

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on May 17, 2018

COMMISSIONERS PRESENT:

John B. Rhodes, Chair  
Gregg C. Sayre  
Diane X. Burman  
James S. Alesi

CASE 18-M-0195 - Proceeding on Motion of the Commission to  
Conduct a Comprehensive Management and  
Operations Audit of National Grid USA's New  
York Electric and Gas Utilities.

ORDER INSTITUTING PROCEEDING AND AUTHORIZING  
ISSUANCE OF A REQUEST FOR PROPOSALS

(Issued and Effective May 17, 2018)

BY THE COMMISSION:

INTRODUCTION

The Public Service law requires that, at least once every five years, the Commission must conduct comprehensive management and operations audits of the major gas and electric corporations under its jurisdiction. By this order, the Commission institutes a proceeding encompassing a comprehensive management and operations audit of National Grid USA's (NGUSA) New York electric and gas utilities: Niagara Mohawk Power Corporation d/b/a National Grid (NMPC), The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY), and KeySpan Gas East Corporation d/b/a National Grid (KEDLI) (collectively, Utilities). Further, the Commission authorizes the issuance of the attached request for proposals (RFP) seeking an independent

auditor to conduct the comprehensive management and operations audit of the Utilities.

BACKGROUND

Public Service Law (PSL) §66(19)(a) provides the Commission with authority to conduct management and operations audits of New York's major electric and gas utilities. As pertains to large utilities, such as the Utilities identified above, the PSL requires such audits at least once every five years. The PSL requires that these audits include at least the following:

an investigation of the company's construction program planning in relation to the needs of its customers for reliable service, an evaluation of the efficiency of the company's operations, recommendations with respect to the same, and the timing with respect to implementation of such recommendations.

The PSL empowers the Commission to select an independent auditor to conduct management and operations audits, with the audited utility paying the costs of the audit. Pursuant to PSL §66(19)(a), the Commission may require that the audited utility, or in this case utilities, enter into a contract with the auditor providing payment and specifying that the auditor "shall work for and under the direction of the Commission according to such terms as the Commission may determine are necessary and reasonable."

Recent audits of the Utilities

National Grid USA has three operating utilities in New York State. NMPC provides both electric and gas service across a wide portion of upstate New York. KEDNY provides gas service

in portions of New York City. KEDLI provides gas service on Long Island and a small area of New York City.

In 2008, the Commission conducted a comprehensive management audit of NMPC's electric operations. The final report<sup>1</sup> included numerous recommendations and placed a special emphasis on long-term energy supply planning, project cost estimating, managing and controlling levels of service and costs, and improving management of NMPC's field forces. NMPC completed implementing this audit's recommendations in 2016.

The Commission investigated NGUSA's affiliate cost allocations, policies, and procedures in 2010 to determine if NGUSA had over- or under-allocated expenses to any of the Utilities. The Commission released the final report of this audit in October of 2012.<sup>2</sup> The final report detailed a number of findings and recommendations related to Service Level Agreements and internal controls. NGUSA and the Utilities completed implementation of the recommendations in 2015.

In 2013, the Commission conducted a comprehensive management and operations audit of the gas operations of the Utilities. The final report<sup>3</sup> found the Utilities had performed well overall in providing gas service in a reliable manner, but also identified improvement opportunities related to organizational structure, project cost estimating, and work management processes. The Utilities currently have two open

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<sup>1</sup> Case 08-E-0827, Comprehensive Management and Operations Audit of NMPC's Electric Business, NorthStar Consulting Group submits Management Audit Report (issued December 4, 2009).

<sup>2</sup> Case 10-M-0451, Proceeding on Motion of the Commission to Investigate National Grid Affiliate Cost Allocations, Policies and Procedures, Overland Consulting Final Report (issued October 12, 2012).

<sup>3</sup> Case 13-G-0009, Comprehensive Management and Operations Audit of National Grid USA's New York Gas Companies, Final Audit Report (issued October 2, 2014).

recommendations, which relate to work management processes, remaining to implement from this audit.

In recent years, the Commission has instituted two statewide operations audits of the Utilities subject to this audit, along with other large investor-owned utilities in New York. Case 13-M-0314 evaluated the completeness and accuracy of performance metrics reported by New York State's large investor-owned utilities to the Commission. The Commission released the final report of this audit in 2016,<sup>4</sup> and the Utilities' implementation of the audit's recommendations was completed earlier this year. Case 13-M-0449 examined New York State's large investor-owned utilities' internal and contractor resources to determine whether sufficient staffing levels were maintained, while optimizing efficiency and cost effectiveness. The Commission released the final report of this audit in 2017,<sup>5</sup> and the Utilities' implementation of the audit's recommendations is ongoing.

#### DISCUSSION AND CONCLUSION

In compliance with the requirements of PSL §66(19)(a), the Commission institutes this proceeding to conduct a comprehensive management and operations audit of NMPC, KEDNY and KEDLI. Rather than separately evaluating NGUSA New York's electric operations from NGUSA New York's gas operations, as was done in the prior audits, this audit brings all of the NGUSA New

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<sup>4</sup> Case 13-M-0314, Review of the Accuracy and Effectiveness of Certain Reliability and Customer Service Statistics, Final Report - Executive Summary, Electric Reliability, Customer Service (issued April 20, 2016).

<sup>5</sup> Case 13-M-0449, Focused Operations Audit of the Internal Staffing Levels and the Use of Contractors, Final Report by The Liberty Consulting Group - Operations Audit of Staffing Levels at the Major New York State Energy Utilities (issued February 21, 2017).

York operations, electric and gas, into one comprehensive review and aligns the timing of these audits.

The scope of this audit focuses on areas which should provide the highest value, while remaining consistent with the statutory directive to review the Utilities' construction program planning and operational efficiency. The scope addresses issues from previous management audits that require follow-up review, such as organizational structure, project estimating processes, and work management processes. The scope also includes an assessment of the Utilities' readiness to respond to the Reforming the Energy Vision initiative, and closely examines how the Utilities plan for and manage information systems projects.

The Commission elects to have an independent auditor conduct this audit. To facilitate the selection of such an auditor, Department of Public Service Staff (Staff) will disseminate the RFP appended to this order. Section 3.2 of the RFP contains a detailed description of the scope. In addition, the RFP identifies deliverables required of the selected auditor, sets forth targeted dates of significant events, and provides other necessary information for potential bidders.

Staff will evaluate proposals received in response to the RFP. The Commission expects to select a consultant at its regularly scheduled September 2018 session. The Commission expects the selected auditor to begin field work shortly thereafter, and to submit a final report by September 2019.

The Commission orders:

1. A proceeding is instituted to conduct a comprehensive management and operations audit of National Grid USA's New York electric and gas utilities: Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company

d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid.

2. Department of Public Service Staff is authorized to release the Request for Proposals appended to this order to prospective bidders.

3. In the Secretary's sole discretion, the deadlines set forth in this order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

