

C. Proposed Audit Plan

Work Plan

FTI's work plan considers the review of Avangrid and their respective parent and affiliated Connecticut companies. This section details the seven workstreams described in the RFP including the recommended topic areas based on perspectives from our team.

This section also details our proposed schedule which aligns to the target dates detailed in the RFP. FTI would like to stress that this schedule considers a March 15th, 2022, start date and any material delay beyond this date may result in unavoidable deviation from the target dates. Additionally, should there be any significant delay to the dependent task of the stakeholder outreach session(s), an impact to the schedule may result.

Audit Start Up: Kickoff and Scope Refinement

The project will formally commence through a Kickoff Meeting with representatives from the PURA and the entire FTI Project Team in attendance. The meeting's objective will include introducing team members, understanding the current state of the companies, reviewing the overall project schedule and scope, and the expectations for all deliverables.

We also understand that the PURA wants to solicit information from key stakeholders to assist with finalizing the audit scope and work plan. FTI will facilitate this through a workshop(s), by soliciting comments to our draft work plan, or any other recommended means as directed by the PURA. We will perform this activity to further understand and identify any emerging needs, or areas requiring additional focus. The output of this activity will be a finalized scope of work, work plan and estimate to complete the audit.

Focus Area 1: Executive Management

1.1 Corporate Structure and Governance and 1.3 Executive Leadership

FTI will conduct a top to bottom review of the interactions between the parent companies and their affiliates including the leadership, processes, policies and documented decisions. This review will focus on the documented practices as well as the actual implementation of these practices by leadership to first, evaluate the effectiveness organizational design for both the parent and affiliate(s), then evaluate the processes and policies in place between each parent and their affiliate(s), then assess the effectiveness of leadership's ability to adhere to the spirit and the letter of these processes and policies; then ensure that existing governance between each parent and their affiliate(s) are fit for purpose and solves problems at the appropriate level, and within their respective delegations of authority ("DOA").

FTI will also evaluate the tools and metrics used to drive decisions between each parent and affiliate to understand if they appropriately highlight issues and concerns that could inhibit each company's effectiveness, and to evaluate the resulting decisions made to manage performance issues. We will

evaluate whether the tools and metrics provide timely insights through the effective use of leading Key Performance Indicators (“KPIs”).

FTI will also determine if the parent company fosters a culture of local leadership to oversight and decision making. This review will serve to ensure that local leaders are empowered to make decisions that affect the companies within the state. This includes how local leaders are able to influence strategic planning and their associated priorities. We will also evaluate how the companies support the implementation of strategic priorities including the level of oversight, the resources provided and the ability to remove blockers should they exist.

Audit Tasks

- 1) Review and evaluate the process flows between the parent and the affiliates as it relates to the Strategic and Business Planning processes.
- 2) Review and evaluate all documentation such as policies and from governance meetings between the parent and affiliates as it relates to the Strategic and Business Planning processes.
- 3) Determine if COVID has had any material impact to planning processes or to the content of the resulting plans.
- 4) Review and evaluate the responsibilities for each role within the Strategic and Business Planning processes and evaluate any corresponding documentation.
- 5) Review and evaluate relevant governance meeting documents from the Strategic and Business Planning processes.
- 6) Review and evaluate the tools and metrics that are used and managed by the parent and affiliates to understand their appropriateness and timeliness.
- 7) Review and evaluate how conflicts are resolved between the parent and affiliates as it relates to the Strategic and Business Planning Processes.
- 8) Review and evaluate meeting minutes for a sample of formal and informal meetings (where documented) held between parent and affiliates.
- 9) Interview leaders to evaluate their understanding of their role and DOA within the governance between the parent and affiliates.
- 10) Evaluate to determine if the effective implementation of the strategic and business planning process occurs.
- 11) Evaluate if the Companies supports local decision making by having an appropriate amount of local leadership.
- 12) Review all documented processes and determine if they align to actual practices for in scope areas.

1.2 Description of Regulated Utility

Within the audit report, FTI will provide a description of the regulated utilities including their service territory, customer count, services delivered, miles of wires and pipes, etc. as part of the introduction of the audit report.

Audit Tasks

- 1) Provide a detailed report describing the parents and their affiliates.

1.4 Shared Services

FTI will evaluate the how shared services are determined between the parent company, service company and all other affiliates, including how they are organized, how resources decisions are made, and how costs are allocated between the companies. We will evaluate if best practices are applied regarding what services are shared, and to determine if they are optimized in a manner that promotes responsiveness to local needs. We will evaluate the shared services processes and associated metrics that are utilized and monitored by the companies to understand how off-target performance is managed and corrected.

Audit Tasks

- 1) Identify / document:
 - The entities within the Iberdrola / Avangrid corporate structure that currently directly charge or allocate costs to Connecticut utilities.
 - The services and amounts charged / allocated, and the procedures used to allocate them.
 - The degree to which UIL has been integrated into the Iberdrola / Avangrid centralized services structure. (Note: The integration of UIL into the Avangrid U.S. structure was just beginning at the time of Overland's RG&E / NYSEG audit).
 - Review the application of best practices between other US based (non-CT) affiliates
 - The changes that may have occurred due to COVID.
- 2) Evaluate the individual centralized services charged or allocated to the Connecticut utilities.
Assess:
 - Whether the CT utilities benefit from the services and whether the benefits are direct or indirect
 - Whether there are proper cost and budgetary controls in place to ensure efficiency is maximized and costs are minimized
 - Whether the services charged are adequately defined and service-level costs identified and segregated
 - Whether services and costs are adequately documented in agreements with CT utilities
 - Whether CT utilities have any degree of control over the volumes or prices of the services charged to them
 - Whether, given Iberdrola / Avangrid's multi-layered corporate structure, there is overlap or duplication in services charged to CT, particularly with regard to management costs.

