

**Schumaker & Company**



**Gas Utility Industry Projects**



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## GAS UTILITY ASSIGNMENTS

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### ***Equitable Gas Company***

Pittsburgh, Pennsylvania

Assisted the Pennsylvania Public Utility Commission in a stratified management and operations audit of Equitable Gas Company (EGC), a subsidiary of EQT Corporation, and EGC's relationship with its affiliates. The primary focus was the business components of EGC still subject to regulation by the PaPUC. Specifically, we addressed EGC service delivery and production, whose costs are borne ultimately by Pennsylvania ratepayers. The objectives included determination of possible improvements for the management and operations of EGC pursuant to Section 522(b) of the Public Utility Code 66 Pa. C.S. §522(b). This audit consisted of two phases: 1) a diagnostic review that assessed the condition of each functional area or business unit against evaluative criteria or expected business practice; and 2) an in-depth analysis of pre-identified areas or issues. This assignment involved eight consultants over roughly 2,312 hours during an 11-month effort, for a total project cost of approximately \$528,114.

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### ***Philadelphia Gas Works***

Philadelphia, Pennsylvania

Assisted the Pennsylvania Public Utility Commission (PaPUC) in a stratified management and operations audit of Philadelphia Gas Works (PGW). Areas reviewed included executive management and human resources, support services, corporate governance, financial management, diversity/EEO, system reliability performance, and customer service. The primary focus was to review those PGW business components subject to regulation by the PaPUC. Specifically, we addressed PGW service delivery and production, whose costs are borne ultimately by Pennsylvania ratepayers. The objectives included determination of possible improvements for the management and operations of PGW pursuant to Section 522(b) of the Public Utility Code 66 Pa. C.S. §522(b). This audit consisted of two phases: 1) a diagnostic review that assessed the condition of each functional area or business unit against evaluative criteria or expected business practice; and 2) an in-depth analysis of pre-identified areas or issues. These analyses provided specific recommendations for changes in combination with projected costs and potential dollar savings or other quantifiable benefits, if any. This 14-month engagement involved nine consultants and approximately 2,340 hours, for total project costs of approximately \$526,271.

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### ***PECO Energy Company***

Philadelphia, Pennsylvania

Assisted the Pennsylvania Public Utility Commission (PaPUC) staff in a stratified management and operations audit of PECO Energy Company. This audit consisted of three phases. The first phase involved a diagnostic review that assessed the condition of each functional area or business unit against evaluative criteria or expected business practice. While this review was primarily limited to determining if appropriate management controls, systems and processes are in place, it was of sufficient scope to identify significant problems, if any, requiring additional focused analysis. The second phase entailed an in-depth analysis of pre-identified areas or issues. These analyses were of sufficient depth to provide specific recommendations for changes in combination with projected costs and potential dollar savings or other quantifiable benefits, if any. The third phase constituted an in-depth, focused analysis of two issues (emergency response and GIS) that were approved by the Bureau of Audits as a result of the diagnostic review. This assignment involved 10 consultants over roughly 4,064 hours of effort during a 13-month period, for a total project cost of approximately \$843,112.

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### ***Enbridge***

Toronto, Canada

Collaborated on a multimillion-dollar asset management solution delivery to Enbridge, a large energy utility in Canada. Partnered with OpvanteK (previously VMSI) and Accenture as a subcontractor to deliver two major enhancements to Pipe Maintenance Tracking System (PMTS), a gas asset management system. Designed, developed, and implemented enhancements on time and under budget using Microsoft C#.Net, Crystal Reports, and Oracle. This assignment involved four consultants over a four-month time period totaling approximately 870 hours and \$55,000 in costs.



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## GAS UTILITY ASSIGNMENTS

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### *New Jersey Board of Public Utilities*

#### *Elizabethtown Gas Company – NUI Corporation*

#### *New Jersey Natural Gas Company – New Jersey Resources Corporation*

#### *South Jersey Gas Company – South Jersey Industries Corporation*

Newark, New Jersey

Conducted compliance audits of the competitive services of New Jersey's gas utilities, specifically South Jersey Gas Company (South Jersey Industries Corporation), New Jersey Natural Gas Company (New Jersey Resources Corporation), and Elizabethtown Gas Company (NUI Corporation), as a part of utility industry restructuring in New Jersey. The purpose was to ensure that the utilities or their related competitive business segments did not have an unfair competitive advantage over other, non-affiliated purveyors of competitive services.

The audits were also conducted to evaluate and review the allocation of costs between the utilities' competitive and non-competitive services. We offered our expert opinion, based on appropriate methodology, as to whether strict separation and allocation of each utility's revenues, costs, assets, risks, and functions existed between the utility's electric and/or gas distribution operations and its related competitive business segments. The audits determined (1) whether cross subsidization existed between utility and non-utility segments within a public utility or holding company; (2) whether the separation of utility and non-utility organizations was reasonable based on the New Jersey Board of Public Utilities (BPU) affiliate relation and fair competition standards; (3) what the effect of the use of utility assets in the provision of non-safety-related competitive services was on ratepayers; (4) what the effect was on utility workers; (5) what the effect of utility practices was on the market for such services; and (6) compliance with New Jersey legislation. The audits provided the BPU with the necessary information to determine whether the competitive services identified were in any way cross-subsidized by the individual utility's regulated activities. They also helped determine the reasonableness of the lump-sum charges (i.e., service contract rates) and time-and-materials charges encountered in a competitive environment. This assignment involved six consultants over approximately 1,700 hours of effort during a three-month period, for a total project cost of approximately \$357,000.