4. This proceeding is continued.

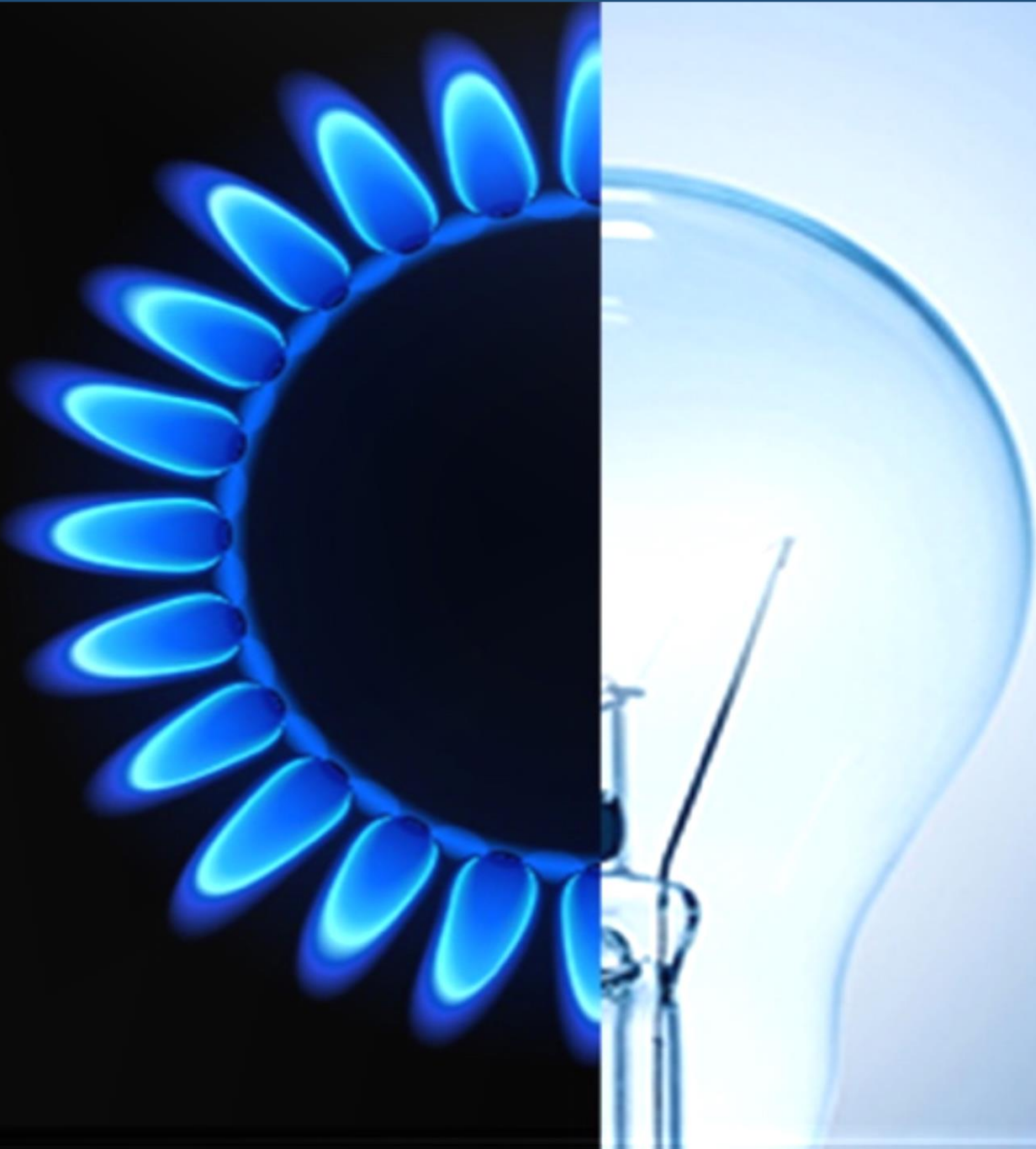
By the Commission,

(SIGNED)

KATHLEEN H. BURGESS  
Secretary



# Public Service Commission



## Request for Proposals

*To Perform a Comprehensive Management and Operations Audit  
of National Grid USA's New York Electric and Gas Utilities*

Case 18-M-0195

May 17, 2018

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## 1. Introduction

### 1.1 Overview

The New York State Public Service Commission (the Commission) is seeking an independent consulting firm to perform a comprehensive management and operations audit of National Grid USA's New York Electric and Gas utilities. These utilities include Niagara Mohawk Power Corporation d/b/a National Grid, The Brooklyn Union Gas Company d/b/a National Grid NY, and KeySpan Gas East Corporation d/b/a National Grid (collectively, the Utilities). The audit will be performed in accordance with New York State [Public Service Law §66\(19\)](#).<sup>1</sup>

The management audit approach in New York includes, but is not limited to, a prospective investigation of the Utilities' construction program planning processes, and an evaluation of the efficiency of the Utilities' operations with a focus on opportunities to improve performance. The Commission expects the selected consulting firm to analyze current and historical information for the purpose of gaining an understanding of the Utilities, with the ultimate goal of improving existing processes, practices, systems, and organizational structures to drive better performance. The Commission seeks proposals that set forth a framework within which Department of Public Service (the Department) staff can develop a more comprehensive understanding of the Utilities' operations and explore improvement opportunities with the Utilities. The consulting firm will document its review of the Utilities in a Final Report. The Final Report will focus on improvement opportunities. Findings and conclusions will be tied to root causes, and will include recommendations that address the root causes and seek to improve the Utilities' performance going forward.

Potential bidders are encouraged to stay informed of recent Commission actions and related developments by visiting [the Commission website](#) and /or by viewing [Commission sessions](#).

### 1.2 Roles and Responsibilities of the Parties

#### Public Service Commission

The Commission is the client. The Commission will select the consulting firm to perform the audit and, through the Department, will monitor the audit for adherence to the Request for Proposals (RFP), the proposal, the contract, and the approved work plan.

#### Department of Public Service

The Department advises the Commission. The Department's responsibilities encompass all aspects of the audit. The Department will evaluate proposals and recommend a consulting firm to the Commission for selection. Staff has overall responsibility for day-to-day oversight and will work closely with the consulting firm and the Utilities to facilitate coordination among all parties.

Staff will review the consulting firm's work and will assume an active role in the audit. This will include accompanying consultants on site visits, attending interviews, reviewing analytical procedures, and monitoring the progress of the audit as to scope, budget, work plan, and schedule. The Department is responsible for reviewing and approving consulting firm invoices.

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<sup>1</sup> At this link, select "PBS" to view the Public Service Law sections, then select "Article 4" to view the Provisions Relating to Gas and Electric Corporations.

Consulting Firm

The consulting firm is responsible for performing the audit in adherence to the RFP, the proposal, the contract, and the approved work plan. The consulting firm will develop the findings, conclusions, and recommendations, and are responsible for producing the deliverables of the audit. The consulting firm will designate a representative who will sign the multi-party contract and a project manager to work with Department and utility counterparts on day-to-day activities for this audit.

Utilities

The Utilities will designate a senior officer who has the authority to make decisions as well as sign the multi-party contract. The Utilities will also designate a project manager to work with Department staff and consulting firm counterparts. The Utilities' project manager will facilitate the scheduling of interviews, arrange site visits, and manage the flow of data requests and responses. The Utilities will provide the consulting firm suitable on-site office space and equipment as needed. Following the approval by the Department, the Utilities will pay consulting firm invoices.

**1.3 Contact Information**

Elizabeth Toohey (518-473-0417) is the primary contact and Project Manager for this audit. Stephen Powers (518-486-1382) is the Assistant Project Manager, and Jeremy Routhier-James (518-473-8149) is the Engagement Director.

Please e-mail [MOA@dps.ny.gov](mailto:MOA@dps.ny.gov) with any questions that may arise as you prepare your proposal. All questions and responses will be shared with all interested consulting firms, though the source of the question will be anonymous.

**1.4 Key Events**Timeline

The anticipated schedule for this project is set forth below. The schedule may be altered at the discretion of the Department. An alternate or accelerated schedule may be proposed if the consulting firm believes it is appropriate or achievable. If the consulting firm's proposed schedule differs substantially from the schedule below, a rationale for the difference should be provided.

Target Date	Task
<b>May 17, 2018</b>	Issue RFP
<b>May 24, 2018</b>	Bidder's Conference
<b>July 6, 2018</b>	Consultants' Proposals Due
<b>August 13-17, 2018</b>	Finalist Interviews
<b>September 13, 2018</b>	Consultant Selected
<b>October 2018</b>	Orientation Meeting
<b>November 2018</b>	Initial Work Plan Due
<b>August 2019</b>	Draft Report Due
<b>September 2019</b>	Final Report Due

Bidder's Conference

A teleconference for interested potential bidders will take place on Tuesday, May 24, 2018 at 1:00 p.m. Eastern Time. To participate in the teleconference, e-mail [MOA@dps.ny.gov](mailto:MOA@dps.ny.gov) or contact the Project Manager no later than 10:00 a.m. the day of the bidder's conference to request call-in information.

The bidder's conference provides interested potential bidders with an excellent opportunity to learn more about the scope of the audit, as well as ask any questions about staff's expectations of proposal content, audit conduct, and audit deliverables. Please contact the Project Manager if you would like to bid but are unable to attend the conference.

### **1.5 Minimum Qualifications**

The consulting firm selected for this audit must demonstrate that its proposed team has a thorough knowledge of the utility industry, including electric and natural gas operations, gained from either direct employment in the field or by professional reviews of such entities. The consulting firm and its proposed team must show that they have relevant knowledge of the latest developments in the management and operations of large utilities as well as best practices that can bring about improvement opportunities for the Utilities.

### **1.6 Conflicts of Interest and Ethical Conduct**

The Commission will not engage any firm with a conflict of interest and may not engage any firm with the appearance of a conflict of interest. Certain pre-existing relationships may constitute a conflict of interest or the appearance thereof. Therefore, each consulting firm, and any of its principals, affiliates, or subcontractors must disclose all previous work performed for the utilities to be audited, including any existing contracts or agreements. Such disclosure may not necessarily disqualify an individual or firm. Failure to disclose such relationship, however, will be considered grounds for disqualification.

An appearance of a conflict of interest may also exist if the consulting firm, or any of its principals, affiliates or subcontractors have performed work for other organizations associated with the utility industry in New York State during the five-year period preceding the date of the proposal. The proposal must identify any such relationships so that the Department may determine if they constitute the appearance of a conflict of interest.

