

**A PROPOSAL TO CONDUCT A  
COMPREHENSIVE MANAGEMENT AUDIT OF  
CONSOLIDATED EDISON COMPANY  
OF NEW YORK, INC.**

Submitted to the:

New York Public Service Commission

Three Empire State Plaza  
Albany, NY 12223-1350

**MARCH 13, 2008**



MANAGEMENT CONSULTANTS

BOSTON, MA • LAS VEGAS, NV • SANTA MARIA, CA

March 13, 2008

Ms. Jaclyn A. Brilling  
Secretary  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, NY 12223-1350

Dear Ms. Brilling:

NorthStar Consulting Group is pleased to provide our proposal to the New York State Department of Public Service (Department) to perform a Comprehensive Management Audit of Consolidated Edison Company of New York, Inc. We have responded to your Request for Proposal (RFP) in all respects, and our proposal is detailed as to the scope and approach to be employed during this engagement. As requested, NorthStar has provided one unbound original and nine copies of our proposal and one electronic version sent to the Project Manager, Mr. Henry Leak, separately at [henry\\_leak@dps.state.ny.us](mailto:henry_leak@dps.state.ny.us).

In the preparation of this proposal, we have been guided by some key needs for this assignment. We briefly describe them to provide the underlying philosophy of our approach.

- We have taken particular care to assemble a very senior team of professionals to conduct this audit. Our team has significant utility management audit experience.
- The approach, methodology and work plan is comprehensive, and designed to address the areas of work outlined in the RFP.
- We understand the Department's objectives and needs for this audit. We plan to keep the Department informed of our findings as we proceed.
- We are aware of and can meet the critical milestone dates and deliverables.

As evidenced by my signature below, I certify that:

- All the information in the proposal is accurate;
- NorthStar is committed and able to perform all the work contained in the proposal;
- NorthStar is in compliance with all RFP requirements; and
- The proposal is valid for 180 days from this date.

I will act as the primary contact for this proposal if you have any questions. My contact information is as follows:

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Fax: (805) 925-9589  
Email: [dbennett@northstarconsultants.com](mailto:dbennett@northstarconsultants.com)

As an alternative, you may find it advantageous to contact Mr. Perry Wheaton, our proposed Project Manager for this engagement. His contact information is as follows:

P.O. Box 2390  
New London, NH 03257  
(603) 763-2400  
Fax: (603) 218-6347  
Email: [perrywheaton@comcast.net](mailto:perrywheaton@comcast.net)

The NorthStar project team is available to meet with the evaluation committee to elaborate on this proposal and to give you a better basis on which to judge our capabilities.

Respectfully submitted,

Douglas Bennett  
Managing Director

# TABLE OF CONTENTS

<b>COVER LETTER</b>	
<b>I. INTRODUCTION</b>	
A. PROPOSAL SUMMARY .....	I-1
B. ORGANIZATION OF THE PROPOSAL .....	I-3
<b>II. SCOPE AND OBJECTIVES</b>	
A. SCOPE.....	II-1
B. OBJECTIVES .....	II-2
<b>III. APPROACH, METHODS, PROCEDURES, AND AUDIT MANAGEMENT</b>	
A. INTRODUCTION.....	III-1
B. AUDIT MANAGEMENT .....	III-6
C. DELIVERABLES .....	III-8
D. TESTIMONY .....	III-10
<b>IV. AREAS AND ISSUES FOR REVIEW</b>	
A. OVERVIEW.....	IV-1
B. FEEDBACK LOOP ELEMENTS.....	IV-2
C. PRELIMINARY ELEMENT AREA WORK PLANS.....	IV-3
<b>V. CONSULTING STAFF ORGANIZATION</b>	
A. KEY PERSONNEL AND PROJECT ORGANIZATION .....	V-1
B. RESUMES .....	V-6
<b>VI. SCHEDULES AND BUDGETS .....</b>	<b>VI-1</b>
<b>VII. FIRM QUALIFICATIONS</b>	
A. NORTHSTAR CONSULTING GROUP .....	VII-1
B. NORTHSTAR EXPERIENCE ON SIMILAR PROJECTS.....	VII-6
<b>VIII. EXHIBITS</b>	
Exhibit III-1. Initial Document and Data Request .....	VIII-1
Exhibit III-2. Initial Interview Request.....	VIII-5
Exhibit III-3. Preferred Practices Checklist: Corporate Planning.....	VIII-6
Exhibit VI-1. Detailed Project Schedule (2008 – 2009) .....	VIII-7

# **I. INTRODUCTION**

NorthStar is pleased to respond to the February 13, 2008 Request for Proposal (RFP) from the New York Public Service Commission (PSC) to perform a Comprehensive Management Audit of Consolidated Edison Company of New York, Inc. (CECONY)(CASE 08-M-0152). Our proposal takes into account the specific requirements of the PSC, as expressed in the RFP and at the bidder's conference as well as our extensive knowledge of the electric and gas utilities industries. This section summarizes key aspects of our proposal to conduct the audit and provides the format for the remainder of our proposal.

## **A. Proposal Summary**

The audit provides a unique opportunity for the PSC and the Department of Public Service (DPS) Staff to gain valuable insight about CECONY's operations and management from objective third-party experts. We believe that the audit should be conducted in a constructive manner, characterized by frank and open discussion of findings, conclusions and recommendations. NorthStar's final report will provide an independent and objective evaluation of CECONY'S current performance, specifically with respect to its construction program planning.

### **Scope and Objectives**

As indicated in the Request for Proposal (RFP), the audit scope is based on a framework of a series of elements or functions that are generally sequential in nature which can be viewed as a feedback loop. The elements, although generally sequential, require feedback from one or more of the latter elements to allow for revisions, adjustments, and other changes, over both the short- and long-term. This framework begins with the element of "corporate mission, objectives, goals and planning" and ends with "performance and results measurement." The "end" is actually the means by which the flow of the elements is connected to the first element. The feedback typically facilitates changes and improvements that will result in better performance.

This audit scope includes the following eight elements of the feedback loop:

- Corporate mission, objectives, goals and planning
- Long-term load forecasting
- Supply procurement
- Long-term system planning
- Capital and operations and maintenance (O&M) budgeting
- Program and project planning and management
- Workforce management

- Performance and results measurement.

The scope elements and their components are the major elements of the program feedback loop.

The audit scope includes CECONY's electric, gas and steam businesses. The ratio of CECONY's recent operating revenues for electric, gas and steam is approximately 76 percent, 17 percent, and seven percent, respectively. There are also common services that perform activities for all three businesses. The scope of this audit also includes providing five full-day workshops to train Department of Public Service (DPS) Staff at the DPS' offices in Albany. The workshops will be scheduled after the audit begins and will be distributed over the duration of the audit. We understand that five to ten participants from the DPS Staff will participate in each workshop and that the workshop subjects will be determined after the audit starts.

## **Project Approach**

NorthStar views this audit as a unique opportunity to provide crucial support to the PSC and DPS in meeting the numerous internal and external challenges it faces in regulating CECONY's operations. Our approach is designed to help assure that CECONY is addressing strategic and operational concerns consistent with the needs of its customers.

NorthStar will ensure that:

- All construction program planning issues which may affect the CECONY's operations are being addressed in an effective manner;
- CECONY's corporate mission, objectives, goals and planning are consistent with its customers' needs;
- Our final report provides detailed and practical recommendations that address strategic and operational issues facing CECONY; and
- Our final report is well-documented, easy to understand and will withstand public scrutiny.

## **Project Team**

NorthStar is highly qualified to perform the management survey of CECONY. Our proposed Project Manager, Perry Wheaton, has a proven track record of delivering excellent results in other similar studies within the utility industry and directed the 1988 comprehensive management audit of CECONY for the DPS. He has managed over thirty utility management reviews for various regulatory agencies throughout the country. Seven of the ten consultants on our team have worked with Mr. Wheaton on numerous high visibility audits in the utilities industry including the financial viability of Pacific Gas & Electric for the California PUC in the midst of the California energy crisis and the deferred balance prudence audit of the energy procurement practices of the three New Jersey electric utilities for the period from August, 1, 1999, to July 31, 2003 for the New Jersey BPU.

We have taken care to propose a project team that consists of experts in utility strategic and operational issues, construction program planning and electric and gas utility operations and who have substantial management audit experience in the utility industry. We are proposing a work plan requiring an estimated 7,420 professional staff hours to complete this project, at least seventy-five to eighty percent of which would be spent on site.

In addition to completing our projects within budget, we normally try to complete our projects ahead of the client's requested schedule. We believe that we have assembled the right team with the appropriate expertise and experience to perform the highest quality job in the proscribed time frame. Our anticipated start date, based on dates in the RFP, would be June 2, 2008. Based on that start date, we are prepared to submit our draft report to the DPS in January, 2009 and our final report in May, 2009.

## **B. Organization of the Proposal**

This chapter has presented the objectives and scope of the audit and a brief discussion of the team which will conduct the project. The remaining sections of our proposal describe our preliminary work plan, firm and individual consultant experience, and our schedule and budget estimates. These sections are organized as follows:

- **Section II** – Scope and Objectives, provides our understanding of the scope and objectives for this audit.
- **Section III** – Approach, discusses our approach, project management and provides a description of project deliverables.
- **Section IV** – Areas and Issues, provides our preliminary work plan which includes a list of element areas to be reviewed including evaluative criteria and list of work tasks to be performed for each element.
- **Section V** – Consulting Staff Organization, provides the structure of the consulting team assignments and background of personnel proposed for the assignment.
- **Section VI** – Schedule and Budget, itemizes professional staff fees and out-of pocket expenses, and provides our total not-to exceed cost to perform the audit. It also provides the elapsed time estimate for each task in the work plan and a complete project schedule.
- **Section VII** – Firm Qualifications, describes NorthStar's history and provides a list of relevant projects with client names and references,
- **Section VIII** – Exhibits, provides an initial data request, interview request and additional detailed exhibits referenced in text. We request that CECONY's responses be available to us on the first day of the project.

## **II. SCOPE AND OBJECTIVES**

In this section, NorthStar confirms the scope and objectives of the management audit of CECONY as noted in the RFP and other materials.

### **A. Scope**

NorthStar's management audit will be comprehensive and thorough, and will focus on CECONY's construction program planning, operational efficiency and performance, including reliability, as required by the Public Service Law, Section 66(19). The Public Service Law states "the 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 and an evaluation of the efficiency of the company's operations."

As indicated in the Request for Proposal (RFP), the audit scope is based on a framework of a series of elements or functions that are generally sequential in nature which can be viewed as a feedback loop. The elements, although generally sequential, require feedback from one or more of the latter elements to allow for revisions, adjustments, and other changes, over both the short- and long-term. This framework begins with the element of "corporate mission, objectives, goals and planning" and ends with "performance and results measurement." The "end" is actually the means by which the flow of the elements is connected to the first element. The feedback typically facilitates changes and improvements that will result in better performance.

This audit scope includes the following eight elements of the feedback loop:

- Corporate mission, objectives, goals and planning
- Long-term load forecasting
- Supply procurement
- Long-term system planning
- Capital and operations and maintenance (O&M) budgeting
- Program and project planning and management
- Workforce management
- Performance and results measurement.

The scope elements and their components are the major elements of the construction program feedback loop.



The audit scope includes CECONY's electric, gas and steam businesses. The ratio of CECONY's recent operating revenues for electric, gas and steam is approximately 76 percent, 17 percent and seven percent, respectively. There are also common services that perform activities for all three businesses.

The scope of this audit also includes providing five full-day workshops to train Department of Public Service (DPS) Staff at the DPS' offices in Albany. The workshops will be scheduled after the audit begins and will be distributed over the duration of the audit. We understand that five to ten participants from the DPS Staff will participate in each workshop and that the workshop subjects will be determined after the audit starts.

## **B. Objectives**

Generally, the objectives of this audit as identified in the Audit Guide are to:

- Determine whether O&M expenses can be reduced;
- Prepare recommendations for initiating changes or undertaking studies necessary to achieve savings or improvements;
- Quantify the savings which will result from implementing our recommendations;
- Prepare a written report describing the management and operations of the utility for the information of the Commission, staff and the ratepayers; and
- Identify specific opportunities for improved business processes, systems, organizational design, planning, employee productivity and customer service.

More, specifically, this audit will assess CECONY's effectiveness in meeting its mission, particularly with respect to meeting its performance goals and the extent to which there are opportunities for improvement. In this regard, this audit will focus on CECONY's construction program planning, operational efficiency and performance including reliability. Included within each element of the construction program feedback loop are components, issues, parameters, and questions. Within each element, the audit objective will be to address the following generic questions and issues:

- What is the purpose?
- What is the process?
- What are the inputs and outputs?
- Are there appropriate policies and procedures and how are they implemented?
- Who has responsibilities and accountabilities?
- Is the process efficient and effective?

The components and issues for each element in the feedback loop as identified in the RFP are reviewed in detail in the section entitled Areas and Issues for Review. An audit objective will be to compare these elements and their components to industry “best practices”, appropriate to CECONY’s operating environment based on our past experience.

An additional objective of this audit will be to provide workshop type training to DPS Staff on subjects yet to be determined.

### **III. APPROACH, METHODS, PROCEDURES AND AUDIT MANAGEMENT**

This section provides a discussion of NorthStar's general approach to management audits. Our approach is based on what we believe is the most efficient and effective means of completing the audit of CECONY.

#### **A. Introduction**

NorthStar prides itself on performing independent and objective management audits for regulators. In this context, we plan and conduct our assignments to maximize client participation (the DPS Staff), and we will work closely with the DPS project manager to finalize our work plans for each task area and to conduct the audit. To facilitate the interaction and dialogue among the audit team, the DPS Staff and CECONY, our project manager will also work closely with both the DPS and CECONY project managers to coordinate audit activities, to schedule and conduct regular briefings and three-party meetings, as appropriate. To accomplish this audit in an effective and timely manner, our team is organized in a matrix manner. For example, our lead consultant for the electric business is also the lead consultant for the program planning element for all three businesses - electric, gas and steam. This matrix approach will ensure that our audit team is able to gain the benefits of our experts' work activities in both the individual businesses and the various review elements in the audit.

The RFP identified a reasonable time schedule for the consultant to issue a draft report in April 2009. Our schedule presented in **Section VI – Schedules and Budgets** is designed to meet this deadline, and, in fact, to issue our draft report in January, 2009 assuming a starting date of June 2, 2008. To complete the work plan within that timeframe, we have developed an initial data request (**Exhibit III-1**) that should be provided to CECONY as soon as we are selected in order that it can make the responses available to us at the time of the “kick off” of the audit. Our project team has the availability and commitment to meet this target. Our team has a history of bringing projects in on time and on budget. Our experience indicates that an audit of this magnitude is best performed when a rigorous time schedule is established and adhered to. It enhances the sense of urgency that an undertaking as complex and important as this audit be performed in an expeditious and timely manner. Needless to say, attaining our aggressive schedule will require the full cooperation of both CECONY and the DPS Staff.

NorthStar will use a time-proven approach to perform this audit that will ensure the delivery of a high quality product in a cost-effective and timely manner. Our approach is designed to: promote a focus on the specific needs of the DPS Staff; rely on quantitative data to support findings; have open communication among the parties; adhere to generally accepted auditing standards; and, thoroughly document our report findings in our work papers.

Our approach has the following characteristics:

- It will be performed by experienced consultants who have the appropriate combination of utility management audit, utility industry and functional expertise and who have worked together on numerous previous audits of a similar magnitude and complexity. For example, our project manager, Perry Wheaton, and our lead consultant for program planning, Doug Bennett, had similar responsibilities on the 1988 comprehensive audit of CECONY. More recently, Mr. Wheaton directed the financial viability review of Pacific Gas & Electric in the midst of the California energy crisis. Ms. Angela Anderson, Ms. Liz Lemkul, and Messrs. Mohamed El-Gasseir and Dave Vondle of our proposed audit team all performed key roles on that review.
- Maximize the value of input from the DPS Staff and CECONY while minimizing the disruption of regular operations through our practice of scheduling interviews and other activities well in advance.
- Evaluations based on demonstrated performance, and, when appropriate, qualitative and quantitative metrics.
- Eliminate surprises by keeping the DPS Staff and CECONY informed of our activities, findings, and conclusions throughout the audit.

Our approach has three phases:

- Phase I. Orientation and Planning
- Phase II. Technical Review
- Phase III. Report Development

## **Phase I. Orientation and Planning**

The objectives in the first phase of the audit are as follows:

- Confirm our understanding of the audit objectives and scope and the DPS' expectations from the audit.
- Finalize contractual, project management and other administrative matters.
- Develop an understanding of the current operations, organization, and key management processes of CECONY.
- Perform a risk assessment of audit task areas to prioritize our audit activities.
- Finalize and gain approval of our detailed work plan which will guide our activities during the remainder of the audit.

At the commencement of the project, we will conduct initial interviews (**Exhibit III-2**) and collect and review responses to our initial data request. We will also prepare follow-on data requests and request additional interviews as may be required. Specifics regarding project logistics, key contacts, interfaces, schedules and communications will be established during this phase. Work activities included in this phase are listed below.

- Complete logistical and contractual arrangements. The NorthStar project manager will meet with DPS Staff and CECONY project managers to complete logistical and contractual arrangements. We will also reach agreement on protocols for the audit, including, at a minimum, the following:
  - Procedures for requesting and tracking interviews and documents.
  - Working paper and documentation requirements.
  - Procedures for adhering to auditing standards.
  - Identify any additional issues or concerns and further explore DPS Staff objectives for this audit.
  - Policies and procedures for treating confidential information.
  - Quality control and reporting procedures.
- Review responses to our initial document requests. To facilitate the start of the review, we would expect CECONY to have a complete set of all requested documents available at the time of the kick-off meeting.
- Attend CECONY presentation and conduct initial interviews. To ensure that we have a detailed understanding of CECONY's organization, relationships and processes, we would ask that the appropriate CECONY personnel make a presentation to our consulting team. Following this presentation, we will initiate our interviews of key personnel.
- Schedule and conduct additional interviews and request and review additional documents.
- Analyze the information received obtained from our interviews and our document reviews.
- Prioritize audit requirements. We will assess audit risk exposures to prioritize our work and to determine areas in which sampling techniques will be employed.
- Finalize plans to conduct training workshops for DPS Staff.
- Prepare our draft work plan and obtain DPS Staff's approval of it.
- Issue additional data and interview requests required for Phase II.

## **Phase II. Technical Review**

In this phase, the audit team will perform its principal investigation, data collection and other technical review activities for each of the eight identified audit elements and the DPS Staff training workshops. Work activities which we would expect to perform in the technical review are provided in **Section IV – Areas and Issues for Review** for each element. The purpose of performing these activities is to complete a comprehensive audit of each of the elements for all three CECONY businesses – electric, gas and steam. Wherever possible, the audit team will seek to employ quantitative measures for evaluation. CECONY's organization, operations management and financial management will be evaluated against industry "best practices." **Exhibit III-3** provides an example of a preferred practices checklist against which we would evaluate CECONY management practices.

Our audit team will integrate and summarize information gained during this phase of the audit and develop preliminary findings, conclusions and recommendations to be included in our task reports and our draft report. In general, our work activities will include the following:

- Review of documents and other data to be requested from CECONY.
- Interviews with CECONY personnel.
- Testing compliance with company, industry and other standards.

In formulating conclusions, the audit team will focus on substantive issues. CECONY management practices will be evaluated against existing rules and regulations as well as sound, generally accepted business practices. We will apply a standard of reasonableness which regulators and courts have accepted in a wide range of retrospective evaluations of management performance, that is, one that does not require perfection, is not based on outcomes, and does not rely on hindsight. The conclusions will reflect areas where CECONY is appropriately managing as well as areas where improvement may be required.

The audit team will verify the facts in our task reports for each audit element in three-party meetings with CECONY and the DPS Staff prior to drafting reports to assure that our facts are accurate and that we have appropriately addressed major issues. After the audit team has finalized its conclusions, we will prepare recommendations that may take a variety of forms. For example, they may identify specific accounting adjustments or changes in organizational structure, policies, processes, information systems and operating practices. Other recommendations may require additional studies in some areas to identify more specific opportunities and some may identify policy considerations for CECONY and/or the DPS. The expected cost and benefits of each recommendation will be described. We will also recommend schedules for implementation.

During the course of our work, we will select transactions, data, documents and other information for review. We expect that in some cases we will utilize sampling techniques to examine this data. When we use sampling techniques, our goal will be to select a sample of the population and make inferences from that sample. The two general approaches to audit sampling are statistical and non-statistical.

Each of these approaches has the same basic requirements.

- Planning: When planning the audit sample, the relationship of the sample to the audit objective should be considered.
- Selection: Items should be selected so that the sample can be expected to be representative of the population and all items in the population have an opportunity to be selected.
- Evaluation: The results of the audit sample should be projected to the population from which the sample was selected.

No single audit sampling technique can be predicted, or is likely to be used, in all sampling situations for the audit. The specific sampling techniques we use will be selected based on the audit objective for each sample selected and the nature and availability of data for a population. During the audit, NorthStar will develop specific sample methodologies for our testing as appropriate.

Our selection of a representative sample of construction programs and projects that are completed and/or in progress will be based on the aforementioned approach to sampling. First, we will develop a profile of recently completed, in progress and planned construction projects for all three CECONY businesses. From this profile, we will select projects that, at a minimum, have the following characteristics:

- Be representative of all three businesses.
- Provide significant overall dollar coverage.
- Reflect different types of projects, e.g., transmission vs. distribution.
- Reflect different-sized projects by dollar amount.
- Are performed in varying geographical locations by different organization groups.
- Provide a valid sample.

### **Phase III. Report Development**

Bi-weekly briefings in person or by teleconference will be provided to the DPS Project Manager. At a minimum, these briefings will address the following:

- Summary of progress towards the objectives and schedules of the audit.
- Discussion of emerging issues, preliminary findings and likely conclusions.
- Review of challenges encountered to date.
- Discussion of open data or interview requests.
- Discussion of any modifications to the work plan or schedule which may be appropriate as a result of the challenges and/or preliminary findings and conclusions.

As indicated in our project schedule in **Section VI – Schedules and Budgets**, we will have a mid-point status meeting with DPS Staff the week of September 29, 2008 (mid-point of our Phase II. Technical Review), to discuss emerging issues.

Task reports will be prepared and submitted to the DPS project manager for each of the eight element areas for the three businesses as the work is completed. Each task report will include an overview, evaluative criteria, findings, conclusions and recommendations, and a detailed narrative describing the applicable policies and management processes in sufficient

detail to allow the reader to understand the reasoning behind each finding and conclusion. Assuming work begins by June 2, 2008, the draft report can be provided to the DPS Staff in January, 2009, unless other arrangements are made with the DPS project manager.

After we complete the three-party fact verification meetings for our task reports, we will prepare a draft report and submit it to the DPS Staff for comment. The draft report will include an executive summary, a description of the audit process, and the completed task reports in each audit area. After receiving comments from the DPS Staff on the draft report, we will revise the draft report as appropriate and issue it to CECONY for comment. Prior to receiving comments from CECONY, we will hold a three-party meeting with DPS Staff and CECONY to address any issues or misunderstandings that might exist among the three parties.

