automated solution for letter generation.	July 15, 2016	August 31, 2016	Complete
Complete testing of long term automated solution:	September 1, 2016	September 15, 2016	Complete
CSR Training on long term solution	September 15, 2016	September 30, 2016	
Implement long term solution		September 30, 2016	

Cost Benefit Analysis:

Benefits are compliance with parts 11 and 13 of 16 NYCRR.

Costs will include company labor for development of the short and long term solutions and additional postage and letter materials.

The estimated cost of the short term development is \$25,850. The project will be completed with in-house resources, estimated to require 470 hours at approximately \$55.00 per hour.

The estimated cost for the additional time for the long term development is \$27,500. The project will be completed with in-house resources, estimated to require 500 hours at approximately \$55.00 per hour.

Total estimated cost for this plan is \$ 53,350.

Risk Analysis:

CECONY will be found noncompliant with 16NYCRR Rule 11 & 13 if denial of notification is not sent out within 3 business days.

CECONY will be found noncompliant if notifications of denials are not retained for a period of no less than 12 months.

Recommendation Number 26: IX-3

Recommendation: Modify O&R's Joint Procedures – 0011 “Customer Deposits for Gas and Electric Service” as follows:

- Eliminate the section that allows O&R to charge a deposit for a new residential customer that is considered a credit risk.
- Modify the language regarding deposit payment arrangements to allow the customer to pay in 12 monthly installments.
- Eliminate the language that indicates that residential customers that cannot pay the deposit in full will either be turned off or not turned on.
- Clarify that the payment of the security deposit in full as a condition of service for non-residential customers is applicable to new customers only.
- Clarify the language regarding the length of time non-residential deposits such that it is clear that deposits will only be held longer than 3 years in the event of delinquency.

Roles and Responsibilities:

Executive Sponsor: Ed Ortiz
Team Lead(s): Karin Sullivan, David Braunfotel

Scope: Project Purpose, Objectives, and Assumptions

O&R modified the Joint Procedures for “Customer Deposits for Gas and Electric Service” as follows:

- In Procedure 0011, Customer Deposits for Gas and Electric Service O&R eliminated the section that allows O&R to charge a deposit for a new residential customer that is considered a credit risk.
- In Procedure 0011, Customer Deposits for Gas and Electric Service O&R modified the language regarding deposit payment arrangements to allow the customer to pay in 12 monthly installments.
- In Procedure 0011, Customer Deposits for Gas and Electric Service O&R eliminated the language that indicates that residential customers that cannot pay the deposit in full will either be turned off or not turned on.
- In Procedure 0011, Customer Deposits for Gas and Electric Service O&R clarified that the payment of the security deposit in full as a condition of service for non-residential customers is applicable to new customers only.
- In Procedure 0011, Customer Deposits for Gas and Electric Service O&R clarified the language regarding the length of time non-residential deposits such that it is clear that deposits will only be held longer than 3 years in the event of delinquency.

Work Plan:

The Team has developed and implemented changes to the procedures stated in the work scope and, consistent with this recommendation, posted the revised procedures on its intranet website as detailed in the Deliverables/Milestones section of this plan.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Eliminate the section that allows O&R to charge a deposit for a new residential customer that is considered a credit risk.	May 1, 2016	June 1, 2016	Complete
Modify the language regarding deposit payment arrangements to allow the customer to pay in 12 monthly installments.	May 1, 2016	June 1, 2016	Complete
Eliminate the language that indicates that residential customers that cannot pay the deposit in full will either be turned off or not turned on.	May 1, 2016	June 1, 2016	Complete
Clarify that the payment of the security deposit in full as a condition of service for non-residential customers is applicable to new customers only.	May 1, 2016	June 1, 2016	Complete
Clarify the language regarding the length of time non-residential deposits such that it is clear that deposits will only be held longer than 3 years in the event of delinquency.	May 1, 2016	June 1, 2016	Complete
VP Approval	May 1, 2016	June 1, 2016	Complete
Training	June 1, 2016	July 31, 2016	Complete

Cost Benefit Analysis:

There are nominal costs associated with the revision of the specified procedures.

Risk Analysis:

O&R has implemented procedural changes as detailed in this plan in an effort to promote consistency with regulatory requirements and minimize the risk that customers may be provided with inaccurate information.

Recommendation Number 27: IX-4

Recommendation: Make modifications to O&R's collections notices and website:

- Once current stock has been depleted or other changes warrant, modify O&R's "Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland" to specifically inform non-residential customers that they may request a review to ensure a required security deposit is not excessive.
- Modify O&R's residential customer broken agreement letter to include the address and telephone number of the appropriate social service office or the local social service information number, as required by PART 11.10 of HEFPA.
- Correct the portion of O&R's webpage describing the requirements of the enrollment into the residential leveled payment plan to clarify that customers may enroll at any time.

Roles and Responsibilities:

Executive Sponsor: Ed Ortiz

Team Lead(s): Karin Sullivan, David Braunfotel, Bob Melvin

Scope: Project Purpose, Objectives, and Assumptions

Updates to O&R's "Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland" will be updated both on-line and in print to inform non-residential customers that they may request a review to ensure a required security deposit is not excessive. The printed version is mailed annually starting in September and will be completed by the end of October. It is also sent when a new customer is established in the system.

The residential customer broken agreement letter has been updated to include the appropriate local Department of Social Services office address and phone number.

The website language has been amended to clarify that customers may enroll in budget billing at any time.

Work Plan:

O&R will develop and implement changes to the policies or procedures as stated in the work scope and consistent with this recommendation, as described in detail in the Deliverables/Milestones section of this plan.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Modify O&R's "Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland" on the Company website to specifically inform non-residential customers that they may request a review to ensure a required security deposit is not excessive.	April 1, 2016	April 18, 2016	Complete
Once current stock has been depleted or other changes warrant, modify O&R's "Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland" to specifically inform non-residential customers that they may request a review to ensure a required security deposit is not excessive.	October 1, 2016	October 31, 2016	
Modify O&R's residential customer broken agreement letter to include the address and telephone number of the appropriate social services office or the local social service information number, as required by Part 11.10 of HEFPA.	April 1, 2016	April 11, 2016	Complete
Correct the portion of the O&R's web page describing the requirements for enrollment into the residential levelized payment plan to clarify that customers may enroll at any time.	April 1, 2016	April 4, 2016	Complete

Cost Benefit Analysis:

There are nominal costs associated with the revision of the specified procedures and website modifications.