Additionally, Section 73(8)(a)(i) of the Public Officers Law prohibits a former employee of the Department of Public Service from appearing or practicing before the Department (the Department, pursuant to Public Service Law §4, includes the Commission) or from receiving compensation for any services rendered by such former employee on behalf of any person, firm, corporation or association in relation to any case, proceeding or application or other matter before the Department for a period of two years after the termination of service of the former employee from the Department. This means that a consulting firm may not include such a former employee in its consulting team, nor identify any such former employee in its proposal or communications with Department staff. Any such inclusion could be construed to be an "appearance" by that former employee before the Department in violation of Public Officers Law §73(8)(a)(i). In addition, a former employee who, within two years of terminating service or employment with the Department, assists a consulting firm in the preparation of any documents for submission to the Department would violate Public Officers Law §73(8)(a)(i) even if the former employee's participation is totally unknown to the Department because such assistance would constitute the rendering of services for compensation in relation to a matter before the Department. Either situation may be a basis for disqualification of the consulting firm's bid and may expose the former employee to liability.

Neither the consulting firm, its personnel, nor any subcontractor shall offer or accept any gift, favor, or gratuity of any value, or make any offer of employment to any officer or employee of the Utilities or to

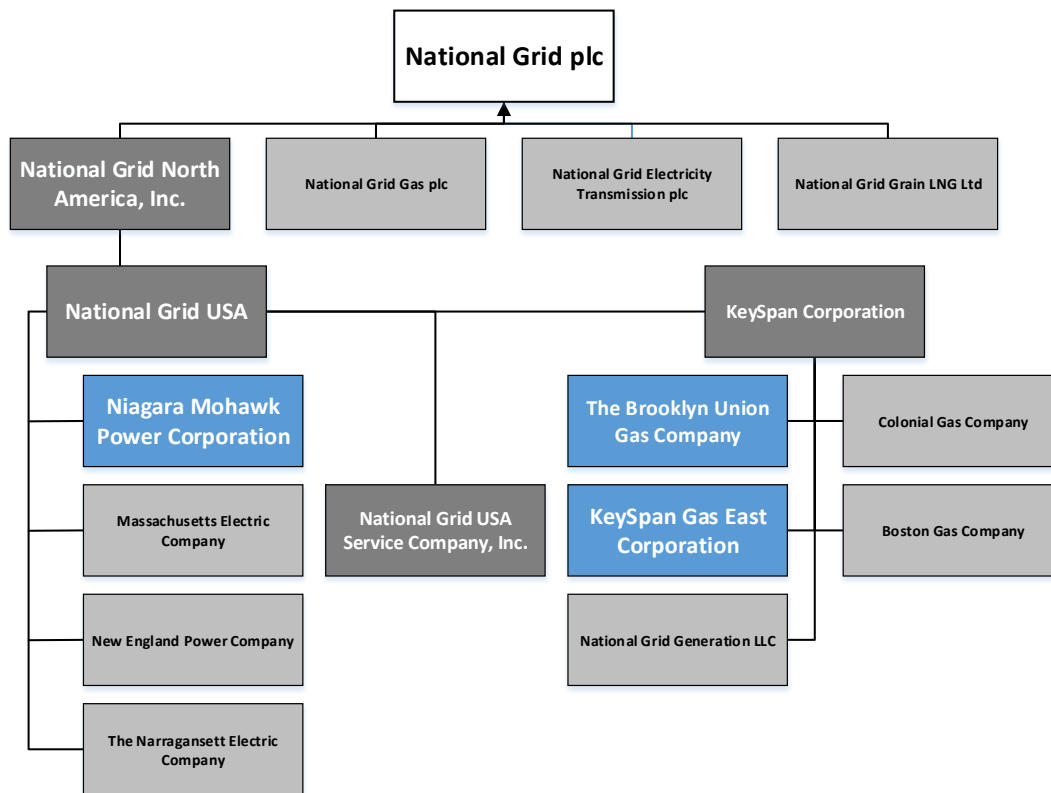
any Commissioner or Department Staff. Violation of this restriction may result in immediate termination of services of the offending individual or firm, and may ban the individual or firm from future consideration by the Commission. Furthermore, the consulting firm and any subcontractors must agree that neither it nor any of its affiliates or principals or employees will perform any work for the Utilities or their affiliates during the course of the audit.

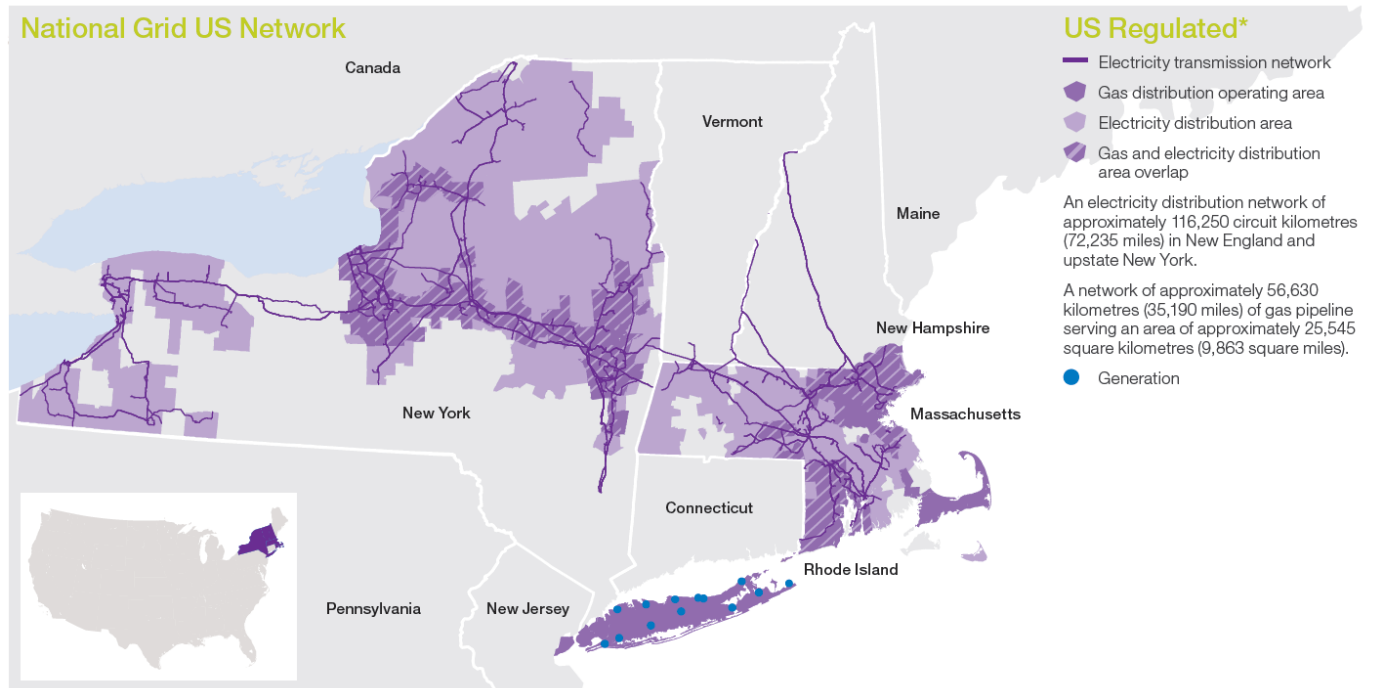
**1.7 Background of the Utilities**

The Utilities are wholly-owned subsidiaries of National Grid USA (NGUSA), and represent NGUSA’s regulated electric and gas operations in New York State. NGUSA has its headquarters in Waltham, Massachusetts. NGUSA also operates regulated public utilities in Massachusetts and Rhode Island, as well as various energy services and investment companies.

NGUSA’s service company (ServCo) provides numerous services for NGUSA’s regulated utilities, including accounting, planning, etc. The Utilities maintain Service Level Agreements (SLAs) with ServCo that govern those affiliate relationships.

NGUSA is a direct wholly-owned subsidiary of National Grid North America Inc. and an indirect wholly-owned subsidiary of National Grid plc, a public limited company incorporated under the laws of England and Wales. Regulated utility operations in New York State accounted for approximately 48% of NGUSA’s annual revenues and 28% of National Grid plc’s annual revenues in fiscal year 2017. The relevant corporate structure can be seen below, with the Utilities in blue. Some additional holding companies and affiliates exist throughout the organization.