- 3) Evaluate the procedures used to charge and allocate centralized service & parent co. costs among subsidiaries. Determine whether there exists:
 - An up-to-date cost allocation manual describing the various services charged and the methods used to distribute their costs,
 - Procedures result in reasonable distributions between:
 - Regulated and unregulated subsidiaries, and
 - Within the utilities segment, between Connecticut and other states' utilities.

If cost distribution procedures do not produce reasonable results, determine and explain why.

- 4) Quantify the charges from Iberdrola / Avangrid centralized service providers (parent, service co., etc.) to each Connecticut utility and assess the reasonableness of distributions between UI and the smaller CT gas companies.
 - Determine how shared services charges to the Connecticut utilities are assigned to above-the-line (regulated customer recovery) and below-the-line (shareholder recovery) expense accounts.
 - For UI, determine how shared services allocations are assigned or allocated between electric and gas Line of Businesses (“LoB”), and, within the electric LoB, assigned or allocated between transmission and distribution operations.
 - Quantify the amounts assigned / allocated to each Connecticut utility and LoB amounts.

1.5 Regulatory Compliance and 1.6 Internal Audit

FTI will focus on each companies’ ability to comply with regulatory orders; local, state and federal. This includes how leadership engages to understand regulatory requirements and how they delegate responsibility to the appropriate parts of the business. We will also evaluate for an appropriate level of oversight that ensures compliance to any applicable orders and that their compliance is tested through internal audit functions.

To support this FTI will focus on the internal audit process, including how the companies select, schedule and perform audits. We’ll also evaluate how the companies manage the implementation plan and associated reporting for the actions stemming from audit findings, including the level of oversight provided through the governance process.

Audit Tasks

- 1) Evaluate the organization that is responsible for regulatory compliance including the governance and processes that supports/monitor them.
- 2) Evaluate how the Companies ensures local oversight and responsiveness to regulatory needs.

- 3) Evaluate the approaches and tools used to monitor the Companies' compliance to applicable regulatory orders, including the use of score cards and how this information is fed into the governance process.
- 4) Evaluate the methods used to correct performance should it fall outside of requirements and how, if applicable, off target performance is communicated to the appropriate regulatory bodies.
- 5) Evaluate the Companies' Internal Audit practice including how they assure that applicable industry best practices are applied within the areas being audited.
- 6) Evaluate the practice of utilizing an internal audit calendar which prioritizes audits for key risk and high impact areas to the organization.
- 7) Evaluate the Companies' practice concerning the implementation of audit actions, including methods used and the governance that monitors delivery.
- 8) Evaluate how the internal audit process has implemented methodology or area of focus changes resulting from COVID.
- 9) Develop a report that outlines all the various rate mechanisms the three Avangrid Companies in Connecticut have to follow per the regulations of the Connecticut Department of Public Utilities. A Handbook of Connecticut rate-making mechanisms.

1.7 Budgeting

FTI will review the Company's budgeting process including how it is aligned to the strategic planning process, how local needs are incorporated and prioritized and the governance in place to ensure proper oversight. The review will also evaluate the reporting and tools used to support this area including fit for purpose. FTI will also determine if the companies couple strategic priorities with functional level priorities to ensure a top-to-bottom and bottom-to-top budget development.

To accomplish this, FTI will evaluate the companies against industry practices as it relates to service companies and their respective affiliate companies. FTI will source publicly available information and our collective institutional knowledge gained through years of industry experience to identify gaps and inefficiencies and provide recommendations.

Audit Tasks

- 1) Evaluate the end to end process for budget development and the organizations that are responsible/involved its development, monitoring and control.
- 2) Evaluate if top to bottom and bottom to top approaches are used to develop the budget.
- 3) Evaluate if the Strategic and Business planning processes are leveraged to support budget development, including if budget items are aligned to strategic and business priorities.
- 4) Evaluate the governance process and structures in place to support the development, monitoring and control of the budget.

1.8 Acquisitions

Our analysis for all focus areas will be to explore how the acquired companies integrated into their parents, from an organizational, system, process, and practice perspective.

Audit Tasks

- 1) Review the terms of the Connecticut Avangrid merger orders to determine if the Companies have complied with the Orders.

Focus Area 2: System Operations

2.1. Organization and structure

FTI will review the organizational structure in place for the companies including the link to the parent companies as it relates to driving consistent process, policies and governance. We will also evaluate if the structure is conducive to local oversight such that decisions are made locally. We will also determine if the affiliates work with the parent companies to share best practices and align on processes to ensure cost management.

Audit Tasks

- 1) Evaluate the organization that is responsible for both electric and gas operations for each Company to understand if their processes, policies and governance are fit-for-purpose and promote best practice sharing.
- 2) Evaluate staffing levels both locally and through shared services to determine if appropriate levels are achieved based on need.
- 3) Determine if an appropriate local presence is maintained to be responsive to local needs.

2.2 Distribution Assets

We will analyze the condition of system assets, such as electric substations, gate stations, poles, pipelines, regulator stations, electric lines, transformers, protection equipment, through the utilization of information requests and interviews. We will assess the respective standards, planning, and system design to determine if the assets are designed, constructed, and maintained to, state, federal and national engineering codes and standards. We will examine the companies' performance regarding the management of the electric and gas system by analyzing and evaluating the loading and capacity of its circuits, leak prone pipe programs, worst performing circuits, tree trimming cycles, and other measures used to understand the health of the distribution systems.

