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

Implementation Plan Update

October 29, 2013

IBERDROLA USA

Contents

Executive Summary

In accordance with the New York Public Service Commission (PSC) August 28, 2012 Order in Case 10-M-0551[1], Iberdrola USA and its affiliates (collectively the "Company") submit this update to the Implementation Plan describing the Company's initiatives to act upon 62 audit recommendations made in the Final Audit Report[2]. The Company welcomes this opportunity to further improve its performance, consistent with the Company's culture of continuous improvement[3].

The bulk of this document consists of individual project plans developed to implement the audit recommendations. Included in these plans are the names of the responsible executives and project managers, project scopes, priorities, costs, savings, benefits, risks, and schedule of milestones, as well as the current status of each project and progress achieved to date. The new or changed information in this update is highlighted using yellow shading. The Company continues to make substantial progress toward completion of the audit recommendations, as shown on the table below.

	Future Start	**In Progress**	**Rejected**	**Verified Complete by Company**	**Confirmed Accepted by DPS Staff**
October 29, 2012 Implementation Plan	3	46	3	10	0
February 28, 2013 Implementation Plan Update	0	40	3	19	0
June 28, 2013 Implementation Plan Update	0	30	3	28	1
October 29, 2013 Implementation Plan Update	0	24	3	34	1

[1] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, Order Directing the Submission of a Management Audit Implementation Plan and Establishing Further Procedures on Corporate Structure and Governance Issues (issued August 28, 2012) ("Management Audit Order").

[2] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, Final Report Management Audit of Iberdrola S.A., Iberdrola USA, New York State Electric and Gas, and Rochester Gas and Electric by The Liberty Consulting Group (dated June 4, 2012 and made publicly available August 27, 2012) ("Final Audit Report").

[3] The company expects the next update report to reflect any applicable guidance from any Orders received in Case 12-M-0066 related to the Company's Reorganization Petition.

Project plans that have been verified to be complete by the company have a "Completed" watermark. The watermark is changed to "Accepted" after Staff confirms completion. This Implementation Plan will continue to be updated every four months until all the projects are finished. Beginning with the next update, project plans will be removed from the Implementation Plan after they have been "Accepted".

Introduction

Background

The Commission approved the selection of The Liberty Consulting Group ("Liberty") to conduct a management audit of the Company on March 17, 2011. During the remainder of the year, Liberty issued nearly 1,200 document requests and conducted over 275 interviews of key Company personnel. For the first time in a New York utility management audit, a formal Cost Benefit Analysis ("CBA")[4] process was introduced and conducted by Liberty, with Company and Staff participation.

The Company responded promptly to the many data and interview requests, and was pleased to participate on the CBA Recommendation Review Committee with Liberty and Department of Public Service Staff ("Staff"), to review draft recommendations and identify and potentially improve recommendations that could produce customer benefits. The Company also appreciated the opportunity to provide comments on the Draft Audit Report.

The Final Audit Report was released in two volumes dated June 4, 2012. Volume I contains the findings, conclusions, and recommendations of the audit, and Volume II contains Liberty's CBAs for every recommendation. The Company provided written comments on the Final Audit Report on June 18, 2012 ("Company Comments"). Those comments were attached to the Management Audit Order as Appendix B.

In the Management Audit Order, the Commission directed the Company to address the 75 recommendations in the Final Audit Report in two proceedings. As shown in the table below, 13 recommendations related to corporate structure and governance were addressed in Case 12-M-0066 in association with a petition for reorganization[5]. The remaining 62 recommendations were addressed in the original Implementation Plan and in subsequent updates to date, in Case 10-M-0551.

[4] This Cost Benefit Analysis process has been superseded for future audits by a Customer Benefit Analysis, in recognition of the importance to the customer of all the benefits due to the audit recommendations (including those benefits that cannot be quantified) and also of the challenges faced by Liberty in accurately quantifying potential dollar savings from individual audit recommendations. Final Audit Report Volume II at 2-3.

[5] Case 12-M-0066, Petition of New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law, Supplement to Petition of New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law, filed September 27, 2012 ("Petition Supplement").

Final Audit Report Chapter	Case 12-M-0066 (Petition Supplement)	Case 10-M-0551 (Implementation Plan)
1. Executive Summary	None	None
2. Corporate Structure and Governance	Recommendations 2.1-2.7	None
3. Affiliate Transactions	None	Recommendations 3.1-3.5
4. Load Forecasting	None	Recommendations 4.1-4.6
5. Wholesale Market Issues	None	Recommendations 5.1-5.2
6. System Planning – Electric	None	Recommendations 6.1-6.6
7. System Planning – Gas	None	Recommendation 7.1
8. Supply Procurement – Electric	None	Recommendations 8.1-8.6
9. Supply Procurement – Gas	None	Recommendations 9.1-9.4
10. Budgeting	Recommendation 10.3	Recommendations 10.1-10.2
11. Program and Project Planning and Management – Electric	None	Recommendations 11.1-11.9
12. Program and Project Planning and Management – Gas	None	Recommendations 12.1-12.3
13. Work Management	None	Recommendations 13.1-13.12
14. Plans, Controls, Performance Management, and Compensation	Recommendations 14.2, 14.4, 14.5, 14.8, 14.9	Recommendations 14.1, 14.3, 14.6, 14.7, 14.10, 14.11

Implementation Plan Process

The Company filed its Implementation Plan on October 29, 2012.

Consistent with the Management Audit Order, the Implementation Plan will be formally updated every four months following its initial submittal. This is the third such update to the Implementation Plan. The updates are expected to be completed at the end of each February, June, and October, until the projects to implement each recommendation have been determined by the Company to be complete. In the Implementation Plan Update, those project plans bear a watermark of "Completed". After internal completion of each project/recommendation, Staff will conduct a confirmation review on behalf of the Commission. The Company will work diligently with Staff to respond to any questions and resolve any issues identified during that confirmation review. Project plans confirmed by Staff to be complete bear an "Accepted" watermark, and will be removed from future updates.

As of October 29, 2013, the Company has identified that projects associated with 34 recommendations were verified as complete, as shown in Appendix A and on the individual project plans.

Implementation Organization

Responsibility for implementation of the management audit recommendations begins at the highest level – the Iberdrola USA Board of Directors ("IUSA BOD") – and cascades to individual managers, supervisors, and employees.

The IUSA BOD has received regular management audit updates and presentations to discuss at every Board meeting since the audit began, and will continue to receive weekly updates during the implementation stage.

Within the Company, an executive level Steering Committee has overseen the preparation for the audit and the audit itself since 2010. The members of the Steering Committee are identified below. During the implementation stage, the Steering Committee will continue to monitor the progress and results of the audit, and is specifically accountable (with Internal Audit) for verifying completion of each individual project.

To verify successful completion of each project, the Steering Committee takes into consideration such factors as:

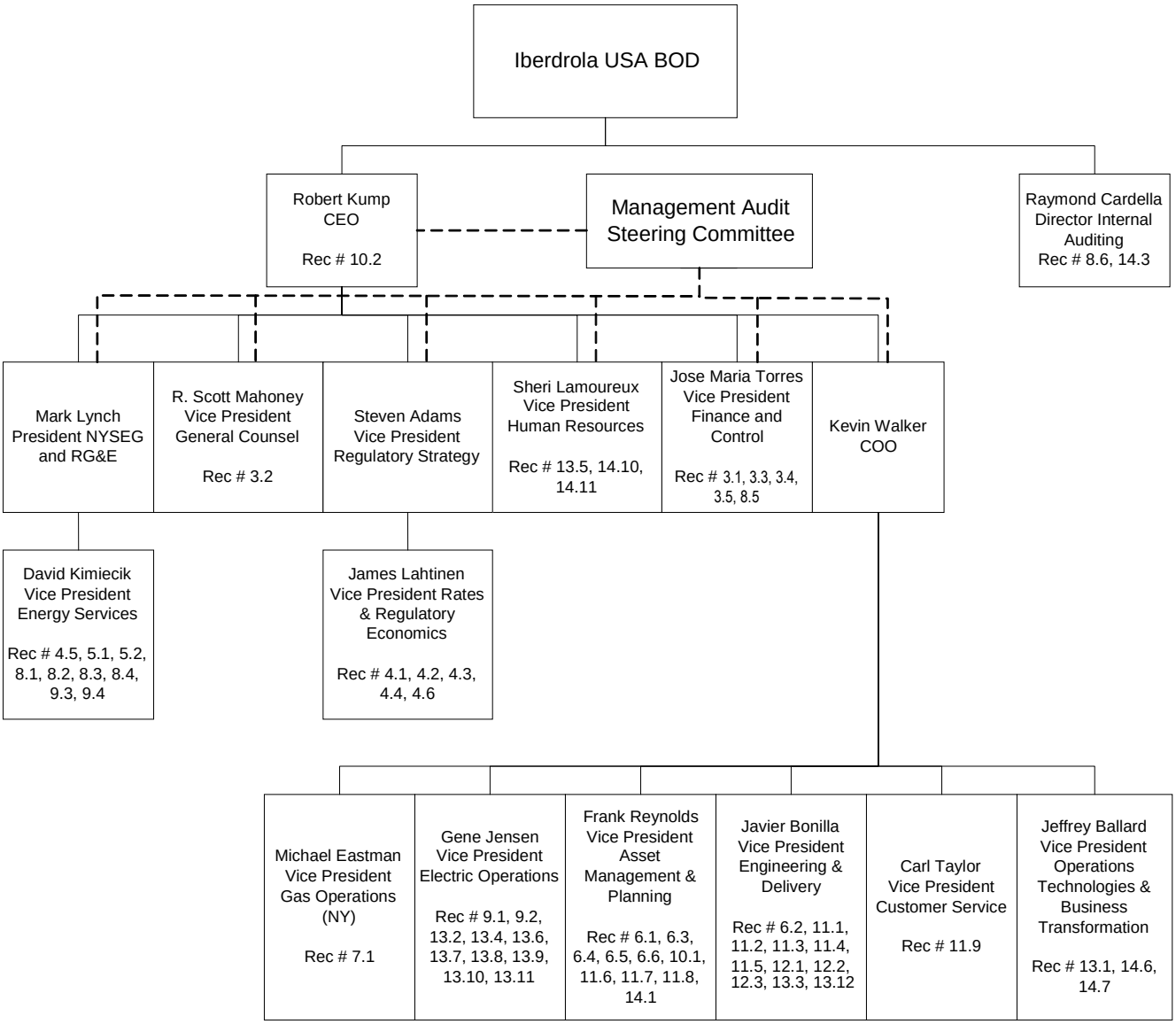
- Consistency with the original audit recommendation as adopted or modified
- Consistency with the scope and plan for the individual project, and reasons for any changes to the original scope and plan
- Supportability and sustainability of results
- Quality of deliverables and supporting materials.

Steering Committee
Mark Lynch (Chair), NYSEG/RGE President
Steve Adams, IUSA VP – Regulatory Strategy
Ray Cardella, IUSA Director – Internal Audit
Rafael Gil Nievas, Iberdrola Corporate Services
Bob Kump, IUSA – CEO
Sheri Lamoureux, IUSA VP – Human Resources
R. Scott Mahoney, IUSA VP – General Counsel
Joe Syta, NYSEG/RGE VP – Controller & Treasurer
Jose Maria Torres, IUSA VP – Finance & Control
Kevin Walker, IUSA – COO

Joe Syta remains the senior officer designated to work with Staff to coordinate the Company's participation in the management audit, while Linda Saalman and Gary Dunkleberger provide ongoing project management for the implementation phase of the audit. Linda Saalman remains the project manager designated to work with Staff on a day-to-day basis.[6] They are ably supported by a team responsible for coordinating project planning, development, implementation, and closure; monitoring the individual projects; working with project managers to resolve issues and address questions, particularly those that apply to multiple projects; developing and maintaining a website for Company and Staff use; and producing documents such as this Plan.

[6] Case 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, letter from Secretary Jaclyn A. Brilling to Robert D. Kump (dated December 16, 2010).

Projects to implement the individual recommendations have been assigned to specific Executive Champions based on their functional area responsibilities. This will ensure that the final project deliverables will be operationally effective, and ensure that the projects are designed to appropriately balance their potential benefits with the associated costs to achieve those benefits. The organization chart below identifies those assignments, and the relationship of the Executive Champions to the IUSA BOD and Steering Committee.



Each individual project will be the responsibility of one or more specific project managers or team leads. The Executive Champions and Project Managers/Team Leads are identified in each project plan, and are listed in Appendix B.

Adopted, Modified, and Rejected Recommendations

The Company is in the process of or has completed implementing 44 of the 62 recommendations without material modifications.

The Company is in the process of or has completed implementing 15 of the recommendations with modifications. In some cases, these modifications involve conducting a more in-depth study before making a final decision concerning the business changes Liberty recommended. Such projects will be conducted in two phases: the study will be conducted in Phase I, and changes to the business, if warranted, will take place in Phase II. Other modifications to Liberty's recommendations are designed to reduce the cost of implementation, strengthen benefits, manage risks, or shift work from one recommendation project to another to facilitate effective completion.

Finally, throughout the CBA process and in the Company Comments[7], the Company expressed its concerns with three electric energy supply recommendations which the Company rejects as inappropriate, contrary to Commission directives, and unlikely to be effective:[8]

- Recommendation 8.1: Analyze optimum electric portfolio
- Recommendation 8.2: Issue electric energy RFPs
- Recommendation 8.3: Issue electric capacity RFPs.

The Commission has described the savings estimated by Liberty that are associated with these specific recommendations as "unrealistic", "not of high quality", "lacked support", and "not based on any factual analysis".[9] The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.

Project Priorities, Costs, and Benefits

The Management Audit Order requires the Company to "include an overall characterization of the relative priorities for each of the recommendations, implementation action steps, schedules with specific interim milestones, risk/cost/benefit analyses, and a designation of executive officer accountability."[10] All this information is provided in the individual project plans. This section explains and clarifies the start dates, priorities, costs, and benefits in those plans.

Priorities

Each project has been classified as high, medium, or low priority.

[7] Management Audit Order, Appendix B at 3.

[8] The Commission ordered the Company to confer with Staff regarding recommendations that the Company feels "are inappropriate, contrary to Commission directives, or not cost-effective". Management Audit Order at 21-22, 23 and 25. The Company shared with Staff the intended rejection of these recommendations as part of the October 5, 2012 meeting between Company and Staff. The Company and Staff further discussed these recommendations during the September 19, 2013 Management Audit update meeting.

[9] *Id* at 16 and 19-20.

[10] *Id* at 24.

After considering various scales for prioritization, the Company concluded that a simple formulaic approach to prioritization would not produce robust results. The Company therefore chose to use its expert judgment to prioritize each project, taking into account such factors as:

- Anticipated opportunity for benefits
- Regulatory or internal commitments
- Consistency with application of best practices
- Ease of implementation
- Consistency with New York State and Commission goals, policies, and objectives.

Costs

To help the reader understand the costs in the individual project plans, the Company points out:

- Liberty sometimes included and sometimes excluded existing internal labor from their cost estimates in the Final Audit Report. Because the salaries and benefits of existing employees are already included in rates, the Company has concluded that adding them to the cost of audit implementation would be duplicative. Therefore, existing internal labor costs are not included in the Company's project cost estimates.
- The costs identified in the project plans are estimates, and subject to change.
- Some costs cannot be estimated at this time, and are identified as "TBD". This is particularly true for the Phase II costs to act on the results of Phase I studies or pilots.

Business Improvements, Benefits, and Savings

As the Commission said, "[t]he primary goal of the audit was to identify opportunities to improve NYSEG and RG&E's…construction program planning processes and operational efficiencies."[11] The Company welcomes this opportunity to further improve its performance, consistent with the Company's culture of continuous improvement.

The Company believes that the overall benefits of the adopted and modified projects will, in general, be equal to or exceed their costs. This is based primarily on a current judgmental comparison of non-quantified benefits, quantified costs, and high-level consideration of internal resource requirements. In the case of studies and pilots, it also takes into account the implicit value of having the study or pilot results to inform future decision-making, with an awareness that additional future benefits may be great, small, or not occur.

The non-quantified benefits are summarized in the individual project plans.

Cost savings are a subset of benefits. Much as the Company supports the CBA process and found it valuable, it agrees with the Commission position on quantified savings that:

> For some recommendations, it is difficult to identify firm dollar values, since the quantifications are based on professional judgment and a projection of improvement opportunities unique to that utility. Other recommendations do not lend themselves to

[11] *id* at 2.

> CBA, inasmuch as these other recommendations focus more on good management practices, which are less tangible, and cannot always be measured or quantified.[12]

Cost savings are provided to the extent possible and practical at this time. All other projects have savings classified as “TBD”, “not quantifiable”, or “none”.

Projects with “not quantifiable” cost savings produce savings that are diffuse and relatively intangible. This means that it is impossible or impractical to identify specific costs that will be reduced by a specific amount due to the project. In other cases, the savings from these projects cannot be practically or reliably separated from the savings produced by other projects or initiatives underway at the Company. The process and cultural changes produced by holistic cost management (Recommendation 13.1), for example, will help focus the Company on creatively controlling costs generally. This cultural and process change can be expected to help other initiatives be more sensitive to cost, and arrive at more cost-effective solutions. It is not expected to produce direct cost savings in isolation from other projects.

Projects whose savings are classified as “none” are justified based on their non-savings benefits and typically fall into the category of good management practices. No calculable cost savings are expected to be produced by these projects.

Non-audit business improvement projects may also enhance the effectiveness of the management audit recommendations.

Liberty described the Company’s Business Transformation (“BT”) process and summarized its achievements through 2010 in the Final Audit Report.[13] BT initiatives carried out in 2011 included, for example, New York meter read route optimization, increased fleet availability through improvements in preventative maintenance and demand repair practices, self-serve kiosks in walk-in offices, and a Success with 6S (Sort, Set in Order, Shine, Standardize, Sustain and Safety/Security) campaign to organize the workplace that resulted in 103 projects with 867 employees opting to participate across IUSA. Among the 2012 projects are employee mobilization for storm recovery response and emergency events, purchase requisition efficiencies, and enhancements to the New York public website.

The SAP back-office system supporting NYSEG and RG&E was implemented in 2004. Given the substantial investments to be made in the electric and gas infrastructure in the Company’s service territories, as well as the opportunity to potentially take advantage of global information systems infrastructures, the Company is undertaking an SAP renewal project, which is included in the Five Year Capital expenditure filing submitted to the Commission on April 1, 2013. The management audit implementation effort may be enhanced as certain projects may benefit from a renewed SAP.

[12] *Id* at 15.

[13] Final Audit Report Volume I at XIV-28.

Project Plans

Chapter III – Affiliate transactions

3.1: Change transaction identification

Recommendation

Project Title	Change transaction identification
Recommendation Number	3.1
Conclusion Number(s)	Ch III, #2
Recommendation	Change the identification of transactions as convenience payments to distinguish pass-through payments from expenses incurred in providing inter-affiliate services.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Change the identification of transactions on the invoices to distinguish pass-through payments (commonly referred to as to convenience payments) from expenses incurred in providing inter-affiliate services.

Description of Scope and Plan

Develop a process for transactions that are pass-through payments (commonly referred to as to convenience payments) vs. expenses incurred in providing inter-affiliate services. Design invoices to clarify the types of charges being billed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2012	07/2012	07/2012	Completed
Develop a report/process to identify transactions in the affiliate AR account as pass-thru vs. services provided by one affiliate to another	10/2012	11/2012	11/2012	Completed
Redesign invoices to better clarify the types of charges being billed	11/2012	12/2012	12/2012	Completed
Invoice using the new redesigned invoices	01/2013	01/2013	01/2013	Completed
Verify project completion	02/2013	02/2013	02/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Clarification of transactions in inter-affiliate invoices
Risks	Lack of clarification may delay payment approval
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Development of the report/process is underway.

02/28/2013:

Invoices have been modified to reflect payment term changes made in the service agreements and remove reference to convenience payments. All transactions are extracted from SAP and reported individually on the invoices to eliminate imperfect categorizations. The Intercompany Affiliate Transaction Procedure has been developed to identify transactions in the affiliate AR account. The Intercompany Invoice Payment Procedure has been developed to document controls related to the invoice processes. Invoices will be issued in the revised format during 2013.

3.2: Update service agreements

Recommendation

Project Title	Update service agreements
Recommendation Number	3.2
Conclusion Number(s)	Ch III, #6, 11
Recommendation	Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	R. Scott Mahoney	VP – General Counsel
Project Manager/ Team Lead	R. Scott Mahoney	VP – General Counsel
Project Manager/ Team Lead	Bob Fitzgerald	Assistant Controller

Brief Project Overview

Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions.

Description of Scope and Plan

Review and update the language of the inter-affiliate service agreements to reflect the current practice for affiliate transactions to correct for current corporate structure.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	06/2012	06/2012	06/2012	Completed
Draft and complete updates	06/2012	12/2012	01/2013	Completed
Verify project completion	01/2013	02/2013	02/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Elimination of obsolete language
Risks	If the project is not completed, the inter-affiliate agreements will not reflect the current practice for affiliate transactions and the current corporate structure.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Sections in the service agreements to be updated have been identified. Service agreements will be updated in December.

2/28/2013:

Service Agreement language has been updated to account for divestitures. Remaining allocators are correct and should remain in the Agreements. The IUMC Cost Manual has been updated to correspond to the revised Service Agreement language. The Company reviewed the audit recommendation regarding inclusion of additional language in either the Service Agreements or the Code of Conduct (Ethics) regarding Intellectual Property. The Service Agreements are not intended as asset transfer agreements or protocols nor do they supersede FERC or state commission rules and regulations. Therefore, instead of incorporating this language into the Service Agreements, the Company ensured that the new 2013 Code of Ethics contains language identifying intellectual property as a company asset and that it documents employees' responsibility to ensure proper safeguarding and authorized use.

3.3: Ensure service agreements among all utilities

Recommendation

Project Title	Ensure service agreements among all utilities
Recommendation Number	3.3
Conclusion Number(s)	Ch III, #7, 12
Recommendation	Tighten the controls that should prevent inter-affiliate billing without a service agreement.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Ensure Service Agreements among all utilities.

Description of Scope and Plan

Have Service Agreements created each year for each OpCo to all other OpCos regardless of history of activity or future budgets. Formalize procedure to ensure annual review of agreements.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2011	01/2011	01/2011	Completed
Create Service Agreements	01/2011	01/2011	04/2011	Completed
Develop formal procedure	10/2012	11/2012	11/2012	Completed
Verify project completion	12/2012	12/2012	01/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Eliminate inter-affiliate billing without service agreements
Risks	Lack of a formal procedure to ensure Service Agreements are confirmed exposes the Company to future inter-affiliate billing without such an Agreement
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Service Agreements have been completed among all the OpCos. Procedure is being drafted.

02/28/2013:

2013 Update Service Agreement Procedure is complete and in place. All affiliates governed by the service agreements have been transitioned to SAP to ensure consistent application of SAP table controls. In the event that SAP table controls must be lifted to facilitate the payroll process, prior authorization must be granted by the Assistant Controller – Control & Administration.

3.4: Improve timeliness of inter-affiliate payments

Recommendation

Project Title	Improve timeliness of inter-affiliate payments
Recommendation Number	3.4
Conclusion Number(s)	Ch III, #9
Recommendation	Improve the timeliness of inter-affiliate bill payments.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Improve timeliness of fees associated with inter-affiliate payments

Description of Scope and Plan

To review the payment process, interview appropriate people and discuss payment terms and fees. Develop a process for monitoring the affiliate payments which would involve communications and follow-up discussions of the status of payment, and of any issues to be resolved before payment can be made, as well as logging of invoice payments.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	07/2012	07/2012	07/2012	Completed
Evaluate impact of changing payment terms	10/2012	11/2012	11/2012	Completed
Develop standard communication process	10/2012	11/2012	11/2012	Completed
Implement new communication process	01/2013	01/2013	01/2013	Completed
Verify project completion	02/2013	02/2013	02/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improve timeliness of payments/application of fees where appropriate
Risks	Timeliness of payments/application of fees would continue at the current level if this effort is not completed.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Evaluation of the impact of changing payment terms and the development of standard communications protocol has begun.

2/28/2013:

Affiliate invoice payment terms were updated to reflect current practices. A communication plan and tracking process were agreed upon with Administration and Treasury Departments to ensure timely payment of affiliate invoices.

3.5: Encourage cost-causative charging

Recommendation

Project Title	Encourage cost-causative charging
Recommendation Number	3.5
Conclusion Number(s)	Ch III, #12,13,14, 19
Recommendation	Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Karen Fecteau	Manager – IUMC Administration

Brief Project Overview

Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.

Description of Scope and Plan

Improve employee training and develop more complete policy documents to encourage more direct and cost-causative charging of service company costs.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	11/2012	11/2012	01/2013	Completed
Develop and test policy documents and employee training for time reporting	11/2012	02/2013	01/2013	Completed
Train employees	03/2013	04/2013	05/2013	Completed
Verify project completion	05/2013	05/2013	05/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Reinforce importance and encourage appropriate cost-causative charging, including direct charging
Risks	Cost-causative and direct charging likely to remain at current levels without policy documents and training
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

02/28/2013:

Policy and training documents have been prepared. Training plan is being developed.

