

WUTC DOCKET: U-180680
EXHIBIT: EH-25
ADMIT W/D REJECT

Exhibit No. EH-25
Docket U-180680
Witness: Erin Hutson

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. U-180680

TESTIMONY OF

ERIN HUTSON

LABORERS INTERNATIONAL UNION OF AMERICA

Exhibit EH-25

February 8, 2019

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on December 14, 2017

COMMISSIONERS PRESENT:

John B. Rhodes, Chair
Gregg C. Sayre
Diane X. Burman
James S. Alesi

CASE 13-M-0449 - In the Matter of a Focused Operations Audit of
the Internal Staffing Levels and the Use of
Contractors for Selected Core Functions at the
Major New York State Gas and Electric
Utilities.

ORDER APPROVING IMPLEMENTATION PLANS

(Issued and Effective December 15, 2017)

BY THE COMMISSION:

INTRODUCTION

In January 2014, pursuant to Public Service Law (PSL)
§66(19), the Commission authorized a focused operations audit
(Staffing Audit) of the equivalent staffing levels of internal
employees and contractors, over a multi-year year period in
prescribed functional areas of the major New York State gas and
electric utilities (the Utilities).¹ On February 21, 2017, the

¹ The Staffing Audit specifically reviewed practices at:
Consolidated Edison Company of New York, Inc. (Con Edison);
Orange and Rockland Utilities, Inc. (O&R); The Brooklyn Union
Gas Company d/b/a National Grid NY, KeySpan Gas East
Corporation d/b/a National Grid, and Niagara Mohawk Power
Corporation d/b/a National Grid (collectively, National Grid);
Central Hudson Gas & Electric Corporation (Central Hudson);
New York State Electric & Gas Corporation and Rochester Gas
and Electric Corporation (collectively, Avangrid); and
National Fuel Gas Distribution Corporation (NFG).

Commission authorized the public release of the resulting final report: "Operations Audit of Staffing Levels at the Major New York State Utilities" (the Report), which included a number of recommendations for improvements at the Utilities. In response, the Utilities filed implementation plans on March 23, 2017. By this Order, the Commission approves the Utilities' audit implementation plans, as discussed herein, and directs the Utilities to implement those plans.

BACKGROUND

In January 2014, pursuant to Public Service Law (PSL) §66(19), the Commission authorized the issuance of a Request for Proposals (RFP) for the Staffing Audit. The objective of the audit was to determine whether the large gas and electric utilities in New York State have maintained appropriate employee staffing levels to ensure provision of adequate, reliable and safe service to customers in the most efficient and cost-effective manner. To meet this objective, the Staffing Audit reviewed the Utilities' equivalent staffing levels over a five-year historic period to determine if there is a reasonable process for balancing internal employee levels and contractor usage that will ensure the continuation of safe and adequate service at just and reasonable rates.

In June 2014, the Commission approved the selection of Liberty Consulting Group (Liberty) to conduct the audit. Liberty submitted the Report Staff in November 2016. The Report included more than 100 recommendations for improvement.

The Commission authorized the public release of the Report on February 21, 2017. Consistent with PSL §66(19), the Utilities were obligated to develop and file audit implementation plans within 30 days of the Report's release. In the implementation plan, each Utility was afforded the

opportunity to propose alternatives to the specific recommendations made in the Report that adequately, or perhaps better, address the underlying root causes and findings. In the event that a Utility does not agree with a recommendation as written and, instead proposes (as part of or in connection with the implementation plan) alternatives to the Report's specific recommendations, the Utility must provide an appropriate justification as part of the implementation plan filing. Such justifications must demonstrate, as appropriate, why the Utility disagrees with the recommendation as written, and how the alternative: (1) more effectively addresses the root causes of the relevant issues and findings; (2) produces a more favorable risk/cost/benefit result; (3) is more technically feasible; and (4) is more desirable, based on other compelling analyses.

In their respective implementation plans, the Utilities were required to include an overall characterization of the relative priorities the Utilities assigned to each of the recommendations, and the designation of the executive officers accountable for the Utilities' implementation efforts. Additionally, implementation action steps, schedules with specific interim milestones, and risk/cost/benefit analyses were to be developed as needed. Those plans were submitted on March 23, 2017, and were reviewed by an interdepartmental Staff team.

