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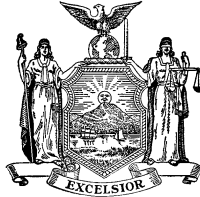
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August 15, 2013

Mr. Kevin Burke, President and Chief Executive Officer
Consolidated Edison Company of New York, Inc.
4 Irving Place
New York, NY 10003

Re: Case 13-M-0314 – Focused Operations Audit of Utilities' Reported Data

Dear Mr. Burke:

Pursuant to Section 66 (19) of the Public Service Law, the New York State Public Service Commission has approved and issued a Request for Proposal (RFP) seeking a consultant to perform a focused operations audit of specified data utilities report to the Commission. The Law requires audits of the major electric and gas utilities and gives the Commission the authority to select a consulting firm and direct the utilities to pay the costs of the audit. Attached is the RFP that describes the scope and schedule of the audit. Also attached is the Guide for Consultants.

Consolidated Edison Company of New York, Inc. and Orange & Rockland Utilities, Inc. are hereby directed to designate a senior officer to work with Staff to coordinate the companies' participation in this operations audit, and who will sign the multi-party contract once a consultant has been selected. A project manager should also be designated who will work with Staff and the consultant on a day-to-day basis. Kathleen Tallmadge, Unit Leader, Management and Operations Audit Unit, Office of Accounting, Audits and Finance, will represent the Department and sign the contract. Ronald Vero will be the Department's Project Manager. Once a representative has been designated, please contact Ronald Vero at (518) 474-3137 or Ronald.Vero@dps.ny.gov so that pre-audit planning discussions can begin.

Yours very truly,

KATHLEEN H. BURGESS

Secretary

cc: Craig S. Ivey, President, Consolidated Edison Company of New York, Inc.

John McAvoy, President and CEO, Orange & Rockland Utilities, Inc.

Attachments

**Request for Proposal for an Operations Audit of
New York State Utilities' Self-
Reported Data, Case 13-M-0314**

1. Introduction

1.1 Overview

The New York State Public Service Commission (PSC or the Commission) is seeking an independent consultant to perform a focused operations audit of the accuracy of electric interruption, gas safety, and customer service data reported to the Commission by the following utility companies: Consolidated Edison Company of New York, Inc.; Niagara Mohawk Power Corporation, d/b/a National Grid; Central Hudson Gas & Electric Corporation; National Fuel Gas Distribution Corporation; Orange and Rockland Utilities, Inc.; Rochester Gas and Electric Corporation; New York State Electric & Gas Corporation; Brooklyn Union Gas d/b/a National Grid NY and KeySpan East Gas Corporation d/b/a National Grid (Utilities). The audit will be performed in accordance with Public Service Law, § 66(19) which states that

The [C]ommission shall have power to provide for management and operations audits of gas corporations and electric corporations.

The Law further requires that the cost of the audit be paid by the utilities, and the consultant be selected by the Commission. The operations audit and the work of the consultant will be managed by Department of Public Service Staff (the Department or Staff). The audit will review the utilities data records in cooperation with Company personnel and at the direction of Commission staff.

The audit will review data used in performance metrics reported in three areas:

Electric Interruption

The requirements of PSC Regulation 16 NYCRR Part 97 define the tracking, reporting, and data retention requirements for interruptions at the utilities.

Gas Safety

The audit will review safety data reported to the Commission and staff.

Customer Service

Each utility is required to provide various data to the Commission and Staff on the level of customer service provided to its customers.

Section 5 of this RFP lists the data that is collected and should be reviewed for each utility company. The purpose of this audit is to assess both the utilities' adherence to Commission requirements, and the accuracy and consistency of data recorded and reported to the Commission. Further, the audit will review the accuracy of each reporting system used by each of the utilities to gather the information they submit.

Please read the accompanying Guide for Consultants (the Guide). The Guide is designed to assist consultants in preparing proposals, and includes important requirements and guidance.

1.2 Primary Contact

Ronald Vero will serve as the primary contact and Project Manager for this audit. His contact information is as follows:

Ronald Vero
Three Empire State Plaza
Albany, New York 12223
518-474-3137
Ronald.Vero@DPS.NY.GOV

1.3 Key Events/Timeline

The schedule for this project is set forth below. An alternate or accelerated schedule may be proposed if the consultant believes that such schedule is appropriate or achievable. In any case, if the consultant's proposed schedule differs substantially from the schedule below, the consultant should provide a rationale for the difference.

<u>Target Date</u>	<u>Task</u>
08/15/2013	Issue RFP
08/21/2013	Bidders' Conference
09/17/2013	Proposals Due
10/07-11/2013	Finalist Interviews
11/14/2013	Consultant Selected by the Commission
12/9/2013	Field Work Begins
01/06/2014	Draft Work Plan due to Staff
03/15/2014	Initial Draft Report due to Staff
04/15/2014	Final Report due to Staff
To be Determined	Final Report Presented by Staff to the Commission

Specific deliverables are discussed in greater detail in Section 6 of this RFP.

2. Proposal Submission

2.1 Proposal Form and Content

The proposal must demonstrate a clear understanding of the objectives and deliverables outlined in this RFP. It should also illustrate the consultant's approach to meeting the objectives in a timely and comprehensive manner.

The proposal **MUST** be submitted in the format below and as outlined in *"The Guide for Management Consultants Submitting Proposals for Operations Audits (The Guide)."*

2.2 Proposal Format and Submittal

The importance of providing the required documents as part of the responses to the RFP cannot be overstated. This provides the project team with a fair and equitable means of evaluating all proposals. The Bidder's compliance with the format stated is required.

The Bidders Submission should include:

- Letters as described herein and in *The Guide*
- Proposal Submission Form
- Proposal in the format prescribed in *The Guide*

The Bidder may provide additional information with its proposal that was not requested. This additional information must be provided via hyperlink. Staff is under no obligation to read or consider this information when evaluating the Bidder's proposal.