Audit Tasks

- 1) Evaluate the distribution asset management systems and practices in place at each company.
- 2) Evaluate the tools that are used to track asset condition, maintenance cycles, tree trimming cycles to determine if they incorporate best practices and that they achieve on stated/committed goals.
- 3) Evaluate the engineering standards to determine if the programs adhere to local, state, federal and industry group codes and requirements.
- 4) Determine the performance of the applicable electric and gas systems by analyzing performance data such as reliability and others.
- 5) Evaluate the age of assets and determine if existing asset management programs either serve to extend their useful life or replace them based on prioritized need.

2.3 System Planning

We will review system planning processes for the adequacy of the delivery systems to ensure reliable service. We will review planning and demand growth criteria used, methodologies and records management systems and whether capital investment decisions, including replace vs maintain are addressed through the effective use of information technology (IT) and operational technology (OT). We will also evaluate how projects are prioritized based on the set amount of capital budget that is allocated each year. This includes reviewing the tools and methods used to make sure the company has a repeatable and transparent process that is overseen by a robust governance process. Additionally, our evaluation will ensure that the companies use performance, feasibility, and reliability data as inputs into their prioritization process.

Audit Tasks

- 1) Evaluate the systems/approaches used to model and forecast demand for the electric and gas system
- 2) Evaluate the records management practices for historical loading.
- 3) Evaluate the input criteria for modeling load on a centralized and regional basis.
 - Understand and evaluate how the two methods influence decisions.
- 4) Evaluate how major, future uncertainties such as weather are incorporated into the forecasts
 - Determine whether these uncertainties are appropriately modeled in stochastic fashion.
- 5) Evaluate if modeling includes forecasts for gas connections (reduced reliance on electric appliances), EE, DR, ER's, and DG to ensure that the respective departments provide appropriate information.
- 6) Evaluate the structure of system, regional, and substation level planning by understanding the driver and inputs and how each can benefit from both bottom-up and top-down approaches.
- 7) Determine how the Companies utilize data sources to determine where and how to implement system upgrades.

2.4 System Design

We will assess conformity and uniformity of engineering design standards and practices regarding their adherence with current industry, state and federal codes and standards. We will review the project identification and justification processes to ensure that effective decision making is applied during project selection, and to determine if the companies identify investment alternatives. We will also evaluate the companies' use of risk management to assist with the evaluation of project feasibility and prioritization. We will also evaluate the job estimate preparation, including estimating accuracy standards and management, and the management of the records management processes. We will also evaluate the companies use of GIS to maintain a system of record and as a design tool.

Audit Tasks

- Evaluate the systems used to design new projects including if they are tied to or include the use of the Companies' GIS.
- Evaluate the use of alternatives analysis to help mitigate cost, scope and scheduling issues.
- Evaluate the use of QA/QC practices to ensure consistent designs among engineers and adhere to least of service principles.
- Evaluate the methods used to estimate cost and the accuracy standards and monitoring in place.
- Evaluate the Companies as-built practices to ensure that new construction is accurately reflected in the system of record
- Evaluate the Companies' practices to ensure that field assets are accurately represented in the system of record (for existing assets).

2.5 Project Management

We will evaluate the use of project management tools and methodologies, project risk management, construction methods, job scheduling and prioritization of work, workforce management techniques, conformance with current industry, state and federal safety and work-related practices and standards. We will also investigate the use of outside contractors including how decisions are made concerning when to use contractors, and contractor spend evaluated against internal vs external resources to identify trends. We will also evaluate the quality management system used to ensure construction standards are adhered to by both internal and contacted resources.

We will determine how the project budget is developed, including if cost containment is considered through its development. We will determine how the construction budget contributes to the reliability and growth of the distribution systems. We will determine how the potential risk and exposure to higher-than-forecast construction costs due to the current environment for labor and materials is reviewed and incorporated into the plan. We will determine whether the capital budget process ensures the best overall allocation of resources.

Audit Tasks

- 1) Examine the practices related to how the Companies prioritize projects through their measurement systems that are used to prioritize projects, the calibration and approval of prioritized projects, understand how emergency or emergent projects are managed, and the documentation that support prioritization decisions.
- 2) Assess procurement and the management of materials, equipment, transportation and other logistical support for program and projects.
- 3) Review the type and tools used for budget development, including study, design and construction grade estimating processes.
- 4) Review decision-making to optimize the use of in-house workforce and review contractor/engineering bidding and selection practices.
- 5) Determine and document how resource decisions are made and the practices used to manage these resources throughout the project lifecycle.
- 6) Review the integration of planning and engineering into the project/program management process including their participation in all phases of the project management lifecycle.
- 7) Review planning and the management/oversight of in house and contractor projects, assess quality control and assurance processes at the project level.
- 8) Evaluate project execution within time, scope and budget constraints.
- 9) Determine if any changes have occurred due to COVID including if there were material impacts to project delivery and/or costs.

2.6 Operations and Maintenance

We will evaluate the maintenance and inspection programs in place including the organization(s) that is responsible and the coordination between groups. We will review the O&M budget for adequacy to support various maintenance and inspection programs. Analysis will include historical trending and projected future expenditures. Where significant year-to-year variances or trends are noted, we will seek to document the rationale. We will also evaluate the effectiveness of the maintenance and inspection program by evaluating the companies' reliability data to identify any trends. We will evaluate the tools used to monitor the system including the SCADA systems and any plans for more advanced solutions. We will determine if existing systems are fit for current and future purposes.

FTI will also examine each Company's procedures for managing their services to comply with requirements to locate and mark out underground facilities. We will evaluate each Company's excavation damage prevention program and review each Company's control over their contractors to ensure that they comply with requirements to locate and mark underground facilities before digging (in accordance with the requirements of the Call Before You Dig "CBYD" program).

