

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF DUKE
ENERGY OHIO, INC.'S ALTERNATIVE
ENERGY RECOVERY RIDER.

CASE NO. 19-51-EL-RDR

ENTRY

Entered in the Journal on January 23, 2019

I. SUMMARY

{¶ 1} The Commission directs Staff to issue the request for proposal for audit services attached to this Entry, with proposals due by February 20, 2019.

II. DISCUSSION

{¶ 2} Duke Energy Ohio, Inc. (Duke) is an electric distribution utility (EDU) as defined by R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an EDU shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} On December 19, 2018, the Commission approved a stipulation and recommendation filed by Duke and other parties that, among other things, included an ESP for the period June 1, 2018, through May 31, 2024. *In re Duke Energy Ohio*, Case No. 17-1263-EL-SSO, et al., Opinion and Order (Dec. 19, 2018). In the Opinion and Order, the Commission continued Duke's Alternative Energy Recovery Rider (Rider AER-R). In accordance with the stipulation, through Rider AER-R, Duke may recover the costs it incurs in complying with the alternative energy portfolio standard requirements of R.C. 4928.64. Rider AER-R is filed quarterly and is subject to true-up and annual audits.

{¶ 5} To assist with the annual audit of Rider AER-R, the Commission directs Staff to issue the request for proposal (RFP) for audit services attached to this Entry.

{¶ 6} All proposals submitted pursuant to the RFP are due by February 20, 2019. In order to demonstrate the ability to perform the services required in the RFP, the proposal must show, in detail, the auditor's understanding of the project and the work required. Each proposal must address, with specificity, how the auditor will handle all of the issues in the RFP. The auditor must demonstrate that it will be able to perform the required services, showing its clear understanding of the tasks to be completed, the experience and qualifications of the personnel who will perform the work, and the anticipated breakdown of costs and timing. The selection criteria to be used by the Commission to determine the selection of the auditor shall be the technical and management capabilities of each firm, as well as the overall cost of each bid. The Commission intends to select the auditor by May 9, 2019.

{¶ 7} Duke shall directly contract with the auditor chosen by the Commission and bear the costs of the audit services solicited in the RFP.

{¶ 8} The Commission shall select and solely direct the work of the auditor. Staff will review and approve payment invoices submitted by the auditor.

{¶ 9} The auditor shall perform its audit and investigation as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to this proceeding. Further, it shall be understood that the Commission and/or Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of the report.

{¶ 10} The auditor will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16. The auditor is subject to the Commission's statutory duty under R.C. 4901.16, which provides:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in Section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

{¶ 11} Once disclosure is permitted by R.C. 4901.16, the following process applies to the release of any document or information marked as confidential. Three days prior, notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission receives a request for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Ohio Adm. Code 4901-1-07.

{¶ 12} Upon request of the auditor or of Staff, Duke shall provide any and all documents or information requested. Duke may conspicuously mark such documents or information "confidential" if Duke believes the document should be deemed as such. In no event, however, shall Duke refuse or delay in providing such documents or information.

III. ORDER

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That Staff issue the RFP attached to this Entry and that February 20, 2019, be set as the due date for proposals in response to the RFP. It is, further,

{¶ 15} ORDERED, That in accordance with paragraph 7, Duke bear the cost of the audit services of the contractor chosen by the Commission. It is, further,

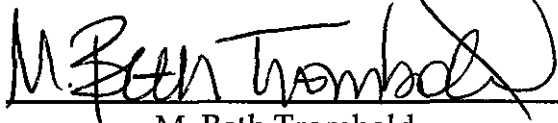
{¶ 16} ORDERED, That Duke and the contractor shall observe the requirements set forth herein. It is, further,

{¶ 17} ORDERED, That a copy of this Entry be served upon all parties of record.