Risk Analysis:

O&R will implement the changes as detailed in this plan in an effort to promote consistency with regulatory requirements and minimize the risk that customers may be provided with inaccurate information.

Recommendation Number 28: IX-5

Recommendation: Modify CECONY’s CSR training (DR 201-C, Attachment 12, p. 9-14) to be consistent with the security deposit installment plan requirements of HEFPA. According to a 2/18/16 email from CECONY this issue has already been corrected in response to NorthStar’s inquiry of 2/17/16. NorthStar has not verified the correction.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy

Scope: Project Purpose, Objectives, and Assumptions:

Modify CECONY’s CSR training (DR 201-C, Attachment 12, p. 9-14) to be consistent with the security deposit installment plan requirements of HEFPA.

Work Plan:

Work with the Learning Center (TLC) to make the correction on the CECONY’s CSR training documentation on Module 9 p. 9-14. This recommendation was completed in February 2016.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Work with TLC to correct Module 9 p. 9-14, sign-off and put into production	February 17, 2016	February 18, 2016	Complete

Cost Benefit Analysis:

No cost associated as the correction was implemented during a normal working day.

Risk Analysis:

Failure to have an accurate CSR training manual could cause inaccurate information to be given to a customer.

Recommendation Number 29: IX-6.1

Recommendation: Evaluate and document the following modifications to CECONY’s bills and collections notices:

- Modify the bill notice section to better highlight critical collections-related bill messages.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy

Scope: Project Purpose, Objectives, and Assumptions:

CECONY will refine the presentation of critical collections-related information that affects the customer. Critical messages will be better highlighted to ensure customers are able to identify them.

Work Plan:

The Customer Operations and Information Technology (IT) team will work in collaboration to implement a phased approach where critical messages will be identified by Customer Operations and recommended for highlighting in the bill message area.

Customer Operations will develop new critical collection messages specifications that will be highlighted through the effective use of bolding and/or underlining to bring more attention to the most critical part of the message. The IT Output Billing team will update the specific messages in the document composition software. Since there are many messages to be reviewed and enhanced, the system development work will begin on messages for which specifications are completed, while the additional messages continue to be finalized. Once changes have been made, IT will provide sample bills for review and final business signoff.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Customer Operations Business Team kickoff meeting	May 24, 2016	May 24, 2016	Complete
Develop and Document Critical Message Specifications	May 25, 2016	September 30, 2016	
Develop new message formats and to prepare messages to be ingested into document software as per specifications	August 9, 2016	December 5, 2016	
Review tests with bills with enhanced messaging with Outsourcer	December 9, 2016	January 1, 2017	
Go Live	January 31, 2017	January 31, 2017	

Cost Benefit Analysis:

Benefits are improved communications with customers, highlighting the critical collection messages to bring to their attention.

The project will be completed with in-house resources and contractor labor, estimated to require 1,140 hours at approximately \$95.00.

The estimated cost for development is \$108,300.

Risk Analysis:

Significant changes need to be made to the messages, which were originally developed in the mainframe environment, making these tasks complex in nature. However, CECONY will mitigate the risk with the Quality Assurance oversight process during output testing.

Recommendation Number 29: IX-6.2

Recommendation: Evaluate and document the following modifications to CECONY’s bills and collections notices:

- Correct CECONY’s demand rate bill formats to correctly display the rates.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy

Scope: Project Purpose, Objectives, and Assumptions:

CECONY will refine the presentation of customer bills to display the Demand Rate.

Work Plan:

The Customer Operations and Information Technology (IT) teams will work in collaboration to create the work plan.

CECONY will include the Demand Rate(s) on the customer bills.

Customer Operations will develop specifications and new bill design for IT to add the Demand Rate to the billing document.

The IT team will update document composition software. Once these changes have been made, IT will provide sample bills for review and final business signoff by Customer Operations.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Customer Operations Business Team kickoff meeting	May 19, 2016	May 19, 2016	Complete
Develop Bill Document Specifications to display the Demand Rates	May 19, 2016	May 23, 2016	Complete
IT develops new bill display based on specifications	June 1, 2016	August 31, 2016	Complete
Testing of Bills with Demand Rate displayed with outsource vendor	September 6, 2016	September 30, 2016	
Go Live	September 30, 2016	October 3, 2016	

Cost Benefit Analysis:

Benefits are improved communications with our customers, displaying the Demand Rate(s).

The project will be completed with in-house resources and contractor labor, estimated to require 165 hours at approximately \$95.00 per hour.

The estimated cost for development is \$15,700.

Risk Analysis:

Significant changes need to be made to Bill Calculation, making these tasks complex in nature. However, CECONY will mitigate the risk with the Quality Assurance oversight process during output QA testing.

Recommendation Number 29: IX-6.3

Recommendation: Evaluate and document the following modifications to CECONY’s bills and collections notices:

- Modify CECONY’s Special Agreement Offer (SAO) postcard to contain language regarding financial need, the \$10 minimum offer or the customer’s ability to modify the terms based on changes in their financial circumstances.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy

Scope: Project Purpose, Objectives, and Assumptions:

The scope of work for this project is to add additional language to the CECONY Standard Agreement Offer (SAO), by adding minimum monthly payment language to the agreement.

Work Plan:

Customer Operations will provide new specifications and language for Information Technology (IT) to update the SAO language. This additional language will not fit on a postcard, so the SAO letters will be modified and sent as letters.

IT will then update the SAOs, utilizing our HP Exxtreme document composition software, so that the additional language is printed on a letter format. Once these changes have been made, IT will provide sample letters for review and final business signoff.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Customer Operations Business Team kickoff meeting	April 25, 2016	April 25, 2016	Complete
Develop and document Specifications to convert from Postcard to Letter.	April 26, 2016	May 2, 2016	Complete
Update HP Exxtreme document from postcard to letter format	May 3, 2016	May 9, 2016	Complete
QA Testing of Bills and letters with enhanced messaging with Outsourcer, Testing signoff by teams	May 9, 2016	May 10, 2016	Complete
Go Live	May 11, 2016	May 11, 2016	Complete

Cost Benefit Analysis:

The benefit is improving customer communications, adding in the minimum monthly payment on an agreement.