Audit Tasks

- 1) Evaluate the Companies' maintenance and inspection programs to determine if they align to best practices.
- 2) Evaluate how O&M budgets are developed, including the data sources used to prioritize spend.
- 3) Evaluate trends for spending and identify the source for any anomalies.
- 4) Evaluate the scheduling practices used for maintenance and inspection programs, including how emergent work and schedule exceptions are managed in order to preserve the integrity of the plan.
- 5) Evaluate if COVID has resulted in any issues with attaining any performance goals or costs
- 6) Determine the performance of the maintenance and inspection programs including the performance measures tracked and their results.
- 7) Evaluate the tools used to monitor the health of system assets and how the Companies' use this data to prioritize maintenance and inspection cycles.
- 8) Evaluate the Companies' CBYD program for performance and compliance to applicable laws/policies.

2.7 Electric Distribution

FTI will conduct a review of the electric distribution systems for UI including an evaluation of their vegetation management, line maintenance, and pole infrastructure management programs. Specific to vegetation management, FTI will review their program's compliance to all standards applicable through state's vegetation management task force along with other industry standards. We will also focus on attainment of planned vs actuals to ensure the Company delivers on commitments. We will also review how the Company contract with tree trimming companies, to determine how they promote cost control, performance and conformance to standards. We will also evaluate the Company's approach to notifying property owners and communities of their trimming activities and how they work to resolve conflicts.

We will also review their line specific inspection and maintenance programs, specifically their analysis and evaluation of the loading and capacity of its circuits, worst performing circuits, and other measures used to understand the health of the electric distribution system. We will also review how the Company plans and conduct inspections including planned vs. actual attainment and the breathe of what is included in the inspection. We will also review how repairs are tracked and made once an issue is detected. In concert with the line inspection program we will also review how the Company inspects poles, including the frequency, methods used and how poles are classified based on condition. We will review how the Company maintains poles to extend their useful life along with how they replace those needing replacement, including how they are prioritized.

Inspection and maintenance programs, if executed properly, can have a direct positive impact on Company reliability data. FTI will evaluate specific company reliability metrics and where possible conduct benchmarking to understand where the Company rank within their peer group. We will evaluate whether adequate management and support systems exist to maintain system reliability, such as work management, outage management, SCADA, and GIS. We will evaluate the processes, practices, procedures and equipment involved with mapping, recording and maintaining the status of the electric distribution system.

We will document the Company's decisions affecting electric supply management, procurement, short- and long term forecasting and demand side management practices. We will determine if the electric planning and acquisition process is consistent with a least cost procurement objectives. We will review the use of load shedding, shifting and demand response technologies to assist with the management of system demand. We will also evaluate the Company's physical and financial hedging practices to ensure supply security and least cost of service objectives.

Audit Tasks

- 1) As an extension to 2.6, specifically evaluate the asset and vegetation management programs such as tree trimming, pole inspection and replacement, and other asset based inspection and maintenance programs for the following:
 - a. Evidence of cost control
 - b. Performance of the trimming and inspection programs
 - c. Adherence to standards
 - d. Budget attainment
- 2) Evaluate the effectiveness of these programs through the use of reliability and other related data to determine if there are material improvements in performance.
- 3) Evaluate the use of systems and tools to effectively monitor and operate the electric system, including how the system is mapped and how accuracy is assured.
- 4) Review the Companies' practices around supply management to ensure compliance to local orders while promoting cost containment and reliability of supply.
- 5) Evaluate the Companies use of load shedding, shifting, or other methods to maintain system integrity during periods of high-demand, including how the Company works to avoid using such methods through mitigation methods.
- 6) Determine if COVID has had any material impacts to the attainment of electric goals or costs.

2.8 Gas Distribution

We will identify the companies' spot market, gas commodity purchasing, and interstate pipeline capacity purchasing procedures. We will analyze supply, pipeline capacity and storage and provide

recommendations for an optimal mix that balances price and reliability. We will examine gas hedging policies in light of PURA policy and current industry trends.

We will document how forecasting load management has been approached and assess how effective various practices have been. Our review will evaluate use of gas interruptible tariff customer reduction methodologies and other efforts to control the amount of gas load monitored and controlled, if any. We will assess their effectiveness as a precursor to load shedding or interruption.

We will evaluate how the Company manages for lost and unaccounted for gas and will perform a detailed five-year analysis of gas leak data and metrics including leak backlogs. Where information is available, we will compare each company's performance with peer utilities. We will assess the distribution integrity management plans to assure they are current and demonstrate continuous improvement.

We will review and assess the veracity of the assumptions in the Design Peak Day model calculations. We will evaluate any key variables that would enable the model's refinement. Given the potential impact the Design Peak Day forecast could have on system reliability and system investment, we will review and judge actual field gathered coldest day pressures as compared to model predictions.

We will also evaluate the companies' LNG operations including the strategic utilization and their policies for storage and utilization of LNG for supply stabilization and emergency response. We will also evaluate the approaches used for storing, regasification and the frequency of this practice based on identified strategies.

FTI will also review the approaches used to market, sell and connect new customers, including targets, and their attainment. We will also evaluate how the companies' leverage sale forecast to support supply forecasts for both the short- and long term to determine the accuracy of such forecasts. We will also evaluate how each company's implements the hurdle rate to accurately determine CIAC cost for connecting new customers and evaluate accuracy through sampling estimated vs actual costs.