After receiving comments from CECONY, we will revise our report as appropriate and issue our revised report to the DPS Staff and CECONY. After receiving comments about the revised report from the DPS Staff and CECONY, we will finalize and issue our report. We will prepare a completely annotated copy of the final report containing all of the information supporting our recommendations. The final report will be written using terminology that will be meaningful to CECONY management, DPS Staff and others generally familiar with the subject area. The report will be objective, comprehensive and conclusive. At a minimum, the report will address all of the audit elements identified in the RFP and present our investigation, and recommendations relating to the subject matter.

## **B. Audit Management**

Effective project management requires the development of a logical and efficient work plan that is clearly understood by the project team and the DPS Staff. The project manager will closely manage the cost and schedule of this audit through careful planning and the use of proven project controls. Project management activities will include:

- Defining tasks to investigate thoroughly all audit areas.
- Specifying task dependencies so that interdependent tasks will be completed in the appropriate sequence to ensure that the flow of work builds a cumulative body of knowledge rather than clusters of data with possible contrasting conclusions. Since several of the work activities in different task areas are related, work will be planned and scheduled to avoid duplication of activities.
- Defining protocols for interfacing with external parties, if any.
- Estimating staff hours and preparing schedules to complete each task.
- To ensure that the audit is managed at all times, the project manager will carefully:
  - Review the work in progress including performing such quality control activities as attending interviews, reviewing the processes used in analysis, testing conclusions, and checking the clarity and completeness of all written materials.



- Compare actual versus estimated hours and expenses by staff for each task defined in the work plan.
- Make project plan adjustments based on the project progress to date, changes in project scope or changes in priorities.
- Establish and enforce documentation standards for audit work papers to ensure confidentiality, accuracy, completeness, and consistency.
- Establish a workable set of administrative procedures covering:
  - Requesting, storing, and returning documentation and other information.
  - Scheduling interviews and documenting results.
  - Reporting project hours and expenses.
  - Reporting progress and dealing with exceptions.

We believe that the audit should be a positive experience for CECONY and the DPS Staff, as well as CECONY's customers, stakeholders, and other constituencies. In conducting the audit we will ensure that a spirit of cooperation is maintained among the three key parties involved – the DPS Staff, CECONY, and our audit team. In conducting the audit, we will maintain a professional relationship with CECONY personnel and DPS Staff. Our consulting team members are experienced in conducting studies on client premises and know how to minimize disruption to the client's normal operations. We plan interviews ahead of time, maintain our appointment schedules, and are sensitive to the normal demands placed on a manager's time during the business day.

We expect that the project managers designated by the DPS and CECONY will be the sole sources of contact for NorthStar in any discussion with the DPS or CECONY personnel regarding the audit process. NorthStar further understands that the DPS Staff and CECONY personnel will be active participants in the review, and we are prepared to work with them throughout the course of the audit. NorthStar expects that DPS Staff and CECONY staff may attend selected interviews, review analytical procedures, and will monitor the audit's progress as to scope, budget, work plans, and time. In any event, NorthStar expects that each consultant assigned to a task area will frequently discuss his/her progress informally and directly with the DPS Project Manager or his designee.

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

- The project manager and lead consultants are experienced utility management audit professionals.
- The NorthStar audit team will perform all work in a professional manner in accordance with: the United States General Accounting Office's *Standards for Audit of Government Organizations, Programs, Activities, and Functions*, as applicable to public utilities, with audit emphasis on issues of management economy, efficiency and effectiveness; the National Association of Regulatory Commissioners'

*Consultant Standards and Ethics for the Performance of Management Analysis*; and “The Guide - A Guide for Consultants Submitting Proposals Management and Operations Audits” issued by the State of New York Department of Public Service in February, 2008. Adherence to these standards will provide the project controls and reporting standards necessary to perform the audit effectively and provide sufficient justification for all recommendations.

- The NorthStar project team has a demonstrated track record for producing quality products within schedule and budget limits. Members of the proposed audit team have successfully performed audits or similar projects in many states.

The NorthStar Project Manager will review both the process and analysis used by the consultants, and he will review all the work products prepared by the audit team. This review will prove useful in helping the audit team place appropriate emphasis on issues important to the DPS.

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

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

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

## **C. Deliverables**

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

- Interview Documentation. The project team will use a formal interview request form that will be provided as a record of our request and the topics to be covered in interviews. All interview requests will be assigned a unique number that will allow

us to track the status of responses and reference the specific document in the final report. When possible, interviews with personnel will be requested at least ten working days in advance. Upon completion of each interview, we will prepare a formal interview summary including participants, conclusions and observations, data requests generated, issues identified, and follow-up required. The interview summaries will become part of our audit work papers.

- **Data Requests.** Throughout the audit, we will provide written requests for documents and other information. These document requests will clearly specify the information or documents needed and, if possible, the person most likely to have access to the document or information. All data requests will be assigned a unique number that will allow us to track the status of responses and reference the specific document in the final report.
- **Progress Reports.** To keep the DPS Staff apprised of audit progress, we expect to have frequent contacts and will provide periodic oral and written reports as requested by the DPS project manager. All such contacts will be documented and become part of the project work papers.
- **Task Reports.** Task reports will be developed for each of the eight element task areas. The facts in these task reports will be reviewed by the DPS Staff and CECONY for factual verification and will be included in the final report. Comments provided to us regarding the verification will be fully documented and become part of our project work papers.
- **Final Audit Report.** We will provide the DPS Staff and CECONY both written and electronic versions of the final report in whatever reasonable quantity and format is requested. The full report will describe each audit task area, our evaluative criteria, audit tasks performed, findings, conclusions, and recommendations. The report will be a complete description of the results of our audit of the respective task areas. In preparing the final report, the only changes NorthStar will make to the final draft report will be in response to specific comments from the DPS Staff and/or CECONY.
- **Working Papers.** We will develop an organized set of work papers that will be the basis for our report. The report will be footnoted to these work papers as the source of its factual statements as well as the basis for its findings, conclusions and recommendations. If requested, we will provide a complete set of working papers, indexed and in orderly form upon completion of the audit. The working papers will include a copy of the work plan indicating the consultant, who performed the work and date completed, and documents, interview summaries and analysis supporting our findings and conclusions. All work papers, interview notes, statistical analyses, and other supporting documents developed or obtained during the course of the audit will be made available to Staff in an organized electronic format. We will maintain a data base of non-sensitive material received during the course of the audit to which DPS Staff will be given both on-site and off-site access.

- Interviews and Site Visits Schedules. A report of interviews and site visits scheduled for the following week will be issued weekly. At a minimum, this report will include the interviewee, interviewer, topic/area of focus, date, time and location. As this report is updated weekly, it will serve as a report on interviews conducted.
- Person-Days Expended Report. A monthly report of person-days expended by activity in each task area. This is a progress report relative to the calendar (time-line) schedule provided in **Section VI – Schedules and Budgets** and will show the original estimate, time spent during the current month and to-date, estimated time to complete, and percent completed.
- Weekly Document Request Log. This log will identify documents requested and date received, will be kept on-site at CECONY and will also be available electronically. Documents will be kept in a document data base.
- Interview Summaries. At a minimum, the interview summaries will include the names of the interviewee and interviewer, the title and organization of the interviewee, documents requested and items discussed.
- Emerging Issues/Conclusions Summaries. Prior to the submission of our initial draft audit report, we will prepare written summaries of emerging issues. These summaries will be prepared prior to the mid-point of our Phase II – Technical Review.

## D. Testimony

At this point in time, it is uncertain whether testimony will need to be presented on the final report. Therefore, the not-to-exceed price outlined in **Section VI – Schedules and Budgets** does not include the activities associated with the preparation and presentation of testimony. However, NorthStar would prepare and present testimony on the final report, if requested. The project manager and/or lead consultants most familiar with the specific findings, conclusions and recommendations would prepare and provide the testimony. The number of witnesses would depend on the specific areas being addressed in testimony. Our billing rates would be the same as indicated in Section VI.

## **IV. AREAS AND ISSUES**

This section provides a detailed description of how the scope, audit areas and issues will be examined by the NorthStar consulting team, and shows how the firm's personnel are assigned to each area. In each audit area, personnel assignments and role are identified (lead or support). A summary of hours by consultant and audit task is included at the end of the section.

### **A. Overview**

As indicated in the Request for Proposal (RFP), the audit scope is based on a framework of a series of elements or functions that are generally sequential in nature which can be viewed as a feedback loop. The elements, although generally sequential, require feedback from one or more of the latter elements to allow for revisions, adjustments, and other changes, over both the short- and long-term. This framework begins with the element of "corporate mission, objectives, goals and planning" and ends with "performance and results measurement." The "end" is actually the means by which the flow of the elements is connected to the first element. The feedback typically facilitates changes and improvements that will result in better performance. The scope elements and their components are the major elements of the construction program feedback loop. The audit scope includes CECONY's electric, gas and steam businesses. There are also common services that perform activities for all three businesses.

The scope of this audit also includes providing five full-day workshops to train Department of Public Service (DPS) Staff at the DPS' offices in Albany. The workshops will be scheduled after the audit begins and will be distributed over the duration of the audit. We understand that five to ten participants from the DPS Staff will participate in each workshop and that the workshop subjects will be determined after the audit starts.

This audit will assess CECONY's effectiveness in meeting its mission, particularly with respect to meeting its performance goals and the extent to which there are opportunities for improvement. In this regard, this audit will focus on CECONY's construction program planning, operational efficiency and performance including reliability. Included within each element of the construction program feedback loop are components, issues, parameters, and questions. Within each element, the audit objective will be to address the following generic questions and issues:

- What is the purpose?
- What is the process?
- What are the inputs and outputs?
- Are there appropriate policies and procedures and how are they implemented?

- Who has responsibilities and accountabilities?
- Is the process efficient and effective?

The evaluative criteria and the work tasks that we expect to use for our audit of each element in the feedback loop are described in this section. The evaluative criteria and work tasks provided here will be expanded on and finalized during Phase –I Orientation and Planning of our audit to serve as our detailed work plan for the remainder of the audit.

The expected cost and benefits of each recommendation will be described in detail. Where possible, we will quantify the anticipated cost savings or expected performance improvement, as well as provide an estimate of the cost of implementation. If it is not possible to quantify the benefits, we will provide a qualitative justification.

## **B. Feedback Loop Elements**

The eight elements of the feedback loop are:

1. Corporate mission, objectives, goals and planning
2. Long-term load forecasting
3. Supply procurement
4. Long-term system planning
5. Capital and operations and maintenance (O&M) budgeting
6. Program and project planning and management
7. Workforce management
8. Performance and results measurement.

Collectively, these elements cover most of CECONY's operations and touch many functional aspects of the Company. Therefore, our review will require obtaining information from and observing many aspects of the CECONY's organization. Our proposal assigns specific process areas to individual consultants as outlined in Section V based on the specific expertise of the consultants. Our final work plan will reflect a matrix approach which will align functional area assignments and the element areas where possible, while maintaining element area responsibilities and focus. This approach will take advantage of the breadth of our consultant's expertise and minimize unnecessary duplication of fact-finding work. Each element area as well as each business area will be assigned to a designated lead consultant.

The element areas identified in the RFP, the consultants assigned, the evaluative criteria to be considered for each element, and the tasks to be performed for each element are provided in our Preliminary Element Area Work Plans which follow. An estimated

breakdown of the hours required and personnel associated with each element are provided in Figure IV–1 at the end of the section. Our proposed project organization is shown in Figure V–1. Exhibit III- 2, provides a list of initial interviews we intend to conduct, and Exhibit III -1 provides an initial list of the documents and data we would review at the beginning of the audit.

## **C. Preliminary Element Area Work Plans**

**Element No. 1: Corporate Mission, Objectives, Goals and Planning**

**NorthStar Lead Consultant:** Perry Wheaton  
**Consultants:** Doug Bennett  
Angela Anderson  
Dave Vondle  
Liz Lemkul

### **Evaluative Criteria:**

- Does Con Edison, Inc. (CEI), the parent, affect budgeting priorities and allocations among the electric, gas and steam businesses in a positive manner?
- Are CEI budgeting priorities and allocations for CECONY and Orange and Rockland appropriate?
- Are the Boards of Directors and executive and senior management properly involved in the development of budgeting guidelines and periodic budget reviews and approvals?
- Are CECONY’s financial position and the level of its rates appropriately factored into the budgeting process?
- Does CECONY executive management use measurable goals to achieve the corporate mission and objectives, and is the performance process handled effectively by successive levels of management?
- Does CECONY comply with procedures and practices related to the scope of the audit, e.g., internal controls, Internal Audit function and the Sarbanes Oxley Act?
- Are management performance and compensation aligned with the corporate mission, objectives and goals at all levels within the corporation?
- Was an effective process used to establish the current corporate mission?
- Is there a strategic planning process in place? Is it used and useful? Does the process receive input from appropriate stakeholders? Is the strategic plan reviewed and updated periodically?

- Is there a tactical business/operational plan? Are there department tactical business/operational plans? Are these plans consistent with the Company's strategic plan? Are they reviewed and updated periodically?
- Are the types and extent of communications between management and the Board sufficient?
- Are the types and extent of communications between management and employees sufficient?
- Are the types and extent of communications between management and external stakeholders (customers, regulators, shareholders, others) sufficient?
- Is employee feedback concerning the corporate mission and supporting strategic plans collected and used?
- Is external (customer, regulator and shareholder) feedback concerning the corporate mission collected and used?
- Are the Company goals and objectives reasonable? Are they generally achieved?

**Work Tasks:**

1. Determine how CEI affects budgeting priorities and allocations among CECONY's electric, gas and steam businesses.
2. Examine CEI budgeting priorities and allocations for CECONY and Orange and Rockland.
3. Interview members of the Boards of Directors and executive and senior management to determine their involvement in developing budgeting guidelines, performing periodic budget reviews and approving budgets.
4. Examine how CECONY's financial position and the level of its rates are factored into the budgeting process.
5. Determine if CECONY executive management uses measurable goals to achieve the corporate mission and objectives, and how the performance process is handled by successive levels of management.
6. Interview the General Auditor and the Chairman of the Audit Committee of CEI's Board.
7. Review the independent auditors' recent management letters and reports regarding Sarbanes Oxley compliance.



8. Evaluate how CECONY ensures compliance with procedures and practices related to the scope of the audit, e.g., internal controls, Internal Audit function and the Sarbanes Oxley Act.
9. Evaluate how management performance and compensation are aligned with the corporate mission, objectives and goals at all levels within the corporation.
10. Review processes used to develop and maintain the corporate mission, objectives and goals.
11. Assess the formal and informal processes used by senior management to communicate the corporate mission, objectives and goals to employees.
12. Assess the formal and informal processes used by senior management to communicate the corporate mission, objectives and goals to the Board of Directors.
13. Assess the formal and informal processes used to communicate the corporate mission, objectives and goals to external stakeholders (customers, regulators, shareholders and others).
14. Determine if the corporate mission is aligned with strategic plans, operating objectives, goals and tactics.
15. Assess whether CECONY policies (operations, human resources and financial,) policies are aligned with the corporate mission.
16. Determine if CECONY's corporate mission is aligned with regulatory requirements (e.g., energy efficiency, other demand side management programs, customer services and communication requirements).
17. Assess whether CECONY's service reliability and financial results are aligned with the corporate mission.
18. Compare CECONY performance to industry "best practices".
19. Prepare a task report for this element.

**Element No. 2: Long-term Load Forecasting**  
**NorthStar Lead Consultant: Carol Etter**  
**Consultants: Doug Bennett**  
**Angela Anderson**  
**Dawn Francis**

**Evaluative Criteria:**

- Does CECONY use effective models to forecast load and system-wide load requirements?

- Are demand side management (demand response) and energy efficiency, and other initiatives given appropriate consideration in the forecasting process?
- Are CECONY's forecasting functions organized appropriately?
- Is planning for electric load integrated with gas and steam planning and CECONY's overall business strategy appropriately?
- Does CECONY have effective region-specific planning processes?
- Is forecasted load incorporated into rate cases in an appropriate manner?
- Does the New York Independent System Operator (NYISO) play an appropriate role in the CECONY's electric forecasting?
- Does CECONY's load forecasting provide reasonably accurate information for projecting future electric demand?
- Are the assumptions used in developing the load forecast for the CECONY's Integrated Resource Plan (IRP) valid?
- Does CECONY employ current technology and modern methods for data gathering in the development of its load forecasts?
- Does CECONY have a single load forecast that it uses used for both supply procurement and distribution system planning?
- Has CECONY had accurate system load forecasts and are deviations between the forecasts and actual experience investigated and promptly corrected?

#### **Work Tasks:**

1. Assess the models used by CECONY to forecast load and system-wide load requirements.
2. Determine how demand side management (demand response) and energy efficiency, and other initiatives are considered in the forecasting process.
3. Assess the models, inputs and assumptions CECONY uses to forecast load requirements.
4. Assess the organization structure of CECONY's forecasting activities.
5. Determine if the planning for electric load is integrated with gas and steam planning and CECONY's overall business strategy.
6. Determine if forecasted load is incorporated into rate cases.

7. Assess the New York Independent System Operator (NYISO) role in the CECONY's electric forecasting.
8. Assess the manner in which load forecasting affects various strategic initiatives or provides substantial risk to the CECONY.
9. Determine the adequacy of demographic assessment, appliance saturation studies, customer surveys, and elasticity of demand studies and similar information used in the development of load forecasts.
10. Review the use of planning models to support the development of load forecasts. Determine the adequacy of the input data used and consider whether the models provide adequate capability to assess the effects of potential loss of load to alternative energy providers, conservation, price sensitivity and other variables across a broad range of possibilities.
11. Determine whether a management process is in effect to ensure that all planning is based upon a set of common assumptions relating to demographics, economic conditions, financial capability and other factors which significantly affect the load forecast.
12. Review actual peak load and electricity sales information for the years 2002 and 2007 in comparison to information contained in the integrated resource plans and investigate the reasons for significant variations.
13. Identify performance measurement criteria that would indicate success or failure of this area and compare against existing measurements used by CECONY, if any.
14. Compare CECONY performance to industry "best practices".
15. Prepare a Task Report for this area.

**Element No. 3: Supply Procurement**

**NorthStar Lead Consultants:** Mohamed El-Gasseir – Electric  
Carol Etter – Gas and Steam  
**Consultants:** Doug Bennett  
Angela Anderson

**Evaluative Criteria:**

- Does CECONY have appropriate supply portfolio principles, goals and objectives for mass market default customers?
- Does CECONY have effective risk management strategies and practices?
- Does have effective supply procurement strategies, policies, processes, and methods?

- Are CECONY's financial and physical hedging practices appropriate and effective?
- Does CECONY's supply procurement performance compare favorably with other utilities?
- Does CECONY set achievable portfolio performance goals?
- Does CCONY oversee and control its portfolio in an effective manner?
- Is the role of demand management/response, energy efficiency and migration of retail customers to competitive suppliers in the portfolio and procurement processes appropriate?
- Is the organization structure consistent with established mission, goals and objectives of other supply procurement groups?
- Do controls exist over points of contact with other corporate departments involved in or supporting supply procurement activities?
- Are experience levels of managers consistent with those generally found in the industry in similar positions?
- Do the front, middle, and back offices operate under clearly defined and segregated missions, exhibit sufficient independence from each other, support the making of decisions and transactions as required and in an arm's-length manner, and are subject to periodic outside reviews of their effectiveness and integrity?
- Do internal measurement systems address performance quality on a comprehensive, ongoing basis?
- Are data capture, maintenance, reporting, and retrieval systems complete, accurate, secure, and useful in verifying that assets are used and transactions made and assigned appropriately?
- Are supply procurement policies and procedures consistent with work requirements and supply procurement and marketing objectives?
- Do well-defined document creation and maintenance objectives and requirements exist?
- Is documentation adequate to support management and regulatory oversight and review?
- Does CECONY have well-defined supply procurement strategies that properly balance long-term and short-term considerations of cost and reliability of supply?
- Is the supply procurement process sound, and integrated with CECONY's strategic and operational planning processes?

## Work Tasks:

1. Identify and evaluate supply portfolio principles, goals and objectives for mass market default customers.
2. Identify and evaluate risk management strategies and practices.
3. Review supply procurement strategies, policies, processes, and methods.
4. Assess CECONY's financial and physical hedging practices.
5. Examine CECONY's use of performance benchmarking with other utilities.
6. Review portfolio performance goals.
7. Evaluate portfolio oversight and controls.
8. Assess the role of demand management/response, energy efficiency and migration of retail customers to competitive suppliers in the portfolio and procurement processes.
9. Review the organizational placement of the responsibility for supply procurement. Consider whether the CECONY's supply procurement strategies are adequately supported by the current organizational structure.
10. Determine whether or not the current mix of long-term and short-term supply arrangements adequately balance the consideration of cost and reliability of supply.
11. Determine whether or not the current mix of long-term and short-term supply arrangements was established in accordance with a well-developed plan.
12. Determine whether or not CECONY has reviewed and revised its supply procurement strategies to effectively address competitive pricing and risk issues associated with current energy markets.
13. Identify performance measurement criteria that would indicate success or failure and compare against existing measurements used by the CECONY.
14. Evaluate the organizations responsible for supply procurement planning, acquisition and management.
15. Examine the training, experience, and performance of the supply procurement staff.
16. Evaluate whether there is a clear and definitive system of approval authority by: a) type of commitment, b) value of commitment, c) level of approval required, d) stage at which approval is required, and e) documentation of approval.
17. Evaluate the policies and procedures that control supply procurement-related activities.

18. Examine documentation requirements concerning development and evaluation of portfolio and supply alternatives. Confirm that requirements are observed and adhered to.
19. Examine the policy and practice regarding internal audit reviews of the supply procurement functions.
20. Examine the organizations and systems used to capture key data (e.g., credit evaluations, risk exposures, transaction details).
21. Verify that those systems operate with adequate accuracy, completeness, security and integrity.
22. Compare CECONY performance to industry “best practices”.
23. Prepare a Task Report for this area.

**Element No. 4: Long-term System Planning**

**NorthStar Lead Consultants:**      **John Nelson – Electric**  
   **Angela Anderson – Gas & Steam**  
**Consultants:**                      **Doug Bennett**  
   **Dawn Francis**

**Evaluative Criteria:**

- Do the infrastructure planning and engineering functions operate effectively?
- Does CECONY have appropriate priorities, guidance and other instructions for evaluations, tradeoffs and decision making?
- Does CECONY develop accurate forecasts for local area networks and infrastructure requirements?
- Are alternative resources such as distributed generation and demand response initiatives given appropriate consideration in the planning process?
- Are other load and infrastructure factors, such as advanced metering, smart grid, and energy efficiency initiatives given appropriate consideration in the planning process?
- Are the needs for major projects (e.g., substations, breakers, switches, transmission feeders and secondary systems) developed and supported adequately?
- Is the process and criteria for making decisions regarding replace vs. repair, including how the overall construction program planning process is affected, documented and adhered to?

