

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

The Guide

**A Guide for Consultants Submitting Proposals for
Management and Operations Audits**

February 2008

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I. The Management Audit Program

The Public Service Law requires the Public Service Commission to conduct periodic examinations of the management, operations, and construction program planning of each of the major electric and gas 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*" is intended to describe the manner in which these audits are 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 the audit to produce a clearly written and documented report which discloses opportunities to reduce utility operating costs and improve the quality of service provided to utility customers through better management and improvements in the company's operations. The audit process includes the preparation of the RFP, followed by receipt of proposals (Section II), the selection of a consulting firm (Section III), and the audit (Section IV).

A. 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 is necessary for Staff to fully evaluate the significance of any existing and previous work and may not necessarily disqualify an individual or firm.

An appearance of a conflict of interest may also exist if the consulting firm, or any of its principals, or any of its affiliates, or any subcontractor has performed any 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, or the New York State Independent System Operator during the five year period preceding the date of the proposal. The proposal must also describe any relationships which may constitute 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 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. 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 personnel, 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.

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 Department) establishing the terms of the engagement. A copy of a generic contract will be available 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 years after completion of the audit without written authorization by the Commission.

B. The Request for Proposals (RFP)

The RFP is approved by the Public Service Commission and contains the scope and objectives for the audit. The scope and objectives were developed in consideration of the areas and issues of the company's management and operations which are of particular interest to the Commission and Staff.

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 maintained by Staff.

The RFP will provide for an informational meeting or conference call for those individuals or firms interested in submitting a proposal, at which Staff may provide additional information on the project scope and schedule and the bidders may ask questions or request clarification.

C. Responsibilities of the Department of Public Service Staff

The Commission is the client and through Department of Public Service 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, work plans, 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, 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 could include accompanying the consultant on site

visits and attendance at interviews. Staff may request that the individual consultant assigned to each task area discuss informally his or her progress with Staff at least weekly. The consulting firm's willingness to work with the staff in this manner should be reflected in its proposal and will be a factor in the selection process.

D. Office Space and Equipment

It is the responsibility of the utility being audited to provide suitable office space and the necessary office equipment, including file cabinets, telephones, high speed internet access, access to copying facilities, and fax machines for use by the consultant and Staff during the course of the audit. If the consultant anticipates the need to charge for specific equipment or personal computer software, those needs are to be specified in its proposal.

II. Proposals

The proposal submitted by the individual consultant or firm is the document that Staff will use to make its judgment regarding the consultant's qualifications and understanding of the Commission's scope and objectives, including the consulting firm's ability to undertake the audit. 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 well written final audit report.

The proposal design and content are to be as similar as possible to the format described in this *Guide* and in the RFP. An electronic version of the proposal should be sent to the named project manager for the audit, and an original and nine (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 III, 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 RFP. Any questions concerning the preparation of the proposal should be directed to the audit Project Manager and not to the utility.

A. Design and Content

The proposal, which is to be bound as a single document,¹ must contain a description of all relevant work associated with the scope of the audit which the consulting firm has completed and a listing of those audit reports produced by it which are in the public domain. A single copy of one or more of the firm's most recent audit reports (and an electronic copy if available), 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.

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 Audit 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. General information about the utility, the utility industry, the regulatory climate, or trends of utility costs is not to be included. However, a demonstration of the consulting firm's understanding of the specific issues relevant to the audit and the specific issues included in the scope and objectives of 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 audit 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.

Generally, the Commission's objectives for these audits are to:

- a) Determine whether operating and maintenance expenses can be reduced;
- b) Receive recommendations for instituting changes or undertaking the studies necessary to achieve savings or improvements;

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

- c) Obtain a quantification of the savings which will result from implementing the consultant's recommendation;
- d) Receive a written report describing the management and operations of the utility for the information of the Commission, Staff, and the ratepayers; and,
- e) Identify specific opportunities for improved business processes, systems, organizational design, planning, employee productivity, customer service, etc.

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 audit will be planned, implemented, supervised and managed by the consultant's personnel, as well as the philosophy and approach to these steps. Proposals should identify specific tasks and activities that the consultant will perform. 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 audit.

Although further details of audit management and cost and schedule control will be required from those firms selected for further consideration, the Commission desires a description of the consulting firm's approach to audit management be included in its proposal. The scheduling and project management systems to manage and control the audit are to be described in this section of the proposal as well.

