

Filed Session of October 18, 2006  
Approved as Recommended  
and so Ordered  
By the Commission

---

JACLYN A. BRILLING  
Secretary  
Issued and Effective October 18, 2006

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

October 13, 2006

TO: THE COMMISSION

FROM: OFFICE OF ELECTRICITY & ENVIRONMENT

SUBJECT: CASE 06-M-1078 – Proceeding on Motion of the Commission to Audit the Performance of Consolidated Edison Company of New York, Inc. in Response to Outage Emergencies.

SUMMARY OF

RECOMMENDATION: Staff recommends that the Commission approve the Request for Proposal described in the body of this memorandum for an independent third-party consultant to be engaged to conduct the audit of Con Edison's performance in its response to outage emergencies and its planning for restoration of service, pursuant to Section 66(19) of the Public Service Law.

SUMMARY

This proceeding was instituted by orders dated September 8 and September 20, 2006<sup>1</sup>. In those orders, the Commission directed that an independent third-party consultant be retained to conduct an audit of Consolidated Edison Company of New

---

<sup>1</sup> Order Instituting Proceeding and Directing Audit and Confirming Order issued September 8 and 20, respectively.

York, Inc.'s (Con Edison or the company) performance in response to several outage emergencies and the company's planning for restoration of service.

This memorandum provides an overview of the scope of work for the audit to be performed, along with the significant target dates to be achieved during the course of the audit. It is expected that the audit will result in recommendations for actions that the company should take to improve its emergency outage planning, preparation, management, outreach and public communication, and restoration efforts throughout its service territory. The complete Request for Proposal (RFP) is attached to this memorandum.

Staff recommends that the Commission approve the Request for Proposal described in the body of this memorandum for an independent third-party consultant to be engaged to conduct the audit of Con Edison's performance in its response to outage emergencies and its planning for restoration of service. Pursuant to Section 66(19) of the Public Service Law, the cost of the audit will be paid for by Con Edison, but the consultant will be selected by the Commission and will report to, and be under the direction of, Staff.

### INTRODUCTION

During the period January to September 2006, there were four instances in which large numbers of Con Edison's customers, primarily in Westchester and Long Island City (Queens), experienced major power outages<sup>2</sup> that each lasted anywhere from five to nine days each before service was fully restored. There was significant customer and governmental dissatisfaction with the company's responses to these outages, and numerous complaints were received by the Department of Public Service regarding the utility's slow responses, delayed restoration of power, poor communications, inaccurate recorded customer service messages, and a lack of information provided to customers.

---

<sup>2</sup> The Westchester outages are January 18-23, July 18-22, and September 2-8, 2006. The Long Island City outage was July 17-25, 2006.

For example, on July 17, 2006, disturbances on the company's distribution feeders during an extended period of high temperatures resulted in extensive outages for customers served by its networks and an extended time to restore service.<sup>3</sup>

### DISCUSSION AND CONCLUSION

Effective preparation for major storms, communication with customers, and prompt restoration of service are essential components of a utility's responsibility to provide safe and adequate service to its customers. During the outage emergencies that have occurred this year, questions have arisen about the timeliness of Con Edison's restoration of service, and the ability of its customers to obtain accurate information about the extent and duration of an outage. Given the outage experiences over the course of this year, a thorough examination of Con Edison's management of its electric emergency planning, outage response, and power restoration operations was called for by the Commission. Such an examination is to assess the company's performance and identify opportunities for improvement.

On September 8, 2006 the Commission ordered in this proceeding that an independent audit of the company's operations and management of responses to weather-related and other outage emergencies would evaluate the company's practices and procedures and result in recommendations for improvements in its planning and organization for responses to outage emergencies and service restorations.

Attached to this memorandum is a Request for Proposal (RFP) that seeks a consultant to conduct the audit of the utility's system-wide operations, practices, and

---

<sup>3</sup> The Commission has ordered a Staff investigation into the Long Island City electric network outage (Case 06-E-0894, Electric Power Outages in Consolidated Edison Company of New York, Inc.'s Long Island City Electric Network, Order Instituting Proceeding and Directing Staff Investigation (issued July 26, 2006). Staff also conducted a review of the January 2006 outage and is currently conducting a review of the July and September outages. The consultant is expected to take into account the information, findings, and recommendations resulting from Case 06-E-0894 and other internal or external reviews/investigations of company outages.

procedures as they relate to emergency planning, response to outages, and restoration of service. The consultant would be engaged to evaluate the adequacy of the company's management of its emergency outage responses and preparedness. The Commission will select the consultant, and Staff will manage the audit and conduct its direction. Con Edison has agreed to enter into a contract with the auditors, providing for their payment by the company.

Specifically, the scope of the audit will consist of several elements of review of Consolidated Edison's electric emergency outage program:

1. Planning/Preparedness – This element centers on the company's planning efforts for electric emergency outages. It incorporates a review of the policies and procedures that form the framework for the company's response to electric emergency outages.
2. Performance/Effectiveness – This element focuses on the company's ability to mobilize adequate resources, establish critical priorities, effectively execute plans with the agility needed to quickly make adjustments in response to changing circumstances, and the effectiveness of the company's communications with customers, other responders, stakeholders, etc. Included in this review will be a detailed assessment of restoration activities encompassing its ability to function effectively within the National Incident Management System framework and protocols.
3. Best Practices – This aspect of the audit will compare the company's electric emergency outage planning and restoration activities to industry "best practices" appropriate to the company's operating environment. The audit should identify best practices that the company is or should consider employing in the area of electric emergency outage response, as well as opportunities for improvement.

The proposed schedule of milestones and key events for the audit are:

- |                                 |                      |
|---------------------------------|----------------------|
| • Issue RFP                     | October 18, 2006     |
| • Bidder's Conference Call      | November 1, 2006     |
| • Consultant Proposals Due Date | November 20, 2006    |
| • Finalist Interviews           | December 13-15, 2006 |
| • Consultant Selected           | January 2007         |
| • Initial Draft Report          | August 2007          |
| • Final Report to NYSDPS        | October 2007         |

After reviewing the consultant's findings, Staff will report to the Commission the findings and recommendations resulting from the audit.

The Commission has ordered that a consultant conduct a full, independent examination of Con Edison's preparedness for responses to outage emergencies and its performance in responding to them. It is expected that the audit will result in recommendations for actions that the company should take to improve its emergency outage planning, preparation, management, outreach and public communication, and restoration efforts throughout its service territory.

#### RECOMMENDATION

It is recommended that:

1. The Commission approve the Request for Proposal described in the body of this memorandum for an independent third-party consultant to be engaged to conduct the audit of Con Edison's performance in its response to outage emergencies and its' planning for restoration of service, pursuant to Section 66(19) of the Public Service Law.

Respectfully submitted,

John R. Coleman  
Project Coordinator

Reviewed by:

Douglas K. May  
Chief, Energy Resources and the Environment  
Office of Electricity & Environment

CASE 06-M-1078

Guy Mazza  
Assistant Counsel  
Office of General Counsel

Approved by:

James T. Gallagher  
Director  
Office of Electricity & Environment

Attachment

# STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350

Internet Address: <http://www.dps.state.ny.us>

## PUBLIC SERVICE COMMISSION

WILLIAM M. FLYNN

*Chairman*

PATRICIA L. ACAMPORA

MAUREEN F. HARRIS

ROBERT E. CURRY JR.

