



**National Fuel**

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May 18, 2015

Mr. Dennis P. Hosler, Director  
Pennsylvania Public Utility Commission  
Bureau of Audits  
Commonwealth Keystone Building  
3<sup>rd</sup> Floor F East  
400 North Street  
Harrisburg, PA 17120-0211

Re: Management Efficiency Investigation of National Fuel Gas Distribution Corporation (D-2014-2427061)

Dear Mr. Hosler:

With respect to the Management Efficiency Investigation (“MEI”) of National Fuel Gas Distribution Corporation’s Pennsylvania Division (“NFGDC-PA”) issued by Management Audit Staff in May 2015, included herein is NFGDC-PA’s MEI Implementation Plan.

NFGDC-PA’s Implementation Plan addresses the recommendations made by Audit Staff in their final MEI Audit Report. All recommendations in the MEI 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.

NFGDC-PA wishes to acknowledge the professionalism and thoroughness of the Audit Staff, and their timeliness in conducting the MEI field work and issuing the MEI Audit Report.

If you have any questions regarding NFGDC-PA’s Implementation Plan, please contact me at your convenience at (716) 857-7816 or e-mail me at [Boyr@natfuel.com](mailto:Boyr@natfuel.com).

Respectfully yours,

  
Raymond A. Boyr  
Assistant General Manager

Attachment

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**Implementation Plan  
To  
Management Efficiency Investigation**

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

**Recommendation:** Enhance documentation in support of each reporting relationship with a high or low span of control as part of the annual organizational structure review.

**MEI Audit Reference:** Chapter III (Page 11)

**NFGDC Response:** Accept

**Completion Date:** On-going

**NFGDC Action Plan:** The Human Resources Department will review and document the rationale for each reporting relationship with a high or low span of control (outside the range of 1:4 to 1:10). Human Resources will follow up with any departments having such spans to determine whether there is sound rationale for such spans to exist. Human Resources will also review job titles at the departmental level. Suggested action items, including changes in reporting structure, will be documented.

**Responsible Individual(s):** Michael Reville, Vice President and General Counsel, National Fuel Gas Distribution Corporation  
Amy Shiley, General Manager, Human Resources Department

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**Implementation Plan  
To  
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**Chapter IV. Corporate Governance**

**Recommendation:** Complete the process to evaluate rotation of the external audit firm and provide a recommendation to the Board of Directors' Audit Committee.

**MEI Audit Reference:** Chapter IV (Page 14)

**NFGDC Response:** Accept

**Completion Date:** September 2015

**NFGDC Action Plan:** Continue to meet with representatives from external audit firms in order to differentiate offerings in service levels, depth and breadth of personnel, costs (hourly rates), relevant industry experience, and geographic proximity. Determine the ability of external audit firms to meet the requirements identified above. Formalize a recommended course of action with respect to re-bidding. The company notes that the decision of selecting an external audit firm resides with NFG's Board of Directors Audit Committee, and not NFGDC or NFG management. Ultimately, National Fuel shareholders vote annually on the ratification of an independent external auditor, as part of National Fuel's Proxy Statement.

NFGDC will continue to monitor the actions of the Public Company Accounting Oversight Board (PCAOB) for guidance regarding the rotation of external auditors.

**Responsible Individual(s):** David Bauer, Treasurer and Principal Financial Officer,  
National Fuel Gas Company  
Karen Camiolo, Controller and Principal Accounting Officer,  
National Fuel Gas Company



**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**Implementation Plan  
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**Chapter IV. Corporate Governance**

- Recommendation:** Establish a procedure to periodically assess external audit service fees either through a rebidding process or on the basis of a thorough benchmarking comparison.
- MEI Audit Reference:** Chapter IV (Page 15)
- NFGDC Response:** Accept
- Completion Date:** December 2015
- NFGDC Action Plan:** A procedural memorandum will be developed and issued outlining the process of periodically assessing external audit service fees either through: (1) a rebidding process, or (2) the basis of a thorough benchmarking comparison. This will be a procedure administered by the Accounting Department.
- Responsible Individual(s):** David Bauer, Treasurer and Principal Financial Officer,  
National Fuel Gas Company  
Karen Camiolo, Controller and Principal Accounting Officer,  
National Fuel Gas Company

**National Fuel Gas Distribution Corporation  
Pennsylvania Division**

**Implementation Plan  
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**Chapter V. Affiliated Interests**

- Recommendation:** Periodically re-assess ring fencing practices and procedures in place and, as necessary, strengthen NFGDC's ring fencing position to insulate it from National Fuel and its non-regulated affiliates.
- MEI Audit Reference:** Chapter V (Page 21)
- NFGDC Response:** Accept
- Completion Date:** On-going
- NFGDC Action Plan:** NFGDC will continue to periodically re-assess ring fencing practices and procedures in place and, as necessary, will make changes to strengthen NFGDC's ring fencing position.
- Responsible Individual(s):** David Bauer, Treasurer and Principal Financial Officer,  
National Fuel Gas Company  
Karen Camiolo, Controller and Principal Accounting Officer,  
National Fuel Gas Company

**National Fuel Gas Distribution Corporation  
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**Implementation Plan  
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**Chapter VIII. Diversity & EEO**

- Recommendation:** Continually strive for full representation of women and minorities in NFGDC-PA's workforce.
- MEI Audit Reference:** Chapter VIII (Page 29)
- NFGDC Response:** Accept
- Completion Date:** On-going
- NFGDC Action Plan:** NFGDC will continue its commitment to achieving its placement goals. NFGDC describes its placement performance in its "Report On Diversity To The Pennsylvania Public Utility Commission."
- Responsible Individual(s):** Michael Reville, Vice President and General Counsel, National Fuel Gas Distribution Corporation  
Amy Shiley, General Manager, Human Resources Department