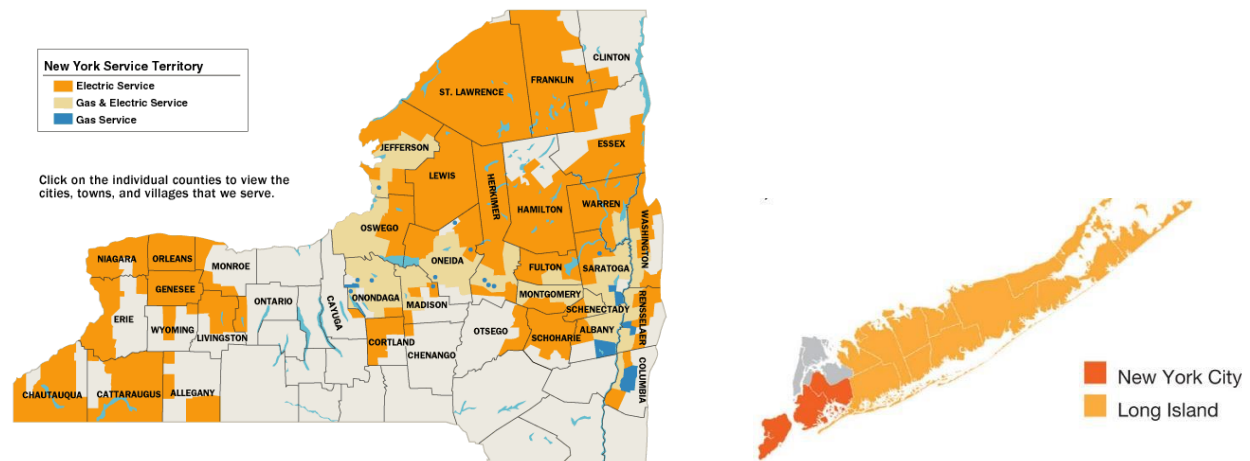


Niagara Mohawk Power Corporation

Niagara Mohawk Power Corporation d/b/a National Grid (NMPC) is engaged principally in the regulated energy delivery business in New York State. Based in Syracuse, New York, NMPC provides electric service in the areas of eastern, central, northern, and western New York. NMPC also sells, distributes, and transports natural gas to the areas of central, northern, and eastern New York.

The Brooklyn Union Gas Company and KeySpan Gas East Corporation

The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY) distributes and transports natural gas to customers in the boroughs of Brooklyn and Staten Island and two-thirds of the borough of Queens. With headquarters in Brooklyn, NY, KEDNY owns 4,135 miles of natural gas distribution and transmission pipeline. KeySpan Gas East Corporation d/b/a National Grid (KEDLI) distributes and transports natural gas to customers in Nassau and Suffolk Counties in Long Island, NY and the Rockaway Peninsula in Queens, NY. Based in Hicksville, NY, KEDLI owns 7,892 miles of natural gas distribution and transmission pipeline.



Key Facts					
	Location	Headquarters	2017 Revenues	Customers	Employees
<b>NMPC (Elec)</b>	Upstate NY	Syracuse	\$2.78 billion (Combined)	1,700,000	2,900
<b>NMPC (Gas)</b>				600,000	1,000
<b>KEDNY</b>	New York City	Brooklyn	\$1.41 billion	1,017,000	1,400
<b>KEDLI</b>	Long Island	Hicksville	\$0.92 billion	537,000	700

### Significant Issues

Discussed below are a number of issues which consulting firms should familiarize themselves with while preparing proposals. The information and linked documents below will provide useful context for issues under review in this audit.

#### *Reforming the Energy Vision*

Reforming the Energy Vision (REV) (Case [14-M-0101](#)) is a comprehensive energy strategy to build an integrated power network capable of harnessing the combined benefits of the central grid with clean, locally generated power. Launched in 2014, this program is designed to help consumers make more informed energy choices, develop new energy products and services, and protect the environment while creating new jobs and economic opportunities. REV, along with other initiatives outlined in the 2015 New York State Energy Plan, are driving New York on a path to achieve the following clean energy goals by 2030: 50% generation of electricity from renewable sources, 40% reduction in greenhouse gas emissions from 1990 levels and 23% decrease in energy consumption in buildings from 2012 levels.

In support of REV, the Commission established a proceeding to develop accurate pricing for distributed energy resources (DER), such as solar power. The Value of Distributed Energy Resources (VDER) compensation system was created to move beyond net energy metering. VDER seeks greater accuracy by compensating projects based on the values that these systems bring to the grid and society, including locational and environmental benefits.

The Commission has required the state's six major investor owned utilities to file Distribution System Implementation Plans (DSIPs), to act as a roadmap for utilities to plan, operate and manage the modern electric grid. NMPC filed its [DSIP](#) with the Commission on June 30, 2016.

The Order Adopting Regulatory Policy Framework and Implementation Plan, released on February 26, 2015, directed utilities to develop and file demonstration projects which are intended to demonstrate new business models, i.e. new revenue stream opportunities for third parties and the electric utilities. In that regard, the projects will inform decision makers related to developing Distributed System Platform (DSP) functionalities, measure customer response to programs and prices associated with REV markets, and determine the most effective way to integrate DER into the electric grid. Further, as demonstration projects, they are intended to test new technology and approaches to assess value, explore options, and stimulate innovation before committing to full-scale implementation.

In July of 2015, NMPC filed four demonstration projects with the Commission as part of the REV initiative. These demonstration projects include integration of distributed energy resources and automated demand management capabilities at the Buffalo Niagara Medical Campus (BNMC); the introduction of solar options in the low to moderate income Fruitbelt Neighborhood adjacent to BNMC; business model innovation in developing a community resiliency microgrid within the Village of Potsdam in Northern New York; and a demand reduction project incorporating smart and automated

technologies for Clifton Park, NY. NMPC is required to provide the Commission with status updates on the progress of these developments.

#### *Energy Efficiency Program Data*

A March 15, 2018 Commission Order in Case [15-M-0252](#) directed each utility to conduct an internal assessment of its current data quality procedures, protocols, and controls governing its energy efficiency (EE) program data, inclusive of program and portfolio financial and energy metrics. In compliance with the Order, each utility will file an EE Data Governance Assessment Report in mid-September 2018 detailing the findings of their internal assessment. The utility reports will include descriptions of the management structure responsible for ensuring quality of data, the systems and technologies used to support data quality, data risk assessment processes, data quality controls, processes for determining what warrants a material change of reported data, and data quality measurements and goals, along with identified deficiencies and planned corrective actions.

#### Recent NMPC Rate Cases

On March 15, 2018, the Commission issued an Order adopting a Joint Proposal (JP) in Cases [17-E-0238](#) and [17-G-0239](#), which established three-year electric and gas rate plans for NMPC. The Commission's decision limited overall revenue increases in the first year to \$43 million or 1.7 percent for electric customers, and \$13 million or 2.4 percent for natural gas customers. This represented an 86% decrease from NMPC's original request of \$407 million in additional revenues from electric and gas rates.

#### *Electric*

NMPC will invest \$2.5 billion over three years to reinforce and modernize its electric transmission and distribution system, including investments to address the increased frequency and severity of storms. Moreover, the Commission directed the company to seek out non-wires alternatives in order to provide safe and reliable service at a lower cost than traditional infrastructure investments.

#### *Gas*

The Commission adopted updates to existing metrics based on recent performance in the areas of leak-prone pipe removal, leak management, damage prevention, emergency response, and gas safety. NMPC will enhance gas safety through six programs that include the distribution of residential methane detectors, initiatives aimed at pipeline damage prevention, and enhanced first responder training programs. Furthermore, NMPC will invest approximately \$138 million to replace 150 miles of leak-prone pipe over the term of the rate plan.

#### *Information Systems*

NMPC's electric and gas rates provide for Information Systems (IS) capital investments which are owned by ServCo and allocated to NMPC in the form of rent expense. The authorized funding will allow NMPC to invest in modernizing IS infrastructure, including Call Center Upgrades to more effectively manage contact with customers in its multiple in-state call centers. Funding is also authorized for the Gas Business Enablement Program, which would improve gas operations, such as enhanced customer information and appointment scheduling, workforce management, gas safety compliance, and system planning. Furthermore, the JP authorizes an incentive to encourage NMPC to implement IS projects at a lower than forecast cost.

#### *Street Lighting*

In adopting the terms of the JP, the Commission adopted various provisions relating to the upgrading of

street lights throughout NMPC's service territory to energy efficient LEDs. NMPC is required to sell its street lighting assets at a price equal to their net book value to any municipal customer that agrees to purchase all of such assets within the municipality's taxing jurisdiction. NMPC will also establish an "opt-in" LED-only replacement program for switching out Company-owned failed roadway luminaires with LED luminaires for municipalities that opt into the program.

#### Recent KEDNY and KEDLI Rate Cases

On December 16, 2016, the Commission issued an Order adopting a JP in Cases [16-G-0058](#) and [16-G-0059](#), which established three-year gas rate plans for KEDNY and KEDLI, running from January 1, 2017 through December 31, 2019. The Order authorizes annual revenue increases for KEDNY of approximately \$272.1 million in Rate Year 1, \$41.0 million in Rate Year 2 and \$48.9 million in Rate Year 3. The annual base revenue increases for KEDLI are approximately \$112.0 million in Rate Year 1; \$19.6 million in Rate Year 2 and \$27.0 million in Rate Year 3.