CHERYL A. BULEY



PETER McGOWAN

*Acting General Counsel*

JACLYN A. BRILLING

*Secretary*

October 18, 2006

### TO ALL PROSPECTIVE BIDDERS:

The New York State Department of Public Service (NYSDPS) is seeking a consultant to perform a review of Consolidated Edison Company of New York's Electric Emergency Outage Program. The attached Request for Proposal (RFP) outlines the scope of this project. A conference call for bidders interested in our RFP will be at 10:00 AM EST on **November 1, 2006**. Consultants interested in bidding on this project and participating in the conference call are requested to notify John R. Coleman, Consolidated Edison Audit Project Coordinator no later than **October 30, 2006**.

Consultants interested in responding to this RFP must submit 10 copies of their proposal by **November 20, 2006**. The full schedule of key events is as follows:

<u>Target Date</u>	<u>Task</u>
October 18, 2006	Issue RFP
November 1, 2006	Bidder's Conference Call
November 6, 2006	Written Question Submission Deadline
November 13, 2006	NYSDPS Response to Bidder's Questions
November 20, 2006	Consultant Proposals Due
December 13-15, 2006	Finalist Interviews
January 2007	Consultant Selected
August 2007	Initial Draft Report
October 2007	Final Report to NYSDPS

Any specific questions should be directed to John R. Coleman, Consolidated Edison Audit Project Coordinator, ([john\\_coleman@dps.state.ny.us](mailto:john_coleman@dps.state.ny.us)), Department of Public Service, 3 Empire State Plaza, Albany, New York 12223-1350 (518) 486-2947.

Sincerely,

John R. Coleman  
Project Coordinator

Attachment

***Request for Proposal to Review the Adequacy of Consolidated Edison Company of New York, Inc.'s Electric Emergency Outage Program***

**I. OVERVIEW**

The New York Public Service Commission is seeking an independent consultant to audit Consolidated Edison Company of New York, Inc.'s (Consolidated Edison or the Company) system-wide operations, practices, and procedures as they relate to electric emergency planning, response to outages, and restoration of service. So far this calendar year, Consolidated Edison customers have endured four major power outages where hundreds of thousands of customers waited anywhere from five to nine days for power to be restored. Effective preparation for emergencies (including major storms) and efficient and timely outage response and restoration of service, are critical to the provision of safe and reliable service. Given the events over the course of the year, a thorough examination of the Company's management of its electric emergency planning, outage response, and power restoration operations is warranted to assess the Company's performance and identify opportunities for improvement. Pursuant to Section 66(19) of the Public Service Law, the cost of the audit will be paid by Consolidated Edison, but the consultant will be selected by the Commission and will report to, and be under direction of, the New York State Department of Public Service Staff (Staff). An initial draft report of findings and recommendations from the selected consultant is expected by August 2007 and a final report by October 2007.

**II. PURPOSE/OBJECTIVE**

The Commission issued an Order<sup>1</sup> initiating a proceeding to conduct an independent audit of the adequacy of the Company's management of its electric emergency outage response and restoration. During the outage emergencies that have occurred this year, questions have arisen about the timeliness of Consolidated Edison's restoration of service and the ability of customers to obtain accurate information about the extent and duration of the outage. Given these concerns the Commission feels the Company's preparedness for outage emergencies and its practices and procedures for responding to these outages should be examined. The audit should result in identification of opportunities for improvements that will enhance Consolidated Edison's operations, plans, management, and public communication practices as they relate to outage emergencies throughout its territory.

---

<sup>1</sup> Case 06-M-1078 – Proceeding on Motion of the Commission to Audit the Performance of Consolidated Edison Company of New York, Inc. in Response to Outage Emergencies. (Issued September 8, 2006; See Attachment A).



### **Scope of Proposed Audit**

The Commission is concerned about the effectiveness of Consolidated Edison's Electric Emergency Outage Program based, in part, upon customer complaints regarding the Company's performance and in response to electric emergency outages in January 2006, July 2006<sup>2</sup> and September 2006. Effective and efficient electric emergency preparedness, mobilization, execution, effective communications with customers, and prompt restoration are essential in times of electric emergency outages, be they storm related or other electric system events.

The broad parameters of the scope of this audit were identified in the Commission's September 8, 2006 Order:

*...the Commission determines that there is a need to initiate a proceeding and to conduct an independent audit of the Company's system-wide operations, practices and procedures as they relate to emergency planning, response to outages, and restoration of service<sup>3</sup>*

The independent auditor will be expected to review Consolidated Edison's electric emergency outage restoration capabilities from three primary perspectives:

- **Planning/Preparedness** – This element centers on the Company's planning efforts for electric emergency outages. It incorporates a review of the policies and procedures that form the framework for the Company's response to electric emergency outages.
- **Performance/Effectiveness** – This element focuses on the Company's ability to mobilize adequate resources, establish critical priorities, effectively execute plans with the agility needed to quickly make adjustments in response to changing circumstances and the effectiveness of the Company's communications with customers, other responders, stakeholders, etc. Included in this review will be a detailed assessment of restoration activities encompassing its ability to function effectively within the Incident Command System or similar framework and protocols.

---

<sup>2</sup> In July 2006, the Commission instituted a proceeding and directed a Staff investigation of all issues associated with the failure of feeders and the outages in the Company's Long Island City electric network. Case 06-E-0894, Proceeding on Motion of the Commission to Investigate the Electric Power Outages In Consolidated Edison Company of New York, Inc.'s Long Island City Electric Network, issued July 26, 2006.

<sup>3</sup> Case 06-M-1078, Proceeding on Motion of the Commission to Audit the Performance of Consolidated Edison Company of New York, Inc. In Response to Outage Emergencies, Order Instituting Proceeding and Directing Audit, issued September 8, 2006, page 2.

- **Best Practices** – This aspect of the audit will compare the Company's electric emergency outage planning and restoration activities to industry "best practices" appropriate to the Company's operating environment. The audit should identify best practices that the Company is or should consider employing in the area of electric emergency outage response, as well as opportunities for improvement.

### **Electric Emergency Outage Planning/Preparedness**

This aspect of the review should focus on the adequacy of the Company's overall electric emergency preparation and response planning process and Consolidated Edison's Emergency Response Plan. These efforts should be designed to assure that there is effective response and prompt restoration of electric service in response to an electric emergency outage. The review of the planning process should also address the actions the Company takes in anticipation of an event that may result in an electric emergency outage (storm or sustained hot weather) and what steps can be taken to reduce the impact of the outage. Recent changes in the planning and response processes should be identified and assessed.