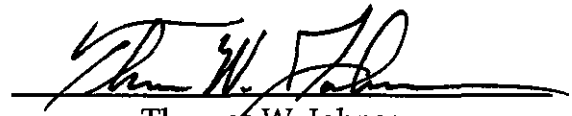
THE PUBLIC UTILITIES COMMISSION OF OHIO



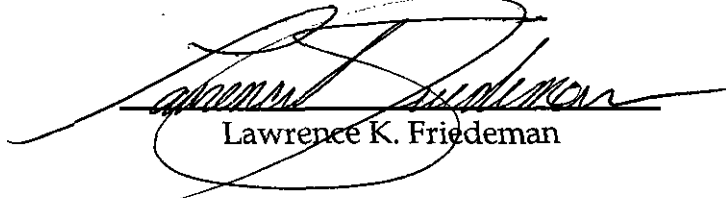
Asim Z. Haque, Chairman



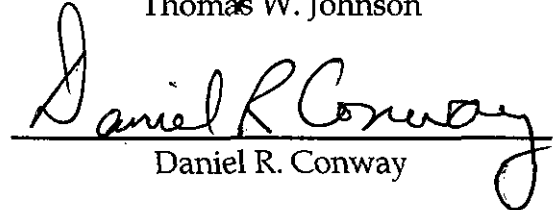
M. Beth Trombold



Thomas W. Johnson



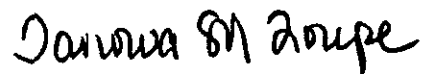
Lawrence K. Friedeman



Daniel R. Conway

NJW/hac

Entered in the Journal
JAN 23 2019



Tanowa M. Troupe
Secretary

REQUEST FOR PROPOSAL NO. RA19-AER-1

A MANAGEMENT/PERFORMANCE AND FINANCIAL AUDIT
OF THE ALTERNATIVE ENERGY RECOVERY RIDER (RIDER AER-R) OF
DUKE ENERGY OHIO, INC.

Issued by:
THE
PUBLIC UTILITIES COMMISSION OF OHIO
180 East Broad Street
Columbus, Ohio
43215-3793

PROPOSAL DUE: February 20, 2019

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I. INTRODUCTION

Ohio's current electric laws, found in R.C. 4928.64 through 4928.645, define a renewable portfolio standard (RPS) that requires electric distribution utilities and electric service companies to acquire specific minimum percentages of electricity from renewable energy resources each year. The renewable energy requirements, which include specific solar requirements, are implemented through annual compliance obligations beginning in 2009.

By Opinion and Order issued on November 22, 2011, the Public Utilities Commission of Ohio (Commission) approved a stipulation and recommendation, in Case No. 11-3549-EL-SSO et al., that authorized the establishment of an Alternative Energy Recovery Rider (Rider AER-R) for Duke Energy Ohio, Inc. (Duke or Company), which allows Duke to recover costs associated with RPS compliance. This Opinion and Order set forth the following regulatory framework:

Duke will implement Rider AER-R, as proposed in its application, to recover the costs incurred in complying with the requirements of Section 4928.64, et seq., Revised Code. Rider AER-R shall not expire upon the termination of the ESP on May 31, 2015, but instead shall continue in order to enable recovery of all reasonable and prudently incurred costs for the acquisition of renewable energy credits (RECs), including brokerage fees, REC tracking participation expenses, gains and losses realized from the sale of RECs, and carrying costs at the long-term cost of debt, as approved in Duke's most recent distribution rate case. Rider AER-R shall remain avoidable for customers taking generation service from a CRES provider. Rider AER-R will be filed quarterly and will include true-up provisions, with annual audits conducted by Staff, or an independent auditor at the discretion of the Commission, in a manner similar to that employed with respect to Duke's current Rider PTC-FPP.¹

Rider AER-R began in January 2012. The Company makes filings with the Commission no later than March 1st, June 1st, September 1st, and December 1st of each year, with the proposed rates becoming effective one month later (i.e., April 1st, July 1st, October 1st, and January 1st), unless otherwise ordered by the Commission.

¹ See *In re Duke Energy Ohio, Inc.*, Case No. 11-3549-EL-SSO et al., Opinion and Order (Nov. 22, 2011) at 19 § (6)(a).

On April 2, 2015, the Commission approved Duke's application to establish a standard service offer in the form of an Electric Security Plan (ESP), in Case No. 14-841-EL-SSO, et al., for the period beginning June 1, 2015, through May 31, 2018. The Company's application described Rider AER-R with other riders continuing with no modifications.²

On December 19, 2018, the Commission approved and adopted a stipulation signed by Duke, Commission Staff, and others, that, among other things, approved Duke's ESP, which was originally proposed in Case No. 17-1263-EL-SSO, et al. As approved, the term of the ESP is from June 1, 2018 through May 31, 2025, and calls for the renewal of Rider AER-R as detailed on Attachment C to the stipulation.

