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ORIGINAL

2006 P-886

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE PUBLIC UTILITIES ACT

- and -

IN THE MATTER OF AN APPLICATION BY NOVA SCOTIA POWER INCORPORATED AND A HEARING FOR APPROVAL OF CERTAIN REVISIONS TO ITS RATES, CHARGES AND REGULATIONS

DIRECT TESTIMONY OF CONSUMER ADVOCATE WITNESSES

MICHAEL J. McGARRY, SR.

And

RUDOLPH C. KRIZAN

RECEIVED
JAN 23 2007
Nova Scotia
Utility and Review Board

January 22, 2007

I. INTRODUCTIONS AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Michael J. McGarry, Sr. and my business address is 2131 Woodruff Road, Ste 2100 PMB 309 Greenville, South Carolina 29607.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Blue Ridge Consulting Services, Inc. located in Greenville, South Carolina, as President and Chief Executive Officer.

Q. PLEASE STATE YOUR EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. Prior to assuming my present position, I was Vice President of East Coast Operations from July 2003 to June 2004 with Hawks, Giffels & Pullin (HGP), Inc. In that position, I was responsible for developing and overseeing client engagements in utility regulatory affairs, management audit, and rate case management. From August 2001 to July 2003, I was an independent consultant working on a number of different projects, including a renewal/update of delivery service tariffs for Illinois Power and several utility street lighting cost benefit assessment projects. From June 2000 until August 2001, I was a senior consultant with Denali Consulting, Inc., a utility supply chain and e-procurement strategy and implementation firm. From October 1997 through June 2000, I was employed by Navigant Consulting, Inc. and several of its predecessors or acquired firms working on a number of different projects, including a management audit of Southern Connecticut Gas Company and the original delivery service tariff filing for Illinois

Power. From July 1985 through October 1997, I was with the New York State Department of Public Service (NYSDPS) in its Utility Operational Audit Section, where we conducted focused, operational audits in many facets of utility operations for all sectors of the utility industry including gas, electric, telecommunications, and water. Prior to my employment with the NYSDPS, I was a rate analyst with Orange and Rockland Utilities (1981 to 1983) and then Seminole Electric Cooperative (1983 to 1985). I received my Masters of Business Administration from the State University of New York at Buffalo in 1996 and a Bachelor of Arts in Economics from Potsdam College (SUNY) in 1981.

Q. HAVE YOU TESTIFIED BEFORE?

A. Yes. I have proffered or supported testimony in New York, Michigan, Illinois, Colorado, Pennsylvania, New Jersey and Maine. Recently, I testified in ICC Docket 05-0597, (Commonwealth Edison Company) on behalf of the Illinois Citizens Utility Board, the Cook County State's Attorney's Office and the City of Chicago. I have also testified in gas base rate and electric power supply cost recovery cases on behalf of the State of Michigan Attorney General. As a staff member with the NYSDPS, I testified to the prudence of New York State Electric & Gas Company's capital investment in coal cleaning technology, to the prudence of Jamaica Water Company's investment in a new customer information system, and in a show cause proceeding involving Long Island Lighting's operation and maintenance expenses. I have supported client testimony related to delivery service tariffs in Illinois.

Q. HAVE YOU INCLUDED A DESCRIPTION OF YOUR QUALIFICATIONS?

A. Yes. A description of my qualifications is included as Appendix 1.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Consumer Advocate.

Q. WOULD YOU PLEASE INTRODUCE THE OTHER MEMBER OF THE PANEL?

A. Yes. Mr. Rudolph Krizan, P.E. will also participate in this panel. Mr. Krizan is under contract with Blue Ridge Consulting Services, Inc. as a Senior Technical Consultant.

Q. MR. KRIZAN, PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EXPERIENCE AND EDUCATIONAL QUALIFICATIONS.

A. My name is Rudolph Krizan. My business address is 162-14 Cryders Lane, Beechhurst, New York 11357. I am a registered Professional Engineer in New York. My extensive utility regulatory experience includes thirty-three years with the New York State Department of Public Service (NYDPS). While I was with the NYDPS, I led and conducted comprehensive operational and management audits and reviewed utility construction program planning for gas, electric, steam, and water companies. I have testified in numerous utility-related cases involving rates, operations, prudence, and merger/synergy savings. Prior to my retirement from state service in March 2003, I

worked with the Northeast Gas Association regarding a research and development program for the lining of cast iron pipe as an alternative for replacement under certain conditions. I have a Bachelors of Science in Mechanical Engineering from Manhattan College. I have also received Federal Gas Safety training from the U.S. Department of Transportation's Office of Pipeline Safety (OPS).

