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John B. Rhodes, Chair

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**Management and Operations Audit of NFG Gets Underway
— PSC to Conduct Detailed Review of Western New York Gas Utility —**

ALBANY — The New York State Public Service Commission (Commission) today announced it will conduct a comprehensive management and operations audit of National Fuel Gas Distribution Corporation's gas utility in western New York. The review will examine functions, processes, systems, and organizations, as well as past performance, for the purpose of defining changes that will improve future performance. The audit is part of the Commission's vigorous management audit program of the state's largest electric and gas utilities, as well as requirements set forth in Governor Andrew M. Cuomo's 2013-2014 Budget that strengthened the Commission's regulatory oversight of utilities.

"The auditing of a utility's management and operations is an essential part of our regulatory oversight," **said Commission Chair John B. Rhodes.** "This management and operations audit will be thorough and it will focus on identifying improvements in the utility's management and operational efficiencies for the benefit of its customers."

As a first step in this process, the Commission will issue a Request for Proposals for an independent third-party consulting firm to conduct the management and operations audit. The audit will focus on construction program planning and operational efficiency. The audit is the second management and operations audit specifically of NFG in five years, and the scope has been refined to focus on areas that will provide the highest value to the company and its customers.

In recent years, the Commission has instituted two statewide operations audits of other large investor-owned utilities in New York. The first evaluated the completeness and accuracy of performance metrics reported by New York State's large investor-owned utilities to the Commission. The second examined New York State's large investor-owned utilities' internal and contractor resources to determine whether sufficient staffing levels were maintained, while optimizing efficiency and cost effectiveness.

The scope of the newest audit addresses issues from the previous management audit that require follow-up review, such as strategic planning, project and program management, and work management processes. The scope also includes an assessment of the company's customer operations, and enhancements to, and replacements of information technology systems.

In terms of next steps, the Commission expects to select a consultant at its regularly scheduled February 2019 session, with audit field work starting in March 2019. The extended timeframe for consultant selection will allow for the audit field work to be conducted concurrent with the Company's

construction activities. In addition, the Company's capital budgeting cycle runs through spring of each year with strategic planning presentations and budget approval in June. The Commission expects a selected auditor to start field work at the time when such major activities begin, and to submit a final report by March 2020.

The management audit approach in New York includes, but is not limited to, a prospective investigation of the company's construction program planning processes, and an evaluation of the efficiency of the company's operations with a focus on opportunities to improve performance. The Commission expects the selected consulting firm to analyze current and historical information to gain an understanding of the company, with the ultimate goal of improving existing processes, practices, systems, and organizational structures to drive better performance.

NFG is a gas utility serving about 530,400 natural gas customers in Western New York.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 18-G-0394 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.