The purpose of this RFP is to solicit bids for audit services to investigate the management performance and financial aspects of the Rider AER-R recovery mechanism. Guidance for the standard of work to be performed and the requirements of the audit report can be found in Attachments 1 and 2 to this RFP. The first phase of the two audit cycle (Audit 1) will include a review of the actual cost for Rider AER-R for the period January 1, 2017, through December 31, 2018. The selected auditor will be required to conduct such an audit and will be responsible for submitting a report that is based upon the guidelines in Attachment 1 and 2 to this RFP. At the discretion of the Commission, the firm selected to perform the first phase of the audit will also perform the second phase (Audit 2), as more fully detailed below. Firms are invited to submit a proposal to perform these audits.

II. THE PROJECT

A. MANAGEMENT/PERFORMANCE AND FINANCIAL AUDIT

This request for proposal consists of a two audit cycle:

1. Audit 1 will review the Rider AER-R in place during January 1, 2017, through December 31, 2018.
2. Audit 2 will review the Rider AER-R in place during the 2019 calendar year.

² See *In re Duke Energy Ohio, Inc.*, Case No. 14-0841-EL-SSO et al., Direct testimony of James E Ziolkowski, Attachment JEZ-4 at 2.

B. ROLE OF AUDITOR

Any auditor who is chosen by the Commission to perform an audit expressly agrees to perform his or her audit as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to the proceeding for which the audit report was generated. Further, it shall be understood that the Commission and/or the Commission's staff (Staff) shall not be liable for any acts committed by the auditor or its agents while conducting its audit activities.

C. COMMISSION STAFF SUPERVISION

Staff will oversee the project. Staff personnel shall be informed of all correspondence between the auditor and the Company, and shall be given at least three working days' notice of all meetings and interviews with the Company, so as to allow Staff the opportunity to attend.

D. COST OF AUDIT AND QUOTATION OF CHARGES

The auditor shall include separate cost estimates in its proposal for Audit 1 and Audit 2, respectively. Such cost estimates shall be viewed as maximum costs for purposes of evaluating and selecting an auditor. The proposed cost is to include all expenses associated with conducting the audit and presenting the findings and recommendations in the audit report. A detailed presentation of costs shall be provided, broken down by phase/task, in conformance with part VI, paragraph J, of this RFP. The proposed costs shall be considered firm prices for performing the work described in the proposal.

E. COST OF PRESENTING EXPERT TESTIMONY

The actual costs associated with presenting expert testimony before the Commission during the applicable hearing will include actual time and materials, not to exceed \$6,000 without Staff's approval. Expenses associated with the presentation of testimony will include the following:

- actual transportation expense (i.e., airfare, etc.)
- actual living expenses (hotels, meals, local transportation)
- actual preparation time, up to eight hours per witness
- actual time spent in travel
- actual time spent presenting testimony

- other time and expenses directly related to the hearing process, as approved by Staff

F. TWO AUDIT CYCLE

The Commission has initiated a two-audit cycle for Rider AER-R. A complete and thorough audit will be conducted in each phase of the audit cycle. However, in conducting the second audit, the auditor may rely upon the first audit's investigations and results, but only to the extent the information relied upon has not changed in the intervening period.

The Commission intends that the auditor selected for the first audit will also conduct the second audit. However, the auditor must understand that changes in the regulatory environment, performance in the first audit, or factors beyond the control of the auditor or Commission could result in the Commission delaying or rescinding the second audit award. The auditor, when preparing a proposal, should not assume participation in both phases of the audit cycle and should develop its cost estimate accordingly.

III. SCOPE OF WORK

A. STANDARDIZED WORK REQUIREMENTS

No specific statutory or administrative requirements exist for auditing Rider AER-R. However, guidance on the standard work to be performed and the requirements of the audit report can be obtained in Attachments 1 and 2. Please note that this audit program establishes minimum criteria for the audit review. It should not be used to the exclusion of the auditor's initiative and thoroughness in performing the audit.