Audit Tasks

- 1) Review and evaluate the Companies' gas purchasing strategies and procedures, then assess against PURA requirements
- 2) Evaluate the load forecasting practices, including all applicable inputs, data, and models used to support a wholistic load forecast.
- 3) Evaluate if influences such as policies (in place or anticipated), electrification, EE, DR are incorporated into short- and long-term forecasts.
- 4) Evaluate the practices/methodologies used to account for loss of unaccounted for gas.
- 5) Evaluate the Companies' distribution pipeline integrity and leak management programs.
- 6) Evaluate the assumptions used to calculate Design Peak Days and the methods used to assess their accuracy.

- 7) Evaluate the Companies' LNG operations including their strategy and practices for deploying this resource.
- 8) Evaluate the marketing approaches used by the Company to sell and connect new gas customers. Evaluate the goals and forecasts developed, and measurement used for this practice.

2.9 Emergency Response Plan (ERP)

This task focuses on the Companies' capability to build effective plans and use them to prepare for, execute, and complete outage response. Specifically, our focus will center on the companies' performance standards (defined by their Emergency Response Plans) concerning how effectively they communicate during all phases of an event, and how they train for and manage employees who are responsible for emergency response roles. We will also evaluate how the companies ensure plan readiness including how they plan, prepare and implement response drills and collect information for lessons learned purposes. This will also include how the companies collect information (including after action review and others) for lessons learned purposes for every event where the emergency response plan is activated. FTI will evaluate if the companies have and utilize detailed processes and associate maps and tools to manage all facets of their emergency response process. This will determine if best practices are applied and proper measurement systems are in place to monitor the effectiveness of each emergency response processes. Additionally, any improvements made through lessons learned and other activities should be linked to process and have measurement methodologies applied.

Audit Tasks

- 1) Evaluate the Companies' emergency response plans for completeness and alignment to industry best practices.
- 2) Evaluate the Companies for use of the Incident Command System and for evidence of coordination between the Companies for major events.
- 3) Evaluate how communication occurs and is documented for major decisions.
- 4) Evaluate how the Companies' scale for events of varying sizes and durations, including how resources are activated and how the Companies assure an appropriate resources pool.
- 5) Evaluate all processes used for emergency response activities, including if these processes are appropriately utilized and are measured for effectiveness
- 6) Evaluate the Damage Assessment, ETR and Wires Down practices for evidence of industry best practices and compliance to any applicable PURA orders.
- 7) Evaluate the work assignment practice for evidence of efficiency and appropriate prioritization.
 - a. Evaluate how work is prioritized including evidence of coordination with municipalities.
- 8) Evaluate the training process for all employees with an emergency response role for appropriateness and to ensure training is executed regularly.

- 9) Evaluate the response drilling practices of each Company to ensure that regular drilling occurs using realistic scenarios to ensure readiness.
- 10) Evaluate the Companies' practices concerning the collection of improvement actions, and how these actions are tracked.
- 11) Evaluate how Emergency Response has been adapted to or impacted as a result of COVID.

Focus Area 3: Finance

3.1. Organization and structure

FTI will review the organization(s) responsible for the companies' finance processes, policies and practices. Our evaluation will determine if there is a clear line of sight to the leadership responsible for the performance of this function and ensure that the proper oversight is in place through each companies' governance process. Our review will also evaluate the effectiveness of the current organizational design and if the processes that link the various functions are adequate. Where gaps exist we will provide recommendation to close and the rationale behind the recommendation.

Audit Tasks

- 1) Evaluate the organization, processes, policies and associated documentation for the finance organization to determine if they are fit for purpose and align to industry best practices.
- 2) Evaluate the integration of the between the responsible organization for each affiliate Company and the parent to ensure alignment and interoperable systems and controls.
- 3) Evaluate the governance process in place to determine if governance alignment between each affiliate and the parent is in place to ensure appropriate escalation of performance issues.

3.2 and 3.3. Accounting and Treasury Function

Accounting records and internal controls will be reviewed in the context of a management audit. It will not be an objective to duplicate the compliance and substantive testing that the utility undergoes as part of its external audit of financial reporting results. Instead, we will leverage the work performed both internally and externally to identify trends in or non-remediated instances of internal control deficiencies involving such principal business cycles as revenue, purchasing, and payroll with the intent to recommend improvements if applicable. We will review the process employed by the company to control costs, including the use of budgets, and determine whether constraints, if any, imposed by the parent prevent management from achieving utility objectives. We will ascertain whether the income tax effect of any significant non-utility operations are inappropriately assigned or allocated to the utility, and likewise, will ensure that significant income tax benefits generated by the utility are appropriately retained. See below for a further discussion of the work we will perform as it relates to Cost Allocations.

Audit Tasks

- 1) Review recent, relevant internal audit documentation to identify any issues with internal controls concerning financial reporting and disclosures that require attention.
- 2) Review recent Sarbanes-Oxley internal control testing to isolate deficiencies and significant deficiencies that recur from year-to-year as well as those that remain unremediated at the most recent year-end. In addition, we will make special note of material weaknesses in internal controls for the purpose of identifying functional areas that need further scrutiny.
- 3) In coordination with the work performed in Task 1.7 above, evaluate the company's use of budgeting to control costs and determine whether the parent is imposing constraints on spending levels proposed by utility management.
- 4) Ensure that significant income tax effects are properly assigned or allocated to utility operations based on underlying cost causation.
- 5) Cost allocations will be addressed in Task 3.5 discussed below.

In reviewing cash management, we will determine the extent to which the utility participates in money pool arrangements with affiliates and how any differences in riskiness between entities is reflected in borrowing rate levels. We will look at the entity-level sources and uses of cash to ascertain whether funds generated by the utility are being diverted to affiliates. Finally, we will evaluate whether significant impairments, if any, have had any negative impacts on utility operations, primarily as it relates to credit metrics.