The review will also include an organizational assessment of the Company's internal structure for managing service interruptions and the adequacy of the Company's overall resources (personnel, equipment<sup>4</sup> and facilities, as well as resources from third party providers such as rental generators) that are available for electric emergency outages. With respect to the organizational structure, the audit should assess the reporting relationships established and the roles and responsibilities of organizations and personnel involved in electric emergency outage planning, response and restoration. Training is an important component of planning, and the audit will review and assess the adequacy of the Company's training efforts for electric emergency outages.

The review will also include an evaluation of the Company's planning criteria and operating policies, plan activation thresholds, as well as the personnel and equipment available (both in-house and from outside providers, including other utilities) to the Company to respond aggressively to large-scale outage emergencies and the Company's planning efforts associated with deploying and managing these resources in an optimal manner. The audit should include a thorough review of how the Company collects the data regarding outages/interruptions, including the accuracy and integrity/independence of the data and how that data is used. The review should include an assessment of load reduction plans/policies incorporated in the Company's planning models and/or policies and procedures. The review will also assess the ability of the Company to manage and respond to multiple and simultaneous large-scale outages occurring in different operating areas. The audit should identify the effectiveness of systems and procedures the Company employs for determining the extent of damage incurred, number of customer outages and developing service restoration estimates. Consideration should be given to the internal communication process and the use of data information systems for restoration planning purposes. The audit will address the

---

<sup>4</sup> For example, are crews prepared in the event of an emergency? Is response time extended by not having equipment already available on site (i.e. do crews need to request/obtain supplies and equipment prior to dispatch)?

potential availability of information from other sources (e.g., cable TV providers) as to individual retail customers impacted by an outage. The audit should also review the Company's procedures for obtaining assistance from other utilities, equipment providers and contractors and its ability to effectively deploy and manage these additional resources. Finally, this aspect of the audit should ascertain if the Company's plans and procedures provide for effective communication and outreach efforts on a regular basis, including its policies and procedures for providing services and accurate information to customers, local officials, state agencies and the public throughout the electric emergency outage event.

### **Electric Emergency Outages – Performance/Effectiveness**

This aspect of the audit should review the Company's actual electric emergency outage performance including execution of its Emergency Response Plan. There should be a focus on the effectiveness of the Company's electric emergency outage performance and include detailed information reflecting the Company's historical performance in electric emergency outage restoration activity. The consultant should review the Company's internal assessments ("lessons learned") of electric emergency outages, the Company reports filed in accordance with Part 105.4c of the New York Public Service Commission's rules, and Department of Public Service Staff reviews of Consolidated Edison Outages from 1999 through 2006 and determine whether the recommendations from these assessments were implemented. Where necessary, the consultant should perform an independent analysis of any aspect of the Company's performance during 2006 to make its assessment complete.<sup>5</sup>

The audit should detail the effectiveness of the Company in deploying and managing personnel and equipment in the most optimal manner and its effectiveness in communicating information internally. The review should determine if the Company's policies and procedures were activated appropriately and ultimately followed. The review should verify the accuracy of the data collection systems used for determining the extent of outages, including the number of customers affected and the development of an accurate estimate of the time for service restoration. The audit should review the results of all interruption reporting systems (including customer-based interruption reporting systems) and assess the data collection process for and accuracy of such systems. The audit should also assess the incorporation of network supply/load reduction actions taken by the Company to meet the emergency situation(s). The audit should also assess the effectiveness of the Company's procedures for obtaining assistance from other utilities and contractors and its ability to effectively deploy and manage these additional resources. Finally, this aspect of the audit should ascertain the Company's procedures to assure effective outreach efforts on a regular basis, including its policies and procedures for providing accurate and timely information to local officials, state agencies and the public throughout the electric emergency outage event.

---

<sup>5</sup> As noted in its Order of September 8, 2006, the Commission ordered a Staff investigation of the company's Long Island City Electric Network. Staff also conducted a review of the January 2006 outage and is currently conducting a review of the July and September 2006 outages. The Commission expects that the independent consultant audit of Consolidated Edison's Electric Emergency Outage Program will take into consideration the information, findings and recommendations resulting from these investigations and other internal or external reviews/investigations of Company outages.

### **Electric Emergency Outage Planning – Best Practices**

This aspect of the review will require that the consultant indicate how industry “best practices” are employed within the Company's electric emergency outage program, and if not employed, which areas might be suitable for the adoption of those best practices applicable to the specific attributes of the Company's operating environment. The consultant will be responsible for reviewing “best practices” of the industry to identify any significant differences in electric emergency response planning, response, restoration and communications that exist (between Consolidated Edison and “best practices”) and the underlying reasons for such variances. Additionally, the consultant will be expected to identify opportunities for improvements (tree trimming, undergrounding, rerouting, technical innovations, etc.) in the Company's practices and procedures that would or could mitigate the effects of storms and other events on unplanned outages and reduce the magnitude of such outages and the duration of the subsequent emergency response and service restoration efforts. Findings and recommendations relative to best practices may be presented either as a separate section of the report, or subsumed in each of the function areas identified.

Each of the above items will be the foundation of the report prepared by the consultant. **These three elements have been identified by Staff. Your proposal should identify any additional aspects within these elements that you believe necessary to provide a thorough evaluation.** A final report will be prepared and all findings and recommendations should be thoroughly documented by the consultant. Further, while the scheduled date for the initial draft is August 2006, we expect the consultant to bring to Staff and the Company's attention any matters of significance in advance of the initial report (as they are identified) that would, if adopted, improve the Company's electric emergency outage response.

### **III. SPECIFIC DELIVERABLES**

The consultant will be expected to provide the following key documents:

- 1) The chosen consultant will be expected to confer with Staff during the creation of its initial workplan. Subsequent to these initial orientation meetings the consultant will be responsible for submission of an initial and final draft workplan to Staff. These drafts should outline in additional detail the scope and methods to be employed by the consultant during the course of the engagement as well as a detailed schedule (including milestones) for the remainder of the review. The consultant may modify the initial draft after giving due consideration to Staff's comments, and must then submit a final draft workplan to Staff for approval. Approval of the workplan by Staff will authorize the consultant to execute the tasks as stated therein.<sup>6</sup>

---

<sup>6</sup> Payments to consultants are discussed in detail in the Guide; however, bidders should be aware that 10% of professional fees will be retained throughout the project. In addition, the Department of Public Service will retain an additional 5% of professional fees pending the approval of the detailed workplan. Once the Department approves the workplan, the 5% retained will be released.

- 2) The consultant will provide regular briefings to Staff on the progress of the audit and identify discussion issues germane to the audit's success.
- 3) The schedule for the initial draft report is August 2007 as set forth in the schedule below. This initial draft report must provide the results of the consultant's review and recommendations should be in sufficient detail to support specific findings.
- 4) Thereafter, the consultant will present a revised draft report to Staff, and subsequently, at Staff's direction, a copy of the draft report will be forward to the Company for factual verification. After factual verification, and at the discretion of the Department of Public Service, a hearing on the report may be convened. If such a hearing is convened, the consultant may be required to present its revised draft report including findings and recommendations within the context of this formal hearing. To that end, the consultant should be prepared to defend the report and respond to examination by parties if such a hearing were established.<sup>7</sup> In the final report, the consultant may make modifications to address specific comments as it deems necessary after consultation with Staff.
- 5) A final report by October 2007 to Staff will document the consultant's evaluation of each aspect of Consolidated Edison's Electric Emergency Restoration Program as outlined in this RFP and the consultant's approved workplan. All consultant workpapers must be available for Staff's review.