Q. HAVE YOU INCLUDED A DESCRIPTION OF YOUR QUALIFICATIONS?

A. Yes. A description of my qualifications is included as Appendix 2

Q. MR. MCGARRY, WOULD YOU PLEASE HIGHLIGHT YOURS AND MR. KRIZAN'S COMMON EXPERIENCE AS UTILITY MANAGEMENT AND OPERATIONAL AUDITORS.

A. Over the last twenty years, Mr. Krizan and I have worked together on various management and operational audits. From July, 1985 until I left the employ of the New York State Department of Public Service (NYDPS) in October of 1997, Mr. Krizan and I worked in the same section of the NYDPS, the Operational Audit Section of the Office of Utility Efficiency and Productivity. In that time, we have worked on many operational audits projects including several major prudency and utility efficiency reviews. During those times in which we were not working together, we were conducting operational and management audits on any number of functional and operational areas of utilities in New York State.

Q. MR. MCGARRY, WHAT FUNCTIONAL AND OPERATIONAL AREAS HAVE YOU REVIEWED WHILE YOU WERE A MEMBER OF THE NEW YORK DEPARTMENT OF PUBLIC SERVICE?

A. While I was a member of the Operational Audit Section, several of the functional areas that I reviewed included:

- Executive Management and Strategic Preparations for Competition
- Construction Program Management
- Service Quality and Customer Service
- Capital Program Spending and related Prudency Assessment
- Field Crew Supervision and Utilization
- Fuel Procurement
- Scrap Handling and Disposal Practices
- Engineering Practices and Contracting
- Procurement and Accounts Payable
- Demand Side Management
- Research and Development
- Materials and Supplies (including warehousing)

Q. MR. KRIZAN, WHAT FUNCTIONAL AND OPERATIONAL AREAS HAVE YOU REVIEWED WHILE YOU WERE A MEMBER OF THE NEW YORK DEPARTMENT OF PUBLIC SERVICE?

A. While I was a member of Operational Audit Section, several of the functional areas that I reviewed included:

- Manhole Safety
- Demand Side Management

- Construction Program Planning
- Coal Re-Conversion Construction Monitoring
- Work Force Management
- Construction Bidding and Contracting
- Fuel Procurement
- Comprehensive Purchasing Audit
- Right of Way Management
- Field Crew Productivity
- Research & Development
- Customer Collection & Termination Practices
- Merger Synergies
- Comprehensive Water Utility Mgt Audits
- Whistleblower Investigations
- Gas Transmission Line Siting
- Gas Utility Quality Assurance
- Storm Restoration

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF THE PANEL'S TESTIMONY?

A. The purpose of our testimony is to provide a general evaluation of Accenture's Final Report entitled " Nova Scotia Power Performance Assessment" dated January 8, 2007, including whether the report fulfilled the objectives the UARB intended when ordering the Company to conduct this review , whether it appears that those who conducted the review were well-qualified to do so as the UARB intended, and finally, our concerns with

the selection process and related costs for the consultant who was hired to perform this work.

Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE ACCENTURE REPORT?

A. It is our opinion that the Accenture report misses the mark in fulfilling the objectives the UARB intended and is of limited value. In addition, it fails to clearly present information that would enable the UARB or any stakeholder to determine whether the Company is operating efficiently and/or where significant opportunities for improvement exist. We are very concerned that those who conducted the review lacked the utility operational background and objectivity to be able to conduct the review as the UARB intended and that the cost of the project was excessive, given the results of the review. Simply stated, ratepayers gained no value from this report.

Q. WHAT IS THE BASIS FOR YOUR OPINION?

A. We were retained to conduct an assessment of the Accenture report based on our nearly 60 years of combined experience in utility operational and management audits. Between us, we have conducted reviews on virtually every aspect of utility operations. Our careers have been almost totally within the utility industry including hands-on utility field work. We have conducted most types of audits and reviews of utility operations and management, including comprehensive management audits, focused operational audits, benchmarking studies, and synergy measurements and quantifications.

Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF THE ACCENTURE REPORT?

A. Accenture's assessment has a strategic management tone aimed at providing the reader with an overview of industry indicators or qualities of basic and optimal performance of management of selected utility functions. From the beginning, it is clear that the scope of the review was limited to only certain areas of the Company.[1] The Accenture report is nothing more than a benchmarking study in which NSPI's performance in these selected functional areas was compared to a "peer group" of utilities. This is not what the UARB intended for this review. Further, from our review of the qualifications (as provided in response to CA-IR-79) of those who conducted the review, we are concerned that these individuals, while well qualified to conduct strategic assessments and benchmarking studies, appear to lack the "hands-on" practical experience in utility operations and in conducting utility operational or management audits to be able to assess the efficiency of NSPI's practices.