06/28/2013:

A training plan and materials have been developed. Training has been provided to employees focusing initially on those with the greatest likelihood to utilize more direct and cost-causative charging.

Chapter IV – Load Forecasting – Electric and Gas

4.1: Evaluate forecasting software

Recommendation

Project Title	Evaluate forecasting software
Recommendation Number	4.1
Conclusion Number(s)	Ch IV, #1, 5
Recommendation	Assign responsibility to the Rates and Regulatory Economics group for the supervision and coordination of electric energy and peak load forecasting
Adopted, Modified, or Rejected	Modified: Coordination and oversight of electric energy and peak load forecasting will be included in the charter for the Load Forecast Oversight Committee (Recommendation 4.6). This project will focus on the software-related portion of Recommendation 4.1.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

MetrixND software will be evaluated by System Planning.

Description of Scope and Plan

In Phase I, the MetrixND software will be evaluated by System Planning and results of evaluation submitted to Load Forecast Oversight Committee. If appropriate, the transition to this software will be carried out in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	06/2012	06/2012	06/2012	Completed
Evaluate use of MetrixND and document results	06/2012	12/2012	10/2012	Completed
Present results to Load Forecast Oversight Committee	12/2012	03/2013	06/2013	Completed
Verify Phase I completion	04/2013	04/2013	06/2013	Completed
Start Phase II	06/2013	06/2013	06/2013	Completed
Purchase MetrixND	07/2013	08/2013	08/2013	Completed
Implement MetrixND	09/2013	10/2013	10/2013	Completed
Verify Project Completion	11/2013	11/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: $1K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Potential linkage between forecasting processes – standardizing forecasting software between Rates & Regulatory and System Planning
Risks	If this project is not completed or if the result of the Phase I study recommends against acquiring MetrixND, then existing tools will continue to be used.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The Company is documenting the results of the MetrixND evaluation.

02/28/2013:

Results of the MetrixND evaluation were presented to the Load Forecast Oversight Committee at a February 15, 2013 meeting.

06/28/2013:

The Electric Load Forecasting Oversight Committee (ELFOC) approved the purchase and use of MetrixND software on June 10, 2013.

10/29/2013:

An additional license of MetrixND has been purchased for System Planning, the software is installed and in use.

4.2: Enhance electric and gas forecasting with scenario analysis

Recommendation

Project Title	Enhance electric and gas forecasting with scenario analysis
Recommendation Number	4.2
Conclusion Number(s)	Ch IV, #1,2,3,4, 6
Recommendation	Enhance the intermediate and long-term energy and load forecasting methods.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Dave Houlihan	Lead Analyst – Sales and Load Forecasting
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

Perform a pilot project to incorporate alternative growth scenarios into the gas and electric forecasts and assess usefulness of alternative growth scenarios to forecast recipients.

Description of Scope and Plan

The Company will conduct a pilot in which multiple forecasts will be run using three growth scenarios provided by Moody's: one base case, one high case and one low case. Energy efficiency impacts will also be examined at in the pilot. The usefulness of these forecasts to other departments (e.g., Supply, System Planning, and Accounting) will be assessed to determine how and to what end these forecasts will be incorporated into their respective planning functions. This assessment will take into consideration the results of the pilot study to be conducted in response to Recommendation 6.1.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	09/2012	09/2012	09/2012	Completed
Build high/low scenario forecast model driver files for test case	09/2012	10/2012	10/2012	Completed
Run forecast models using high/low scenario driver files for test case	10/2012	12/2012	12/2012	Completed
Create new forecast delivery file displaying base/high/low scenario forecasts for test case	01/2013	03/2013	01/2013	Completed
Distribute new forecast scenarios to recipients and obtain feedback on usefulness and determine value	03/2013	10/2013	10/2013	Completed
Prepare and approve final report	11/2013	11/2013		Awaiting Start
Verify project completion	12/2013	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More robust intermediate and long-term planning
Risks	If this project is not completed or if it is determined that there is insufficient value in adopting the methodology used for the pilot, then the intermediate and long-term planning may revert to current practice.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The model driver files have been developed and the forecast model has been run for RG&E electric as the test business case. A delivery file for that case is being created.

02/28/2013:

The delivery file is still in process.

06/28/2013:

Completed requisite modeling work, distributed preliminary Rochester electric forecast scenario information to System Planning for review. (See Project 6.1).

10/29/2013:

Forecast scenarios were distributed to System Planning and Energy Supply and feedback provided. Refinements were made to include MW Peak demand scenarios. Using forecast scenarios for budget revenue forecasts was determined not useful due to Revenue Decoupling Mechanism. The Final Report is being prepared.

4.3: Enhance forecasting capabilities

Recommendation

Project Title	Enhance forecasting capabilities
Recommendation Number	4.3
Conclusion Number(s)	Ch IV, #1,4, 6
Recommendation	Enhance the economic and forecasting capabilities and competencies.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

The Company will conduct a study to evaluate the load forecasting resource needs.

Description of Scope and Plan

In Phase I, short-term training improvements will be identified and a longer-term model will be developed to evaluate load forecasting staff levels. From this model a group of scenarios will be developed and analyzed. Finally, a load forecasting resource plan will be developed and submitted for approval. Phase II will be the implementation of the approved resource plan developed in Phase I, if warranted.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	10/2012	10/2012	10/2012	Completed
Conduct initial assessment and develop model	10/2012	03/2013	03/2013	Completed
Identify and begin to carry out short-term training improvements	10/2012	12/2012	12/2012	Completed
Develop and analyze list of possible scenarios	11/2012	03/2013	03/2013	Completed
Build and approve resource plan	02/2013	03/2013	10/2012	Completed
Verify Phase I completion	04/2013	04/2013	04/2013	Completed
Start Phase II	05/2013	05/2013	04/2013	Completed
Continue to monitor department resource load to ensure that current staff will be sufficient past 2014.	05/2013	12/2013		On Schedule
Evaluate opportunities to collaborate with local universities and business colleges.	05/2013	12/2013		On Schedule
Verify project completion	01/2014	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	First Year Cost for one additional person: $150 - 160K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More robust forecasting
Risks	If this project is not completed, staffing may remain at current levels.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:
Short-term training improvements have begun; two forecasters will attend the ITRON Users Group annual meeting in November.

A Lead Analyst – Sales and Forecasting has been added to the group responsible for intermediate and long-term forecasting, and will focus on gas forecasting.

Development of the staffing model has begun.

02/28/2013:

Started a bi-weekly IUSA Load Forecasting Conference Call as a venue to share analyses, lessons learned, best practices, forecasting support, etc.

06/28/2013:

The newly hired Lead Analyst assigned to gas forecasting has satisfied the primary concern in the audit recommendation to increase the Sales and Load Forecasting group by one professional. This addition has successfully freed up the Manager – Sales and Load Forecasting to serve as chief forecaster responsible for all forecasting processes and provide consultation to the Companies on forecasting methodology and assessment.

The new hire is sufficient to support the department workload to date.

The Company has reached out to Binghamton University, Cornell University, and the University of Rochester requesting a meeting to look for opportunities to collaborate.

10/29/2013:

Department staff has been sufficient and the department will continue to monitor resource load and staffing until the end of the year. Collaboration with local universities continues.

4.4: Obtain customer usage information

Recommendation

Project Title	Obtain customer usage information
Recommendation Number	4.4
Conclusion Number(s)	Ch IV, #1,6
Recommendation	Perform a comprehensive electric load research program.
Adopted, Modified, or Rejected	Modified: Cost estimates to implement original load research recommendation would be approximately $450K per OpCo. Modified proposal provides similar information at a cost of approximately $50K total for both OpCos.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Kirk McAllister	Manager – Electric Supplier Services

Brief Project Overview

Update electric customer load shapes for both NYSEG and RG&E to be used for customer billing, rate design, and NYISO energy and capacity reporting.

Description of Scope and Plan

Work with consultant to produce, validate, and test service class 8760-hour load profiles for residential, small, and medium general service customers. Adjust these profiles for NYSEG and RG&E customer populations, system load and weather. For the larger customer classes where interval data exists, NYSEG and RG&E will use the actual data to develop class load shapes. Confirm that the load profiles can be accommodated within the billing system.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	02/2012	02/2012	02/2012	Completed
Procure services	02/2012	04/2012	04/2012	Completed
Develop new load profiles	05/2012	08/2012	08/2012	Completed
Produce large C&I load shapes	05/2012	07/2012	06/2012	Completed
Deliver new load profiles	08/2012	08/2012	08/2012	Completed
Validate new load profiles	08/2012	09/2012	09/2012	Completed
Confirm that the billing system can accommodate new profiles	09/2012	09/2012	09/2012	Completed
Verify project completion	10/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$42K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• More accurate identification of unaccounted for energy (UFE) by adjusting the shape to reflect a higher load factor on the weekend and lower for weekday. • Increase accuracy in load reporting (energy and capacity) to NYISO. • Regulatory Relations • Public (ESCO) relations
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Updated weather-normalized customer load shapes were delivered, validated, tested, and accepted for both NYSEG & RG&E. Documentation for the development of the customer load shapes was produced.

4.5: Improve day-ahead electric forecasting

Recommendation

Project Title	Improve day-ahead electric forecasting
Recommendation Number	4.5
Conclusion Number(s)	Ch IV, #1, 6
Recommendation	Assess alternative forecasting methods.
Adopted, Modified, or Rejected	Adopted
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Dan Rider	Supervisor – Electric Supply

Brief Project Overview

Evaluate whether the current short-term (day ahead) forecasting methodology is a best practice.

Description of Scope and Plan

Research day ahead load forecasting methods used by others (including Central Maine Power) and compare to other in-house tools

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	04/2012	04/2012	04/2012	Completed
Compare Company forecast accuracy with industry data and document results	04/2012	11/2012	11/2012	Completed
Compare ANNSTLF and MetrixND accuracy and document results	05/2012	11/2012	11/2012	Completed
Verify project completion	11/2012	11/2012	01/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Current model benchmarked and potential improvements identified.
Risks	Current model would continue to be used.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Central Maine Power does not do any load forecasting.

A comparison of AANSTLF, an EPRI model, and MetrixND, an Itron model, is underway. Both software packages are neural networks. The comparison of available industry forecast accuracy data with Company forecast accuracy data is also underway.

2/28/2012:

A Load Forecasting study to compare ANNSTLF and MetrixND has been completed. MetrixND is used by the medium and long term forecasting groups for NYSEG and RG&E. ANNSTLF is used for near term forecasting for both Companies. MetrixND was populated with historical RG&E MW and actual weather data from 2008 through 2010 and trained. Then a 2011 hourly forecast was generated. The MetrixND load forecast Hourly Mean Absolute Percent Error (MAPE) was 2.51% as compared to 1.78% for the actual ANNSTLF load forecasts during 2011. The actual ANNSTLF load forecasts used projected weather data for the forecast day. The MetrixND 2011 forecast used actual weather data in its forecasts, which gave an advantage to MetrixND over ANNSTLF; in other words, the design of the test favored MetrixND. Both models utilized RG&E data for the study.

Among NY utilities, Con Ed currently uses ANNSTLF. National Grid uses custom built software for short term load forecasting and Central Hudson uses FARSIGHT.

ANNSTLF was examined in two reports dated 1995 (IEEE study) and 2007 (Pattern Recognition Technologies) where ANNSTLF and other tools were compared. The IEEE study identified the average Hourly MAPE for ANNSTLF at 2.34% for weather-corrected forecasts. The lowest (best) value achieved by the group was 1.84%. The Pattern Recognition Technologies (PRT) study identified the average Hourly MAPE for forecasts submitted in 2006 to the NYISO as 2.56%.

Based on the above analysis, the Company has concluded that use of the existing ANNSTLF software for short-term, day-ahead forecasting is a best practice and should be continued.

Electric Supply's day ahead load forecast is a forecast of NYSEG's and RG&E's hourly loads. Implicit in each day ahead forecast is a peak load hour for the day ahead and, over the course of a year, the peak load hour for the year is forecast. Therefore, the assessment of Electric Supply's day ahead load forecasting model and practices includes an assessment of its peak load forecasting and the conclusions of the day ahead load forecasting assessment are applicable to its peak load forecasting model and practices.

The IEEE report can be found at the following address:
http://www.vet.bme.hu/okt/mszak/eninf/lab2/tananyag/modularisterhelesbecsles.pdf

The Pattern Recognition Technologies report can be found at the following address:
http://www.ercot.com/meetings/other/keydocs/2007/0124-LoadForecast/Akhotanzad_PRT-Presentation-ERCOT-LF-Forum-Jan-07.ppt

4.6: Create executive forecasting committee

Recommendation

Project Title	Create executive forecasting committee
Recommendation Number	4.6
Conclusion Number(s)	Ch IV, #5
Recommendation	Designate an oversight committee to address the management and organization issues.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Jim Lahtinen	Vice President – Rates and Regulatory Economics
Project Manager/ Team Lead	Mike Purtell	Manager – Sales and Load Forecasting

Brief Project Overview

Create a committee, which would include senior managers and officers, to oversee improvements to the forecasting process, address forecasting deficiencies, and review and approve future forecasts.

Description of Scope and Plan

The Company will create a formal Load Forecast Oversight Committee to oversee all forecasting. A charter will be drafted to establish this committee and outline its oversight responsibility. Intermediate forecasting (3-5 years) used for budget planning and rate cases is performed by Rates and Regulatory Economic Department. Long-Term peak forecasting (electric, 10 years) used primarily to address reliability concerns, is handled by the System Planning Department. These forecasts, including the System Planning bi-annual seasonal peak forecasts, by node, will be reviewed by the Load Forecast Oversight Committee.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	10/2012	10/2012	10/2012	Completed
Establish Charter	10/2012	12/2012	12/2012	Completed
Verify project completion	12/2012	12/2012	01/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved oversight of forecasting processes and output Better communication and coordination among forecasting organizations
Risks	The current levels of oversight and communications/coordination will continue to function as they currently do if this project is not completed.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Drafting the charter has begun.

02/28/2013:

The charter for the Load Forecast Oversight Committee has been developed and is being finalized and approved.

Chapter V – Wholesale Market Issues

5.1: Prepare electric wholesale market plan

Recommendation

Project Title	Prepare electric wholesale market plan
Recommendation Number	5.1
Conclusion Number(s)	Ch V, #3
Recommendation	The Companies should prepare a strategic assessment focused on wholesale market goals and objectives.
Adopted, Modified, or Rejected	Adopt
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Patti Caletka	Manager – Programs/Projects

Brief Project Overview

Establish a framework under which NYSEG and RG&E will leverage its existing planning and wholesale electric market expertise in a formalized Wholesale Electric Market Planning Committee (WEMPC) that oversees the development of a Wholesale Electric Market Strategic Plan (WEMSP).

Description of Scope and Plan

Form a cross-functional, multidisciplinary Wholesale Electric Market Planning Committee (WEMPC) to oversee the development and periodic update of a Wholesale Electric Market Strategic Plan (WEMSP). The WEMSP will include short-term (3-5 years) and long term (10 years) plans that will be used to guide the Company's initiatives in the FERC, PSC, and ISO/RTO forums to enhance wholesale electric market rules and regulations, system planning, and system reliability to facilitate customer access and participation in robust wholesale markets.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Form Wholesale Electric Market Planning Committee (WEMPC)	05/2012	08/ 2012	08/2012	Completed
Develop scope and outline for the Wholesale Electric Market Strategic Plan (WEMSP)	05/2012	07/2012	07/2012	Completed
Evaluate market, technology, and regulatory trends	06/2012	12/2012	12/2012	Completed
Develop a current state, 3-5 year and 10-year wholesale electric market scenario analysis	11/2012	07/2013	07/2013	Completed
Develop and finalize WEMSP	07/2013	11/2013	08/2013	Completed
Verify project completion	12/2013	01/2014	10/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved focus on high priorities and issues important to wholesale markets. Improved PSC/FERC relationships and customer satisfaction.
Risks	If this project is not completed, the Company will continue to use less formal methods to prioritize and focus its participation in these forums.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

WEMPC formed. WEMSP scope and outline finalized. Collecting data to identify market, technology, and regulatory trends.

02/28/2013:

Completed evaluation of market, technology, and regulatory trends. The data collected is in the process of being analyzed as part of the development of the current state, 3-5 year and 10-year wholesale electric market scenario analysis.

06/28/2013:

Continuing the development of the current state, 3-5 year, and 10-year wholesale electric market scenario analysis. This analysis is an assessment of the current wholesale markets, and future changes/improvements anticipated, including Regulatory directives.

Held a brain storm meeting with Subject Matter Experts, on 5-Jun-2013. The purpose of this meeting was to acquire information needed to identify and prioritize wholesale market issues that impact NYSEG/RG&E, to determine how the identified issues impact the Companies, and to attempt to determine the Companies' ability/desire to impact those issues going forward.

10/29/2013:

The Wholesale Electric Market Strategic Plan was approved by the Federal Regulatory Oversight Committee on 20-Sep-2013.

5.2: Create management team to oversee NYISO, FERC, etc.

Recommendation

Project Title	Create management team to oversee NYISO, FERC, etc.
Recommendation Number	5.2
Conclusion Number(s)	Ch V, #9
Recommendation	The Companies should create a formal matrix management team to oversee and manage the Companies' participation in NYISO, FERC, NERC, NPCC, etc. proceedings and issue assessments.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Ray Kinney	Director – Transmission

Brief Project Overview

Create a formal management oversight committee to oversee and manage the Company's participation in the NYISO, FERC, NERC, and NPCC proceedings and assess associated issues.

Description of Scope and Plan

Develop and implement a formal management oversight committee to oversee and manage the companies' participation in NYISO, FERC, PSC, NPCC and NERC proceedings and initiatives. The committee will assess and direct company positions on wholesale market Issues and regulations, assign appropriate professional staff, and approve regulatory filings. A committee charter will be developed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	06/2012	06/2012	06/2012	Completed
Develop and approve oversight committee organization	06/2012	07/2012	07/2012	Completed
Draft and approve committee charter	07/2012	11/2012	11/2012	Completed
Verify project completion	11/2012	11/2012	11/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved coordination and tracking of, and consistent management of issues in, wholesale market related regulatory proceedings and associated company actions.
Risks	If project is not completed, current methods of overseeing wholesale market related regulatory proceedings will continue to be used.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:
A formal management oversight committee structure and associated charter are being finalized.

2/28/2013:
A formal Federal Regulatory Oversight Committee structure and associated charter was finalized and approved.

Chapter VI – Long-Term System Planning – Electric

6.1: Modify the transmission planning process for risk and uncertainty

Recommendation

Project Title	Modify the transmission planning process for risk and uncertainty
Recommendation Number	6.1
Conclusion Number(s)	Ch VI, #1, 2
Recommendation	Modify transmission planning process to include an assessment of risk and uncertainty.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Tim Lynch	Manager – Electric System Planning

Brief Project Overview

Modify the transmission planning process to include an assessment of risk and uncertainty.

Description of Scope and Plan

The Company will investigate other northeast utilities' risk assessment criteria and procedures. The Company will also utilize high and low scenario load forecasts from Recommendation 4.2 to complete a load study pilot, and determine whether permanent changes to current planning practices are warranted.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Investigate peer risk assessment	05/2012	05/2012	05/2012	Completed
Incorporate high/low scenario forecasts into pilot load study	06/2013	06/2013	06/2013	Completed
Complete load study pilot	06/2013	08/2013	08/2013	Completed
Document results and make recommendations	09/2013	11/2013		On Schedule
Verify project completion	12/2013	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Formal risk assessment and scenario analysis have the potential to produce more robust plans that take into account a range of possible future needs.
Risks	Benefits of formal risk assessment and scenario analysis may or may not be sufficient to justify the increased complexity, time, labor, and/or cost involved.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The peer assessment of other NPCC member utilities is complete and the findings revealed that none of these other utilities utilize formalized risk assessment in their project analysis. The project will resume when input data is available from Recommendation 4.2.

02/28/2013:

The project is awaiting input data from project 4.2.

06/28/2013:

High/Low scenario inputs received from project 4.2. Load study pilot is under way using high/low scenario inputs.

10/29/2013:

Completed review of impact of base/high/low scenarios on RG&E planning study. Final analysis, conclusions and recommendations are being developed. We are currently using base/high/low scenarios in ongoing study work and will draw conclusions from results.

6.2: Develop electric distribution planning manual

Recommendation

Project Title	Develop electric distribution planning manual
Recommendation Number	6.2
Conclusion Number(s)	Ch VI, #3
Recommendation	Prepare a comprehensive distribution planning procedures manual.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Michael Rumancik	Manager – Electric System Engineering

Brief Project Overview

Prepare a comprehensive distribution planning procedures manual.

Description of Scope and Plan

A unified Distribution Planning Criteria Manual for IUSA will be developed. Specific recommendations from the management audit will be incorporated into the manual, where appropriate.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	01/2012	01/2012	01/2012	Completed
Develop unified manual	01/2012	09/2012	09/2012	Completed
Communicate/distribute revised manual	09/2012	10/2012	09/2012	Completed
Verify project completion	10/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Use of consistent methods and protocols, and basis for training.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

A unified Distribution Planning Criteria Manual for IUSA has been developed. The manual has been revised to include the specific recommendations made by the management audit. The revised manual is in the process of being approved and communicated to all stakeholders.

6.3: Reevaluate transmission planning prioritization criteria

Recommendation

Project Title	Reevaluate transmission planning prioritization criteria
Recommendation Number	6.3
Conclusion Number(s)	Ch VI, #5,6, 7
Recommendation	Perform a reevaluation of transmission planning prioritization criteria.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mary Smith	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Manager – System Planning

Brief Project Overview

Reevaluate Transmission Planning prioritization criteria

Description of Scope and Plan

System Planning completed an IUSA Reliability Project Prioritization Methodology document in March 2012, reassessed its current project prioritization metrics in April 2012, and contacted other New York utilities in April 2012 and inquired about their project prioritization metrics.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Project start	02/2012	02/2012	02/2012	Completed
Complete an IUSA Reliability Project Prioritization Methodology document.	02/2012	03/2012	03/2012	Completed
Contact other NY Utilities to inquire about their project prioritization metrics.	03/2012	04/2012	04/2012	Completed
Verify project completion	06/2012	06/2012	06/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Consistency and ease of process flow for System Planning when prioritizing and ranking transmission system reliability projects against each other.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

System Planning completed and approved an IUSA Reliability Project Prioritization Methodology document in March 2012. All other New York electric utilities were contacted in April 2012 and asked about their project prioritization metrics. The responses from the other New York utilities revealed that none of them utilize prioritization metrics when ranking transmission system reliability projects.

6.4: Assess transmission planning models and methods

Recommendation

Project Title	Assess transmission planning models and methods
Recommendation Number	6.4
Conclusion Number(s)	Ch VI, #8
Recommendation	Retain a power systems engineering firm to perform an independent needs assessment of its transmission planning models and methods.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Tim Lynch	Manager – Electric System Planning

Brief Project Overview

Retain a power system engineering firm to perform an independent needs assessment of the Company's electric transmission planning models and methods.

Description of Scope and Plan

The Company will identify potential engineering firms to perform the independent needs assessment of the transmission planning models and methods and complete a vendor selection process. The vendor, will then review the Company's models and methods and make recommendations. A plan to modify current tools and processes will be developed as appropriate based on these recommendations.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Procure vendor services	08/2012	05/2013	08/2013	Completed
Vendor review of models and methods	05/2013	10/2013		On Schedule
Develop plan	10/2013	12/2013		Awaiting Start
Verify project completion	01/2014	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$60K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	May identify models and methods that will improve the Company's transmission planning capabilities.
Risks	Contractor review may not identify significant gaps in Company models or methods. If no suitable contractor is identified to conduct the review, the Company will continue to refine and improve its transmission planning practices independently.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Potential contractors have been identified and an RFP has been developed.

02/28/2013:

Although the study specification development started more slowly than anticipated, the specification is complete and has been put out to bid. The project is on track for completion.

06/28/2013:

Acquiring vendor services has required more time than originally planned. Efforts are underway to get back on track as soon as possible.

10/29/2013:

Consulting services have been acquired, and the kickoff meeting has been conducted. The review of the Company's models and methods has begun.

6.5: Develop resource plan for transmission planning

Recommendation

Project Title	Develop resource plan for transmission planning
Recommendation Number	6.5
Conclusion Number(s)	Ch VI, #9
Recommendation	Hire an additional experienced transmission planner.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Tim Lynch	Manager – Electric System Planning

Brief Project Overview

Review resource needs in light of current and future staff requirements and implement plan to hire additional transmission planner(s) as identified.

Description of Scope and Plan

The Company will review resource needs in light of current and future staff requirements. Based on the results of the staffing review, the Company will obtain additional resources consistent as identified.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	09/2012	09/2012	09/2012	Completed
Acquire resources	11/2012	02/2013	01/2013	Completed
Verify project completion	03/2013	04/2013	04/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	First Year Cost for two additional people: $215K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Staffing aligned with expected workload
Risks	If this project is not completed, the Company may continue to use the existing resource configuration.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Development of the model and analysis of the scenarios is underway, and development of the resource plan is also underway.