#### **IV. SCHEDULE**

The schedule for this project is set forth below. Consultant proposals may provide their own proposed schedules if the consultant feels for any reason that the schedule provided herein is not achievable. If a consultant includes a schedule that differs from the schedule herein, the consultant should provide a rationale for any such differences.

---

Further discussion of payments and retentions are discussed in the Guide.

<sup>7</sup> At the Department's option, the consultant(s) will be required to testify or respond to questions within the context of the proceeding, should such a hearing be established. The consultant(s) will be paid at the rate(s) agreed to in the contract. The cost for testimony and the consultant's participation should not be included in the consultant's bid price. To the extent such participation is required, the contract will be amended to provide additional funding for such. However, the consultant(s) will be paid at the rate(s) agreed to in this contract.

<u>Target Date</u>	<u>Task</u>
October 18, 2006	Issue RFP (Posted to DPS <a href="http://www.dps.state.ny.us">www</a> <sup>8</sup> )
November 1, 2006	Bidder's Conference Call
November 6, 2006	Written Question Submission Deadline
November 13, 2006	Response to Bidder's Questions (Posted to DPS <a href="http://www.dps.state.ny.us">www</a> )
November 20, 2006	Consultant Proposals Due
December 13-15, 2006	Finalist Interviews
January 2007	Consultant Selected
February 2007	Orientation Meetings
March/April 2007	Draft Workplan Submitted
April 2007	Workplan Approved by DPS
August 2007	Draft Report Submitted to Staff
September 2007	Revised Draft Report to Con Ed - Factual Accuracy
September 2007	Revised Draft Report to Staff/Con Ed
October 2007	Final Report to NYSDPS

## **V. BIDDER'S CONFERENCE CALL**

A bidder's conference call concerning this RFP will be held at 10 AM EDT on **Wednesday, November 1, 2006**. Firms interested in participating in the bidder's conference call and expecting to respond to the Request for Proposal should contact John R. Coleman, Consolidated Edison Project Coordinator (518) 486-2947 for the conference call number. Firms are requested to contact us by close of business on **October 30, 2006**.

The consultant proposals are due by 5:00 PM, **Monday, November 20, 2006**. Any specific questions should be directed to Mr. John R. Coleman, Consolidated Edison Audit Project Coordinator – Department of Public Service, 3 Empire State Plaza, Albany, New York 12223-1350. Mr. Coleman can also be reached at (518) 486-2947 or via e-mail ([john\\_coleman@dps.state.ny.us](mailto:john_coleman@dps.state.ny.us)).

## **VI. PROPOSAL FORM and CONTENT**

This RFP is bid in whole. While consultants are free to subcontract portions of this review, there will be only one consulting firm retained. All subcontractors must be approved by Staff and must comply with all aspects of the RFP, including the conflict/ethics provisions set forth in Attachment B, Section II. The consultant's proposal must provide a clear demonstration of its understanding of the objectives and deliverables. It should also illustrate the consultant's approach to meeting the objectives in a timely and comprehensive fashion. Proposals should comply with the attached "Guide" (Attachment B to this RFP).

---

<sup>8</sup> The Department of Public Service [www](http://www.dps.state.ny.us) page can be found at <http://www.dps.state.ny.us>.

## **VII. PROPOSAL SUBMISSION**

Consultants interested in responding to this RFP must submit an original and 9 copies of their proposal. **The Department of Public Service must receive all proposals no later than 5:00 PM on Monday November 20, 2006.** All materials should be enclosed in a sealed inner envelope and be identified on the outside as "Response to RFP Regarding Consolidated Edison Electric Emergency Outage Program." Consultants should also submit an electronic version of their proposal on **November 21, 2006**. However, the Department will not accept e-mail submissions or facsimile copies of proposals as a substitute for the hardcopies of the proposal. Further, submission of electronic version or facsimile copy of the proposal will not be considered as sufficient with respect to the bid receipt deadline of 5:00 PM on **Monday, November 20, 2006**.

All proposals must be received in our office at the address below. Proposals should be addressed to:

Jaclyn A. Brillling  
Secretary  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, New York 12223-1350

All proposals should include a cover letter, signed by a responsible official certifying:

- the accuracy of all information in the proposal;
- the bidder's commitment and ability to perform all the work contained in its proposal;  
and
- compliance with all Request for Proposal requirements.

The cover letter should include the bidder's address, name of a contact person, telephone number, e-mail, address and fax number. In addition, the cover letter should contain a statement that the proposal is a firm offer for a 180-day (or more) period. Staff will acknowledge receipt of each bid by e-mail. Additionally, bidders may submit a self-addressed stamped envelope requesting that Staff verify that their bid was received.

## **VIII. PROPOSAL EVALUATION**

### **Overview**

All proposals will be evaluated by Staff. The Commission desires to select the bidder who will provide the "best value," taking into consideration the most beneficial combination of qualifications, services and cost, and the consistency of the bid with the requirements of this RFP. Only proposals deemed to be responsive to the submission requirements will be evaluated by an Evaluation Team comprised of members of Staff. The criteria against which each proposal will be

evaluated are described below.

### **Evaluation Criteria**

The selection process entails two steps. First, initial review of the proposals based on the criteria identified below will be conducted by Staff. Second, based upon this initial evaluation, one or more of the consulting firms will be selected and interviews with the finalists will be scheduled. Similar to the cost of proposal preparation, consultant costs associated with preparation and participation of finalist interviews is the responsibility of the consulting firm, should not be incorporated in the proposal, and are not reimbursable.

The initial evaluations of the proposals will be based on Staff's assessment of the likelihood that the work will be done well and in a timely manner as determined in large part by using the following criteria:

**Criteria 1: Content of Proposal** - The proposals will be reviewed by Staff for conformity with the RFP and the *Guide*, and reviewed for substantive content. The ability of the consulting firm to prepare a proposal that is clearly written, concise, yet complete and well organized will be considered a strong indication of the firm's ability to produce a final report of similar quality. The criteria will also look at the firm's proposed project management processes. Any proposed reservations or constraints concerning Staff's involvement must appear in the proposal and will be a factor in its evaluation.

**Criteria 2: Firm and Individual Consultant Expertise and Experience** - In evaluating the proposals, equal weight will be given to the experience, ability and expertise of the consulting firm and the experience of the individuals assigned to the project. The proposal should demonstrate the firm's ability to manage the project and present its proposed approach and methods to be used to conduct the evaluation and meet the objectives as outlined in the project scope. The expertise and experience of individuals to their proposed work assignments associated with this audit should be clearly outlined as it will be an important factor in this aspect of the evaluation.

**Criteria 3: Cost** - The cost of the consultant's evaluation will be analyzed from the perspective of the number of days required, the billing rates of the proposed staff, and administrative overhead.