4. Areas and Issues for Audit

Each proposal must include a description of how the scope, audit areas and issues identified in the Commission Order 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 audit areas which, in the consulting firm's opinion, embody the major areas of importance in the audit should be described in a more thorough manner. That is, those areas within the scope of the audit which may offer the greatest potential for cost savings, remedying operating problems, or controlling construction costs, are to be described to demonstrate an understanding of those areas. The description should also indicate if and how the consultant expects to quantify the benefit of audit recommendations.²

5. Consulting Firm's Personnel Structure

The proposal must include the organizational structure and resources that will be involved in the audit. The organizational structure should identify all personnel who will work on each aspect of the audit, their expected time commitment, as well as relevant credentials. The consultant should clearly note which individuals in the organizational structure will be dedicated and/or shared among projects and tasks. Each of the consulting firm's members who will be

² Generally cost benefit analyses are not needed for each recommendation. Where it is not feasible and the recommendation is significant, as a minimum, the components of the cost benefit analyses should be identified.

assigned to the specific task areas should be designated in the proposal. A resume which focuses on experience directly related to his or her assigned tasks should 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 audit, 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 business relationship with the firm is to be described, including the number of previous assignments undertaken on behalf of the firm. No other personnel can be assigned to the audit without prior written approval of Staff's Project Manager. The proposed consulting firm's personnel organization should be shown on an organization chart. This should be an all inclusive chart that illustrates how the audit is being managed, e.g., Engagement Director, Project Manager, etc. as well as identifies the assigned topic areas and /or organizational slices.

A consultant assignment matrix should also be included to show the person-day estimates. These person-day estimates should identify the individuals assigned to each area, the number of days assigned to each area, and the time associated with the various sub-categories of the area. The total person-day estimates should be the total person-day estimates necessary to complete the audit deliverables. If the consulting firm is selected as a finalist, all personnel should be available for finalist interviews.

6. Schedules and Budgets

The proposal should include a calendar (time-line) schedule showing the duration of each phase/segment of the audit. For example, 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), Utility's Written Comments, and the Printing/Release of the Audit Report.

The proposal must also contain a not-to-exceed cost in which the costs of professional services, professional out-of-pocket expenses and support services³ 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 Exhibit 2-1, as well as, an estimate of out-of-pocket expenses for each individual. The individual professional fees and out-of-pocket expenses along with the costs of support services should be rolled-up to the not-to-exceed project cost. This not-to-exceed project cost should be inclusive of all expenses associated with the creation of the deliverable, including travel and incidentals.

As further described in Section IV, 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 project 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.

³ Support services include clerical, secretarial, research and report preparation services.

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, the name and experience of each consultant member who will be involved including the specific area(s) to which each will be assigned. At the finalist interviews, each consultant should be prepared to discuss his/her relevant experience in the areas to which assigned, and may be required to provide relevant writing samples.
- b) Qualifications of the Consulting Firm - The proposal should discuss the firm's specific experience. Previous engagements of a similar nature should be identified and client references for those engagements should be included in the proposal. No reference is to be made to any audit undertaken by the firm unless the principal participants in that audit are still in the employ of or under the contract with the firm submitting 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.

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 proposal contains trade secret/confidential information, it must clearly identify the specific sections and information that is claimed to be trade secret information/confidential at the time of submission. A request for trade secret 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.

Generally the freedom of information law exempts from disclosure draft reports and other specified documents. Consistent with this exemption it has been the practice of Staff not to provide copies of draft reports. In addition to the requirement of FOIL, those submitting proposals should also be aware that parties in proceedings before the Commission may request copies of documents received by the Commission or Department staff insofar as those

documents are relevant to issues in the proceeding.

As defined in the Commission's rules and regulations, 16 NYCRR §6-1.3, a trade secret

“... may consist of any formula, pattern, device or compilation of information which is used in one's business, and which provides an opportunity to obtain an advantage over competitors who do not know or use it.”

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.

Exhibit 2-1 Sample Person-Days and Fee Estimates

Exhibit 2-2 Sample Invoice

Redi-Kilowatt Electric Company
Management and Operations Audit
Person-days and Fee Estimates

Exhibit 2-1

Steps/Tasks	Individual Personnel					Orientation	Discovery	Analysis	Report Writing	Total
	*	*	*	*	*					
I. Orientation	3	10				2	6	2	3	13
II. Technical Review										
A. Organization		10				1	2	5	2	10
B. Corporate Planning			5	20		2	7	10	6	25
C. Engineering & Constr.			5	20		2	10	8	5	25
D. Fuels Mgt. & Gas Supply			5	35		3	10	19	8	40
E. T&D		5	30			3	12	15	5	35
F. Power Production				20	20	3	15	17	5	40
G. Financial Systems	5	25	11			3	14	18	6	41
H. Work Force Mgt		5	5	30		4	26	5	5	40
I. Customer Services	25	15				3	18	14	5	40
J. External Relations					5		3	1	1	5
K.										
L.										
M.										
N.										
O.										
P.										
Sub-total	33	70	61	125	25	26	123	114	51	314
III. Report Preparation	3	15								18
IV. Project Mgt.	4	35								39
TOTAL DAYS	40	120	61	125	25					371
BILLING RATE \$/DAY										
TOTAL FEES										

* Names of individual consultants

Note: These numbers are for illustrative purposes only and bear no relation to actual time requirements you will estimate.