02/28/2013:

Based on an initial review of current and future staffing needs, the Company chose to “Adopt” rather than “Modify” this recommendation, and moved directly to the addition of a Lead Engineer and an Associate Engineer in System Planning. These positions were subsequently created and filled in November 2012 and January 2013 respectively.

06/28/2013:

Resource additions reviewed during project completion verification.

6.6: Participate in T&D benchmarking programs

Recommendation

Project Title	Participate in T&D benchmarking programs
Recommendation Number	6.6
Conclusion Number(s)	Ch VI, #10
Recommendation	Participate in one or more transmission and distribution benchmarking (best practices) programs.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Tim Lynch	Manager – Electric System Planning

Brief Project Overview

Participate in T&D benchmarking.

Description of Scope and Plan

During Phase I of the project, the Company will investigate potential benchmarking programs. A plan will be developed if a suitable and cost-effective benchmarking opportunity is identified. If Phase II is warranted, involvement in the benchmarking program will be initiated.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	05/2012	05/2012	05/2012	Completed
Investigate benchmarking programs and document results	05/2012	10/2012	10/2012	Completed
Verify Phase I completion	11/2012	11/2012	11/2012	Completed
Start Phase II	11/2012	11/2012	12/2012	Completed
Obtain management approval for participation in the benchmarking program	11/2012	12/2012	12/2012	Completed
Participate in benchmarking program and review results	12/2012	04/2013		Delayed
Verify project completion	04/2013	05/2013		Delayed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Sharing of best practices
Risks	If no suitable benchmarking programs are identified, the Company will continue to refine and improve its transmission planning practices independently.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The Company contacted NPCC system study task force members and other utilities, and has identified what appears to be a suitable benchmarking program that will be sponsored by ISO New England.

02/28/2013:

System Planning investigated the availability of various potential T&D Planning benchmarking opportunities, including two programs that were identified by Liberty during the Management Audit. One program was sponsored by Southern Company; the other by Public Service Electric and Gas. System Planning found however that:

- The Southern Company Transmission Benchmarking for 2012 was completed in late spring and the results and findings were presented at their annual summer conference.
- No information could be found that identified any ongoing or upcoming benchmarking program sponsored by Public Service Electric and Gas for 2013 or beyond.

System Planning contacted ISO-NE about participating in an ISO-NE sponsored benchmarking study regarding "Planning Practices and Criteria." This benchmarking program was investigated and the following was identified:

- The survey was to be sent out around the end of October 2012, with responses due before year-end, and the results to be shared with all participants within the first two months of 2013
- There are three other New York utilities who have agreed to participate in the survey besides NYSEG and RG&E – others may yet respond (5 total is a majority though).
- A total of 19 to 21 total utilities and ISOs throughout the United States will participate, except for those in New England. This survey is intended to compare practices outside of New England with New England practices.

System Planning then contacted the ISO-NE to inform them that NYSEG/RGE would participate in the benchmarking review of "Transmission Planning Practices and Criteria." The ISO-NE provided a response back to System Planning acknowledging our request to participate.

SO-NE initiated the benchmarking program in early December 2012 and System Planning provided a completed survey to ISO-NE in mid-December 2012.

06/28/2013:
The receipt of the results of the ISO-New England Benchmarking Study has been delayed. ISO-New England has been contacted and they indicated they hope to have the results available by the end of July 2013.

10/29/2013:
The draft survey report was received on October 17, 2013 and review is under way.

Chapter VII – Gas System Planning

7.1: Develop gas vision and strategy

Recommendation

Project Title	Develop gas vision and strategy
Recommendation Number	7.1
Conclusion Number(s)	Ch VII, #1, 2, 5, 6, 8; Ch IX, # 8
Recommendation	Develop a gas system vision, master plan and associated implementation strategy, including designation of the responsible individual(s) and organizational unit(s).
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Mike Eastman	Vice President – Gas Operations
Project Manager/ Team Lead	Greg George	Director – Gas Design & Delivery

Brief Project Overview

The project will establish a framework under which a Natural Gas Strategic Plan (NGSP) will be developed.

Description of Scope and Plan

The goal of the proposed planning process is to provide a "wellhead to burner tip" focus to the development of gas utility projects and initiatives. NYSEG and RG&E will leverage the Company's existing planning and natural gas industry expertise to form a multi-disciplinary Gas Strategic Planning Committee (GSPC). The GSPC will provide guidance to management and be chartered to develop short-term (5 year) and long-term (10 year) plans that will be used to guide natural gas supply acquisition, distribution system upgrades; additional interconnects to supply sources, energy efficiency programs, potential franchise expansion, and needed projects and/or programs to meet increasing customer demands.

(The GSPC will also ensure that the difference in Design Day HDD parameters utilized by Gas Supply and Gas Planning are reconciled, as noted in response to Recommendation 9.3.)

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Form GSPC	05/2012	07/2012	07/2012	Completed
Develop an outline of the NGSP	07/2012	11/2012	11/2012	Completed
Produce a common template for all evaluations	12/2012	01/2013	12/1012	Completed
Evaluate existing distribution system simulation (SynerGEE) modeling capabilities.	10/2012	03/2013	03/2013	Completed
Evaluate distribution system monitoring and communication capabilities	10/2012	03/2013	03/2013	Completed
Develop a Marcellus Shale Plan	05/2012	05/2013	03/2013	Completed
Evaluate energy efficiency, franchise expansion, and other options to meet customer demand	07/2012	03/2013	03/2013	Completed
Draft and approve first NGSP	01/2013	07/2013	08/2013	Completed
Verify project completion	08/2013	08/2013	08/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved focus on high priorities and issues important to the gas business. Improved coordination of the activities of the various groups involved in the running of the gas business.
Risks	If this project is not completed, the Company will continue to use less formal methods to focus its attention on high priority gas activities.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The GSPC has been formed and an outline for the NGSP is being developed. A project team has been established and a kickoff meeting was held on October 10 to ensure that each business area's objectives for this initiative align for a common outcome. Implementation of the Marcellus Shale Plan upstream of the city gate will be complete in November 2012. Development of the Marcellus Shale Plan applicable within the city gate is underway.

02/28/2013:

The common template for all evaluations has been completed. Milestone evaluations have been drafted and initial reviews have been completed. In addition, the initial meeting of the Gas Strategic Planning Committee (GSPC) was held in early February. The Marcellus Shale Plan draft updated for the NGSP was completed 12/2012 and is in the review process.

05/01/2013:

Completed and approved all milestone evaluations. The Marcellus Shale Plan review is complete.

06/28/2013:

All evaluations scheduled for completion in 3/2013 were completed on schedule and have been shared with the Gas Strategic Planning Committee, as was the Marcellus Shale Plan which was completed ahead of schedule. The initial draft of the Natural Gas Strategic Plan is under development.

10/29/2013:

The Natural Gas Strategic Plan has been completed and approved by the Gas Strategic Planning Committee (GSPC). The Milestone evaluations have been finalized and reviewed by the GSPC as has the 2013 Natural Gas Portfolio Report which includes the Marcellus Shale Plan. All project deliverables have been completed and the project has been verified as complete by the Steering Committee.

Chapter VIII – Supply Procurement – Electric

8.1: Analyze optimum electric portfolio

Recommendation

Project Title	Analyze optimum electric portfolio
Recommendation Number	8.1
Conclusion Number(s)	Ch VIII, #1,2,4,5
Recommendation	Develop a comprehensive long-term portfolio management plan with quantified goals and objectives to optimize the electric resource portfolio and related hedging plans.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The development of a long-term portfolio management plan today would be inappropriate, contrary to Commission directives, and not cost-effective.

Prior to the deregulation of the wholesale market in New York State, NYSEG and RG&E managed a comprehensive long-term portfolio of supply and demand resources. During those years, both utilities maintained extensive and complex long-term planning and modeling capabilities. Both utilities developed Integrated Resource Plans and filed those plans as required with the Commission, managed resource planning groups, leased or owned resource planning software, and kept complete and current modeling data. The Companies no longer

have this internal capability.

A supply portfolio optimization plan makes sense for a vertically integrated utility that owns, and is accountable for, the future development of generation resources that may take many years to plan, design, permit, and build, and that commit ratepayers to support those investments for decades. Utilities in New York are no longer vertically integrated, and reliability/economic planning is now appropriately taking place at the New York Independent System Operator level, where it can benefit from the input of all market participants, including that of Staff, and ensure the appropriate development of reliability, economic, and public policy resources. It would be inappropriate for the Company to develop a separate, and potentially conflicting, long-term resource plan.

Such a plan would also be contrary to Commission directives. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities.[14] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution.[15] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky".[16]

Finally, the development of the plan would not be cost-effective. First, because the Company would need to rebuild its internal modeling and planning capability, or rely upon consultants for that capability, the plan would cost hundreds of thousands of dollars to develop. Second, it is unclear how the Company would determine acceptable modeling parameters and input assumptions, such as the planning horizon; the quantitative definition of an "optimized" portfolio; the directions future economy, customer migration, commodity price, and price volatility might take; the importance of and future changes to public policy factors such as fuel diversity and environmental sustainability. Third, the plan would not, in fact, "provide the Company and the NYPSC with a commonly understood and systematic process for identifying and managing future supply resources [that] should be executed by the companies"[17]. Given the inappropriateness of conducting such planning in New York State at the individual Transmission

[14] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[15] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[16] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

[17] Final Audit Report Volume I at VIII-25.

Owner level, and the inconsistency of long-range resource acquisition with Commission directives, the Company does not expect to be able to execute such a plan if and when it were to be developed.

In summary, the Company has been unable to identify benefits, quantitative or qualitative, that would justify the cost to implement this recommendation, as specified by Liberty, which is inappropriate and contrary to Commission policy.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A
Measures of Success	N/A

Changes, Progress, Findings

N/A

8.2: Issue electric energy RFPs

Recommendation

Project Title	Issue electric energy RFPs
Recommendation Number	8.2
Conclusion Number(s)	Ch VIII, #3
Recommendation	Conduct market solicitations for electric energy resources through RFP processes and implement any alternatives identified as superior to the existing plan of energy and hedging instrument purchases.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The Company routinely uses competitive market solicitations or requests for proposals (RFPs) to identify least cost suppliers for products and services. However, in New York State, such competitive solicitations by individual utilities for electric energy resources are unnecessary, may be inconsistent with regulatory policy and practices, and unlikely to be effective.

Individual utility competitive solicitations are unnecessary, because the NYISO energy market LBMP structure has resulted in a liquid, efficient and effective competitive financial swap market (contract for differences or CFD) using brokers and/or electronic platforms. The brokers connect buyers and sellers of energy at a price that a willing buyer and seller agree is a fair price to transact. Should a seller subsequently provide a lower offer price to sell the CFD product, that offer price becomes available to the buyer. Similarly, should a buyer subsequently provide a higher bid price to purchase the CFD product that bid price becomes available to the seller.

Long term solicitations would be inconsistent with regulatory policy and practices. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities.[18] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution.[19] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky".[20]

Finally, the RFP solicitations are unlikely to be effective, for several reasons. First, previous experience with energy RFPs has resulted in offer prices that are either indicative or valid for a very short period of time. Second, if provided, the offer prices for standard MW blocks, firm liquidated damages and good counterparty credit, are consistent with the current market. Finally, bilateral agreements with generators are usual unit-contingent further complicating the evaluation process against readily available Firm LD prices (the NYMEX posts closing market prices daily on the Chicago Mercantile Exchange Website).

In summary, the Company does not expect that an RFP for energy would provide any lower price than is available in the existing energy market.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

[18] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[19] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[20] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A
Measures of Success	N/A

Changes, Progress, Findings

N/A

8.3: Issue electric capacity RFPs

Recommendation

Project Title	Issue electric capacity RFPs
Recommendation Number	8.3
Conclusion Number(s)	Ch VIII, #3, 6
Recommendation	Conduct market solicitations for electric capacity resources through RFP processes and implement any alternatives identified as superior to the existing plan of capacity purchases.
Adopted, Modified, or Rejected	Rejected. The Company will continue to work with Staff in developing its appropriate supply portfolio consistent with Commission policies.
Priority	N/A

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Jeff Converse	Manager – Electric Supply

Brief Project Overview

N/A

Description of Scope and Plan

The Company routinely uses competitive market solicitations or requests for proposals (RFPs) to identify least cost suppliers for products and services. However, in New York State, such competitive solicitations by individual utilities for electric capacity (UCAP) resources are unnecessary, may be inconsistent with regulatory policy and practices, and unlikely to be effective.

Individual utility competitive solicitations are unnecessary, because the NYISO UCAP market structure has resulted in a liquid, efficient and effective competitive market using brokers and/or electronic platforms. The brokers connect buyers and sellers of UCAP at a price that a willing buyer and seller agree is a fair price to transact. Should a seller subsequently provide a lower offer price to sell the UCAP, that offer price becomes available to the buyer. Similarly, should a buyer subsequently provide a higher bid price to purchase the UCAP, that bid price becomes available to the seller.

. Long term solicitations would be inconsistent with regulatory policy and practices. The only long term, fixed price, power purchase agreements the companies have entered into have been buy back agreements from Nine Mile 2 and Ginna associated with the sale of nuclear facilities. [21] Long term agreements may only be used as a last resort for a backstop solution to a reliability need where there is not a market solution. [22] The PSC expressed concern about the duration of hedges taken on behalf of mass market customers, considering long term hedges "risky". [23]

Finally, the solicitations are unlikely to be effective. Previous experience with UCAP RFPs has resulted in offer prices that are either indicative or valid for a very short period of time. If provided, the offer prices for standard MW blocks and good counterparty credit are consistent with the current market (the NYMEX posts closing market prices daily on the Chicago Mercantile Exchange Website).

In summary, the Company does not expect that an RFP for UCAP would provide any lower price than is available in the existing capacity market.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	N/A	N/A		
Verify project completion	N/A	N/A		

[21] Case 01-E-0011, Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Central Hudson Gas & Electric Corporation, Constellation Nuclear, LLC and Nine Mile Point Nuclear Station, LLC for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Authorizing Asset Transfers (issued October 26, 2001) at 12. Case 03-E-1231,Petition of Rochester Gas and Electric Corporation, Constellation Generation Group, LLC, and R.E. Ginna Nuclear Power Plant, LLC for Authority under Public Service Law Section 70 to Transfer by Auction Sale the R.E. Ginna Nuclear Generating Plant and Related Assets and for Related Approvals, Order Approving Transfer, Subject to a Modification (issued May 20, 2004) at 17.

[22] Case 07-E-1507, Proceeding to Establish a Long-Range Electric Resource Plan and Infrastructure Planning Process, Policy Statement on Backstop Project Approval Process (issued February 18, 2009) at 21, 22-23, 24-25.

[23] Case 06-M-1017, Proceeding on Motion of the Commission as to the Policies, Practices and Procedures For Utility Commodity Supply Service to Residential and Small Commercial and Industrial Customers, Order Requiring Development of Utility-Specific Guidelines for Electric Commodity Supply Portfolios and Instituting a Phase II o Address Longer-Term Issues (issued April 19, 2007) at 24-25.

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	N/A
Estimated Savings	N/A
Source of Savings	N/A
Other Benefits	N/A
Risks	N/A
Measures of Success	N/A

Changes, Progress, Findings

N/A

8.4: Document electric procurement operating procedures

Recommendation

Project Title	Document electric procurement operating procedures
Recommendation Number	8.4
Conclusion Number(s)	Ch VIII, #9
Recommendation	Document processes, procedures, and guidelines for electric supply and scheduling.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Dan Rider	Supervisor – Electric Supply

Brief Project Overview

Document electric procurement operating procedures

Description of Scope and Plan

Document processes, procedures, and guidelines for electric supply and scheduling to be used for training, performance management, and auditing.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	03/2012	03/2012	03/2012	Completed
Review existing procedures for gaps	03/2012	04/2012	04/2012	Completed
Document procedures	03/2012	06/2012	06/2012	Completed
Verify project completion	06/2012	06/2012	07/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Procedures will provide for a consistent, verifiable, process and be used for training purposes.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

The existing governing documents for Electric Supply are the Energy Supply Risk Management Procedures Manual ("Risk Manual") and Default Supply Option Volatility Management Program document ("DSO Program Document").

The Risk Manual and DSO Program Document were reviewed to verify the lack of documentation for the daily scheduling activities. The Risk Manual contains 141 pages that describe the processes for Gas Supply, Electric Supply, Capacity Acquisition and Supply Billing. Although the Risk Manual describes many of the Electric Supply processes such as energy buying limitations, the daily hedging process, counterparty credit verification, spark spreads and virtual transactions, the Risk Manual was lacking a detailed description of the day-ahead scheduling checklist as the recommendation suggests. Similarly, the DSO Program Document describes the criteria used to develop the DSO hedge schedule, but it does not address day ahead scheduling checklist activities.

The Daily Checklist Procedures Manual ("Daily Manual") has been written by the Electric Supply Energy Buyers and is a step by step description of each Daily Checklist item. The Daily Manual was reviewed by Iberdrola Internal Auditing to ensure that it can be audited.

The combination of the three documents listed above document processes, procedures, and guidelines for electric supply and scheduling to be used for training, performance management, and auditing.

8.5: Establish IUSA Executive Risk Committee

Recommendation

Project Title	Establish IUSA Executive Risk Committee
Recommendation Number	8.5
Conclusion Number(s)	Ch VIII, #10
Recommendation	An executive risk management committee should be formed at IUSA that oversees the risk functions and the RMOC and has executive responsibility for risk management.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jose Maria Torres	Vice President – Finance and Control
Project Manager/ Team Lead	Felicia Brown	Director – Risk Management

Brief Project Overview

Create Executive Risk Management Oversight Committee at IUSA

Description of Scope and Plan

Create Committee, establish charter, organize and meet monthly to discuss Key Risk issues, including updates from the Energy Service RMOC. Confirm that credit evaluations remain the responsibility of IUSA.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	11/2011	11/2011	11/2011	Completed
Complete Project Charter	11/2011	11/2011	11/2011	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Adopt best practice approach for risk management
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

An executive committee has been created that includes senior executives, the Charter has been created, meetings are being conducted monthly and future meetings scheduled. Verified credit evaluation process and responsibility is located at IUSA.

8.6: Consider electric procurement operations audit

Recommendation

Project Title	Consider electric procurement operations audit
Recommendation Number	8.6
Conclusion Number(s)	Ch VIII, #12
Recommendation	Internal Auditing should schedule audits of electric procurements, documentation for entering into capacity supply contracts, and daily purchases.
Adopted, Modified, or Rejected	Modified: The audit will be included as part of the "audit universe" and will be selected for audit based on annually assessed risk exposure.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Ray Cardella	Director – Internal Audit
Project Manager/ Team Lead	Ray Cardella	Director – Internal Audit

Brief Project Overview

Establish an audit of Electric Supply Procurement Operations

Description of Scope and Plan

An audit of Electric Supply Procurement Operations policies and procedures that support the Electric Supply decisions will be included in the "audit universe". In accordance with the Company's risk based audit approach, Internal Audit will annually assess the risk exposure of this process and inclusion in the proposed IUSA Internal Audit plan.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	05/2012	05/2012	05/2012	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Inclusion of Electric Supply Procurement as an auditable entity will ensure that this area is appropriately included in the annual Internal Auditing process and receives regular audit oversight.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

An audit of Electric Supply Procurement has been included in the Company's "Audit Universe". In accordance with its risk based audit approach, Internal Audit will annually assess the risk exposure (regulatory, financial, reputational and operational) of this process for inclusion in the proposed IUSA Internal Audit plan.

Chapter IX – Supply Procurement – Gas

9.1: Evaluate Gas Control Center staffing and training

Recommendation

Project Title	Evaluate Gas Control Center staffing and training
Recommendation Number	9.1
Conclusion Number(s)	Ch IX, #15, 17
Recommendation	Upgrade the Gas Control Center personnel numbers and qualifications.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Susan Dornblaser	Supervisor – Dispatch and ECC
Project Manager/ Team Lead	Michael Craven	Manager – Dispatch and ECC

Brief Project Overview

Evaluate Gas Control staffing and training, including the use of a simulator.

Description of Scope and Plan

Gas Control has a lengthy history of maintaining safe and reliable operations of the NYSEG and RG&E natural gas system. There have been no gas system events that have been attributed to Gas Control staffing to suggest that Gas Control is inadequately staffed. However, the Company is committed to safe and reliable operations of its natural gas system and will therefore study its Gas Control staffing levels in Initiative 1, Phase I, to determine if there are enhancements that could be made to staffing of Gas Control. The Company will hire a consultant familiar with 24/7 natural gas operations and PHMSA CRM requirements to study its current operations and associated staffing levels and to recommend any staffing level enhancements. If warranted, these enhancements will be implemented in Phase II.

The Company will evaluate available simulator or other practice application software for training purposes in Initiative 2 and will develop a plan to train Controllers using the solution developed.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Initiative 1, Phase I	07/2012	07/2012	07/2012	Completed
Define scope of consultant work	07/2012	09/2012	09/2012	Completed
Acquire consultant services	10/2012	05/2013	10/2013	Completed
Conduct study	06/2013	09/2013		Delayed
Produce and approve resource plan	10/2013	01/2014		Awaiting Start
Verify Initiative 1, Phase I completion	02/2014	03/2014		Awaiting Start
Start Initiative 1, Phase II	03/2014	03/2014		Awaiting Start
Demonstrate progress toward achievement of resources plan recommendations	03/2014	05/2014		Awaiting Start
Verify Initiative 1, Phase II completion	05/2014	06/2014		Awaiting Start
Start Initiative 2	01/2013	01/2013	01/2013	Completed
Develop and approve simulator solution	01/2013	06/2013	06/2013	Completed
Refine simulator specifications and begin to develop training plan	07/2013	12/2013		On Schedule
Implement solution	01/2014	04/2014		Awaiting Start
Finalize training plan	04/2014	05/2014		Awaiting Start
Verify Initiative 2 completion	06/2014	06/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Initiative 1: Phase I: $40K Phase II: TBD Initiative 2: TBD
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Initiative 1: Increased scheduling flexibility; additional depth of Operator Qualification qualified Controllers should the need arise. Initiative 2: Additional training for Controllers to enhance skills.
Risks	If this project is not completed, the Company may continue to use the existing resource configuration and current training solutions.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The initial scope for a consultant has been drafted and possible consultants are being identified. Consistent with the Company's normal business practice, an additional resource will be assigned during weekdays beginning November 1, 2012, to offset normally higher heating season activity.

02/28/2013:

Consultant bids for Initiative 1 were received in January 2013.

06/28/2013:

Acquiring vendor services for Initiative 1, Phase I, has required more time than originally planned. Efforts are underway to get back on track as soon as possible. Direction of simulator solution has been developed.

10/29/2013:

Three simulation software packages were evaluated along with table-top scenario type training. Gas Control and the Company Gas Training organization began planning table-top scenario training in September 2013.

A vendor was selected and is on site to study staffing levels.

9.2: Upgrade Gas Control Center facilities

Recommendation

Project Title	Upgrade Gas Control Center facilities
Recommendation Number	9.2
Conclusion Number(s)	Ch IX, #16, 17
Recommendation	Upgrade the Gas Control Center physical facilities.
Adopted, Modified, or Rejected	Modified: Upgrade facilities with 52" monitors rather than a video wall to improve the viewing of the natural gas system at lower cost.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Susan Dornblaser	Supervisor – Dispatch and ECC
Project Manager/ Team Lead	Michael Craven	Manager – Dispatch and ECC

Brief Project Overview

Increase the security of the gas control locations, decrease the isolation of Gas Control, add five large screen displays for viewing of the natural gas system, allow for an acceptable location for a simulator (or other practice application[see Recommendation 9.1]), and improve the look and feel of Gas Control.

Description of Scope and Plan

In Phase I, the Company will move Gas Control to a space adjacent to the Electric Control Room currently occupied by the Dispatch Center. The Dispatch Center will relocate to the area currently occupied by Gas Control. This will improve Gas Control security and will decrease isolation of the Gas Controller on duty as Electric Control Room personnel will also be in the immediate vicinity. As an alternative to interactive video wall, the Company will install five new 52" monitors to allow for viewing larger portions of the natural gas system. As part of ongoing SCADA upgrade project, the number of desktop displays will be increased from four eight.

In Phase II, the Company will enhance the Gas Control facilities.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	01/2012	01/2012	01/2012	Completed
Plan project	01/2012	03/2012	03/2012	Completed
Move Gas Control	09/2012	12/2012	07/2012	Completed
Install monitors	01/2013	03/2013	09/2012	Completed
Verify Phase I completion	04/2013	04/2013	04/2013	Completed
Start Phase II	07/2012	07/2012	07/2012	Completed
Develop scope of project enhancements	07/2012	08/2012	08/2012	Completed
Refine facility enhancement recommendations and create plan	01/2013	03/2013	03/2013	Completed
Implement enhancements	04/2013	11/2013	03/2013	Cancelled
Verify Phase II completion	12/2013	01/2014	04/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$200-250K (Capital)
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Enhance work environment and potentially enhance situational awareness.
Risks	The improvements would not occur if this project is not completed.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Gas Control has been re-located to an area adjacent to the Electric Control Room and facilities have been upgraded. The new Gas Control area allows for visibility into the Electric Control Room, does not contain any windows with direct access to outside, and is located behind an additional locked card-reader access only door increasing Controller and Control Room safety and security. The footprint allows for better arrangement of the sit-stand adjustable Consoles and for better visibility of the newly installed large screen monitors. Iron Horse ergonomic chairs have been added for the comfort of Controllers working shift; additional ergonomic chairs have been purchased for use in a system event requiring additional personnel to be on staff. Larger monitors have been installed for the Controllers' increased system visibility and situational awareness. Lighting improvements allow the Controller to adjust lighting to avoid Controller eye fatigue.