### **Proposal Price**

The consultant shall provide a not-to-exceed cost in which the cost of professional services and out-of-pocket expenses are separately stated. The proposal must include the current professional fee rates for each individual. The consultant should detail any assumptions going into the price bid. The not-to-exceed cost shall be inclusive of all expenses associated with the creation of the deliverables, including travel and incidentals. Payments under the contract will be made according to a negotiated schedule of deliverables; however, 15% of professional fees will be retained until Staff approves the detailed workplan. With the approval of the workplan the incremental 5% of



professional fees which were withheld pending approval of the workplan will be released and subsequently 10% of professional fees will be retained until Staff determines that all deliverables have been provided to Staff. Furthermore, until such time as the consultant has completed its draft report and delivered it to the Department for its review, no more than 75% of the budgeted professional fees will be paid to the consultant. Proposals should identify key milestones for payment. A more detailed discussion of the submission of invoices and consultant payments is included in the *Guide*.

**Attachment A**

**ORDER INITIATING PROCEEDING AND DIRECTING AUDIT**

**CASE 06-M-1078**

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on September 8, 2006

COMMISSIONER PRESENT:

William M. Flynn, Chairman

CASE 06-M-1078 – Proceeding on Motion of the Commission to Audit the Performance of Consolidated Edison Company of New York, Inc. in Response to Outage Emergencies.

ORDER INSTITUTING PROCEEDING AND DIRECTING AUDIT

(Issued and Effective September 8, 2006)

INTRODUCTION

Heavy rain and strong winds caused by Tropical Storm Ernesto resulted in widespread damage to trees and power lines in the service territory served by Consolidated Edison Company of New York, Inc. (Consolidated Edison). The damage caused service outages, beginning on September 2, 2006, for approximately 100,000 business and residential customers.

The Company's customers have complained about its slow response to the outage, delayed restoration of power, poor communications, and lack of information provided to customers. Similar complaints were directed against the Company after storm related outages that occurred in January 2006 and in July 2006. On July 17, 2006, disturbances on the Company's distribution feeders during an extended period of high temperatures resulted in extensive outages for customers served by its networks and an extended time to restore service. As a result of its network outages, Con Edison was subject to numerous complaints about its

practices and preparations for responding to outages, slow restoration of service, and poor communications.<sup>1</sup>

Effective communication with customers and prompt restoration of service is an essential component of the Company's responsibility to provide safe and adequate service to its customers. An independent audit of the Company's operations and management of responses to weather related and other outage emergencies would evaluate its practices and procedures and result in recommendations for improvements in its planning and organization for responses to outage emergencies and service restorations.

By this Order, the Commission determines that there is a need to initiate a proceeding and to conduct an independent audit of the Company's system-wide operations, practices, and procedures as they relate to emergency planning, response to outages, and restoration of service. The Commission will engage a consultant to perform this audit on the adequacy of the Company's management of its emergency outage responses and preparedness. The audit will be managed by Department of Public Service Staff and conducted at its direction. Con Edison has agreed to enter into a contract with the auditors providing for their payment by the Company. The consultant shall be directed to conduct a full independent examination of the Company's preparedness for responses to outage emergencies and performance in responding to them and Staff is directed to report the findings and recommendations resulting from the audit to us.

---

<sup>1</sup> By order issued July 26, 2006, the Commission ordered a Staff investigation of these network outages, which is underway in a separate proceeding (Case 06-E-0894, Electric Power Outages in Consolidated Edison Company of New York, Inc.'s Long Island City Electric Network, Order Instituting Proceeding and Directing Staff Investigation (issued July 26, 2006). The investigation includes review of the circumstances leading to loss of primary feeders and need for improvement to the Company's plans, practices, procedures, and operations to avoid similar outages. It is anticipated that the audit instituted herein will take into consideration the information, findings, and recommendations resulting from the Long Island City Electric Network investigation.

### DISCUSSION AND CONCLUSION

During the outage emergencies that have occurred this year, questions have arisen about the timeliness of Con Edison's restoration of service and the ability of customers to obtain accurate information about the extent and duration of the outage. The Company's preparedness for outage emergencies and its practices and procedures for responding to these outages require an audit and recommendations for improving its performance. We expect the audit to result in identification of improvements that are necessary in Con Edison's operations, plans, management, and public communication practices as they relate to outage emergencies.

Specifically, the audit would include, but not be limited to, an assessment of the following aspects of the Company's management and operations:

1. Effectiveness of the Company's overall emergency response planning, response to outages, and service restoration efforts, including an organizational assessment of the Company's internal structure for managing service restoration;
2. Adequacy of the Company's resources available by major operating areas, including personnel and equipment, to respond aggressively to large-scale outage emergencies and the Company's effectiveness in deploying and managing these resources in an optimal manner;
3. Planning and preparation for responding to multiple and simultaneous large-scale outages occurring in different operating areas;
4. Effectiveness of procedures for determining the extent of outages, including the number of customers affected, and in providing accurate estimates of the timing of service restorations;
5. Effectiveness of plans and procedures for obtaining assistance from other utilities and contractors, and ability to effectively deploy and manage these additional resources; and
6. Proper procedures to assure effective outreach efforts on a regular basis, including accuracy of information and frequency of communication with local officials, state agencies, and the public throughout the event.

It is expected that the audit will result in recommendations for actions that the Company should take to improve its emergency outage planning, preparation, outreach, and restoration efforts throughout its service territory.

Accordingly, a proceeding is instituted and an independent consultant with the requisite expertise shall be engaged to conduct an audit of Con Edison's emergency outage preparedness and response, performance during outages, and service restoration. Con Edison Company shall enter into a contract with an independent third-party auditor to work for and under the direction of the Commission according to the terms that the Commission may determine are necessary and reasonable. The evaluation shall conform to the scope of work set forth in this Order and any additional aspects of the Company's operations with respect to its responses to outage emergencies that are identified. The process of retaining a consultant and performing an evaluation shall commence immediately.

It is ordered:

1. The proceeding described in the body of this Order is instituted.
2. An independent third-party consultant shall be engaged to conduct an audit of the Company's performance in response to outage emergencies and planning for restoration of service, in conformance with the discussion in the body of this Order.
3. Consolidated Edison Company of New York, Inc. shall enter into a contract with an independent third-party auditor to work for and under the direction of the Commission according to the terms that the Commission may determine are necessary and reasonable.
4. This proceeding is continued.