Exhibit 2-2 Sample Invoice

Management Audit Project Manager
 Office of Accounting, Finance and Economics
 New York State Department of Public Service
 3 Empire State Plaza
 Albany, New York 12223-1350

Dear XXXXX:

This is our invoice for professional fees and expenses incurred during January 2007 for the Consolidated Edison Company of New York, Inc.'s Management Audit, payable by Consolidated Edison, after Staff's approval.

CONSULTANT	MONTH	HOURS WORKED	HOURLY FEE RATE	TOTAL BILLABLE FEES	ALL INCLUSIVE RATE	TOTAL FEES INCLUDING EXPENSES	FEES AND EXPENSES TODATE
Hector Lopez	July	115	260	\$29,900.00	\$299.00	\$34,385.00	\$68,770.00
Helen Cohen	July	30	240	\$7,200.00	\$276.00	\$8,280.00	\$12,420.00
Robert Fields	July	94	240	\$22,560.00	\$276.00	\$25,944.00	\$51,888.00
Robert Allen	July	58	225	\$13,050.00	\$258.75	\$15,007.50	\$30,015.00
Mark Tulley	July	0	225	\$0.00	\$258.75	\$0.00	\$11,385.00
Jackie Axelrod	July	66	240	\$15,840.00	\$276.00	\$18,216.00	\$36,432.00
Douglas Fowler	July	10	225	\$2,250.00	\$258.75	\$2,587.50	\$7,762.50
Walt Bueshel	July	44	60	\$2,640.00	\$0.00	\$0.00	\$2,640.00
SUB TOTALS		417		\$93,440.00		\$104,420.00	\$221,312.50
TOTAL FEES						\$104,420.00	\$221,312.50
SUPPORT CHARGES						\$2,500.00	\$4,500.00
TOTAL MONTHLY INVOICE AMOUNT FOR JULY						\$106,920.00	\$225,812.50
Less 10% Retention						\$9,344.00	\$14,016.00
TOTAL MONTHLY INVOICE AMOUNT TO PAY						\$97,576.00	\$211,796.50

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

Very truly yours,

III. The Selection Process

The selection process will consist of an evaluation of the proposals in two steps: an initial review of proposals and an interview of personnel from consulting 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 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 experience and ability of the consulting firm's personnel 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 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.

The cost of the audit will be analyzed from the perspective of the number of person days proposed, and the billing rates of the proposed staff. The estimated person days will be evaluated based on the scope of the audit and the proposed approach.

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 audit report of similar quality. Reports produced by the personnel proposed for the audit on previous assignments will be similarly reviewed.

The proposal submitted must clearly demonstrate an understanding of utility functions which require intensive examination versus those which probably will need less rigorous examination. Suggestions of those functions at the utility to be audited which may be most likely to produce opportunities to reduce costs or improve performance will be carefully considered.

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 higher cost proposal when a lower cost proposal is acceptable.

B. Finalist Interview of Consulting Firm's Personnel

Those firms selected for further consideration may be required to arrange a location in Albany 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. Each consultant should be prepared to discuss his or her relevant experience and to provide relevant writing samples upon request.

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 personnel to function as a team. Of equal importance is the proposed team's understanding of the scope of the audit 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 finalist interview copies of recent work products and associated references for each consultant in those areas in which the person is proposed. It is anticipated that the supplied references will be contacted prior to the finalist interviews.

Department 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 staff 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. 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. Following Commission action, any firm not selected may upon request receive a confidential assessment.

IV. The Audit

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 audit. This is a three-party agreement that will also be signed by representatives of the Company and Department of Public Service,

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. Department Staff

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 will be assigned and additional Department staff may also be assigned. 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 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 Company's effort who should have sufficient authority to make and implement decisions. The utility will also have a day-to-day project manager to work with Staff and the consultant's project manager.

The utility will 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. Orientation

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

D. Preparation of Work Plans

The consultant is required to submit detailed work plans for approval by Department staff before in-depth work begins. 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 plans must include the tasks to be performed, the individuals assigned to those tasks, and the schedule for their completion. The work plans also 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.