Audit Tasks

- 6) Review utility participation in money pool arrangements, if any, and evaluate whether the costs of participation adequately account for differences in riskiness between entities.
- 7) Quantify subsidiary dividends, capital distributions, and capital contributions for principal Avangrid entities to identify possible diversion of funds from Connecticut utilities to other Avangrid businesses.
- 8) In concert with the immediately preceding task, identify recent significant impairments recorded by Avangrid entities for the purpose of isolating those entities that are most likely to need external support from affiliates, including the Connecticut utilities.

3.4. Capital Structure and Credit Rating

We will evaluate each companies' capital structure and alignment to their structure as determined in their most recent rate cases. We will also evaluate and assess each companies' credit ratings and how any business decisions made by them may have had material impacts to their rating, whether positive or negative.

Audit Tasks

- 1) Review each Companies' latest rate case and determine if their current capital structure aligns to what is agreed upon in their rate cases.
- 2) Evaluate each companies' credit ratings and how any business decisions may have had material impacts to their rating.

3.5. Affiliate Transactions and Service Company allocations

FTI will review the legal and management structure of the companies and assess the degree of separation between regulated utilities and their affiliates. We will document and quantify the types of transactions between regulated utility companies and their unregulated affiliates. We will examine the relationships between affiliates and determine whether controls are in place to ensure that transactions are recognized, properly priced and recorded. We will document how intercompany receivables and payables are settled and determine whether cash settlement occurs on a monthly basis to prevent intercompany balances from accumulating. We will document written corporate policies, the degree of management oversight of affiliate transactions and determine whether companies have appropriate employee codes of conduct and training in place. We will determine whether procedures are in place to ensure that new intercompany transactions are recognized, reviewed and approved by management before goods or services are exchanged.

With respect to shared service companies, FTI will determine whether there are budgeting and related processes in place to ensure service company costs are responsibly incurred and managed. We will assess the adequacy of accounting controls and procedures, including the use of positive time reporting and fully distributed cost-based pricing, to facilitate proper distribution of costs among regulated and unregulated subsidiaries benefiting from shared services. We will evaluate the corporate structure and assess whether the corporate entity has incentives to over- or under-allocate service company costs to certain subsidiaries. We will evaluate and document the degree of control, if any, that the regulated utilities have over the type and quantity of services provided by shared services companies. We will examine the reasonableness of cost allocation methods; in particular, the methods used to allocate corporate-level costs that cannot be distributed on a cost-causative basis. We will review cost distribution procedures to determine whether they distribute costs in the most direct manner possible. We will prepare an analysis comparing the amount of costs distributed to subsidiaries of the corporate entity with the relative size of the subsidiaries in terms of relative size measured in operational and financial terms, and we will follow-up and evaluate any cases in which shared service cost distributions are disproportionately small or large relative to a subsidiary's size.

Audit Tasks

- 1) Review the legal and management structure of the Avangrid companies. Assess the degree of separation between regulated utility affiliates and non-regulated affiliate companies. Quantify affiliate services / charges among the Connecticut utilities and between the CT utilities and other Iberdrola / Avangrid entities (other than centralized service providers such as parent & affiliate companies).
- 2) Assess controls to ensure affiliate services and products are properly priced, recorded and charged between the correct affiliates.
- 3) Assess procedures to ensure new affiliate transactions are recognized, reviewed and approved prior to exchange of goods and services.

Focus Area 4: Human Resources

FTI will review the organization of each companies' Human Resources function. We will examine salary and incentive compensation programs and procedures, including external benchmarking often used to support the reasonableness of internal compensation levels. We will examine employee benefit plans, including employee healthcare programs, pensions, 401K and similar programs, and post-retirement health care and other programs. FTI will conduct a review of workforce planning, employee sourcing and hiring procedures. We will review development and training programs to determine whether all employees have opportunities to obtain the education and training needed to perform their duties. Finally, FTI will review employee relations, including the recent history of relations between management and each utility's represented employees. In the scope of this work, we will consider how specific industry issues may be impacting these utilities. This will include aging workforce, reskilling the current workforce in light of changing technology and system processes, and recruiting in the face of labor shortages in required skillsets.

Audit Tasks

- 1) Review reasonableness of compensation and benefits programs.
- 2) Review workforce planning process as coordinated in HR and as implemented throughout the organization.
- 3) Review training programs over recent years and determine how modifications have been made to adapt to current market conditions.
- 4) Review relations between and among the various trade unions and exempt organizations within the Connecticut subsidiaries.

Focus Area 5: Customer Service

FTI will review the management organization of Customer Operations and its interaction with other functions, including Field Operations. We will conduct a review of customer contact operations and the technology used in the contact function. We will review customer communications channels, including IVR, live agent, email and internet chat, examine efforts to make communication more efficient by using technology to move communications from the live agent channel to more automated channels. We will examine progress in moving payment processes on-line and in expanding payment options, such as the use of credit cards, to the extent permitted by the PURA. We will review Customer Agent training and determine whether agents are properly trained and have the knowledge necessary to follow Connecticut rules and regulations. We will examine the utilities' customer complaint databases and determine whether they have procedures in place to properly track, manage and resolve complaints. We will assess billing and collection processes, review rates of adjusted bills / rebills, document and evaluate the collection process, and review aged accounts receivable and bad debts. FTI will assess changes in complaint rates over time and compare each utility's complaint rate with others in the state. We will analyze key customer contact, billing, collection, meter reading and customer satisfaction performance metrics and their trends over the past five years.