Q. PLEASE EXPLAIN WHY YOU ARE CRITICAL OF A BENCHMARKING STUDY IN THIS CASE.

A. In a broad sense, benchmarking can be a worthwhile endeavor. It is normally used to provide utility managers and regulators a general idea as to how a utility is performing by comparing certain derived performance indicators to those of a group of similar companies. Typically, when a particular set of benchmarks depart from "normal" trends, the particular area is reviewed more thoroughly to determine whether there are reasonable

justifications for a variance or whether the Company's performance is at odds with industry norms (either positive or negative).

While benchmarking is useful in a general sense, certain types of benchmarking are usually fraught with pitfalls that make any meaningful comparison difficult at best. For example, in its report, Accenture benchmarked NSPI's performance based on its "proprietary" comparison and weighting of performance indicators (response to SEB-IR-150) and in some instances, tempered by its professional judgment, to various peer groups. Accenture would not disclose the benchmarks, the backup data and information used to establish the benchmark. In addition, the analytic methods used to develop or score NSPI's performance are not disclosed. Accenture claimed the information as "proprietary." This being the case, one does not know what factors were considered and adjusted and how much weight each was given to arrive at an assessment of NSPI's performance within the selected areas.

From a regulatory perspective such information is superfluous. Regulators and other stakeholders are concerned that when areas of inefficiency are unveiled, even by a benchmark, that the cost impact be determined with below optimal or even acceptable performance levels. In doing so, all parties have the information they need to arrive at those the mechanisms that will encourage the utility to perform better, reduce costs, and improve efficiency.

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[1] Accenture's scope was limited to Finance and Accounting, Information Technology, Human Resources, Procurement, Executive Management,

Q. PLEASE EXPLAIN.

A. The variables involved when making such comparisons are many, and unless they are understood, and treated properly, they can provide misleading results. For example, if sales revenues are used in a benchmarking function, as they were in the Accenture Report,[2] the question exists as to how the size in MWhrs, numbers of customers, and generation mix are taken into account. Without knowing which companies were included in the peer groups to take steps to understand their dynamics, using such variables in a comparison has limited, if any, value. An effective benchmark study takes into account the consistent accounting treatment of costs, especially in areas such as corporate and administrative services. For example, Consolidated Edison Company of NY (ConEd) performed a benchmarking study in which one area of concern that surfaced was pension costs. After considerable examination, it was determined that it **was not** appropriate to compare ConEd's costs to the utility peer group. In order to be competitive in the New York City employment market, ConEd had to be competitive in its benefits packages with other large New York City firms, not with other utilities such as Commonwealth Edison, Progress Energy, and Southern California Edison. Trying to adjust benefits with utility related factors simply did not work.

Q. WHAT ARE YOUR SPECIFIC CONCERNS WITH ACCENTURE'S REPORT?

Legal and Regulatory Affairs, and other overhead smaller areas which may significantly contribute to OM&G

[2] See Accenture report, Page 18, - Key facts – A snapshot of the current Finance and Accounting Function. Panel labeled "Benchmarks"

The Accenture report, as presented, falls far short from a regulatory cost setting perspective and does not satisfy the Terms of Reference. Specifically, the Terms of Reference state,

> Based on the consultant's examination, as set out above, and based on the consultant's years of demonstrated and expert judgment, the consultant will provide specific recommendations concerning those areas of organizational and operational structure, including the OM&G expenditures, where improvements, costs savings and operational efficiencies can be achieved.

There are a number of areas where the Accenture report fails to achieve this objective. The sum total of the Accenture report recommendations can be found on page 16, which presents quantifiable benefits of only $775,000 to $1.3 million, which is only 2.9% of the total amount expended annually for the areas reviewed.

The Accenture report is limited to general management and support service areas within NSPI's Corporate Services. It does not encompass other large operating areas of the Company such as Generation, Transmission and Distribution (T&D), Customer Service, Meter Reading, and Billing. When asked why operating areas such as T&D and Customer Service were excluded from the review, the Company stated:

> The January 8, 2007 Accenture report focused on the corporate groups as specifically identified in the terms of reference (CA IR-38, Attachment 1, Page 6, part (d)). The UARB has undertaken other reviews and assessments of other NSPI operating costs. For example, John Sherrod was engaged to review NSPI's storm response and the appropriateness of the company's level of staffing for power line technicians. Liberty Consulting was engaged to review NSPI's vegetation management. NSPI also submitted expert evidence to support its pension costs which account for 16 percent of the 2007 forecasted OM&G costs (UARB IR-43). All areas of NSPI's OM&G were reviewed in a comprehensive OM&G report, filed with the UARB in 2003. This report was updated in August, 2004 and filed and reviewed as part of NSPI's 2005 general rate increase

> Application. The various reports and studies including the March 7, 2006 Accenture report have confirmed that NSPI's OM&G costs are well managed.