2.3 Confidentiality

All proposals will remain confidential until the Commission chooses the successful consultant. At that time, the proposals will become public documents.

2.4 Review Process

Proposals will be evaluated based on criteria chosen at the sole discretion of Staff and the Commission that may include, but are not limited to:

- The proposal's compliance with the terms and conditions of this RFP.
- The proposal's compliance with the functional requirements of this RFP.
- The Bidder's ability to complete its work within the timeframe stated.
- The financial and operational ability of the Bidder to carry out the terms of the contract.

DPS Staff will review all submitted proposals. Each Bidder's proposal will be independently evaluated using predefined criteria and point evaluations.

Factors to be considered during Bidder selection may include but are not limited to:

- Evidence supporting the Bidder's level of understanding of the scope of work
- Direct, relevant and recent (last 5 years) experience and qualifications of key personnel
- Direct, relevant and recent (last 5 years) experience and qualifications of any contractor(s) and subcontractor(s) who may be employed by the bidder
- Approach to project implementation including staffing, proposed schedule and efficiencies
- Adherence to RFP and bid instructions
- Level of detail supplied with the proposal, including a narrative describing how the Bidder's approach will validate the integrity of, or lack thereof, the data collection and reporting processes.

3. Bidder Information

3.1 References

In evaluating proposals, Staff and the Commission will consider the demonstrated experience of the consulting team/firm as a whole, as well as that of the individual members of the team. Therefore, references for relevant studies must be provided. Please refer to the Guide for further details on references.

3.2 Cost

The consultant shall provide a not-to-exceed price in which the cost of professional services, out-of-pocket expenses, and support services (clerical, secretarial, research, and report preparation services) are separately stated, and the criteria for each defined for billing purposes. The proposal must include the current professional fee (billing) rates for each individual as well as an estimate of all out-of-pocket expenses for each individual. The consultant should detail all assumptions used to develop the not-to-exceed cost. Travel and

other expenses shall be quoted in actual dollars, not as a percentage of consulting fees.

Consultants are urged to contain expenses whenever possible. For example, when estimating travel expenses, the consultant should endeavor to utilize available technology to conduct meetings via videoconferencing and/or teleconferencing to the extent practical in order to achieve efficiencies throughout the audit. In addition, the consultant must travel by the least cost method, and adhere to per diem rates established by the GSA at www.GSA.gov/portal/category/21287.

3.3 Submitting Your Proposal

Please refer to the Guide for detailed instructions on how to submit your proposal. This RFP requires submission criteria that differ significantly from previous New York State Department of Public Service RFPs, and non-conforming proposals will NOT be considered.

3.3 The Bidders' Conference

A teleconference for interested potential bidders will take place on August 21, 2013 at 2:00 p.m. Eastern Time. To participate in the teleconference, call 866-394-2346 at the designated time and enter Conference Code 4386249029.

The bidders' conference provides interested potential bidders with an excellent opportunity to learn more about the companies, as well as ask any questions about Staff's expectations of proposal content. While attendance is not mandatory, it is strongly encouraged, especially in light of this unique proposal format.

3.3 Questions and Clarifications

Please contact the designated Project Manager with any questions that may arise as you prepare your proposal. E-mail is the preferred method of contact. Be aware that any questions, along with their answers, will be shared with all potential bidders, though the source of the question will not be indicated in such communications.

4. Selection Process

4.1 Overview

All proposals undergo a technical evaluation and a cost evaluation. Once this process is complete, finalists are selected for interviews. These interviews may be conducted via videoconference or teleconference. After these interviews, Staff makes a recommendation of the preferred consultant to the Commission. The Commission then chooses the winning consultant. This process is detailed below.

4.2 Technical Evaluation

All proposals will be evaluated by Staff, taking into consideration the most beneficial combination of approach, qualifications and services, and the consistency of the proposal with the requirements of this RFP. Only proposals deemed to be responsive to the submission requirements will be considered further.

4.3 Cost Evaluation

In evaluating the not-to-exceed cost of each proposal, Staff will consider appropriateness of the time and amount of work proposed for the audit, consultant billing rates, administrative costs and travel expenses, as well as other factors.

4.4 Finalist Interviews

Consulting firms selected for finalist interviews will be notified upon completion of Staff's review of proposals. Finalist interviews take place at our offices in Albany, New York, by videoconference, or teleconference, or a combination thereof. All members of the consulting team are expected to attend regardless of the method of communication.

4.5 Notification

Following the Commission's selection of a winning consultant, the Project Manager will notify the winner 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.

No information regarding Staff's review of proposals or recommendation will be shared with any consultant or any other party until such time as the Commission makes its decision.

5. Objectives

The objectives of this audit are to verify that the data provided to this Department are sound and accurate, and reflect the levels of service and safety provided to the ratepayers of the State's utilities. The purpose of this audit is to assess the Companies' adherence to the Commission's requirements and the accuracy of data recorded and reported to the PSC. Each Company shall be reviewed and analyzed separately and not as one entity.

5.1 Scope of Work

The audit should emphasize an assessment of each individual utility's systems, policies, procedures and programs that are used to compile its data that are used in the performance metrics that are currently reported to the Commission and Staff. This review should also assess the collection and verification of data and the reporting process. Consultants should include any additional components that are relevant and important.

All of the above items should be considered in the development of proposals and will also form the foundation of the audit report. A final report will be prepared and all findings and recommendations should be thoroughly documented. Further, while the planned date for the initial draft is March 15, 2014, we expect the consultant to bring to Staff's attention any matters of significance in advance of the initial draft report (as they are identified) that would, if adopted, improve the utilities reporting process.

As previously stated, the Bidder will audit the utilities' reliability records in cooperation with Company personnel and at the direction of DPS Staff.