The Final Audit Report identified a potential FERC separation of functions issue with moving Gas Control to an area adjacent to the Electric Control Room. The Company has completed a review of FERC rules as associated with this location and does not believe FERC separation of functions to be a concern. During conditions where Gas Supply requires access to Gas Control, the area can be isolated from the Electric Control Room to avoid any potential issues.

The NYSEG and RG&E natural gas distribution system are widespread and fairly discontinuous. While the system is fed from the same interstate pipeline in many locations, there is adequate separation of these pipeline facilities such that if there is a pressure loss on one end of the interstate pipeline system, it should be isolated in advance of affecting another distant region within the NYSEG/RG&E service territory. Therefore, there is very little benefit to showing the entire system on one video wall. The proposed solution of adding five 52" monitors allows the Controller to see large, interconnected portions of the system at one time. In addition, while not a specific design criteria, utilizing the multiple 52" monitors also is a lower cost alternative to the video wall option.

The Company has analyzed space requirements of the new Gas Control location and has determined there are facilities in the primary control room to place the simulator (or other application based training program) in the primary location.

02/28/13:

The installation of the 52" monitors was completed in September 2012. Gas Control is currently evaluating additional enhancements needed to optimize the functionality of the physical environment.

06/28/2013:

It has been determined that there will be no additional enhancements needed for Phase II. The installation of the monitors and the physical relocation of Gas Control have optimized the performance of Gas Control to the greatest extent necessary to achieve continued safe and reliable operations. Review of simulator use to assist in training is being addressed in project

9.3: Study gas design day, develop resource plan

Recommendation

Project Title	Study gas design day, develop resource plan
Recommendation Number	9.3
Conclusion Number(s)	Ch IX, #3,13,14, 18
Recommendation	Perform a weather study to determine proper design day and design winter HDD targets.[24]
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Pat Fox	Supervisor – Gas Supply

Brief Project Overview

Perform a design day and design winter study by operating area, using readily available weather data (e.g., NOAA), to determine the design day and design winter requirements. Additionally, the Company will conduct a study to evaluate Gas Supply resource needs.

[24] In the body of Recommendations 9.3 and 9.4, Liberty also stated that the Company should add one new employee to the Gas Supply group. Final Audit Report at IX-36 through IX-37.

Description of Scope and Plan

In Initiative 1, Phase I, a model will be developed outlining what workload can currently be accomplished with the existing Gas Supply staffing level, and determine if the current resource level is appropriate or should be modified. The assessment will also consider the following options: adding staff, training staff, use of interns, and/or outsourcing the study. A resource plan will be developed that will address the recommendation. If warranted, Initiative 1, Phase II will implement the resource plan.

Initiative 2 will develop an updated Weather Study for use in updating the design day/design winter requirements for each operating area (NYSEG – 6, RG&E – 1). The Company, through the implementation of a Gas Strategic Planning Committee in response to Recommendation No. 7.1, is also committed to reconcile the difference in Design Day HDD parameters utilized by Gas Supply and Gas Planning.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Initiative 1, Phase I	02/2013	02/2013	02/2013	Completed
Develop resource model	02/2013	03/2013	04/2013	Completed
Develop and analyze scenarios	03/2013	04/2013	04/2013	Completed
Develop and internally approve resource plan	04/2013	06/2013	05/2013	Completed
Verify Initiative 1, Phase I completion	09/2013	09/2013		Delayed
Start Initiative 1, Phase II	08/2013	08/2013		Delayed
Verify Initiative 1 completion	09/2013	09/2013		Delayed
Start Initiative 2	07/2013	07/2013	06/2013	Completed
Collect/scrub/analyze/data	08/2013	09/2013	09/2013	Completed
Calculate Reserve Margin levels	09/2013	09/2013	10/2013	Completed
Draft and approve report/action plan	10/2013	11/2013	10/2013	Completed
Verify Initiative 2 completion	12/2013	01/2014		Awaiting Start
Verify project completion	12/2013	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Initiative 1, Phase I: $1K Initiative 1, Phase II: $0 Initiative 2: $0
Estimated Savings	TBD
Source of Savings	N/A
Other Benefits	Initiative 1: Staffing aligned with expected workload. Initiative 2: Approved Design Day Plan that will be used by Gas Supply and Planning Groups.
Risks	If Initiative 1 is not completed, the Company may continue to use the existing resource configuration and Initiative 2 may be delayed. Results may indicate that savings are not attainable from Initiative 2. Any reduction of Peak Day HDD levels unlikely to result in pipeline/storage de-contracting.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

02/28/2013:

Changes to original Phase I schedule due to existing workforce issues (employee turnover/training, resource conflicts, etc.).

06/28/2013:

Initiative 1, Phase 1 has been submitted for Steering Committee verification. Data collection for Initiative 2 has begun..

10/29/2013:

Resource plan has been developed and internally approved and submitted for final approval. Weather Study to determine proper design day and design winter HDD targets has been completed. Reserve margin and the final report are completed and internally approved.

9.4: Improve day-ahead gas forecasting

Recommendation

Project Title	Improve day-ahead gas forecasting
Recommendation Number	9.4
Conclusion Number(s)	Ch IX, #3, 19
Recommendation	Improve the short-term (one-to-five day) forecasting process.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Dave Kimiecik	Vice President – Energy Services
Project Manager/ Team Lead	Pat Fox	Supervisor – Gas Supply

Brief Project Overview

Evaluate whether the current 5-day forecasting process/methodology is a best practice.

Description of Scope and Plan

The Company will conduct an industry survey to review the availability of other day-ahead gas load forecasting models/methodologies utilized in the industry. Additionally, the Company will evaluate other regression scenarios. The Company will load and test other software tools in an effort to test their ability to improve the day-ahead load forecasting process. A report will be written to document the results and recommend next steps for approval.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project Phase I	06/2012	06/2012	06/2012	Completed
Conduct Industry review/survey on software tools and methodologies	06/2012	03/2013	03/2013	Completed
Evaluate other regression scenarios/alternatives	06/2012	03/2013	04/2013	Completed
Load/backcast/compare alternatives	06/2012	03/2013	04/2013	Completed
Document results and draft and approve action plan	03/2013	05/2013	06/2013	Completed
Verify Phase I completion	05/2013	06/2013	07/2013	Completed
Start Phase II	08/2013	08/2013	08/2013	Completed
Acquire GasDay software	08/2013	11/2013		On Schedule
Verify Project completion	12/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$100K
Estimated Savings	$123K annually(all in commodity,$23K annually net of software cost)
Source of Savings	Reduced balancing costs
Other Benefits	Validate or improve forecasting method
Risks	If this project is not completed, the existing forecasting model will continue to be used.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Autobox and GasDay. Autobox provided a 60-day free trial period and GasDay a 30-day trial period for their forecasting software solutions. The Autobox backcast has been completed. IT approval to install the GasDay model has been requested. The Company is continuing to look at various relationships while running regressions to determine if such activities will improve day-ahead forecasting.

02/28/2013:

Autobox provided a 60-day free trial period and GasDay a 90-day trial period for their forecasting software solutions. The Autobox backcast has been completed. Further analysis is being conducted to determine the usefulness of the Autobox day-ahead forecasting tool. The GasDay software demo has been running for 60 days. On-going review/analysis is being conducted. The Company continues evaluate different regression relationships to determine if such activities will reduce the day-ahead forecasting error.

06/28/2013:

Completed demo periods with third-party software, completed regression changes, developed comparison table. Documented results and created draft action plan.

10/29/2013:

Autobox, GasDay and ANNSTLF were bench tested and of the three, Gas Day software was chosen and recommended for acquisition and implementation. The results were documented and approved in an action plan. The Company Strategic Resources department is in the process of purchasing GasDay software.

Chapter X – Budgeting

10.1: Overhaul capital budgeting process and activities

Recommendation

Project Title	Overhaul capital budgeting process and activities
Recommendation Number	10.1
Conclusion Number(s)	Ch X, #1, 2, 3, 10, 11
Recommendation	Complete a major overhaul of capital budgeting processes and activities, in order to produce a more structured, realistic, and supported approach to capital budget development and monitoring.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Director – Investment & Distribution Planning

Brief Project Overview

Complete a thorough review of the entire capital planning process in order to improve current processes and procedures.

Description of Scope and Plan

The Company will document enhancements completed since mid-2011, assess the current capital planning process, determine the desired future state, and develop a project plan to get to the desired state. Best practices from other utilities or other capital intensive industries will be considered. The initial enhancements identified will be implemented as part of the 2014 budget process.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2011	07/2011	07/2011	Completed
Compile and document completed enhancements	08/2012	12/2012	12/2012	Completed
Define contractor requirements and acquire services	12/2012	06/2013	09/2013	Cancelled
Assess current capital planning process	07/2013	10/2013	09/2013	Completed
Determine desired future state, incorporating recommended ConEd best practices (from 14.1) as appropriate	07/2013	10/2013	09/2013	Completed
Implement enhancements in 2014 budget plan	08/2013	09/2013	09/2013	Completed
Develop Phase II implementation plan	10/2013	11/2013	09/2013	Cancelled
Verify Phase I completion	12/2013	01/2014	09/2013	Cancelled
Start Phase II	01/2014	01/2014	09/2013	Cancelled
Prepare and approve final report of capital budgeting process and activities.	11/2013	11/2013		On Schedule
Verify project completion	09/2013	11/2013		On Schedule

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved quality of capital planning
Risks	If the project is not completed, the Company may continue independently improving its capital planning process.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Improvements made in the capital planning process since mid-2011, are being gathered from key stakeholders.

02/28/2013:

Compiled and documented completed enhancements. Contractor requirements defined.

06/28/2013:

Acquiring vendor (affiliate/external) services has required more time than originally planned. Efforts are underway to get back on track as soon as possible.

10/29/2013:

The company has determined external services are not necessary and has opted to utilize global capital budgeting benchmarking with Scottish Power, Elektro, and Iberdrola SA and Consolidation Edison best practices to fully address the audit finding. This has allowed the company to streamline this project and advance implementation from 2015 to 2014.

The project Scope and Schedule have been revised accordingly and reflect the earlier than expected implementation of enhancements. Preparation of final report is underway.

10.2: Develop strategic plans

Recommendation

Project Title	Develop strategic plans
Recommendation Number	10.2
Conclusion Number(s)	Ch X, # 8; Ch XIV, #1
Recommendation	Develop five-year and ten-year IUSA strategic plans and strongly link with rate plan forecasts and annual budgets.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	**Title**
Executive Champion	Bob Kump	CEO
Project Manager/ Team Lead	Tom Ryan	Director – Business Strategy

Brief Project Overview

Develop the 10-Year Strategic Plan Document – 2014 through 2023

Description of Scope and Plan

The Company will develop a 10-year integrated strategic plan incorporating key elements including: strategic vision; external and internal SWOT analysis; defining the needs and opportunities of the business in the context of the corporate vision and environmental assessment; developing labor resource, regulatory, and financial plans; and manifesting the results as business priorities and future projects.

Schedule

Major Activities/ Milestones	**Estimated Start Date**	**Estimated Completion Date**	**Actual Completion Date**	**Status**
Start Project	02/2012	02/2012	02/2012	Completed
Develop enhanced process	03/2012	03/2012	03/2012	Completed

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Update Corporate Vision	03/2012	03/2012	04/2012	Completed
Environmental Assessment	03/2012	05/2012	05/2012	Completed
Defining the Needs and Opportunities of the Business	03/2012	10/2012	10/2012	Completed
Refine the Needs and Opportunities of the Business	11/2012	03/2013	04/2013	Completed
Defining the Resource Plans	03/2012	03/2013	04/2013	Completed
Develop the Regulatory Plan	06/2012	03/2013	04/2013	Completed
Develop 10-Year Financial Plan	02/2013	05/2013	06/2013	Completed
Develop Business Area Priorities, Roadmap and Projects	04/2013	09/2013	10/2013	Completed
Finalize Strategic Plan Document	04/2013	09/2013	10/2013	Completed
Verify project completion	10/2013	10/2013		On Schedule

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	A successfully developed strategic plan will lead to a more stable and predictable business environment, vision, and priorities which should support the identification of further performance and operating efficiencies, strengthen the ability of the Company to focus on and achieve its highest priorities and most critical initiatives, and provide the flexibility and mental discipline needed to accommodate evolving and new business threats and opportunities.
Risks	The lack of a strategic plan may make it more difficult to reach consensus on business area priorities and critical initiatives, and may increase the potential for inconsistent business decisions. As with any long-term plan, changing priorities and unanticipated or unlikely events may require changes to the plan.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Implementation of the enhanced strategic planning process began in March at the Senior Management quarterly meeting in Boston. The enhanced process was introduced at this meeting. Since then, the Corporate Vision statements have been updated, the Environmental Assessment element of the plan has been completed, the Needs and Opportunities have been identified, and the Resource and Regulatory Plans are under development.

02/28/2013:

The Company has recognized the need for further refinement of the needs and opportunities of the business. Resource and Regulatory Plans remain under development.

06/28/2013:

Refinement of the needs and opportunities of the business has been completed. Resource Plan definition, development of the regulatory plan and the 10-year infrastructure capital investment schedule are now completed. The workforce resource model has produced initial recommendations for Electric T&D operations, Gas T&D operations, and Asset Management and Planning. Preliminary financial statements have been produced and remain under review.

10/29/2013:

Plan is in review to determine that all requirements have been met.

Chapter XI – Program and Project Planning and Management

11.1: Balance internal and external project managers, engineers

Recommendation

Project Title	Balance internal and external project managers, engineers
Recommendation Number	11.1
Conclusion Number(s)	Ch XI, #1,2
Recommendation	Determine the best balance of the number of internal *and external (including affiliate)* project personnel for the demands for Project Managers, Project Engineers and Schedulers.[25]
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Ellen Miller	Director – Electric Capital Delivery

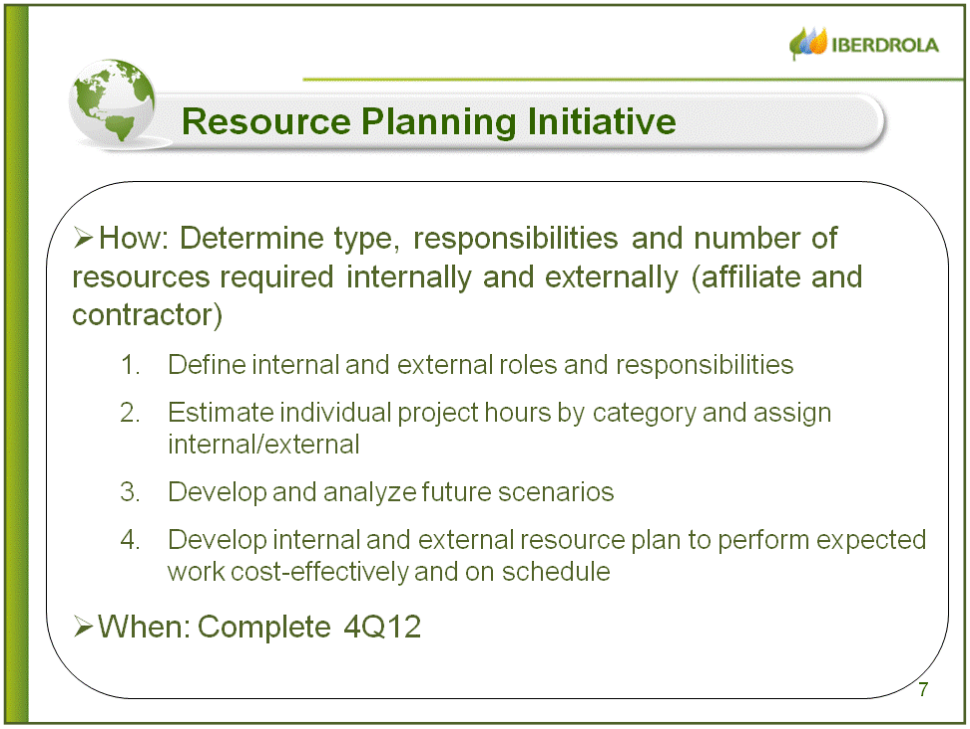
Brief Project Overview

IUSA will perform a study of internal and external (including affiliate) resources for project management and engineering for capital projects.

[25] Italicized language inserted by Company for clarity.

Description of Scope and Plan

In Phase I, the Company will carry out the work described in the final page of Management Audit Order Appendix B, which is shown below:



In Phase II, the Company will implement the resource plan.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	08/2012	08/2012	08/2012	Completed
Obtain or Develop core data to be used in the analysis	08/2012	11/2012	11/2012	Completed
Quantitative Analysis of data to establish baseline resource requirements	11/2012	12/2012	12/2012	Completed
Draft, review, and finalize Resource Plan	11/2012	02/2013	02/2013	Completed
Finalize roll-out plans	02/2013	03/2013	03/2013	Completed
Verify Phase I completion	02/2013	04/2013	03/2013	Completed
Start Phase II	12/2012	05/2013	02/2013	Completed
Demonstrate progress toward achievement of resource plan recommendations	05/2013	06/2013	09/2013	Completed
Verify Phase II completion	07/2013	07/2013		Delayed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Optimized mix of internal and external (including affiliate) resources
Risks	If this project is not completed, the Company will continue to use the existing resource configuration.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Internal and external (including affiliate) roles and responsibilities have been documented, and project hours have been estimated. A model has been developed for the first scenario and analysis of that scenario is underway.

02/28/2013:

The Management Audit Phase I Study and Resource Plan was completed and filed on February 4th.

06/28/2013:

The hiring process in Phase II is well underway and new hires are being on boarded. A review of the current status of hiring versus the Resource Plan is currently being conducted to ensure all Phase II commitments have been met prior to seeking verification of completion.

10/29/2013:

As documented in IR response 11-1-36, eighteen internal employee positions have been filled and the hiring process is underway for an additional 7 positions, demonstrating significant progress toward and commitment to full implementation of the resource plan identified in Phase I. The project is now ready for Steering Committee verification of phase II and overall project completion.

11.2: Improve project management functions in SAP

Recommendation

Project Title	Improve project management functions in SAP
Recommendation Number	11.2
Conclusion Number(s)	Ch XI, #3
Recommendation	Improve the project management functions of the SAP system.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Ruben Deprey	Manager – SAP Support
Project Manager/ Team Lead	Adam Desrosiers	Manager – Electric Capital Delivery

Brief Project Overview

Implement certain SAP enhancements that are planned or in implementation stages related to electric project management and planning. Review cost approval process.

Description of Scope and Plan

Complete SAP enhancements related to e-mail management and notifications, Work Order Design input, visibility of material needs and SAP Reporting. Review cost approval process for potential redundancies.

- Automated E-mail functionality will address Liberty's concern that SAP internal email management and notifications are not automated.
- The Field Design module will address Liberty's concern that work order designs cannot be created outside of SAP and then downloaded into SAP. The Material Requirements Planning module will address Liberty's concern that material needs are not always visible.
- Business Warehouse Reporting will address Liberty's concern that report outputs are cumbersome.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2011	01/2011	01/2011	Completed
Automate Master Data updates in SAP	01/2011	06/2011	06/2011	Completed
Implement Resource Planning Tool for Electric Operations	01/2011	06/2011	06/2011	Completed
Implement Joint Use of Plant tracking in SAP for NYSEG and RG&E	01/2011	07/2011	07/2011	Completed
Implement SAP MRP module to improve visibility of material needs, improve warehouse efficiency and automate material planning.	03/2011	12/2011	12/2011	Completed
Implement Field Operations KPI Reporting in SAP Business Warehouse.	06/2011	12/2011	12/2011	Completed
Complete SAP Rearchitecture Project	06/2011	06/2012	06/2012	Completed
Implement improved work order design module outside of SAP.	01/2012	05/2013	05/2013	Completed
Implement standard reporting in SAP Business Warehouse for Actual versus Planned Costs	06/2012	03/2013	03/2013	Completed
Review cost approval redundancy	01/2013	06/2013	06/2013	Completed
Implement automated customer e-mail feature for construction related notifications at NYSEG and RG&E	06/2013	11/2013		On Schedule
Verify project completion	11/2013	12/2013		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	One time capital cost of $1,209,100 for work order design tool implementation costs plus on-going annual O&M maintenance of $60,000.
Estimated Savings	$876,000 for work order design tool savings annually (capital savings).
Source of Savings	The new work order design tool is expected to provide reductions in design time, down time between design appointments, vehicle use and unnecessary travel expenses.

Other Benefits	This work order design project will also result in improved response time to customer requests for quotations.
Risks	If this project is not completed, the benefits and savings would not be realized. Additionally, the typical project risks exist for this project, e.g. possible schedule delays and variances between estimated costs/savings and actual costs/savings.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Automation of Master Data updates to SAP was completed in June 2011. Implementation of Electric Operations Resource Model was completed in June 2011. Implementation of the Joint Use of Plant tracking in SAP for NYSEG and RG&E was completed in July 2011. Implementation of the SAP Material Requirements Planning (MRP) module was completed in December 2011. The Field Operations planned versus actual labor hours was completed in December 2011. Completion of the SAP Rearchitecture Project occurred in June 2012. Implementation of the standard reporting for SAP Business Warehouse Actual versus Planned hours and costs has been implemented in SAP Business Warehouse. Implementation of the improved work order design module outside of SAP is in the construction phase of the project. End user testing is pending with an implementation completion expected by December 31, 2012.

02/28/2013:

Implementation of the improved Work Order Design module outside of SAP is in the Deployment Phase of the project. End users at NYSEG and RG&E who create Gas construction designs received the new tool in December 2012.

06/28/2013:

Implementation of standard reporting in SAP Business Warehouse for Actual versus Planned Costs has been deployed and end user training has been provided. Implementation of the improved Work Order Design module outside of SAP has been completed as has a review of cost approval redundancy.

10/29/2013:

The automated customer e-mail feature for RG&E and NYSEG is currently on track for completion by the end of November 2013.

11.3: Issue written project management procedures

Recommendation

Project Title	Issue written project management procedures
Recommendation Number	11.3
Conclusion Number(s)	Ch XI, #4, 6, 9, 14, 18, 19
Recommendation	Issue written project management procedures.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Mauricio de la Iglesia	Manager – Engineering and Delivery - Project Management Office

Brief Project Overview

Update Project Management Procedures Manual (PMPM) to address concerns identified in the audit.

Description of Scope and Plan

The Company will develop written project management procedures and will review the specific concerns identified by Liberty in Recommendation 11.3 to ensure that they are appropriately addressed during the 2012 update.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	01/2011	01/2011	01/0211	Completed
Draft PMPM	01/2011	09/2011	09/2011	Completed
Roll out PMPM	09/2011	03/2012	03/2012	Completed
Review Liberty recommendations and modify PMPM	03/2012	11/2012	12/2012	Completed
Verify project completion	12/2012	12/2012	01/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Potentially decrease expected Project costs • Improve project management efficiency & consistency • Standardize project management procedures • Consistent, repeatable successful project delivery
Risks	If the project is not fully completed, the PMPM may not adequately address some of the issues identified in the audit.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Project Management Procedures Manual (PMPM) to guide and govern all capital design and construction projects was rolled out to Electric Capital Delivery (ECD) during October 2011. The Company has conducted associated training, and is now utilizing those procedures when managing electric capital projects. The PMPM has also been rolled out to other applicable groups (across Engineering and Gas Delivery, Fossil Hydro, and Maintenance Engineering) of employees who will benefit from having access to the standard PM processes. The PMPM is undergoing its first annual revision at this time, to ensure processes/procedures are modified where appropriate, and best practices are adopted where needed.

02/28/2013:

In order to organize the different levels of project management requirements for both business (Gas & Electric) and to define new processes and guidelines which NYMA audit requires, PMO has created the Project Management Policy book within E&D and a Project Management Processes Manual for each business.

<u>The following points explain how and where Liberty's concerns are addressed by our new processes and guidelines:</u>

- Process flow and responsibility assignments are unclear. This is a major issue on large projects where several layers of contractors are involved.

  A role is defined by a specifically described set of tasks, responsibilities and competencies. Project roles are defined independently of the associated line organizations and are assigned to people who are appointed for specific projects.

- Lack of formal project charters containing hard dates, constraints and assumptions.

  Within the initiating process, a project charter is created where the initial scope is defined, the initial financial resources are committed, and internal and external stakeholders are identified. If not already assigned, the project manager will be selected.

- Lack of defined project performance expectations for the key players, including internal personnel and external contractors.