The project was completed with in-house resources and contractor labor, and required 70 hours at \$95.00.

The cost for development was \$6,700.

Risk Analysis:

Customer Operations will mitigate the risk by performing quality assurance on the converted letter document before going live.

Recommendation Number 30: IX-7

Recommendation:

Determine the cost of limiting CIMS access such that CSRs cannot remove the Life Sustaining Equipment (LSE) code on a customer account (should be performed by a supervisor or other applicable group) or manually issue a lock for non-payment order on an Elderly, Blind or Disabled (EBD) or LSE customer account. Alternatively, develop reporting to determine if such an event has occurred.

Roles and Responsibilities:

Executive Sponsor: Ed Ortiz
Team Lead(s): David Braunfotel, Bob Melvin

Scope: Project Purpose, Objectives, and Assumptions

O&R will implement a restriction feature within its Customer Information Management System (CIMS) to limit or restrict employees from removing the Life Sustaining Equipment (LSE) code on customer accounts.

Currently, all CIMS users have access to retrieve the initial LSE details from the customer, including doctor's name, address, name of patient, relationship to the customer of record, the type of medical equipment, and frequency of use, as well as update the status of an LSE account or remove a customer from LSE status. A change will be made to the CIMS system to restrict Customer Service Representatives from removing an LSE code. All other functionality will remain the same.

O&R will modify user rights on existing windows in CIMS to prevent a Customer Service Representative from processing a Cut-Out Non Pay Collection Order on LSE and EBD accounts. The Customer Support Operations group will have rights to process this action. Customer Service will no longer have these rights.

Work Plan:

The changes described above will be implemented in CIMS as follows:

PHASE I:

Analysis

- Senior Specialist outlined requested changes, and forwarded to counterpart at Solution Works for estimate on system changes.

PHASE II:

Code and Test

- Detail design, code changes and initial testing will be handled by our vendor Solution Works.

Phase III:

Production and Close

- Regression test, production promotion, and post production verification will be handled by the CIMS team

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Restrict access on Maintain Bill Account for Life Support Equipment Status	April 5, 2016	December 31, 2016	Dates are estimated; item is being worked as part of the CIMS Bundle process
Analyzing	April 5, 2016	May 18, 2016	Complete
Coding	May 18, 2016	August 31, 2016	Complete
Testing	September 15, 2016	October 15, 2016	
Implement new policy	October 15, 2016	December 31, 2016	
Restrict access on Enter Collection Action: Issue Cut Out Nonpay on EBD/LSE accounts	April 5, 2016	December 31, 2016	Dates are estimated; item is being worked as part of the CIMS Bundle process
Analysis/Detail Design	April 5, 2016	May 18, 2016	Complete
Coding/Testing Off-shore	May 18, 2016	August 31, 2016	Complete
Regression Testing/ Promotion/ Production Verification	September 15, 2016	October 15, 2016	
Implement new policy	October 15, 2016	December 31, 2016	

Cost Benefit Analysis:

Restricting Customer Service Representatives from removing LSE status codes and issuing lock for non-payments for EBD and LSE Customers within CIMS is estimated to be completed with 385 programming hours at \$125.00 for a total cost of \$48,125.00.

A payback analysis is not applicable as these measures will provide improved compliance with the requirements of 16 NYCRR Part 11. This will not result in direct cost savings to O&R.

Risk Analysis:

Implementation of this recommendation through hard controls in CIMS will result in mitigating possible human data entry errors which may result in a customer either being removed from a LSE status or locked for non-payment prior to a special conditions review.

Recommendation Number 31: IX-8

Recommendation: As part of the current rate case, CECONY and the DPS should review CECONY’s customer satisfaction scoring methodologies and associated targets to ensure the indices provide the best information possible.

Roles and Responsibilities:

Executive Sponsor: Marilyn Caselli
Team Lead(s): Michael Murphy

Scope: Project Purpose, Objectives, and Assumptions:

This is a shared recommendation with DPS Staff. To comply with this recommendation, CECONY and DPS will review CECONY’s customer satisfaction survey scoring methodologies and targets, in the context of the current rate proceedings (Cases 16-E-0060 and 16-G-0061) and Case 15-M-0566, In the Matter of Revisions to Customer Service Performance Indicators Applicable to Gas and Electric Corporations. The objective of the review is to develop customer satisfaction scoring methodologies and associated targets for the Company that provide the best information possible. Reviewing the methodologies in the context of Case 15-M-0566 allow for the review of any statewide considerations arising in that proceeding that may have implications for CECONY’s methodology. The deliverable that will result from this implementation plan is a PSC Order in one of the aforementioned cases, which, depending on the outcome of the survey review by Staff and CECONY, may or may not include discussion of CECONY’s customer satisfaction surveys.

Work Plan:

Initial Discussion with Staff – CECONY will meet with DPS Staff to scope out the activities/issues that follow from this recommendation, and agree upon an approach for addressing this topic in the CECONY rate case, as well as a timeline for working sessions, if needed.

Follow-up Activities Based on Initial Discussion with Staff – additional activities associated with this implementation plan will be developed and executed based on the outcome of the initial discussion with Staff.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Initial meeting with DPS Staff	June 1, 2016	June 30, 2016	Complete

Cost Benefit Analysis:

CECONY’s initial discussion with Staff may result in nominal costs. The cost for CECONY’s survey vendor to prepare for and participate in rate case/working group discussions regarding the survey methodology

is \$10,000. This cost estimate does not include the potential cost to change the survey methodology and associated survey instruments, if required.

Risk Analysis:

Inability to reach agreement with multiple parties involved in the rate case process, to the extent that survey methodology becomes an issue in settlement discussions or in a litigated case.

X. Shared Services and Affiliate Transactions

Recommendation Number 32: X-1

Recommendation: Replace the spreadsheet-based affiliate billing process with an Oracle-based or other compatible based billing system.

