



**National Fuel**

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May 9, 2019

Mr. John Clista, Audit Manager  
Pennsylvania Public Utility Commission  
Bureau of Audits  
Commonwealth Keystone Building (3<sup>rd</sup> Floor East)  
400 North Street  
Harrisburg, PA 17120

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PA PUBLIC UTILITY COMMISSION  
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Re: Case D-2017-2584893 – Focused Management and Operations Audit of National Fuel Gas  
Distribution Corporation

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Dear Mr. Clista,

With respect to the Focused Management and Operations Audit of National Fuel Gas Distribution Corporation's Pennsylvania Division ("NFGDC-PA"), issued by Audit Staff and acknowledged by the Pennsylvania Public Utility Commission at its April 19, 2018 public meeting, included herein is NFGDC-PA's Implementation Plan Status Update of May 2019.

NFGDC-PA's Implementation Plan Status Update addresses the recommendations made by Audit Staff in their Audit Report. All recommendations in the Audit Report were accepted by NFGDC-PA. Each recommendation addressed in NFGDC-PA's Implementation Plan identifies the action(s) to be taken by NFGDC-PA as well as the NFGDC-PA parties and departments responsible for overseeing the specified actions being described.

If you have any questions regarding NFGDC-PA's Implementation Plan Update, please contact us at your convenience.

Respectfully yours,

Raymond A. Boy  
Assistant General Manager

Evan M. Crahen  
Manager

Attachment

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
To  
Focused Management and Operations Audit**

**Chapter III. Executive Management and Organizational Structure**

**Recommendation:** Expand the Senior Management Metric Dashboard Report to include performance metrics specific to NFGDC-PA operations and PAPUC regulatory metrics.

**Audit Report Reference:** Chapter III (Page 16)

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**NFGDC Response:** Accept

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**Completion Date:** July 2020 and On-Going Thereafter

**NFGDC Action Plan:**

- Form a team of subject matter experts
- Identify existing key metrics and/or cost drivers across NFGDC-PA
- Verify the availability and comparability of historic data for selected NFGDC-PA metrics
- Build new PowerPoint slides in the Senior Management Metric Dashboard Report to capture NFGDC-PA performance
- Issue the expanded Senior Management Metric Dashboard Report to all NFGDC Officers

**Action(s) Taken:** NFGDC has formed a team of subject matter experts to expand the Senior Management Metric Dashboard Report to include metrics for NFGDC-PA. For consistency purposes, this team is the same team responsible for the continued development and on-going quarterly issuance of the current Senior Management Metric Dashboard Report. The timeline for this recommendation has been updated, so that one update process could meet the requirements/needs of both Pennsylvania and New York simultaneously. The Senior Management Metric Dashboard

Report is currently being evaluated in a Comprehensive Management and Operations Audit of NFGDC-NY.

**Responsible Individual(s):**

- Ray Boy, Assistant General Manager, Purchasing/Accounts Payable Department
- Evan Crahen, Manager, Rates and Regulatory Affairs Department
- Mike Colpoys, Vice President

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
To  
Focused Management and Operations Audit**

**Chapter IV. Corporate Governance**

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- Recommendation:** Monitor the nomination process to ensure diverse business perspectives are included in the Board's membership to more closely adhere with Corporate Governance guidelines.
- Audit Report Reference:** Chapter IV (Page 23)
- NFGDC Response:** Accept
- Completion Date:** January 2019 and On-Going Thereafter
- NFGDC Action Plan:**
- Annually review the Notice of Annual Meeting and Proxy Statement document, which contains: (1) the National Fuel Gas Company Corporate Governance Guidelines, (2) the National Fuel Gas Company Director Qualification Guidelines, (3) the National Fuel Gas Company Nominating/Corporate Governance Committee Process for Identifying and Evaluating Nominees for Director, and (4) Proposals for the Election of Directors
  - Monitor the nomination process for adherence to the National Fuel Gas Company Corporate Governance Guidelines
- Action(s) Taken:** Page 13 of National Fuel Gas Company's Notice of Annual Meeting and Proxy Statement for the Annual Meeting of Stockholders to be held on March 7, 2019, filed with the United States Securities and Exchange Commission (SEC) on January 18, 2019, includes an updated discussion of Diversity. This discussion was updated during the most recent annual review period. Monitoring the nomination process for adherence to the National

Fuel Gas Company Corporate Governance Guidelines continues on an on-going basis.