- Are the effects on the planning process of: (a) network vs. radial systems, (b) underground versus overhead systems, (c) reliability versus new business tradeoffs, and (d) regional (e.g., Bronx/Westchester) versus central planning dynamics given appropriate consideration?
- Are benefit/cost analyses and risk analysis considered in the decision-making process including whether the level is appropriate and effective?
- Are trade-offs being optimized with respect to the replacement of older technology with newer technology and the resulting effect on the useful lives and depreciation assumptions of the existing infrastructure, cash flow and system reliability?

### **Work Tasks:**

1. Assess infrastructure planning and engineering functions.
2. Examine the priorities, guidance and other instructions for evaluations, tradeoffs and decision making.
3. Examine the development of forecasts for local area networks and infrastructure requirements.
4. Determine if alternative resources such as distributed generation and demand response initiatives are considered in the planning process.
5. Determine if other load and infrastructure factors, such as advanced metering, smart grid, and energy efficiency initiatives are considered in the planning process.
6. Assess how needs are developed for major projects (e.g., substations, breakers, switches, transmission feeders and secondary systems)?
7. Review the process and criteria for making decisions regarding replace vs. repair, including how the overall construction program planning process is affected.
8. Assess the effects on the planning process of: (a) network vs. radial systems, (b) underground versus overhead systems, (c) reliability versus new business tradeoffs, and (d) regional (e.g., Bronx/Westchester) versus central planning dynamics.
9. Determine the extent to which benefit/cost analyses and risk analysis are considered in the decision-making process. Examine the specific types of benefit/cost and risk analysis methodology being used.
10. Determine how trade-offs are considered with respect to the replacement of older technology with newer technology and the resulting effects on the useful lives and depreciation assumptions of the existing infrastructure, cash flow and system reliability.
11. Compare CECONY performance to industry “best practices”.

12. Prepare a Task Report for this area.

**Element No. 5: Capital & O&M Budgeting**  
**NorthStar Lead Consultant: Angela Anderson**  
**Consultants: Doug Bennett**  
**Chris Smith**

**Evaluative Criteria:**

- Are the respective roles of the Consolidated Edison, Inc. and the CECONY Boards of Directors and executive and senior management appropriate? Do they get involved in the capital and O&M budgets at the right time and to the appropriate extent? Do the Boards see and have access to sufficient detail? Are the Boards' responsibilities documented and adhered to? Is the relationship between CECONY and O&R regarding budget priorities balanced?
- Is the construction/capital priority setting process balanced and appropriate?
- Do repair versus replace decisions affect infrastructure/capital expenditures positively over the long term?
- Is incremental O&M associated with new construction factored into the budgeting process in an appropriate manner?
- Do allowed revenues/rates and financing opportunities or constraints adversely affect budget levels and priorities?
- Does CECONY use budgeting guidelines, practices and procedures, including "zero-bases" and other alternative methods effectively?
- Does CECONY have an effective methodology for prioritizing and determining which capital projects get approved?
- Are expenditures managed and controlled? Are methodologies used to control and manage total company, program and project capital costs in the near and long term?
- Is the annual process for reviewing and determining whether total capital and O&M planned expenditures adequate? Are there sufficient controls in place to ensure that increases and decreases to the construction budget/expenditures are justified and appropriately approved?
- Are budget forecasts incorporated into rate case revenue requirements accurately?
- Is CECONY's capital spending level comparable to other similarly-sized utilities?



- Does CECONY have sufficient access to capital to implement cost-effective decisions? Are cost-effective, efficiency improvements deferred due to lack of capital?
- Are budgets and the related variance / management reporting processes effective tools to manage spending consistent with CECONY operational plans?

### **Work Tasks:**

1. Determine if the respective roles of the Consolidated Edison, Inc. and the CECONY Boards of Directors and executive and senior management are appropriate?
2. Assess whether the Boards get involved in the capital and O&M budgets at the right time and to the appropriate extent.
3. Determine if the Boards see and have access to sufficient detail?
4. Determine if the Boards' responsibilities are documented and adhered to.
5. Assess whether the relationship between CECONY and O&R regarding budget priorities is balanced.
6. Determine if the construction/capital priority setting process is balanced and appropriate.
7. Determine if repair versus replace decisions affect infrastructure/capital expenditures positively over the long term.
8. Evaluate whether incremental O&M associated with new construction is factored into the budgeting process in an appropriate manner.
9. Determine if allowed revenues/rates and financing opportunities or constraints adversely affect budget levels and priorities.
10. Evaluate CECONY's use of budgeting guidelines, practices and procedures, including "zero-bases" and other alternative methods.
11. Evaluate CECONY's methodology for prioritizing and determining which capital projects get approved.
12. Determine if expenditures are managed and controlled and if methodologies used to control and manage total company, program and project capital costs in the near and long term are effective.
13. Assess the annual process for reviewing and determining whether total capital and O&M planned expenditures are adequate. Determine if there are sufficient controls in place to ensure that increases and decreases to the construction budget/expenditures are justified and appropriately approved.

14. Determine if budget forecasts are incorporated into rate case revenue requirements accurately.
15. Compare CECONY's capital spending level comparable to other similarly-sized utilities.
16. Determine if CECONY has sufficient access to capital to implement cost-effective decisions. Determine if cost-effective, efficiency improvements are deferred due to lack of capital?
17. Determine if budgets and the related variance / management reporting processes are effective tools to manage spending consistent with CECONY operational plans.
18. Analyze the efficiency and effectiveness of the business processes that support the Capital Program. Determine the process inputs, process activities, process outputs, process customers and process performance.
19. Compare CECONY performance to industry "best practices".
20. Prepare a Task Report for this area.

**Element No. 6:        Program and Project Planning and Management**

**NorthStar Lead Consultant:        Doug Bennett**  
**Consultants:                        Liz Lemkul**  
**Angela Anderson**

**Evaluative Criteria:**

- Do capital and O&M plans and budgets convert to specific programs and projects in an effective manner?
- Are programs and projects prioritized and approved over various time horizons in a cost-effective manner?
- Are materials and equipment, transportation and other logistical support planned and managed effectively for programs and projects?
- Are tradeoffs analyzed and decisions made in order to optimize the use of in-house workforce versus contractor labor?
- Are construction contractor projects planned and managed effectively?
- Does CECONY have an effective methodology for tracking costs, work units and work quality for specific programs and projects?

**Work Tasks:**

1. Review how capital and O&M plans and budgets convert to specific programs and projects.
2. Assess how programs and projects are prioritized and approved over various time horizons.
3. Define and review program and project planning, design, estimating, engineering, costing, scheduling and execution.
4. Evaluate how materials and equipment, transportation and other logistical support are planned and managed for programs and projects.
5. Determine how tradeoffs are analyzed and decisions made in order to optimize the use of in-house workforce versus contractor labor?
6. Examine contractor and engineering bidding processes.
7. Evaluate how construction contractor projects are planned and managed.
8. Examine quality assurance and quality control at the program and project level,
9. Examine contractor management, project program management, including accountability, goals, objectives, and performance measurement.
10. Examine CECONY methodology for tracking costs, work units and work quality for specific programs and projects. Determine if the typical variances between original and budgeted and actual capital expenditures and work units are justified. Assess how CECONY tracks and minimizes the variances in order to improve cost control, efficiency/productivity and work quality.
11. Compare CECONY performance to industry “best practices”.
12. Prepare a Task Report for this area.

**Element No. 7: Workforce Management**

**NorthStar Lead Consultant:** Dave Vondle  
**Consultants:** Doug Bennett  
Angela Anderson  
Chris Smith

**Evaluative Criteria:**

- Are planning and execution of programs and projects converted into short-term and day-to-day work planning and management effectively?

- Are work management systems used effectively to schedule and manage field crews, including transportation, equipment, and materials?
- Does CECONY manage quality assurance and quality control effectively?
- Does CECONY measure and manage employee availability, utilization, efficiency, productivity and effectiveness in an appropriate manner?
- Are work program and project schedules managed effectively on a day-to-day basis?
- Does information about rework, failures and repair history get translated into corrective actions, infrastructure aging analysis, and repair versus replace decisions in an effective and timely manner?
- Do the workforce and work management systems feed back into performance improvement opportunities?
- Are spans of control appropriate?
- Are there too many or too few layers of management?
- Are current staffing levels appropriate?
- Has the Company made appropriate plans to replace its aging workforce/
- Does management have and use appropriate workforce planning and management tools and techniques?
- Are staffing levels in line with other utilities considering the characteristics of the Company's service territory?
- Do excess work backlogs exist, and if so, does the Company have plans to eliminate them?
- Is overtime excessive, and if so, are appropriate plans in place to reduce it to an acceptable level?
- Are work measurement standards valid? Does CECONY use the measurements to manage the workforce?
- Are the schedules practical? Are the schedules at an appropriate level of detail?
- Are all major work groups covered by work management systems?

#### **Work Tasks:**

1. Examine how planning and execution of programs and projects are converted into short-term and day-to-day work planning and management.

2. Determine how work management systems are used to schedule and manage field crews, including transportation, equipment, and materials.
3. Review the roles and responsibilities of project managers, supervisors and inspectors.
4. Determine how CECONY measures and manages employee availability, utilization, efficiency, productivity and effectiveness.
5. Evaluate how work program and project schedules are managed on a day-to-day basis.
6. Determine if information about rework, failures and repair history gets translated into corrective actions, infrastructure aging analysis, and repair versus replace decisions.
7. Determine if workforce and work management systems feed back into performance improvement opportunities?
8. Review layers of management and spans of control.
9. Analyze staffing trends for the past five years by functional area.
10. Analyze workforce planning and management tools.
11. Assess age and expected retirement rates of workforce by functional area and CECONY's plans to address significant gaps.
12. Compare staffing levels compared to other utilities and CECONY's justifications for current staffing levels.
13. Assess key work backlogs by functional area.
14. Review overtime in total, by functional area and by job classification.
15. Compare CECONY performance to industry "best practices".
16. Prepare a Task Report for this area.

**Element No. 8: Performance and Results Management**

**NorthStar Lead Consultant:** Dave Vondle  
**Consultants:** Perry Wheaton  
Chris Smith

**Evaluative Criteria:**

- Does CECONY's performance (reliability and productivity) feed back to its corporate mission, objectives and goals so that CECONY can improve its processes, redirect resources, and change priorities? Do the Boards get involved in this feedback loop at the right time and to the right extent?

- Are managers held accountable for performance improvements, e.g., cost savings and productivity gains anticipated from specific capital and O&M programs and projects, and specific corporate goals?
- Are there impediments that tend to constrain performance improvements and necessary changes?
- Does CECONY take appropriate actions to remove impediments to performance improvements?
- What are the appropriate measurements to fill the gaps?
- Are there additional performance measures or indicators that are needed to facilitate the corporate mission, objectives and goals? For example, in addition to lagging indicators, are there appropriate leading indicators, metrics and measures that will help improve performance?
- Do CECONY's performance measures feed back to its corporate mission, objectives and goals?
- Are CECONY's performance measures in alignment with its corporate mission, objectives and goals?
- Are there gaps or overlaps in CECONY's performance measures relative to its corporate mission, objectives and goals?
- Is there evidence that CECONY has used performance feedback to improve its processes, redirect resources and change priorities?
- Are the Boards involved in utilizing performance feedback to make adjustments in processes, resource allocation and priorities?
- Do improvement initiatives such as capital and O&M programs and projects have defined expected performance improvements, such as, cost savings and productivity improvements?
- What are the consequences of achieving or not achieving expected performance improvements?
- Are elements of the corporate mission, objectives and goals not covered by appropriate performance measurements?
- Are leading indicators, metrics and measures used?
- Are there additional leading indicators, metrics and measures that would help improve performance?

**Work Tasks:**

1. Assess whether CECONY's performance (reliability and productivity) feeds back to its corporate mission, objectives and goals so that CECONY can improve its processes, redirect resources, and change priorities? Determine at what point and to what extent the Boards are involved are in this feedback loop?
2. Determine if managers are held accountable for performance improvements, e.g., cost savings and productivity gains anticipated from specific capital and O&M programs and projects, and specific corporate goals.
3. Determine if there are impediments that tend to constrain performance improvements and necessary changes.
4. Assess whether additional performance measures or indicators are needed to facilitate the corporate mission, objectives and goals. Determine if there are additional appropriate leading indicators, metrics and measures that will help improve performance.
5. Compare CECONY performance to industry "best practices".
6. Prepare a Task Report for this area.

**Workshop Training**

**NorthStar Lead Consultant:**  
**Consultants:**

**Angela Anderson**  
**Perry Wheaton**  
**Doug Bennett**  
**Liz Lemkul**

**Work Tasks:**

1. Identify workshop topics.
2. Schedule workshops.
3. Prepare curriculum for each workshop.
4. Obtain DPS Staff approval for each workshop curriculum.
5. Conduct workshops.

**Figure IV-1  
Work Hour Estimates**

		Core Team Resources											
		P. Wheaton	D. Bennett	A. Anderson	E. Lemkul	C. Smith	D. Vondle	D. Francis	El-Gasseir	J. Nelson	C. Etter	Admin. Support	Total
Phase I. Planning and Orientation		150	120	120	100	100	100	100	50	50	100	100	1090
Phase II. Technical Review													
A. Electric													
	Load Forecasting		20					100			100		220
	Supply Procurement		20						100		100		220
	System Planning		20					150		150			320
	Capital and O & M Budgeting		20	100		200							320
	Program Planning		180		300								480
	Work Force Management		20			100	150						270
	B. Gas and Steam												
	Load Forecasting			20				50			50		120
	Supply Procurement			20				50			50		120
	System Planning			70						90			160
	Capital and O & M Budgeting			50		100							150
	Program Planning		100	20	150								270
	Work Force Management			20		50	80						150
C. Corporate													
	Corporate Mission	150	50	50	20		50						320
	Performance and Results Management	50				100	100						250
Phase III. Report Development		300	200	200	200	50	50	50	50	50	50	500	1700
Project Management		250	140	120	100								610
Phase I-III Subtotal		900	890	790	870	700	530	500	200	340	450	600	6770
Workshop Training		150	100	200	100							100	650
Total Hours		1050	990	990	970	700	530	500	200	340	450	700	7420



## V. CONSULTING STAFF ORGANIZATION

The successful execution of the audit will require a project team with a unique blend of capabilities. NorthStar has assembled a project team with:

- Knowledge of utility industry matters and the capability to identify and address significant issues that may affect the Company's ability maintain its preeminence among New York's energy utilities.
- Experience in conducting utility management audits of utilities balanced with experience in assisting clients to implement recommendations.
- Technical and functional expertise and skills to meet the objectives of the audit.

Most of our proposed team members are east coast based in order to provide greater project availability and flexibility while reducing overall travel expenses. Each major audit area is assigned to a NorthStar Lead Consultant who is an expert in the particular field. Each Lead Consultant is assisted by other NorthStar consultants and subcontract consultants to provide comprehensive coverage of the audit areas. Details of the organizational chart and consultant responsibilities are provided in **Figure V-1**. The relevant experience and the role of each consultant are summarized below.

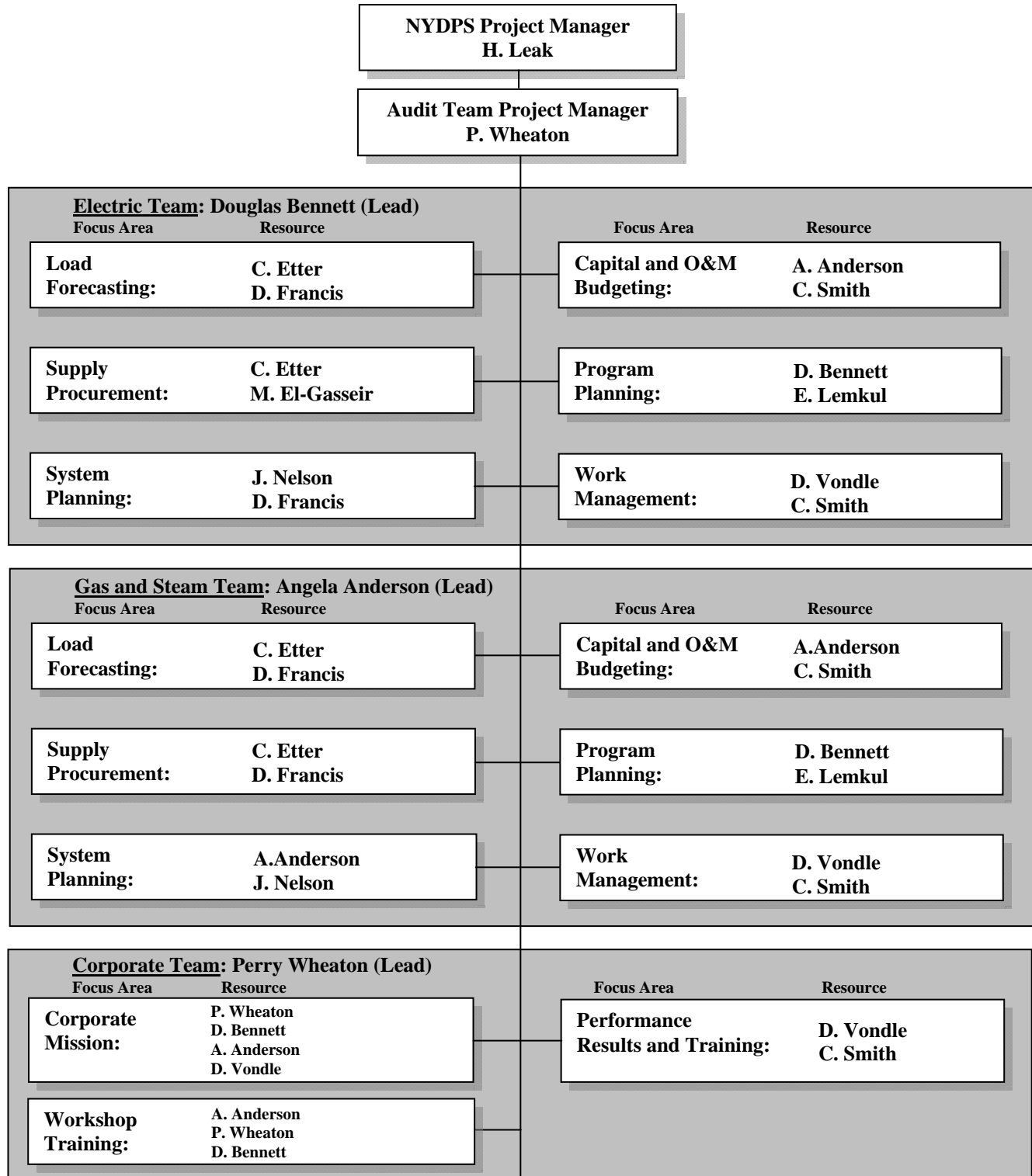
### A. Key Personnel and Project Organization

**Mr. Perry Wheaton**, a NorthStar Director, will serve as Project Manager for the audit. As well as being the primary contact person, he will act as Lead Consultant for the Corporate team and will be responsible for the overall quality of the work product and adherence to schedule. Mr. Wheaton has over forty years of diversified management consulting and auditing experience and has served as either the project manager or engagement manager for over twenty-five audits of public utilities for regulatory commissions. He has directed high visibility assignments for a number of commissions throughout the country, including the Department. He has directed a number of management audits of energy utilities including Cap Rock Energy in 2007, United Illuminating in 2002, and the last comprehensive audit of Consolidated Edison of New York in 1988. Mr. Wheaton has an AB from Hamilton College and an MBA in public accounting from Rutgers University.

**Mr. Douglas Bennett**, a NorthStar founder and Managing Director, will act as Lead Consultant for the Electric team. In addition to his Lead Consultant responsibilities, Mr. Bennett will direct the review of Program Planning for the Electric and Gas & Steam teams. Also, he will provide consulting support for the Workshop Training program. Mr. Bennett has over 30 years of management consulting experience. He has directed and performed management audits for over 50 public service clients including electric and gas utilities, municipalities, seaports, airports and public service commissions. His numerous management audits of utilities include operations and maintenance management, corporate performance, fuels procurement, work force management, materials management, purchasing, engineering and construction. Mr. Bennett has provided expert testimony to

regulators in the states of California, Utah and Nevada. He has a BS in Industrial Engineering from the California State University at San Luis Obispo.

**Figure V-1**  
**Audit Team Organization Chart**



**Ms. Angela L. Anderson** is a Certified Management Consultant with 18 years consulting experience. Ms. Anderson will serve as Lead Consultant for the Gas and Steam team. In addition to her Lead Consultant responsibilities, Ms. Anderson will direct the review of Capital and O&M Budgeting for the Electric and Gas & Steam teams. She will direct the review of System Planning for the Gas and Steam team and direct Workshop Training for the Corporate Team. Ms. Anderson has managed or served as lead consultant on 40 regulatory and management audits of municipal and investor-owned organizations. She has assisted numerous agencies throughout the United States fulfill their regulatory and oversight responsibilities, and has provided expert testimony regarding the results of her review. Ms. Anderson has managed a number of large, complex management audits, involving the review of operations, accounting, costs, power procurement and controls. She directed an audit of internal financial controls and procedures and administrative operational effectiveness of a fund operated by two utilities for the Connecticut Department of Utility Control and a \$2.4 million financial and management audit of the investor-owned utilities in California. These audits involved a review of internal controls, accounting procedures, direct and indirect costs and overhead allocations, program management and an assessment of compliance with Commission and other regulatory requirements. Ms. Anderson has an AB for the University of Chicago, and continued her education with additional coursework at the University of Chicago Graduate School of Business.

**Ms. Elizabeth Lemkul** is a Certified Management Consultant with over 20 years of management consulting experience in the electric utilities industry. Ms. Lemkul will provide consulting support in the Program Planning area for the Electric and Gas & Steam teams. Also, Ms. Lemkul will provide consulting support in the review of Corporate Mission for the Corporate team. She has performed numerous engagements for regulators and other government agencies. Her areas of expertise include power supply and resource planning, energy efficiency programs, project management and utility management and operations. Ms. Lemkul has significant experience in the review of power systems. She served as Lead Consultant for the review of the reasonableness of Atlantic City Electric Company's power procurement practices, including the determination of forecast supply and demand, and served as project manager for the verification of the calculated PX Credit at Pacific Gas & Electric, reviewing the calculation of prices resulting from transactions in the day-ahead, hour ahead, bulk-forward and ancillary service markets. She has also previously reviewed energy resource planning and power supply issues in reviews of the City of Burbank Public Service Department, Nevada Power Company (two audits for the Nevada PSC), Connecticut Light and Power, and Dayton Power & Light. Ms. Lemkul has a Sc.B. in mechanical engineering from Brown University, and an MBA in finance and marketing from the University of Chicago.

**Mr. Christopher F. Smith** has consulted for a number of public and private firms in the development of corporate strategy, performing financial and market analysis, and defining operational improvement methods. Mr. Smith will provide consulting support in Capital and O&M Budgeting and Work Management areas for the Electric and Gas & Steam teams. Also, Mr. Smith will provide consulting support in the Performance and Results Management area for the Corporate team. Mr. Smith lead a reviews of planning and engineering functions

for the City of Phoenix Sky Harbor International Airport West Terminal Program and Port of Los Angeles' planning and engineering functions, processes, and information systems. Also, Mr. Smith developed project planning policies and procedures for the Los Angeles Bureau of Engineering. Recently, he assessed electric system planning organization structure, processes, staffing, and capabilities for Southern California Edison. He participated in NorthStar's affiliate transaction audits of three major California utilities. He received a BA from Boston University and an MBA from Northeastern University with an emphasis in Management Information Systems.