(SIGNED)

---

Commissioner

**State of New York  
Department of Public Service**

**The Guide**

**A Guide For Consultants Submitting Proposals Concerning  
Consolidated Edison Company of New York's Electric Emergency  
Outage Program**

**Case 06-M-1078**

**October 2006**

## Table of Contents

I.	Introduction .....	3
II.	The Audit Program.....	3
A.	<u>Conflicts of Interest and Ethical Conduct</u> .....	3
B.	<u>The Request for Proposals</u> .....	4
C.	<u>Responsibilities of the Commission Staff</u> .....	4
D.	<u>Office Space and Equipment</u> .....	5
III.	Proposals .....	5
A.	<u>Design and Content</u> .....	5
B.	<u>Freedom of Information</u> .....	10
IV.	The Selection Process.....	10
A.	<u>Review of Proposals</u> .....	10
B.	<u>Interview of Consultant Staff</u> .....	11
C.	<u>Recommendation to the Commission</u> .....	12
V.	The Project .....	12
A.	<u>Contracting Procedures</u> .....	12
B.	<u>Responsibilities of the Parties</u> .....	12
C.	<u>Managing the Review</u> .....	13
D.	<u>Developing Findings, Conclusions and Recommendations</u> .....	14
E.	<u>Final Report</u> .....	14



<b>I. Introduction</b>
------------------------

The Public Service Law allows management and operations audits of major gas, electric, telephone, and water utilities in New York State. The law authorizes the Public Service Commission (the Commission) to select independent consultants to conduct these studies and further authorizes the Commission to order the respective utilities to implement the recommendations resulting from these audits. Generally, these audits are conducted by consultants selected by the Commission, and this “*Guide*” for an audit of Consolidated Edison Company of New York’s (the Company, or Con Ed) Electric Emergency Outage Program is intended to describe the manner in which this audit will be administered.

It is the Commission’s practice to send its request for proposals (RFP) to any firm or individual requesting its receipt. Since the Commission does not use an established list of qualified firms or individuals, each firm or individual submitting a proposal is required to demonstrate to the satisfaction of the Commission its qualifications and abilities to undertake the assignment.

The Commission expects this review to produce a clearly written and documented report on the adequacy of Consolidated Edison’s Electric Emergency Outage Program.

<b>II. The Audit Program</b>
------------------------------

This review will be conducted by a consultant selected by the Commission. The audit process begins with the preparation of a RFP, followed by receipt of proposals (Section III), selection of a consulting firm (Section IV), and the review (Section V).

**A. Conflicts of Interest and Ethical Conduct**

The Commission will not engage a firm with a conflict of interest, and may not engage any firm with the appearance of a conflict of interest.

The consultant’s proposal should identify each existing contract or other agreement that the consultant or its subcontractor(s) have with Consolidated Edison of New York, Inc. and/or its affiliates and should describe any work that it or its affiliates are doing or have done for any Consolidated Edison of New York, Inc. and/or its affiliates in the past two years. Similar disclosures should be made for any existing contract the consultant or its subcontractor(s) have with organizations representing Consolidated Edison of New York’s workforce. Based on the consultant’s submission, Staff will determine if there is either an appearance of or an actual substantive conflict of interest.

The consulting firm selected, and its staff and subcontractors are expected to conduct themselves in accordance with the highest business, professional and ethical standards. Neither the consulting firm, its staff, nor any subcontractor is to offer any gift, favor, or gratuity of any value, or to make any offer of employment to any officer or employee of the Company or to any Commissioner or member of the Department of Public Service Staff (Staff) either during the audit or within two years following completion of the review. 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 or Staff.

Finally, the consulting firm selected and any subcontractor engaged by it on the project, will be required to enter into a three-party contract (consultant, the Company and the Commission) establishing the terms of the engagement. A copy of that contract will be available on the web site of the Department of Public Service as well as upon request. The consulting firm and any subcontractors must agree that neither it nor any of its affiliates or any of its principals or employees will perform any work for the Company or its affiliates during the course of the audit and for two year after completion of the audit without written authorization by the Commission.

**B. The Request for Proposals**

This RFP contains the scope and objectives of the review and is based on the requirements identified in the Commission Order in Case 06-M-1078.

Neither the Commission nor Staff maintains a list of qualified firms. Rather, the RFP is sent to any individual or firm that has requested to be on the mailing list.

The RFP will provide for an informational meeting for those individuals or firms interested in submitting a proposal, at which Staff will provide additional information on the project scope and schedule.

**C. Responsibilities of the Commission Staff**

The Commission is the client and through Staff, the Commission will exercise the monitoring and control necessary to achieve its objectives. Monitoring of the study will include adherence to the scope, the contractual agreement, defined procedures, schedules, and budgets. Staff's responsibilities encompass all aspects of the engagement.

The Commission will rely on Staff for periodic reports on project status, the emerging issues, and the content of the final report. Therefore, it will be necessary for Staff to monitor the work of the consultants. This could include accompanying the consultant on site visits and attendance at interviews as required.

**D. Office Space and Equipment**

It is the responsibility of Consolidated Edison to provide suitable office space with file cabinets, telephones, access to copying facilities, and fax machines for use of the consultant and Staff during the course of the review.

<b>III. Proposals</b>
-----------------------

The proposal submitted by the individual consultant or firm is the document that Staff will use to make its initial judgment regarding the consultant's qualifications, understanding of the Commission's scope and objectives, and the ability to undertake the project. The proposal is also an indication of the consultant's ability to present its thoughts clearly, concisely, and cogently, and will be an indication of the consultant's ability to produce a final report.

The original and 9 copies of the proposal are to be filed with:

Jaclyn A. Brillling  
Secretary  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, New York 12223-1350

Those submitting proposals do so entirely at their own expense. There is no expressed or implied obligation by the Commission to reimburse any firm or individual. Whether selected to perform work or not, any costs incurred in preparing or submitting the proposal or responding to any additional information requested by Staff, or for participating in the selection interviews described in Section IV, will not be reimbursed.

Submission of any proposal indicates acceptance of the conditions contained in the RFP and this *Guide* unless clearly and specifically noted otherwise in the proposal. The Public Service Commission reserves the right to reject any and all proposals submitted in response to its request.

**A. Design and Content**

The proposal, which is to be bound as a single document,<sup>1</sup> must contain a description of relevant projects that the consulting firm has completed. A single copy of one or more of the firm's most recent publications, presentations or other documents should be submitted along with the proposal. Preferably, such documents should be of a final nature concerning the same subject area as this proposal, and be of similar complexity.

---

<sup>1</sup> As discussed in Section III (B), any material claimed to be confidential should be clearly identified and include an explanation of the specific reasons why confidentiality is claimed.

The proposal must contain the following sections, which will be discussed in more detail below:

1. Introduction
2. Scope and Objectives
3. Approach, Methods, Procedures, and Project Management
4. Areas and Issues for Review
5. Consulting Staff Organization
6. Schedules and Budgets
7. Qualifications of the Firm
8. Exhibits

1. Introduction

The introduction should include a short section describing the purpose of the proposal. A demonstration of the consultant's understanding of the specific issues relevant to the audit is required.

2. Scope and Objectives

The Commission's scope and objectives are described in the RFP. The procedures that will govern the review are described in this Guide. In this section of the proposal the consultant is to confirm in its words its understanding of the scope and objectives. The consultant should demonstrate the process the consultant intends to use to evaluate Consolidated Edison's Electric Emergency Outage Program. Proposals should identify specific tasks and activities that the consultant would perform. At a minimum, the proposal should address the methods and procedures to be employed and the criteria to be used in reviewing Consolidated Edison's Electric Emergency Outage Program. The consultant's proposal should describe the underlying approach to be utilized in performing this evaluation to allow Staff to understand fully how the consultant would perform the evaluation.