  The new Planning and Performance Measurement System defined within the Project Management Policy is used to integrate scope, schedule, and resources; for objectively measuring project performance and progress and for forecasting project outcome.

- Lack of project management organizational charts.

  Project roles are defined independently of` the associated line organizations and are assigned to people who are appointed for specific projects. Depending on the project's complexity, various roles may be assigned to only one person, or covered by a centralized function.

- Project initiation and scope definitions are inconsistent.

  The processes used to manage project scope, as well as the supporting tools and techniques, are defined as part of the project life cycle. The approved detailed project scope statement and its associated WBS and WBS dictionary are the scope baseline for the project.

- Lack of resource based project management planning.

  Project Human Resource Management includes the processes that organize, manage, and lead the project team. The project team is comprised of the people with assigned roles and responsibilities for completing the project. The type and number of project team members can change frequently as the project progresses.

- Lack of consistent milestone scheduling.

  The global standard defines project phases with minimum content and responsible roles, milestones with minimum work results and minimum Quality Gates.
  The project management processes are harmonized to the same phases and milestones. Only the detailed work results may differ within the harmonized project phases for the major milestones.

- Lack of a stage gate review process.

  Quality Gates are located at selected milestones in the initiation and execution phases of projects that have serious budgeting implications, corresponding to points of no return, handover of responsibilities, and points at which preventive measures could be taken most effectively to ensure project success.

- Estimating packages do not match the work breakdown structures. As a result the construction bids cannot be verified against the estimated costs.

  Planning and Performance Measurement system defined in the PM Policy is a management methodology for integrating scope, schedule, and resources; for objectively measuring project performance and progress; and for forecasting project outcome. This will help ensure that construction bids can be verified against the estimated costs.

- Lack of estimating accuracy expectations. As a result the overall estimates are not accurate. The project designer's estimates should be compared to the final design and be within expectations, usually within 10 to 25%.

  Budget elements are tracked throughout the life of the project. The components of the project budget are defined in the PM Policy.
  The cost estimate provides the basis for establishing the budget. Estimates are developed for each work package, planning package, and summary level planning budget. We are continuing to improve our cost estimation processes and will focus specifically on cost estimation in project 13.3.

- Lack of schedule performance expectations.

  A schedule tool, in combination with a specific scheduling method (such as Critical Path Method or Critical Chain Project Management), is used to enter the project-specific data including activities, logic sequence, duration estimates, resource estimates, and other useful schedule-related information. The schedule tool processes and dynamically reacts to the project specific data entered into the tool to create a schedule model.

- Undefined contingency management process.

  When creating the Performance Measurement Baseline (PMB), the objective is to represent an executable, credible, and realistic time-phased budget plan and corresponding schedule. This plan, as represented by the PMB, is used to measure the actual project performance in comparison to the plan. Risk management strategies, particularly for risk mitigation, are included in the PMB.

- Undefined project close-out procedures.

  The Closing Process consists of those processes performed to finalize all activities to formally complete the project or phase.

- Lack of any Lessons Learned process.

  Project debriefing and Lessons Learned are a fixed component of project work. They provide a means of deriving findings explicitly from projects and, in the initial step, consolidating these findings in a usable form for the participating persons as new knowledge for future projects.

11.4: Address design/delivery issues

Recommendation

Project Title	Address design/delivery issues
Recommendation Number	11.4
Conclusion Number(s)	Ch XI, #13
Recommendation	Separate the design function from the delivery function.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis to evaluate and address issues identified by Liberty
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Mauricio de la Iglesia	Manager – Engineering and Delivery - Project Management Office

Brief Project Overview

The Company will conduct a review of the issues Liberty proposed to resolve by separating the electric design and delivery functions, identify deficiencies, and pursue improvements, as needed.

Description of Scope and Plan

The Company will review and evaluate the issues and concerns identified by Liberty in Recommendation 4, identify performance gaps, and determine and implement the appropriate solutions to those gaps based on a root cause analysis.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	10/2012	10/2012	10/2012	Completed
Review and evaluate issues	10/2012	11/2012	12/2012	Completed
Identify performance gaps and conduct root cause analysis	11/2012	12/2012	12/2012	Completed
Determine appropriate solutions	01/2013	02/2013	02/2013	Completed
Create Solution Report and, if warranted, implement solutions.	02/2013	03/2013	03/2013	Completed
Update Roles and Responsibilities within E&CD	02/2013	03/2013	03/2013	Completed
Verify project completion	01/2013	04/2013	05/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Cost-effectively resolve substantiated performance gaps
Risks	Company may not identify separation of design and delivery functions as the optimum solution to performance gaps.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Review and evaluation of issues and concerns underlying the Liberty recommendation has begun.

02/28/2013:

Performance Gaps and proposed solutions:

Increased design costs and inefficient use of design contractors.

- The lump sum RFP process in use is not efficient for many small routine engineering jobs. Very similar to what the audit recommendation refers to as the more common practice, the new framework agreements in engineering and project management that are being implemented address this concern by setting up annual contracts on a time basis and hiring fulltime workers. The new “roles and responsibilities matrix” will reduce the number and amount of engineering contractor interactions.

Inability to meet the planned construction budget spends

We have begun implementation of our new Planning and Performance Measurement System which will address this issue by establishing a management methodology for integrating scope, schedule, and resources; for objectively measuring project performance and progress; and for forecasting project outcome. The application of the system in the early initiation and planning phases of a project increases the validity and usefulness of the cost and schedule baseline and is an excellent verification of the project scope assumptions and the scope baseline.

Our new system will allow to manage the project portfolio by sharing a pool of resources whose analysis prioritizes our resources and produces a Management-sanctioned, prioritized Capital Delivery project portfolio. This portfolio would be governed and visibly supported by the Management team. It would be utilized by all project and resource managers to ensure that decisions are made and resources are allocated according to Management mandate. Data in this portfolio would emanate from both business units. All Management and managers would receive reports to guide decision-making and actions from a common base of data.

Inability to perform design stage gate holds to aggregate routine jobs for more economical construction contracts.

We detected a lack of clear understanding regarding the resources required for delivery of benefits expected of the programs. As with project procurement management, early and intensive planning is critical for successful program procurement management. To do this, program procurement management addresses commonality and differences for the various procurements across the program scope and determines:

- Whether some of the common needs of several individual components could best be met with one overall procurement rather than several separate procurement actions.

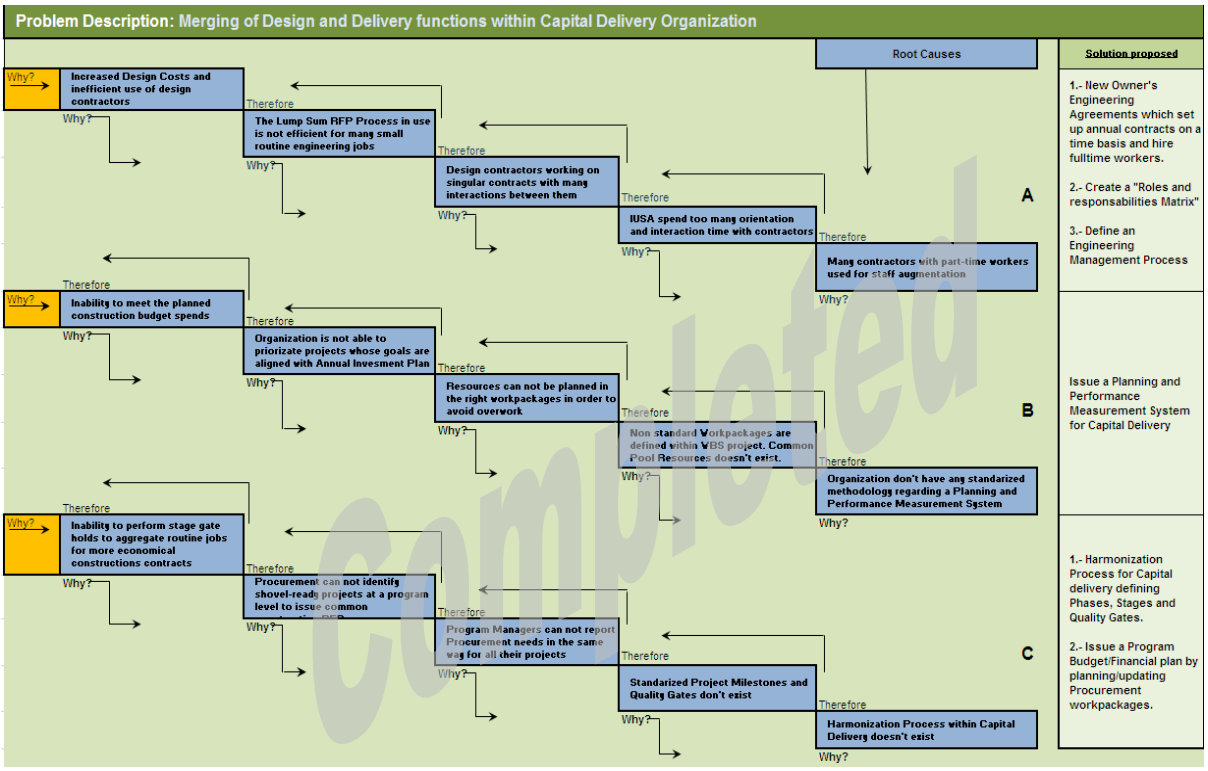
06/28/2013:

As indicated in the project overview and scope statement, the Companies reviewed and evaluated the specific issues raised in the detailed bullets included within the Audit recommendation to get at the root issues and concerns rather than focusing just on the

particular proposed solution in the original recommendation statement. The key concern areas (bullets in the audit recommendation language) were analyzed and, where applicable, corrective actions and solutions have been identified and implemented as described below.

The drafted and implemented Solution Report based on identified solutions which were identified during the root analysis is described below.

Root Analysis



Matrix Solution

Issues / Solutions	Framework agreements in engineering	Roles and responsibilities matrix	Engineering Management Process	Planning and Performance Measurement System	Program procurement management	Standard project processes
Increased design costs and inefficient use of design contractors.	X	X	X			
Inability to meet the planned construction budget spends.				X		
Inability to perform design stage gate holds to aggregate routine jobs for					X	X

more economical construction contracts.						

Engineering & Capital Delivery Program Management Office has implemented these solutions and we updated the Roles & Responsibilities not only at E&CD Program Management level but also at Engineering.

11.5: Update monthly CapEx project cash flows in SAP

Recommendation

Project Title	Update monthly CapEx project cash flows in SAP
Recommendation Number	11.5
Conclusion Number(s)	Ch XI, #16
Recommendation	Adopt a systematic process in place for updating SAP monthly cash flows during the budget year.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering & Delivery
Project Manager	Joe Gasbarrone	Manager – Programs/Projects

Brief Project Overview

Populate the SAP system with revised monthly CapEx cash flows consistent with the formal revision process schedule, and use the central database for reporting actual vs. revised forecast.

Description of Scope and Plan

The Business will provide revised CapEx cash flows at the project level to support the Rev financial forecast. The monthly cash flows will be loaded into SAP consistent with the Plan Revision schedule. The Control Dept compiles the forecast and updates SAP. SAP is then available for reporting.

Senior Executive Review meeting reports will include actual spending in comparison to the original Plan and the current new authorized target (current Rev). The review report content will also include a comparison of changes in forecasts by responsible manager in order to measure the quality of forecast revisions and improve future forecasts.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	01/2012	01/2012	01/2012	Completed
Develop and Implement Process (Rev 1)	01/2012	03/2012	03/2012	Completed
Monitor the new process for compliance (Rev 2)	03/2012	06/2012	06/2012	Completed
Monitor the new process for compliance (Rev 3)	08/2012	09/2012	09/2012	Completed
Verify project completion	09/2012	10/2012	10/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Improved the quality of CapEx reporting Improve project management process
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Improvements in the IUSA CapEx forecasting and reporting process have been put in place.

11.6: Execute vegetation management contracts by Jan 1

Recommendation

Project Title	Execute vegetation management contracts by Jan 1
Recommendation Number	11.6
Conclusion Number(s)	Ch XI, #20
Recommendation	Put vegetation management contacts in place by January 1 of the contract year.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Execute 2013 line clearance contracts and issue purchase orders prior to January 1, 2013.

Description of Scope and Plan

NYSEG and RGE released the 2013 distribution requests for proposals on April 13, 2012. Purchase orders are scheduled to be released to the selected vendors no later than December 1.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	02/2012	02/2012	02/2012	Completed
Prepare 2013 request for quotes	02/2012	04/2012	04/2012	Completed
Conduct competitive procurement process	05/2012	09/2012	06/2012	Completed
Sign contracts and release purchase orders to vendors	10/2012	12/2012	12/2012	Completed
Verify project completion	01/2013	01/2013	01/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	The January 2 start date will allow contractors to clear circuits early in the year. Tree crews will be working on the system and available for emergency work if required.
Risks	Delays would delay contractor start dates for clearing circuits and could impact their availability to respond to emergency storm response efforts.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The 2013 proposals have been received and evaluated, and the approval process is underway.

2/28/2013:

Proposals approved and contracts signed for 5 vendors for NYSEG and RG&E by 12/10/2012. Purchase orders created and released for all 5 vendors by 12/20/2012.

11.7: Move NYSEG to five-year vegetation management cycle

Recommendation

Project Title	Move NYSEG to five-year vegetation management cycle
Recommendation Number	11.7
Conclusion Number(s)	Ch XI, #20
Recommendation	Move to a five year trim cycle on all circuits.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Formally propose the establishment of a NYSEG five year distribution line clearance cycle program.

Description of Scope and Plan

In Phase I, the Company will conduct an evaluation of options for moving to a five year trim cycle at NYSEG, and then conduct a meeting with Staff to discuss both those options and the Company's plan to file a formal proposal. The Company will then identify a recommended approach to successfully move to a full cycle trim program, prepare a NYSEG five year, full cycle line clearance plan and schedule, and produce formal filing. In Phase II, the Company expects to receive an Order from the Commission addressing the transition to a five year trim cycle at NYSEG.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	12/2011	12/2011	12/2011	Completed
Consultant evaluates options, alternative schedules and budget requirements to move to a five year cycle	12/2011	07/2012	07/2012	Completed
Prepare for and conduct a meeting with Staff to discuss options	07/2012	02/2013	02/2013	Completed
Finalize recommended approach and file five year full cycle plan	02/2013	04/2013	03/2013	Completed
Verify Phase I completion	04/2013	05/2013	04/2013	Completed
Start Phase II	05/2013	05/2013	05/2013	Completed
Receive PSC Order	06/2013	12/2013	10/2013	Completed
Verify Phase II completion	01/2014	02/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $120K Phase II: TBD
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Help maintain reliability performance, and improve restoration from major storm events
Risks	Near-term impact on rates of cost to implement the program
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The consultant (ECI), working with the Company, has conducted an evaluation of options and produced their report. The Company is reviewing the consultant's findings in anticipation of meeting with Staff.

02/28/2013:

A meeting was held with the PSC Staff, the Company, and ECI on February 14 to discuss the Company's plan to file a petition in early March 2013, which will request PSC approval in July 2013 for NYSEG to start a ramp-up period toward a full five year cycle trim beginning 1/1/14.

06/28/2013:

The *Petition of New York State Electric & Gas Corporation for Authorization to Implement Full-cycle Distribution Vegetation Management* was submitted to NYPSC on March 15, 2013. As stated in the Petition:

> New York State Electric & Gas Corporation ("NYSEG or the "Company") hereby seeks approval from the New York State Public Service Commission ("Commission") to implement full-cycle vegetation management for its overhead distribution system. Specifically, the Company respectfully requests Commission authorization to implement an initial full-cycle distribution vegetation management reclamation program (the "Reclamation Cycle") and, thereafter, enter into a full-cycle, long-term distribution vegetation management maintenance program (the "Long-Term Maintenance Cycle"), as recommended by Environmental Consultants, Inc.[1] NYSEG also seeks authorization to implement a temporary surcharge until the full cost of the distribution vegetation management program is embedded in a new rate plan.
>
> Over the past few years, a number of significant storm events, including Hurricane Sandy, Tropical Storm Irene and Tropical Storm Lee, have impacted NYSEG's service territory. Most recently, Hurricane Sandy had a dramatic impact on certain areas of NYSEG's service territory. NYSEG's Liberty and Brewster divisions were particularly hard hit by Hurricane Sandy. The severity of the recent storms, along with the distribution vegetation management recommendations contained in the Company's recent management audit, have highlighted and escalated the importance of a full-cycle distribution vegetation management program for NYSEG. Tree related outages represent over a third of customer interruptions on the NYSEG system. It is imperative that this Petition be addressed now so that the Company can implement full-cycle distribution vegetation management as soon as possible. As such, the Company respectfully requests a July 2013 Commission order to allow the Company a smooth transition for the preparation, issuance, negotiations and awarding of Requests for Proposals ("RFPs") for an effective start date of January 1, 2014.
>
> [1] As discussed in more detail herein, the Reclamation Cycle includes a four-year cycle with mid-cycle for 34.5 kV, five-year cycle for 12.5-19.9 kV and five-year cycle for less than 12.5 kV. The Long-Term Maintenance Cycle includes a four-year cycle on the 34.5 kV lines with a targeted mid-cycle program for the three-phase portions, a four-year cycle on three-phase with a five-year cycle on single-phase lines for voltages between 12.5 kV and 19.9 kV, and a five-year cycle on all voltages below 12.5 kV.

During April, the Company received and, in May, has responded to six interrogatories on Petition matters. The Company also met with DPS Staff on April 30, 2013. At this meeting, the Company and Staff discussed the likelihood and desirability of receiving a July 2013 PSC Order in response to the Petition, and no obstacles were identified. No further interrogatories have been received.

10/29/2013:
The Company received the PSC Order 13-E-0117 dated October 1, 2013. The Company expects to file a plan within 60 days from the Order.

11.8: Evaluate use of herbicides in vegetation management at NYSEG

Recommendation

Project Title	Evaluate use of herbicides in vegetation management at NYSEG
Recommendation Number	11.8
Conclusion Number(s)	Ch XI, #22
Recommendation	Achieve the benefits of using herbicides in the distribution vegetation management program.
Adopted, Modified, or Rejected	Modified: Herbicide use is most effective when combined with a full cycle program. NYSEG will implement a two-phase project to determine program direction.
Priority	Low

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Wes Davis	Manager – Vegetation Management

Brief Project Overview

Develop a two-phase project to evaluate and potentially initiate the use of herbicides on NYSEG's distribution system in 2014

Description of Scope and Plan

This project will only apply to NYSEG. (Clarifying information from Liberty indicated that the auditor found the use of herbicides at RG&E unlikely to be cost effective.) In Phase I, NYSEG will evaluate the cost of applying cut surface treatment based on recent vendor information and then perform a cost benefit analysis assuming that a five year, full cycle trim program will be approved by the Commission. In Phase I, NYSEG will review the study results with Staff. Finally, if warranted and if the transition is planned to full cycle trim, in Phase II NYSEG will consider implementation of herbicide use.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	06/2012	06/2012	06/2012	Completed
Gather data	06/2012	07/2012	07/2012	Completed
Analyze and document cost v. benefits	08/2012	03/2013	03/2013	Completed
Prepare for and meet with Staff to review cost benefit analysis	06/2013	12/2013	02/2013	Completed
Verify Phase I completion	04/2013	05/2013	05/2013	Completed
Start Phase II	05/2013	05/2013	05/2013	Completed
Verify Phase II completion	12/2013	01/2014		Awaiting Start
Start Phase III	02/2014	02/2014	05/2013	Cancelled

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $0 Phase II: TBD
Estimated Savings	TBD
Source of Savings	Reduction in distribution system vegetation load between physical trim
Other Benefits	
Risks	If the Company does not complete the project, vegetation management will proceed without the use of herbicides. Communities and/or customers may raise concerns with the use of herbicides.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Data gathering for the cost/benefit analysis is complete and the analysis is underway.

02/28/2013:

Have discussed herbicide use with NYPSC Staff and Senior management. Additional discussions required to determine NYSEG direction.

06/28/2013:

On 2/14/2013, NYSEG met with the NYPSC staff to discuss the Company's pending petition for full cycle vegetation management program with herbicides. Costs and benefits were presented from the ECI Report and discussed at this meeting. NYSEG has requested a July 2013 Commission order to prepare for an effective start date of January 1, 2014. Since projects 11.7 and 11.8 have been presented in one petition, the milestones and phases of both projects have been aligned in the current project schedules.

10/29/2013:

The Company received the PSC Order 13-E-0117 dated October 1, 2013. The Company expects to file a plan within 60 days from the Order.

11.9: Increase technical expertise of energy efficiency staff

Recommendation

Project Title	Increase technical expertise of energy efficiency staff
Recommendation Number	11.9
Conclusion Number(s)	Ch XI, #26
Recommendation	Add in-house technical expertise rather than use contractors.
Adopted, Modified, or Rejected	Modified: Strengthen utilization of existing in-house technical expertise rather than add new internal resources.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Carl Taylor	VP – Customer Service
Project Manager/ Team Lead	Joni Fish-Gertz	Manager – Energy Efficiency Programs

Brief Project Overview

Provide additional training to allow internal employees with an appropriate technical background to carry out tasks previously conducted by external contracted labor.

Description of Scope and Plan

This plan will utilize the existing in-house employees with technical backgrounds to perform more of the energy efficiency technical requirements, and provide additional training to improve their technical skill sets. Utilizing existing internal labor should decrease the amount of external labor required to perform these tasks.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2012	07/2012	07/2012	Completed
Develop and approve work reallocation and training plan	07/2012	10/2012	10/2012	Completed
Provide training	07/2011	12/2013	10/2013	Completed
Document savings	01/2014	02/2014	10/2013	Completed
Verify project completion	03/2014	03/2014	10/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$15,125
Estimated Savings	$324,877 (all in SBC)
Source of Savings	Reduced external resource costs.
Other Benefits	Improved oversight and management of activities
Risks	If this project is not completed or delayed, the reduction in external contractor use would likely be slowed down. This could potentially happen in the event internal resources may need to temporarily work on other high priority projects.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Although the project formally began in July 2012, the Company anticipated a recommendation in this area based on interviews conducted in 2011, and began providing more technical training to internal staff at that time. Resources have been identified, a training plan has been approved and training and development is underway, including participation in professional and industry organizations and committees. Use of external technical resources is gradually declining.

02/28/2013:

Internal employee training (NEEP M&V Forums, EPA and other webinars, Professional Working Group participation and leadership, on-the-job work with customers, online equipment training) is continuing as planned and is on schedule.

06/28/2013:

Training of internal personnel continues on schedule, and use of outside consultants for technical requirements (not including specific EEPS program operation), has greatly declined.

10/29/2013:

The training required in the implementation plan was completed in October 2013, with all costs accounted for. The reduction of external technical resource costs was completed in October 2013, with cost projections performed extending to year-end. The savings, all in SBC funded expenses, have been re-invested in EEPS programs.

Chapter XII – Program and Project Planning and Management – Gas

12.1: Implement gas project management procedures manual

Recommendation

Project Title	Implement gas project management procedures manual
Recommendation Number	12.1
Conclusion Number(s)	Ch XII, #1, 3
Recommendation	Formalize Gas Project Management Organization & Process by staffing a Gas project management group with experienced individuals to manage all of the capital program projects, even the small main and service replacements. Additionally, the Companies should formally document project management procedures in a Project Management manual.
Adopted, Modified, or Rejected	Modified: Staffing issues will be addressed in response to Recommendation 12.2.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Mauricio de la Iglesia	Manager – Engineering and Delivery – Project Management Office

Brief Project Overview

Develop and implement a gas project management procedures manual

Description of Scope and Plan

Gas Engineering will develop and implement gas related project management procedures

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Review of electric PMPM by Gas Engineering	05/2012	05/2012	05/2012	Completed
Revise the current electric-only PMPM as needed to include gas-specific procedures, and obtain approval	07/2012	12/2012	12/2012	Completed
PMO processes development	09/2012	11/2012	12/2012	Completed
Rollout gas PMPM to gas engineering staff	01/2013	02/2013	03/2013	Completed
Verify project completion	03/2013	03/2013	03/2013	Completed

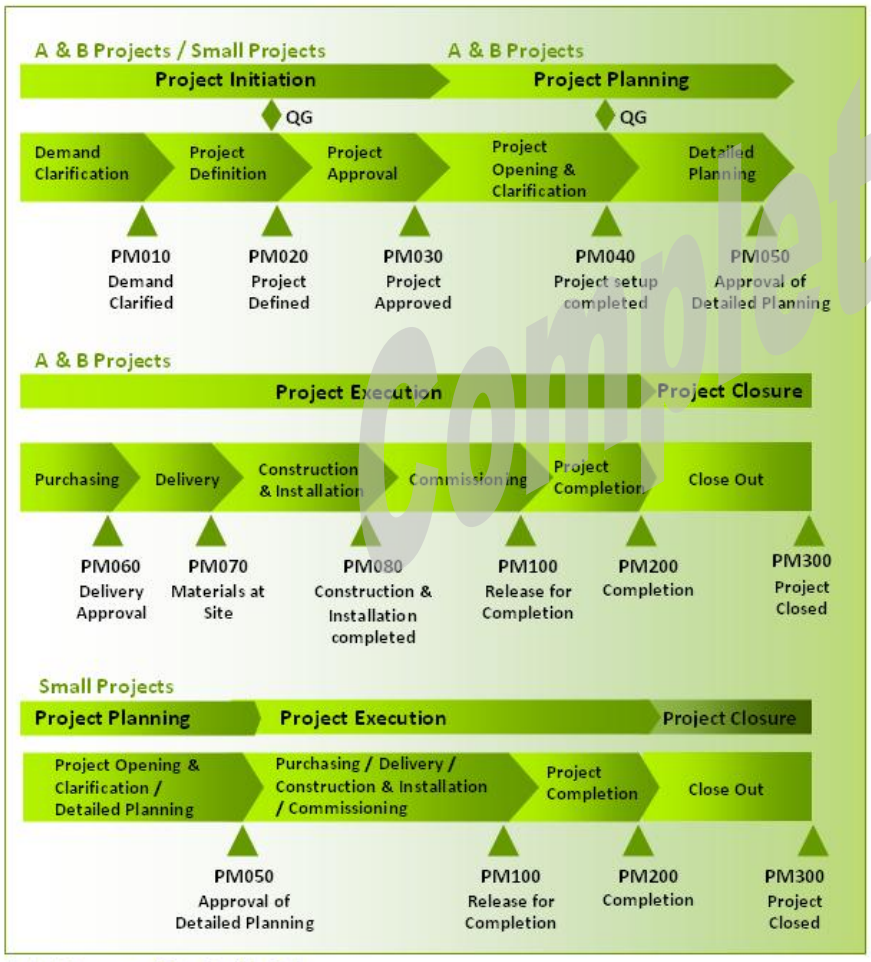
Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Potentially decrease expected Project costs • Improve project management efficiency & consistency • Standardize project management procedures • Consistent, repeatable successful project delivery
Risks	If this project is not completed, project benefits may not be fully achieved.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:
Identified a common project management methodology for Capital Delivery project portfolio.
Established PMPM structure.
Established minimum requirements for deliverables and records.
Defined capital delivery project categories (large/medium/small projects).
Defined general processes and roles including quality gates.
Defined project controlling loop.
Defined quality gates process.