This work shall include:

Electric Utilities

Electric Interruption Data

Per PSC Regulation 16 NYCRR Part 97 (Attachment A), all major electric utilities in New York State are required to record and submit data to the Commission on electric service interruptions.¹ System performance and interruption data is gathered from each company's outage management system, work management system, a similar system, or some combination of systems and reported to the Commission. Certain detailed interruption data, while not submitted to the Commission, is required to be retained by the utility. The interruption data are reviewed and maintained by the Department and used in its assessment of utility performance in that they provide reliable service. In addition, testimony regarding achievement of service goals must be submitted as part of the utilities' rate cases. The Commission releases a five year report on this information every year, and these reports can be accessed at the Department's website.

<http://www3.dps.ny.gov/W/PSCWeb.nsf/All/D82A200687D96D3985257687006F39CA?OpenDocument>

- Review of the PSC Regulation 16 NYCRR Part 97 requirements
 - Review of adherence to PSC regulations and its interruption tracking and reporting process accuracy
 - Assessment of the accuracy of the data collected by each company's Outage Management System (OMS) or any other system used to collect outage statistics.
 - Review and report on the accuracy and use of OMS in the collection, verification, and evaluation of interruption data and the reporting process.

Gas Utilities

The required gas safety information is:

¹ Part 97 includes numerous data elements, including those used to calculate SAIFI and CAIDI, analyze specific causes of interruptions, and how partial interruptions are recorded. All data elements under Part 97 will be audited for accuracy.

1. Annual Transmission, Gathering and Distribution reports on PHMSA Form F 7100.2-1, 16 NYCRR Part 255.829
2. Reporting of accidents, 16 NYCRR Part 255.807
3. Reporting of interruptions, 16 NYCRR Part 255.823
4. Emergency response times, 16 NYCRR Part 255.825
5. Notice of Interruptions, 16 NYCRR Part 232.2
6. Gas Safety Performance Measures as required by individual rate plans - pipe replacement, leak backlog, damage prevention, and emergency response

All above referenced sections of NYCRR are included as Attachment B.

The voluntarily reported gas performance measure statistics are:

1. Leak Management - Leaks discovered and repaired by type of leak and material
2. Damage Prevention - number of One-call tickets, damages due to Company and Company Contractors, damages due to Mismarks, damages due to No-calls, and damages due to Excavator error
3. Emergency Response - Percentage of responses to leak and odor calls that fall within 30 minutes, 45 minutes, and 60 minutes

Customer Service Metrics - Gas and Electric

Customer Service Metrics are self reported and based on information obtained from various systems including the billing systems and from customer satisfaction surveys.

The customer service information required to be reported by the utilities includes²:

1. Appointments
 - Appointments made

² Every utility is not required to submit each of these metrics (e.g., only Con Edison reports on the satisfaction of Customer Assistance Center Survey (Callers), Electric Emergency Contact Survey, Gas Emergency Contact Survey and Service Center Survey (Visitors) in this categorical manner.)

- Appointments kept
- 2. Adjusted Bills
 - Total bills issued
 - Total bills adjusted
- 3. Telephone Answer Response
 - Total incoming calls received
 - Percent of calls answered
 - Total incoming calls requesting a representative
 - Percent of calls answered by a representative within 30 seconds
- 4. Non-Emergency Service Response Time
 - Service/meter work orders received
 - Days to complete all service/meter jobs
 - Avg. days to complete all service/meter jobs
 - Street light work orders received
 - Days to complete all street light jobs
 - Avg. days to complete all street light jobs
 - Tree trimming work orders received
 - Days to complete all tree trimming jobs
 - Avg. days to complete all tree trimming jobs
- 5. Estimated Readings
 - Total meters scheduled to be read
 - Total estimated readings made
- 6. Customer Satisfaction
 - Percent of customers satisfied
 - Satisfaction Index
 - Customer Assistance Center Survey (Callers)
 - Electric Emergency Contact Survey
 - Gas Emergency Contact Survey
 - Service Center Survey (Visitors)

All performance metrics articulated in the categories above are provided periodically to the Commission Staff, and in some cases presented to the Commission. Failure to achieve the Commission established goals for each individual utility can result in financial consequences.

- o The consultant should review the data collected by the company systems to determine its completeness and accuracy.
 - Assess the accuracy of the analysis and reporting of that data

- o Identify specific opportunities, as needed, for improvement in areas associated with the scope of work described above.
- o Develop recommendations, as needed, for implementing program/process changes or undertaking the studies necessary to achieve performance improvements in data collection and reporting of results, as well as suggestions for other statistics or metrics that might be gathered as indicators of performance and customer satisfaction.
- o Recommend any Best Practices metrics that are in use in the industry, and could be added to this Commission's oversight, and conversely, others that might be considered for removal.

6. Deliverables

The winning consultant will provide the following key documents during the course of the engagement:

- Work Plan - The consultant will confer with Staff during the creation of its initial work plan. The consultant will be responsible for submission of an initial and final draft work plan 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 work plan to Staff for approval. Approval of the work plan by Staff will authorize the consultant to execute the tasks as stated therein.
- Briefings - The consultant will provide regular briefings to Staff on the progress of the audit and will identify emerging issues as the audit progresses. It is possible that, as the study progresses, the consultant may be required to provide preliminary assessments of findings to Department Senior Staff, as well as meet with Commissioners.
- Draft Reports - The schedule for the initial draft report is March 15, 2014 as set forth in the schedule. This initial draft report must represent the final work product. Staff will review the initial draft report and provide the

consultant with any comments. Thereafter, the consultant will present a revised draft report to Staff. Staff will authorize the consultant to send the revised draft report to the utility for review of factual accuracy. For the final report, the consultant may make modifications to address specific comments as it deems necessary, after consultation with Staff. Again, briefings may be required by Commissioners, and/or Senior Staff.