The designated auditor will be expected to analyze, interpret, and make specific recommendations with respect to the structure, policies, and procedures of the Company's RPS compliance activities.

B. RENEWABLE ENERGY CREDIT (REC) AND SOLAR RENEWABLE ENERGY CREDIT (S-REC) PRICES

The auditor shall include a market price comparison in its audit report, which the Commission and/or Staff can utilize as a tool to evaluate the reasonableness of the prices paid by the Company for RECs and S-RECs during the audit period.

C. RPS COMPLIANCE

The auditor shall include a review of the Company's compliance activities as they relate to REC and S-REC procurement and utilization within its audit report. This review should include considerations such as (1) management of existing multi-year commitments for renewable resources, if applicable, and (2) preparation for compliance with projected future obligations under the RPS.

The auditor shall analyze and address, at least, the following RPS compliance-related issues:

- overall REC and S-REC management strategy, including any REC or S-REC transactions in which the Company participated;
- methods used by the Company to analyze RPS compliance options and develop overall mitigation strategies; and
- the Company's status relative to the three percent provision contained within R.C. 4928.64(C)(3).

D. GOGREEN PRICING PROGRAM

The auditor shall include a limited review of the Company's GoGreen green pricing program within its audit report. This review should focus on confirming that there was no cross-subsidization and/or double counting between RPS compliance and the GoGreen pricing program.

E. UTILITY INDUSTRY PERSPECTIVE

The auditor shall include in the audit report a discussion of the current dynamics of the industry in which the Company operates, and the impact that these dynamics have on the Company's practices regarding REC and S-REC procurement, sale, and generation.

IV. TIMELINE

The timeline presented below is intended to provide the auditor with an understanding of the timeframe during which the audit is to be conducted. Although precise dates are

used below, the actual dates for awarding the audit and for conducting the audit and any resulting hearing activities may vary somewhat when each is set through a subsequent Commission entry.

Audit proposals due	February 20, 2019
Award audit (Commission Entry)	March 27, 2019
Audit 1 conducted	March 27, 2019 – August 6, 2019
Company to have the necessary information and personnel available for the auditor to begin the audit 1 process	March 27, 2019
Audit 1 draft audit report presented to Staff	August 7, 2019
Final audit report filed with Commission for Audit 1	August 28, 2019

The timeline for Audit 2 will be set by the Commission at a future date.

V. DEADLINES AND DELIVERABLES

A. AVAILABILITY OF DOCUMENTS

Upon request of the auditor or Staff, the Company shall provide any and all documents or information requested. The Company may conspicuously mark such documents or information as being “confidential.” In no event, however, shall the Company refuse or delay to provide such documents or information.

Staff or the auditor shall not publicly disclose any document marked “confidential” by the Company, except upon three days’ prior notice of intent to disclose served upon the Company’s counsel. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any purpose, unless the Company moves the Commission for a protective order pertaining to such documents or information within the three-day notice period.

The three-day notice period will be computed according to Ohio Adm.Code 4901-1-07. Service shall be complete upon mailing or delivery in person.

The Company shall diligently review the draft audit report for the presence of information deemed to be confidential, and shall work with the auditor to ensure that such information is treated appropriately in the report.

B. FISCAL REPORTS

The auditor will submit invoices when work is 50 percent complete and 100 percent complete. The invoices shall include details regarding the dates and activities covered by each invoice and shall be sufficiently detailed to allow Staff to identify the work completed, the personnel involved, and the corresponding charges in relation to the activity schedule originally set forth in the auditor's proposal. All invoices are to be sent to the Company, with a copy sent to Staff. After approval of the invoice by Staff, the Company will be authorized to make payment.

The Company shall be ordered by the Commission to enter into a contract, which shall incorporate by reference all provisions of this proposal, with the auditor chosen by the Commission to perform the audit. Prior to the contract being executed, the auditor will submit a copy of the contract agreement between the auditor and Company to the Staff member assigned to the audit so that Staff may verify the contract terms are consistent with those of the RFP. The auditor shall also provide Staff with a copy of the final contract agreement, once executed.