Nowhere in this response does the Company explain why the other operating areas (e.g., T&D, Customer Service, etc.) were excluded for the review, particularly when the Terms of Reference specifically state,

> "an operations review be carried out on ***NSPI's operations***. The review shall encompass a detailed examination of NSPI's organizational structure, its level of OM&G expenditures and any other pertinent areas which may come to light with a view to determining whether cost savings and operational efficiencies can be achieved."[3] [Emphasis added]

The UARB clearly did not intend to limit the review to those few corporate service areas reviewed by Accenture. To simply state that other studies reviewed the other areas completely and, in our opinion, inappropriately, diverts attention from the real issue—whether NSPI is operating efficiently.

Q. YOU MENTIONED THAT YOU HAD CONCERNS WITH THE QUALIFICATIONS OF THOSE WHO CONDUCTED THE REVIEW. PLEASE EXPLAIN THESE CONCERNS.

A. In its reply to CA-IR-4, NSPI provided the summary biographies for the Accenture personnel who would perform the review. With the noted exception of the engagement partner who clearly has extensive experience ("strategic direction of the utility

[3] ibid. Page 4, Section 3 Scope – paragraph a)

industry"[4]) the remainder of the team has very limited utility experience. In fact, the engagement manager does not list the utility industry as one of the industries in which he has consulted.[5] Two of the three other consultants have limited experience in utility operations, and one appears to have been focused solely on information technology restructuring.

In the Terms of Reference, it was clear that *"based on the consultant's years of demonstrated and expert judgment, the consultant will provide specific recommendations concerning those areas of organizational and operational structure, including the OM&G expenditures."*[6] In our opinion, whether the Accenture personnel assigned to the project were well-qualified is an open question. The fact that the UARB's objectives for this project were not delivered may be, in part, due to a lack of understanding utility operations.

Q. WHAT ARE YOUR CONCERNS WITH THIS AUDIT AND THE BENEFITS DERIVED FROM THE RESULTS?

A. The Report fails to help identify those areas where cost-savings can be established and obtained for the benefit of not only ratepayers but the Company as well. After such extensive reviews, one would expect more quantifiable recommendations with specific implementation plans and objectives.

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[4] CA-IR-4 Mr. Hendrickson
[5] CA-IR-4, Mr. Anderson.
[6] Terms of Reference – page 5.

For example, in the Terms of Reference, the UARB and NSPI were clearly aware of the limitations of benchmarking. The Terms of Reference states:

> While the consultant should also consider best utility practices and benchmarking comparisons when determining the specific recommendations to be made, **the consultant should bear in mind that the primary focus of the examination is to provide recommendations concerning improvements, cost savings, and operational efficiencies which can be achieved.**[7] [Emphasis added]

In addition, NSPI included the UARB's findings which directed the Company to conduct the operations review. In those findings, the UARB clearly stated:

> [137] – Further, the Board understands that a "benchmarking" process is utilized by NSPI in setting overall spending levels. While this is a useful procedure, it **should not be used to the exclusion of other methods** of determining the appropriate level of expenses, including a careful and exhaustive review of NSPI's operating expenses in an endeavor to ensure that it is operating as efficiently as possible[8] **[Emphasis added]**

The UARB did not limit the assessment to the functional areas that were reviewed in the Accenture report and certainly did not limit it to a benchmark study. It seems clear that the UARB was concerned with the elements that were driving the need for repeated rate requests. Given the specific guidance provided to NSPI from the UARB, one would expect that data filed in connection with the current case would be a springboard to determine further areas for detailed review and not a continuation of the March 2006 benchmarking report. The bottom line is that a utility's ranking or position in a

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[7] NSPI's Consulting Services Review of NSPI Operations, Management and General Expenditures (OM&G and Operations – Terms of Reference, Page 5, paragraph d).
[8] Terms of Reference – Appendix A

benchmarking comparison does not indicate either efficiency or inefficiency; it only sends a signal for further investigation. The Accenture report does not go into further study or offer any specifics for improving those areas (generation, T&D, customer service, etc.) that are significant cost drivers. Done right, as the UARB intended, a comprehensive management and operational audit can yield significant savings and identify areas of opportunity for the utility to be better at what it does and thereby save money.