E. Managing the Audit

The consultant's audit 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 during the course of the audit are to be made available to Staff in an organized electronic format. We encourage the consultant to develop a database of non-sensitive material received during the course of the audit to which Staff will be given both on-site and off-site access. At the conclusion of the audit, a copy of the report indexed to the supporting documents should also be made available to Staff.

2. Audit Documentation and Reporting

The consultant is required to report to Staff on the continuing progress of the audit. 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 and should appear in the consultant's proposed schedule under Section II A (6).

Other written reports or documentation as detailed below will also be necessary during the course of the audit. These reports must also be prepared for electronic access:

- a) A report of interviews and site visits scheduled, if applicable, for the following week. As a minimum, this report should include the interviewee, interviewer, topic/areas of focus, date, time and location. As this report is updated, it will also serve as a report on interviews conducted.
- b) A monthly report of person-days expended by activity in each task area. This is a progress report relative to the calendar (time-line) schedule requested in Section IIA.6 (Schedules and Budgets) and should show the original estimate, time spent during the current month and to-date, estimated time to complete, and percent completed.
- c) A weekly document request report (log) showing documents requested and date received. This log should also be kept on-site at the utility.
- d) Interview summaries. As a minimum, the interview summaries should include the names of the interviewee and interviewer, the title and

organization of the interviewee, documents requested and items discussed.

- f) Documents (other than trade secrets) in a document database.

3. Invoice Approval

Although the subject of the audit and the party responsible for payment is the utility, the Commission is the client. Thus, 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 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, and other supporting documentation as needed. Copies of these records must be provided to Staff along with the invoice.

For billing purposes, the professional billing rate should be an all inclusive rate that captures both the professional fee and out-of-pocket expenses for each individual, as previously mentioned in section II A. 6., and which rolls up to the not-to-exceed project cost. The not-to-exceed project cost should also be inclusive of all expenses associated with the creation of the deliverables, including support services and incidentals. The intended method of billing for clerical, secretarial, research, and all report preparation services must be explained. An example of the invoice detail that is to be reported and billed is shown in Exhibit 2-2. Staff will audit all invoices and no payment will be made by the utility until authorized by Staff.

Payments under the contract will be made according to the schedule of deliverables; however, 15% of professional fees will be retained until Staff approves the detailed work plans. With the approval of the work plans the incremental 5% of professional fees that were withheld pending approval of the work plans 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 and delivered an acceptable draft audit report to the Department, no more than 75% of the professional fees, will be paid to the consultant. Proposals should identify key milestones for payment.

F. Developing Findings, Conclusions and Recommendations

It will be the responsibility of the consultant to fully develop the findings, conclusions and recommendations. Recommendations should consider cost benefit or risk benefit analyses, where appropriate. All finding, conclusions and recommendations are subject to Staff's review for completeness.

G. The Audit Report

The audit report presents the results of the audit, and as such, should 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, Commissioners, Staff and Company management, and as such, highly technical terms, 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 which are well managed. A simple statement to the effect that a function or organizational unit is performing properly, appropriately, and efficiently along with a brief factual description of its operation is sufficient. The audit report is the result of a series of draft reports which have been reviewed by the Staff and the company.

1. Emerging Issues/conclusions

Prior to the submission of the initial draft audit report, the consultant should prepare written summaries of emerging issues. The summaries of emerging issues may be prepared anytime prior to the submission of the initial draft audit report, but not later than the midpoint of the audit.

2. Initial Draft Report

The initial draft report will be reviewed by Staff for adherence to the scope in the RFP and the work plans.

3. Revised Draft

After the necessary changes by the consultant, the second draft report will be reviewed by Staff before being provided to the utility. The utility will review the draft for factual content and accuracy. One or more meetings among the consultant, Staff, and the utility may be held to discuss the utility's comments on the draft audit report.

4. The Final Draft

The final draft will be a product that will have evolved into the final audit report as the result of the continuing participation of the consultant and Staff.

5. Printing and Distribution

The final draft will be printed as the final audit report and made available electronically. The consultant will provide a camera-ready copy of the final audit report. Staff may decide to have the consultant arrange for printing. The cost of printing the final audit report should not be included in the cost ceiling provided in the proposal; however the consultant will be reimbursed for its costs of printing the final audit report.

6. Release by the Commission

Upon release by the Commission, generally following the Session at which it was considered, the final audit report will be a public document. Staff will determine when to release the final audit report.

H. Testimony in Commission Proceedings

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