C. INTERIM REPORTING

At the midpoint of the audit activities, the auditor will provide a progress report to Staff. This report will briefly describe progress made on required audit activities, as well as initial/tentative findings and conclusions on issues investigated to date. The report may be made verbally, unless Staff requests a written report. The auditor will also be available to discuss audit developments with staff on an as-needed basis.

D. DRAFT REPORT

Four copies of a draft of the final report shall be provided to Staff, to be received at least ten days prior to the due date of the final report. Alternatively, Staff may request an electronic copy of the draft report in place of the paper copies. The

auditor shall also provide a copy of the draft report to the Company, to review for potential confidential information and factual errors, as directed by Staff.

E. FINAL REPORT

Two copies of the final report plus one reproducible original will be delivered to the Staff of the Commission by the morning of the date specified in Section IV or a date certain set by Commission entry. The final report should include an executive summary of recommendations. Along with the paper copies of the audit report, the auditor shall submit to Staff a flash drive containing a complete version of the final report.

In addition, on the morning that the final report is due, the auditor shall provide the Company with two copies of the final audit report. This will provide the Company a final opportunity to review the audit report for confidentiality concerns prior to its filing by Staff.

If it is necessary to prepare a redacted report, due to confidentiality concerns, two copies of a non-redacted report shall also be provided to both the Commission and the Company on the report due date. The non-redacted report shall clearly be labeled "confidential."

F. WORKING PAPERS

A complete set of working papers is an integral part of the audit requirements. The auditor selected shall maintain working papers and document all supporting information, including, without limitation, data request responses, meeting summaries, interview notes, or any other pertinent information.

With the final report, the auditor shall deliver to Staff one complete set of working papers, indexed and in orderly form, which contains documents used and procedures followed to develop the conclusions set forth in the audit report. Voluminous documents may be included only as references in the working papers, upon Staff's agreement. Confidential documents should be clearly marked and provided in a separate section of the working papers. Electronic copies of the working papers are preferred.

G. PRODUCTION OF DOCUMENTS

Upon request of the Commission or Staff at any time, the auditor shall immediately provide any document or information obtained or produced within the scope of the audit.

H. TESTIMONY

If necessary, the auditor shall present expert testimony during the course of any hearing at which the audit report is considered. The individual providing testimony will be one who conducted or directed the audit activities being considered at any hearing.

VI. MINIMUM CONTENTS OF PROPOSAL

Each proposal shall contain page numbers and a Table of Contents. In a separate section, reflected in the Table of Contents, the following information shall be provided:

- A. Name, mailing address, and telephone number of the individual to contact should further information be desired.
- B. An indication of how the bidder plans to incorporate Staff's participation in the proposed work plan.
- C. The name(s) of all subcontractors to be used in the performance of the proposed work, identification of the specific items to be performed/provided by the subcontractor, and the cost of the proposed subcontractor's work; or if no subcontractors are to be used, the entry "Subcontractor - none." (All such subcontractors indicated in the proposal will be acknowledged as accepted by the Commission upon selection of the proposal for contract awarded, unless the auditor is previously notified of the contrary. No addition, deletion, or substitution of subcontractors will be permitted during the course of the contract, unless approved in advance by Staff in writing.) If subcontractors are proposed, all information required in this section shall be supplied for each subcontractor proposed. Such information shall be supplied in a format parallel to the overall format specified for the contractor.
- D. The following required Equal Employment Opportunity (EEO) data must be provided for the auditor and each subcontractor:
 - 1. The total number of employees;

2. The percentage of the total which are women;
 3. The percentage of the total which are Black, Hispanic, Asian, or American Indian (please specify);
 4. The total number of employees located in Ohio offices;
 5. The percentage of the Ohio total employee count who are women;
 6. The percentage of the Ohio total employee count who are Black, Hispanic, Asian, or American Indian (please specify);
 7. The number of individuals to be assigned to the project;
 8. The percentage of the total assigned individuals who are women; and
 9. The percentage of the total assigned individuals who are Black, Hispanic, Asian, or American Indian (please specify).
- E. A listing of contracts the auditor and each subcontractor has with the state of Ohio and:
1. Name of the state agency(s) for each contract;
 2. The cost of each contract;
 3. The duration of each contract; and
 4. A brief description of each current contract.
- F. A listing of the auditor's and each subcontractor's clients which may have a financial interest in the Company, or its affiliates. Auditors maintaining any present or on-going contracts or agreements with the Company and affiliates may, at the discretion of the Commission, be disqualified by reason of possible conflict of interest. In the proposal, such contracts should be described in sufficient detail that the Commission can determine whether a conflict of interest exists. A response indicating that this information will be provided on request or that such contracts are too numerous to enumerate will be cause for disqualification of the auditor from consideration and selection.