**Responsible Individual(s):**

- Jim Baetzhold, Assistant General Counsel, National Fuel Gas Distribution Corporation
- Mike Reville, Vice President and General Counsel

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
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**Chapter IV. Corporate Governance**

**Recommendation:** Formally document committee membership and rotation practices of the Board.

**Audit Report Reference:** Chapter IV (Page 23)

**NFGDC Response:** Accept

**Completion Date:** June 2019

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**NFGDC Action Plan:**

- Form a team of subject matter experts
- Develop draft documentation for committee membership and rotation practices of the Board
- Complete review of draft documentation internally, incorporating the feedback of internal stakeholders
- Post final documentation to the Company's website

**Action(s) Taken:**

Management has formed a team of subject matter experts and has identified relevant portions of National Fuel Gas Company's governance documents (i.e., Corporate Governance Guidelines, Director Qualification Guidelines, Committee Charters and By-Laws) that address committee membership and rotation. The identified relevant portions of text is being used to draft consolidated documentation, for internal review and comment by Senior Management, and then the consolidated documentation will be posted to the Company's website.

**Responsible Individual(s):**

- Jim Baetzhold, Assistant General Counsel, National Fuel Gas Distribution Corporation
- Mike Reville, Vice President and General Counsel

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
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Focused Management and Operations Audit**

**Chapter IV. Corporate Governance**

**Recommendation:** Update the Audit Services Department Manual to specifically include a procedure stating that all Audit Services Department employees, including the Chief Auditor, have unrestricted access to the external audit firm.

**Audit Report Reference:** Chapter IV (Page 23)

**NFGDC Response:** Accept

**Completion Date:** October 2018

**NFGDC Action Plan:**

- Document that all Audit Services Department employees, including the Chief Auditor, have unrestricted access to the external audit firm
- Update Audit Services Department Manual to include the formal documentation

**Action(s) Taken:** In October 2018, the Audit Services Department Manual was updated to include new documentation regarding Audit Services Department employee access to the external audit firm (including the Chief Auditor). This documentation was included on pages 8 and 9 of the Audit Services Department Manual, in paragraphs 1100, 1110 and 1110 (A1).

**Responsible Individual(s):**

- Jonathan Wilkins, Chief Auditor, Audit Services Department

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**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
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**Chapter VIII. Customer Service**

**Recommendation:** Reduce gross write-off levels to more closely align with the panel average of peer gas distribution utilities in Pennsylvania.

**Audit Report Reference:** Chapter VIII (Page 48)

**NFGDC Response:** Accept

**Completion Date:** On-Going

**NFGDC Action Plan:**

- Continue to work with the Information Services Department to enhance billing system (SAP) functionality
- Conduct regular planning meetings with the Operations and Consumer Business Departments to focus and pursue collection activity
- Allow LIRA households to maintain program enrollment, without re-verifying income, when they transfer from one residence to another within NFGDC's territory
- Establish and work with its universal service advisory committee to examine ways to enhance its LIRA outreach
- Review peer utility panel for comparability and anomalies

**Action(s) Taken:** NFGDC continues to enhance its billing system (SAP) functionality. Specifically, NFGDC initiated a Dunning Project and implemented Phase 1 in April 2019. Phase 2 of the Dunning Project will begin in 2020, after a SAP Technical Upgrade is completed.

Regular planning meetings with the Operations and Consumer Business Departments were held on March 29, 2018; July 30,

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2018; November 15, 2018 and March 29, 2019; to continue to focus and pursue collection activity.

On March 16, 2018, NFGDC implemented the ability for LIRA households to maintain program enrollment, without re-verifying income, when transferring from one residence to another with NFGDC's service territory.

NFGDC continues to work with its universal service advisory committee to examine ways to enhance LIRA outreach. Specifically, meetings were held on July 19, 2018; October 23, 2018 and January 22, 2019.

NFGDC continues its efforts to review peer utility data for comparability and potential anomalies on an on-going basis.

**Responsible Individual(s):**

- Ron Haener, General Manager, Consumer Business Department
- Karen Camiolo, Vice President and Controller

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
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**Chapter VIII. Customer Service**

**Recommendation:** Reduce billing lag by creating a process to issue atypical meter reads separately from the normal billing cycle reads.

**Audit Report Reference:** Chapter VIII (Page 48)

**NFGDC Response:** Accept

**Completion Date:** December 2020

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**NFGDC Action Plan:**

- Form a team of subject matter experts
- Determine root causes of current billing lags
- Assess technological capabilities of current billing system
- Based upon technological capabilities, explore billing system enhancements or consider potential alternatives

**Action(s) Taken:** NFGDC has formed a team of subject matter experts to investigate the potential for adjusting business processes, as it relates to the aforementioned Action Plan. The team is initiating work on a Request for Information Services form, which will be submitted to investigate technological capabilities.