#### Recent Management and Operations Audits

The Utilities, along with other large investor-owned utilities in New York, were recently subject to two statewide operations audits. Case [13-M-0449](#) examined the Utilities' internal and contractor resources to determine whether sufficient staffing levels were maintained, while optimizing efficiency and cost effectiveness. The Final Report for this audit was released on February 21, 2017, and implementation of the audit's recommendations is ongoing. Case [13-M-0314](#) evaluated the completeness and accuracy of performance metrics reported by the Utilities to the Commission. The Final Report in this audit was released on April 20, 2016, and implementation of the audit's recommendations is ongoing.

In 2013, the Commission retained an independent auditor to conduct a management and operations audit of the gas operations of the Utilities (Case [13-G-0009](#)). The Final Report found the Utilities had performed well overall in providing gas service in a reliable manner but that there were numerous areas for improvement in their findings and recommendations. During the conduct of this audit, the Utilities were dealing with issues arising from the implementation of the SAP enterprise resource planning (ERP) system that went operational in November of 2012. NGUSA's US Finance group was addressing the remediation of repeated findings of significant deficiencies and material weaknesses in financial reporting. As of the release of this RFP, the Utilities had two open recommendations, which are related to work management processes, remaining to implement from this audit.

NGUSA's affiliate cost allocations, policies, and procedures were investigated in 2010 to determine if any of the Utilities had been over- or under-allocated for expenses (Case [10-M-0451](#)). The Final Report released in October of 2012 detailed a number of findings and recommendations which were implemented and closed out in 2015.

NMPC's electric operations were last examined in a 2008 management audit (Case [08-E-0827](#)). The Final Report, released on December 4, 2009, resulted in numerous recommendations and placed a special emphasis on such areas as assessing long-term energy supply planning, correcting deficiencies in project cost estimating, implementing effective means to manage and control transmission and distribution levels of service and costs, and improving management of the company's field forces. Implementation of the audit's recommendations was completed in 2016.

#### Customer Operations

The [Home Energy Fair Practices Act](#) (HEFPA, set forth in Public Service Law Article 2 and implemented in



16 NYCRR Part 11) provides comprehensive consumer protections to residential customers for electric and natural gas utility service. HEFPA establishes as State policy that the continued provision of all or any part of gas, electric, and steam service to all such ratepayers is necessary for the preservation of the health and general welfare and is in the public interest. HEFPA contains provisions related to new service applications, service cancelations, overdue bills, and other consumer protections. Non-Residential customers are entitled to similar protections (16 NYCRR Part 13) with some differences in conditions.

#### Low Income Program

In January 2015, the Commission initiated a proceeding to examine the low-income programs offered by the major electric and gas utilities in New York State (Case [14-M-0565](#)), in order to standardize utility low-income programs to reflect best practices where appropriate, streamline the regulatory process, and ensure consistency with the Commission's statutory and policy objectives.

As part of the recent NMPC rate case, the Commission adopted funding for an energy affordability program providing discounts to qualifying customers in accordance with its framework for the design of low-income programs.

<b>Commission Documents</b>			
	Rate Plans	Management Audits	Operations Audits
<b>NMPC (Elec)</b>	<a href="#">17-E-0238</a> <a href="#">12-E-0201</a> <a href="#">10-E-0050</a>	<a href="#">08-E-0827</a>	
<b>NMPC (Gas)</b>	<a href="#">17-G-0239</a> <a href="#">12-G-0202</a> <a href="#">08-G-0609</a>	<a href="#">13-G-0009</a>	<a href="#">10-M-0451</a> <a href="#">13-M-0314</a> <a href="#">13-M-0449</a>
<b>KEDNY</b>	<a href="#">16-G-0059</a> <a href="#">12-G-0544</a>		
<b>KEDLI</b>	<a href="#">16-G-0058</a> <a href="#">06-G-1186</a>		

## 2. Consulting Firm Selection Process

### 2.1 Proposal Evaluation

All proposals first undergo a technical evaluation and a cost evaluation by the Department. The results of this evaluation will determine which consulting firms proceed to the finalist interviews.

#### Technical Evaluation

All proposals will be evaluated for responsiveness to the RFP and technical merit. Staff reviewers will consider the proposed approach for and demonstrated understanding of each element of the audit, as well as the qualifications of the consulting firm and the individual consulting team members assigned to each element of the audit. The consulting firm's project management approach, proposed schedule, and approach to Customer Benefit Analyses will also be considered. The technical evaluation portion is worth 75% of the proposal score.

### Cost Evaluation

All proposals deemed qualified and responsive by the Department will undergo a cost evaluation. The cost evaluation portion is worth 25% of the proposal score.

### **2.2 Finalist Interviews**

Consulting firms selected for finalist interviews will be notified by the Department. Finalist interviews may last up to a full day. Consulting team principals are expected to attend in person at Three Empire State Plaza in Albany, New York. Other members of the consulting team may participate by teleconference.

### **2.3 Notification**

Following the Commission's selection of a consulting firm, the Department will notify the selected consulting firm and other finalists by telephone. Other bidders will be notified by e-mail. All bidders not selected for the project will be given the opportunity to receive feedback from the project manager after the Commission's selection. No information regarding the Department's review of proposals or recommendation will be shared with any consulting firm or any other party until such time as the Commission makes its decision.

### **2.4 Contracting Procedures**

The consulting firm selected by the Commission will sign a multi-party contract that will govern the conduct of the audit. This contract will also be signed by representatives from the Utilities and the Department.

### **2.5 Reserved Rights**

The Commission and/or the Department reserve the right to:

- Reject any or all proposals received in response to the RFP;
- Withdraw this RFP at any time, at the Department's sole discretion;
- Recommend the Commission make an award under this RFP in whole or in part;
- Amend the RFP specifications at any time to correct errors or oversights, or to supply additional information, as it becomes available;
- Prior to the due date for proposal submission, direct bidders to submit proposal modifications addressing subsequent RFP amendments;
- Disqualify any bidder whose conduct and/or proposal fails to conform to the requirements of the RFP or any subsequent amendments to the RFP, or any subsequent amendments hereto;
- Seek clarifications and revisions of proposals, including revisions addressing subsequent RFP amendments;
- Change any of the scheduled dates;
- Waive any requirements that are not material;
- Negotiate with the successful bidder within the scope of this RFP, or any subsequent amendments hereto, in the best interests of New York State or its ratepayers;
- Conduct contract negotiations with the next responsible bidder, should the Department be unsuccessful in negotiating with the selected bidder;
- Utilize any and all ideas submitted in the proposals received;
- Require clarification at any time during the consulting firm selection process and/or require correction of arithmetic or other apparent errors for the purpose of assuring a full and complete

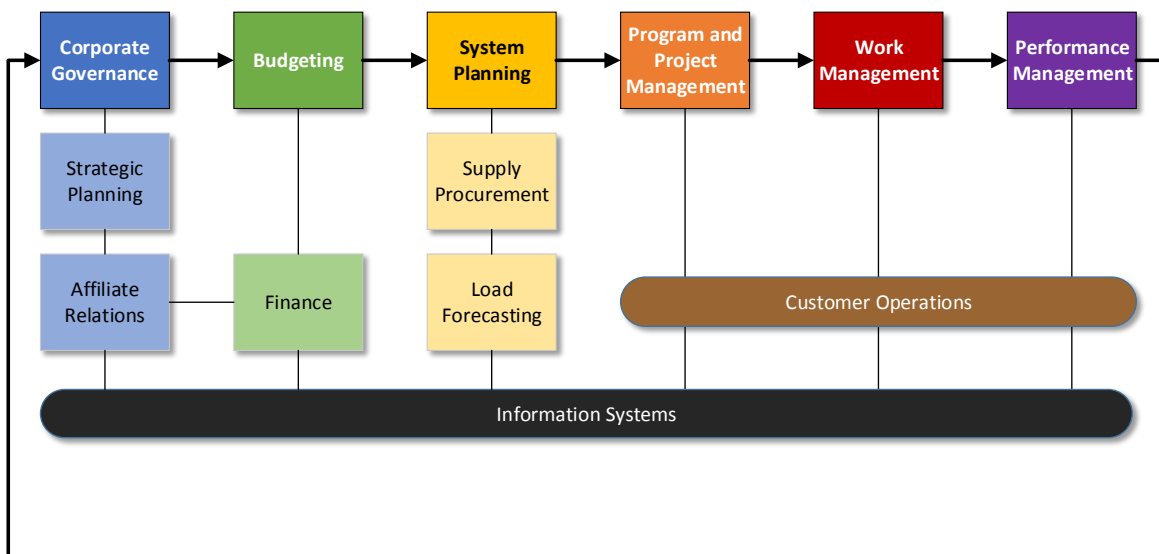
understanding of a bidder's proposal and/or to determine a bidder's compliance with the requirements of this RFP or any subsequent amendments hereto.