The Department of Public Service Staff's (Department or Staff) oversight of a Utility's implementation of audit recommendations commences with the public release of the Report and filing of an implementation plan by the Utility. Upon receipt and an initial review by Staff, notice of each Utility's implementation plan is published in the State Register in accordance with the State Administrative Procedure Act (SAPA), which affords the public an opportunity to comment on the

Utilities' respective plans. Staff then reviews the plan and public comments, and reports to the Commission on the adequacy of the plan. Staff may recommend modifications to implementation plans where appropriate. The implementation plan is then brought to the Commission, at which point the plan is approved as filed or modified in accordance with a Commission order.

PSL §66(19) authorizes the Commission to approve a Utility's implementation plan, at which time the implementation plan becomes enforceable. The PSL also requires that, upon application for new rates, the Commission review Utility compliance with Commission directions and recommendations resulting from the most recently completed management or operations audit and incorporate these findings into subsequent rate case orders or opinions. Additionally, the Commission has expressed a desire to link the costs and savings that emanate from operational and management improvements to the rate case process.

IMPLEMENTATION PLANS

In the Report, Liberty identified 108 recommendations across all the Utilities in the study, covering seven distinct areas including Data Analysis (20 recommendations), Resource Planning (17), Workforce Management and Performance Management (19), Internal Staffing (14), Overtime (19), Contractor Use (15) and REV Preparedness (4).

The majority of the recommendations were accepted by all of the Utilities. In their respective initial submissions, both National Grid and NFG rejected the recommendation to expand measures of contractor work load to include full-time equivalent (FTE) or person-hour based values. Both National Grid and NFG

then developed and submitted alternate implementation strategies to address Liberty's finding.

The Utilities have already commenced implementation of their respective plans and are in varying stages of completion. Con Edison has completed the implementation of seven recommendations, with another 16 in progress and one that it has yet to begin implementing. Con Edison indicates that it will complete implementation in June 2018.

O&R has completed implementing three recommendations, with the remaining 13 in progress. O&R expects to complete implementation in June 2018.

Avangrid reported that it has completed the implementation of nine recommendations, and has yet to begin implementing the remaining nine. Avangrid indicates that it will complete implementation by May 2019.

National Grid reports that it has completed implementing six recommendations and is presently implementing the remaining 21 recommendations. National Grid expects to complete implementation by March 2019.

Central Hudson reports that it has completed the implementation of nine recommendations, with another four in progress. Central Hudson has one recommendation that it has not begun to implement. Central Hudson indicates that it will complete implementation in December of 2018.

Finally, NFG reports that it has completed the implementation of four recommendations. NFG is presently implementing three additional recommendations and has not yet begun to implement the remaining two recommendations. NFG indicates that it expects to complete implementation by April 2019.

NOTICE OF PROPOSED RULE MAKING

Pursuant SAPA §202(1), a Notice of Proposed Rulemaking was published in the State Register on July 25, 2017 [SAPA Nos. 13-M-0449SP1, -SP2, -SP3, -SP4, -SP5 and -SP6]. The time for submission of comments pursuant to the Notice expired on September 25, 2017. No comments were received.

LEGAL AUTHORITY

Pursuant to PSL §66(19), following a management or operations audit of an electric or gas corporation or corporations, the Commission has the authority to approve such corporation's implementation plan, at which time the implementation plan becomes enforceable.

DISCUSSION AND CONCLUSION

The implementation plans filed by the Utilities, and as subsequently updated by National Grid and NFG, adequately address the recommendations in the Report. Accordingly, they are approved and the Utilities are directed to proceed with their respective implementation plans.

With regard to National Grid and NFG, as noted above, both initially rejected the Report's recommendation to expand measures of contractor work load to include FTE or person-hour based values. Both National Grid and NFG developed and submitted alternate strategies to address the Report's finding, which was that the Utilities need to be able to assess the relative value of using contractors.

National Grid proposed that, rather than utilize FTE or person-hour values, it would instead utilize an analytical method for forecasting unit cost performance which will be sent to stakeholders with analysis based facts on trends. This analysis will break out contractor unit costs for mains and

services. This will allow for a unit cost comparison between contractor and in-house employees.