Q. PLEASE EXPLAIN YOU CONCERN WITH THE OBJECTIVITY OF THIS REVIEW.

It appears that the consultant selection process and scope of the review is problematical. It is our understanding that Accenture was on-site at NSPI performing the benchmarking study when the detailed OM&G assessment was directed. As a result, NSPI decided it would be advantageous to continue with Accenture. Without characterizing the relationship between Accenture and NSPI, such a decision may have contributed to the very limited usefulness of the Report. The familiarity between a company and a consultant can affect the objectivity of the results of any type audit or assessment. This is especially true if possible future work is involved. Who selects the consultant and who pays for the audit/assessment can have a direct impact on the objectivity and results of that audit.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. We conclude that;

- The Accenture report has virtually no value in meeting the objectives as set down by the UARB;
- The Accenture report relies entirely on benchmarking which does not satisfy the intent of UARB to develop specific areas and recommendations;
- Those who conducted the review appear to have limited practical utility review experience to make assessments and recommendations concerning the operational efficiency of NSPI;
- The consultant selection process was problematic in that it failed to properly emphasize consultant objectivity, and
- Since the UARB's objectives were totally disregarded or ignored right from the start and the report clearly fails to meet what the UARB intended, ratepayers gained no value from this review and should not bear the cost of this report.

Q. DO YOU HAVE ANY RECOMMENDATIONS?

A. The UARB should direct that an independent comprehensive diagnostic management audit be conducted using generally accepted audit management procedures and the cost of that audit not be borne by NSPI's customers. An audit/assessment process for a regulated entity should involve all stakeholders in determining or eliciting the scope of the proposed review. Once the scope is determined, the regulatory agency should (with input from stakeholders) request proposals, evaluate them, and then select the firm. While this is more time consuming, it better ensures that such a review will be conducted objectively with the interests of all parties established up front.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Appendix 1
Resume of Michael J. McGarry, Sr.

Summary

Mr. McGarry's professional experience spans twenty-six years within the private and public sectors. Expertise includes regulatory and rate case management, project management and supervision, expert testimony, witness preparation, electric industry restructuring and deregulation as well as extensive experience in utility management and operations.

Project Management

Mr. McGarry's experience includes management of multi-discipline teams for a wide range of client engagements, development and implementation of detailed work plans and project schedules. He has analyzed and planned interdivisional resource utilization, supervised, developed and coached interdivisional team members and created numerous executive reports, briefings, and presentations.

Regulatory and Rate Case Management

He has worked with clients to manage all aspects of the regulatory and rate case process. He has developed efficient processes to prepare supporting analyses and testimony for submission to the regulatory bodies and interveners. He is a seasoned project manager and has analytical expertise to respond to interrogatories and data requests from all rate case interveners in a timely manner. He has developed rate structure and billing determinant information analyses, time of day and interruptible rates analyses, fuel and purchased power reports and annual wholesale rates for member cooperatives.

He has assisted a number of clients in preparing revenue requirement and cost of service analyses. He has proffered and /or supported testimony in Michigan, Illinois, New York and Colorado. He has developed complex revenue requirement models to support rate request.

Testimony and Witness Preparation

He has proffered and / or supported expert testimony in a number of proceedings before commissions including New York State Public Service Commission, Illinois Commerce Commission, Michigan Public Service Commission and Colorado Public Utilities Commission. These proceedings included testimony involving management decision and prudence impacts, operations and maintenance expenses, capital investments, revenue requirements, project management and others.

Utility Management and Operational Audits

He has conducted over twenty five comprehensive management and operational audits of investor-owned energy and telecommunications utilities. These audits have included capital and operating budget process and practices; operations and maintenance expenses; crew operations; rate case *pro forma* adjustments; affiliates transactions; commodity trading; and rate base.

Restructuring, Unbundling, and Cost Allocation

Mr. McGarry has developed the supporting analyses and regulatory filing requirements needed to support unbundling rates for utilities. This has included detailed studies where the company's plant-in-service and depreciation reserve was allocated to each unbundled function. He has assessed utility management actions to prepare the company for competition, including the processes and practices used by the utility to prepare to enter new markets and offer new services.

Education

Potsdam College, B.A., Economics, 1981
University at Buffalo School of Management, MBA, 1996

Associations

National Association of Purchasing Management

Regulatory Experience

Before the Illinois Commerce Commission
Case: 05-0597 *On behalf of the Illinois Citizens Utility Board, Cook County States Attorney's Office and City of Chicago*
Project Manager and Testifying Witness. Provided analysis and recommended adjustments in the general rate increase of 20.1% or $320 million filed by ComEd.

Before the Michigan Public Service Commission
Case No. 14547 *In the matter of the application of Consumer Energy Company for authority to increase rates for the distribution of natural gas and for other relief*
Expert Witness and Project Manager. Provided analysis, recommended adjustments and filed testimony for the Michigan Attorney General on Consumers Energy proposed increase to base rates.