3. Approach, Methods, Procedures, and Audit Management

An explanation of the process the consultant intends to use to demonstrate its compliance with the required scope of work must be provided. It should contain how the review will be planned, implemented, supervised and managed by the consultant's staff, as well as the philosophy and approach to these steps. The methods and procedures to be employed and the criteria to be used in its evaluations should also be addressed to allow Staff to fully understand how the consultant will perform the review.

The scheduling and project management systems to manage and control the project are to be described in this portion of the proposal.

#### 4. Areas and Issues for Review

The proposal must include a description of how the scope and issues identified in the Commission Order will be examined during the audit, and show how the consultant's staff will be assigned to complete the scope and meet expected deadlines.

#### 5. Consultant Staff Organization

The proposal must include the organizational structure for the engagement and the resources that will be involved in the review. The organizational structure should identify personnel who will work on each aspect of the evaluation, their expected time commitment, and relevant credentials. The consultant should note which resources in this organizational structure will be dedicated to which aspects of the project and which resources will be shared. Each of the consulting staff members who will be assigned to the specific task areas must be designated in the proposal and what percentage of that consultant's time would be allocated to the project must be specified. A resume which focuses on experience directly related to his or her areas must be included for each individual. Descriptions of an individual's experience should include his or her responsibilities in previous assignments which are relevant to the scope and objectives of the review, whether that experience was gained during the period of employment with the proposing consulting firm, and whether the proposed team has worked together on previous assignments. For those individuals proposed who are not employees of the firm, the nature of their commercial relationship with the firm is to be described, including the number of previous assignments undertaken on behalf of the firm. Each consultant should be prepared to discuss his or her experience in the area of electric emergency outage programs. No other personnel can be assigned to the review without prior written approval of Staff. If the consulting firm is selected as a finalist, personnel should be available for finalist interviews.

#### 6. Schedules and Budgets

The proposal is to include a schedule/timeline showing dates for all important milestones such as project start, time on-site, and draft and final reports for the project. The proposal must also contain a not-to-exceed cost in which the costs of professional services and out-of-pocket expenses are separately stated, and the criteria for each defined for billing purposes. The current professional fee (billing) rates for each individual must also be stated. An example of the invoice detail that is to be reported and billed is shown in Exhibit 3-1. Staff will audit all invoices and no payment will be made until authorized by Staff as being compliant with the contract. For purposes of establishing an expense budget and determination of expenses chargeable to the project, we suggest your proposal set forth a per diem rate for expenses. These per diem rates would be for all expenses (excluding hotel and inter-city transportation).

The cost for all draft reports is to be included in the not-to-exceed cost. However, the cost of printing the final report is not to be included in the not-to-exceed cost. If Staff determines that the consultant should provide printed copies of the final report, the consultant will be reimbursed for its costs of printing the final report.

Finally, at the Department's option, the consultant(s) will be required to testify or respond to questions within the context of the proceeding, should such a hearing be established. The consultant(s) will be paid at the rate(s) agreed to in the contract. The cost for testimony and the consultant's participation should not be included in the consultant's bid price. To the extent such participation is required, the contract will be amended to provide additional funding for such. However, the consultant(s) will be paid at the rate(s) agreed to in this contract.

## 7. Qualifications

Proposals should include a discussion of the following: A) qualifications of the individual consultants to be assigned; and, B) qualifications of the firm.

A) Qualifications of Individual Consultants - Provide a detailed description of the experience and qualifications for all consultants who will be assigned to the project. The proposal should identify the lead consultant and the name and credentials of each consultant team member who will be involved and the specific area(s) to which they will be assigned and responsible. At the finalist interviews, each consultant should be prepared to discuss his/her experience in the area of electric emergency outage and his/her specific area of expertise, as applicable.

B) Qualifications of the Consulting Firm - The proposal should discuss the firm's specific experience in electric emergency outage programs. Previous engagements of a similar nature should be identified and client references for those engagements should be included in the proposal. The firm must clearly demonstrate its prior experience in protecting confidential/sensitive information, including, but not limited to the methods, processes and procedures which will be employed. The principal participants of the engagement must be in the employ of the firm(s) submitting the proposal.

**Exhibit 3-1****Sample Invoice**

Ocean Breeze Associates  
 172 Leisure Lane  
 Hilton Head, South Carolina

February 10, 2007

XXXXXX

Consolidated Edison Audit Project Manager  
 Office of Communications  
 Department of Public Service  
 3 Empire State Plaza  
 Albany, New York 12223-1350

Dear XXXXXX:

This constitutes our invoice for professional fees and expenses incurred during January 2007 on the Consolidated Edison Electric Emergency Outage Audit payable by Consolidated Edison, after Staff approval.

<u>Staff</u>	<u>Days</u>	<u>Rate</u>	<u>Fees</u>	<u>Expenses</u>	<u>Total</u>
Hector Lopez	7	\$xxx	\$x,xxx	\$ xxx.xx	\$ x,xxx.xx
Susan Jones Smith	3	xxx	xxx	xx.xx	x,xxx.xx
Robert Fields	2.5	xxx	x,xxx	xx.xx	x,xxx.xx
Liam O'Leary	5	xxx	x,xxx	xxx.xx	x,xxx.xx
Helen Roberts	8	xxx	x,xxx	xxx.xx	x,xxx.xx
Alan Cohen	<u>11</u>	xxx	<u>x,xxx</u>	<u>xxx.xx</u>	<u>x,xxx.xx</u>
Subtotal	36.5		xx,xxx	x,xxx.xx	xx,xxx.xx

Firm Expenses

Supplies	\$ xxx.xx
Telephone	xx.xx
Secretarial/Office Support	<u>xx.xx</u>
Subtotal	\$ xxx.xx

Invoice Total	\$xx,xxx.xx
---------------	-------------

I certify that the above charges are correct and just and have not been previously billed, except as indicated, and that payment therefore has not been previously received by Ocean Breeze Associates.

Very truly yours,

Herbert Fowler  
 Vice President

**B. Freedom of Information**

With certain specified exceptions, New York State's Freedom of Information Law (FOIL), Public Officers Law §§ 84-90, requires the Commission to provide the public with copies of an agency's records upon request. While it has not been Staff's practice to routinely release copies of proposals submitted, those submitting proposals should be aware that upon receipt the proposals become an agency record. Accordingly, in response to a request under FOIL, the Commission could be required to make copies of any proposal available to the public. **If a bidder desires any part of its proposal to be kept confidential, it must clearly identify the specific sections and/or proposal information that is claimed to be proprietary at the time of submission.** A request for protection should be made to the Secretary of the Public Service Commission setting forth the reasons. Any request for confidentiality will be subject to the requirements of the State Freedom of Information Law (FOIL). Failure to request protection at the time the proposal is submitted may result in public disclosure of the information submitted.

Any data, reports or other information, which the Company presents to the consultant on a proprietary basis, shall be identified as proprietary in the consultant's draft and final reports provided to Staff.

<b>IV. The Selection Process</b>
----------------------------------

The selection process will consist of an evaluation of the proposals in two steps: an initial review of proposals and an interview of consultant staff of those firms selected from the initial review.