Roles and Responsibilities:

Executive Sponsor: Robert Muccilo
Team Lead(s): Janet Murray

Scope: Project Purpose, Objectives, and Assumptions:

Pursuant to the following General Accounting Procedures (GAP) - GAP-006 CEI Accounting for Affiliate Transactions with CEI; GAP-008C Accounting for Transactions between the Regulated and Unregulated Affiliates and GAP-040C Accounting for Transactions between CECONY and ORU, the Company is required to allocate the provision of goods and services among the entities (Affiliates). Each company employs cost allocation procedures to ensure that all costs incurred on the other's behalf are appropriately identified and assigned on a fully loaded cost basis.

The Affiliate Billing Process involves identifying these services and costs between the Affiliates. This process is currently performed manually. The current process includes extracting the expenditures charged on designated projects for each Affiliate from Oracle Project Accounting (PA), calculating the overheads associated with the direct charges, developing a summary of allocations and preparing PA journal entries – all prepared manually within spreadsheets.

The purpose of this project is to design and implement a solution to replace the spreadsheet based Affiliate Billing process. The Company proposes to automate the process by programmatically identifying and extracting the labor charges, calculating direct/indirect costs and overheads, allocating the calculated amount to specific accounts and rendering a billing for such services to the appropriate Affiliate(s).

The Accounts Receivable (AR) Business team creates Affiliate Bills for the below entities for each General Ledger (GL) Period:

- CECONY to O&R (Orange and Rockland)
- CECONY to CSS (Competitive Shared Services)
- CECONY to CEE (Con Edison Energy, Inc.)
- CECONY to CES (Con Edison Solutions, Inc.)
- CECONY to CED (Con Edison Development, Inc.)
- CECONY to CEI (Con Edison, Inc.)
- CECONY to TRANSCO (New York Transco, LLC.)
- CECONY to Consolidated Edison Transmission, LLC.
- CECONY to Con Edison Gas Pipeline & Storage, LLC.
- O&R to CECONY (Consolidated Edison of New York, Inc.)

The solution would require a report which would capture, detail and record all costs for a specific project and task for the concerned Affiliate. The report will deliver two sets of data and be in a format which allows download into a spreadsheet based system as the data is used by the Corporate Accounts Receiving and Billing (CARB) team for additional reporting. The first dataset would be the final Journal Entry Values which are calculated in the process. The second report would be for the Summary of Allocation Costs.

This automation would enable the AR business team to generate the Affiliate Bills directly from the system without the need for any manual intervention for standard billing elements. Based on the affiliate bill and GL period the user chooses, the system will calculate and list all necessary costs charged to the designated account in a report for the users to verify. Once verified, users can proceed to create expenditures and run PA processes to generate invoices for the Affiliates.

Assumptions:

- The proposed solution can only automate the calculation of recurring billing matters. Any one-off/non-recurring billing entries will remain a manual calculation effort to be performed by the CARB team. These are expected to be minimal.
- The solution will provide a user friendly mechanism for the CARB team to enter these monthly one-off manual entries into the Oracle system so that they can be programmatically included in the PA journal calculation.
- The maintenance of the values required for various calculations within the process (i.e. annual rates and percentages) will be the responsibility of the Corporate Accounting Business users.

Work Plan:

The process will be implemented in two phases.

Phase I will include extracting direct charges and other expenses against designated projects for each Affiliate Bill as well as calculating the expenses based on the costs incurred/charged against billing orders, processing the data and generating a report which would display the summary of journal entries calculated. Once the report has been verified by Corporate Accounting, Phase II will be initiated which will create the PA journal - expenditures (credits and debits) - to record Administrative and General expenses incurred on behalf of the Affiliate and give credit to non-corporate services departments for services performed on behalf of the Affiliate.

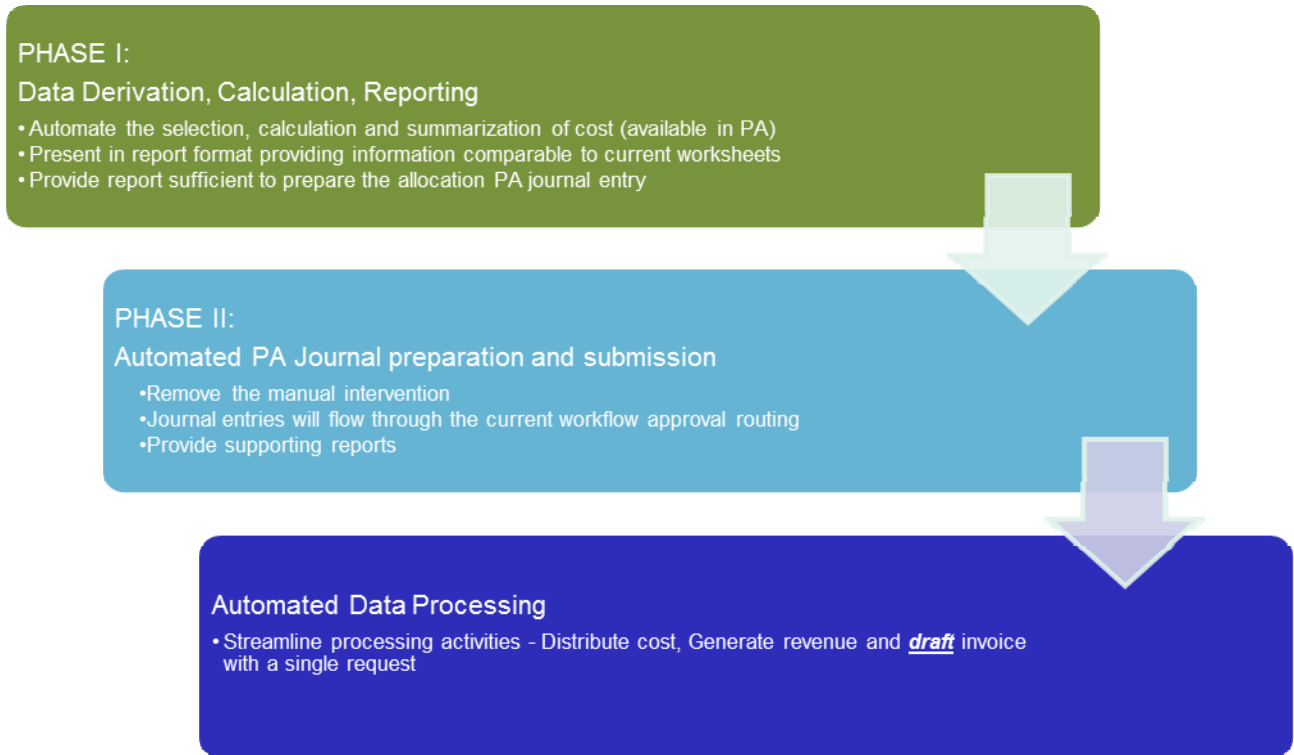
For all monthly entries which are not wholly identifiable by project and task or other fixed data sources, it will be the responsibility of the CARB team to:

- Identify these monthly one-off charges and perform any off-line calculations
- Enter the charges into Oracle EBS using the mechanism provided

Once the process has become established, Corporate Accounting may utilize the automated data processing program. A request set would be created to sequentially perform their post-import

processing steps, preparing a draft invoice ready for their review. This would be a configuration change and require no programming or code modification.

This automated process may be extended to include new Affiliate companies as necessary.



Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Deliver draft Functional Design document (FD) for AppDev and Corporate Accounting review	April 1, 2016	May 16, 2016	Complete
FD walk-through meetings	June 10, 2016	June 24, 2016	Complete
FD feedback deadline – Corporate Accounting	June 27, 2016	July 1, 2016	Complete
FD feedback deadline – AppDev	July 5, 2016	July 8, 2016	Complete
Deliver Functional Design document (FD) for review	July 15, 2016	July 15, 2016	Complete
Approved FD	July 15, 2016	July 22, 2016	Complete
Approved Technical Design Document (TD)	July 25, 2016	August 12, 2016	Complete

Build Complete/ Migrated code ready for test (3 cycles)	August 12, 2016	September 30, 2016	
CARB Testing (through 3 cycles) Complete - Signoff	October 3, 2016	February 10, 2017	
Production Migration Approval	February 13, 2017	February 25, 2017	
Update GAPs, as necessary	October 3, 2016	February 15, 2017	

Cost Benefit Analysis:

The preliminary estimated cost is approximately \$260,000. This effort is expected to require approximately 1,730 of combined internal and external labor hours at approximately \$150.00 per hour. The cost to implement this recommendation will be allocated to all of the affiliates.

There are monetary and non-monetary benefits associated with this plan. One employee in CARB spends 24 hours per month on the Affiliate Billing process. The CARB team estimates that with automation, this will be reduced to 12 hours per month for a savings of \$10,000 per year. The cumulative savings over a five year period is \$50,000. The non-monetary benefit to automating the process is to reduce workload and improve operational efficiency, increase accuracy, reduce risk associated with user input, and improve controls. The non-monetary benefits justify this expense.

Risk Analysis:

Automation of the Affiliate Billing process reduces the opportunity for manual intervention which could lead to unforeseen errors in calculations.

Recommendation Number 33: X-2

Recommendation: Develop a corporate cost allocation manual that provides an overview of all allocations in the CEI enterprise and specific account numbers relating back to the shared services organization.

Roles and Responsibilities:

Executive Sponsor: Robert Muccilo
Team Lead(s): Grace Scarpitta

Scope: Project Purpose, Objectives, and Assumptions:

Develop a corporate cost allocation manual that provides an overview of all allocations in the CEI enterprise and specific account numbers relating back to the shared services organization.

Work Plan:

Corporate Accounting is engaging an outside vendor to assist in developing the corporate cost allocation manual that will provide an overview of all allocations in the CEI enterprise and specific account numbers relating back to the shared services organization. All companies in the CEI enterprise will participate in the development of the manual.

Deliverables/Milestones:

This manual will be developed concurrently with the affiliate billing automation project (Recommendation X-1), which is expected to be completed in the 4th quarter of 2016, with a 1st quarter 2017 implementation. This manual will be completed by October 2016.

Deliverable/Milestone	Start Date	Delivery Date	Comments
Issue Purchase Order to vendor	May 5, 2016	May 11, 2016	Complete
Kick-off meeting with vendor	June 1, 2016	June 30, 2016	Complete
Draft manual	July 1, 2016	September 30, 2016	
Obtain SME concurrence	October 1, 2016	October 10, 2016	
Finalize manual	October 11, 2016	October 31, 2016	

Cost Benefit Analysis:

The estimated cost of this recommendation is \$55,000, including \$50,000 in vendor costs and approximately 100 hours of internal labor @\$50.00 per hour.

Benefits: Provides additional controls and transparency for affiliate billing.

Risk Analysis:

The absence of a corporate cost allocation manual could lead to a lack of uniformity in the affiliate billing process.

Recommendation Number 34: X-3

Recommendation: Replace the three-factor allocation formula for CEI costs with a more appropriate formula.

Roles and Responsibilities:

Executive Sponsor: Robert Muccilo
Team Lead(s): Grace Scarpitta

Scope: Project Purpose, Objectives, and Assumptions:

At the time the CEI Holding Company was formed, the Company adopted a three factor allocation using assets, payroll, and gross margin. This three factor formula was based on Cost Accounting Standard 403, which allows for a special allocation, other than an allocation based on the average of revenue, assets, and payroll, if such special allocation is commensurate with the benefits received.

When the CEI Holding Company was formed, the Company believed that the three factor formula that included revenues produced an allocation that was not commensurate with the benefits that each of the affiliates would receive.

With the pending sale of the retail energy supply business of CEI’s competitive energy businesses, the Company believes that the use of revenues will no longer result in the disproportionate allocation of costs to the affiliates. Based on this, the Company agrees to revise the allocation of costs going forward based on a three factor formula using the average of assets, payroll and revenues.

Work Plan:

Update the three tier allocation formula and GAP, and implement within 30 days of PSC approval.

Deliverables/Milestones:

Implement the three-tier allocation factor of revenues, assets and payroll once approved.

Deliverable/Milestone	Delivery Date
Determine three-tier allocation	Complete
Update General Accounting Procedure with three-tier allocation formula	Within 30 days of PSC approval
Include three-tier allocation formula in allocation manual	Once the manual is complete and PSC approval is received.