- Final Report - A final report to Staff will document the consultant's evaluation of each aspect of the audit scope, as outlined in this RFP and the subsequent approved detailed work plan. All consultant work papers must be available for Staff's review. Briefings may be required after submission of the final report by Department Senior Staff and Commissioners.

2013

The Guide

New York State Department of Public Service

The Guide for Consultants Submitting Proposals for
Operations Audits



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1. Introduction

Section 66(19) of the Public Service Law requires that the Public Service Commission conduct periodic operations audits of New York's largest gas and electric utility companies. The request for proposal (RFP) is the primary document that describes the scope, approach and other requirements that may be unique to each audit. The law allows the Public Service Commission (the Commission), operating under the advisement of the Department of Public Service (the Department or Staff) to select an independent consultant to conduct these studies and requires the utility company to pay for the consultant's costs.

The Guide is an important tool designed to assist consultants in preparing proposals in response to our periodic RFPs. The purpose of *The Guide* is to explain the important elements of our Audit Program. An understanding of these elements is necessary in preparing the proposal. Key topics include the selection process, our preferred approach and process, and the work products and deliverables.

The operations audit approach in New York encompasses a thorough review of certain processes or operations at a utility or utilities, with the objective of comparing the area to be audited measured against best practices of other utilities, and reasonableness of action.

When preparing your proposal, please keep in mind that the final report should focus on findings that evolve out of root causes and recommendations that address major performance improvement opportunities.

2. The Proposal

Your proposal will be the primary document that we will evaluate to determine if your consultant team will be interviewed as a finalist. **This audit calls for a very specific proposal format.** Your proposal should comprehensively and clearly communicate your understanding of the RFP, including work scope, objectives, approach, and schedule, but be very concise, **using the template provided as Appendix A.** For example, when listing the qualifications of the consultants on your team, you must use the table from the Appendix and list only relevant experience within the past five years. If you wish to include a hyperlink to fuller information, you may do so, but do not include those details in the proposal itself. Generic or "boilerplate" material should be kept to a minimum. To be better informed of the reporting requirements and histories, we encourage interested consultants to examine Commission documents available on the

Department's website¹, attend or view webcasts or transcripts of monthly Commission sessions², and employ social networking tools such as Facebook³ and Twitter⁴.

The proposal's format and content should be as consistent as possible with the information described in the RFP and *The Guide*. Your proposal is an indication of your team's ability to communicate clearly and cogently, and will be an example of your ability to produce a well-written final audit report.

Proposals submitted in a manner inconsistent with what is described below in Appendix A may not be considered. If you have any questions about the proposal submission process at any time, please contact the Project Manager.

All proposals, cover letters, and work samples should be submitted as Adobe Portable Document Format (PDF) files. The Proposal Submission Form should be submitted as an Excel (2007 or newer) spreadsheet (XLSX).

1. Confidentiality of Proposals / Cover Letter

Our proposal submission process ensures that the content of all submitted proposals will remain confidential and exempt from public disclosure until such time as the Commission selects a winning consultant. The name of a consulting firm that submits a proposal in response to an RFP will be public information during Staff's review process, but the proposal itself will be protected. After the Commission makes its selection, all submitted proposals will become publicly available documents.

To ensure this confidentiality, we require that your cover letter contain certain information. It must contain the following:

1. Must be addressed to "Records Access Officer and Secretary."
2. The name of your consulting firm.
3. Your primary contact information.
4. The utility name and case or matter number from the RFP.
5. A declaration that all the information in your proposal is accurate, that your consulting firm is committed and able to perform all the work contained in the proposal, that your consulting firm is in compliance with all RFP requirements, and that the proposal is valid for 180 days from the date of your cover letter.
6. Your cover letter must include the following paragraph requesting confidentiality:

¹ <http://www.dps.ny.gov>

² Commission sessions are open to the public. Video and transcripts of sessions, including archives, are available on the Department's website.

³ <http://www.facebook.com/pages/Albany/New-York-State-Department-of-Public-Service/197168574737>

⁴ <http://www.twitter.com/NYSDPS>

Per New York State's Public Officer's Law §87(2)(c), we are requesting that the attached proposal be treated in its entirety as confidential information. We request such exception from public disclosure until the Public Service Commission selects a winning proposal for this investigation. Public disclosure of this proposal prior to selection by the Commission would impair present or imminent contract awards for this engagement.

Your cover letter should be the first page of your proposal PDF. You will also need a PDF of just the cover letter.

2. Proposal Submission Form

In addition to your proposal, you must complete the Proposal Submission Form (PSF) that was sent out with the RFP. If you did not receive the PSF, please contact the Project Manager.

The PSF is an Excel spreadsheet and works best with Excel 2007 or newer. The PSF has an instructions tab and six tabs which must be completed. Each tab contains instructions for inputting the necessary information. The tabs should be completed from left to right, beginning with "Contact Information."

Throughout the PSF, green cells are the only cells which require your input. Other cells will either be filled out or will automatically populate based on previously entered information. Cells that do not require input will be locked. The PSF also supplies information to a number of internal documents used by the Project Manager, so it is important that you do not attempt to unlock any cells or alter the structure or functionality of the spreadsheet.

Instructions for individual tabs are as follows:

1. Instructions – This tab provides basic instructions on filling out the PSF.
2. Contact Information – The Utility Company name and Case Number fields should already be filled in. Fill in the remaining fields with your consulting firm's primary contact information. The contact information listed should be the information you would like us to use if we need to contact you with questions or to notify you of your finalist status.
3. Time Allocation – List the name of your consulting firm and the total proposed not-to-exceed cost. Then enter the total number of proposed hours to be spent on each audit element. The total number of hours should match the total included in your proposal. **The information entered on this form must be entered in hours.**

4. Team Members – List all team members proposed, their role(s) and corresponding assigned scope area(s), and each team member’s total number of proposed hours.
5. Team History – List your consulting firm’s last five relevant consulting engagements and provide the year and a brief description for each. For each team member proposed for the current audit, indicate their role in each of these five engagements.
6. References – List up to five references for recent and relevant work. Do not list any projects with the New York State Department of Public Service. References will be contacted.
7. Insurance – Enter the name of the consulting firm representative in the box to attest that you understand the mandatory insurance requirements. You do not need to provide proof of coverage with your proposal, but will be required to provide it if your firm is selected to perform the audit.