**Mr. David P. Vondle** is a Certified Management Consultant and is experienced in the management processes used in the procurement and contracting for goods and services, including professional services, by publicly owned enterprises. Mr. Vondle will direct the review of Work Management area for the Electric and Gas & Steam teams. Also, he will direct the review of Performance and Results Management and provide consulting support for the review of Corporate Mission for the Corporate team. He has led many consulting engagements in the areas of workforce planning, organization structure, work management, procurement, contracting and contractor management, succession planning, supply chain management, process analysis and improvement, and performance measurement and reporting. He also has extensive experience in shared services management. Mr. Vondle has worked on mergers and acquisitions, regulatory policy, corporate/subsidiary relationships, affiliate relationships, reorganizations, fiscal crises, and benchmarking. Mr. Vondle received a MBA from Southern Methodist University and a BS in Industrial Management from the University of Akron.

**Ms. Dawn Francis** has over 20 years of professional experience in the utility industry as both a consultant and utility professional. She will provide consulting support in the review of Load Forecasting for the Electric and Gas & Steam teams. Also, Ms. Francis will provide consulting support for System Planning for the Electric team and Supply Procurement for the Gas & Steam team. Ms. Francis most recently served as the engagement director of a management audit of the Lower Colorado River Authority and its Transmission Services Company. Ms. Francis also recently managed the 2004 management audit of affiliate relationships for San Diego Gas and Electric and Southern California Gas Company. She was a lead consultant in the 2000, 2001, and 2002 management audits of affiliate relationships for San Diego Gas and Electric and Southern California Gas Company. Ms. Francis has served as a lead consultant in a management review of Sky Harbor International Airport's Planning and Development Division and subsequently led a review of budgeting and capital improvement program development for the Sky Harbor International Airport West Terminal Program. Ms. Francis has also contributed to the development of policies and procedures for the implementation of capital development projects for Sky Harbor International Airport and the City Los Angeles Bureau of Engineering. Prior to joining NorthStar, Ms. Francis had over 10 years of direct experience in utility resource and financial planning having served as the electric rates manager for the LADWP. Ms. Francis holds a Bachelor of Science in Electric Power Engineering from Rensselaer Polytechnic Institute in Troy, New York. She is a Registered Professional Engineer in the State of California.

**Dr. Mohamed El-Gasseir** has consulted for a number of utilities and regulatory commissions in the many technical areas including purchase power agreements (PPAs)

contracting and due diligence applications, market simulation for PPA negotiation support, renewable power market assessments and project development, and developing transmission access for renewable resources. He will provide consulting support in Supply Procurement for the Electric team. Dr. El-Gasseir has a Ph.D in Energy and Resources from the University of California at Berkeley, an MS in Chemical Engineering from the University of Rochester and a B.Sc in Chemical Engineering from the University of California at Berkeley. He has written over 25 publications, reports and conference presentations on energy related subjects.

**Mr. John P. Nelson** is an accomplished professional engineer with over 30 years of utility consulting and industry experience. He is an expert in utility transmission and distribution planning, design, startup, testing, operation, maintenance, and inspection and has been involved in over 50 electrical power systems projects and studies spanning generation, transmission, distribution and utilization of electric energy. Mr. Nelson will direct the review of System Planning for the Electric team. He has extensive experience in the application of planning, engineering, construction and maintenance standards in T&D systems. Additionally, Mr. Nelson has completed several technical analyses to support litigation pertaining to electrical failures and accidents. Mr. Nelson earned a BSEE from the University of Illinois – Urbana-Champaign and an MSEE from the University of Colorado. He is a registered Professional Engineer in eight states

**Ms. Carol L. Etter** has over twenty years experience in the energy and utility industry, including strategic and business planning, fuel procurement and regulatory compliance, budgeting and financial analysis, implementation of enterprise software system, acquisition analysis and execution, and energy industry restructuring. She has extensive experience in market and financial analysis, rate, and regulatory initiatives, supply portfolio development, operational efficiencies, management analysis and business process re-engineering. Ms. Etter will direct the review of Load Forecasting and Supply Procurement for the Electric and Gas and Steam teams. She has consulted for public utility commissions, public and municipal utilities, and private energy companies across the country. She was employed by Citizens Utilities, one of the few early nationwide gas, electric and water utilities, conducting strategic planning and special projects for all segments of the company's operations. She has a BS, in Mechanical Engineering from Swarthmore College and an MBA in Finance - Public Accounting from the University of Colorado.

The members of the proposed project team have worked together on many projects in the past; **Figure V-2** provides a list of assignments which included at least two of the project team members.

**Figure V-2  
Consultant Shared Project Experience**

	Consulting Team							
	Wheaton	Bennett	Anderson	Lemkul	Vondle	El-Gasseir	Nelson	Etter
<b>CECONY (1988)</b>	X	X						
<b>Port of LA (2004)</b>		X	X					
<b>LCRA (2007)</b>		X	X	X				
<b>Peoples Gas (2008)</b>					X			X
<b>PG&amp;E (2001)</b>	X		X	X	X	X		
<b>FirstEnergy (2007)</b>	X				X		X	
<b>DWP (2001 – 2007)</b>	X		X	X	X	X	X	
<b>NJ Electrics (2003)</b>	X		X	X				
<b>PECO (2006)</b>	X						X	
<b>PGW (2001)</b>	X				X			
<b>CA PX (2000)</b>	X		X	X		X		
<b>UI (2002)</b>	X				X			
<b>SCG (2000)</b>	X				X			
<b>SCE RD&amp;D (1993)</b>	X	X	X	X				
<b>PG&amp;E DSM (1994)</b>	X	X	X	X				
<b>Duke (2003)</b>	X						X	
<b>PG&amp;E Pipeline (1995)</b>	X	X	X	X				
<b>CL&amp;P (1996)</b>	X			X		X		
<b>NJ Natural Gas (2006)</b>	X				X			
<b>NJ Natural Gas (1993)</b>	X	X	X	X				

## B. Resumes

The following pages contain detailed resumes of the proposed audit team.

# PERRY L. WHEATON

## Summary of Qualifications

Mr. Wheaton has over forty years of diversified management consulting experience and has directed twenty-five management reviews of public utilities for regulatory commissions. He was a senior vice president of the Putnam Financial Services Company where he was responsible for the information systems operations of this major mutual fund investment management company. In his twelve years as an auditor and consultant with Coopers & Lybrand, he had extensive experience in reviewing the financial and systems operations of utilities, financial services companies, energy services. Mr. Wheaton is a CPA and a Certified Management Consultant (CMC). He has an AB from Hamilton College and an MBA in public accounting from Rutgers University.

## Utility Consulting Experience

- Project director for two revenue requirements reviews of DWP for the City of Los Angeles. (2005 and 2007)
- Lead consultant for the power division in the strategic assessment of DWP for the city of Los Angeles. (2002)
- Directed a diagnostic audit of DWP for the Los Angeles City Council. Compared the Department's overall performance relative to best practices of well-managed private and public corporations. (1994)
- Directed the review of Pacific Gas & Electric's financial condition for the California PUC in the midst of the California energy crisis. The audit addressed holding company, power purchases, and non-regulated subsidiary activities in the California energy markets. (2001)
- Directed the diagnostic management audit, the focused audit of nuclear operations and the review of Connecticut Light & Power Company's (CL&P) financial condition for the Connecticut DPUC in the midst of Northeast Utilities' (CL&P's parent) financial crisis, which was precipitated by the Millstone nuclear crisis. (1996 -1998)
- Directed the deferred balance account prudence audit of three NJ electric utilities - PSE&G, JCP&L and Atlantic City Electric - for the NJ BPU for the period from August 1, 1999 to July 31, 2003. (2002- 2005)
- Directed a management audit of Consolidated Edison (Con Ed) for the New York Public Service Commission. A major objective of this review was to determine if a utility with only one nuclear unit could operate it effectively. (1988)
- Directed a diagnostic management audit of United Illuminating for the Connecticut DPUC. (2003)



- Directed a management audit of the affiliate relations of Southern Connecticut Gas Company for the Connecticut DPUC. A major focus of this audit was to assess questionable activities performed by the utility's non-regulated affiliates. (2000)
- Directed the review of the financial impact of the Three Mile Island accident on its owners, Metropolitan Edison and Penelec, for the Pennsylvania PUC. Served as a lead witness before the PUC and a special US congressional committee investigating the accident. (1980)
- Lead consultant for determining net merger-related savings in the management audit of the merger of SBC and Ameritech for the Illinois Commerce Commission. (2000)
- Directed the financial/management audit of Pacific Gas & Electric's \$600 million of expenditures, from 1990 to 1992, for demand-side management for the California Public Utilities Commission (CPUC). (1994)
- Directed the financial/management audit of Southern California Edison's Research, Demonstration and Development Department's \$300 million of expenditures from 1988 to 1992 for the CPUC. (1993)
- Co-directed a Study Mission for U.S. electric utility executives to learn about the deregulated environment that exists in the United Kingdom as a result of the privatization and deregulation of the electric utility industry in Great Britain. (1991)
- Directed an eight-day Japanese Study Mission for twelve executives from Public Service Electric & Gas to benchmark its progress in implementing Total Quality Management (TQM) efforts against "world class" Japanese companies. (1993)
- Directed a system-wide "Expenditure Analysis Program" for GPU and its five subsidiaries. This review evaluated quality of service versus cost of service tradeoffs in the major functional areas of the GPU system. (1989)
- Co-authored "Recognizing the Pitfalls of Total Quality Management", Public Utilities Fortnightly, April 12, 1990.

### **Utility Management Audit Experience**

Project Director for the following commission-mandated management reviews:

- Cap Rock Energy – Comprehensive – Texas PUC (2007)
- Arizona Public Service – Meter Reading, Billing – AZ Corporate Commission (2004)
- N J Electric Utilities - Deferred Balance Account Prudence –NJ BPU (2003)
- United Illuminating – Comprehensive - CT DPUC (2002)



- Pacific Gas & Electric - Financial Condition -- California PUC (2001)
- California Electric Utilities - PX Prices -- California PUC (2000)
- Philadelphia Gas Works -- PA PUC (2001)
- Southern Connecticut Gas - Affiliate Relations -- CT DPUC (2000)
- Connecticut Light & Power - Financial Condition -- CT DPUC (1998)
- Maine Yankee Atomic Power -- Maine PUC (1997)
- Northeast Utilities - Nuclear Operations -- CT DPUC (1997)
- Connecticut Light & Power - Diagnostic Audit -- CT DPUC (1996)
- Pacific Gas & Electric - DSM -- California PUC (1994)
- Los Angeles Department of Water and Power -- LA City Council (1994)
- Southern California Edison - RD&D -- California PUC (1993)
- Maryland Natural Gas -- Maryland PSC (1990)
- Consolidated Edison Company -- New York PSC (1988)
- Apollo/Carnegie Gas Companies -- Pennsylvania PUC (1988)
- Central Hudson Gas & Electric -- New York PSC (1980)
- New York State Electric & Gas -- New York PSC (1979)
- Pennsylvania Gas & Water -- Pennsylvania PUC (1978)
- United Illuminating --CT DPUC (1977)
- Salem Nuclear Project -- Public Advocate of New Jersey (1977)
- Nine Mile Two Prospective -- New York PSC (1981)
- Seabrook Phase I -- CT DPUC (1987)
- New York Tel/Construction Program Planning -- New York PSC (1986)

# **DOUGLAS BENNETT**

## **Summary of Qualifications**

Mr. Bennett, a NorthStar founder and Managing Director, has over thirty years of consulting experience to the public service and utilities industries. He has directed and performed management reviews for over 50 utility clients as well as directing audit assignments for over 20 regulatory agencies including a number of assignments for the California Public Utility Commission. Mr. Bennett has provided expert testimony to regulatory commissions in the states of California, Utah and Nevada. In addition to the utility industry, he has provided management consulting services to a variety of industries including the retail food industry, mining, engineering and construction, transportation, and municipal and federal government. He is an expert in operations improvement and corporate performance particularly in the areas such as production operations, work force management, materials management, purchasing, engineering and construction. In his 16 years as a Vice President and Director for a major management consulting firm, he had responsibility for the firm's operations and productivity improvement practice area. He has a BS in Industrial Engineering from California State Polytechnic University.

## **Management Audit Experience**

- Mr. Bennett directed management audit of the Los Angeles Harbor Department. The results of the study provided both an assessment of the strengths and weaknesses of organizational entities as it relates to the strategic issues and responsibilities, and recommendations to allow the Port to meet the challenges identified. The NorthStar team provided management with over 30 recommendations for improving strategic business planning, executive decision-making, performance measurement and management, environmental planning, facility and infrastructure planning, and port security.
- Mr. Bennett was the Project Manager of the 1999, 2000, 2001 and 2006 Affiliate Transaction Audits for Southern California Edison Company. The purpose of these audits, ordered by the California Public Utilities Commission, was to determine the degree of compliance of SCE with the State's Affiliate Transaction Rules. Specific areas of responsibility included definitions and applicability, non-discrimination, separation and regulatory compliance.
- Mr. Bennett was a lead consultant for the 2002 and 2004 Affiliate Transaction Audits for San Diego Gas and Electric and Southern California Gas Company. The purpose of these audits, ordered by the California Public Utilities Commission, was to determine the utilities' compliance with the State's Affiliate Transaction Rules. Specific areas of responsibility included definitions and applicability and separation.
- Mr. Bennett was the Project Manager to perform a regulatory reporting requirements review for Southern California Edison in 2002.

- Mr. Bennett served as lead consultant on an audit of Public Service Electric and Gas's compliance with affiliate transaction standards. The audit also assessed the extent of cross-subsidization of competitive services provided by the utility or its affiliates. The audit was completed in October 2000.
- Mr. Bennett conducted a management audit of Central Vermont Public Service Company's compliance with its internal procedures and guidelines regarding the Board of Directors, capital budgeting processes, corporate ethics, and conflict of interest. The audit was conducted by order of the Vermont Public Service Board, and completed in July 1998.
- Mr. Bennett directed a management audit of the reasonableness of Pacific Gas & Electric Company's Pipeline Expansion Project management practices, project costs, cost allocations, accounting methodology, and project controls for the Office of Ratepayer Advocates (ORA) of the CPUC. The Expansion Project reasonableness review focused on management controls including: project management fees, engineering and construction costs, accounting cost classifications, owner involvement, and overall project costs.
- For the California Public Utility Commission, Mr. Bennett conducted a comprehensive management audit of the Research Demonstration and Development (RD&D) program of Southern California Edison. He reviewed research projects to ensure that projects complied with FERC definitions and guidelines for research activities, evaluated appropriateness of costs and accounting treatment, evaluated the research planning and prioritization process, program justification, cost-benefit requirements and project controls.
- Mr. Bennett was the project manager for a management audit of the Los Angeles Department of Water and Power operations including power operations and maintenance, design and construction, transmission, dispatch, fuels management, and for overall project administration. He also covered a number of process areas such as purchasing, contracting and materials management. Additionally, Mr. Bennett assisted in the implementation of recommendations, providing updates and progress reports to City Council, and monitoring the developments of the CPUC's competitive restructuring in CPUC hearings.
- Mr. Bennett completed a customer service improvement program for Memphis Light, Gas and Water. In reviewing the customer service process, the analysis focused on the extent to which MLGW makes effective use of new technologies to reduce clerical effort and data manipulation expenses, improve productivity, monitor end products, and provide better supervisory control. New technologies that can improve interdepartmental coordination and service levels were recommended to MLGW's executive management group and are proceeding to implementation.

## Operations Improvement

Mr. Bennett performed a comprehensive production competitive restructuring study for Public Service Electric & Gas Company. The study resulted in changes to organizational structure and management practices in plant operations and maintenance, capital project initiation and control, economic dispatch, performance and cost comparisons, and production cost modeling. He has directed and conducted numerous generation, transmission and distribution operations and maintenance management improvement programs for clients that include:

Boston Edison Company	Nevada Power Company
Central Power and Light	Niagara Mohawk Power Corporation
City of Colorado Springs Department of Public Utilities	New York State Electric & Gas Company
Columbus and Southern Ohio Electric	Niagara Mohawk Power Corporation
Consumers Power Company	Oklahoma Gas and Electric
Glendale Public Utilities	Omaha Public Power District
Kentucky Utilities	Public Service Company of New Mexico
Ketchikan Municipal Utilities	Public Service Electric and Gas
Los Angeles Department of Water and Power	Seattle City Light
Montana Power Company	Tampa Electric Company
Mountain Fuel Supply Company	Utah Power and Light
Nebraska Public Power District	

## Procurement and Materials Management

Mr. Bennett has directed and conducted numerous reviews of procurement and materials management functions to review and improve the role and organizational structure of the functions, re-engineer processes, design programs and increase M/WBE participation levels, upgrade technology and systems support, and control inventory. Clients include:

Arizona Public Service	Los Angeles Dept. of Water & Power
Carolina Power & Light	Nevada Power Company
Columbus Southern Ohio Electric	New Jersey Natural Gas Company
East Bay Municipal Utility District	Northern States Power Company
Glendale Public Utilities	Oklahoma Gas & Electric Company
General Public Utilities Corporation	Public Service Company of New Mexico
Jersey Central Power & Light	Public Service Electric & Gas Company
Pennsylvania Electric Company	San Diego Gas & Electric Company
Metropolitan Edison Company	Southern California Gas Company
Kansas City BPU	

## Engineering and Construction

- For the City of Los Angeles Bureau of Engineering, Mr. Bennett conducted a performance benchmarking comparison study and reviewed the processes used to identify, design and construct capital projects including the interaction among City departments and the City Council. Since completing the process study, he has been retained to help facilitate the implementation program.

- Mr. Bennett directed three projects covering the engineering and construction of the Palo Verde Nuclear Generating Station for the Arizona Public Service Company: a retrospective review of the project management, planning and construction; the development of litigation support systems and documentation; and the development of a summary level project history. He assisted Nevada Power Company identify and resolve problems within its facilities planning and management activities, resulting in facility improvements that were incorporated in the North Las Vegas service center.
- Mr. Bennett was the Project Manager to perform a project management tools needs assessment for Southern California Edison in 2003.
- He has directed numerous studies of engineering and construction functions for the following clients:

Arizona Public Service Company  
 Consolidated Edison Company  
 El Paso Electric  
 Los Angeles Dept. of Water and Power  
 Nevada Power Company  
 New York Power Authority

Pacific Gas & Electric Company  
 Public Service Electric & Gas Company  
 Public Service Company of New Hampshire  
 Sierra Pacific Power Company  
 Southern California Edison Company  
 Utah Power and Light Company

# ANGELA L. ANDERSON

## Summary of Qualifications

Ms. Angela L. Anderson is a Certified Management Consultant with 20 years consulting experience. She has directed or served as lead consultant in numerous engagements for regulators or other government agencies, and has worked on prior engagements for the City of Los Angeles including the 2002 LADWP IEA Survey and the 2004 IEA Survey of the Harbor Department. Ms. Anderson's areas of expertise are regulatory compliance, management, operations and process reviews, financial assessments, internal controls, and customer service. She has assisted numerous agencies throughout the United States fulfill their regulatory and oversight responsibilities, and has provided expert testimony regarding the results of her review.

Ms. Anderson has managed a number of large, complex financial and management audits, involving the review of operations, accounting, costs, power procurement and controls. She directed an audit of internal financial controls and procedures and administrative operational effectiveness of a fund operated by two utilities for the Connecticut Department of Utility Control and a \$2.4 million financial and management audit of the investor-owned utilities in California. In addition to her expertise in controls, processes and financial/compliance auditing, Ms. Anderson has experience with power procurement transactions. She served as project manager for the verification of the calculated PX Credit at the three major California electric utilities, reviewing the calculation of prices resulting from transactions in the day-ahead, hour ahead, and bulk-forward markets and ancillary service costs. Ms. Anderson's familiarity with energy trading products includes: options, swaps, wheeling, and purchases and sales of energy and capacity products through her reviews of the Los Angeles Department of Water & Power, Glendale Public Service Department, and Nevada Power Company. Ms. Anderson has an AB for the University of Chicago, and continued her education with additional coursework at the University of Chicago Graduate School of Business.

## Financial and Management Audit Experience

Ms. Anderson has directed or participated in over 40 regulatory and management audits of municipal and investor-owned organizations. Selected entities include:

Atlantic City Electric  
Central Power and Light  
Citizens Utilities  
Connecticut Power and Light  
Jersey Central Power and Light  
LADWP  
Los Angeles Harbor Department  
Lower Colorado River Authority

New Jersey Natural Gas Company  
Pacific Bell  
Pacific Gas and Electric  
Public Service Electric and Gas  
Sempra Energy  
Sierra Pacific Power Company  
Southern California Edison  
United Illuminating

- Audited direct, indirect and allocated costs (including corporate services and other departmental chargebacks), and reviewed controls and procedures, as part of NorthStar's audit of the transmission cost of service of the Lower Colorado River Authority.
- Directed an audit of internal financial controls and procedures and the administrative operational effectiveness of a fund administered by two utilities for the Connecticut Department of Public Utility Control. Assessed internal controls, organizational structure, staffing levels, cost controls, administrative costs and existing processes. Reviewed contractor selection processes and contractor oversight. Ms. Anderson made a number of recommendations to eliminate manual processes and reduce staff.
- Directed blueCONSULTING's financial and management audit of utility public goods charge programs for the California Public Utilities Commission. Engagement included a review of procurement practices, internal controls, costs, program management, delivery and administration. As part of this audit Ms. Anderson assessed SCE's compliance with market share requirements and other Commission rules as they relate to utility affiliates and other energy service companies.
- Reviewed the Los Angeles Department of Water & Power's energy efficiency program management as part of a compliance audit for the City of Los Angeles.
- Lead Consultant for two compliance audits of merger costs and savings performed for the Illinois Commerce Commission (ICC). These reviews involved an assessment of merger transaction costs, allocated costs between Ameritech Illinois and its affiliates and between regulated and non-regulated activities, and a review of transactions with selected affiliates. Reviewed merger transaction costs (those costs to be borne by the holding company as opposed to ratepayers), assessed compliance with ICC directives and developed a methodology for cost tracking.
- Directed an audit of programs receiving emergency energy efficiency and low-income assistance funding for the California Public Utilities Commission. The audit was required by the California Legislature as a condition of its funding, and the resulting report was provided to the Legislature. The intent was to determine whether the funds achieved demonstrable energy peak demand reduction while limiting administrative costs associated with the expenditures. The scope of the evaluation included programs implemented by eleven funding recipients. The review included an assessment of administrative and program costs, controls, and oversight.
- Assistant Project Manager for an assessment of the financial condition of Pacific Gas and Electric Company during the California energy crisis. Testified before the CPUC regarding PG&E's deferred balances and the potential impact of a proposed accounting change. PG&E's deferred balances had increased to over \$6 billion as a result of rising power costs and frozen rates. Briefed the Energy, Utilities and Communications Committee of the California Legislature on the cause of the deferred balances, the mechanics of the accounting, and the impact of a proposed accounting change.