Oregon Public Utilities Commission
Docket No. UP205 *Examination of NW Natural's Rate Base and Affiliated Interests Issues*
Co-sponsored between NW Natural, Staff, Northwest Industrial Gas Users, Citizens Utility Board. August 2005-January 2006
Project Manager. Led a team that conducted a management audit of NW Natural Gas that included an evaluation of rate base issues for Financial Instruments (gas and financial hedging) Deferred Taxes, Tax Credits, Cost for a Distribution System, Security Issuance Costs and AFUDC calculations as well as Affiliate Transactions for Cost Allocations and Transfer Pricing, Labor Loading, Segregation of Regulated Rate Base and Subsidiary Investments and Properties, and validation of tax paid from / to affiliates are proper. Audit was to ensure Company compliance with orders, rules and regulations of the OPUC, with Company policy and with Generally Accepted Accounting Principles.

Before the Public Service Commission of the District of Columbia
Case No. 1032 *In the Matter of the Investigation into Potomac Electric Power Company's Distribution Service Rates*
On Behalf of the DCPSC, January 2005-March 2005
Project Manager and Consultant to Commission and Staff. Review and evaluation of Potomac Electric Power Company compliance filings for class cost of service and revenue requirements for distribution service pursuit to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff on 23 designated issues and 13 Company proposed adjustments. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.

Before Maine Public Utilities Commission
Case No 2004-813 *Maine Public Utilities Commission Investigation into Maintenance and Replacement Program for Northern Utilities Inc.'s Cast Iron Facilities*
On behalf of Maine Public Advocate
Project Manager and Testifying Witness. Litigated proceeding and led a consultant team to assist the State of Maine Public Advocate to investigate the need for the program and the company's management of the repair or replacement of its cast iron facilities.

Before the Public Utilities Commission of the State of Colorado
Docket No. 04A-050E *Review of the Electric Commodity Trading Operations of Public Service Company of Colorado*
On behalf of the COPUC Staff, March 2004-September 2004
Project Manager. Focused operational audit within the bounds of a litigated proceeding to determine if ratepayers were subsidizing or negatively impacted by PSCo's energy trading function.

Before the Public Service Commission of the District of Columbia
Case No. 1016 *In the Matter of the Application of Washington Gas Light Company, District of Columbia Division, for Authority to Increase Existing Rates and Charges for Gas Service*
On Behalf of the DCPSC, June 2003-December 2003
Project Manager and Consultant to Commissioners and Staff. Project Manager for the analysis of WGL's rate filings. Provided analysis and recommended adjustments to the DCPSC Staff on WGL's proposed increase to base rates. Advised the Commission during deliberations on party positions and possible recommendations.

South Carolina State Senator
Advised Senator on regulatory process for requesting States Public Service Commission for a comprehensive review of Duke Power Company's storm and restoration and right of way management. Reviewed and advised Senator of results of report finding.

Before the Missouri Public Service Commission
Consultant to Ameren UE. Conducted revenue requirement analysis in preparation of Missouri Public Service Commission compliance filing to un-bundle utility's rate tariffs. Prepared the

filing requirements and all support schedules analysis to justify allocations of generation, transmission and distribution.

Before the Illinois Commerce Commission
Consultant to Illinois Power Company. Prepared 2001 required update filing for the Illinois Commerce Commission compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Before the Illinois Commerce Commission
Consultant to Illinois Power Company. Conducted mandated compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Southern Connecticut Gas
Consultant. As part of a team that conducted a comprehensive management audit of the management and operations of the Company, completed the capital budgeting area of the audit.

Before the New York Public Service Commission
Case: 94-C-0657
Commission Staff. Proceeding to evaluate the compliance of NYNEX with Commission rules and orders related to operational support system costs to competitors. Part of staff panel to facilitate discussion between company and potential competitors (i.e., users of operational support systems) and report back to Commission.

Rochester Gas and Electric Company and Consolidated Edison of New York
Focused review of the preparedness of RG&E and ConEd for competition in the electric industry. Evaluated all aspects of the company's management actions to prepare for competition including strategic planning, goals and objectives and senior management's attention to the company operations in a de-regulated industry

Before the New York Public Service Commission
Case: 97-M-0567
Commission Staff. Litigated proceeding to determine the benefits of a proposed merger of LILCO / Brooklyn Union Gas. Analyzed the proposed synergy savings.

Before the New York Public Service Commission
Case: 96-E-0132 *Show Cause Proceeding Regarding Rate Relief for Ratepayers of Long Island Lighting Company*
Commission Staff and Testifying Witness. Litigated proceeding where Staff proffered testimony containing a benchmark study showing that Long Island Lighting Company's operations and maintenance expenses were excessive compared to a peer group of 24 utilities. Panel testimony concerning the findings and conclusions resulting from the benchmark study.