The graphic below illustrates the project management process in the PMPM from initiation through closure.



Project Processes. QG = Quality Gate

02/28/2013:

To release Gas PMPM, the reviewed Electric PMPM (rec. 11.3) was modified in some of its parts according to specific project integration management in Gas. These modifications were:

Project and Program Categories

Project/Program Management Organization

Project/Program Roles and responsibilities

Project/Program Steering Committee
Reduction in the number of Project/Program Stages

Roll Out progress:
Drafting presentations and talks to plan several WebEx within the organization.
Agreed Plan with HR to include the roll out within GEP (Iberdrola Corporation Training Tool).

06/28/2013:
Gas PMPM Released.
Roll-out established.
External and internal PM teams were attending face-to-face meetings.

12.2: Review gas capital manpower requirements

Recommendation

Project Title	Review gas capital manpower requirements
Recommendation Number	12.2
Conclusion Number(s)	Ch XII, #2, 3
Recommendation	Review manpower requirements to meet the capital and program requirements within the gas organization and make changes accordingly.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Dave Weiler	Manager – Gas Engineering

Brief Project Overview

Develop a gas capital program resource plan

Description of Scope and Plan

In Phase I, the Company will determine the optimized resource levels needed for engineers and project managers to effectively implement the total annual gas capital program by collecting data, and developing a resource plan. The study and ultimate recommended resource plan will include project management resources as specified in Recommendation 12.1. The resource plans will be implemented in Phase II. (The Company has moved the determination of optimized resource levels needed for Construction Supervision and Inspection to Project 12.3.)

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	08/2012	08/2012	08/2012	Completed
Project team kickoff	08/2012	08/2012	08/2012	Completed
Evaluate and adjust as necessary the capital project process	08/2012	11/2012	11/2012	Completed
Identify parameters and inputs critical to the resource decision process	09/2012	11/2012	11/2012	Completed
Evaluate resource needs, including the impact of the implementation of gas PM procedures (12.1), through 2013 and recommend interim (2013) resource strategy	10/2012	11/2012	11/2012	Completed
Collect data including historical capital expenditure, FTE information and capital program plans through 2018	09/2012	12/2012	12/2012	Completed
Start Phase I – Gas Engineering and Project Management	11/2012	11/2012	11/2012	Completed
Conduct Quantitative Analysis of data to establish baseline resource requirements – Gas Engineering & Project Management	11/2012	12/2012	12/2012	Completed
Draft, review, and finalize Resource Plan – Gas Engineering and Project Management	11/2012	02/2013	02/2013	Completed
Finalize roll-out plans – Gas Engineering and Project Management	02/2013	03/2013	06/2013	Completed
Verify Phase I Completion	03/2013	04/2013	06/2013	Completed
Start Phase II	03/2013	03/2013	03/2013	Completed
Demonstrate progress toward achievement of resource plan recommendations – Gas Engineering and Project Management	03/2013	06/2013		Delayed
Verify project completion	07/2013	07/2013		Delayed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$30 K
Estimated Savings	TBD
Source of Savings	TBD
Other Benefits	Optimized mix of internal and external resources
Risks	If this project is not completed, the Company may continue to use the existing resource configuration.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

The team has been organized and has been meeting. Definition of data need is continuing and collection of data is underway. Development of a model has begun.

02/28/2013:

Data collection and quantitative analysis of engineering and project management data to establish a baseline has been conducted. Quantitative analysis of data for Construction Supervision and Inspections has begun. The resource plan for Gas Engineering and Project Management has been developed.

06/28/2013:

The resource plan for Gas Engineering and Project Management has been finalized and approved which is the primary deliverable for Phase I. The work on Phase I has now been completed, subject to verification.

With the results of Phase I completed, Phase II was started in 3/2013 with the initiation of the hiring process for five new hires that were identified in the Phase I resource plan. The internal hiring process has received internal approval and solicitation for applicants for the five open positions is currently underway, demonstrating the Company's commitment to and progress toward implementation of the resource plan recommendations, which is the major deliverable for Phase II for Gas Engineering and Project Management. The review process leading toward verification of project completion has started.

The assessment of the adequacy of the Gas Operations resources performing inspections that was identified in paragraph three of this audit recommendation (formerly Initiative II) is best addressed in, and has been transferred to, Project 12.3 on a parallel timeline.

10/29/2013:

All project reviews have been completed and this project is now ready for Steering Committee verification of project completion.

12.3: Staff gas QA/QC organization

Recommendation

Project Title	Staff gas QA/QC organization
Recommendation Number	12.3
Conclusion Number(s)	Ch XII, #4
Recommendation	Staff QA/QC to support an effective and functioning QA/QC program for all Gas projects and programs.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Barry Kachmaryk	Manager – Gas Engineering

Brief Project Overview

Evaluate staffing level within Gas QA/QC to support an effective and functioning QA/QC program for all projects and programs.

Description of Scope and Plan

The Phase I studies will review and identify a recommended level of gas QA/QC and manpower or resources necessary to manage quality, cost, and risk. The scenario analysis will evaluate program staffing with internal and/or external resources, taking into account a suitable range of potential workloads and other input assumptions. Finally, Phase I will produce a plan to strengthen the gas QA/QC function. (The Company has also moved the determination of optimized resource levels needed for Construction Supervision and Inspection from Project 12.2 to Project 12.3.) If warranted, the resource plan will be implemented in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2012	07/2012	07/2012	Completed
Perform QA/QC needs study	07/2012	09/2012	09/2012	Completed
Perform QA/QC scenario analysis	09/2012	01/2013	01/2013	Completed
Evaluate optimized resource levels for Construction Supervision and Inspection	01/2013	04/2013	06/2013	Completed
Develop and approve resource and Phase II plans	02/2013	03/2013	06/2013	Completed
Verify Phase I completion	04/2013	04/2013	06/2013	Completed
Start Phase II	05/2013	05/2013	06/2013	Cancelled
Verify project completion	06/2013	05/2014	06/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $1K Phase II: N/A
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Improve the effectiveness of Gas QA/QC
Risks	If the project is not completed, QA/QC will continue to be performed with current resources.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Completed review of purpose and function of Gas QA/QC organization (needs study). Collecting data to conduct scenario analysis.

02/28/2013:

Data collection completed. Scenario analysis completed. Resource Plan in development and review.

06/28/2013:

The resource plan/assessment is complete. The Phase I study determined that no additional resources are required at the present time thus there is no need for a Phase II effort on this project.

Chapter XIII – Work Management

13.1: Holistic cost management (SM4)

Recommendation

Project Title	Holistic cost management (SM4)
Recommendation Number	13.1
Conclusion Number(s)	Ch XIII, #1, 3,4, 5, 6
Recommendation	Implement a holistic cost-management program.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

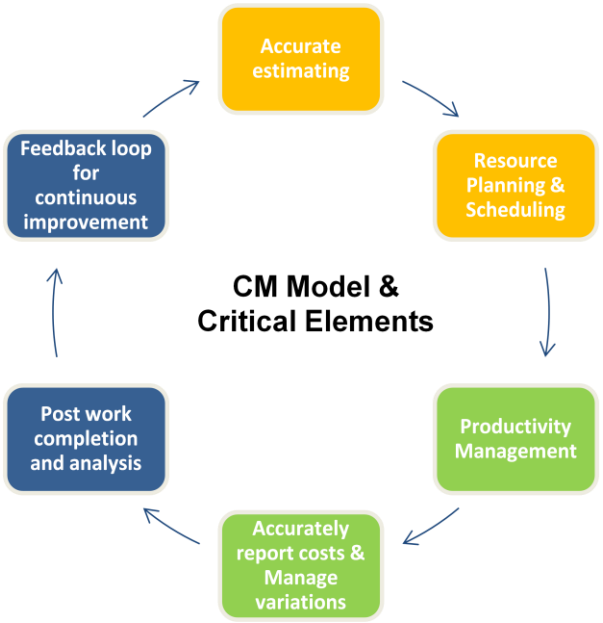
Develop and implement a cost management strategy as standard practice.

Description of Scope and Plan

Design and implement a Cost Management (CM) Program that develops competencies of Electric & Gas Operations and Customer Services employees to expand their focus beyond budget management.

<u>Overall Objective:</u> Design and implement a comprehensive framework that raises enterprise cost and productivity management capabilities to best practice levels.

An IUSA CM model has been developed as guide to achieving CM Program goals and objectives:



The CM model three phases represent "how work gets done"

- Prepare
- Execute
- Evaluate & Improve

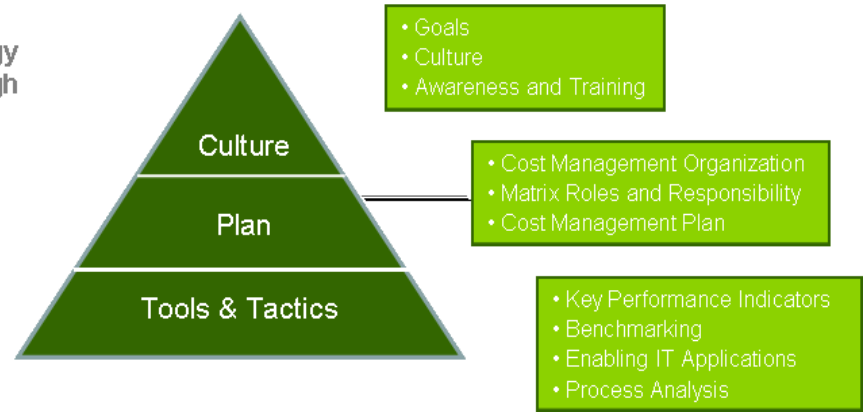
The basis for the CM Strategy is basic Building Blocks. These building blocks assist in the formulation of more detailed plans and activities.

The Cost Management Strategy building blocks will be:

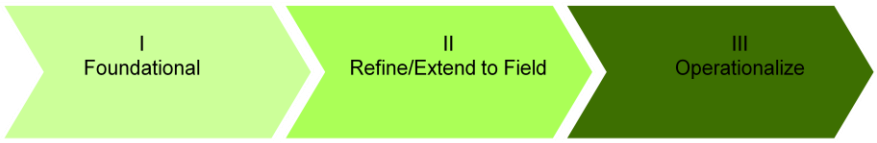
- Culture, Awareness, & Training
- Formal Structure & Plan
- Tools and Tactics

Each Building Block is comprised of a set of activities:

The CM Program Strategy is structured in three high level building blocks or tracks:



The CM Model and associated Building Blocks will be implemented in three phases using the CM Strategy:



The CM Model & associated Building Blocks will be implemented in three phases using the CM Strategy

Foundational: During this phase, the basic CM building blocks will be defined, developed and approved.

Refine/ Extend to the Field - During this phase, the basic building blocks established in Phase 1 will be refined and implemented to the field organizations

Operationalize - During this phase, additional training ,tools and enhancements will be implemented to assure the long term sustainability of the CM program.

The scope of the project to implement Recommendation 13.1 will focus upon Phase I and Phase II which are essential elements of implementing a Cost Management Program.

This work will be carried out through three tracks:

Track 1 –Culture, Awareness and Training

- Foundational – Set goals, develop and communicate the cost management culture and guiding principles, and raise competencies through cost management basics and awareness training.
- Extension to Field – Expand incorporation into IUSA executive goals, develop and roll-out change management plan, and continue to raise competencies and awareness through cost management process and tools training.

Track 2 – Formal Structure and Plan

- Foundational – Establish a cost management organization, define and assign matrix responsibilities in cost management in the field, and develop a high-level cost management strategy.
- Extension to Field – Finalize cost management organization and refinement of roles, assign matrix roles and responsibilities in the field, and execute cost management implementation plan.

Track 3 – Tools and Tactics

- Foundational – Identify initial key performance indicators and perform a gap assessment, perform gap assessment on IT data analytics functionality, and provide high-level process analysis support for cost management activities.

- Extension to Field – Cascade initial key performance indicators to the field, identify next level of KPI's and perform gap assessment, implement IT short-term enhancements, and provide key sub-process analysis support for cost management activities.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Phase I – Foundational Activities				
Start Phase I	01/2012	01/2012	01/2012	Completed
Track 1: Culture, Awareness & Training				
Incorporate cost management (CM) goals in Executives' and Cost Management Department's Goals	01/2012	05/2012	01/2012	Completed
Develop and Deliver CM Basics and Awareness Training.	06/2012	02/2013	02/2013	Completed
Track 2: Formal Structure and Plan				
Establish Initial CM Organization and develop CM Staff Competency Plan	01/2012	09/2012	06/2012	Completed
Develop and approve CM strategy: high-level roadmap, initial framework, and implementation plan	06/2012	09/2012	07/2012	Completed
Track 3: Tools and Tactics				
Complete high-level analysis of major processes	05/2012	08/2012	08/2012	Completed
Identify KPI's and perform gap assessment on IT data analytics functionality	01/2013	07/2013	07/2013	Completed
Verify Phase I completion	11/2013	11/2013		Awaiting Start
Phase II – Refine and Extend to Field				
Track 1: Culture, Awareness & Training				
Expand incorporation of CM goals into IUSA Executive Goals	01/2013	01/2013	01/2013	Completed
Develop and begin delivery of a	11/2012	12/2013	10/2013	Completed

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Change Management Plan				
Develop and Deliver CM Process and Tools Training	03/2013	12/2013		On Schedule
Track 2: **Formal Structure and Plan**				
Execute framework and CM implementation plan.	10/2012	12/2013		On Schedule
Assign matrix roles in the field and finalize staffing and refine roles for CM Organization	01/2013	12/2013	03/2013	Completed
Track 3: **Tools and Tactics**				
Complete analysis of key sub-processes	11/2012	12/2013	09/2013	Completed
Cascade “initial” KPI’s to the field and identify “next level” KPI’s	07/2013	12/2013		On Schedule
Develop short-term IT enhancements	08/2013	03/2014		On Schedule
Verify project completion	06/2014	06/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Better understanding of ownership and responsibility for cost management • Tools and tactics that can assist with effective cost management • Cultural changes resulting from implementation of a pro-active cost management program
Risks	If this project is not completed, the improvements above will not likely be achieved. The biggest single risk to the project is the risk associated with bringing about meaningful cultural change and acceptance throughout the Company.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

- Goals related to the CM initiative have been incorporated into the performance management objectives of Executives and individuals within the CM Department.
- The initial CM organization has been established and a competency plan has been developed and is currently being executed.
- Documentation to support Iberdrola USA's CM objectives, principles, roadmap and framework has been developed and distributed to Business Area Leaders.
- Analysis and mapping of high-level processes has been completed.
- The first session for CM Awareness Training was held in September 2012. Training classes are on-going currently. Eight have been completed through 10/18/12, and 14 more are scheduled through February 2013.

02/28/2013

- Initial CM Awareness Training began in September 2012 and has been completed on February 20, 2013.
- A team was formed in December 2012 and has begun the work to identify initial KPI's and to do a gap analysis. The team is also working to identify and establish matrix roles and responsibilities with subject matter experts in the field. The team consists of the Business Effectiveness organization and subject matter experts within each of the following four business areas: Electric Operations, Gas Operations, Customer Services and General Services and meets regularly.
- A team has been formed to address the change management plan for the Cost Management Program. The team attended a Change Management Certification Program in January 2013.
- The Business Effectiveness organization began a review of major processes and sub-processes in January 2013.

06/28/2013:

- The team formed to identify initial KPI's and reporting gaps continues work on this project and is on schedule. The team has addressed initial reporting gaps and has made minor modifications to the draft list of KPI's to ensure the KPI's are impactful measures. The Team has worked closely with key subject matter experts within the Business Areas. Monthly preliminary reports have been distributed to the Business Areas for collaborative review. This reporting process is in test phase.
- The Change Management Plan was developed and received Executive approval on April 30, 2013. There are three phases within the plan: 1) Preparing for Change, 2) Managing the Change, and 3) Reinforcing the Change. The first stage has begun.
- The Cost Management Process and Tools Training proposal was completed and received Executive approval on April 29, 2013.
- The team continues review of major processes and sub-processes. The team inventoried all current processes and sub-processes and updated them to reflect current status. The team review of major and sub-processes, is on schedule.
- A decision was made to use internal resources as opposed to external resources to implement the Cost Management Program. Therefore, the estimated incremental costs are estimated to be zero.

10/29/2013:

- Complete analysis of key sub-processes was completed on September 30. There were two parts to completing this activity: 1) Assessment and prioritization of the current-state of processes and sub-processes (completed in March 2013), and 2) Process and sub-process work-flow redesign (completed in September 2013.
- KPI monthly reports were issued to and reviewed with the Business Areas on a monthly basis beginning July 2013. The initial KPI's have been formalized and approved by the Business Area Vice Presidents and their Business Area Leads. As part of the verification process, the next level of KPI's were identified and reviewed.
- The curriculum for the Cost Management Process and Tools Training is in its final draft stages.
- Execution of the Change Management Plan is on-track. For each process and sub-process redesign, initial change impacts have been identified and prioritized.

13.2: Track electric & gas field internal personnel productivity

Recommendation

Project Title	Track electric & gas field internal personnel productivity
Recommendation Number	13.2
Conclusion Number(s)	Ch XIII, #9
Recommendation	Begin monitoring Actual Job-hour expenditures versus Planned Job-hours for Electric and Gas Operations; provide “Planned Job-hours” for all work packages issued to the field.
Adopted, Modified, or Rejected	Adopt
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ruben Deprey	Manager – SAP Support

Brief Project Overview

Provide tools and training for monitoring personnel productivity.

Description of Scope and Plan

Provide additional information to field crews related to estimated hours to complete field work packages. Provide tools for monitoring planned versus actual hours to complete field work packages and include in weekly metrics. Provide training to lead contact field personnel on new monitoring tools and communicate to impacted personnel. Evaluate and analyze planned versus actual hours reports.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	07/2011	07/2011	07/2011	Completed
Add estimated hours for work package to field crew work package paperwork	07/2011	09/2011	09/2011	Completed
Provide reporting tools for monitoring planned versus actual hours for field work packages.	07/2011	03/2012	03/2012	Completed
Add metrics to weekly Electric Operations score card to increase visibility.	08/2012	12/2012	12/2012	Completed
Add metrics to Gas Operations monthly score card.	03/2013	04/2013	04/2013	Completed
Identify Division Operation lead contacts for monitoring	08/2012	12/2012	12/2012	Completed
Develop and provide Training to lead contacts and communicate to appropriate personnel	12/2012	07/ 2013	04/2013	Completed
Evaluate and analyze OpEx Resource Productivity reporting from Click software implementation and potential reporting enhancements	07/2013	12/2013		On Schedule
Verify project completion	12/2013	01/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$20K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Contributes to overall improvements in efficiency. Facilitates competitive unit rate comparisons between internal and external resources.
Risks	If this project is not completed, the availability of data for analysis to improve overall efficiency and perform internal/external rate comparisons may not be available.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Estimated work hours have been added to SAP field work packages for capital work utilizing compatible unit orders in SAP. Reports for comparing planned to actual work hours have been developed using the SAP Business Warehouse Reporting.

02/28/2013:

Metrics have been added to the weekly Electric T&D Ops scorecard by operating area.

Division operations lead contacts have been identified.

Training material has been developed by IT and reviewed with key users who will be delivering the training.

06/28/2013:

Gas Operations has completed the Supervisor training/orientation of the Job Balancing Report (on April 23, 2013). As part of that training we have communicated our process of including the report in our monthly distribution of the Gas O&M Monthly Variance Report.

10/29/2013 :

Evaluation of Click Reporting is on track for completion

13.3: Establish cost estimating program

Recommendation

Project Title	Establish cost estimating program
Recommendation Number	13.3
Conclusion Number(s)	Ch XIII, #15, 16
Recommendation	Enhance the cost estimating capability by establishing a structured cost estimating program.
Adopted, Modified, or Rejected	Modified: Establish an effective Electric and Gas Cost Estimating Program at IUSA without adding resources or creating a new department to support this function.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Brian Conroy	Director – Electric Systems Engineering

Brief Project Overview

Establish an effective Electric and Gas Cost Estimating Program at IUSA for managing common electric and gas capital work.

Description of Scope and Plan

Establishment of an effective Cost Estimating Program will entail two major initiatives**.**

Initiative #1 – Develop the process to update and maintain electric compatible units for common overhead electric work

Initiative #2 – Development of an IUSA Electric and Gas Estimating Manual for Electric Transmission, Substation and Distribution and Gas Distribution and conduct associated training. There will be one manual for Gas and for Electric Transmission and Substation estimating, and another manual for Electric Distribution estimating.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Determine organizational responsibility and structure to support electric and gas cost estimating	05/2012	05/2012	05/2012	Completed
Develop Modified Project Plan	02/2013	06/2013	06/2013	Completed
Start Initiative 1	02/2012	02/2012	02/2012	Completed
Establish process to update and maintain CUs on a regular basis	03/2012	06/2013	06/2013	Completed
Review and approve process	06/2013	07/2013	07/2013	Completed
Verify Initiative 1 Completion	07/2013	08/2013	10/2013	Completed
Start Initiative 2	02/2013	02/2013	02/2013	Completed
Develop Gas and Electric Transmission and Substation Project Cost Estimating Manual (PCEM)	02/2013	01/2014		On Schedule
Develop Electric Distribution Project Cost Estimating Manual	06/2013	01/2014		On Schedule
Review and approve manuals	02/2014	03/2014		Awaiting Start
Verify Initiative 2 Completion	03/2014	04/2014		Awaiting Start
Verify project completion	03/2014	04/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	TBD
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Provide a means to analyze the differences between estimated costs and actual costs and provide corrective feedback to the process
Risks	If this project is not completed the enhanced ability to evaluate the differences between estimated costs and actual costs and take corrective actions will not be available.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

After review of the current organizational structure, it was determined that existing resources in the engineering department will be responsible for gas and electric engineering design work and cost estimating. No additional staffing and no incremental costs will be required.

02/28/2013:

Responsibility for this recommendation has been transferred. The plan, schedule and progress to date will be revisited.

06/28/2013:

A modified project plan has been developed to address Initiatives #1 and #2 and an updated schedule has been developed. Work has begun on the development of the Cost Estimation manuals. Work has also begun to update the compatible units for common overhead work.

10/29/2013:

A process (work plan) has been developed and internally approved to update distribution, transmission and gas CU's, completing Initiative 1, pending Steering Committee verification.

13.4: Establish operations internal/contractor balancing guidelines

Recommendation

Project Title	Establish operations internal/contractor balancing guidelines
Recommendation Number	13.4
Conclusion Number(s)	Ch XIII, #30
Recommendation	Establish a structured approach, policies and supporting guidelines for the balancing of in-house and contractor resources in physical work assignments.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen Mike Eastman	Vice President – Electric Operations Vice President – Gas Operations
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support

Brief Project Overview

Evaluate current internal practices for decision-making related to use of contractors vs. company work forces and establish an associated philosophy and supporting guidelines.