- Managed a compliance review of SCE's transition cost balancing account balances and headroom revenues (deferred balancing accounts) as part of a Commission-ordered audit of the major California investor-owned utilities. The purpose of the audit was to verify the companies' compliance with orders of the Commission, test costs claimed by the companies for recovery, and determine that revenues are being properly applied.
- Assistant Project Manager for the financial verification compliance audit of the costs associated with Pacific Gas and Electric's Diablo Nuclear Power Plant for the CPUC.
- Managed a review of SDG&E's electric industry restructuring transition costs as part of a Commission-ordered audit of stranded costs of the three major California investor-owned utilities. Performed an agreed-upon procedures review of SDG&E's non-recorded sunk costs and estimated future costs resulting from existing obligations. Assessed transition costs associated with future plant additions, depreciation reserves, construction work in progress, decommissioning, inter-utility contracts, fuel contracts and regulatory assets. Verified each utility's compliance with regulatory requirements.
- Managed a customer services review of the Commercial Services Section of the City of Glendale's electric utility. Analyzed business processes and made recommendations for improvement.
- Reviewed Atlantic City Electric Company's Restructuring Filings prepared in connection with the restructuring of the electric utility industry in New Jersey for the New Jersey Board of Public Utilities, and reviewed stranded costs associated with future power plant operation and non-utility generator contracts. Assessed the Company's plans in the areas of customer choice and information systems, and managed the work of others performing assessments of market power, basic generation service, and system reliability.
- Determined stranded investment under rules defined by the Public Utilities Commission of Texas applicable to investor-owned utilities in comparison to an analysis performed using municipal rate making principles and a model developed by the firm for a publicly owned utility in Texas. Ran alternative scenarios assuming various mitigation strategies.
- Reviewed generation RD&D projects in the evaluation of SCE's Research, Demonstration and Development (RD&D) program for the CPUC. Performed detailed project reviews to assess accounting classification compliance and compliance with FERC/CPUC definitional requirements and guidelines regarding RD&D projects.
- Reviewed energy efficiency program management, program controls, contract administration and program costs for the residential programs as part on an audit of PG&E's demand-side management programs.



## **Power Procurement and Competitive Markets**

- Reviewed Public Service Electric & Gas Company's procurement practices and the reasonableness of the utilities' deferred balances for the New Jersey Board of Public Utilities.
- Reviewed Los Angeles Department of Water and Power's wholesale trades made during the first half of 2002 to determine whether the trades were consistent with the Department's wholesale trading policies and procedures and risk management policies. Reviewed a sample of trades to determine whether the trades were backed by physical capacity, fuel purchases, or were speculative in nature.
- Project Manager for the review of hourly power exchange prices of Southern California Edison Company, San Diego Gas & Electric Company and Pacific Gas and Electric Company for the California Public Utilities Commission. Reviewed the calculation of Southern California Edison's prices resulting from transactions in the day-ahead, hour ahead, and bulk-forward markets and ancillary service costs.
- Directed a compliance audit to assess the status of Nevada Power Company's (NPC) implementation of the original audit recommendations and to review the recommendations in light of the current bulk power marketplace and changes in the electric industry. The review focused on NPC's power system operations, including fuel and purchased power practices. Reviewed NPC's wholesale trading and power procurement activities for a sample of days and hours, as part of that assessment.
- Assessed the opportunities associated with the potential entry into the power trading market for a publicly owned utility in California. The review focused on the effectiveness of a trading program developed by a neighboring utility.
- Determined stranded investment under rules defined by the Public Utilities Commission of Texas applicable to investor-owned utilities in comparison to an analysis performed using municipal rate making principles and a model developed by the firm for a publicly owned utility in Texas. Ran alternative scenarios assuming various mitigation strategies.
- Provided assistance to the Burbank City Council in the development of a strategic plan for the Public Service Department in response to industry restructuring. The engagement included the determination of stranded investment and future use of assets, development of rate strategies for recovering stranded investment and transition costs, and identification of mitigation opportunities.

## **Other Representative Engagements**

- Currently reviewing Water and Waste Water Management Division operations and processes as part of the review of Maricopa County's Environmental Services Department. Evaluating existing Departmental organization structure, staffing levels and fee structure.

- Performed a review of the proposed implementation of a County-wide Enterprise Resource Planning solution for Los Angeles County, to determine the reasonableness of the proposed course of action; assess the planned implementation, schedule and timing; and determine whether the current plan best fits the needs of the County. The County had implemented the financial modules but sought an independent opinion prior to implementation of the human resource modules.
- Managed a review of a contractor's bid to provide continuing information technology support services for the County of Los Angeles and the Department of Public Social Services. The contractor's bid represented a significant increase over current costs. Assessed the reasonableness of the offer, identified any proposed changes in responsibilities or service levels, and identified potential negotiation or cost saving opportunities. The review resulted in \$40 million over the life of the five year contract.
- Reviewed environmental operations as part of NorthStar's management review of the Los Angeles Harbor Department (Port of Los Angeles). The review focused on areas of strategic significance to the Department with an emphasis on planning and management.
- Reviewed foster care eligibility processes for Santa Clara County. Assessed existing processes, workload, organization, and system interfaces, information received from other Departments, training and clerical functions. Provided near-term recommendations as well as alternative processing models.

### **Testimony**

Testified before the New Jersey Board of Public Utilities, Reasonableness of Atlantic City Electric Company's, Public Service Electric & Gas Company's and Jersey Central Power & Light Company's Deferred Balances (2003).

Testified before the California Public Utilities Commission, Pacific Gas & Electric Company's Financial Condition (2001).

### **Licenses and Affiliations**

Ms. Anderson is a Certified Management Consultant and a member of the Institute of Management Consultants.

# **ELIZABETH A. LEMKUL**

## **Summary of Qualifications**

Ms. Lemkul is a Certified Management Consultant with over 20 years of management consulting experience in the electric utilities industry. She has performed numerous engagements for regulators and other government agencies. Her areas of expertise include power supply and resource planning, energy efficiency programs, project management and utility management and operations. Ms. Lemkul has significant experience in the review of power systems. She served as Lead Consultant for the review of the reasonableness of Atlantic City Electric Company's power procurement practices, including the determination of forecast supply and demand, and served as project manager for the verification of the calculated PX Credit at Pacific Gas & Electric, reviewing the calculation of prices resulting from transactions in the day-ahead, hour ahead, bulk-forward and ancillary service markets. She has also previously reviewed energy resource planning and power supply issues in reviews of the City of Burbank Public Service Department, Nevada Power Company (two audits for the Nevada PSC), Connecticut Light and Power, and Dayton Power & Light. She also has extensive familiarity with utility renewable energy and energy efficiency programs. Ms. Lemkul reviewed Los Angeles Department of Water and Power's management and implementation of its green power (renewable) and energy efficiency programs as part of a compliance audit performed for the Los Angeles City Controller, and managed a review of Pacific Gas & Electric's energy efficiency programs as part of a CPUC-directed audit of public goods charge (PGC) programs of the California public utilities. She also examined the energy efficiency operations of the United Illuminating Company and the Connecticut Power & Light for the Connecticut Department of Utility Control.

Ms. Lemkul has a Sc.B. in mechanical engineering from Brown University, and an MBA in finance and marketing from the University of Chicago.

## **Management Audit Experience**

- Reviewed Los Angeles Department of Water and Power's management and implementation of its green power (renewable) and energy efficiency programs as part of a compliance audit performed for the Los Angeles City Controller. Examined green power energy contract purchases and exchanges, as well as the utility's green power program controls and accounting practices. Performed a subsequent audit of the utility's compliance with audit recommendations.
- Lead Consultant for the reasonableness review of Atlantic City Electric Company's power procurement practices and costs, performed as part of the deferred balances (balancing account) audit for the New Jersey Board of Public Utilities. Performed a detailed examination of the utility's power procurement processes (spot market purchases and competitive solicitations) to meet forecast load requirements. Testified before the Office of Administrative Law regarding the results of this review.

- Lead Consultant for an audit of Pacific Gas and Electric Company's Hourly Power Exchange Energy Credit (PX Credit) calculations to ensure compliance with CPUC orders and utility advice letters. Assessed the utility's calculation methodology and developed a PC-based price calculation model to recalculate hourly PX prices for the period 1998 through 2002 using detailed PX settlement data.
- Reviewed power systems operations and fuel supply at Nevada Power Company. Assessed the utility's purchased power strategy, dispatch process, load forecasting, fuel supply, and power system organization and provided recommendations for more economic dispatch. Reviewed power plant heat rate monitoring and outage scheduling. In a subsequent audit, assessed Nevada Power Company's compliance with these recommendations.
- Performed an assessment of operational risk exposures associated with Dayton Power & Light Company's generation, transmission and electricity trading activities.
- Assessed the generation and power supply activities at Burbank Public Service Department as part of a diagnostic audit performed for the City of Burbank City Council. Assessed asset management and construction program planning for the utility's power supply facilities, including project prioritization and capital budget development. Reviewed the management and operation of the utility's power supply resources, including power and fuel supply contracts.
- Reviewed bulk power operations, nuclear and fossil fuels management, systems operations, environmental affairs, and research and development activities in the diagnostic management audit of Connecticut Light & Power for the DPUC. The review included a detailed examination of the utility's power purchases and sales.
- Reviewed the Connecticut Light and Power's actions to ensure system reliability in light of extended nuclear outages in a focused audit of Northeast Utilities. Assessed the utility's emergency power supply planning activities and steps to reduce reactive power transmission limitations. Also assessed the financial effects of nuclear outages on Connecticut Light & Power and its ratepayers.
- Reviewed and assessed economic viability analyses of the Maine Yankee nuclear power plant and quantified the imprudence of Maine Yankee Atomic Power Company's performance in the period 1994 to June 30, 1997 as part of a management audit performed for the Maine Public Utility Commission.
- Assessed the Owner's decision to shut down the Maine Yankee nuclear power plant in 1997 as part of a management audit performed for the Maine Public Utility Commission. Quantified the lost savings to ratepayers resulting from the shutdown decision.
- Developed a computer model to evaluate production economics at Public Service Electric & Gas Company. Performed a detailed review of historical accounting practices and information. Identified actual power plant operations, maintenance, and capital costs associated with different modes of operation and fuel types in order to

identify optimal plant dispatch and operating strategies and to determine the company's position in its power pool interchange.

- Participated in management audits of the following utilities for regulatory commissions:

ComEd – Original Cost Audit – Illinois Commerce Commission (2007)

LCRA –Management Audit– Public Utilities Commission of Texas and LCRA (2006)

Energy Efficiency Operations of United Illuminating and Connecticut Light and Power – Connecticut DPUC (2005)

Utility PGC Program Audit – California PUC (2004)

Citizens Utilities – CHCF-B Audit – California PUC (2002)

Pacific Gas & Electric – SBX1 5 Audit – California PUC (2002-2003)

Los Angeles Department of Water & Power – Compliance Audit (2003)

Pacific Gas & Electric – PX Credit - California PUC (2001)

SBC Ameritech – Merger Cost and Savings – Illinois Commerce Commission (2001 and 2002)

Nevada Power – Nevada PSC (1999)

Pacific Gas & Electric – Transition Cost Balancing Account and Headroom Revenue – California PUC (1998)

Atlantic City Electric Company - New Jersey BPU (1998)

Diablo Canyon Nuclear Power Station - Transition Costs - California PUC (1998)

Maine Yankee Atomic Power Company -- Maine PUC (1997)

Southern California Edison - Transition Costs -- California PUC (1997)

Northeast Utilities - Nuclear Operations -- CT. DPUC (1996)

Burbank (CA) Public Service Department -- City Council (1996)

Connecticut Light & Power -- Diagnostic -- CT. DPUC (1995)

Pacific Gas & Electric -- Pipeline Expansion -- California PUC (1995)

Pacific Gas & Electric DSM-- California PUC (1994)

Los Angeles Department of Water and Power -- LA City Council (1994)

Nevada Power Company -- Nevada PSC (1994)

Peoples Natural Gas -- Pennsylvania PUC (1994)

Southern California Edison -- California PUC (1993)

New Jersey Natural Gas Company -- New Jersey BRC (1992)

Delta Natural Gas Company -- Kentucky PSC (1992)

Long Island Lighting Company -- New York PSC (1987)

General Telephone Company of Ohio -- Ohio PSC (1986)

Union Electric Company -- Missouri PSC (1986)

Pacific Gas and Electric, Diablo Canyon -- California PUC (1987)

Commonwealth Edison, Byron -- Illinois Commerce Commission (1988)

Seabrook -- Connecticut DPUC (1988)

## **Finance and Accounting Reviews**

- Managed the audit of Pacific Gas and Electric Company as part of an audit of the public goods charge revenues and costs performed for the CPUC. Reviewed energy efficiency program oversight and funds management, internal controls; cost accounting, tracking, and reporting; program oversight and funds management, rate development and revenue collection; and regulatory reporting.
- Lead Consultant for the program evaluation of Emergency Energy Efficiency and Low-Income Assistance Funds performed for the CPUC. Responsible for the Phase

II audit of PG&E's SBX1 5 energy efficiency and California Alternate Rate for Energy (CARE) expenditures. Tested transactions to verify costs and accounting classifications. Reviewed CPUC administrative costs and the CARE balancing account transactions for all utility funding recipients.

- Lead Consultant in an engagement to determine the original cost of the distribution system of Commonwealth Edison Company, recorded as \$12 billion in 2004. Responsibilities included the analysis of costs recorded from 1985 through 2004, the assessment of ComEd's capitalization policies, budget variance analyses, and the verification of plant asset accounting following the Company's power plant divestitures and the reclassification of assets in accordance with FERC Order 888.
- Reviewed nonresidential program expenditures as part of the review of Pacific Gas and Electric Company's demand side management (DSM) expenditures for the CPUC. Identified adjustments to the utility's DSM balancing account.
- Reviewed Pacific Gas and Electric Company's transition cost balancing account balances and headroom revenues as part of a Commission-ordered audit of the major California investor-owned utilities. Verified the company's compliance with orders of the Commission, tested stranded costs claimed by the company for recovery and determined whether revenues were being properly applied against the recovery of stranded costs.
- Lead Consultant for the financial verification audit of the transition costs associated with Pacific Gas and Electric Company's Diablo Nuclear Power Plant for the CPUC. Assessed the appropriateness of the depreciation reserve accounting methodology.
- Lead Consultant for an assessment of the Industry Restructuring Filings of Atlantic City Electric Company for the New Jersey Board of Public Utilities. Responsible for work in the areas of utility plant, depreciation and decommissioning, including an assessment of transmission facilities that are considered generation plant for regulatory purposes.
- Lead Consultant in the attestation examination of Citizens Telecommunications Company of California's (Citizens) California High Cost Fund –B (CHCF-B) claims for the period February 1, 1997 through December 31, 2000. Assessed Citizens' compliance with regulatory directives and its controls over the claims process, and verified Citizens' claim amounts and memorandum account catch-up surcredits.
- Reviewed Southern California Edison Company's electric industry restructuring transition costs as part of a Commission ordered agreed-upon procedures audit of stranded costs of the major California investor-owned utilities. Evaluated Edison's current costs and estimated future costs resulting from existing obligations, to determine the total magnitude of overall eligible Competition Transition Costs resulting from the introduction of retail competition. Assessed transition costs associated with future plant additions, depreciation reserves, construction work in



progress, decommissioning, inter-utility contracts, fuel contracts and regulatory assets.

- Reviewed generation and clean air Research, Development and Demonstration (RD&D) projects in the detailed review of Southern California Edison's RD&D transactions for the period 1988 – 1992 for the CPUC. Identified adjustments to the utility's RD&D balancing account.

### **Capital Planning and Project Management Experience**

- Assessed Lower Colorado River Authority's (LCRA) cost oversight of transmission construction projects developed and constructed through a joint agreement with American Electric Power.
- Reviewed capital project planning, design and construction as part of a management review of the Los Angeles County Department of Public Works (LADPW) performed for the Auditor-Controller of the County of Los Angeles. Assessed project identification and prioritization processes, and evaluated LADPW's project management, engineering and construction management, and contracting and contractor management for public works infrastructure projects and LA County capital projects. Assessed LADPW's provision of project management and design review services to all other LA County departments.
- Assessed system operations of New Jersey Natural Gas Company for the New Jersey Board of Regulatory Commissioners. Areas of review included the design, maintenance, operation and construction of the distribution system, work force management, information systems, and capital and O&M budget and control processes. Reviewed construction program planning for the utility's distribution system.
- Assessed engineering and design, owner's organization, contract change order control, and project schedule in the cost reasonableness review of Pacific Gas and Electric Company's \$850 million Pipeline Expansion Project for the California Public Utilities Commission.
- Assessed the management of the design and construction of a power plant for the Long Island Lighting Company. Areas of review included construction staffing and organization, work force management, construction productivity, design controls, and contract management.
- Reviewed the engineering as-built effort for the Trans Alaska Pipeline System (TAPS). This work was performed for the State of Alaska in support of testimony before the Federal Energy Regulatory Commission.

### **Additional Relevant Experience**

- Performed a focused analysis of maintenance management practices of best-in-class organizations for the California Department of Water Resources. The study identifies

industry best practices in the areas of maintenance organizations and maintenance planning and scheduling.

- Lead consultant in the assessment of the maintenance management practices at the South Texas Project for Houston Lighting and Power. Assessed compliance with regulatory requirements, work force management, work order system, and budgeting processes.
- Assisted in the performance of a comprehensive benchmark evaluation of the organization, cost structure, staffing, and performance of the Los Angeles Department of Water and Power (LADWP). The review compared LADWP's overall performance to best practices of other private and public corporations.
- Performed a benchmark analysis of water company operations as part of a comprehensive management assessment of Southern California Water Company performed for the California Public Utilities Commission.

### **Testimony**

- Testified before the New Jersey Board of Public Utilities, Reasonableness of Atlantic City Electric Company's Deferred Balances (2003).
- Testified before the New Jersey Board of Public Utilities (1998).

### **Professional Licenses and Affiliations**

Certified Management Consultant.



# CHRISTOPHER F. SMITH

## Summary of Qualifications

Mr. Smith, a NorthStar Associate, has participated in several management audits and has experience in evaluating areas of corporate governance, capital budgeting and finance, management control methods and systems, and management and planning. Mr. Smith has consulted for a number of public and private firms in the development of corporate strategy, performing financial and market analysis, and defining operational improvement methods. Since joining NorthStar, Mr. Smith has participated in a number of projects including the 2004 management audit of the Port of Los Angeles, the 2000, 2001 and 2006 management audits of affiliate relationships of Southern California Edison, the 2002 and 2004 management audits of affiliate relationships of San Diego Gas and Electric and Southern California Gas Company, and developed policies and procedures for the Los Angeles Bureau of Engineering and Phoenix Sky Harbor International Airport. He received a BA from Boston University and an MBA from Northeastern University with an emphasis in Management Information Systems.

## Management Audit and Operations Improvement

- **Southern California Edison.** NorthStar is conducting a management and organization review of Edison's Transmission and Distribution Business Unit (TDBU). Mr. Smith led a review of the electric system planning functions, assisted in the development of new mission statements, functions, organization structure, and staffing plan.
- **Port of Los Angeles.** Mr. Smith was part of a management audit of the Port of Los Angeles. The audit focused on areas of strategic significance to the Port with an emphasis on planning, security, management and other critical functions. Mr. Smith led the review of performance measurement and facility and infrastructure planning and capital program budgeting and finance.
- **WE Energies.** Consultant for a credit and collection process re-engineering study for this large Midwest utility. Mr. Smith developed a comprehensive survey of similarly situated utilities with the purpose of developing a better understanding of strategic credit and collection issues facing utilities. The survey included an examination of performance benchmarks and practices within the utility industry to determine if any widely applicable credit and collection "best practices" exist. The survey provided a basis to re-engineer processes currently utilized by the client with the objective of developing a "best in class" credit and collection function.
- **Los Angeles Bureau of Engineering** – Assisting in the development of a Project Delivery Manual of policies and procedures used to identify, design, and construct capital projects. Specific responsibilities include development of procedures for project pre-design, design, and bid and award components of the Manual.

- **Phoenix Sky Harbor International Airport** - Lead consultant for the development and implementation of airport planning policies and procedures. Specific responsibilities included the development and implementation of the process for airport planning. This included airport facility inventory assessment, aviation activity forecasting, demand/capacity modeling and needs assessment, and project identification, prioritization, and financial analysis.
- **ePresence (NASDAQ: EPRE)** - Performed financial and market analysis to formulate recommendations focusing corporate initiatives toward a service oriented revenue model. Assisted in the development and implementation of corporate strategy and marketing plan to leverage corporate core competency in directory technologies. The lack of revenues associated with legacy network/directory software products necessitated a strong repositioning of company to highlight a consulting services practice supporting directory-based business applications and security solutions.
- **Southern California Edison.** Consultant for the 2000, 2001, and 2006 management audits of affiliate relationships of Southern California Edison Company. This audit, ordered by the California Public Utilities Commission, determined the degree of compliance of SCE with the State's Affiliate Transaction Rules. Specific areas of responsibility included non-discrimination, disclosure of information, separation, competitive products and services, and applicability and assessment of the utility's control environment.
- **San Diego Gas & Electric.** Lead consultant for the 2002 and 2004 management audits of affiliate relationships of SDG&E. The focus of these audits was to provide an opinion to the California Public Utilities Commission on the utility's compliance with the California Affiliate Transaction Rules. Mr. Smith was responsible for the analysis and assessment of SDG&E's compliance with separation, regulatory oversight, competitive products and services, and complaint procedure rules.
- **Southern California Gas Company.** Lead consultant for the 2002 and 2004 management audits of affiliate relationships of SoCalGas. The focus of the audit was to provide an opinion to the California Public Utilities Commission on the utility's compliance with the California Affiliate Transaction Rules. Mr. Smith was responsible for the analysis and assessment of SoCalGas' compliance with separation, regulatory oversight, competitive services, and complaint procedure rules.
- **Qwest Communications.** Provided technical analysis of Qwest's Performance Assurance Reporting System (QPARS) for the 2003 and 2004 management audits of Qwest for the Colorado PUC. Utilized a structured analysis technique called Data Flow Diagrams to depict the processes performed on performance measures and penalty payment data as it progressed through QPARS. This documentation provided a framework for further audit analysis conducted by the team.

## Other Experience

- **Southern California Edison.** Conducted a review of record management policies and procedures for the Transmission and Distribution (T&D) Business Unit. Identified strengths and weaknesses of current record management practices and made recommendations to streamline processes. The objective of this project was to mitigate regulatory risks associated with documentation of large engineering T&D projects.
- **Southern California Edison.** Mr. Smith was part of a consulting team providing an assessment of the record management practices of the SCE Customer Service Business Unit's Energy Efficiency (EE) program. The team reviewed current information management policies and work practices pertinent to reporting, documentation, storage, retention and retrieval requirements, to understand the program's data collection needs.