Before the New York Public Service Commission
Case: 96-M-0858 *Prudence Investigation into the Scrap Handling Practices in the Western Division of Niagara Mohawk Power Company*
Commission Staff and Testifying Witness. Litigated proceeding as a result of allegations of bribery and corruption in company practices related to a specific vendor who purchased company scrap metal. Lead team of 10 staff examiners to quantify the extent to which the Company paid excessive rates to this vendor. Testified to the findings of the analysis. Case settled with ratepayers receiving a credit to bills

Before the New York Public Service Commission
Case: 91-C-0613 *Operational Audit of the Outside Plant Construction and Rehabilitation Program of New York Telephone Company*
Commission Staff. Comprehensive operational audit of the company's management and implementation of a $150 million capital program to rehabilitate the outside plant distribution network. Served as Staff Examiner responsible for crew supervision, goals monitoring, contractor oversight, and report preparation.

Before the New York Public Service Commission
Case: 91-W-0583 *Prudence Proceeding Regarding the Operations and Management of Jamaica Water*
Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive costs to rate payers. Testified on a Staff panel to the excessive costs associated with management's inattention to sound business practices related to the design, purchase and installation of the Company customer information system.

Before the New York Public Service Commission
Case: 92-W-0030 *Operational Audit of Jamaica Water Company Operations and Management*
Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, and specific topics areas including engineering, contracting, and information technology. Findings led to prudence proceeding.

Before the New York Public Service Commission
Case: 92-M-0973 *Management Audit of Rochester Gas and Electric*
Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, supervision of staff and specific topics areas including purchasing and internal controls.

Before the New York Public Service Commission
Case: 93-E-0918 *Operational Audit of the Demand Side Management Function at Rochester Gas and Electric*
Commission Staff. Comprehensive operational audit of the demand side management function including program planning, management and energy savings verification. Developed and supervised the implementation of the work plan.

Before the New York Public Service Commission
Case: 88005 *Operational Audit of the Materials and Supply Function at National Fuel Gas*
Commission Staff. Comprehensive operational audit of the materials and supplies function including warehouse operations, inventory control and procurement. Developed and implemented the work plan for this project.

Before the New York Public Service Commission
Operational Audit of the Fuel Procurement and Contracting of Long Island Lighting Company
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project.

Before the New York Public Service Commission
Operational Audit of the Fuel Procurement and Contracting of Consolidated Edison Company of New York
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Before the New York Public Service Commission
Case: 90007 Operational Audit of the Fuel Procurement and Contracting of Central Hudson Gas and Electric
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Before the New York Public Service Commission
Operational Audit of the Fuel Procurement and Contracting of Orange and Rockland Utilities
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Before the New York Public Service Commission
Operational Audit of the Fuel Procurement and Contracting of Rochester Gas and Electric
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on nuclear fuel. Provided research and data evaluation expertise to the project

Before the New York Public Service Commission
Case: 98-E-115 *Prudence Proceeding to Investigate the Construction Costs Associated with the Homer City Coal Cleaning Plant*
Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive construction charges related to the Homer City Coal Cleaning Plant. Testified on a Staff panel to the fuel price differential costs resulting from the failure of the coal cleaning plant to function as designed as well as surrebuttal testimony on the cost of a flu-gas de-sulfurization plant and ancillary equipment and facilities. Case settled with customers receiving $125 million credit.

Before the New York Public Service Commission
Case: 87003 *Operational Audit of the Homer City Coal Cleaning Plant*
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on the construction of the Homer City Coal Cleaning Plant jointly owned by NYSEG and Penelec. Responsible for fuel and construction costs analysis, benchmarking costs and alternative methods for meeting EPA Clean air restrictions, contracting practices and report preparation.

Before the New York Public Service Commission
Case: 87003 *Operational Audit of the Fuel Procurement and Contracting of New York State Electric and Gas*
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis, benchmarking costs, contracting practices and report preparation.

Before the New York Public Service Commission
Case: 86007 *Operational Audit of the Field Crew Supervision and Utilization of New York State Electric and Gas Company*
Commission Staff. Comprehensive operational audit to determine effectiveness of field crew utilization and supervision. Staff examiner responsible for verifying supervisor activities, reporting, goals attainment and report preparation.

Before the New York Public Service Commission
Case: 86005 *Prudence Proceeding to Investigate the fuel Procurement and Contracting Practices at Niagara Mohawk Power Company*
Commission Staff. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive fuel charges to customers. Responsible for fuel cost analysis and benchmarking costs, contracting practices and testimony preparation. Case settled with customers receiving $66 million credit.