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### *Pacific Gas & Electric Company*

San Francisco, California

Performed a compliance audit of the costs of PG&E's gas pipeline expansion project for the California Public Utilities Commission to determine if the appropriate level of incremental A&G and O&M costs were charged to the project before and after commercial operation in November 1993. Also provided the data needed to forecast the incremental operating costs of expanding interstate and intrastate pipeline operations serving California markets. Reviewed PG&E's integrated pipeline operations that supply natural gas from Canada to California for retail customers, pipeline shippers, and interruptible customers. Our review showed that the intended project costing had been properly implemented, thereby ensuring an equitable distribution of costs between regulated retail customers and unregulated project shippers. Schumaker & Company subcontracted as one of seven consultants spending approximately 1,500 hours over four months.

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### *Pennsylvania Gas & Water Company*

Wilkes-Barre, Pennsylvania

Reviewed PG&W gas operations, cash flow statements, dividends paid to PG&W's parent company (Pennsylvania Enterprises, Inc.), allocation of fees (affiliated relationships and transactions with affiliated companies), management information systems; data processing, staffing and compensation levels, and recruiting, hiring, and promotion for the Pennsylvania Public Utility Commission. Schumaker & Company served as a subcontractor on this assignment.

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## GAS UTILITY ASSIGNMENTS

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### *National Gas and Oil Corporation*

#### *Cincinnati Gas and Electric Company*

Columbus, Ohio

For the Public Utilities Commission of Ohio, investigated the fuel procurement policies and procedures for fossil and nuclear fuels and provided testimony on the findings and conclusions.

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### *Philadelphia Gas Works*

Philadelphia, Pennsylvania

For the Philadelphia Gas Commission, performed a follow-up review two years after a management and operations review that involved examining the results of additional studies recommended during the management audit. Also entailed developing a request for proposal for long-term strategic options.

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### *Baltimore Gas & Electric / Columbia Gas of Maryland / Washington Gas Light*

Baltimore, Maryland

Performed a two-year review of gas supply and purchasing practices. This unique project included formal training of Maryland Public Service Commission (MPSC) staff members in gas supply review methods and the establishment of formal MPSC gas purchasing reporting requirements for the three companies beginning in 1989. Schumaker & Company provided oversight to MPSC staff during an internal review of gas supply plans submitted for 1989/90 by these gas distribution companies. This 27-month assignment involved three consultants and approximately 1,000 hours of effort, for a total project cost of approximately \$99,880.

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### *Western Kentucky Gas*

Owensboro, Kentucky

Performed a management and operations review for the Kentucky Public Service Commission that covered all areas of this gas company's operations: management and organization, gas supply and operations, customer service, financial management, human resources, marketing and external relations, and corporate services. Also reviewed Western Kentucky Gas' (WKG's) relationships and transactions with its parent company (Atmos Energy Corporation) and other Atmos affiliate companies in Louisiana and West Texas. (WKG's service territory was essentially a rural area with many smaller communities in Kentucky.) This project proved particularly successful in that the results of the study were presented by all three participants – specifically, the WKG president, a Kentucky Public Service Commission representative, and Schumaker & Company's engagement manager – before the Subcommittee on Management Analysis during the NARUC 1990 Summer Meeting. This nine-month project involved 10 consultants and more than 3,000 hours of effort, for a total project of approximately \$343,360.

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### *Philadelphia Gas Works*

Philadelphia, Pennsylvania

For the Philadelphia Gas Commission, reviewed all operational areas, including organization structure and planning (corporate policy, philosophy, and strategic planning; corporate and operations planning; organizational structure, authority, and responsibility; human resources; capital program planning; gas operations organization and work-management effectiveness), systems supply; finance and accounting, procurement of outside services and nonfuel commodities, support functions, and quality of service (corporate mission, customer billing, meter reading, customer dispute process, office operations, energy theft, and customer relations). This nine-month engagement involved 15 consultants and approximately 4,000 hours of effort, for a total project cost of approximately \$400,000.

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## GAS UTILITY ASSIGNMENTS

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### *Peoples Natural Gas Company*

Pittsburgh, Pennsylvania

**For the Pennsylvania Public Utility Commission,** reviewed all areas of this gas distribution company's operations, including gas supply, gas operations finance and accounting, marketing, data processing, and materials management. Made over 100 recommendations for improvement. A subcontractor on this assignment, Schumaker & Company completed its 13-month engagement with 10 consultants in approximately 4,000 hours.