Cost Benefit Analysis:

Benefit: The revised three-part formula will reflect anticipated changes to the corporate structure and account for shared services provided to the competitive energy businesses. Internal cost to update the formula is minimal.

Risk Analysis:

N/A

Recommendation Number 35: X-4

Recommendation: Establish CEI guidelines or clarify the Code of Conduct before appointment of future executives to the Boards of CEBs to prohibit executives with current experience in roles at the utilities related to the business engaged in by the CEB from serving on their Boards.

Roles and Responsibilities:

Executive Sponsor: Kimberly Strong
Team Lead(s): Kevin Jamieson

Scope: Project Purpose, Objectives, and Assumptions:

The purpose of this project is to prevent appointment of executives to the Boards of CEBs that currently have roles at the utilities directly related to the business engaged in by the CEBs.

The Company will review existing rules and its current practices that provide guidance concerning CEB Board selection.

The solution is to create a corporate policy that provides the necessary guidance.

Work Plan:

Review existing rules and practices.

Create corporate policy.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Review existing rules and practices. Develop guidance policy	June 15, 2016	September 15, 2016	Complete
Present new policy for approval	September 15, 2016	December 15, 2016	

Cost Benefit Analysis:

This effort will be handled by internal resources. The cost is minimal.

Risk Analysis:

Incorrect appointment to the Board of the CEBs will be avoided.

Recommendation Number 36: X-5

Recommendation: Follow CECONY internal procedures regarding oversight of affiliate transactions. Affiliate transactions should be a part of the responsibilities of the Regulatory Compliance Committee.

Roles and Responsibilities:

Executive Sponsor: Kimberly Strong
Team Lead(s): Kevin Jamieson

Scope: Project Purpose, Objectives, and Assumptions:

Consolidated Edison, Inc. (CEI) includes the following companies:

- Consolidated Edison Company of New York, Inc. (CECONY)
- Orange and Rockland Utilities, Inc. (O&R)
- Rockland Electric Company (RECO)
- Pike County Light and Power Company (PCL&P)
- Competitive Energy Businesses (CEBs):
 - Consolidated Edison Solutions, Inc. (CES)
 - Consolidated Edison Energy, Inc. (CEE)
- Con Edison Transmission (CET)

Based on this recommendation and the recent formation of a new Consolidated Edison, Inc. affiliate, the Company will examine the oversight and support structure that provides guidance concerning affiliate matters.

The purpose of this project is to re-evaluate potential issues that can arise among affiliates, assess the present composition and role of the Regulatory Compliance Committee (RCC), and design a new plan to effectuate compliance going forward.

The RCC presently has a dual purpose; monitor and facilitate compliance in areas of (1) Affiliate Transactions and (2) State and Federal Energy Regulatory Commission (FERC) Standards of Conduct.

Work Plan:

First steps will be to re-evaluate and compile the potential issues or discussion points associated with affiliate matters and codes of conduct.

Next the team will assess the role and composition of the current RCC committee and structure, and make recommendations for changes.

Finally, based partly on the recommendations concerning the RCC, the Company will establish a support structure to provide guidance and oversight on affiliate matters.

Deliverables/Milestones:

Deliverable/Milestone	Start Date	Delivery Date	Comments
Regulatory Services, in consultation with the RCC: <ul style="list-style-type: none">• compiles a list of affiliate transaction issues• determine a course of action to handle the issues	May 24, 2016	September 15, 2016	Complete
Assess the RCC committee composition as it relates to course of action for the determined affiliate transaction issues	September 15, 2016	December 15, 2016	
Determine, design and implement support resources to address NY State Affiliate Transactions	January 3, 2017	March 31, 2017	

Cost Benefit Analysis:

This effort will be handled by internal resources. The cost is minimal.

Risk Analysis:

This recommendation and project mitigates the risk of incorrectly accounting for goods and services when provided between the CEI companies.