**Responsible Individual(s):**

- Ron Haener, General Manager, Consumer Business Department
- Karen Camiolo, Vice President and Controller

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
To  
Focused Management and Operations Audit**

**Chapter XI. Human Resources**

**Recommendation:** Measure employee engagement on a routine basis to trend employee satisfaction and identify areas of improvement.

**Audit Report Reference:** Chapter XI (Page 64)

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**NFGDC Response:** Accept

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**Completion Date:** December 2019 and On-Going Thereafter

**NFGDC Action Plan:**

- Issue employee engagement surveys
- Assess employee engagement survey responses
- Take action(s) as deemed appropriate

**Action(s) Taken:** The development of an employee engagement survey started in March 2019 and is currently projected to “go live” to employees during May 2019. The Human Resources Department, along with an external consultant, collaborated on the content of the survey. Responses from the survey will be collected and analyzed by the external consultant and the Company will receive a summary report from the external consultant during the summer of 2019. An internal assessment of the employee response results, and any subsequent action(s), will continue thereafter.

**Responsible Individual(s):**

- Val Hawthorn, Senior Manager, Human Resources Department
- Amy Shiley, Assistant Vice President
- Mike Reville, Vice President and General Counsel

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
To  
Focused Management and Operations Audit**

**Chapter XI. Human Resources**

**Recommendation:** Reduce preventable OSHA recordable incidents to achieve at least industry performance levels and eliminate incidents labeled as "Hazard not Identified."

**Audit Report Reference:** Chapter XI (Page 64)

**NFGDC Response:** Accept

**Completion Date:** On-Going

**NFGDC Action Plan:**

- Expand senior management participation in employee meetings to ensure alignment of managers, supervisors and hourly workers with respect to safety expectations
- Enhance safety training for hourly workers through a consistently administered program
- Conduct company-wide employee safety survey in calendar year 2019 to measure progress and identify areas for improvement
- Modify post-incident investigation procedure to ensure "Hazard not Identified" is not cited as an exclusive cause of OSHA recordable incidents

**Action(s) Taken:** NFGDC has expanded its senior management participation in employee meetings – this is completed and will be on-going. In addition to participation in employee shift kick-off meetings, senior management also participated in the launch of the Safe 4 the Right Reasons safety campaign, by leading meetings at operating locations all over Pennsylvania and New York. On several occasions, multiple members of senior management participated in

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these meetings, interacting with hourly employees, supervisors, managers and superintendents. Senior management continues to set clear expectations with respect to working safely.

NFGDC is currently in the process of enhancing its safety training for hourly workers. A new Pennsylvania Safety Supervisor has improved the consistency and administration of safety training for hourly workers. NFGDC is currently working on improving safety training tracking and reporting.

In May 2019, a National Fuel/Interstate Natural Gas Association of America (INGAA) employee safety survey is scheduled to begin.

NFGDC has modified its post-incident investigation procedures -- this is completed and will be on-going. Specifically, "Hazard not Identified" is not cited as an exclusive reason, or even the primary cause of OSHA recordable incidents.

**Responsible Individual(s):**

- Mike Anderson, General Manager of Safety, Risk Management Department
- Lee Hartz, Assistant Vice President

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**May 2019 Implementation Plan Update  
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Focused Management and Operations Audit**

**Chapter XII. Fleet Management**

**Recommendation:** Perform a lease versus buy analysis every three to five years to determine the most cost-effective vehicle acquisition method.

**Audit Report Reference:** Chapter XII (Page 69)

**NFGDC Response:** Accept

**Completion Date:** May 2020

**NFGDC Action Plan:**

- Form a team of subject matter experts
- Team to draw upon internal analytical and legal expertise
- Assess the quantitative and qualitative benefits of leasing versus buying
- Document the results of the assessment and take action(s) as deemed appropriate

**Action(s) Taken:** NFGDC formed a team of subject matter experts to begin an assessment of leasing versus buying. During the summer of 2018, the Mechanical Department assembled vehicle acquisition data for analysis purposes. Since that data was assembled, NFGDC has participated in discussions with financial institutions, regarding their respective leasing program offerings and the potential options available to NFGDC.

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**Responsible Individual(s):**

- Paul White, General Foreman, Mechanical Department
- Bob Plewa, Superintendent, Mechanical Department
- Craig Swiech, Assistant Vice President, Mechanical Department



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2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

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