**A. Review of Proposals**

The proposals will be reviewed and evaluated by Staff for conformity with the RFP, this Guide and for substantive content. The proposal must provide a clear demonstration of its understanding of the objectives and deliverables identified in the RFP. Staff may request additional information or clarification and may permit correction of errors or omissions under certain circumstances.

In evaluating the proposals, weight will be given to the experience and ability of the consulting firm's staff in conducting relevant audits, to the experience and ability of the individual(s) designated to manage the audit, and to the proposed approach and methods.

The cost of the audit will be analyzed from the perspective of the number of staff days proposed, and the billing rates of the proposed staff.

The ability of the consulting firm to prepare a proposal that is clearly written, concise yet complete, and well organized will be considered a strong indication of the firm's ability to produce a final report of similar quality.



The proposal submitted must clearly demonstrate an understanding of functions used in the area of electric emergency outage programs relating to the subject of this audit.

Although the selection of those firms that will receive further consideration is dependent on the quality of the proposal, the Commission may not select a high cost proposal when a lower cost proposal is acceptable.

**B. Interview of Consultant Staff**

Those firms selected for further consideration may be required to arrange a location in Albany or New York City for interviews of the individuals to be assigned to the audit. The standard agenda should include a short presentation of the consultant's proposal, and a discussion of scope, approach, methods, procedures, and project management with the designated engagement manager. Staff may also interview each of the professional staff separately at that time to discuss his or her areas of expertise.

1. Evaluation Criteria

The areas to be evaluated during the interviews include the experience, ability, and expertise of personnel, the ability of the audit manager, and the ability of the proposed staff to function as a team. Of equal importance is the proposed team's understanding of the scope of the engagement and of the proposed methods and approaches. Serious deficiencies in any of these categories could be sufficient cause for a firm not being selected, regardless of its strengths in other areas.

2. Document Requirements

The firms under consideration will be requested to submit in advance of the interview copies of recent work products by each professional staff member in those areas in which the person is proposed to be assigned.

Each firm will be required to describe in writing how it proposes to document the findings and conclusions in its report. At a minimum, the work papers should identify sources of information, nature and extent of the work done and conclusions reached. The firm should be prepared for an audit by Staff of work papers in any scope area during or after the audit.

**C. Recommendation to the Commission**

Based on the process described above, Staff will present a recommendation to the Commission to select the firm, which in Staff's judgment, is best qualified to perform the review.

<b>V. The Project</b>
-----------------------

**A. Contracting Procedures**

The firm selected by the Commission will be required to sign a standard Commission-approved agreement that will govern the conduct of the review. This three-party agreement is also to be signed by representatives of the Company and the Staff, and sets forth the responsibilities of each of the parties. A copy of that contract will be made available upon request.

**B. Responsibilities of the Parties****1. Commission Staff**

Staff has overall responsibility for the day-to-day management of the project and will work closely with both the consultant and the Company to stay abreast of the review and facilitate coordination between the consultant and the Company. Staff has the responsibility to review the consultant's work and may participate in all the project activities, including, but not limited to, interviews and field visits.

**2. Consultant**

The consultant is responsible for performing the review, developing the findings and conclusions, and producing the draft and final audit reports. A senior member, the audit manager, of the consultant's organization will be designated to address issues.

**3. Company**

The Company is to designate a senior officer to coordinate the Company's effort. The senior officer will be kept abreast of the progress and issues of the review so that he or she will be able to ensure there is appropriate planning, direction, and corporate commitment to the project. The senior officer should be well informed in his/her designated areas and have sufficient authority to make and implement decisions.

The senior officer, or his/her designee shall make arrangements for the coordination of day-to-day matters, such as arranging interviews and site visits and coordinating the Company's response to information requests.

### C. Managing the Review

The consultant's project manager is responsible for the efficient conduct of the review, its compliance with the prescribed scope, and its adherence to the established schedules and budgets.

#### 1. Audit Trail and Work Papers

During the course of this engagement, the Company will maintain possession of the documents at its offices. The Company is not subject to requirements relating to disclosure of documents under FOIL. **Consultants may make interview notes, but may not remove any sensitive documents, nor may a consultant remove any portions of supporting documents (including interview notes, work papers, etc.) that contain Company sensitive information.** The consultant's proposal must specifically discuss the steps to be taken by the consultant to protect sensitive information learned from this engagement. The consultant shall not copyright any material developed during the course of the project.

#### 2. Documentation and Reporting

The consultant is required to report to Staff on its continuing progress. These reports are not limited to reporting against the schedule and budget, but are also to include reporting on developing issues, findings, and likely conclusions. A midpoint status meeting with Staff will be expected and should appear in the consultant's proposed schedule under Section III A (6).

Other written reports or documentation as detailed below will also be necessary during the course of the review. These reports must be prepared for distribution electronically:

- a) A report of interviews and site visits scheduled, if applicable, for the following week. As this report is updated, it will also serve as a report on interviews conducted,
- b) A monthly report of staff-days expended by activity in each task area, and
- c) A document request report (log) kept on-site at the utility showing data requested and date received.

#### 3. Invoice Approval

Although the subject of the study and the party responsible for payment is the Company, the Commission is the client. Thus, it is Staff's responsibility to audit the consultant's invoices before authorizing payment by the Company. It is normal practice for consultants to submit invoices once a month. Firms which have a different practice should explain how often invoices would be submitted.

The auditor will verify the charges through an examination of appropriate supporting documents such as time sheets, expense reports, vouchers for transportation and lodging, invoices supporting fees for sub-contractors, and invoices supporting other out-of-pocket expenses. Copies of these records must be made available to Staff along with the invoice.

The consultant shall provide a not-to-exceed cost in which the cost of professional services and out-of-pocket expenses are separately stated. The proposal must include the current professional fee rates for each individual. The consultant should detail any assumptions going into the price bid. The not-to-exceed cost shall be inclusive of all expenses associated with the creation of the deliverables, including travel and incidentals. Payments under the contract will be made according to a negotiated schedule of deliverables; however, 15% of professional fees will be retained until Staff approves the detailed workplan. With the approval of the workplan the incremental 5% of professional fees which were withheld pending approval of the workplan will be released and subsequently, 10% of professional fees will be retained until Staff determines that all deliverables have been provided to Staff. Furthermore, until such time as the consultant has completed its draft report and delivered it to the Department for its review, no more than 75% of the budgeted professional fees, will be paid to the consultant. Proposals should identify key milestones for payment.

**D. Developing Findings, Conclusions and Recommendations**

It will be the responsibility of the consultant to fully develop the findings and conclusions, subject to a Staff review for completeness.

**E. Final Report**

The final report is to be written at a level that assumes a fundamental understanding of common utility terminology and operations. It is intended for an audience consisting of interested parties, the Commissioners, Staff and Company management, and highly technical terms, jargon, and acronyms are not to be used.

In addition to the final reports identified above, consultants must also be prepared to submit an initial draft evaluation report for Staff review. It will be reviewed for adherence to the scope identified in the RFP. Subsequent to Staff's initial review and approval, a revised draft report will be provided to Consolidated Edison for their comments before the report is made final.