## Patents and Publications

- C. F. Smith et al. "Method and System for Identity and Age Verification for E-Commerce" filed 1999.
- Contributor to "Atlas of the State of Kuwait from Satellite Images," ed. F. El-Baz and M. Al-Sarawi

# DAVID P. VONDLE

## Summary of Qualifications

Mr. Vondle is President of Vondle & Associates, Inc. Vondle & Associates, Inc. is a Los Angeles City Certified Minority Business Enterprise (MBE). Mr. Vondle is experienced in the management processes used in the procurement and contracting for goods and services, including professional services, by publicly owned enterprises. He has led many consulting engagements in the areas of workforce planning, organization structure, work management, procurement, contracting and contractor management, succession planning, supply chain management, process analysis and improvement, and performance measurement and reporting. He also has extensive experience in shared services management. Mr. Vondle has worked on mergers and acquisitions, regulatory policy, corporate/subsidiary relationships, affiliate relationships, reorganizations, fiscal crises, and benchmarking. Mr. Vondle, a CMC, received his M.B.A. from Southern Methodist University and his B.S. in Industrial Management from the University of Akron.

## Utility Consulting Experience

- Lead consultant for joint systems in the 2002 management audit and the 2005 revenue requirements review of Department of Water and Power for the City of Los Angeles.
- Lead consultant on a project for a major Midwestern gas distribution company to reengineer the contracting and contractor management processes to reduce costs and exposure to fraud. The project included contractor versus in-house employee decision-making, contractor qualification and selection, project specification writing, compensation policies, contractor quality control and evaluation, and dispute resolution.
- Project manager for an engagement to develop and install a state-of-the-art, comprehensive integrated purchasing management system for an electric utility with annual materials and services expenditures in excess of \$500 million. The project resulted in superior management information and control, reduced clerical burden on purchasing agents and substantially increased emphasis on service to users and purchased material cost reduction.
- Conducted best practices studies for individual clients or small groups of clients on topics including engineering, maintenance management, damage prevention, dispatching, and customer service.
- For a large Western municipal water and electric utility, led a team that examined all of its shared support services and recommended a new management process that will improve internal client satisfaction and reduce costs. The new management process includes clear definition of roles, defined quality and service requirements, accurate costing, clear pricing and billing, and integrated business planning and performance appraisal.

- Initiated, developed, and directed the AUC Management Consultants International Best Practices Consortium. Over its seven years of operation, the Consortium attracted thirty energy utility member participants from seven countries. The Consortium included a balanced scorecard of benchmarked performance measures covering all aspects of company operations and executive conferences that examined innovative best practices from around the world.
- Conducted a comprehensive management audit of an electric company's workforce planning, productivity and staffing levels. Recommendations addressed the workforce planning process, contract versus in-house decision-making, overtime control, cost/benefit analysis of proposed labor saving investments, reward systems, and work management practices.
- Conducted a staffing study that related staffing needs to performance and recommended specific staff levels appropriate for the situation in a growing Western city. Departments covered included police, courts, parks, water and wastewater, and public works.
- Conducted a work management study for a municipal water utility. Developed a plan for integrated work management and materials management systems that would evolve from existing systems and would improve productivity and customer service.
- Conducted an organization and staffing study that produced a streamlined organization structure that improved customer service and reduced costs for large municipal water utility.
- Conducted a management review of the organization, staffing and work management practices of public works and utilities departments of a major Texas city.
- Project manager on an engagement to develop a balanced scorecard of key performance indicators for a large Midwestern energy utility. The indicators chosen represent the perspectives of all major stakeholders and are used to guide the business planning process and for self-evaluation.
- Conducted a program to integrate the capital program planning process, the ratemaking process and the financing process for a large municipal water and wastewater utility. Improvements included role definitions, a streamlined process flow, and synchronized timing of events.
- Engagement director on a systems engineering study for a national, industry-funded research and development organization to identify breakthrough opportunities and development for dramatically improving cost identification, collection, and manipulation.
- Planned, selected and contracted for a comprehensive, integrated modern resource management system for a municipal utilities department. The system covers electric, gas, water, and wastewater utilities and all resource management functions.

- Performed strategic planning for the consolidation of all corporate support services of a large telecommunications company. The consolidation reduced costs, improved service, increased competitiveness, and sharpened customer focus. Also developed the transfer pricing policy (chargeback system).

### **Publications and Articles**

Mr. Vondle is a published author. His book, *Service Management Systems: How to Create Competitive Advantages through Integrated Work Management, Materials Management, Facilities Management, and Cost Management Systems*, was published by McGraw-Hill. Mr. Vondle is also a frequent contributor on management topics to periodicals such as *Public Utilities Fortnightly*, *Management Review*, *SAM Advanced Management Journal*, *Small Business Reports*, and others.

# DAWN FRANCIS

## Summary of Qualifications

Ms. Francis has over 20 years of professional experience in the utility industry as both a consultant and utility professional. Ms. Francis most recently served as project manager for a management audit of the Lower Colorado River Authority and its Transmission Services Company. The scope of this audit included a review of the project management controls associated with the transmission development program and an audit of its cost of service. Ms. Francis also recently managed the 2004 Affiliate Transaction Audits of San Diego Gas and Electric. She was a lead consultant in the 2000, 2001, and 2002 Affiliate Transaction Audits San Diego Gas and Electric and Southern California Gas Company. The scope of these Affiliate Transaction Audits was to provide an opinion of the utility's compliance with the State of California's Rules governing transactions between a regulated utility and its non-regulated affiliates particularly in the area of energy trading. Ms. Francis has over 10 years experience in utility resource and financial planning. Having served as the electric rates manager for the LADWP, Ms. Francis actively participated in the utility's rate designs, marginal cost studies, load research program, and incremental cost causation models.

Ms. Francis holds a Bachelor of Science in Electric Power Engineering from Rensselaer Polytechnic Institute in Troy, New York. She is a Registered Professional Engineer in the State of California.

## Relevant Natural Gas and Electricity Market Experience

- Lead consultant on the 2000, 2001, 2002 and project manager for the 2004 Affiliate Transaction Audits of SDG&E and SoCalGas. Responsible for review of customer service functions, non-discrimination, and separation. Ms. Francis performed analysis of affiliate transactions for the procurement of natural gas and electricity to determine compliance with the Affiliate Transaction Rules. In particular, Ms. Francis reviewed individual trades and financial transactions with affiliates and compared them with similarly situated transactions with non-affiliates to determine if affiliate transactions were comparable to non-affiliate transactions.
- Lead consultant on a 1999 Gas Procurement Study for the Public Service Company of New Mexico. The purpose of this study was to investigate Commission-approved trading and hedging mechanisms utilized for natural gas procurement throughout the United States and determine the impact on ratepayers. Ms. Francis was responsible for identifying types of mechanisms utilized, how the mechanisms were developed, the relative merits and limitations of the mechanisms, and the constraints and limitations placed on traders.
- Lead consultant responsible for performance measure calculation verification for the 2003/2004 Colorado Performance Assurance Plan Audit of Qwest Communications. The purpose of this audit was to determine if Qwest provides service to competitive local exchange providers in the same manner as it provides to its own local exchange provider.

- Lead consultant on an audit of Public Service Electric and Gas's compliance with affiliate transaction standards. The audit also assessed the extent of any cross-subsidization of competitive services provided by the utility or its affiliates. The audit was completed in October 2000.
- Lead Consultant for the 1999 Affiliate Transaction Audit Southern California Edison Company. The purpose of audit, ordered by the California Public Utilities Commission, was to determine the degree of compliance of SCE with the State's Affiliate Transaction Rules. Specific areas of responsibility included non-discrimination and separation applicability and assessment.
- Lead consultant on regulatory reporting requirements review for Southern California Edison in 2002. The purpose of the study was to identify opportunities for consolidation, elimination, and modernization of processes associated with filing documents with the California Public Utility Commission.
- Ms. Francis was the engagement director of a 2006 management audit of the Lower Colorado River Authority and its Transmission Services Corporation. The purpose of this audit was to determine the necessity of reasonableness of costs recovered through LCRA's wholesale transmission rates. The study focused on the effectiveness of the administration of capital transmission expansion projects, the appropriateness of direct charges, and the reasonableness of overhead cost allocations.

### **Resource and Financial Planning – Los Angeles Department of Water and Power**

- Assistant supervisor of Load Forecasting. Was responsible for the development and population of econometric and end-use models used to forecast system peak demand. Developed weather normalization and customer elasticity models.
- Assistant supervisor of Strategic and Business Planning. Was responsible for the development of customer marginal cost and profitability analysis and evaluation of wholesale utility costs against wholesale market cost.
- Supervisor of Retail Customer Contracts. Was responsible for the development of long-term customer performance contracts. The purpose of these contracts was to encourage customers to alter usage patterns, interrupt load and/or defer uneconomic bypass of the system.
- Manager of Electric Rates. Was responsible for the development and maintenance of the City's Electric Rate Ordinance. Specifically, Ms. Francis was responsible for the development of rate classes, marginal cost of service studies, embedded cost of service studies, system and class load shapes, and rate design. Ms. Francis also administered the system load research program.

### **Organization and Operational Reviews**

- Ms. Francis participated in an organizational and operational assessment for the City of Phoenix Aviation Department. The goals of the project were to identify opportunities to



reduce costs, increase efficiency and improve service levels. A comprehensive review was conducted that included organization missions and functions, management systems, administrative procedures and operational practices, based on benchmarking comparisons and a knowledge of best practices employed by other planning, engineering design and construction management organizations. Ms. Francis was responsible for reviewing contract change order management.

- Lead consultant responsible for regulatory research on construction retrospective reviews for Southern California Edison in 2003. The purpose of this study was to determine the causal factors that lead to increased regulatory scrutiny and rate base disallowances. The results of this study would allow the utility to include analyses and considerations prior to project initiation and ultimately obtain the required results while recovering all costs through the rate base.
- Lead consultant responsible for the development of project implementation policies processes for the City of Phoenix Aviation Department's Capital Improvement Program. Ms. Francis assisted in the development of the Capital Program Annual Budget and a project prioritization system.
- Ms. Francis performed a study for the City of Los Angeles Bureau of Engineering to quantitatively evaluate the effectiveness of organization changes and project management tools. The study was a “before and after” analysis that utilized metrics as percent cost overrun, number of projects on schedule, percent overhead cost to complete project, etc.

# MOHAMED EL-GASSEIR, PhD

## Summary of Qualifications

Dr. El-Gasseir's principal areas of expertise are:

- Purchase-power agreements (PPAs) contracting and due diligence applications
- Market simulation for PPA negotiations support
- Renewable power market assessments and project development
- Stochastic price forecasting for risk management and bid evaluations
- Developing transmission access for renewable resources
- Identification and assessment of on-site generation investment opportunities
- Integrated (generation and T&D) cost effectiveness studies of alternative generation investments in central power plants, distributed resources and DSM alternatives
- Configuration and assessment of integrating high-voltage dc and ac transmission applications

Dr. El-Gasseir has a Ph.D. in Energy and Resources from the University of California at Berkeley, an M.S. in Chemical Engineering from the University of Rochester and a B.Sc. in Chemical Engineering, from the University of California at Berkeley. He served as a technical advisor on the 2005 BWG IEA Survey for the City of Los Angeles.

## Selected Publications, Reports and Conference Presentations

- “Emerging HVDC Technologies, Controls and Applications”, EPRI – DC Interconnect Presentation at Power Grid Europe Conference, Madrid, Spain, June 26-28, 2007
- “Intermittency Analysis Project”, Final Report, Prepared by the Intermittency Analysis Team (Rumla, Inc. et al) for the California Energy Commission PIER Program, July 2007
- “Feasibility of using HVDC Technology for Reinforcing the Interior to Lower Mainland Transmission Grid”, DC Interconnect Report Prepared for BCTC, June 2007
- “Assessing System Benefits of Renewable Trunkline Transmission Projects”, Consultant Report Prepared for the California Energy Commission, December 2006

- “Technical Assessment of Grid Shock Absorber Concept”, EP-P20414/C9939, DC Interconnect Report, July 2006
- “Potential Impacts on Long-Term Zonal-Contracts from the Amended Market Design as Proposed in the July 22, 2003 Filing of the California Independent System Operators before the Federal Energy Regulatory Commission”, Confidential Draft Final Report, prepared for the California Energy Resources Scheduling Division, California Department of Water Resources, July 2, 2004
- “Transmission Planning for an Industry in Transition – The Schizoid Environment of Transmission Investments Planning”, Transmission Expansion and Systems in Transition Conference, Miami, FL, February 8, 2002
- “Transmission Planning for an Industry in Transition – Towards Comprehensive Regulatory and Market Reforms for a More Efficient Power Industry”, Transmission Expansion and Systems in Transition Conference, Miami, FL, February 8, 2002
- “Review and Analysis of Administrative Charge Practices of Independent System Operators”, Prepared for Independent Electricity Market Operator of Ontario, Canada, Final Report, May 15, 2001
- Transmission Grid Expansion and System Reliability Conference II: Focus on Pricing, May 24, 2001, Denver, Colorado
- “California’s State Takeover of Transmission Assets”, Transmission Grid Expansion and System Reliability Conference I: Focus on Regulation, May 21, 2001, Denver, Colorado” The Problems of Modeling Transient Energy Markets”, Electricity Market Pricing Conference, Vail, Colorado, August 9-10, 1999
- “Distributed Technologies Characterization And Assessment Phase Two Report: Assessing Local Area Integrated Planning of Distributed Generation, Storage and Demand Side Management Investments for Deferring Planned Distribution System Upgrades”, prepared for Detroit Edison Company, December 1995
- “Dispatchable Distributed Generation Characterization And Assessment For Long Island Lighting Company”, prepared for the Long Island Lighting Company, November 1995
- “DISTRIBUTED GENERATION: Implications for Restructuring the Electric Power Industry”, Public Utilities Fortnightly, June 15, 1995
- “Distributed Generation Characterization and Assessment for San Diego Gas & Electric”, prepared for the Electric Power Research Institute (EPRI), October 1994
- “Distributed Resources Assessment in the Service Territory of Anza Electric Cooperative”, prepared for the Electric Power Research Institute (EPRI), October 1994

- “Distributed Generation Assessment for Azienda energetica municipale of the City of Milan—Phase I: Siting and Technology Screening for High Value Applications”, prepared for the Electric Power Research Institute (EPRI), October 1994
- “Distributed Generation Assessment Guidelines—A Market-Based Framework for Evaluating High-Value Applications”, prepared for the Electric Power Research Institute, December 1993
- “Distributed Generation Assessment, Evaluation, and Practice Program—Dis-Gen Practice”, prepared for the Electric Power Research Institute (EPRI), November, 1993
- “Assessment of the Benefits of Distributed Fuel Cell Generators in the Service Areas of Central & South West Services, Inc.”, prepared for EPRI, October 1993
- “Carbonate Fuel Cells and Diesels as Distributed Generation Resources—Economic Assessment of Application Case Studies at Oglethorpe Power Corporation”, prepared for the Electric Power Research Institute (EPRI), October 1993
- “Molten Carbonate Fuel Cells as Distributed-Generation Resources: Case studies for the Los Angeles Department of Water and Power”, prepared for EPRI, May 1992
- "Analysis of the Cost Competitiveness of Coal-Fired Electric Generation vs. Purchase Power" for the Arizona Electric Power Cooperative, Independent Power Corp., Nov. 1986
- "Supplemental Testimony of Independent Power Corp. on behalf of the Nevada Mining Assoc., before Public Service Commission of Nevada", Docket No. 86-701, Sept. 22, 1986
- "Projected Prices for Pacific Gas & Electric Co. Geothermal Steam at the Geysers 1986-2000", Independent Power Corp., for Kidder, Peabody & Company, October 18, 1985
- "Projected Prices for Pacific Gas & Electric Company Geothermal Steam at the Geysers 1986-1995", Independent Power Corp., for Chevron Resources Company, August 29, 1985

## **Testimony**

- Performance audit on post-restructuring purchase power practices of Pacific Gas and Electric Power Company for the California Public Utilities Commission (CPUC) (testimony before the CPUC). ( 2001)
- Evaluation of IOU-proposed transmission loss factor estimation techniques based on the ISO’s Generator Meter Multipliers methodology (testimony before the CPUC). (2000)

# JOHN P. NELSON

## Summary of Qualifications

Mr. Nelson is an accomplished professional engineer with over 30 years of utility consulting and industry experience. He is an expert in utility transmission and distribution planning, design, startup, testing, operation, maintenance, and inspection and has been involved in over 50 electrical power systems projects and studies spanning generation, transmission, distribution and utilization of electric energy. He has extensive experience in the application of planning, engineering, construction and maintenance standards in T&D systems. Additionally, Mr. Nelson has completed several technical analyses to support litigation pertaining to electrical failures and accidents. Mr. Nelson earned a BSEE from the University of Illinois – Urbana-Champaign and an MSEE from the University of Colorado. He is a registered Professional Engineer in eight states

## Utility Consulting Experience

- Technical advisor on electric power reliability in the 2007 revenue requirements review of DWP for the City of Los Angeles.
- Lead consultant in an audit of Duke Power Company's power restoration and maintenance procedures on behalf of the South Carolina PSC. The audit includes an exhaustive review of the company's preventive maintenance programs, including analysis of the impact of personnel cutbacks in contributing to extended outages, as well as any adverse affects stemming from the company's pole and cable replacement program and tree trimming activities.
- Project Manager for the 1999-2000 T&D investigation resulting from massive power outages experienced by ComEd during the summer of 1999. The ICC commissioned a study to investigate the planning, design, construction, operation and maintenance of the ComEd transmission and distribution system as it pertained to the 1999 system conditions. Investigated and reviewed the T&D system, compared the T&D system with other comparable utilities and made recommendations on how the system could be improved. The study involved over 150 interviews with executives, engineers and other employees; field inspection of the T&D facilities including transmission lines, distribution lines, substations and dispatch centers; and review of standards and procedures. The study covered tree trimming; distribution planning, design, construction, maintenance and operations; transmission planning, design, construction, maintenance and operations, system protection, substation design, lightning protection, customer service, and reliability.
- As an additional part of the ComEd project, the utility experienced a massive 138 kV, oil circuit breaker failure at the Jefferson Substation in October 2000. Mr. Nelson investigated of that failure and helped ComEd make a determination of the cause.

## **Other Transmission and Distribution Consulting Experience**

- Denver Metro Wastewater Electric Power reliability assessment, system studies, and detail design
- Denver International Airport - Power System study, reliability assessment, protection coordination, field engineering, energy audit.
- Tri-State G&T - Sidney 230kV Substation Interface with 200 MW DC Tie for East – West interconnection. and North Yuma 230-115kV Substation
- Amoco ARE 60 MVA Cogeneration Plant and 138kV interface with Utah Power and Light
- Forensic Engineering with several clients
- Consultant to Adolph Coors Company
- Consultant to Chevron USA, Inc. Design & Construction Dept.
- Consultant to Chevron USA, Inc., Denver Quality Assurance Dept.
- Substation and Distribution testing and maintenance training for Amoco Production
- Brigham City Corp. - Relay and Recloser Testing / Hydro Electric Plant Upgrade
- Shell Oil Company - Legal department - Houston, TX
- Peterson AFB Switchgear Coordination Study
- MEI - 2500 KVA Geothermal Plant
- Amoco ARE Cogeneration (4 MW) and ARE - Coordination Study
- Lakewood Hydro Project for the City of Boulder, CO
- Amedee Geothermal Project, Susanville, CA
- 50MW IPP Cogeneration Plant
- Owner's Representative for University of Colorado 30MWCogeneration Plant
- Brigham City BIID 10/12.5 MVA Substation
- Rio Blanco Taylor Draw Hydro (2 MW)
- System Studies for the Country of Belize
- Provo City 138 – 12.47 kV, 20.00/26.67/33.33 MVA Westgate substation

- Ryckman Creek 138-4.16kV, 40 MVA substation and distribution system
- Telluride 115x69-12.5kV, 20 MVA substation
- North Mesa 115-12.5kV, 12.5 MVA substation
- Watkins 34.5-12.5kV, 5 MVA substation
- Whitney Canyon 138-4.16-12.5kV, 40 MVA substation
- Carter Creek 138-13.8kV, 84 MVA substation
- Canyon Compression 138-4.16kV-480V, 40 MVA substation
- Painter 138-13.8kV, 62.5 MVA substation
- Frontier 25-4.16kV, 6.25 MVA substation
- ARE Nitrogen 138-12.47-4.16kV, 140 MVA substation and distribution system
- ARE Production 138-4.16kV, 40 MVA substation
- Two - 44-12.5kV, 12.5 MVA substations
- Served on numerous committees for the advancement of IEEE.
- Provided safety and training seminars to utilities regarding the design, operation and maintenance of electrical power systems.
- Presented and published over 20 papers in IEEE PCIC/IAS Transactions and other national/international conferences. Taught numerous courses for training engineers and technical personnel.

### **Professional Affiliations**

- Registered in the states of Arizona, California, Colorado, Louisiana, New Mexico, Utah, Wisconsin, and Wyoming.
- Elected to IEEE Fellow Grade, for “Significant Contributions to the Protection of Electrical Equipment and Personnel Safety in the Petroleum and Chemical Industry”
- IEEE Centennial Award
- Active member of local Denver Section of IEEE and national organization of PCIC/IAS.

# CAROL L. ETTER

## Summary of Qualifications

Ms. Etter has over twenty years experience in the energy and utility industry, including strategic and business planning, fuel procurement and regulatory compliance, budgeting and financial analysis, implementation of enterprise software system, acquisition analysis and execution, and energy industry restructuring. She has extensive experience in market and financial analysis, rate, and regulatory initiatives, supply portfolio development, operational efficiencies, management analysis and business process re-engineering. She has consulted for public utility commissions, public and municipal utilities, and private energy companies across the country. She was employed by Citizens Utilities, one of the few early nationwide gas, electric and water utilities, conducting strategic planning and special projects for all segments of the company's operations. She has a BS, in Mechanical Engineering from Swarthmore College and an MBA in Finance - Public Accounting from the University of Colorado.

## Utility Industry Experience

- **Gas Procurement Audit Preparation.** Assisted a Midwest gas distribution utility prepare for a biannual gas procurement review audit by their state utility regulatory agency. Reviewed all procurement, demand forecasting, and price volatility mitigation programs and documentation. Review covered all on-system gas procurement over a three year period, along with price and deliverability risk mitigation programs. Worked with the procurement staff to improve its processes and documentation, and to develop strategies to address potential weaknesses in the company's processes.
- **Strategic Planning & Budgeting for Electric and Gas Utilities.** Coordinated all budgeting and strategic planning for the public utility operations of Citizens Utilities. As part of these efforts, oversaw the activities to forecast gas and electric demand and to integrate the purchasing of natural gas, and contracts for the purchase and sale of power into the strategic and operational plans. The budgeting efforts also included review and coordination with regulatory affairs and accounting department personnel to assure appropriate recording, forecasting, and tracking of supply purchases and costs for regulatory oversight purposes.
- **Gas Supply for Backup Pumping Generation.** Project manager for a proposed joint venture between Citizens Utilities and an engineer firm to supply backup generation for pumping stations for the New Orleans Sewerage & Water Board. Coordinated efforts of the gas supply and the regulatory affairs departments, and the engineering firm to obtaining the necessary permits from the state Public Service Commission and the City Council.
- **Gas Procurement Audits in Tennessee and Iowa.** Served as project manager and lead consultant on several gas procurement audits across the country. One of these



projects was a three year project in Tennessee, involving all three of the regulated gas utilities in the state. Developed on-going monitoring reports, and oversaw the monthly tracking of gas procurement activities. Quarterly status reports were prepared for the Tennessee Public Service Commission on each of the companies, and an annual on-site audit was conducted to verify compliance and identify additional process improvement opportunities. In Iowa, reviewed the gas procurement practices of four gas distribution utilities, developing recommendations for pricing adjustments and process improvements.