Before the New York Public Service Commission
Case: 86005 *Operational Audit of the Fuel Procurement and Contracting of Niagara Mohawk Power Company.*
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis and benchmarking costs, contracting practices and report preparation.

Before the New York Public Service Commission
Case: 85001 *Operational Audit of the Research and Development Function of Consolidated Edison Company of New York*
Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on R&D activities. Staff examiner on the project responsible for reviewing projects documentation and control, outside contracting a report preparation.

Appendix 2
Resume of Rudolph Krizan, P.E.

Licensed Professional Engineer whose experience spans thirty-three years in the utility regulatory field working for the New York State Department of Public Service. During that time he has reviewed, and audited, in the context of rate requests and comprehensive operational and management audits, utility construction program planning for gas, electric, steam, and water companies.

Main Replacements

Testified in three formal cases where main replacement issues were litigated and resolved while in the Gas Safety Section at the New York Commission. Specifically, Con Edison- Case 00-G-1456; O&R - Case 99-G-1695 and; O&R Case 02-G-1553. (In total these main replacement programs dealt with over a 100 miles of pipe and established performance levels with significant penalties if targets are not achieved.)

Prior to retirement from state service, Mr. Krizan worked with the Northeast Gas Association regarding a research and development program for the lining of cast iron pipe as an alternative for replacement under certain conditions.

Auditing

Involved in over twenty-five comprehensive management and operational audits. Experience includes auditing of utility construction, operations and management, rates, quality assurance, and safety. Testified in numerous rate proceedings and addressed topics such as steam system planning, performance incentives and measurement, rate design, revenues, depreciation, capital construction budgets, and operation and maintenance expenses. Received extensive training in pipeline operations from the Federal Department of Transportation.

Utility Management and Operations

Directed the New York City Office of Utility Efficiency and Productivity and was the project manager and lead auditor for the following comprehensive management and operation audits:

Con Edison – Manhole Safety Audit. This audit focused on the inspection and maintenance procedures associated with subsurface gas and electric structures.
Con Edison – Fossil Fuel Procurement - An in-depth review of fuel procurement strategy, processes, procedures, and contracting.
Con Edison – Procurement Audit - An extensive and in-depth audit of Con Edison's entire procurement function including construction contracting and bidding.
Con Edison – Demand Side Management - *An* operational audit to determine the effectiveness of this initiative.
Con Edison – Residential Collection and Termination Practices - An in-depth operational audit to determine the uniform implementation of the company's policies and practices.
Orange & Rockland Utilities --- Fuel Procurement - An in-depth review of the company's strategies procedures and contracting.

Orange & Rockland Utilities Lovett Plant Coal Re-conversion - An operational audit on the construction and monitoring procedures and their subsequent implementation for this power plant project.
Central Hudson Gas & Electric Danskammer Plant Coal Re-conversion - Construction procedures and monitoring audit for this project.
Central Hudson Gas & Electric - Demand Side Management - An operational audit on all aspects of this function.
Long Island Lighting Company - Construction Bidding and Contracting - An extensive operational audit on the procurement and bidding procedures for major capital projects.
Long Island Lighting Company -- Demand Side Management - A comprehensive audit on the development and implementation of this program.

In addition to being the project manager for the above, Mr. Krizan was a key participant in the following:

Portchester Water Works - Comprehensive management audit.
Jamaica Water Supply Company - An extensive management and operational audit.
Orange & Rockland Utilities - Special investigation to determine alleged management wrongdoing.
Orange & Rockland Utilities - Special investigation on the bidding and contracting for computer system development.
Con Edison - Inter-Utility Comparative Statistical Analysis - An extensive benchmarking study to determine the cost performance of Con Edison in all operational areas.
Con Edison - Whistle Blower Investigations - Part of a team to investigate alleged improprieties on customer rebate programs, construction contracting, and other ethical concerns.
Long Island Lighting Company/ Brooklyn Union Gas Merger - An operational review to determine potential synergies associated with the merger.
Con Edison/Orange & Rockland Acquisition - A review to determine potential operational savings associated with this acquisition.

Quality Assurance

Lead in the development of a systematic program to evaluate and report on quality assurance programs/activities present in major gas utilities in New York State. This program led to the development of a quantitative performance measure for quality assurance programs.

Rate and Expense Analysis

Extensive experience on the review and analysis of utility operating and maintenance expenses and has prepared testimony and exhibits supporting proposed adjustments in numerous rate filings before the New York Commission.

Education & Professional Certification

Mr. Krizan received his Bachelor of Mechanical Engineering from Manhattan College, in Manhattan New York in 1970. Mr. Krizan is a Licensed Professional Engineer in New York State.