Description of Scope and Plan

The Company will develop a philosophy and guidelines towards the use of contractors and formalize this in writing and communicate to key stakeholders. This will include factors that should be taken into consideration when assigning work to contractors or Company workforces and establish a guideline/process for key stakeholders (Managers, Supervisors, Engineers, and Schedulers) to follow.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	08/2012	08/2012	08/2012	Completed
Evaluate internal practices	08/2012	11/2012	01/2013	Completed
Identify and analyze key factors	09/2012	05/2013	05/2013	Completed
Develop and approve guidelines	06/2013	08/2013	08/2013	Completed
Communicate guidelines to key stakeholders	08/2013	09/2013	09/2013	Completed
Verify project completion	10/2013	10/2013	10/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	More defined process for evaluating and optimizing allocation between in-house and contractor resources on multiple work activities. Consistent policies and applications.
Risks	If this project is not completed, current practices to allocate work will continue to be used.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Evaluation of current internal practices used to decide whether to use contractors or Company work forces is underway.

02/28/2013:

Completed review of internal practices. Identify key factors is underway.

06/28/2013:

Key factors have been identified and analyzed.

Drafting of the guidelines to balance Internal/Contractor Resources has been started.

10/29/2013:

Gas Operations and Electric Operations VPs have reviewed and approved the policy and guideline. Communication to key stakeholders is completed.

13.5: Analyze gas operations safety results

Recommendation

Project Title	Analyze gas operations safety results
Recommendation Number	13.5
Conclusion Number(s)	Ch XIII, #27
Recommendation	Conduct a root-cause analysis on the continuous high trend in OSHA injury rate in Gas Operations and implement a corrective action program.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Karen Sahler	Manager – EHS Compliance
Project Manager/ Team Lead	Ed Pozzuolo	Manager – Regional Operations

Brief Project Overview

RG&E will conduct a review of Gas Operation employee injuries; analyze the data; determine root causes and identify and implement appropriate corrective and preventative actions.

Description of Scope and Plan

A review of all RG&E Gas Operations injuries from 2009 to present will be completed. The objective of this review is to identify injury trends/root causes and to identify and isolate risks.

Based on the results of the Gas Operations injury review and other pertinent information, the Company will determine practical ways to reduce/eliminate prevalent types of risks/injuries from occurring in the future.

The Company will develop corrective and preventative actions and implement and document those actions.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	03/2012	03/2012	03/2012	Completed
Collect data on injuries	03/2012	06/2012	06/2012	Completed
Analyze injury data	07/2012	09/2012	09/2012	Completed
Develop Corrective Actions	07/2012	12/2012	12/2012	Completed
Implement Corrective Actions	07/2012	06/2013	05/2013	Completed
Prepare Final Report	06/2013	06/2013	05/2013	Completed
Verify project completion	07/2013	07/2013	06/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	• Increase Gas Operation Employees awareness of risk identification and mitigation; • Take actions to eliminate/reduce Gas Operation Employees work-related injuries
Risks	• Safety improvement efforts do not always directly correlate with improvements in the OSHA injury rate, particularly for small organizations where one injury, including a “not at fault” vehicle accident, can significantly impact the overall injury rate.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Data on previous injuries has been analyzed. Eight possible corrective actions have been developed of which five are underway.

02/28/2013:

Corrective Actions Developed:

1) Job Hazard Analysis: a technique that focuses on job tasks; as uncontrolled hazards are identified actions are taken to reduce or eliminate them. Select job tasks associated with the most common injury type will be completed first.
2) Safety Observations: a documented, proactive program designed to identify hazards and risks before an incident occurs. Safety observations can also be a catalyst for Corrective and Preventive Actions. Goals for the number of Safety Observations each year will be established.
3) CAR/PAR (Corrective Action Report / Preventative Action Report) program: The focus of this employee driven program is to proactively identify and mitigate risks by improving the safety of procedures; tools; vehicles, etc. Goals for the number of CAR/PARs each year will be established.
4) Have an outside consultant observe gas crews at work to recommend any methods to aid in strain/sprain prevention at no incremental cost.
5) Create a safety position specific to Gas Operations using existing resources.
6) Develop a program for the existing RG&E Safety Supervisor to learn all aspects of gas field and support operations.
7) Develop an “Industrial Athlete” program to show and encourage each employee to stretch at the start of the work day and before each task.
8) Review the NYSEARCH R&D report “Reducing Injuries Through Improving Tools” Final Report. The report has been received and is being reviewed. Implement any recommended actions through the CAR/PAR program.

Corrective Actions #1 through #8 are underway.

06/28/2013:

All identified corrective actions have been implemented.

The final report has been completed and reviewed by RG&E.

13.6: Establish operations overtime guidelines

Recommendation

Project Title	Establish operations overtime guidelines
Recommendation Number	13.6
Conclusion Number(s)	Ch XIII, #28
Recommendation	Establish a structured corporate approach, policies and supporting guidelines to provide managers and supervisors with a framework to manage non-exempt employee overtime.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen Mike Eastman	Vice President – Electric Operations Vice President – Gas Operations
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support

Brief Project Overview

Create guidelines and metrics for local overtime decision-making to be utilized across the operating departments.

Description of Scope and Plan

The Company will review various internal and external overtime control programs and formulate a statement of the company's overtime philosophy that will balance the interests of public safety, reliability, customer service and cost control. This guidance will describe the authority level for discretionary and non-discretionary overtime. In addition, overtime metrics will be defined and implemented for regular reports for analysis and control.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Review current internal overtime guidance	08/2012	09/2012	09/2012	Completed
Develop and approve guidelines	09/2012	03/2013	03/2013	Completed
Review results of Rec. 13.7. Identify and implement key overtime metrics.	02/2013	03/2013	03/2013	Completed
Communicate guidelines and continue to measure, analyze and monitor overtime costs	03/2013	04/2013	05/2013	Completed
Verify project completion	04/2013	05/2013	7/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Developing clear guidelines will allow for better control and decision making.
Risks	If this project is not completed, the Company will continue to rely on existing guidelines and policies for overtime, without having the benefit of having the guidelines and metrics expected to be produced herein.

Changes, Progress, Findings

10/29/2012:

An HR overtime policy was introduced during the time of the audit and was not included in the audit recommendations or findings. This policy will be taken into consideration.

Development of overtime guidelines is underway. Upon completion guidelines will be submitted for approval. At the end of October and into November, outcome of plan 13.7 will be reviewed to assure recommendations are consistent and compatible with certain pieces of that plan.

02/28/2013:

Revised project schedule due to delay in milestones caused by Hurricane Sandy. Outcome of plan 13.7 has been reviewed.

06/28/2013:

To support the Company's goal of reducing and controlling excessive overtime, a Policy has been instituted. This policy reviewed by both the Vice Presidents and Directors of Gas Operations and Electric Operations with their Managers and Supervisors. The policy and guidelines were communicated to Electric Operations as part of training for project 13.7 and Gas Operations supervisors in the supervisor call on June 10, 2013.

Overtime Metrics are established and are part of the Electric T&D Weekly Scorecard and Gas Operations Monthly Budget Variance Report. These metrics reports are provided to Managers and Supervisors who are responsible to review and address areas that exceed their approved budget for OT.

10/29/2013:

This project has been verified as complete.

13.7: Analyze electric operations and stores overtime

Recommendation

Project Title	Analyze electric operations and stores overtime
Recommendation Number	13.7
Conclusion Number(s)	Ch XIII, #28
Recommendation	Prepare an analysis of overtime expenditures on Electric Operations and Stores, including root causes of the high trends and strategies for attaining a predetermined target.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Pam Kelly	Manager – Performance and Budgets
Project Manager/ Team Lead	Theresa Perry	Director – Materials Management

Brief Project Overview

Create a sustainable process to enable the monitoring of overtime (OT) hours and achievement of annual targets.

Description of Scope and Plan

In November 2011, the company modified Labor/OT reporting capabilities allowing regular and OT hours to be reported in different categories (Storm, Trouble, Capital and Other) and providing a more accurate picture of OT percentages. These are currently reported on a Labor Scorecard utilized by Electric T&D.

This project team will perform a review of the current Scorecard, other OT reporting available and review process and make changes as appropriate. The team will also roll out the revised process to company management. OT guidelines will be addressed in recommendation 13.6.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	04/2012	04/2012	04/2012	Completed
Reevaluate current Scorecard, other OT reporting available and review process	05/2012	07/2012	07/2012	Completed
Define causes of high OT and process for intervention	06/2012	07/2012	08/2012	Completed
Test Scorecard and Process	08/2012	10/2012	10/2012	Completed
Finalize Scorecard and Process	10/2012	10/2012	10/2012	Completed
Develop and conduct training and roll-out Scorecard and Process	10/2012	12/2012	12/2012	Completed
Verify project completion	12/2012	03/2013	03/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Overall efficiency and productivity Increased ability to manage overtime costs
Risks	If this project is not done, any additional tools and guidelines to monitor and manage overtime costs would not be available.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

A focus team has been created. The team has met and developed the scorecard that will be used to monitor OT. The pilot has been completed and the scorecard and process have been finalized. Development of training is underway in preparation for roll-out.

02/28/2013:

Final scorecard rolled out and training conducted. Analysis of 2010 OT was performed and reasons for OT identified.

06/28/2013:

Monthly Scorecard and OT review process in production. Each month, the divisions in the top 20% of OT receive a report with a breakdown of OT details. These top 20% will then go over the causes with their supervisors, and fill out an OT Explanation Form which is sent to their director. The directors go over the forms with the managers to determine if the OT was warranted and will determine resulting action items.

13.8: Determine impact of electric & gas operations retirements

Recommendation

Project Title	Determine impact of electric & gas operations retirements
Recommendation Number	13.8
Conclusion Number(s)	Ch XIII, #21, 26
Recommendation	Develop the capability to continuously assess and monitor the productivity and cost impact of the expected retirement of linemen.
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support
Project Manager/ Team Lead	Kevin Wachter	Supervisor – Performance & Budgets

Brief Project Overview

Develop the capability to assess and monitor the productivity and cost impacts of High End Experienced Workers turnover on a periodic basis.

Description of Scope and Plan

Gather current workforce demographic data and analyze it against internal and external business factors which may include:

- Bargaining unit commitments
- New York State market conditions
- Long term business strategic planning

Based on interviews with IUSA Human Resources and other subject matter experts determine the associated risks and costs for both internal development and external hiring at apprentice level and advanced skill levels for Electric and Gas field positions. Document the model's

methodology and results.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Gather data	08/2012	09/2012	09/2012	Completed
Develop Model Methodology	11/2012	03/2013	03/2013	Completed
Assess risks and identify incremental costs based on Methodology	03/2013	05/2013	05/2013	Completed
Develop Model	05/2013	06/2013	06/2013	Completed
Document results	06/2013	07/2013	07/2013	Completed
Verify project completion	08/2013	08/2013	10/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improved long term staffing planning process.
Risks	Without this project valuable insights into the impact of projected retirements would not be as readily available for inclusion in resource planning efforts.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Project was started on schedule and a meeting was held between gas and electric operations to discuss data needed to perform the analyses. Both gas and electric are currently reviewing demographic data received from HR.

02/28/2013:

A request for statistical/benchmark data concerning the affect on productivity when planning for resource turnover caused by retirement was submitted to other utilities. The level of statistical data we were seeking has not been documented in a precise way to allow meaningful benchmarking. As a result, a more traditional macro methodology will be used to conduct this evaluation.

06/28/2013:

Incremental costs for external hire vs. internal skills development have been identified and calculated for both electric and gas business units. Age risk assessment is ongoing through various resource and staffing analyses for both Gas and Electric Operations (Resource Planning Tool). Productivity impacts will be monitored through the use of tools implemented under project 13.2.

10/29/2013:

Electric and gas baseline models to assess retirement risk and forecast replacement of high end workers are in place.

A model is implemented for calculating incremental costs of external hire vs. internal skills development. This model accommodates various size hiring events or apprentice class size(s).

13.9: Track electric & gas field contractor productivity

Recommendation

Project Title	Track electric & gas field contractor productivity
Recommendation Number	13.9
Conclusion Number(s)	Ch XIII, #33
Recommendation	Include in future contracts a requirement that contractors performing physical work report expended job-hours and quantities installed or completed (at a property unit level).
Adopted, Modified, or Rejected	Adopted
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support
Project Manager/ Team Lead	Jim O'Brien	Manager – T&D Support
Project Manager/ Team Lead	Mike Dorfner	Supervisor – Gas Engineering

Brief Project Overview

Future gas and electric Requests for Proposals to perform work will request Expended Job-hours and Quantities Installed/Completed, based on Working Units/Pay Identifiers, be reported to the Company.

Description of Scope and Plan

The NYSEG and RGE 2012 contracts for both Gas and Electric Line Contractors are in place.

Electric and Gas Operations will request both Expended Job-Hours and Quantities Installed/Completed as part of Contractor's invoicing / monthly reporting when RFPs are issued for 2013 contracts. The procurement of electric and gas services occur at different times of year, resulting in different electric and gas project milestones.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	08/2012	08/2012	08/2012	Completed
Gas Track				
Develop method to capture Gas Contractors Expended Job-Hours and incorporate into 2013 procurement documents	08/2012	09/2012	09/2012	Completed
Procure 2013 gas contractor services	09/2012	04/2013	04/2013	Completed
Document 2013 gas contractor services procurement productivity data capture results	05/2013	05/2013	05/2013	Completed
Electric Track				
Develop method to capture Electric Contractor Expended Job-Hours and incorporate into 2013 procurement documents	08/2012	12/2012	12/2012	Completed
Procure 2013 electric contractor services	12/2012	06/2013	10/2013	Completed
Document 2013 electric contractor services procurement productivity data capture results	07/2013	07/2013		Delayed
Verify project completion	08/2013	08/2013		Delayed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Data collected may be useful for future planning.
Risks	Contractors may not comply with this request, may charge additional administrative fees to provide it, or may provide data that may not be of useable quality for the Company's purposes.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Project was started on schedule and a common Invoicing format has been agreed to between gas and electric operations. Currently Gas Engineering has submitted their 2013 RFP documents to Procurement Electric Operations which is finalizing the 2013 RFP documents.

02/28/2013:

Both Gas and Electric RFPs have been released by Procurement and bidder responses have been received. Internal evaluation of the bids is being finalized within Procurement.

06/28/2013:

Gas contracts have been awarded and invoicing has been received that provides quantities installed/completed based on Working Units.

Electric RFP evaluation is still underway.

10/29/2013:

Electric contracts are in place after a delay due to the amount of work units and degree of contract modification required. Performance metrics are in development.

13.10: Evaluate a balanced and cost-effective workforce level

Recommendation

Project Title	Evaluate a balanced and cost-effective workforce level
Recommendation Number	13.10
Conclusion Number(s)	Ch XIII, #32
Recommendation	Evaluate the most cost-effective size of the overall internal work force, including the Mobile Work Force, taking into account such factors as future planned workload, worker versus contractor efficiency and productivity, and work rules; strive to achieve a balanced and cost-effective workforce level.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	David Foss	Manager – T&D Programs/Projects
Project Manager/ Team Lead	Ted Anderson	Manager – T&D Support

Brief Project Overview

Evaluate and develop a balanced and cost-effective electric operations workforce plan.

Description of Scope and Plan

In Phase I, evaluate and develop a resource plan by applying an enhanced Resource Planning Tool (RPT) under different scenarios and factors. This would include evaluating and developing the appropriate production parameters, data segmentation, risk controls, and taking into consideration such factors as current and forecasted future workloads, types and characteristics of planned work, productivity and efficiency factors, work rules, unit costing (i.e. understanding costs between internal and external resources per units of work), resource and skill utilization factors (i.e. low, medium, high skills), and retirements.

Potential net benefits rest on a series of assumptions, including long-term work load, permanent structural differences in internal and external labor, and possible changes to collective bargaining labor agreements.

If warranted, the resource plan will be implemented in Phase II.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	07/2012	07/2012	07/2012	Completed
Determine costs for Enhancing Resource Planning Tool	07/2012	07/2012	07/2012	Completed
Resource Planning Tool training and familiarization	08/2012	09/2012	08/2012	Completed
Develop workforce model variables (scenarios) list	08/2012	11/2012	11/2012	Completed
Scenario Review and Acceptance	11/2012	11/2012	11/2012	Completed
Define and build workforce scenario by regions	12/2012	01/2013	01/2013	Completed
Analyze and Evaluate Five year capital work plan to adjust scenarios if needed	01/2013	02/2013	02/2013	Completed
Apply RPT to develop range of possible outcomes based on variable list	01/2013	03/2013	03/2013	Completed
Develop and finalize resource plan	03/2013	05/2013	06/2013	Completed
Verify Phase I completion	06/2013	06/2013	06/2013	Completed
Start Phase II	09/2013	09/2013	06/2013	Cancelled
Verify project complete	06/2013	06/2013	06/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	Phase I: $21K
Estimated Savings	None
Source of Savings	N/A
Other Benefits	Strengthen the current base assumptions used for projecting a balanced and cost-effective electric operations workforce level
Risks	If this project is not completed, staffing level decisions may continue to be made using existing methods and assumptions. The ability to implement the results may depend on the collective bargaining labor agreements. Actual turnover and retirements may vary from projected levels.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Phase I of the project was started on schedule. Familiarization training of the Resource Planning Tool has been completed along with meetings held to begin compiling the workforce model variables (scenarios) list.

02/28/2013:

Scenarios have been identified by project team, reviewed and accepted. Analysis and evaluation of scenarios is in progress.

06/28/2013:

The Electric Workforce Resource Plan is complete. It includes a labor baseline focused exclusively on the T&D electric line workers assigned to Electric Operations of the two New York State Operating Companies – New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation. Then the plan examines on the job time/costs of NYSEG Mobile Workforce (MWF), Dock, and external contractors to evaluate the Liberty audit position that the MWF is a cheaper alternative to external contractors.

This plan examines the current workforce, including NYSEG's MWF, as it relates to planned and troubled workloads, excluding major storm events. Company and contract crew efficiency and productivity attributes were identified, validated and developed into a baseline for cost and efficiency comparison. The study concluded neither dock workers nor the MWF is more cost-effective than the contractor average cost. The existing resource strategy as outlined in the Resource Plan reflects a balanced and cost effective Electric Operations workforce plan. In addition, Phase II will not be necessary.

13.11: Promote cross Company cost effective work opportunities

Recommendation

Project Title	Promote cross Company cost effective work opportunities
Recommendation Number	13.11
Conclusion Number(s)	Ch XIII, #25
Recommendation	Promote the ability of NYSEG and RG&E workforces to perform cost-effective work in each other's territories.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Gene Jensen	Vice President – Electric Operations
Project Manager/ Team Lead	Charis Zembek	Lead Advisor – Labor Relations
Project Manager/ Team Lead	Tom Cammuso	Lead Advisor – Labor Relations

Brief Project Overview

To continue to seek the ability and opportunity for RGE & NYSEG crews to cross territory boundaries.

Description of Scope and Plan

Continue to recognize the importance of the ability for RG&E and NYSEG crews to cross territory boundaries.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Verify project completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Ongoing work and support to increase the ability for RG&E and NYSEG crews to work cross territory boundaries.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

The Company has sought and will continue to seek the ability to have RG&E and NYSEG crews cross territory boundaries.

13.12: Establish electric QA organization

Recommendation

Project Title	Establish electric QA organization
Recommendation Number	13.12
Conclusion Number(s)	Ch XIII, #34, 40
Recommendation	Establish a Quality Assurance Organization to maintain the integrity of all the electric work performed.
Adopted, Modified, or Rejected	Modified: Conduct further study and analysis before a staffing determination is made.
Priority	Medium

Implementation Team Leadership

	Name	Title
Executive Champion	Javier Bonilla	Vice President – Engineering and Delivery
Project Manager/ Team Lead	Mauricio de la Iglesia	Manager – Engineering and Delivery - Project Management Office

Brief Project Overview

Evaluate and establish a formalized and documented Quality Management System based on ISO 9001 at NYSEG and RGE.

Description of Scope and Plan

Complete an initial assessment of critical QA needs for on-going capital project activities and initiate an interim program to address those critical items in 2012. Complete the development of a Quality Management System for Electric Capital project application in 2013. Complete evaluation of the establishment of an Electric QA/QC organization based on ISO 9001, and then implement.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Project	06/2012	06/2012	06/2012	Completed
Complete Electric QA/QC Manual Outline	06/2012	01/2013	12/2012	Completed
Assess critical QA/QC needs and develop interim procedures	06/2012	03/2013	03/2013	Completed
Procure contractor services to support project	03/2013	04/2013	05/2013	Completed
Develop and obtain approval for Quality Management System Improvement Plan	04/2013	05/2013	07/2013	Completed
Verify Phase I completion	05/2013	06/2013	09/2013	Cancelled
Start Phase II	06/2013	06/2013	09/2013	Cancelled
Design the Quality Management System (QMS)	04/2013	08/2013	08/2013	Completed
Identify QMS resource requirements	08/2013	10/2013		On Schedule
Implement the Quality Management System	09/2013	12/2013		On Schedule
Verify Project completion	01/2014	02/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Increased assurance that capital projects are constructed in accordance with design drawings and specifications. • Reduction in potential operating issues caused by construction non-conformance issues affecting reliability and system stability after the completion of the capital projects. • More consistent reinforcement of quality standards across the OpCos. • Better availability of quality compliance data in regards to the bidding and award process of future work.
Risks	If this project is not completed, the interim QA/QC solution would continue to be utilized.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Review of the critical QA/QC needs and the development and documentation of interim procedures has started. The specification to obtain contractor services to progress the project is being developed.

02/28/2013:

Assessment of QA/QC critical needs and development/implementation of interim solutions nearly complete, pending review and verification by new project manager assigned 01/2013. Review and refinement of remaining project plan activities is underway. Scope and specifications for contractor services are being finalized.

06/28/2013:

QA/QC critical needs and development/implementation of interim solutions completed. Team organization and needs for developing Phase II QA/QC improvement plan documentation are completed. 75% of documentation is completed. Resources being utilized to develop QA/QC documentation are from existing Project Quality Teams within Capital Delivery team deferring the need for contract resources until Phase II. The start of Phase II is behind schedule but should be started before the end of July.

10/29/2013:

A decision has been made to build on the work already completed and significantly enhance the scope and deliverables of this project by incorporating an ISO 9001-based Quality Management System (QMS) at NYSEG and RG&E. The overall design for the new QMS system has been completed and implementation has begun. Also underway is an effort to Identify the roles and responsibilities that need to be staffed as the new QMS is implemented including a determination of any new resource needs and how they will be staffed.

Chapter XIV – Plans, Controls, Performance Management, and Compensation

14.1: Apply ConEd infrastructure planning experience

Recommendation

Project Title	Apply ConEd infrastructure planning experience
Recommendation Number	14.1
Conclusion Number(s)	Ch XIV, #3; Ch X, #2
Recommendation Full Description	Study and apply the ConEd experience in long-term infrastructure planning in forming a concrete plan for long-range infrastructure planning.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Frank Reynolds	Vice President – Asset Management and Planning
Project Manager/ Team Lead	Jeff McKinney	Director – Investment & Distribution Planning

Brief Project Overview

Examine how ConEd conducts long-range infrastructure planning and identify how to integrate their best practices with IUSA practices

Description of Scope and Plan

ConEd and IUSA management share an interest in maintaining a robust delivery network at an affordable cost over the long term. The Company will learn from ConEd about their approach to long range infrastructure planning (10 year horizon). IUSA will combine the applicable ConEd learning and experience with its own concerns and protocols to develop in Project 10.1 an improved infrastructure planning process that will be used to develop subsequent long-range strategic plans.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project – Phase I	05/2012	05/2012	05/2012	Completed
Review ConEd infrastructure planning approach	05/2012	11/2012	11/2012	Completed
Document ConEd practices	11/2012	12/2012	12/2012	Completed
Develop list of recommended ConEd best practices for input into Project 10.1	12/2012	02/2013	02/2013	Completed
Verify Phase I completion	02/2013	03/2013	03/2013	Completed
Collaborate and share ConEd best practices through 10.1 Phase I (future state determination)	07/2013	10/2013	10/2013	Completed
Verify Phase II project completion	11/2013	11/2013		Awaiting start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$2K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Improve quality of infrastructure planning
Risks	ConEd best practices may or may not improve upon the process Company is currently using to extend its capital planning horizon
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Held phone meeting with ConEd. Reviewed ConEd long-range infrastructure plan. Face-to-face meeting with ConEd scheduled for November 26.

02/28/2013:

Met at ConEd offices on November 26 to discuss long range infrastructure planning and investment optimization. Obtained and reviewed ConEd's Integrated Long-Range Infrastructure Plan Dated April 2012 and obtained and reviewed Investment Optimization presentation. After this meeting, documented ConEd best practices and those that may have value to IUSA.

06/28/2013:

Completion of Phase I of this project has been verified. Phase II will begin as scheduled.

10/29/2013:

Best practices have been shared with project 10.1. Preparation for project verification is underway.