Appendix C: Recommendations Cost Matrix

#	Chapter	Recommendation	Cost (\$)*	C/O/B	CECONY/ O&R Split (% or \$)	One-Time/ Ongoing	Contractor vs. In-House
1	III-1	Increase the level of sharing of best practices between O&R and CECONY by developing a protocol, and explore additional opportunities for potential cost savings resulting from standardized process or economies of scale.	\$25,000 + Benchmarking	B	92.9% CECONY/7.1% ORU	One-Time	\$25,000 (In-House) + Benchmarking (Contractor)
2	III-2	Regarding the Chief Executive Officer (CEO) Certification process:					
		<ul style="list-style-type: none"> Develop appropriate processes to disseminate modifications or updates to policies, procedures and controls as a result of Internal Audits and QA reviews to the appropriate CEO Certification representative in order to update matrices as required. 					
		<ul style="list-style-type: none"> Individuals performing Internal Audits and QA reviews should be aware of the CEO Certification policies, procedures and controls that may be within the scope of the planned review. On a going forward basis, using a risk-based prioritization process, revisit critical policies, procedures and controls to ensure they properly address the requirements to which they have been assigned. Consider adding monitoring requirements to safety related procedures. 	\$67,000	B	92.9% CECONY/7.1% ORU	One-Time	In-House
3	III-3	DPS and the Joint Utilities should meet to clarify all parties' understanding of the requirements of the CEO Certification process.	Minimal	B	N/A	N/A	N/A
4	III-4	Replace one or more of the Named Fiduciaries with other employees not directly involved in management of the Consolidated Edison Retirement Plan Trust. The replaced officers, CFO and Chief Accounting Officer, could still provide his/her expertise as the senior officer in his/her area of responsibility. The newly appointed officers could meet the obligations of Named Fiduciaries and draw on the expertise of the senior officers who now serve as Named Fiduciaries.	\$60,000	B	92.9% CECONY/7.1% ORU	On-Going	Mix of In-House and Contractor (outside training)
5	IV-1	Develop comprehensive and integrated electric distribution system plans for CECONY and for O&R that utilize a consistent approach to asset management, regulatory programs (including Reforming the Energy Vision (REV)) and system growth. The initial structure and content of the plans should be included in the Distributed System Implementation Plans (DSIPs) to be submitted to the Commission mid-2016.	\$25,000	B	CECONY and O&R will direct charge: \$16,700-CECONY, \$8,300- O&R	One-Time	In-House
6	IV-2	Develop and implement the capital program optimization model across both companies and organizational units in a consistent manner.	\$62,500	B	92.9% CECONY/7.1% ORU	One-Time	In-House
7	IV-3	Develop a CECONY comprehensive secondary electric network asset management plan.	\$1,250,000 (over next 2 years)	C	100 % CECONY	One-Time	Mix of In-House and Contractor
8	IV-4	Reevaluate the projected costs and timeline of the Accelerated Main Replacement program for consistency with project objectives.	Minimal	C	N/A	N/A	N/A
9	IV-5	Improve competitive procurement levels to reacquire and exceed previous levels of performance.	\$990,250	B	92.9% CECONY/7.1% ORU	One Time	\$536,250 (In-House) and \$454,000 (Contractor)
10	VI-1	Develop a consistent approach to program and project management throughout CECONY and O&R. Establish and enforce formal project management control procedures, especially regarding instances when CECONY capital projects are transferred between organizations.	\$600,000 + Portfolio/Project Management System Changes + Maintenance Costs	B	92.9% CECONY/7.1% ORU	On-Going	\$600,000 (In-House) and Other costs (Contractor)
		Establish an organizational unit responsible for standardizing project management practices to accomplish this effort.					
11	VI-2	Charge actual CECONY engineering and construction oversight costs directly to capital projects so the booked capital costs reflect the actual costs of the project.	\$126,000 + Cost of Benchmark Study (TBD) + Implementation Costs (pending results of Feasibility Study)	C	100% CECONY	One-time (at this time and pending feasibility study)	\$126,000 (In-House) and Other Costs (Mix of In-House and Contractor)
12	VI-3	Revise CECONY processes and procedures to require that estimated and booked project costs include all costs.	\$24,000	C	100% CECONY	One Time	In-House
13	VI-4	Update CECONY contracting and procurement procedures to assign roles and responsibilities in the event that Bid Check estimate is the low bid.	Minimal	C	92.9% CECONY/7.1% ORU	One Time	In-House

*Note: Labor Costs associated with recommendations do not include overheads

#	Chapter	Recommendation	Cost (\$)*	C/O/B	CECONY/ O&R Split (%)	One-Time/ Ongoing	Contractor vs. In-House
14	VI-5	Establish a process to ensure that there is a CECONY Project Manager assigned to manage the work when a CECONY project is performed by NYC contractors.	Minimal	C	N/A	N/A	N/A
15	VI-6	Formalize the O&R contractor oversight rotation policy and revise O&R contract management procedures to provide more detailed guidance regarding the use of the Contractor Oversight System.	Minimal	O	N/A	N/A	N/A
16	VI-7	Perform a formal review of O&R change orders on a semi-annual basis to identify and distribute lessons learned.	Minimal	O	N/A	N/A	N/A
17	VII-1	Continue CECONY Gas Operations work management process improvement activities in accordance with its Gas IT Roadmap.	\$110,748,000 (over 5 years, to 2020). The total estimated cost is not anticipated to change, however, because of the schedule extension to 2021, the cash flow must be updated to reflect this schedule change.	C	100% CECONY	One-Time, currently in the Rate Case	Mix of In-House and Contractor
18	VII-2	Develop formal reports on CECONY and O&R trends in work load levels, workforce productivity and utilization.	Implementation Cost: TBD	B	CECONY and O&R will direct charge	One-Time	TBD
19	VII-3	Establish formal processes to use work management data for annual resource planning as part of the annual business planning activities of CECONY Gas Operations, Substations Operations, Transmission Operations and Steam Plants.	\$175,000 + Cost of Benchmark Study (TBD) + Implementation Costs (pending results of Feasibility Study)	C	100% CECONY	One-time (at this time and pending feasibility study)	\$175,000 (In-House) and Other Costs (Mix of In-House and Contractor)
20	VII-4	Develop formal work management practices for CECONY and O&R engineering organizations. Where possible, leverage the results of CECONY Central Engineering's Continuous Improvement Program. The work management systems should have appropriate system tools to support the various individual and distinct engineering functional processes.	\$175,000 + Cost of Benchmark Study (TBD) + Implementation Costs (pending results of Feasibility Study)	B	CECONY and O&R will direct charge	One-time (at this time and pending feasibility study)	\$175,000 (In-House) and Other Costs (Mix of In-House and Contractor)
21	VII-5	Develop overtime targets for CECONY and O&R based on economic analyses and verified industry norms.	Implementation is deferred to the Staffing Audit	B	N/A	N/A	N/A
22	VII-6	Develop formal studies and provide updates of contractor versus in-house costs every three to five years, and use the results of these studies in CECONY and O&R resource planning to determine the optimal use of contractors.	Implementation is deferred to the Staffing Audit	B	N/A	N/A	N/A
23	VIII-1	Modify the O&R performance management process as follows:					
		<ul style="list-style-type: none"> Modify the employee development key performance indicators (KPIs) to be more reflective of the objective, rather than an evaluation of Human Resources. Establish more aggressive ATIP KPIs targets that are realistic, but not too easily attainable. Increase the frequency of communication of performance objectives to the overall employee base and ensure that the use of indices is not creating any confusion or minimizing the significance of individual measures. <ul style="list-style-type: none"> Make the ATIP dashboards easier to locate on the intranet site. 	Minimal	O	N/A	N/A	N/A
24	IX-1	O&R needs to complete its review of current processes to determine why the error occurred in the service turn on for a commercial customer which took almost one month to complete and implement necessary changes.	Minimal	O	N/A	N/A	N/A