### 3. Performing the Audit

#### 3.1 Elements of the Audit

The scope of a management audit provides a comprehensive assessment of a utility's construction program planning progress and an evaluation of the utility's operational efficiency. This approach is based conceptually on a series of six core audit elements that can be viewed as a flow diagram or feedback loop. Each audit element is connected to the other elements. Additional elements, such as load forecasting or information systems, inform and support the core construction program planning elements. The connection of the audit elements allows improvements in one area to flow through to other areas over time. For example, improvements in project management processes can facilitate better work management and scheduling. Those improvements would be captured by an effective performance management program, which in turn would inform the strategic plan developed at the corporate level. As those improvements flow through the process, one would expect improved budgeting and subsequently more accurate system planning over time.

The Construction Program Planning Process



This management audit will include a review of the following elements:

1. Corporate Governance
2. Information Systems
3. Electric Planning and Grid Modernization
4. Electric Load Forecasting and Supply Procurement
5. Gas Planning
6. Gas Safety
7. Budgeting and Finance
8. Project Management
9. Program Management
10. Work Management
11. Performance Management
12. Customer Operations

### 3.2 Scope of Work

<b>1 – Corporate Governance</b>	
<b>1</b>	Determine if the Utilities’ corporate governance structure and executive management approach appropriately support New York operations and demonstrate commitment to REV, grid modernization, and other regulatory objectives.
<b>2</b>	Assess changes to the organizational structures of NGUSA and the Utilities since the most recent management audit.
<b>3</b>	Assess change management processes as they relate to grid modernization efforts.
<b>4</b>	Determine the extent to which best practices, resources, and expertise of the affiliated utilities, NGUSA, and National Grid plc are shared with the Utilities.
<b>5</b>	Determine the extent to which Enterprise Risk Management programs and internal controls regarding financial and non-financial risk areas provide adequate ratepayer protection at the Utility and state level.
<b>6</b>	Evaluate the effectiveness of the current processes and internal control procedures governing affiliate transactions, including Service Level Agreements, to ensure accountability and proper cost allocation.
<b>7</b>	Evaluate how the Utilities assess, review, and respond to tips, anonymous or otherwise, from employees and contractors.
<b>8</b>	Assess the strategic planning processes, including the linkage of programs to strategic goals, the roles of NGUSA and National Grid plc, and the extent to which the strategic planning function is incorporated with other planning activities and performance management processes.
<b>2 – Information Systems</b>	
<b>1</b>	Determine if the Utilities’ information systems effectively support current utility operations.
<b>2</b>	Determine the adequacy of the Utilities’ short- and long-term information systems plans, and if these plans support REV-related requirements, and if they will provide synergies across NGUSA which will benefit New York ratepayers.
<b>3</b>	Evaluate how the Utilities select, consider alternatives, prioritize, determine the scope of, and implement information systems projects.
<b>4</b>	Assess the adequacy and transparency of information provided to the Department related to information systems project selection, prioritization, and schedule, budget, and rate plan adherence.
<b>5</b>	Assess the effectiveness of the benefit/cost framework and accuracy of the process(es) employed by the Utilities to estimate costs and savings for decision-making regarding information systems.
<b>6</b>	Review the Gas Business Enablement project, including an assessment of how the Utilities plan to implement the project, and a determination if the project will achieve the intended goals in a cost-effective manner.
<b>7</b>	Determine the status of KEDNY’s Customer Information System conversion and if customer billing errors are occurring as a result of this conversion.
<b>3 – Electric Planning and Grid Modernization</b>	
<b>1</b>	Assess the ability of DER, including energy efficiency, to meet forecasted capacity requirements on the NMPC distribution system and the effectiveness of any efforts to enable these technologies to fill these needs.
<b>2</b>	Evaluate the processes used to collect and analyze information regarding the performance of DERs with respect to expected performance, including energy efficiency program realization rates.

3	Evaluate NMPC's processes for managing billing and tracking billing credits associated with VDER.
4	Assess how NMPC is preparing for the implementation of its planned DSP/DSIP platform.
5	Assess the efforts by which NMPC is evaluating the potential effects of large scale penetration of DER and future potential load drivers on its capital programs and planning practices.
6	Determine how NMPC is planning for the development of DSP capabilities, including platform service offerings which will generate utility revenue.
7	Review NMPC's efforts to develop more granular marginal cost of service estimates for planning valuation and DER valuation purposes.
8	Assess NMPC efforts to disseminate available local hosting capacity data to potential DER providers.
9	Assess NMPC's REV Demonstration Project development process, including a review of the process for contracting with third parties, risk-sharing with third parties, and the use of REV Connect in selecting projects.
10	Assess NMPC's Non-Wires Alternative project development and selection processes, including a review of evaluation criteria and ongoing oversight of such projects once they are operational.
11	Review the benefit/cost framework used by NMPC in electric system planning and prioritization to determine its effectiveness and compliance with Commission requirements.
12	Evaluate NMPC's bidding process and determine if the process is appropriately transparent and competitive.
<b>4 – Electric Load Forecasting and Supply Procurement</b>	
1	Evaluate changes to NMPC's electric load forecasting process since the previous management audit.
2	Determine NMPC's status implementing the load forecasting methodology changes detailed in its DSIP filing, evaluate the timeliness of the planned changes, and assess the adequacy and accuracy of the resulting forecasts.
3	Evaluate how system-wide and substation-specific load forecasting are incorporated into the planning process, assess the accuracy of those forecasts at the system-wide and substation level, and review NMPC's hierarchical synchronization process.
4	Determine to what extent NMPC has incorporated probabilistic approaches into the forecasting process as described in NMPC's DSIP filing.
5	Evaluate NMPC's means and methods for collecting load data that is disaggregated by time and location, and progress against related plans described in NMPC's DSIP filing.
6	Evaluate NMPC's financial and physical hedging practices as they relate to electric supply.
<b>5 – Gas Planning</b>	
1	Assess the models and inputs used to develop short- and long-term gas forecasts, and determine the extent to which back casts are utilized to determine the accuracy of the forecasting function.
2	Evaluate the convergence between the gas planning and electric planning functions as it relates to gas-fired electric generation.
3	Assess the readiness, capability and possible impediments to meeting increasing natural gas load, and possible alternatives to new long-term projects like pipeline capacity, including the ability of conservation, temporary compressed natural gas facilities, demand response or other programs to meet peak load requirements in the future.

4	Evaluate the effectiveness of gas hedging methods (physical and financial), strategies, and processes.
5	Determine the extent to which the Utilities incorporate the consideration of Non-Pipe Solutions as well as both traditional and non-traditional demand response techniques into their gas planning processes.
<b>6 – Gas Safety</b>	
1	Assess the leak prone pipe replacement programs, including flood zone management, risk models, and other factors used to determine mains to be replaced, verification that high risk pipes are replaced, and the program’s impact on total system leaks.
2	Evaluate the process used to track and report unit costs that are tied to positive incentives related to leak prone pipe.
3	Assess the Utilities’ Incident Investigation processes used to comply with Pipeline Safety Regulations and Best Practices.
4	Evaluate the Utilities’ record of gas safety violations and determine what, if any, systemic improvements are warranted.
5	Evaluate the onboarding, training, and qualifying of contractors performing construction of the Utilities’ pipeline facilities and operation and maintenance on the Utilities’ pipeline facilities.
6	Evaluate the training and qualifying of the Utilities’ workforce performing construction of the Utilities’ pipeline facilities and operation and maintenance on the Utilities’ pipeline facilities.
7	Assess the inspection, quality control, quality assurance, and oversight of contractors performing construction of the Utilities’ pipeline facilities and operation and maintenance on the Utilities’ pipeline facilities.
8	Assess the inspection, quality control, quality assurance, and oversight of the Utilities’ workforce performing construction of the Utilities’ pipeline facilities and operation and maintenance on the Utilities’ pipeline facilities.
<b>7 – Budgeting and Finance</b>	
1	Evaluate the Utilities’ capital budgeting processes, including the roles of the NGUSA and National Grid plc Boards of Directors, project selection, project prioritization, and status and variance reporting.
2	Evaluate whether the Utilities are utilizing the most cost-effective means to procure goods and services.
3	Assess each Utility’s Pension & Other Post-Employment Benefits plan asset investment strategy, considering risk, ability to meet obligations, and diversification of assets.
4	Determine whether the Utilities are using the most cost-effective means to issue securities (e.g., optimal corporate level at which to issue debt, SEC registered vs 144A or private placement).
5	Evaluate how the Utilities interact with credit rating agencies (e.g., are the credit rating agencies aware of the additional revenue opportunities associated with EAMs).
<b>8 – Project Management</b>	
1	Evaluate how the Utilities identify and select capital projects, consider alternatives, and memorialize which projects move forward and which do not.
2	Evaluate how capital projects are prioritized and scheduled, including a review of the variables considered in this process.
3	Evaluate the methods used to control capital project costs, scope expansion, and schedule adherence.