- **Integrated Resource Planning for Utilities.** Project manager and lead consultant on a comprehensive review of Atlanta Gas Light's integrated resource plan, one of the first gas utility integrated resource plans in the country. Reviewed the demand forecasting methodologies used by AGL for their appropriateness for use in Demand side Management (DSM) program development and impact assessment. Also reviewed the gas supply planning processes used by AGL and identified opportunities for improving the integration of demand forecasting impacts into the supply planning process. Served as project manager on two projects, in Montana and British Columbia, to evaluate the role of gas DSM programs as alternative to expending pipeline facilities to meet increased customer demand. These projects involved careful integration of supply forecasting procedures, demand forecasting models, and the demand side management programs.
- **Gas and Generating Fuel Procurement Reviews.** Lead consultant on several natural gas and electric fuel and power contract management audits. Prepared detailed evaluations of fuel supply portfolios, purchase power, coal and gas supply contract terms, and developed assessments of those terms relative to market trends and corporate risk abatement activities. Several of the projects included tracking cost allocations across jurisdictions. She developed recommendations to improve bidding processes, contract terms, and documentation and tracking of purchases to assure costs were recorded properly and allocated to the correct customers and rate classes.
- **Electric Industry Restructuring Filings.** Ms. Etter developed corporate policies, state commission filings, and implementation plans for Citizens Utilities' electric industry restructuring activities. She prepared initial and supplemental electric industry filings for Vermont and Arizona Commissions addressing activities for Citizens' operations in those states. As part of these activities she developed corporate positions on consumer protection, supplier of last resort, stranded cost recovery, functional separation of regulated and non-regulated operations, and competitive provision of ancillary services.
- **Allocation of Costs across Jurisdictions.** As part of an implementation of an integrated financial system at Citizens Utilities, Ms. Etter coordinated the development of a system for properly accounting for and allocating revenues and costs across multiple jurisdictions and between regulated and non-regulated operations. The project required documenting the prior procedures, confirming their correctness with the regulatory department, and development of accounting procedures to assure accuracy for regulatory and financial reporting purposes.

- **Electric Utility Fuel/Power Contract Audits.** Lead consultant on several electric fuel and power contract management audits. She prepared detailed evaluations of fuel supply portfolios, purchase power, coal and gas supply contract terms, and developed assessments of those terms relative to market trends and corporate risk abatement activities. Several of the projects included tracking cost allocations across jurisdictions. She developed recommendations to improve bidding processes, contract terms, and documentation and tracking of purchases to assure costs were recorded properly and allocated to the correct customers and rate classes.
- **Engineering and Financial Review for Independent Power Projects.** Reviewed technical and financial risks for numerous wind-power and cogeneration power projects. As the technical member of due diligence teams, Ms. Etter was responsible for integrating power purchase contracts with the financing and fuel supply contracts, and assessing technical risk mitigation activities in construction, operations and maintenance, and financial take-out documents. For projects that were in bankruptcy, developed market and financial valuations of the projects under alternative fuel supply and purchase power pricing assumptions as input into workout proposals to recover value for investors.
- **Analyses of Power Plant Construction Decisions.** As part of prudence reviews, assisted with the review of management decisions associated with continuing or canceling construction of large nuclear and coal-fired power plant decisions. The project involved examining changes in demand forecasts over time, compared to the costs of continuing, suspending, or canceling construction contracts.

### **Testimony**

- Public Service Commission of Georgia (Topic: Integrated Resource Planning by Atlanta Gas Light Co.)
- Iowa Public Service Board (Topic: Gas Supply Management Audit Results)
- Arizona Corporation Commission (Topic: Electric Utility Demand Side Management)

## VI. SCHEDULES AND BUDGETS

NorthStar's proposed not-to-exceed cost for performing the management audit of CECONY is \$2,070,960. This proposed cost includes all professional fees (\$1,725,800) and expenses (\$345,160) associated with performing the work and delivering the necessary draft reports described in this proposal. As described in the Guide, the cost of printing the final report is not included in our not-to-exceed cost. Additional appearances and testimony will be billed at the individual hourly rates shown in **Figure VI-1**.

Our proposed cost is based on our normal hourly fees and normal travel, lodging, and other expenses. Details of our proposed project cost, including hours by consultant by task, are provided in Figure VI-1. Details of project expenses can be found in **Figure VI-2**. NorthStar's project cost information can be reconfigured in another format if desired by the Department.

Invoices will be submitted monthly in accordance with milestones and are due upon receipt. Invoices will include professional fees for hours worked to date, and will not exceed the limits shown in **Figure VI-1**. Invoice backup will include:

- Hours worked, professional fees, and expenses (by expense category) for each consultant.
- Copies of all expense receipts over \$25.
- Percentage of work completed.

Individual consultants and the firm are reimbursed monthly for direct expenses incurred in conducting the assignment. In general, our policy provides that each consulting team member is reimbursed at the same levels, for the same expense item regardless of role according to the following:

- Personal mileage is reimbursed at the rate allowed by the IRS.
- Travel is reimbursed to and from the consultant's home, office, or last work assignment. Travel fares are based on coach or discounted rates when available. In cases where a consultant is traveling from another assignment, the cost will be allocated (with documentation) between assignments in an appropriate manner. However, the amount will not be greater than if from the consultant's home.
- Miscellaneous expenses are charged at cost with receipts.
- Communication, copying, and mail costs are charged at cost.

**Figure VI-1  
Project Cost Summary**

		Core Team Resources											
		P. Wheaton	D. Bennett	A. Anderson	E. Lemkul	C. Smith	D. Vondle	D. Francis	El-Gasseir	J. Nelson	C. Etter	Admin. Support	Total
		\$275	\$275	\$250	\$230	\$200	\$250	\$230	\$275	\$230	\$230	\$100	
Phase I. Planning and Orientation		150	120	120	100	100	100	100	50	50	100	100	1090
Phase II. Technical Review													
A. Electric													
	Load Forecasting		20					100			100		220
	Supply Procurement		20						100		100		220
	System Planning		20					150		150			320
	Capital and O & M Budgeting		20	100		200							320
	Program Planning		180		300								480
	Work Force Management		20			100	150						270
B. Gas and Steam													
	Load Forecasting			20				50			50		120
	Supply Procurement			20				50			50		120
	System Planning			70						90			160
	Capital and O & M Budgeting			50		100							150
	Program Planning		100	20	150								270
	Work Force Management			20		50	80						150
C. Corporate													
	Corporate Mission	150	50	50	20		50						320
	Performance and Results Management	50				100	100						250
Phase III. Report Development		300	200	200	200	50	50	50	50	50	50	500	1700
Project Management		250	140	120	100								610
Phase I-III Subtotal		900	890	790	870	700	530	500	200	340	450	600	6770
Workshop Training		150	100	200	100							100	650
Total Hours		1050	990	990	970	700	530	500	200	340	450	700	7420
Total Fees		\$288,750	\$272,250	\$247,500	\$223,100	\$140,000	\$132,500	\$115,000	\$55,000	\$78,200	\$103,500	\$70,000	\$1,725,800
Expenses													\$345,160
Total Cost													\$2,070,960

**Figure VI-2  
Estimated Expenses**

Expense Category	Amount	Total
<b>Transportation and Lodging</b>		
Hotel (est. hotel nights)	\$131,250	
Air Transportation (est. trips)	\$90,750	
Meals	\$76,660	
Ground Transportation	\$15,000	
Miscellaneous	<u>\$15,000</u>	\$328,660
<b>Supplies and Materials</b>		
Copying	\$7,000	
Telephone	\$4,500	
Office supplies	<u>\$5,000</u>	<u>\$16,500</u>
<b>Total Expenses</b>		<b>\$345,160</b>

**Figure VI-3** shows the proposed schedule for completing the audit. The final schedule will be developed in consultation with the Department. Assuming a start date of June 2, 2008 the draft report and review would be completed April 2009 and the final report submitted by May 2009, as shown below. Schedule details can be found in **Exhibits X-X**.

**Figure VI-3  
Proposed Project Schedule Summary (2008-2009)**

Activity	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Orientation	—											
Work Plans		—										
Interviews			—	—	—							
Site Visits			—	—								
Mid-Point Status Meeting					X							
Analysis			—	—	—							
Draft Report							—	—				
Third Party Meetings						—			X			
Staff/Utility Comments								—	—	—	—	
Print/Release Final Report											—	—
Monthly Reports		▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲

<b><u>Key Milestones/Deliverables</u></b>	<b><u>Date</u></b>
1. Begin audit	June 2, 2008
2. Detailed work plan approved (Phase I completed)	July 21, 2008
3. Technical audit begins	July 28, 2008
4. Mid-Point Status Meeting	October 2, 2008
5. Task Reports Completed (Phase II completed)	November 28, 2008
6. Draft report submitted	January 9, 2009
7. Final report submitted (Phase III completed)	May 15, 2009

## VII. FIRM QUALIFICATIONS

This chapter provides an introduction to NorthStar Consulting Group, brief summaries of relevant engagements performed that are similar to the scope of work described in the RFP and references for selected clients. Qualifications and resumes of individual consultants can be found in the Consulting Staff Organization section.

### A. NorthStar Consulting Group

NorthStar Consulting Group provides superior management consulting services to the transportation, utility, and public service industries undergoing competitive restructuring, major expansion, reorganization, and regulatory changes. NorthStar's primary area of expertise is providing clients with the understanding, knowledge, training, and tools necessary for clients to manage and overcome challenges. NorthStar's partners have over 50 years of experience working with highly regulated industries and organizations such as electric, gas, water, and communications utilities as well as federal, state and municipal government agencies. Founded in 1999 and incorporated in the State of California, NorthStar's partners and staff have served clients throughout the United States and Canada. While NorthStar is continually serving new clients, a substantial portion of its practice consists of providing consulting services to organizations that its partners and staff have established relationships over the years.

NorthStar provides a broad array of management services.

- **Management Audits.** Comprehensive audits of the management and operations of electric, gas, water and telephone utilities aimed at developing more effective and efficient policies and procedures. These projects include extensive investigation in areas such as executive management, financial management, customer services, human resources, field operations, and support services.
- **Operations Management.** Comprehensive studies in distribution and customer service including quality assurance procedures, work force management, scheduling, work standards, manpower utilization, methods engineering, equipment maintenance, inventory controls, and cost reduction.
- **Work Force Management.** Comprehensive and focused programs to increase worker productivity and reduce labor expenses. Strengths and improvement opportunities of current systems are evaluated and the utilization of the existing work force is established. A baseline for service level, quality and productivity is defined for an implementation program consisting of orientation sessions, training of supervisory personnel, measurement of work, development of and performance indicators.
- **Project Management.** Examination, evaluation and development of the overall engineering, procurement and construction management processes including: organization of engineering and construction functions; reporting relationships within

client and external contractors; selection of A/E or E/C firm and/or general contractors and subcontractors; evaluation of contracts; processes of planning, scheduling estimating, and reporting progress and expenditures; site management; accounting; materials tracking and control; work force productivity; quality assurance; and document control.

- **Construction Program Management.** Design and implementation of management processes and working materials that enable client management and staff to effectively manage and control large scale construction and development programs. Developing project management organization, control tools, reporting systems, training modules, and performance measurement techniques for use by client personnel.
- **Strategic Business Planning.** Assessment of organization capability for anticipating and responding to changes in demand, market demographics, environmental factors, government regulations, cost factors, availability of capital, and those factors which affect operations and performance.
- **Performance Benchmarking and Process Re-Engineering.** Definition and quantification of basic indicators by which management, regulators and financial institutions can judge the performance of the company or specific functional unit; thus, providing a common basis for reviewing management. Identifying key measures of performance, establishing appropriate benchmarks to evaluate how well the company is being managed, and providing a tool for continuous measurement of such performance.
- **Best Practices and Operations Improvement.** Comprehensive programs covering the overall effectiveness of management, organization structure, policies, decision processes, and critical operating procedures. NorthStar consultants have conducted numerous management and operations improvement programs, ordered by public utility commissions and company authorized, because of the need to develop an improved understanding of company operations beyond those provided through routine processes.
- **Competitive Restructuring.** NorthStar provides consulting services to investor-owned and municipal utilities and federal, state and local government agencies regarding deregulation, privatization, asset divestiture, and competitive market strategies. NorthStar excels in providing overall project management of privatization and divestiture processes. Services include competitive assessments, financial analysis, contract negotiations, valuations, advertising, marketing, competitive bid solicitations, regulatory representation, expert witness testimony, and procurement assistance.
- **Management Information Systems.** Determination of information needs of management at all levels, development of integrated information systems, planning and design of applications programs, and computer equipment and software selection.

NorthStar maintains offices in Boston, Massachusetts, Las Vegas, Nevada, New London, New Hampshire, and Santa Maria, California. NorthStar professionals are recognized specialists in the utilities industry and possess substantial experience in: business process re-



engineering and best practices, organizational planning and development, strategic planning, corporate performance, operations and maintenance management, work force management, engineering and construction, plant operations, financial planning, and supply chain management.

## Utility Experience

NorthStar consultants have successfully completed numerous challenging assignments for private- and public-sector clients. We have performed a significant number of project assignments for various federal, state and municipal government agencies, utility companies, boards and commissions. An important element of our approach to consulting engagements is developing and maintaining a close working relationship with the clients for whom we have performed work over the years. It is our goal to develop long-term client relationships by providing valuable counsel and assisting clients to achieve the benefits of our recommendations. We believe that achieving real, tangible and sustainable results for our clients generates the primary value added from consulting. Many of our projects have involved analyzing situations, identifying problems and developing solutions, as well as detailed implementation, planning and assistance.

We are committed to implementing the results of our analytical work and we are proud of our reputation of producing results for our clients. We believe that the strong implementation focus of our practice, combined with our experience in facilitating the change process in a variety of client environments is unique in the consulting profession and the key to our success. It is the hallmark of our consulting profession and the driving force behind our selection of staff and organizational structure.

We feel that our qualifications, as discussed below, optimally position us to effectively perform the management audit of CECONY.

1. **Independent, Unbiased and Objective Approach** - NorthStar is able to offer our services without the hindrance of any issues or concerns that might be raised about our independence and objectivity. NorthStar has never directly or indirectly worked for CECONY.
2. **Extensive Utility Industry Consulting Experience** - NorthStar consultants have worked with more than 50 clients during the last 30 years, including many reviews to evaluate management effectiveness. One of our hallmarks is that we have developed long-term relationships with many of our clients and continue to serve their consulting service needs in a wide variety of areas.
3. **Strong Project Management Capabilities** - NorthStar personnel have a proven track record of managing large, complex projects on time and within budget, while providing high quality work products. We have successfully managed numerous projects as large as the proposed review of the CECONY.

4. **Extensive Testimony Experience** - Most of the members of our project team have experience with the preparation and/or presentation of testimony to public service commissions, state legislatures, and others.

NorthStar consultants have worked with many public and private utilities, municipal government departments, and regulatory bodies in the US. Some of clients we have served are listed below.

**Municipal Organizations**

Los Angeles Bureau of Engineering Phoenix Sky Harbor International Airport	Los Angeles Dept. of General Services Port of Los Angeles
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**Municipal Utilities**

Colorado Springs DPU East Bay Municipal Utility District Glendale Public Utilities Ketchikan Municipal Utilities Los Angeles Dept. of Water and Power	Memphis Light Gas and Water Nebraska Public Power District New York Power Authority Omaha Public Power District Seattle City Light
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**Investor-Owned Public Utilities**

Alliant Arizona Public Service Company Boston Edison Company Central Vermont Public Service Corp. Cilcorp CMS Energy Consolidated Edison Company Elizabethtown Gas Company Enbridge Consumers Gas Exelon General Public Utilities Corporation Great Plains Energy Jersey Central Power & Light Kentucky Utilities Company KeySpan MDU Resources MidAmerican Energy Montana Power Company Mountain Fuel Supply Company Nevada Power Company New Jersey Natural Gas Company	New York State Electric & Gas Niagara Mohawk NICOR Northeast Utilities Northern Indiana Public Service Oklahoma Gas & Electric Pacific Bell Pacific Gas and Electric Company Peoples Energy Public Service Co. of New Mexico Public Service Electric and Gas Public Service Oklahoma QWEST Communications San Diego Gas and Electric Southern California Edison Southern California Gas Company Southern New England Telephone United Illuminating Company US WEST We Energies
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**Regulatory Commissions**

California Public Utilities Commission Connecticut PUC Massachusetts PUC Nevada PSC New Jersey Board of Public Utilities	New York PSC Ohio PUC Pennsylvania PUC US Dept. of Commerce US Envir. Protection Agency
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## Management Audit Experience

NorthStar founders have directed over 30 comprehensive and focused management audits over the past 30 years, including the following companies:

Arizona Public Service Company	Nevada Power Company
Boston Edison Company	New England Electric System
Central Vermont Public Service Corp.	New Jersey Natural Gas Company
Delta Natural Gas	Northern Indiana Public Service
Duquesne Light	Omaha Public Power District
East Bay Municipal Utility District	Pacific Gas and Electric Company
El Paso Electric	Peoples Gas
Elizabethtown Gas Company	Public Service Electric and Gas
Glendale Public Utilities	Sierra Pacific Power
Ketchikan Municipal Utilities	Southern California Edison
Los Angeles Department of Water and Power	Southern California Gas Company
Los Angeles Harbor Department	United Illuminating
Lower Colorado River Authority	US West
Montana Power Company	Utah Power and Light

**Lower Colorado River Authority** –NorthStar conducted a 2006 management audit of Lower Colorado River Authority (LCRA). The object of this audit was to assess LCRA’s transmission cost of service, allocation of overhead costs, and project management of its transmission construction projects.

**Los Angeles Harbor Department (Port of Los Angeles)** – NorthStar conducted a management audit of the Port of Los Angeles. The objective of this audit was to determine the effectiveness of the Port’s organization, operations, and policies and procedures.

**US WEST** – We examined the process and procedures used to monitor the transfer of intellectual property among US WEST affiliates and to compensate the regulated business of US WEST when intellectual property was commercialized by a non-regulated business.

**City of Memphis Light, Gas, and Water** – NorthStar founder D. Bennett conducted a review of MLGW’s customer service policies and procedures. The review aligned MLGW’s customer service policies and procedures with the needs of customers in a deregulated utility environment.

**Ketchikan Municipal Utilities** – NorthStar founder D. Bennett directed a comprehensive management audit of the City of Ketchikan Municipal Utilities covering electric, natural gas, water, and telephone operations.

## **B. NorthStar Experience on Similar Projects**

The following selection of relevant case studies and project descriptions provide details of engagements completed for electric and water utilities, airports, marine ports and other major clients. These project summaries demonstrate NorthStar's recent experience in providing management consulting services and conducting audits. Client contacts as references for these projects are also included as well as our experience with handling confidential information.

### **Port of Los Angeles – Management Audit**

NorthStar was retained by the City of Los Angeles to conduct a management audit of the Port of Los Angeles. The Port of Los Angeles is a premier gateway for international commerce. The purpose of the survey was to assess the Port's capabilities in its role and a premiere international trading hub and to identify opportunities for meaningful change in management, operations, and culture in order to better serve strategic challenges and issues. The audit can be found at: [http://www.lacity.org/ctr/audits/ctraudits18025571\\_12032004.pdf](http://www.lacity.org/ctr/audits/ctraudits18025571_12032004.pdf)

NorthStar utilized a five phase approach:

- Identification of strategic issues
- Analysis of organizational structure
- Review of operations and infrastructure
- Evaluate performance (best practices analysis)
- Recommendations for Improvement

NorthStar assessed the Port's performance as it relates to achieving its mission and strategic objectives, and focused on those areas with the greatest impact on the Department's proposed course of action for addressing future challenges. The Port's master planning for capital improvements, engineering and construction management, and environmental stewardship were among the strategic areas highlighted and reviewed in depth.

NorthStar identified six different strategic issues during the study ranging from the environment to port security and executive decision-making to port master planning. The results provided both an assessment of the strengths and weaknesses of organizational entities as it relates to the strategic issues and responsibilities, and recommendations to allow the Department to meet the challenges identified. NorthStar provided Port management with over 30 recommendations for improving strategic business planning, executive decision-making, performance measurement and reporting, environmental planning, port master and capital project planning, and port security.

## **Southern California Edison – Energy Efficiency Program Management Audit**

The California Public Utilities Commission (CPUC) recently performed a management audit of SCE's utility public goods charge (PGC) fund revenue collection and energy efficiency program expenditures from January 1, 1998 through December 31, 2002. The management audit was conducted over a period of nearly one year from mid-2003 to mid-2004. The audit included 15 recommendations for SCE that addressed management/financial controls, increased competitive procurement and energy efficiency program process improvements. SCE retained NorthStar to conduct a high level review of the critical aspects of energy efficiency program management within the control of SCE and evaluate the progress that the Energy Efficiency organizational unit within CSBU has made in addressing CPUC audit concerns. NorthStar's assessment included the following:

- Program decision-making including re-organization and assignment of processing duties, incentive payment process controls, program management evaluative criteria used to determine outsourcing versus in-house resource utilization, application, and overall effectiveness.
- Procurement of contracted services for programs on a competitive basis – criteria, corporate guidelines, procedures, actual practices, and documentation.
- Contractor and vendor monitoring/inspection to verify performance results with program requirements, contract obligations and management controls.
- Management and financial controls exercised over program advertising expenditures, payments, and verification of results.
- Development and application of energy efficiency program management information, tracking systems and management reporting.
- Development and application of program management policies and procedures for the Energy Efficiency organization.

## **Southern California Edison – TDBU Management & Organization Review**

NorthStar recently completed a management and organization review of Edison's Transmission and Distribution Business Unit (TDBU). TDBU faces a number of challenges after the California Energy Market restructuring. Electric demand is forecast to increase requiring the development of new transmission facilities and TDBU is responsible for meeting this new electric demand after many years of dormancy. TDBU has the task of staffing and training to develop this new infrastructure. The scope of this program included:

- Evaluate the organization structure.
- Determine appropriate staffing levels.
- Establish effective resource planning.
- Provide quantitative manpower planning and work reporting.