FTI will also examine meter reading processes, and metrics such as meter read rates and estimated meters. We will examine and document each utility's implementation of automated read technology (Encode Receive Transmit) and implementation of Automated Meter Infrastructure. We will examine each utility's implementation of hardship and low income programs, including customer outreach and follow-through efforts made to ensure that qualified customers are knowledgeable and can avail themselves of the programs. Finally, we will examine each utility's outreach and communication efforts with respect to conservation and load management programs.

Audit Tasks

- 1) Conduct a review of customer contact operations and the technology used in the contact function.
- 2) Review customer communications channels, including IVR, live agent, email and internet chat, examine efforts to make communication more efficient by using technology to move communications from the live agent channel to more automated channels.
- 3) Examine progress in moving payment processes on-line and in expanding payment options, such as the use of credit cards, to the extent permitted by the PURA.
- 4) Review Customer Agent training and determine whether agents are properly trained and have the knowledge necessary to follow Connecticut rules and regulations.
- 5) Examine the utilities' customer complaint databases and determine whether they have procedures in place to properly track, manage and resolve complaints.

- 6) Assess billing and collection processes, review rates of adjusted bills / rebills, document and evaluate the collection process, and review aged accounts receivable and bad debts.
- 7) Assess changes in complaint rates over time and compare each utility's complaint rate with others in the state.
- 8) Analyze key customer contact, billing, collection, meter reading and customer satisfaction performance metrics and their trends over the past five years.
- 9) Examine meter reading processes, and metrics such as meter read rates and estimated meters.
- 10) Examine and document each utility's implementation of automated read technology (Encode Receive Transmit) and implementation of Automated Meter Infrastructure.
- 11) Examine each utility's implementation of hardship and low income programs, including customer outreach and follow-through efforts made to ensure that qualified customers are knowledgeable and can avail themselves of the programs.
- 12) Examine each utility's outreach and communication efforts with respect to conservation and load management programs.
- 13) Evaluate any changes or impact to Customer service capabilities as a result of COVID.

Focus Area 6: External Relations

FTI will perform a review of companies' external relations function by documenting their activities and determining the extent to which the function serves the interest of customers, shareholders and other stakeholders. This includes reviewing the organization(s) responsible for regulatory relations and government affairs, corporate communications and marketing, and investor relations. We will evaluate how these groups stay coordinated through the alignment each companies' strategic priorities and how alignment is sustained through messaging that is tailored to specific audiences. We will also determine if there is governance in place to coordinate these functions to ensure a consistent message and source of information. We will also determine how the companies consider their charitable contributions and their sponsorships, including their alignment to corporate strategy and if they are properly vetting them to ensure they properly support the communities they serve.

Audit Tasks

- 1) Evaluate the organizations that are responsible for all areas of external relations and document their responsibilities.
- 2) Evaluate the organizational alignment of all responsible groups to overarching corporate strategies.
- 3) Evaluate the governance process in place that supports common approaches to external relations and confirm alignment to corporate strategy, stakeholder and local needs.
- 4) Evaluate if any impacts to these programs have occurred as a result of COVID.

Focus Area 7: Support Services

7.1. Risk Management

Enterprise Risk Management (ERM) processes may vary from one utility to another. However, best practices will generally include a robust process for the identification and mitigation of material risks. Reporting and oversight are generally included in the executive management and board of director functions. We will review ERM in relation to industry practices. We will further review the utility specific risks and mitigation process to determine if key RMIs have been identified and quantified. An effective ERM process will minimize both financial and operating risk. ERM is typically implemented in a uniform manner within a given organization. That is, we would expect to see ERM driven by the parent company. We will review Connecticut level risks to ensure that the consolidated organization is providing adequate controls over the Connecticut operations.

Audit Tasks

- 1) Review ERM to determine how it is implemented in relation to best practices and Avangrid affiliates.
- 2) Review ERM Connecticut specific risks; how they are identified, measured and mitigated.

7.2. Legal

FTI will evaluate the organizational structure of the companies' legal function, along with the corresponding budget and contracting strategy for outside council. We will compare the hours between the internal and contracted council to determine first, the approach taken by the Company to insource vs outsource, and the legal specialties which the companies apply them. We will then evaluate how the companies work to contain costs through their contractual arrangements with outsourced council, a review of complete bidding practices, and the optimization of insource vs. outsourced methods.

Audit Tasks

- 1) Evaluate the organization responsible for the legal department to understand how its structured and the strategy for its design.
- 2) Evaluate the practice for sourcing external council including the approaches taken to ensure cost containment.
- 3) Evaluate the resourcing strategy used to determine insource vs outsource approaches including if cost is a major consideration.

7.3. Asset Management

FTI will evaluate how the Companies optimizes their facilities through the regular review of their real estate portfolio with the goal of optimizing their utilization to support cost management and responsiveness to the communities they serve. We will also evaluate their maintenance budget to determine the approaches used to balance specific facility needs and cost containment. We will also determine how the companies measure the performance of their facilities management capability for such areas as cost effectiveness and efficiency of its oversight of facilities.

We will also take a similar approach for fleet management, where we will assess their fleet to determine how the companies' balances the utilization of vehicles, their age, and corresponding maintenance to make lifecycle decision on replace vs. repair. We will evaluate the companies approach to purchasing vs renting to determine how they balance the cost vs utilization, especially for specialized equipment. We will also determine if the companies actively monitor rental utilization to ensure they return underutilized equipment in a timely manner. We will also explore the companies' effort to increase fleet fuel efficiency to determine how the companies balance vehicle type vs efficiency to maximize fuel efficiency.