4	Assess the adequacy and transparency of information provided to the Department related to capital project selection, prioritization, and schedule, budget, and rate plan adherence.
5	Determine the extent to which project estimating processes and systems support the development of accurate estimates for project selection, budget development, and customer estimates, including an assessment of the impact of project estimating enhancements implemented subsequent to the previous management audits and rate cases.
<b>9 – Program Management</b>	
1	Assess the management of the Utilities’ Energy Efficiency programs, including a review of procedures for collecting, reporting, remediation of data errors, the impact of data errors on the planning process, and QA/QC procedures for ensuring data quality.
2	Assess the Utilities’ contracting procedures with, and process evaluations of, third-party Energy Efficiency vendors.
3	Evaluate how energy efficiency and demand response programs are coordinated with, and incorporated into, forecasting and planning processes.
4	Assess NMPC’s processes and procedures for managing, tracking, and maintaining its street lighting assets.
<b>10 – Work Management</b>	
1	Assess changes to work management processes implemented subsequent to the previous management audits.
<b>11 – Performance Management</b>	
1	Determine how internal reporting mechanisms, employee performance standards, and incentive compensation programs are used to promote corporate goals, grid modernization, safety and reliability standards, and Commission objectives.
2	Determine the adequacy of the Utilities’ use of benchmarking to compare its performance with affiliated utilities, similarly-situated utilities, and other relevant organizations.
<b>12 – Customer Operations</b>	
1	Examine the adequacy and effectiveness of each utility’s internal controls related to the Home Energy Fair Practices Act and Energy Consumer Protection Act – Rules (16 NYCRR Part 11).
2	Examine the adequacy and effectiveness of each utility’s internal controls related to the Rules Governing the Provision of Service by Gas, Electric and Steam Corporations to Nonresidential Customers (16 NYCRR Part 13).
3	Examine the effectiveness and efficiency of the Utilities’ Budget Billing processes (both manual and automated) relating to customer overpayment/underpayment of bills under the program.
4	Examine the effectiveness and efficiency of scheduling routine field work to ensure goals of service quality and customer satisfaction are achieved, and to prevent service interruptions at the incorrect service address.
5	Review and assess the applications and procedures regarding NMPC’s electric life support equipment program.
6	Examine the efficiency of the Utilities’ processes related to enrolling customers in the Low Income Affordability Program and their accuracy related to providing the appropriate discount.
7	Determine how missed appointment credits are detailed, accounted for, and applied to residential and non-residential customer accounts.
8	Assess the accuracy and thoroughness of information provided to customers by call center and contact center representatives, and assess related trainings and tools.

<b>9</b>	Examine the new service request process, including the application itself and the Contribution in aid of Construction process.
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### **3.3 Developing and Supporting Recommendations**

The audit program is guided by the principle that improvements to management practices and processes will lead to improved performance over time. Consulting firms are expected to develop recommendations for such improvements. The Commission and Department expect recommendations to be meaningful, actionable, and supportable. Fewer well-defined and well-supported recommendations are more desirable than numerous recommendations with minimal impact or inadequate support. In the Final Report, recommendations must be clearly tied to underlying findings and conclusions, which are further tied to original source documents.

### **3.4 Customer Benefit Analyses**

A thorough consideration of expected benefits and anticipated costs is a fundamental component of management audits in New York. Each recommendation developed by the consulting firm must be accompanied by a Customer Benefit Analysis which takes into account potential benefits, potential risks, one-time and ongoing costs, and potential savings or efficiencies. Though not all of these components are easily quantifiable, consulting team members are expected to work with the Utilities to quantify as many components as feasible. Proposals shall indicate the consulting firm's experience with and intended approach to Customer Benefit Analyses, including any templates the consulting firm intends to use. Proposed schedules shall include adequate time for the development of robust and well-documented Customer Benefit Analyses. Final Customer Benefit Analyses will be included in the Final Report or as an appendix to the Final Report.

### **3.5 Managing Audit Documents**

All work papers, interview notes, statistical analyses, and other supporting documents developed or obtained by the consulting firm during the course of the audit are to be made available to Department staff in a sequentially organized electronic format. The exact processes to be used for this type of reporting will be developed following the selection of a consulting firm. If a consulting firm has a preferred process or proprietary system for such, it shall identify that process or system in its proposal. Draft and final written deliverables will be submitted to the Department via e-mail.

### **3.6 Anticipated On-Site Work and Travel**

The on-site audit work begins with an orientation presentation, typically held at the headquarters of the Utilities. The orientation will be scheduled following the consulting firm's submission of its initial data request to the Utilities. A tentative timeframe for the orientation is indicated in Section 1.4 of this RFP. The purpose of the orientation is to gain sufficient background and perspective to prepare the audit work plan. Further data requests and interviews will follow as determined by the consulting firm.

The Department expects significant on-site work for this audit. Generally, during the field work portion of this audit (approximately six months following orientation), one to two site visits are expected each month. The selected consulting firm will work with the Utilities and the Department to determine the specific schedule for on-site work. This schedule will determine which utility personnel, Department staff, and individual consulting team members will need to be on-site. Please note that interviews and site visits may not be scheduled on days that the Department is not open for business. Additionally, key



members of the consulting team are expected to provide in-person briefings on the Final Report to the Department, the Commissioners, and the Utilities. This level of anticipated travel should be reflected in the consulting firm's proposal.

### 3.7 Deliverables

The selected consulting firm will provide the following during the course of the engagement:

- Work Plan – Following orientation, the consulting firm will develop and submit a work plan to the Department. The work plan is a further refinement of the proposal, and must outline in additional detail the schedule, methods to be employed, and scope of work to be examined by the consulting firm during the course of the engagement. The work plan scope must connect to the scope in the proposal, as well as this RFP. The consulting firm should work with staff to ensure any new concerns or emerging issues are addressed in the work plan, and that the work plan meets the Department's needs and expectations.
- Status Updates – The consulting firm will provide regular status updates to the Department on the progress of the audit. These updates are typically held via teleconference, and should report against schedule and budget, identify any emerging issues, and preview next steps. The schedule for these updates will be determined following the selection of a consulting firm.
- Status Reporting – The consulting firm is required to provide a written status report with each monthly invoice indicating the audit's overall progress from the preceding month, as well as reporting against the schedule and budget, and anticipated activities for the following month.
- Briefings – The consulting firm will brief the Department approximately halfway through the audit (Midpoint Briefing) to discuss tentative findings, preliminary assessments, and potential conclusions. The Midpoint Briefing is typically held via teleconference, and may include Senior Staff from the Department. In addition to the Midpoint Briefing, the consulting firm may be required at other times to provide briefings to the Department and/or the Commission.
- Draft Reports – The consulting firm will submit a Draft Report to the Department per the schedule in the approved work plan. Though the Draft Report may undergo further revision based on feedback from the Department, it should represent the consulting firm's final work product. The Draft Report must address all components of the scope of the audit in section 3.2 of this RFP, as well as all tasks delineated in the Approved Work Plan. Following the incorporation of feedback and approval from the Department, the consulting firm will present a revised Draft Report to the Utilities for a review of confidentiality and factual accuracy. In addition, the Draft and Final Reports must clearly explain each recommendation, its priority relative to other recommendations, and the applicable findings that the recommendation is intended to address.
- Customer Benefit Analyses – The consulting firm will develop Customer Benefit Analyses to support its recommendations. Draft Customer Benefit Analyses will be developed and submitted along with the Draft Report. Final Customer Benefit Analyses will be submitted as part of the Final Report or as an appendix to the Final Report.
- Final Report – The consulting firm will submit a Final Report to the Department following the Utilities' review of the Draft Report. In-person briefings to the Department or the Commissioners on the Final Report may be required. The consulting firm may also be required to meet with the Utilities' senior management or Board of Directors.

### 3.8 Payment

The consulting firm will submit a detailed invoice each month to the Department for approval. Following the Department's approval, the Utilities will pay the consulting firm. Invoices must be submitted to the Department's project manager via e-mail and must be accompanied by an audit progress report and a detailed accounting of the hours worked within each task area by each employee of the consulting firm for the preceding month. See Section 4.2 (Cost) of this RFP for further details about audit cost.

The consulting firm is required to maintain travel expense receipts for actual incurred audit-related travel expenses in excess of \$100. Upon request, the consulting firm must make such receipts available for review by the Department or the Utilities. Though hourly rates include travel expenses, any travel related to this audit must be limited to that which is both reasonable and necessary. Travel expenses are subject to audit and may be adjusted.

Payments are subject to certain retentions that are tied to deliverables and milestones. These are detailed in the multi-party contract. A consulting firm must submit an invoice to the Department for approval or the retention payment once the associated milestone has been met. This can be included with the monthly invoice or issued separately.

### 3.9 Post-Audit Activities

At the conclusion of the audit, the consulting firm must attest that certain sensitive and confidential utility documents have been appropriately discarded or destroyed. The specific requirements for this attestation will be provided in the multi-party contract.