14.3: Audit affiliate relationships

Recommendation

Project Title	Audit affiliate relationships
Recommendation Number	14.3
Conclusion Number(s)	Ch XIV, #8
Recommendation	Make examination of affiliate relationships and transactions a recurring element of Internal Audit's plans and provide for clear, timely documentation and reporting of progress in implementing recommendations.
Adopted, Modified, or Rejected	Modified: The audit will be included as part of the "audit universe" and will be selected for audit based on annually assessed risk exposure.
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Ray Cardella	Director – Internal Audit
Project Manager/ Team Lead	Ray Cardella	Director – Internal Audit

Brief Project Overview

Establish an audit of Affiliate Relationships

Description of Scope and Plan

An audit of Affiliate Relationships will be included in the "audit universe". In accordance with the Company's risk based audit approach, Internal Audit will annually assess the risk exposure of this process for inclusion in the proposed IUSA Internal Audit plan. We completed Affiliate Relationships Audits in 2007, 2010, 2011 and another is expected to be completed prior to the time this plan is filed.

In addition, Internal Audit will continue to monitor the implementation of all management recommendations. The Company currently uses its Internal Audit Management system (Guadi) to monitor the implementation of management recommendations. Prior to the implementation of the automated system, Internal Audit monitored and reported the status of management recommendations using an Excel spreadsheet.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	05/2012	05/2012	05/2012	Completed
Verify Project Completion	05/2012	05/2012	05/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Inclusion of Affiliate Relations as an auditable entity will ensure that this area is appropriately included in the annual Internal Auditing planning process and receives regular audit oversight.
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Audits of Affiliate Relationships will continue to be a regular element of the Iberdrola USA Internal Audit Annual Plan. In accordance with our risk based audit approach, Internal Audit will annually assess the risk exposure (regulatory, financial, reputational and operational) of this process for inclusion in the proposed IUSA Internal Audit plan. Regulatory requirements necessitate that certain affiliate relationships (such as IEP) are regularly included in the Internal Audit plan.

14.6: Develop input-based metrics

Recommendation

Project Title	Develop input-based metrics
Recommendation Number	14.6
Conclusion Number(s)	Ch XIV, #14
Recommendation	Develop a series of input-based metrics that will permit more robust assessment of cost performance by measuring it against work units accomplished and the productivity achieved in accomplishing those units.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Mary Alice Laiho	Manager – Process Optimization

Brief Project Overview

Develop a series of input metrics that will permit more robust assessment of cost performance as a standard practice across the IUSA OpCos.

Description of Scope and Plan

Cost management metrics and KPIs generally (including input/leading metrics as warranted) will be developed in response to Recommendation 13.1. This project will develop input/leading metrics that permit a more robust assessment of cost performance primarily for use in response to Recommendation 14.11. Initial metrics will be identified in consultation with Electric and Gas Operations and Customer Service, defined and developed, tested, and clarified/revised, and a reporting system will be developed for the metrics selected for use in 2014 AIP objectives.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	10/2012	10/2012	10/2012	Completed
Identify, develop, and test initial metrics	10/2012	03/2013	03/2013	Completed
Clarify and document metrics	04/2013	06/2013	06/2013	Completed
Develop reporting system for selected metrics, and further revise metrics if necessary	07/2013	04/2014		On Schedule
Verify project completion	05/2014	05/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Encourage increased focus on leading indicators and input measures of cost performance, as a tool to avoid and future issues
Risks	If this project is not completed, the Company may lack input metric options to incorporate into Executive AIPs in 2014.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

Currently, a team that will address the identification and roll-out of initial input/leading metrics to Electric and Gas Operations and Customer Services is being formed. Additionally, a charter to address development of input/leading metrics is being developed.

02/28/2013:

The team has begun working to identify the input/leading metrics and address gaps for reporting. The team consists of the Business Effectiveness organization and representatives from business areas.

06/28/2013:

Review and documentation of the initial list of metrics has been on-going with the business areas since October 2012 and is complete. The reporting system is in its last phase of initial development. Monthly reports are distributed on an on-going basis to the business areas, and the team will work with the business areas collaboratively to further refine and revise the metrics to ensure the metrics are impactful.

10/29/2013:

The initial leading metrics have been formalized and approved by the Business Area Vice Presidents and their Business Area Leads.

14.7: Establish formal benchmarking

Recommendation

Project Title	Establish formal benchmarking
Recommendation Number	14.7
Conclusion Number(s)	Ch XIV, #15
Recommendation	Establish a formal program applying a robust mix of external and internal benchmarks.
Adopted, Modified, or Rejected	Adopted
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Jeff Ballard	Vice President – Ops Technologies and Bus. Transformation
Project Manager/ Team Lead	Blanca Espinosa	Director – Global Process Integration & Operational Reporting

Brief Project Overview

The Company will supplement and strengthen its robust, holistic existing benchmarking programs through additional participation in U.S. Electric and Gas Transmission and Distribution (T&D) benchmarking.

Description of Scope and Plan

In Phase I, the Company will expand its domestic Electric T&D benchmarking through participation with First Quartile (FQC). FQC has well established performance and best practices programs with participation from many industry leaders.

In Phase II, the Company will evaluate and determine the value in expanding its domestic benchmarking programs to include Gas (T&D).

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start Phase I	02/2012	02/2012	02/2012	Completed
Gather Data	02/2012	06/2012	06/2012	Completed
Review Data	06/2012	06/2012	06/2012	Completed
Review Final Report	06/2012	07/2012	08/2012	Completed
Share best practices and present results	07/2012	03/2013	02/2013	Completed
Verify Phase I completion	04/2013	04/2013	04/2013	Completed
Start Phase II	02/2013	02/2013	02/2013	Completed
Research and evaluate vendors	02/2013	04/2013	03/2013	Completed
Develop and approve benchmarking plan	04/2013	05/2013	05/2013	Completed
Verify Phase II completion	06/2013	06/2013	06/2013	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$21.15K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Increased ability to compare internal performance with other, similar U.S. companies. Potential identification of additional best practices.
Risks	If this project is not completed, the Company may lack the information to identify or adopt some potential best practices.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

10/29/2012:

At this time, the Company has begun the expanded U.S. benchmarking for Electric T&D and Customer Services. Data gathering is complete. A company representative attended a conference that provided an overview of the results and sharing of best practices amongst peer utilities. The next step will be to schedule First Quartile to present to the Executive Lead Team during the fourth quarter 2012. Staff has also volunteered to explore possible gas benchmarking programs in support of this recommendation, which the Company appreciates.

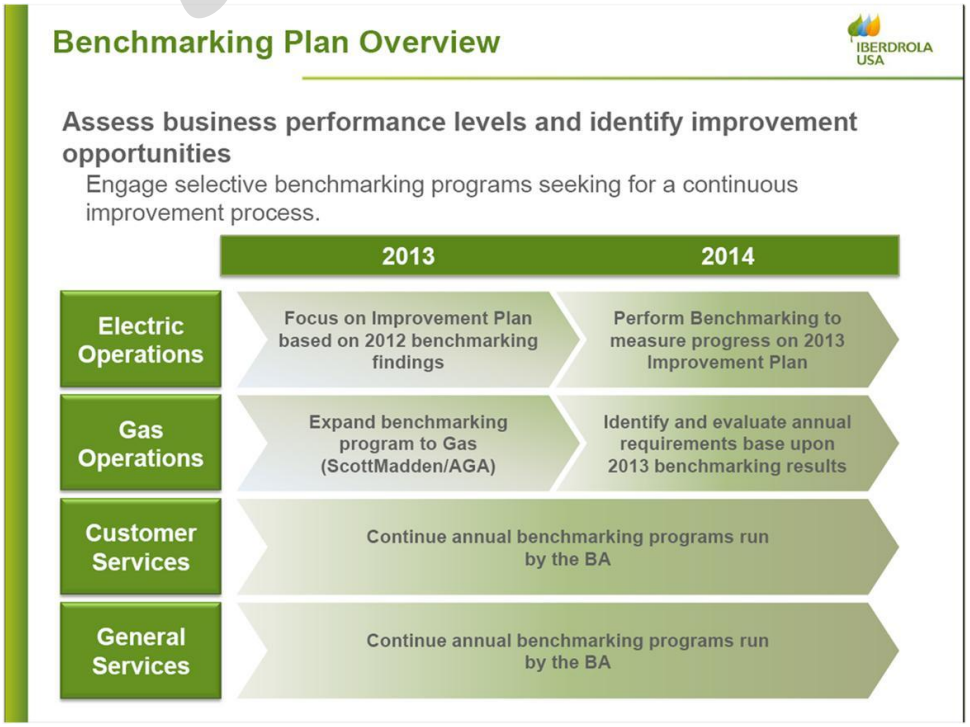
02/28/2013:

The Company currently has a report from the benchmarking exercise for Electric Operations and is determining next steps. Upon further review of the audit recommendation, the focus of this project's benchmarking activities will be on the operations areas as opposed to including an expansion of Customer Services benchmarking which is already well established.

06/28/2013:

The report on the First Quartile benchmarking results for Electric Operations was distributed to and reviewed with the Chief Operating Officer. It was subsequently distributed to the Vice President of Electric Operations, the Directors of Electric Distribution, and the Director of T&D Support.

In March the 2013 IUSA Benchmarking Plan was approved:



- Electric Operations:

  This year the Company is focusing its efforts on improvement plans based on First Quartile benchmark results for Electric Operations. In 2014, the Company will continue participation in First Quartile's (or comparable/similar) Electric Operations' benchmarking program as a participant in their annual program.

- Gas operations:

  During Phase II, the Company researched Gas Benchmarking vendors and evaluated external benchmarking to determine the value of participating in a gas benchmarking program.

  The Company has completed gas benchmark vendor research and as a result has decided to expand its benchmarking program to Gas Operations.

At this time, the Company has rejoined the American Gas Association (AGA) and participated in the May AGA annual meeting. As a member, the Company plans to take advantage of the benchmarking opportunities available as a member of AGA.

14.10: Reconstitute compensation benchmark groups

Recommendation

Project Title	Reconstitute compensation benchmark groups
Recommendation Number	14.10
Conclusion Number(s)	Ch XIV, #19
Recommendation	Re-evaluate and reconstitute the peer groups used to benchmark IUSA compensation.
Adopted, Modified, or Rejected	Modified: Provide a broader source of compensation data than recommended to enhance the Company's ability to attract and retain talent
Priority	High

Implementation Team Leadership

	Name	Title
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Susan Greenberg	Director – Rewards

Brief Project Overview

Reconstitute the peer group used for compensation benchmarking to more closely align with companies of a similar size (in annual revenue) to Iberdrola USA.

Description of Scope and Plan

Modify peer group used for compensation benchmarking, in order to benchmark against energy services/general industry as appropriate based on the job (e.g., benchmark engineers against energy services and human resource professionals against general industry). Adjust for the differences based on all companies versus companies with revenues of $1B to $3B. Continue to benchmark against all energy services companies, not just those in the identical business to IUSA, because businesses outside the Company's segment of the energy industry use individuals with the same skills that the Company needs, and therefore should be included in the benchmark data.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	02/2012	02/2012	02/2012	Completed
Conduct market pricings	02/2012	04/2012	04/2012	Completed
Verify project completion	07/2012	07/2012	07/2012	Completed

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$0
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	• Reliable compensation benchmark • Compensate our workforce appropriately • Attraction and retention
Risks	N/A – Project has been internally completed.

Changes, Progress, Findings

Early in 2012 we purchased the Towers Watson Energy Services and General Industry Compensation Databases. We matched 200+ jobs to the appropriate job families and career bands used in these databases. Energy industry specific jobs (e.g., engineers) were benchmarked against the Energy Services database. Other jobs (e.g., human resources) were benchmarked against the General Industry database. We adjusted the benchmark data to reflect salary levels for companies in the $1B to $3B revenue grouping. We have continued to use this process throughout the year.

14.11: Modify compensation links and measures

Recommendation

Project Title	Modify compensation links and measures
Recommendation Number	14.11
Conclusion Number(s)	Ch XIV, #20
Recommendation	Delink IUSA incentive compensation from ISA Global performance, incorporate more stretch in targets, and incorporate input measures
Adopted, Modified, or Rejected	Modified to include a study regarding norms in similar situations and establish an action plan based on the study results
Priority	Medium

Implementation Team Leadership

	Name	**Title**
Executive Champion	Sheri Lamoureux	Vice President – Human Resources
Project Manager/ Team Lead	Susan Greenberg	Director – Rewards

Brief Project Overview

Improve Company understanding and implementation of the linkages between US subsidiaries and their parent companies with respect to metrics. Continue to include “stretch goals” in the AIP program, and consider input measures in the setting of objectives for 2014.

Description of Scope and Plan

Research the linkage to global parents of foreign-owned and US-owned US subsidiaries with respect to executive/manager bonuses, and determine the appropriate course of action based on the results. Examine AIP targets and continue to incorporate “stretch” goals in AIP targets, as part of an ongoing process of continuous improvement. Review input measures developed in response to Recommendation 14.6, and incorporate input metrics as appropriate into AIP objectives.

Schedule

Major Activities/ Milestones	Estimated Start Date	Estimated Completion Date	Actual Completion Date	Status
Start project	11/2012	11/2012	11/2012	Completed
Review 2013 objectives for stretch and revise as appropriate	11/2012	12/2012	12/2012	Completed
Define scope of study and explore existing data	11/2012	12/2012	12/2012	Completed
If additional research required, acquire research services	11/2012	04/2013	04/2013	Completed
Conduct and evaluate research	04/2013	09/2013		Delayed
Revise 2014 objectives as appropriate to reflect results of linkage evaluation	09/2013	12/2013		Delayed
Review results of Recommendation 14.6 and incorporate input (leading) measures into 2014 objectives as appropriate	07/2013	12/2013		On Schedule
Finalize 2014 AIP goals	01/2014	04/2014		Awaiting Start
Verify project completion	05/2014	05/2014		Awaiting Start

Cost, Benefit, and Risk Summary

Estimated Incremental Cost	$35-50K
Estimated Savings	Not quantifiable
Source of Savings	N/A
Other Benefits	Potentially improved performance outcomes
Risks	If this project is not completed, information regarding how other companies link their performance to their parent companies will not be obtained.
Measures of Success	Steering Committee verification of completion and achievement of benefits above.

Changes, Progress, Findings

02/28/2013:

We completed an analysis of the available data and concluded that more information is required. We identified possible consultants and sent out an RFP to acquire a consultant who could conduct a blind study with respect to the executive bonus practices of a peer group, to be identified. Responses to the RFP have been received and are being evaluated.

06/28/2013:

A consultant has been brought in to conduct some additional research and evaluation. A research survey instrument is being developed as is the list of companies who should receive it.

10/29/2013:

The consultant has completed the collection of survey data from 15 companies with a Corporate/Subsidiary structure. An initial review of the data has been completed with additional analysis currently underway. Follow-up discussions with the consultant are likely to be scheduled for additional clarification of the results.

Appendices

Appendix A. Implementation Project Status Summary

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
3.1	Change transaction identification	Completed	2/28/2013	
3.2	Update service agreements	Completed	2/28/2013	
3.3	Ensure service agreements among all utilities	Completed	2/28/2013	
3.4	Improve timeliness of inter-affiliate payments	Completed	2/28/2013	
3.5	Encourage cost-causative charging	Completed	6/28/2013	
4.1	Evaluate forecasting software	In Progress		
4.2	Enhance electric and gas forecasting with scenario analysis	In Progress		
4.3	Enhance forecasting capabilities	In Progress		
4.4	Obtain customer usage information	Accepted	10/29/2012	5/16/2013
4.5	Improve day-ahead electric forecasting	Completed	2/28/2013	
4.6	Create executive forecasting committee	Completed	2/28/2013	
5.1	Prepare electric wholesale market plan	Completed	10/29/2013	
5.2	Create management team to oversee NYISO, FERC, etc.	Completed	2/28/2013	
6.1	Modify the planning process for risk and uncertainty	In Progress		
6.2	Develop electric distribution planning manual	Completed	10/29/2012	
6.3	Reevaluate transmission planning prioritization criteria	Completed	10/29/2012	
6.4	Assess transmission planning models and methods	In Progress		
6.5	Develop resource plan for transmission planning	Completed	6/28/2013	
6.6	Participate in T&D benchmarking programs	In Progress		
7.1	Develop gas vision and strategy	Completed	10/29/2013	
8.1	Analyze optimum electric portfolio	Rejected		
8.2	Issue electric energy RFPs	Rejected		

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
8.3	Issue electric capacity RFPs	Rejected		
8.4	Document electric procurement operating procedures	Completed	10/29/2012	
8.5	Establish IUSA Executive Risk Committee	Completed	10/29/2012	
8.6	Consider electric procurement operations audit	Completed	10/29/2012	
9.1	Evaluate Gas Control Center staffing and training	In Progress		
9.2	Upgrade Gas Control Center facilities	Completed	6/28/2013	
9.3	Study gas design day, develop resource plan	In Progress		
9.4	Improve day-ahead gas forecasting	In Progress		
10.1	Overhaul capital budgeting process and activities	In Progress		
10.2	Develop strategic plans	In Progress		
11.1	Balance internal and external project managers, engineers	In Progress		
11.2	Improve project management functions in SAP	In Progress		
11.3	Issue written project management procedures	Completed	2/28/2013	
11.4	Address design/delivery issues	Completed	6/28/2013	
11.5	Update monthly CapEx project cash flows in SAP	Completed	10/29/2012	
11.6	Execute vegetation management contracts by Jan 1	Completed	2/28/2013	
11.7	Move NYSEG to five year vegetation management cycle	In Progress		
11.8	Evaluate use of herbicides in vegetation management at NYSEG	In Progress		
11.9	Increase technical expertise of energy efficiency staff	Completed	10/29/2013	
12.1	Implement gas project management procedures manual	Completed	6/28/2013	
12.2	Review gas capital manpower requirements	In Progress		
12.3	Staff gas QA/QC organization	Completed	6/28/2013	
13.1	Holistic cost management (SM4)	In Progress		
13.2	Track electric & gas field internal personnel productivity	In Progress		
13.3	Establish cost estimating program	In Progress		
13.4	Establish operations internal/contractor balancing guidelines	Completed	10/29/2013	
13.5	Analyze gas operations safety results	Completed	6/28/2013	
13.6	Establish operations overtime guidelines	Completed	10/29/2013	

Rec #	Project Title	Company Project Status	Final Company Project Update	Staff Confirmation Status
13.7	Analyze electric operations and stores overtime	Completed	6/28/2013	
13.8	Determine impact of electric & gas operations retirements	Completed	10/29/2013	
13.9	Track electric & gas field contractor productivity	In Progress		
13.10	Evaluate a balanced and cost effective workforce level	Completed	6/28/2013	
13.11	Promote cross Company cost effective work opportunities	Completed	10/29/2012	
13.12	Establish electric QA organization	In Progress		
14.1	Apply ConEd infrastructure planning experience	In Progress		
14.3	Audit affiliate relationships	Completed	10/29/2012	
14.6	Develop input-based metrics	In Progress		
14.7	Establish formal benchmarking	Completed	6/28/2013	
14.10	Reconstitute compensation benchmark groups	Completed	10/29/2012	
14.11	Modify compensation links and measures	In Progress		

Appendix B. Executive Champions and Project Managers/Team Leads

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
Robert Kump Chief Executive Officer	10.2	Thomas Ryan III	Director – Business Strategy, Operations Technologies & Business Transformation
R. Scott Mahoney Vice President – General Counsel	3.2	R. Scott Mahoney Robert Fitzgerald Jr.	Vice President – General Counsel Assistant Controller – Control & Administration
Michael Eastman Vice President – Gas Operations (NY)	7.1	Gregory George	Director – Gas Design & Delivery, Engineering & Delivery
Gene Jensen Vice President – Electric Operations	9.1	Susan Dornblaser Michael Craven	Supervisor – Dispatch & ECC, Systems Operations Manager – Dispatch & ECC, Systems Operations
	9.2	Susan Dornblaser Michael Craven	Supervisor – Dispatch & ECC, Systems Operations Manager – Dispatch & ECC, Systems Operations
	13.2	David Foss Ruben Deprey	Manager – T&D Programs/Projects, Electric Operations Manager – SAP Support, IT Applications
	13.4	Theodore Anderson	Manager – T&D Support, T&D Support
	13.6	Theodore Anderson	Manager – T&D Support, T&D Support
	13.7	Pamela Kelly Theresa Perry	Manager – Performance & Budgets, T&D Support Director – Materials Management, General Services
	13.8	David Foss Theodore Anderson Kevin Wachter	Manager – T&D Programs/Projects, Electric Operations Manager – T&D Support, T&D Support Supervisor – Performance & Budgets
	13.9	Theodore Anderson James O'Brien Michael Dorfner	Manager – T&D Support, T&D Support Manager – T&D Support, T&D Support Supervisor – Gas Engineering
	13.10	David Foss Theodore Anderson	Manager – T&D Programs/Projects, Electric Operations Manager – T&D Support, T&D Support
	13.11	Charis Zembek Thomas Cammuso	Manager – Labor Relations, Labor Relations Lead Advisor – Labor Relations
Javier Bonilla Vice President - Engineering & Delivery	6.2	Michael Rumancik	Manager – Electric System Engineering, Electric Systems Engineering
	11.1	Ellen Miller	Director – Electric Capital Delivery, Engineering & Delivery
	11.2	Adam Desrosiers Ruben Deprey	Manager – Electric Capital Delivery, Electric Capital Delivery Manager – SAP Support, IT Applications
	11.3	Mauricio de la Iglesia	Manager – Engineering Capital Delivery, Project Management Office

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
	11.4	Mauricio de la Iglesia	Manager – Engineering Capital Delivery, Project Management Office
	11.5	Joseph Gasbarrone	Manager – Programs/Projects, Control & Administration
	12.1	Mauricio de la Iglesia	Manager – Engineering Capital Delivery, Project Management Office
	12.2	David Weiler	Manager – Gas Engineering, Gas Design & Delivery
	12.3	Barry Kachmaryk	Manager – Gas Engineering, Gas Design & Delivery
	13.3	Brian Conroy	Director – Electric Systems Engineering
	13.12	Mauricio de la Iglesia	Manager – Engineering Capital Delivery, Project Management Office
Frank Reynolds Vice President – Asset Management & Planning	6.1	Tim Lynch	Manager – Electric System Planning
	6.3	Jeff McKinney	Manager – Electric System Planning
	6.4	Tim Lynch	Manager – Electric System Planning
	6.5	Tim Lynch	Manager – Electric System Planning
	6.6	Tim Lynch	Manager – Electric System Planning
	10.1	Jeff McKinney	Director – Investment & Distribution Planning
	11.6	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	11.7	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	11.8	Weston Davis	Manager – Vegetation Management Programs, Electric Maintenance Delivery
	14.1	Jeff McKinney	Director – Investment & Distribution Planning
Carl Taylor Vice President – Customer Service	11.9	Joni Fish-Gertz	Manager – Energy Efficiency Programs, Customer Service Transition
James Lahtinen Vice President – Rates & Regulatory Economics	4.1	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
	4.2	Dave Houlihan Michael Purtell	Lead Analyst – Sales and Load Forecasting Manager – Sales & Load Forecasting, Rates & Regulatory Economics
	4.3	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
	4.4	Kirk McAllister	Manager – Electric Supplier Services
	4.6	Michael Purtell	Manager – Sales & Load Forecasting, Rates & Regulatory Economics
David Kimiecik Vice President – Energy Services	4.5	Daniel Rider	Supervisor – Electric Supply, Electric Supply
	5.1	Patti Caletka	Manager – Programs/Projects, Transmission
	5.2	Raymond Kinney	Director – Transmission, Energy Services
	8.1	Jeffrey Converse	Manager – Electric Supply, Energy Services
	8.2	Jeffrey Converse	Manager – Electric Supply, Energy Services

Executive Champion	Rec #	Project Manager(s)/ Team Lead(s)	Title/Organization
	8.3	Jeffrey Converse	Manager – Electric Supply, Energy Services
	8.4	Daniel Rider	Supervisor – Electric Supply, Electric Supply
	9.3	Patrick Fox	Supervisor – Gas Supply, Energy Supply
	9.4	Patrick Fox	Supervisor – Gas Supply, Energy Supply
Raymond Cardella Director – Internal Audit, Iberdrola USA Audit Commission	8.6	Raymond Cardella	Director – Internal Audit, Iberdrola USA Audit Commission
	14.3	Raymond Cardella	Director – Internal Audit, Iberdrola USA Audit Commission
Jeffrey Ballard Vice President – Operations Technologies & Business Transformation	13.1	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
	14.6	Mary Alice Laiho	Manager – Process Optimization, Business Effectiveness
	14.7	Blanca Espinosa	Director – Global Process Integration & Operational Reporting
Sheri Lamoureux Vice President – Human Resources	13.5	Karen Sahler Edward Pozzuolo	Manager – EHS Compliance, EHS Compliance Manager – Regional Operations, Gas Operations
	14.10	Susan Greenberg	Director – Rewards, Human Resources
	14.11	Susan Greenberg	Director – Rewards, Human Resources
Jose Maria Torres Vice President – Finance and Control	3.1	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.3	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.4	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	3.5	Karen Fecteau	Manager – IUMC Administration, Control & Administration
	8.5	Felicia Brown	Director – Risk Management, Finance and Control