When you have completed each tab, save the spreadsheet with your consulting firm’s name in the file name (e.g. “XYZ Consulting 11-M-1234 Proposal Submission Form.xlsx”). The PSF will be submitted along with your proposal (see section 4 below).

3. Format of Proposals

Your proposal must be submitted in the format outlined in Appendix A, using the tables provided, or when appropriate. Experience cited for individuals the company must be recent and relevant. The description of approach and methodology should be complete but succinct.

4. Work Samples

Some consulting firms choose to provide work samples of previously completed audit reports. If you choose to provide such samples, please be sure that they are included only as a statement in your proposal, with a hyperlink to the appropriate document(s).

5. Proposal Submission

Proposals and supporting information are submitted via e-mail. Please note that there is a 25MB limit on the size of e-mails received by the Department. If your e-mail and attachments are larger than this, you can either reduce the size of the files using Adobe Acrobat or send them as multiple e-mails. If you send multiple e-mails, please indicate such in the subject line (e.g. “1 of 2”).

To submit your proposal, first compose an e-mail to recordsaccessofficer@dps.ny.gov and include as attachments:

1. Your cover letter and proposal as one PDF file.
2. Your Proposal Submission Form as an Excel file.

You must also compose an e-mail to secretary@dps.ny.gov and the Project Manager and include as an attachment your cover letter as a PDF file. Do not include your proposal or work samples in this second e-mail.

Send these e-mails before 4:45 p.m. Eastern Time on the due date for proposals listed in the RFP. The Project Manager will confirm receipt of each proposal via e-mail. You may not receive the confirmation e-mail until the day after the deadline.

6. Bidders Conference

A teleconference for interested potential bidders will be scheduled. The date, time, and call-in information for this teleconference are listed in the RFP. The bidders' conference provides interested potential bidders with an excellent opportunity to learn more about the company, as well as ask any questions about Staff's expectations of proposal content or the proposal submission process. While attendance is not mandatory, it is strongly encouraged.

3. The Selection Process

The selection process consists of a two-part evaluation of the proposals (initial review of proposals and finalist interviews) by Staff. Staff then makes a recommendation to the Commission. The Commission selects the winning consultant.

A. Review of Proposals

The proposals will be reviewed and evaluated by Staff for consistency with the RFP, *The Guide* and for substantive content. The proposal must provide a clear demonstration of the consulting firm's 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 recent experience and ability of the consulting firm's personnel in conducting relevant audits, to the relevant experience and ability of the individual(s) designated to manage the audit, and to the proposed approach and methods. The experience of the consulting firm in conducting similar audits is relevant, but only to the extent those audits were conducted by individuals currently with the firm. The resumes provided will be carefully reviewed to judge the experience and abilities of the consulting firm's personnel to perform the specific audit.

The cost of the audit will be analyzed from the perspective of the number of hours proposed, and the billing rates of the proposed consulting team members. The estimated hours will be evaluated based on the scope of the audit and the proposed approach.

The proposal submitted must clearly demonstrate an understanding of utility functions and systems, as well as a clear analytical expertise to determine if information is processed accurately by the utilities. Demonstration by the consultant of knowledge of best practices in the reviewed area will be considered in our deliberations.

B. Finalist Interviews

Those firms selected for further consideration will be required to meet with the Department of Public Service's staff for finalist interviews. This may be done in person, by videoconference, or teleconference. The anticipated dates for these interviews are listed in the schedule in the RFP. Typically, consultants selected for the finalist stage are notified of their status approximately two weeks before the interviews. It is expected that, to the extent possible, the full consulting team will be present at the finalist interviews.

This conference will include opportunities for Staff to ask questions of individual consultants as well as the consultant team leadership..

1. Evaluation Criteria

During the interview, Staff will evaluate the experience, ability, and expertise of the consulting team, the ability of the audit manager, and the capability of the proposed personnel to function as a team. Of equal importance is the proposed team's understanding of the scope of the audit, as well as their understanding of the regulatory environment in New York. Serious deficiencies in any of these categories could be sufficient cause for a firm not being selected, regardless of its strengths in other areas. The relative proposed costs for each firm are also weighed accordingly.

2. Document Requirements

Staff will review systems and methods which the firm has developed to manage and control the audit and will discuss the manner in which these systems can be used to assist Staff in its project oversight responsibilities. Specific forms, logs, or manuals which will be used to manage the audit are to be made available for review.

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,

and appropriate cross-references to an indexed copy of the final report, bulk file items, and other work papers. In addition to a description of the work-paper system, each firm is to make available examples of such a system. These examples should allow Staff to trace a statement in a sample final report to the original source document.

C. Consultant Selection

Based on the process described above, Staff will present a recommendation to the Commission to select the firm which is, in Staff's judgment, best qualified to perform the review. The Commission will then select the winning consultant and authorize the commencement of the audit. Following Commission action, any firm not selected may request and receive a confidential assessment from the Project Manager.

4. The Audit

A. Contracting Procedures

The firm selected by the Commission will be required to sign an agreement that will govern the conduct of the audit. This is a three-party agreement that will also be signed by representatives of the utility and the Department of Public Service. The agreement will be the controlling document setting forth the rights and responsibilities of each of the parties. A copy of a contract used in a recent audit will be made available upon request.