- G. A listing of all the auditor's and each subcontractor's offices, facilities, and equipment to be used in performance under this contract and their locations, including a specification of offices, facilities, and equipment located in Ohio.
- H. A statement of financial responsibility, including certification that the auditor, joint partners if the auditor is a conglomerate operation, and any subcontractors have no outstanding liens or claims against them.
- I. References the Commission or Staff may call to receive an assessment of the auditor's, and each subcontractor's, previous performance. References should be provided for the company, or company proposing, and for the individuals designated as principals for the project. The information required for each reference is as follows:
- Name of individual to contact for reference;
 - Company / Facility which employed the individual;
 - Telephone number;
 - Whether reference is for the company or a principal; and
 - Project or work for which the reference is given.
- J. A description of the proposed scope of work to be performed, including a work plan, expected deliverable products, and task timing. In a separately numbered section, the auditor will provide a detailed cost breakdown by phase/task of the work plan including the class of personnel performing each phase/task of the work, the hourly rate charged for each class, the number of hours charged for each class, an equivalent breakdown of all subcontracted work, any direct or indirect cost items which the auditor plans to charge, and the total cost.
- The contract price quoted by the auditor shall include all items of work defined in the proposal. The auditor will be expected to deliver the performance described in its proposal within the contract price.
- K. Identification, by name and title, of the personnel to be involved in the audit, the extent of their involvement in the project, and a description of how the proposed personnel's experience matches project requirements. Substitution of personnel without prior written approval of the Commission or Staff will not be permitted. Administrative personnel to be involved in the audit may be identified by title and substituted as needed without prior Commission or Staff approval.

- L. A description of the qualifications, experience, and proven results achieved by all non-administrative personnel to be employed on the project, with a summary of work performed on projects similar to the one contemplated by this RFP, including specific references. The Commission or Staff reserves the right to request samples or prior relevant work from any auditor prior to the Commission making its final consultant selection.
- M. Identification by name and title, and the hourly rate of pay and all other related costs, of the individual or individuals who will present expert testimony before the Commission during the appropriate hearing.

VII. REVIEW CRITERIA

An approximate weighting system, along with the Commission's judgment and experience, will be used in the evaluation of the proposals. The approximate weighting applied to proposal components may be as follows: 50 percent experience and qualifications relevant to the scope of this particular project, 25 percent project understanding, and 25 percent other criteria (including, but not limited to, costs and timing). Proposals will be evaluated on a basis which includes the following criteria.

A. COMPLIANCE WITH MINIMUM CONTENTS REQUIREMENTS

Lack of satisfactory response to the Minimum Contents Requirements will be grounds for elimination of any proposal from further consideration.

B. COST

The total proposed contract price as specified in the proposal. A breakout of costs between Audit 1 and Audit 2 is required. Auditors are encouraged to provide as competitive a bid as is practicable.

C. UNDERSTANDING OF PROJECT

Proposer has grasped the intent of the project, is knowledgeable of the technical aspects required, indicates understanding of potential problems, demonstrates understanding of regulatory issues, trends, and perspectives, and the work plan indicates appropriate phasing. The proposer has indicated its method of handling the project, has shown a thorough understanding of the project requirement, the methods for handling the project appear realistic under stated

time constraints, and the proposer's innovative methodologies appear appropriate to the project. The proposal is responsive to the RFP.

**D. EXPERIENCE OF PERSONNEL ASSIGNED TO PROJECT AND
RELATED ORGANIZATIONAL EXPERIENCE**

Personnel assigned to the project have relevant experience in the field, are qualified to undertake the assignment, and have demonstrated proven results in prior assignments. References of previous clients/projects are provided and are relevant to this assignment.

E. TIMELINES

The proposal demonstrates the auditor's ability to meet the stated deadlines. Realistic timelines for conducting audit activities are provided.