*Note: Labor Costs associated with recommendations do not include overheads

#	Chapter	Recommendation	Cost (\$)*	C/O/B	CECONY/ O&R Split (%)	One-Time/ Ongoing	Contractor vs. In-House
25	IX-2	CECONY has proposed the following solution to address the issues with the denial of service notification for customers that do not currently have service (i.e., service "cold"). NorthStar concurs with the proposed solution, but notes that CECONY must also address the denial of service and document retention requirements for residential and non-residential denials of service required by Parts 11 and 13 of 16 NYCRR for applicants that currently have service (i.e., service "hot").					
		<ul style="list-style-type: none"> In order to establish processes and controls so that Turn-On denial letters are sent in all cases where service is not already on at the premise, CECONY proposes that a training document be sent to all Customer Service Representatives reminding them of the Turn On denial process. 					
		<ul style="list-style-type: none"> In addition, as an interim additional control measure, reports of all of the Turn-On Deny notations will be generated and produced on a daily basis for review. Customer Assistance staff will review the list to validate that the Turn-On Deny letter was sent to the applicant, and take action as necessary. 					
		<ul style="list-style-type: none"> In the longer term, an automated solution will be evaluated to improve controls. A cross- functional team will be assembled to develop this automated solution and to evaluate feasibility, costs and prioritize implementation. It is expected that a recommendation for an automated solution will be available by third quarter 2016. 	\$53,350	C	100% CECONY	One-Time	In-House
		<ul style="list-style-type: none"> Currently, in situations where service is "hot" (i.e., already on at the premise), a control exists if the customer continues to use service but does not contact the company. Accounts registering usage on a meter after a cycle reading that do not have a customer of record generate inactive advance notices which are sent to the location. There is currently a group in Field Operations dedicated to reviewing accounts with a Turn-Off field order, which is generated after two cycle readings register usage on a meter. 					
26	IX-3	Modify O&R's Joint Procedures – 0011 "Customer Deposits for Gas and Electric Service" as follows:					
		<ul style="list-style-type: none"> Eliminate the section that allows O&R to charge a deposit for a new residential customer that is considered a credit risk. 					
		<ul style="list-style-type: none"> Modify the language regarding deposit payment arrangements to allow the customer to pay in 12 monthly installments. 					
		<ul style="list-style-type: none"> Eliminate the language that indicates that residential customers that cannot pay the deposit in full will either be turned off or not turned on. 	Minimal	O	N/A	N/A	N/A
		<ul style="list-style-type: none"> Clarify that the payment of the security deposit in full as a condition of service for non- residential customers is applicable to new customers only. 					
		<ul style="list-style-type: none"> Clarify the language regarding the length of time non-residential deposits such that it is clear that deposits will only be held longer than 3 years in the event of delinquency. 					
27	IX-4	Make the following modifications to O&R's collections notices and website:					
		<ul style="list-style-type: none"> Once current stock has been depleted or other changes warrant, modify O&R's "Your Rights and Responsibilities as a Commercial Customer of Orange & Rockland" to specifically inform non-residential customers that they may request a review to ensure a required security deposit is not excessive. 	Minimal	O	N/A	N/A	N/A
		<ul style="list-style-type: none"> Modify O&R's residential customer broken agreement letter to include the address and telephone number of the appropriate social services office or the local social service information number, as required by Part 11.10 of HEFPA. 					
		<ul style="list-style-type: none"> Correct the portion of O&R's web page describing the requirements for enrollment into the residential levelized payment plan to clarify that customers may enroll at any time. 					
28	IX-5	Modify CECONY's CSR training (DR 201-C, Attachment 12, p. 9-14) to be consistent with the security deposit installment plan requirements of HEFPA. According to a 2/18/16 email from CECONY this issue has already been corrected in response to NorthStar's inquiry of 2/17/16. NorthStar has not verified the correction.	Minimal	C	N/A	N/A	N/A

*Note: Labor Costs associated with recommendations do not include overheads

#	Chapter	Recommendation	Cost (\$)*	C/O/B	CECONY/ O&R Split (%)	One-Time/ Ongoing	Contractor vs. In-House
29	IX-6	Evaluate and document the following modifications to CECONY's bills and collections notices:					
	IX-6.1	• Modify the bill notice section to better highlight critical collections-related bill messages.	\$108,300	C		One-Time	In-House and Contractor
	IX-6.2	• Correct CECONY's demand rate bill formats to correctly display the rates.	\$15,700	C	100% CECONY	One-Time	In-House and Contractor
	IX-6.3	• Modify CECONY's Special Agreement Offer (SAO) postcard to contain language regarding financial need, the \$10 minimum offer or the customer's ability to modify the terms based on changes in their financial circumstances.	\$6,700	C		One-Time	In-House and Contractor
30	IX-7	Determine the cost of limiting CIMS access (O&R) such that CSRs cannot remove the LSE code on a customer account (should be performed by a supervisor or other applicable group) or manually issue a lock for non-payment order on an EBD or LSE customer account. Alternatively, develop reporting to determine if such an event has occurred.	\$48,125	O	100% O&R	One-Time	Contractor
31	IX-8	As part of the current rate case, CECONY and the DPS should review CECONY's customer satisfaction scoring methodologies and associated targets to ensure the indices provide the best information possible.	\$10,000 + Possible Survey Modifications	C	100% CECONY	One-Time	Contractor
32	X-1	Replace the spreadsheet-based affiliate billing process with an Oracle-based or other compatible based billing system.	\$260,000	B	89.5% CECONY /6.8% ORU/ 3.7% Affiliates	One-Time	In-House and Contractor
33	X-2	Develop a corporate cost allocation manual that provides an overview of all allocations in the CEI enterprise and specific account numbers relating back to the shared services organization.	\$55,000	B	89.5% CECONY /6.8% ORU/ 3.7% Affiliates	One-Time	\$5,000 (In-House) and \$50,000 (Contractor)
34	X-3	Replace the three-factor allocation formula for CEI costs with a more appropriate formula.	Minimal	B	N/A	N/A	In-House
35	X-4	Establish CEI guidelines or clarify the Code of Conduct before appointment of future executives to the Boards of CEBs to prohibit executives with current experience in roles at the utilities related to the business engaged in by the CEB from serving on their Boards.	Minimal	B	N/A	N/A	In-House
36	X-5	Follow CECONY internal procedures regarding oversight of affiliate transactions. Affiliate transactions should be a part of the responsibilities of the Regulatory Compliance Committee.	Minimal	C	100% CECONY	One-time	In-House

*Note: Labor Costs associated with recommendations do not include overheads