NFG proposed to develop a Project Management Lifecycle Process methodology that will document how NFG utilizes its available resource types, i.e., in-house employees, blanket contractors, and bid contractors, in order to complete construction work. In addition, the development and completion of a unit cost study will provide NFG with information to enhance its resource planning process for identifying and understanding overall workload at the Company.

National Grid and NFG's proposed alternatives to the Report's recommendation provide mechanisms that should allow each to adequately assess the relative value of utilizing contractors. As such these alternatives to the Report's recommendation are accepted.

Staff will oversee the Utilities' implementation of their respective plans to ensure implementation efforts meet the expectations laid out in the plans and adequately address the underlying audit findings. To facilitate this process, each of the Utilities are required to submit written updates to their plans no less frequently than every four months, with the first update due four months following the issuance of this Order, the second update due four months thereafter, and so forth.

Staff will provide the Utilities with a status update of implementation efforts. This update shall occur at the approximate midpoint between filing updates. Each of the Utilities and Staff will meet to discuss implementation progress as needed. At these meetings, the Utilities shall make available relevant personnel, including technical leads and executive sponsors responsible for implementing the recommendations. Each of the Utilities shall submit to the Secretary the deliverables identified in its plan demonstrating

that the Utility has completed implementing a recommendation. These deliverables shall be submitted no later than the due date established for each deliverable in the Utilities' respective implementation plans. Staff will review each Utility's periodic updates and submitted deliverables and provide any necessary feedback. If Staff requires additional evidence or discussion with utility personnel to verify the completion of a recommendation, the Utility shall provide such in a timely manner. Update reports from the Utilities shall continue until Staff confirms that each recommendation is fully implemented.

The Utilities have yet to determine projected benefits or costs for implementing certain recommendations in their respective plans, therefore, modifications to details of the approved implementation plans may be expected. Utilities must request approval of and provide justification for such proposed modifications from the Director of the Office of Accounting, Audits and Finance (OAAF), no later than 30 days prior to when the changes would become effective. The request must be submitted to the Secretary so that it is publicly available on the Commission's website. Utilities will be required to seek approval of any delays, modifications to the action steps or expected milestones and deliverables, changes in executive sponsorship, changes in projected benefits or costs, or other changes that they may deem necessary. The Director of OAAF will review any proposed modifications and respond to the Utility in writing within 30 days. The Director of OAAF shall assess such modifications to ensure that they will further the implementation of the Staffing Audit recommendations. Modifications not approved by the Director of OAAF may then be submitted by the Utility to the Commission for consideration. The Commission may then approve, modify, or reject such proposed changes. If the Director of OAAF determines a Utility is not

fulfilling its obligation to implement the Plan, the Director of OAAF shall bring such findings and any recommended actions to the Commission for consideration.

As implementation progresses, situations can arise where few recommendations remain in progress for extended periods of time, and little change can be expected between updates with respect to the same recommendations. Experience suggests there is little value to frequent reporting of minimal change(s). In those circumstances, the Director of OAAF may alter the reporting requirements to avoid unnecessary administrative burden.

When Staff has reviewed all deliverables and determined that all steps of the implementation plan have been completed, the Director of OAAF will issue a letter to the Utilities confirming the completion of Staff's review. The Commission will review each Utility's compliance with its implementation plan as well as the validity of the projected benefits and costs in the Utility's next rate case.

The Utilities are hereby directed to execute their respective approved implementation plans to meet the intent of the Report's recommendations and to address the underlying findings in the Report. The Utilities are expected to make the necessary changes that will improve performance and to demonstrate executive-level commitment to this process.

The Commission orders:

1. Consolidated Edison Company of New York, Inc.; Orange and Rockland Utilities, Inc.; The Brooklyn Union Gas Company d/b/a National Grid NY, KeySpan Gas East Corporation d/b/a National Grid, and Niagara Mohawk Power Corporation d/b/a National Grid; Central Hudson Gas & Electric Corporation; New York State Electric & Gas Corporation and Rochester Gas and

Electric Corporation; and National Fuel Gas Distribution Corporation (collectively, Utilities) shall execute their respective audit implementation plans, as described herein, with the oversight of Staff, and shall continue to provide periodic progress reports until Staff confirms that the plans have been fully implemented.

2. The Utilities shall provide the deliverables identified in their respective audit implementation plans to Staff, as described herein.

3. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS
Secretary