B. Responsibilities of the Parties

The Commission is the client and, through Staff, the Commission will monitor the study including adherence to the scope, the contractual agreement, defined procedures, work plans, schedules, and budgets.

1. Department Staff

Staff's responsibilities encompass all aspects of the engagement.

Management and Operations Audit Staff has overall responsibility for the day-to-day management of the audit and will work closely with both the consultant and the company and facilitate coordination between the consultant and the company. A Staff Project Manager (PM) will be assigned, as well as additional Department Staff who will serve as Subject Matter Experts (SMEs). The consultant should be prepared to meet with the PM, Senior DPS Staff members, SMEs, and Commissioners at various times during the audit to discuss areas of interest and findings.

Staff has the responsibility to review the consultant's work and will assume an active role in the audit. The selected consultant should be prepared to work with Staff throughout the course of the audit. The Commission relies on Staff for periodic reports on project status, the emerging issues, the content of the final audit report, as well as an understanding of the management and operations of the utility being audited. Therefore, it will be necessary for Staff to be closely involved in the work of the consultants. This will include accompanying the consultant on site visits, attending selected interviews (in person or via teleconference/videoconference), reviewing analytical procedures, and monitoring the audit's progress as to scope, budget, work plan, time, etc. In any event, it is expected that the individual assigned to each task area will frequently discuss his or her progress with the Department's Project Manager and/or Staff's Subject Matter Expert for that particular area during the course of the audit. The consulting firm's willingness to work with Staff in this manner should be reflected in the proposal and will be a factor in the selection process.

2. Consultant

The consulting firm is responsible for performing the audit, developing the findings, conclusions and recommendations, and producing the draft and final audit reports.

3. Company

The utility will designate a senior officer to coordinate the utility's effort who should have sufficient authority to make and implement decisions. The utility will also have its own project manager to work with Staff and the consulting firm.

The utility will make arrangements for the coordination of day-to-day matters, such as arranging interviews and site visits and coordinating the utility's response to information requests.

The utility will provide suitable office space and equipment, including locking file cabinets, telephones, high-speed internet access, printers and copiers.

C. Orientation

The onsite audit work begins with an orientation meeting, interviews and document requests. The purpose of the orientation is to gain sufficient background and perspective to prepare the detailed audit work plans.

D. Work Plan

After the consultant signs the agreement it will be required to submit a detailed work

plan for approval by Staff before in-depth work begins. The consultant may be required to meet with Senior DPS Staff from other offices to discuss Staff's concerns about the utility before the work plan is developed. This aids in achieving a mutual understanding of the issues and areas to be examined in the audit, and will give Staff and the consulting firm a written document to guide the audit.

The work plan must include the tasks to be performed, the individuals assigned to those tasks, and the schedule for the task completion. The work plan should contain a list of any preliminary issues identified during the orientation, a preliminary list of individuals to be interviewed, documents to be reviewed, questions to be asked, evaluative criteria, a description of what will be examined and the manner in which it will be analyzed, detailed audit activities and facilities to be visited. Example work plans are available upon request from the Project Manager.

A final work plan will be developed in conformance with the three-party agreement and will state the scope of the audit known at that time. The final work plan may be supplemented or modified consistent with the terms and conditions of the three-party agreement.

E. Managing the Audit

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

1. Audit Trail and Work Papers

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 Staff in an organized electronic format upon request.

2. Audit Documentation and Reporting

The consultant is required to report to Staff on the continuing progress of the audit. Regular status meetings by telephone will be required at least once a month, and sometimes more frequently. These reports are not limited to reporting against the schedule and budget, but are also to include reporting on emerging issues, findings, and likely conclusions. A midpoint status meeting with Staff to discuss the consultant's emerging issues will be expected. These status meetings should appear in the consultant's proposed schedule and should be considered when developing the proposed budget.

Staff must be regularly informed of interviews and site visits scheduled, including details such as interviewee, interviewer, topic/areas of focus, date, time and location. Further, Staff must be informed of and have access to data and/or document requests and their status, documents received from the company and interview summaries, among other things.

The utilities being audited have historically provided a hosted, secure website for posting document requests and responses, calendars, and a private section for consultants' interview notes. The exact processes to be used for this type of reporting will be developed following the selection of a consultant. If a consultant has a preferred process or proprietary system for such, it should be highlighted in the proposal.

3. Invoice Approval

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

Staff will verify the charges through an examination of appropriate supporting documents, such as time sheets, trip reports, receipts, and other supporting documentation. Copies of these records must be provided to Staff along with the invoice. These documents should be submitted by the consultant electronically catalogued. For billing purposes, the billing rate for each consultant shall be specified. Out-of-pocket expenses, as well as all expenses associated with the creation of the deliverables should be included in the documentation provided. Staff will audit all invoices and no payment will be made by the utility until authorized by Staff.

Travel expenses should be reasonable and limited to only what is necessary for the conduct of the audit. Consultants are expected to exercise fiscal responsibility when making travel arrangements. Travel and accommodations should be booked in advance to the extent possible to minimize the financial burden on ratepayers. Change fees, upgrade fees, short-term parking at airports, one-way car rentals, and other unnecessary charges should be avoided. Per Diems will be granted in compliance with GSA guidelines. Please refer to the GSA website at www.gsa.gov/portal/category/21287 for further details. Staff reserves the right to disallow any undocumented, unexplained, or unnecessary travel charges.