If testimony or other support by the consulting firm is requested by the Commission or Department following the conclusion of the audit, the consulting firm must agree to provide the needed testimony at its standard rates for consulting services as outlined in the proposal. The consulting firm will be reimbursed for actual, reasonable travel expenses for post-audit work.

## 4. Writing and Submitting a Proposal

### 4.1 Content

The proposal must demonstrate a clear understanding of the objectives and deliverables outlined in this RFP. It should also illustrate the consulting firm's approach to meeting the objectives in a timely and comprehensive manner. Proposals demonstrate the consulting firm's ability to follow the instructions in this RFP and to communicate relevant information in a clear and professional manner. In this way, proposals are indicative of the quality of the Final Report. The Department expects proposals to be well-written, free of typographical errors, succinct, complete, and well-organized. Do not include any project costs in the proposal itself (See Section 4.4.4 – Cost Document). Proposals that do not meet these expectations may not be considered further.

The proposal must include the following components:

- **Introduction and Firm Experience** – In a concise narrative, describe the consulting firm's understanding of the scope and objectives for the project. The narrative should demonstrate the consulting firm's recent and relevant history, as well as its expertise relevant to the scope of work, New York's regulatory environment, and issues specific to each utility. Generic "boilerplate" material and restatements of this RFP must be kept to a minimum.

- **Scope and Objectives** – Describe, in detail, the consulting firm’s understanding of each audit element in the RFP. Identify any additional evaluative criteria, specific tasks, and activities for each audit element. Organize and number these in the same manner as Section 3.2 – Scope of Work, so it is clear which criteria, tasks, and activities are related to which scope component.
- **Approach, Methods, and Project Management** – Describe how the audit will be planned, conducted, and managed by the proposed team, as well as the methods and procedures the consulting firm proposes to use for the audit. Include a discussion of how the consulting firm’s project manager communicates and collaborates with its directors and individual team members, as well as the Utilities and Department personnel. Explain how the consulting firm will document the findings and conclusions in its Final Report (See Section 3.3 – Developing and Supporting Recommendations for further guidance). Include a discussion of how the consulting firm will identify, select, and assess a representative sample of construction programs and projects that are completed and/or in progress, for the purpose of identifying opportunities to improve performance.
- **Customer Benefit Analyses** – Include a description of the consulting firm’s approach to developing Customer Benefit Analyses. See Section 3.4 of this RFP for further guidance on expectations related to Customer Benefit Analyses.
- **Project Team and Responsibilities** – The proposal must identify the consulting firm’s Engagement Director and Project Manager. The proposal should include an organizational chart that clearly shows team member assignments for each element of the audit, including the designation of lead and support team members as applicable. The proposal must include a breakdown of the allocation of hours (not person-days) committed to each element of the audit (excluding any cost information), both in total, and per individual assigned. All consulting team member assignments must represent actual specific individuals; placeholders are not acceptable. No personnel, other than those identified in the proposal, can be assigned to the audit without prior written approval from the Department.
- **Work Timeline** – Include a timeline reflecting the duration of each phase of the audit. Gantt charts are acceptable, but must be legible.
- **Individual Experience and Qualifications** – Include a brief resume for each team member detailing his/her recent and relevant experience and credentials applicable to this audit. Include descriptions of previous assignments relevant to this audit. Identify any and all subcontractors.
- **Writing Samples** – Include links to relevant professional writing samples. Do not include the documents themselves, only links.
- **Conflicts of Interest** – The proposal must identify any potential conflict of interest. See Section 1.6 of this RFP for more information about conflicts of interest. If no potential conflicts of interest exist, the proposal should state this.
- **References** – The proposal must include no more than five references for recent and relevant work. Do not list any projects with the Department or include any names of Department personnel. References will be contacted.
- **Insurance Attestation** - [New York State Workers' Compensation Law §57 and §220](#) requires that any business applying for permits, licenses, or contracts with New York State provide evidence of appropriate workers’ compensation and disability benefits insurance coverage. The consulting firm must attest that it understands the mandatory insurance requirements and will provide documentation of such to the Department upon selection. The consulting firm does not

need to provide proof of coverage with the proposal, but will be required to provide such proof if the firm is selected to perform the audit.

- **Minority- and Women-Owned Business Enterprises (M/WBE)** – Indicate if the consulting firm is a New York State certified minority-owned business enterprise or women-owned business enterprise.

#### **4.2 Cost**

Audit costs are based on a fully-loaded hourly rate. Total audit expenditures are capped by a not-to-exceed amount. The Cost Document portion of the proposal package must indicate the standard hourly rate and the fully-loaded hourly rate for each team member, as well as the overall not-to-exceed amount for the audit.

To determine the fully-loaded hourly rate, consulting firms must develop a loading factor that will be added to the standard hourly rate as a percentage. The loading factor must include all anticipated back-office support, reasonable and necessary travel expenses, and materials required to complete the audit. The Cost Document must include a detailed explanation of the loading factor and the assumptions used to develop the same. To determine the travel expense portion, refer to Section 3.6 (Anticipated On-Site Work and Travel) of the RFP for more information about expected on-site work and travel. The detailed explanation for the loading factor will be evaluated by the Department in the context of historical bids and actual audit expenditures.

The not-to-exceed amount is inclusive of the fully-loaded hourly rate for each consulting team member multiplied by the number of hours each team member is expected to work on the project. Do not include any post-audit activities in the proposed not-to-exceed amount.

For example, if the expected standard hourly rates for all consulting team members add up to \$100,000, and the consulting firm determines its overhead including travel for the project is \$5,000, the loading factor would be 5% and the not-to-exceed amount would be \$105,000. In this scenario, if an individual team member's standard hourly rate is \$100, that individual's fully-loaded hourly rate would be \$105.

#### **4.3 Confidentiality of Proposals**

The content of all submitted proposals (including cost information) will remain confidential and exempt from public disclosure until such time as the Commission selects a consultant. The name of each consulting firm that submits a proposal in response to an RFP will be public information during the Department's review, but the Cost Document and the proposal itself will be protected from disclosure. After the Commission makes its selection, all submitted proposals and associated cost information will become public documents.

#### **4.4 Required Documents for Submission**

##### 1. Cover Letter to the Secretary

The purpose of this letter is to formally notify the Department of the consulting firm's bid and interest for consideration for the project. This letter will be public information. The Cover Letter to the Secretary must comply with the following:

1. Must be a separate Portable Document Format (PDF) file.
2. Must be addressed to the "Secretary to the Public Service Commission."
3. Must include the name of the audit and the case number as provided in this RFP.

4. Must include a declaration that all the information in the proposal is accurate, that the consulting firm is committed and able to perform all the work contained in the proposal, that the consulting firm is in compliance with all RFP requirements and that the proposal is valid for 180 days from the date of the cover letter.

## 2. Letter to the Records Access Officer

The purpose of this letter is to ensure confidentiality of proposals during the consultant selection process. This letter will be public information. The content of this letter can be identical to the cover letter to the Secretary, except that it:

1. Must be addressed to the “Records Access Officer” and
2. Must include the following paragraph requesting confidentiality:

*[Name of Consulting Firm] respectfully requests that the information in the attached documents be treated by the Commission and the Department of Public Service as trade secret information and confidential commercial information pursuant to Public Officers Law §§87(2) and 89(2), and the Commission’s implementing regulation, 16 NYCRR §6-1.3. The information in these documents, if made available publicly during the pendency of the selection process, would likely cause substantial injury to the competitive positions of [Name of Consulting Firm]. Accordingly, [Name of Consulting Firm] respectfully requests that the attached unredacted documents be treated as confidential trade secret information and afforded all of the protections against public disclosure available for such information, as provided by law, until such time as the Commission selects a consulting firm for the above referenced audit.*

## 3. Proposal

The proposal is the primary document that Department staff will evaluate to determine if the consulting firm will be interviewed as a finalist. Do not include any project costs (billing rates, professional fees, etc.) in the proposal itself.

## 4. Cost Document

The Cost Document is a separate PDF file in which the consulting firm will indicate the proposed not-to-exceed amount for performing the audit, the standard hourly rates for each consulting team member, the fully-loaded hourly rates for each team member, and the supporting explanation and calculations for the loading factor used to determine the fully-loaded hourly rates. All cost information must be contained in the Cost Document only.

## **4.5 Proposal Submission Procedures**

The proposal package must be e-Filed with the Department by 4:00 p.m. Eastern Time on Friday, July 6, 2018.

A step-by-step guide to e-Filing a proposal package is available on the Department’s website at the following link: [How to Submit Response to Management & Operations Audit RFP](#). A consulting firm must visit this link in advance of the deadline for proposal submission to ensure it has the latest version of the instructions. Technical questions about e-Filing can be directed to [dmm@dps.ny.gov](mailto:dmm@dps.ny.gov) or (518) 474-3204.