

Response to the Mass DPU 19-117, Investigation by DPU on Management Audit for National Grid

FTI Consulting has reviewed the Attorney General's comments submitted in DPU 19-117 and appreciates the opportunity to respond directly to the concern of a perceived conflict. FTI Consulting recognizes that the Department of Public Utilities (DPU) is seeking to conduct a rigorous and effective process to examine the management and communication practices of National Grid's service company and the Massachusetts Electric/Nantucket Electric operating affiliate. This letter is intended to demonstrate that FTI Consulting is positioned to conduct the process envisioned by the DPU with integrity, expertise and independence.

Overall Perspective

At the outset, it is our experience that management audits are inevitably conducted as a collaborative process where the parties, at least in most respects, have similar ends at stake. That is, all parties should be interested in answering two questions: is the company operating efficiently in its provision of utility service, and are such practices consistent with industry standards? To the extent that this review produces recommendations for improvements in National Grid operations, it is reasonable to assume that National Grid and its customers will benefit from a thorough analysis of the designated elements of corporate operations. We do not view this exercise as a forum where the utility "wins" at the expense of customers, or vice versa. Instead, we intend to use our expertise and experience to assure that a rigorous and effective management audit is conducted so that tangible benefits result for the company and its customers, as the DPU expects.

Please note that my employment at National Grid ended over seven years ago. I will note that, in late 2017 and early 2018, Colin and I conducted a high-level AMI deployment readiness assessment for National Grid, without compensation as an introductory consulting engagement. Mr. Hassett left the company over five years ago and did not serve in a management position during his tenure at National Grid.

After this passage of time, there is no relationship with the current management of National Grid that exists to interfere with the process that we would undertake to conduct the management audit. We intend to conduct the engagement with a straightforward, methodological approach designed to produce a meaningful and valid outcome. Conversely, the experience that Mr. Hassett and I have had with National Grid's operations will allow us to conduct a thorough review on the relatively tight time frame contemplated for the audit.

Participation of Overland Consulting

Overland Consulting is nationally recognized in utility regulation and has performed numerous management and targeted audits on behalf of state commissions throughout the country, including prior audits of National Grid in New York at the direction of the New York Public Service Commission (NYPSC). Through its prior handling of management audits involving the National Grid service companies and regulated utility operations in New York, Overland has gained significant company-specific knowledge that will benefit the conduct of the proposed review. FTI Consulting intended to leverage this experience and expertise in conducting the management audit.

For purposes of the RFP submittal to National Grid, FTI Consulting referenced Overland Consulting as a subcontractor. However, the designation of "subcontractor" was made solely for legal purposes because National Grid's RFP request was formally sent to FTI Consulting. In fact, FTI Consulting and Overland Consulting are partnering to conduct the management audit of National Grid, so that Overland

Consulting is effectively the “co-chair” for the audit engagement. In other engagements in which FTI Consulting and Overland have partnered, Overland has been the lead firm for similar reasons. These prior, joint engagements are identified in our proposal. If engaged by the DPU in this matter, FTI and Overland will work together to perform the audit work, as we have worked together in the past for other state utility commissions. Our most recent joint effort was a management audit directed by the NYPSC of Avangrid’s New York operating affiliates, NYSEG and RG&E, in 2018.

For full disclosure, in the spring of 2018, Overland Consulting and FTI Consulting were hired by National Grid to perform an analysis of its regulatory compliance process associated with its New York regulated utilities. The engagement represents FTI’s only compensated contract with National Grid in the last five years. The scope of work was not related to Massachusetts operations.

Staffing for Management Audit

Working together, FTI Consulting and Overland Consulting bring a combination of deep industry experience and expertise in the role of independent third-party auditor. Mr. Cochrane and Mr. Lubow are the senior members of the team and will run the engagement. Mr. Lubow, with his expertise as an independent third-party auditor, would be involved in all of the audit topics. Mr. Lubow would lead two of the topics and co-lead another with Mr. Cochrane. As in our prior engagements, Mr. Cochrane, Mr. Lubow and Mr. Hassett will collectively review the content of each lead’s topic, so we remain coordinated and consistent.

We are fully aware of the level of scrutiny directed to this audit and, as detailed in our proposal, we will conduct our work to the highest levels of transparency throughout. Our regular reporting will provide insight into our work product to provide the DPU and the Attorney General’s office with timely oversight.

For additional detail on the roles for each team member, please note the following:

John Cochrane will be the lead responsible for the overall successful delivery of the engagement. Mr. Cochrane will direct all activities for the engagement including reporting, management of issues and risk, and the generation of the final report. Mr. Cochrane will also co-lead Topic 1 with Mr. Lubow and both will be responsible for the audit report content for this topic.

Colin Hassett will be the project manager and primary point of contact for the Company’s audit team. Mr. Hassett will manage the day-to-day activities of the audit to ensure that all parties are coordinated and that our activities are on scope, budget and schedule. Mr. Hassett will also be the lead for Topics 4 and 5 and will be responsible for the audit report content for those topics. Mr. Hassett will also provide support to Mr. Cochrane and Mr. Lubow for Topic 1, 2 and 3 to coordinate overlap between topic areas.

Howard Lubow will be the topic lead for Topics 2 and 3 and will co-lead Topic 1. Mr. Lubow will be responsible for the content for Topics 1, 2 and 3.

Maheen Bajwa will, under the direction of Mr. Cochrane and Mr. Lubow, provide analytical support through reviewing interview notes, information request and conducting research for Topic 1.

Michelle Hubbard will, under the direction of Mr. Hassett, provide analytical support through reviewing interview notes, information request and conducting research for Topics 4 and 5.

Todd Bohan will, under the direction of Mr. Cochrane, Mr. Lubow and Mr. Hassett, provide analytical support through reviewing interview notes, information request and conducting research for Topics 2 ,4 and 5.

Victoria Lorvig will, under the direction of Mr. Cochrane, Mr. Lubow and Mr. Hassett, will provide administrative and analytical support for all topic areas of the audit.

Conclusion

Collectively, FTI Consulting and Overland Consulting have the expertise, experience and objectivity to provide an independent audit report of National Grid for the DPU and Attorney General. We are confident that the depth of expertise that we are positioned to bring to this project will produce an analysis that will lead to the identification of a set of recommendations for areas of improvement at National Grid, thereby benefiting both the company and its customers.

We would be happy to provide any further information you need or answer any additional questions you have.

A handwritten signature in blue ink that reads "John Cochrane".

John Cochrane

Senior Managing Director