VIII. OTHER PROPOSAL CRITERIA

A. RELEVANCE

The auditor shall include only relevant information and pertinent exhibits in the proposal. Duplicating materials provided in the RFP, providing exhaustive resumes, and including standard company promotional materials is strongly discouraged, as this may detract from the clarity and conciseness of the proposal.

B. PROPRIETARY DATA IN PROPOSAL

Submissions to the Commission become public documents available to open inspection. Proprietary data in a proposal will also assume this stature. Therefore, discretionary action is recommended for any proprietary data to be submitted in proposals.

C. DUE DATE AND SUBMITTAL ADDRESS

Any proposal submitted hereunder must be received at the following address no later than 5:00 p.m., February 20, 2019. The proposal should be sent in a sealed envelope, clearly marked and addressed to:

Stuart Siegfried
Response to RFP No. RA19-AER-1
The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215-3793

Note: By responding to this request for proposal, the proposer expressly accepts and is bound by all the terms thereof including all attachments, exhibits, and schedules.

D. COPIES

Four copies of the proposal are to be submitted to the Commission.

E. CONTRACTOR REQUIREMENTS AND MINORITY PARTICIPATION

1. The Commission, in awarding the contract, will give preference to Ohio contractors. Ohio contractors include not only established domestic companies actively doing business in Ohio but also encompass multi-state companies with headquarters out of Ohio but with substantial commitments of offices, divisions, and facilities within the state.
2. The Commission will give preference to proposers demonstrating compliance with minority and women EEO criteria.

F. LATE PROPOSALS

A proposal is late if received at any time after the due date set for receipt of the proposals. A late proposal will be considered along with other proposals only if it is received before the evaluation of proposals has, in the sole opinion of the Commission, substantially progressed and then only if one of the three following conditions exists:

1. Mail Delay - The lateness is due solely to a delay in the mail when the response has been sent by registered or certified mail for which an official dated postmark on the original receipt has been obtained.
2. Commission Error - If it is received by any reasonable means at the Commission in sufficient time to be delivered at the office designated for the opening and would have been received at such office except for delay

due to mishandling at the Commission. Only an appropriate date or time stamp showing the time of receipt will be accepted as evidence of timely receipt of the proposal.

3. Exceptions – Any other late proposal will not be considered, unless it is the only proposal received or in the sole judgment of the Commission it offers some important technical advantage and is of benefit to the Commission.

G. MODIFICATION OR WITHDRAWAL OF PROPOSAL

Any proposal may be modified or withdrawn by written request of the auditor if the request is received by the Commission at the above address by the date set for receipt of original proposals.

H. MODIFICATION OR WITHDRAWAL OF THIS RFP

This request for proposal may be modified or withdrawn at any time prior to the time set for receipt of proposals and thereafter, as long as no proposal has been opened. Upon any such modification or withdrawal, all auditors will be notified and any person or firm who has expressly requested such notice in writing will also be notified of such changes at the discretion of the Commission.

I. RIGHT TO REJECT ANY AND ALL PROPOSALS

The Commission reserves the right, without limitation or discussion with those submitting proposals, to reject any and all proposals.

J. PENALTY FOR DIVULGING INFORMATION

The auditor shall abide by all provisions of R.C. 4901.16, which states:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

The auditor shall not divulge any information regarding its audit activities to the media or to any other entity, except in its report and testimony before the Commission, before, during, and/or after the audit. All comments or concerns that the auditor wants to address shall be directed to the Commission's Media Office.

K. RFP WEBSITE

All firms wishing to remain on the Commission's bidder list must subscribe to the Commission's RFP list by clicking on the "RFP – Requests for Proposals" link at:

<http://www.puco.ohio.gov/PUCO/Docketing>

Pending RFPs and further information will be posted at the above website.

L. STATUTORY SCOPE OF AUDIT

Any auditor who is chosen by the Commission to perform an audit shall execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16.

M. AUDITOR SELECTION

The Commission reserves the right to determine that the described audit will not be conducted or will be conducted by Staff, depending on the Commission's needs and circumstances at the time of the selection.