4. Payment Restrictions

The following restrictions apply to payments made under the three-party agreement:

- Payments for professional fees under the contract are subject to three retainages until certain milestones are met. These three retainages are the Work Plan Retainage (5%), Draft Report Retainage (10%), and Contract Completion Retainage (10%).
- At the beginning of the project, a total of 25% of professional fees will be retained from each invoice.
- Following Staff's written approval of the work plan, the amount retained from subsequent invoices will be reduced to 20% and the Work Plan Retainage will be authorized for payment.
- Following Staff's written approval of the draft audit report, the amount retained from subsequent invoices will be reduced to 10% and the Draft Report Retainage will be authorized for payment. Staff's approval will be issued after the Consultant has completed its draft audit report and delivered it to the Department and the Utility for a factual accuracy review and any resulting revisions.
- Following Staff's written notice that all deliverables have been provided and all of the consultant's contractual obligations have been met, the Contract Completion Retainage will be authorized for payment.
- Expenses are not subject to retainage.
- Professional fees are a distinct pool of money from expenses, and will be tracked separately. Surpluses in one cannot be used to offset deficits in another. The three-party agreement will include a not-to-exceed cost for professional fees and a not-to-exceed cost for expenses.

F. Developing Findings, Conclusions and Recommendations

It will be the responsibility of the consultant to fully develop the findings, conclusions and recommendations, and to take into account the timelines for the implementation of recommendations. Recommendations must consider cost/benefit or risk/benefit analyses whenever possible. All findings, conclusions and recommendations are subject to Staff's review for completeness.

G. Audit Report

The audit report should be written with the utility as the primary target audience, as well as for the Public Service Commission and Department Staff. The report should assume a fundamental understanding of common utility terminology and operations. The report

will also have a much broader audience, and as such, technical terms, industry jargon, and acronyms may be used but should be defined.

The final audit report should explain in detail any opportunities and recommendations for improvements. The audit report should not dwell on a description of the functions, processes, etc. which are appropriately managed. A simple statement that a function or organizational unit is performing properly, appropriately, and efficiently, along with a brief factual description of its operation, is sufficient. If the consultant finds a “best practice” or any other exceptionally well-performed function, practice, etc., that should be highlighted, the consultant should do so. However, the audit report is ultimately a tool for identifying opportunities for improvement.

The audit report is the result of a series of written work products:

1. Emerging Issues/Conclusions - Prior to the submission of the initial draft audit report, but not later than the midpoint of the audit, the consultant will prepare an informal written summary of emerging issues for Staff’s review.
2. Draft Reports - The initial draft report will be submitted electronically for review by Staff for adherence to the scope in the RFP and the work plan. After any necessary changes identified by Staff are made by the consultant, the second draft report will be reviewed by Staff before being provided to the company. The company will review the draft for factual content and accuracy and provide factual corrections to the consultant and Staff. One or more meetings among the consultant, Staff, and the utility may be held to discuss the company’s corrections. The next draft will reflect any factual corrections that the consultant chooses to make, and will be submitted to Staff for final review.
3. Printing - No printing costs should be reflected in the not-to-exceed cost of your proposal. All draft and final reports are to be delivered electronically as PDFs.
4. Release of Final Report by the Commission - Upon release by the Commission, generally following the session at which it was accepted, the final audit report will be a public document. The utility will have an opportunity to present its comments on the final report at this time.

H. Testimony in Commission Proceedings

If testimony by the consultant is requested by the Commission or Staff, the consultant must agree to provide the needed testimony at its standard rates for consulting services. The consultant will be reimbursed for reasonable travel and out-of-pocket expenses.

I. Conflicts of Interest and Ethical Conduct

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

Each consulting firm, or any of its principals, or any of its affiliates, or any subcontractor, must disclose all previous work performed for the utility to be audited, including any existing contracts or agreements. Such disclosure may not necessarily disqualify an individual or firm. Failure to disclose such relationship 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, such as, but not limited to, the Energy Association of New York State and New York State Independent System Operator, during the five-year period preceding the date of the proposal. The proposal must describe any relationships which may constitute the appearance of a conflict of interest.

The proposal should identify each existing contract or other agreement that the consultant or its subcontractor(s) have with the utility and/or its affiliates and should describe any work that it or its affiliates/subcontractors are doing or have done for the utility and/or its affiliates. Similar disclosures should be made for any existing contract the consultant or its subcontractor(s) have with organizations representing the utility's workforce. Staff will determine if there is either an appearance of or an actual substantive conflict of interest.

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 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 Commission for a period of two years after the termination of service of the former employee from the Commission. This means that you may not include such a former employee in your consulting team, nor identify any such former employee in your RFP proposal or communications with Staff. Any such inclusion could be construed to be an "appearance" by that former employee before the Commission in violation of Section 73(8)(a)(i), which could be a basis for disqualification of the consulting firm's bid and could expose that employee to liability.

The proposal should also clearly identify any previous work done for or with the Department of Public Service. However, the proposal should not list the names of any Department employees.

The consulting firm selected, and its team and subcontractors, must adhere to the highest business, professional and ethical standards. Neither the consulting firm, its personnel, nor any subcontractor shall offer any gift, favor, or gratuity of any value, or make any offer of employment to any officer or employee of the utility or to any Commissioner or staff of the Department of Public Service either during the audit. 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 any of its principals or employees will perform any work for the utility or its affiliates during the course of the audit and for two years after completion of the audit without written authorization by the Commission.

Appendix A - Format for Proposals

All proposals must be submitted in the format outlined in this Appendix. Proposers should fill in text as appropriate, and tables as indicated. You may insert page breaks between tables if desired.

1. Description of Understanding, Approach, and Methodology

Please describe in narrative format, completely but succinctly, your understanding of this audit, including what systems you intend to review.

An explanation of the process you intend to use to show compliance with the required scope of work must be provided. Your proposal should contain details about how the audit will be planned, implemented, supervised and managed by your team, as well as the philosophy and approach to these steps. A detailed and thorough description of your project management approach is required, including (but not limited to) the frequency of meetings of your consulting team, the frequency and level of interaction between the project manager with individual members of the consulting team, and your expectations for the frequency of interaction with Staff.