For materials management FTI will evaluate how the companies balances its responsibilities to minimize costs and control inventory levels while at the same time providing timely and uninterrupted service to its internal customers. This may include indentifying the sourcing strategies, how they determine inventory levels, how they design to a common standard across all the parent's affiliates so that common inventory can be shared. We will also evaluate how they optimize the delivery of materials to work sites.

FTI will review how the companies retain documentation, including the systems used to manage documentation, approaches to collecting documentation, and document retention policies.

Audit Tasks

- 1) Evaluate the real estate organization and determine their strategy and approach to managing the real estate portfolio.
- 2) Evaluate the real estate maintenance budget including how it is developed and how line items are prioritized.
- 3) Evaluate the methods and programs in place to contain and control real estate costs
- 4) Evaluate the fleet management program to determine how effective the Companies are at managing costs, through fuel efficiency, vehicle replacement decisions, reduction of MVAs, and others approaches.
- 5) Evaluate the strategic approaches used determine renting vs purchasing equipment.
- 6) Evaluate the Companies' material management program to determine if they source appropriate materials within the cost, timeframe and specification as required.
- 7) Evaluate the methods used to ensure multiple vendor sources for equipment are available to enable cost mitigation and avoid scheduling issues.

- 8) Evaluate the approaches the Companies have used to ensure reliable supply of equipment while containing cost during COVID and the inflationary period.

7.4 Information Technology

FTI will evaluate how the Companies works to prioritize IT investments including the categories and associated scoring of these investments while also balancing ever present challenges with cybersecurity. To begin, FTI will evaluate the Company's IT organizational structure and governance used to identify, prioritize, fund, execute and turn over IT investment to on-going operations. FTI will review all documentation relating to the policies, processes, governance, organizational structures and procedures for their IT program management. We will review the Companies' regulatory filings and analyze them to more deeply understand first, the effectiveness of the program management framework; second, how effective the Company is at implementing their framework; and lastly, how the Company evaluates individual investment decisions as it relates to the costs borne by Connecticut ratepayers.

FTI will review the interaction between the functional and operational areas to determine how individual IT business needs are considered, prioritized and how conflicts are resolved through the appropriate governance processes. We will also evaluate the Companies' ability to effectively deploy regulatory mandated IT projects including their ability to achieve on scope, schedule and budget delivery. To accomplish this, FTI will select a representative sample of projects to conduct a deep dive to evaluate the companies' application of sound program management practices. We will also review the prevalence of "walk-in" and "walkout" of projects to determine if there are systemic inefficiencies in the companies' IT portfolio management.

Specific focus will also be applied to the companies' cybersecurity investments, including if special considerations are applied to cybersecurity investments verse other IT investments and, given the range of solutions and solution providers, determine if the Companies leverages all available resources to evaluate solutions/solution providers' cost efficiency and effectiveness prior to their investment. FTI will evaluate how the Companies aligns investment to risk prioritization of threat vectors for Personally Identifiable Information ("PII"), IT, or Operational Technology ("OT"). We will evaluate if the companies builds a roadmap of investments for future updates and upgrades where anticipated need is identified but not critical to implement, such as obsolete or unsupported software. FTI will evaluate the companies' process for understanding the spectrum of technology currently in place (field or office-based) and the risks associated with them to ensure that the Companies has a proactive process for identifying and planning for replacement or upgrades.

Audit Tasks

- 1) Review and evaluate all IT program management documentation detailing the organizational structure, practices, policies and process that touch all areas of IT.

- 2) Evaluate the IT governance in place, including the points of connection between other governance within the Companies.
- 3) Evaluate the Company's overall budgeting process by reviewing formal procedures and documentation associated with recent budgets, along with interviews of leadership.
- 4) Assess how the Companies prioritizes IT capital spending projects, including distinctions drawn between projects mandated by regulations, customer programs and those that are optional.
- 5) Determine what, if any, input operations personnel have in prioritizing IT investments.
- 6) Evaluate the global IT portfolio management process including how they remain coordinated with local IT portfolios to either support or hinder their ability to make local investments while supporting specific customer and jurisdictional regulatory mandates.
- 7) Evaluate the Companies' cybersecurity budgeting process and how it integrates with the global IT process by reviewing formal procedures and documentation associated with recent budgets.
- 8) Understand how the Companies remains up to date on cybersecurity threats.
- 9) Assess how the Companies prioritizes cybersecurity spending, including distinctions drawn between projects mandated by regulations, operational need and anticipated threats.
- 10) Evaluate the staffing, training, retention and succession planning for employees who are responsible for the specific cybersecurity program management framework.
- 11) Evaluate how the Company assesses the effectiveness of in-place investments to ensure that lessons learned are captured and shared. Also, evaluate how the Company uses input from other companies to assess the effectiveness of their software/solutions prior to making investments.
- 12) Evaluate the Companies' emergency response practices in place to manage cyber incidents, also evaluate the Companies' reporting capability.
- 13) Evaluate the training programs used to educate and inform all Company employees to cyber risks and approaches to minimizing this risk. Evaluate for evidence of updating training based on risk identification.
- 14) Evaluate any changes to cybersecurity practices and training as a result of COVID.

7.5. Regulatory Compliance

Core to many areas of our proposal is company compliance to regulations. This includes areas such as electric operations, maintenance and construction, gas supply, finance, customers and others. For each section we will evaluate each companies' compliance to applicable orders and where gaps exist we will provide recommendations to close gaps or to promote improvements in the identified areas. Additionally, we will evaluate the other relevant orders that require compliance and will evaluate their compliance to any other applicable order. We will also identify any gaps and provide recommendations for closure.

Audit Tasks

- 1) For all applicable areas, ensure that the Companies are complaint to regulatory orders and performance standards. Each section will detail the Companies compliances and performance in their respective sections.