IX. QUESTIONS

Administrative questions regarding this RFP should be directed to Adam Bargar at 614-466-8112 or Adam.Bargar@puco.ohio.gov. Technical questions regarding this RFP should be directed to Stuart Siegfried at 614-466-7536 or Stuart.Siegfried@puco.ohio.gov.

ATTACHMENT 1

Management/Performance Audit Program Standards

Introduction

The information included here is intended to provide guidance, but appropriate discretion on the part of the auditor will be necessary in order to conduct an audit in conformance with the specific requirements of the Company's Rider AER-R. The following instructions do not provide specific details for auditing every aspect of the Company's Rider AER-R activities. It is anticipated that the auditor will ascertain and apply the relevant criteria in review of the Company's decisions and actions related to its RPS compliance activities. It is also anticipated that the auditor shall be familiar and comply with all Generally Accepted Accounting Principles (GAAP), and Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts.

The management/performance audit shall include, at least, the following items:

- 1) A review of the Company's RPS compliance planning activities during the audit period, including the schedule and process for evaluating compliance options;
- 2) A review of the REC and S-REC transactions entered into by the Company during the audit period, with an assessment as to the reasonableness of the transactions;
- 3) An assessment of the applicable REC and S-REC markets during the audit period;
- 4) A review of the Company's compliance with recommendations from the prior audit, if applicable³; and
- 5) A review of any other specific items as identified by the Commission or Staff.

The auditor shall prepare a management/performance audit report section to be filed with the Commission that shall:

³ See PUCO Case No. 15-1854-EL-RDR.

- 1) State the scope and objectives utilized in conducting the audit;
- 2) State the methodology utilized in conducting the audit;
- 3) Objectively present findings, facts and conclusions in a clear and concise manner;
- 4) Include only the findings, facts and conclusions which are adequately supported in the audit report or in the auditor's working papers; and may include supporting schedules or cross referencing of issues;
- 5) Identify and explain any issues, areas or questions which need further examination;
- 6) State specific recommendations and, when possible, an estimate of the savings to be realized by implementing the recommendations; and
- 7) Evaluate management decisions in light of the conditions, circumstances, and available information at the time the decisions were made.

ATTACHMENT 2

Financial Audit Program Standards

Introduction

The information included here is intended to provide guidance, but appropriate discretion on the part of the auditor will be necessary in order to conduct an audit in conformance with the specific requirements of the Company's Rider AER-R. The following instructions do not provide specific details for auditing every aspect of the Company's Rider AER-R activities. It is anticipated that the auditor will ascertain and apply the relevant criteria in review of the Company's decisions and actions related to its RPS compliance activities. It is also anticipated that the auditor shall be familiar and comply with all GAAP and FERC Uniform System of Accounts.

The financial audit shall include at least the following items:

- 1) A review of the Company's Rider AER-R quarterly filings during the audit period to verify the accuracy of the information and calculations;
- 2) A review of the individual components that may have been included within the Company's Rider AER-R information and calculations in order to verify that the costs were appropriately included. If applicable, these components include, but are not limited to, the following:
 - Both costs and gains associated with REC or S-REC transactions
 - Costs of implementing renewable RFPs
 - Brokerage fees
 - Attribute tracking system costs
 - Incremental labor costs
 - Carrying costs on inventory
 - Rider AER-R Audit costs
- 3) A review to verify the accuracy of information and calculations related to any carrying charges included in the Company's quarterly Rider AER-R calculations;
- 4) A sample of invoices for costs included in Rider AER-R to assure that only appropriately incurred costs were included in the rider;

- 5) A review of the Company's status relative to the three percent provision contained within R.C. 4928.64(C)(3);
- 6) A review comparing the costs recovered through the Company's Rider AER-R during the audit period to the costs incurred;
- 7) A review of the Company's compliance with recommendations from the prior audit, if applicable⁴; and
- 8) A review of any other specific items as identified by the Commission or Staff.

The auditor shall prepare a financial audit report section to be filed with the Commission that shall:

- (1) State the scope and objectives of the audit;
- (2) State the standards utilized in conducting the audit;
- (3) Objectively present findings, facts, and conclusions in a clear and concise manner; and
- (4) State specific recommendations, if any, and, when possible, an estimate of the savings to be realized by implementing the recommendations.

⁴ See PUCO Case No. 15-1854-EL-RDR.