While the RFP includes some evaluative criteria, proposals should include additional criteria that you have developed over time from experiences with other utilities. You should describe the methods and procedures and criteria that you propose to use. Proposals should identify specific tasks and activities you will perform.

Your description of your proposed audit project management must include cost and schedule control. If you are selected for further consideration, we will require additional details on these topics.

2. Audit Areas and Issues

Each proposal must include a description of how the scope, audit areas and issues identified in the RFP will be examined during the audit, and show how the consulting firm's personnel will be assigned to complete the scope and meet expected deadlines. Those areas within the scope of the audit that may offer the greatest potential for cost savings, remedying operating problems, or controlling construction costs, are to be described to demonstrate a thorough understanding of those areas. The description should also indicate how the consultant expects to quantify the benefit of audit recommendations.

3. Primary Bidder Contacts

Please enter the contact information to be used for the RFP process. If multiple contacts, then describe the circumstances under which each person should be contacted.

Contact Name:	
Contact Title:	
Contact Role:	
Street Address:	
City:	
State:	
Zip:	
Telephone Number:	
Fax Number:	
Email Address:	
Company Website:	

Contact Name:	
Contact Title:	
Contact Role:	
Street Address:	
City:	
State:	
Zip:	
Telephone Number:	
Fax Number:	
Email Address:	
Company Website:	

4. Bidder Description

The Companies will verify the Bidder's qualifications, as necessary. By submitting a proposal, the Bidder provides express permission to NYSDPS to pursue any and all investigations they deem necessary to determine the worthiness of the proposal.

Please enter basic Bidder information below.

Company Name:	
Subsidiary or holding Company info:	
Business established (year):	
Years offering this material/service:	
Federal EIN Number:	
DUNS ID Number:	
Total employees:	
Headquarters location:	
Number of offices:	
Office, manufacturing and distribution/ warehousing locations related to this scope of work (please describe):	
M/WBE Status	

5. Subcontractors

Please identify all subcontractors that will be involved in the delivery of services. Specify all services that the subcontractor will provide. These services should be described clearly enough that IUMC and the Companies will be able to determine which activities described in Section 4 will be carried out by the successful Bidder directly, and which will be conducted by subcontractors under the oversight of the Bidder.

If some or all subcontractors have not yet been identified, identify those subcontractors as “TBD” and identify the services to be provided by those subcontractors.

Name	Address (and Website, if Known)	Services Provided Under This Contract

6. Schedule

Please provide a complete schedule of all major steps and milestones. The proposal should include a calendar (time-line) schedule showing the duration of each phase/segment of the audit. As a minimum, the calendar schedule should show the start and end dates for the following audit phases: Orientation, Work Plans, Interviews, Site Visits, Analysis, Draft Reports, Report Reviews, Three Party Meetings (if needed to discuss the Draft Report), PSC Commissioner and Senior DPS staff briefings on final report, Utility’s Written Comments, and the Printing/Release of the Final Audit Report.

7. Cost

The proposal must also contain a not-to-exceed cost in which the costs of professional services, out-of-pocket expenses and support services⁵ are separately stated, and the criteria for each defined for billing purposes. The consultant should detail all assumptions used to develop the not-to-exceed project cost. The proposal must include the current professional fee (billing) rates for each individual in a format similar to

⁵ Support services include clerical, secretarial, research and report preparation services.

Exhibit 1, as well as, an estimate of out-of-pocket expenses for each individual. The not-to-exceed project cost should be inclusive of all expenses associated with the creation of the deliverable, including travel and incidentals.

8. Relevant Experience

Please provide examples of your firm's previous experience (and the previous experience of any subcontractors specified) relevant to the bid request. Do NOT include any experience older than 5 years. Experiences should be stated chronologically, starting with the most current. (The experience and qualifications specific key personnel are addressed below.)

Date(s)	Name and Location of Client	Description

9. Relevant Individual Consultant's Experience

Please provide examples of each proposed team member's previous experience. Do NOT include any experience older than 5 years. Experience should be stated chronologically, starting with the most current. (The experience and qualifications specific key personnel are addressed below.)

Name

Role

Date(s)	Name and Location of Client	Description

Name

Role

Date(s)	Name and Location of Client	Description

Name

Role

Date(s)	Name and Location of Client	Description

Etc.

10. Relevant References

Please provide three references who can answer questions about your company's and key personnel's past performance in similar contractual situations.

Reference 1

Company Name:	
Contact Name:	
Contact Title:	
Contact Role:	
Street Address:	
City:	
State:	
Zip:	
Telephone Number:	
Email Address:	

Reference 2

Company Name:	
Contact Name:	
Contact Title:	
Contact Role:	
Street Address:	
City:	
State:	
Zip:	
Telephone Number:	
Email Address:	

Reference 3

Company Name:	
Contact Name:	
Contact Title:	
Contact Role:	
Street Address:	
City:	
State:	
Zip:	
Telephone Number:	
Email Address:	

NOTE: Do not include any work performed for the New York State Public Service Commission as a reference in your proposal. You should list such reviews in the general listing of experience, but you MUST NOT include the names of any involved staff members.

11. Potential Conflicts of Interest

The Bidder must identify any audits or management audits, or management audit preparation services, you are currently providing or have provided in the last five years to Iberdrola SA or any of its subsidiaries, or to other electric or gas utilities in New York State.

IUMC and the Companies understand that such projects may result in experience that could benefit the Companies and reduce the bid price, and encourage Bidders to provide IUMC and the Companies with those benefits. However, these projects also pose the risk of conflicts of interest, and must therefore be considered from both perspectives during the bid evaluation process.

Is Bidder currently conducting any audits or management audits, or providing any management audit preparation services, to Iberdrola SA or any of its subsidiaries, or to any other electric or gas utilities in New York State, or has Bidder conducted such audits or provided such services within the last five years?

☐

Yes

☐

No

If “yes”, please explain in the box below.