NorthStar performed a top-down review of the TDBU organization and its current operating practices. The TDBU organization and responsibilities were evaluated for strengths and weaknesses, appropriateness to the TDBU mission, and against other similar

organizations in the industry. Organizational missions, products, and services were evaluated to ensure that they support the work management philosophy. Activities were categorized into tasks, project or time category work and then analyzed for efficiency utilizing standard industry engineering methodology. Recommendations were developed to match resource requirements with workload levels, defined management requirements, work management reporting systems, and defined management processes. The last step of the project was planning for implementation of long term recommendations.

## **Southern California Edison – Project Management Review**

SCE initiated a multi-billion dollar transmission construction program in 2003. Since the company had not developed any significant construction projects in over two decades, management recognized the need to identify potential risk areas and define strategies that would reduce regulatory risks to its rapidly expanding construction program. SCE engaged NorthStar to conduct a review of large utility construction projects carried out throughout the United States. NorthStar conducted a benchmarking survey of regulatory reviews of large electric transmission and generation projects recently completed. The survey highlighted potential regulatory risk by identifying subject areas where regulators and intervenors took issue with projects and then translating them into strategic advantages for the company's transmission construction program.

NorthStar utilized a research oriented approach to this assignment that began with a broad perspective, then became selectively deep as the analysis focused on specific projects and risks. NorthStar researched a number of capital projects and then focused on a select number based on a series of parameters. Information sources included regulatory records, commission orders, filed testimony, and direct interviews with various project managers.

NorthStar's detailed analysis included 15 large transmission and generation projects and identified the following risk areas:

- Project decision making.
- Early design solutions to technical, financial, and regulatory issues.
- Strategies and relationships to mitigate conflicts, spread risk, provide information, and develop skills needed for successful project delivery.
- Finance, ownership, contract, organization, and risk management techniques.

## **Lower Colorado River Authority – Management Audit**

In December 2005, the Public Utility Commission of Texas ordered a management audit of LCRA. This audit encompassed five subject areas: Direct Transmission Charges, Allocation of Overhead Charges, FERC Reporting, Administration of Capital Expenditure Transmission Projects, and Transmission Cost-of-Service. Lower Colorado River Authority (LCRA) is a Texas reclamation and conservation district operating in Central Texas. LCRA, through its wholly owned subsidiary, LCRA Transmission Services Corporation (TSC), provides wholesale transmission services throughout the ERCOT region. TSC has gross revenues of approximately \$170 million annually and assets in excess of \$1.2 billion.

NorthStar determined that LCRA's allocation of overhead costs were unduly complicated. However allocations were based on causal relationships and did not create cross-subsidies between TSC and its other business units. TSC's debt service associated with new transmission plant outpaced ERCOT increases in demand causing a steep increase in total cost of service. LCRA has adequate cost accounting processes and procedures for assignment costs to TSC and other business units. TSC's administration of capital expenditure transmission projects was in compliance with the terms and conditions of the contracts. LCRA accurately maps costs between its chart of accounts and FERC accounts.

### **Southern California Gas Company and San Diego Gas and Electric – 2000, 2001, 2002, and 2004 Management Audit of Affiliate Relationships**

NorthStar conducted the affiliate transaction audits of Sempra Energy's two regulated utilities. The purpose of this audit was to provide a professional opinion as to each utility's relative compliance with the California Affiliate Transaction Rules. NorthStar was responsible for evaluating:

- Organizational Structure
- Policies and Procedures
- Electricity and natural gas risk management policies and procedures
- Electricity and natural gas trades with affiliates
- Financial transactions between affiliates and utilities
- Training practices

NorthStar utilized a qualitative and quantitative approach to this assignment that was applied to each of the California Affiliate Transaction Rules. The approach included interviews, document analysis, transaction reviews, and model development.

NorthStar completed the last audit in May 2005. NorthStar's audit results were given special recognition by the CPUC in D.06-12-029, pages 11-12 ([http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/63087.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/63087.PDF)). Recommendations included:

- Separation of the Risk Management Function. Risk management was conducted at the Sempra Corporate level. NorthStar determined that adequate separation did not exist between the utilities and the affiliates in providing this service.
- Investigate trading brokers more completely. NorthStar determined that some of the brokers were not diversified enough in counter-party contracts to guarantee anonymity in trading partners.
- Improve controls and authorization in computer access for affiliate and utility employees.



## **Southern California Edison – 2000, 2001, 2002, and 2006 Management Audit of Affiliate Relationships**

NorthStar conducted four of the last seven management audits of SCE's affiliate relationships. The purpose of these audits was to express an independent opinion on the degree and extent of SCE's compliance with the Commission's rules governing affiliate transactions and relationships. NorthStar investigated the utility's accounting and operational practices as they relate to discrimination, fair disclosure of information, and corporate separation. While the NorthStar team performed standard audit tests of selected affiliate transactions, we also focused on the effectiveness of the control environment—i.e., the organization, business processes, and regulatory compliance procedures that affect SCE's compliance efforts. Specifically, NorthStar reviewed:

- Organizational Structure
- Policies and Procedures
- Electricity and trades with affiliates
- Financial transactions between affiliates and the utility
- Computer systems and network access
- Marketing and business development programs
- Training practices

NorthStar utilized a qualitative and quantitative approach to this assignment that was applied to each of the California Affiliate Transaction Rules. The approach included interviews, document analysis, transaction reviews, and model development.

NorthStar completed the last audit in April 2007. A copy of this document can be found at:

[http://www.sce.com/NR/sc3/tm2/RPA/Reg\\_Info\\_Ctr/AffiliateAuditReport/2006\\_affiliate\\_transactions\\_audit\\_report.pdf](http://www.sce.com/NR/sc3/tm2/RPA/Reg_Info_Ctr/AffiliateAuditReport/2006_affiliate_transactions_audit_report.pdf)

- Revise current definition of an affiliates "creation" and re-evaluate and reclassify affiliates as necessary. NorthStar found that SCE does not consistently use products and services directly produced by the affiliate as a determination of its classification.
- Discontinue joint meetings between the utility and affiliates. NorthStar determined that affiliates attending high level meetings including Board of Director, Risk Management, and Market Design Policy sessions jointly. This is problematic due to the potential of the utility disclosing non-public information to its unregulated affiliates.
- Improve controls and authorization in computer access for affiliate and utility employees.



## **Phoenix Sky Harbor Airport – Management Audit**

NorthStar completed a planning, operations, and organizational review of the Sky Harbor International Airport for the City of Phoenix, Arizona. The review identified areas within the Aviation Department's Planning and Development Division which, based on processes employed or comparative basis deviate sufficiently from industry best practices to warrant further review or immediate attention, and recommended opportunities to reduce costs, increase efficiency and improve service levels.

A comprehensive review was conducted that included an organizational review, administrative procedures, operational practices, management systems, and new technologies in order to achieve more efficient performance, resource optimization, forecast long-term resource requirements, and improve external communication and coordination barriers. NorthStar utilized a variety of tools to perform this assignment including: interviews, organizational mapping, review of organizational performance, and best practices.

As a result, the Aviation Department re-organized the Division around its two key functions: planning and capital project development. The Department reassigned other functions to units of the Department that more closely match their respective missions and functions while committing to staffing needs and initiate an aggressive professional development and training program. Planning policies and procedures were adopted to recognize the importance of planning concepts and provide formal mechanisms to assure that they are accomplished in a rigorous manner. The Department renewed efforts to complete the Master Plan update and provide an update every five years thereafter, improve project management controls and reporting systems; and develop formal policies and procedures to support project management from inception to completion.

## **Phoenix Sky Harbor Airport – Management Tools**

NorthStar assisted the City of Phoenix Aviation Department's Planning and Development Division in establishing management control processes for program management of its Capital Expenditure Program. NorthStar also participated in the program management of Sky Harbor International Airport's \$3 billion West Terminal Development Program. The scope of the West Terminal Project included a state-of-the-art terminal complex and an automated people mover system. Specific areas of work included the development of project management tools, communications planning, project management controls, and capital project implementation. Specific areas of NorthStar's support included the development of project management tools, communications planning, and the integration of management controls between the program manager, contractors, and the City of Phoenix.

NorthStar assisted the airport by developing the following:

- Policies and procedures in identifying and controlling risk including determining the project manager, appropriate project approach (turn-key, design/build, in-house etc) and appropriate contractual relationships.

- Policies and procedures in developing project estimates including preliminary, detailed and final estimates.
- Provided training and policies and procedures in developing and controlling project schedule including project planning, scoping, pre-design, design, construction, and turn-over.
- Assisted in the Capital Expenditure Program development process including project identification, project submittal, project approval, project grouping, project prioritization and project budgeting.
- Policies and procedures in controlling project cost including work breakdown, cost reporting, change order management and communications.

## **City of Los Angeles – Bureau of Engineering Performance Benchmarking**

NorthStar conducted a performance benchmarking and operations review of the City of Los Angeles Bureau of Engineering. NorthStar also monitored implementation progress of recommendations. The review analyzed the Bureau's project management implementation practices, decision-making, and communications, and highlighted issues that impacted the effectiveness of the Bureau's performance. A benchmark analysis was also performed to compare the Bureau's processes and performance with other similar public agencies.

The review focused on the Bureau's organization and management including capital project implementation processes, performance benchmarking, the City's street reconstruction program, and cost recovery for services provided. A process review of the following areas was performed:

- Capital program and project planning, prioritization, and execution.
- Program and project management organization.
- Cost and schedule management practices and overall performance.
- Bureau internal and external communications and cooperation.

A final report was prepared that quantified potential savings based on improvements in the following areas:

- Organize the Bureau around key programs and within each, create a project management organization and improve accountability.
- Develop policies and procedures for effective client relationships.
- Reduce management layers and improve span of control.
- Develop an objective project prioritization system for the City.
- Develop a Bureau-wide project management and performance reporting system.

## **Additional Relevant Project Descriptions**

**Organization and Work Management Reviews.** NorthStar founder and Managing Director, Douglas Bennett, directed and performed work management improvement programs for numerous public utility clients including Oklahoma Gas & Electric Company,

Nevada Power Company, General Public Utilities, Public Service Company of New Mexico, and Columbus & Southern Ohio Electric. He also performed work management improvement programs for clients in the construction and mining industry. Areas included:

- Well-defined and efficient work management and control systems.
- Detailed job planning prior to assignment.
- Objective work priority methodologies.
- Improved scheduling and activity coordination among craft groups.
- Accurate measurement and reporting of job completion times, resource performance, and maintenance effectiveness.
- Comprehensive maintenance management information reporting.
- Improved preventive maintenance program execution and reporting.
- Increased supervisory time and workforce utilization.

**Glendale Public Utilities** – NorthStar Managing Director D. Bennett directed an organizational review of the City of Glendale’s Municipal Utility Division. The review focused on operations improvement in the areas of materials management, inventory control and warehousing, power supply planning, and electric distribution operations.

**East Bay Municipal Utilities.** NorthStar founder D. Bennett directed a management review to improve procurement, warehousing and material distribution for this water utility.

**WE Energies.** NorthStar completed a credit and collection performance benchmark and process re-engineering study for this large Midwest utility. NorthStar developed a survey of similarly situated utilities with the purpose of developing a better understanding of strategic credit and collection issues facing utilities. The survey included an examination of performance benchmarks and practices within the utility industry to determine if any widely applicable credit and collection “best practices” exist. The survey provided a basis to re-engineer processes currently utilized by the client with the objective of developing a “best in class” credit and collection function.

## NorthStar Consulting Group Client References

<b>Client:</b> Southern California Edison Company <b>Contact:</b> Mr. James Kelly Sr. Vice President - TDBU 2244 Walnut Grove Rosemead, CA 91770 (626) 302-2284	<b>Client:</b> City of Los Angeles- Harbor Department <b>Contact:</b> Mr. Bill Stein Director of Administration (Retired) 28325 Lunada Ridge Drive Rancho Palos Verdes, CA 90275 (310) 377-5648
<b>Client:</b> City of Phoenix – Department of Aviation <b>Contact:</b> Mr. James H. Matteson, P.E. Director of Planning and Development (retired) 3424 Country Club Circle Show Low, AZ 85901 (928) 532-2948	<b>Client:</b> California Public Utility Commission <b>Contact:</b> Mr. Jack Fulcher Regulatory Analyst 505 Van Ness Avenue San Francisco, CA 94102 (415) 713-1711
<b>Client:</b> Lower Colorado River Authority <b>Contact:</b> Mr. Roger de la Garza Regulatory Analyst 3700 Lake Austin Boulevard Austin, TX 78703 (512) 473-3273	

## Confidentiality

Due to our experience in working with many clients in competitive industries, we are sensitive to the need for handling proprietary information in a confidential manner. Our PC-based network database system is secured through a series of passwords for each project. All confidential information received will be kept in locked file cabinets. Only authorized consultants have the ability to access the information in the database system or the locked file drawers where the information is stored. If required we will sign a confidentiality agreement to ensure CECONY and the Department that documents and information are handled in a manner acceptable to their security requirements. Our systems assure that confidentiality of information will be maintained. NorthStar can further elaborate on our experience if selected as a Finalist for this project.

## **VIII. EXHIBITS**

### **Exhibit III-1. Initial Document and Data Request**

1. Statements of corporate goals and objectives
2. Detailed organization charts for CECONY.
3. Mission and function statements for each department and division
4. Description of the overall corporate planning process
5. Most recent company strategic plan
6. Audited financial reports for past five years.
7. Description of financial planning models currently used.
8. List of key financial indicators used by management.
9. Systems planning studies prepared over the past five years
10. Recent short- and long-range demand forecasts used for planning purposes
11. Comparison of demand forecasts to actual demand for past five years
12. List of planned construction projects including cost and timing for the next three years for all three businesses.
13. List of construction projects completed in the last three years for all three businesses. The list should provide the final cost, the original cost estimate, the project start and complete dates for each project.
14. List of ongoing construction projects for all three businesses. The list should provide the original cost estimate, the project start and expected complete dates and percent completion for each project.
15. Project management and control procedures
16. Five-year comparison, actual to budgeted capital expenses
17. Management letters from outside auditors and responses for the past five years.
18. Biographies of all officers and Board members.
19. Examples of reports regularly distributed to top management and the Board of Directors.
20. Current organization charts showing all positions (including vacant positions) and current incumbents with as much information (position number and salary grade) on each position as is available
21. Description of all apprentice and technical training programs and a summary of participation over the last five years
22. Copies of all available consulting, benchmarking and best practices studies and surveys.

**Exhibit III-1.**  
**Initial Document and Data Request (continued)**

23. Description of the contracting and contractor management process
24. Description of all quality control or assurance programs
25. Example copies of all workforce management relevant reports, particularly those that address availability, utilization, efficiency, productivity and effectiveness
26. Description of the performance management system and how it is relevant to workforce management and productivity
27. Description of improvement initiatives (process improvement, information technology, new tools or equipment) over the last five years.
28. Description of the job classification program and compensation policies, procedures and ranges for each position
29. Description of each engineering system utilized, such as, GIS, AM/FM, CAD, etc.
30. Description of each operations system used, such as, SCADA, computer aided dispatch, etc.
31. Description of each project management, maintenance management or work management system utilized
32. Description of all shifts (day, evening, graveyard, 24X7 coverage, and weekend coverage) utilized by each department and how they are applied to each work group.
33. Current and prior mission statements.
34. Current capital and operating budgets, including all budget assumptions
35. Copies of the most recent budget variance reports and explanations for each responsibility area
36. List of Key Performance Indicators (KPI's). For each KPI, provide five-year trends (preferably in Excel) and the current target or control limits.
37. Description of any significant organizational changes that have occurred in the last five years
38. Copies of all audit reports and management responses completed during the past three years (internal and external).
39. CECONY's risk management policy.
40. Identification of allowed and prohibited energy trading transactions.
41. List of key financial indicators used by senior management.
42. Last three years of purchased gas costs by vendor and contract.
43. Gas purchasing plan.
44. Description of programs for conducting ground-line inspections of T&D wood poles.
45. Annual reliability data (SAIDI, SAIFI and CAIDI for 2006, 2007 and 2008 to date.
46. 2006, 2007 and 2008 year-to-date forecast and actual electric system load.
47. Most recent reports used by m management to compare itself to other utilities.

**Exhibit III-1.**  
**Initial Document and Data Request (continued)**

48. Most recent systems planning studies for the electric, gas and steam businesses.
49. Most recent short and long range demand forecast used for planning purposes.
50. Amounts awarded to contractors for 2006, 2007 and 2008 to date.
51. Guidelines used to develop staffing requirements.
52. Copy of equipment replacement procedures used to determine whether to repair or replace equipment.
53. Documentation on project close-out, quality assurance, and post-audit feedback processes.
54. Documentation relative to the decision-making process for selecting in-house crews versus outside contractors.
55. Description of all computer models and software systems used for system demand forecasting.
56. The most recent energy conservation plans and policies.
57. Description of the overall corporate planning process.
58. Monthly reports of productivity tracking systems.
59. For each of the electric, gas and steam business units, five-year trends of the following data.  
(Preferred in Excel)
  - a. Total Expenditures
  - b. O&M Expenditures
  - c. Capital Expenditures
  - d. Gross and Net Plant
  - e. Labor Expenditures
  - f. Professional Services Expenditures
  - g. Other Contracts Expenditures
  - h. Non-labor Expenditures
  - i. Positions at Year End
  - j. Occupied and Vacant Positions at Year End
  - k. Full Time Equivalent Employees For Each Year
    - i. O&M
    - ii. Capital
  - l. Attrition
    - i. Retirements
    - ii. Other Voluntary
    - iii. Non-Voluntary
  - m. New Hires
  - n. Employee Costs
    - i. Salaries and Wages
    - ii. Overtime
    - iii. Retirement
    - iv. Health Insurance

**Exhibit III-1.**  
**Initial Document and Data Request (continued)**

- v. Utilities Portion of Payroll Taxes
- vi. Other Benefits
- vii. Total Employee Cost
- o. Activity Levels
  - i. New Customers
  - ii. New Services
  - iii. Total Customers
  - iv. Total Services
  - v. Customer Churn (Moved)
  - vi. Throughput (MWH, Dth, Steam tons)
  - vii. Capacity (MW, Steam tons)
  - viii. Distribution Miles (circuit miles, miles of pipe)
  - ix. Capital additions
  - x. Total plant



**Exhibit III-2.**  
**Initial Interview Request**

1. All CECONY officers, directors and managers.
2. Members of CEI Board of Directors.
3. Individual(s) responsible for setting corporate goals and objectives.
4. Individuals responsible for developing and overseeing business plans and operating and capital budgets for each CECONY department
5. Individual responsible for developing, maintaining and revising corporate mission.
6. Individual responsible for establishing the corporate performance management system.

**Exhibit III-3.**  
**Preferred Practices Checklist: Corporate Planning**

<b>NorthStar Preferred Practices</b>	<b>Yes</b>	<b>No</b>
1. Directed by the CEO.		
2. Has significant senior management involvement.		
3. Reviewed and approved by the Board of Directors.		
4. Coordinated and monitored by dedicated resources.		
5. Processes and responsibilities are well-documented and understood by key management personnel.		
6. Process assures appropriate bottom-up input.		
7. Addresses a wide range of issues.		
8. Is responsive to dynamic changes in the operating environment.		
9. Includes detailed functional and departmental performance goals.		
10. Links goal attainment to incentive compensation.		

**Exhibit VI-1.**  
**Detailed Project Schedule (2008-2009)**

Weekly Gantt Chart																		
<i>Week of:</i>	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/25	9/1	9/8	9/15	9/22	9/29
<b>Phase I – Planning &amp; Orientation</b>																		
Perform Interviews	X	X	X	X	X													
Review Documents	X	X	X	X	X													
Perform Risk Analysis				X	X	X												
Prepare Work Plan					X	X	X											
Submit Draft Work Plan to Staff							X											
Receive Work Plan Approval								X										
<b>Phase 2: Technical Review</b>																		
Perform Interviews									X	X	X	X	X	X	X	X	X	X
Review Documents									X	X	X	X	X	X	X	X	X	X
Make Site Visits												X	X	X	X	X	X	
Perform Analyses													X	X	X	X	X	X
Mid-Point Status Meeting																		X
Prepare Task Reports																		
Verify Facts with CECONY (3-Party Meetings)																		
<b>Phase 3 – Reports</b>																		
Prepare Draft Report																		
Issue Draft Report to Staff																		
Receive Comments from Staff																		
Revise Draft Report																		
Issue Draft Report to CECONY																		
Hold Final 3-Party Meeting																		
Receive CECONY Comments																		
Revise Draft Report																		
Issue Revised Report to Staff/CECONY																		
Finalize Report																		
Receive Comments from Staff/CECONY																		
Issue Report																		

**Exhibit VI-1.**  
**Detailed Project Schedule (continued)**

Weekly Gantt Chart																		
<i>Week of:</i>	10/6	10/13	10/21	10/27	11/3	11/10	11/17	11/24	12/1	12/8	12/15	12/22	12/29	1/5	1/12	1/19	1/26	2/2
<b>Phase I – Planning &amp; Orientation</b>																		
Perform Interviews																		
Review Documents																		
Perform Risk Analysis																		
Prepare Draft Work Plan																		
Submit Draft Work Plan to Staff																		
Receive Work Plan Approval																		
<b>Phase II: Technical Review</b>																		
Perform Interviews	X	X																
Review Documents	X	X																
Make Site Visits																		
Perform Analyses	X	X	X	X	X	X												
Mid-Point Status Meeting																		
Prepare Task Reports					X	X	X	X										
Verify Facts with CECONY (3- Party Meetings)							X	X	X	X								
<b>Phase III – Reports</b>																		
Prepare Draft Report									X	X	X	X	X	X				
Issue Draft Report To Staff														X	X			
Receive Comments from Staff																X	X	
Revise Draft Report																		X
Issue Draft Report to CECONY																		
Hold Final 3- Party Meeting																		
Receive CECONY Comments																		
Revise Draft Report																		
Issue Revised Report to Staff/CECONY																		
Receive Comments from Staff/CECONY																		
Finalize Report																		
Issue Report																		

**Exhibit VI-1.**  
**Detailed Project Schedule (continued)**

Weekly Gantt Chart																		
Week of:	2/9	2/16	2/23	3/2	3/9	3/16	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/25	6/1	6/8	6/15
Phase I – Planning & Orientation																		
Perform Interviews																		
Review Documents																		
Perform Risk Analysis																		
Prepare Work Plan																		
Submit Draft Work Plan to Staff																		
Receive Work Plan Approval																		
Phase 2: Technical Review																		
Perform Interviews																		
Review Documents																		
Make Site Visits																		
Perform Analyses																		
Mid-Point Status Meeting																		
Prepare Task Reports																		
Verify Facts with CECONY (3-Party Meetings)																		
Phase 3 – Reports																		
Prepare Draft Report																		
Issue Draft Report to Staff																		
Receive Comments from Staff																		
Revise Draft Report	X																	
Issue Draft Report to CECONY	X	X																
Hold Final 3-Party Meeting			X															
Receive CECONY Comments				X	X													
Revise Draft Report						X	X											
Issue Revised Draft Report to Staff/CECONY							X	X										
Receive Comments from Staff/CECONY									X	X								
Finalize Report										X	X	X						
Issue Report													X	X		