

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
THE EAST OHIO GAS COMPANY DBA  
DOMINION ENERGY OHIO FOR  
APPROVAL OF AN ALTERNATIVE FORM OF  
REGULATION TO ESTABLISH A CAPITAL  
EXPENDITURE PROGRAM RIDER  
MECHANISM.

CASE NO. 19-468-GA-ALT

## ENTRY

Entered in the Journal on August 14, 2019

### I. SUMMARY

{¶ 1} The Commission directs Staff to issue a request for proposal for audit services to assist the Commission with the review of the accounting accuracy, prudence, and compliance of The East Ohio Gas Company dba Dominion Energy Ohio, with its Commission-approved capital expenditure program.

### II. DISCUSSION

{¶ 2} The East Ohio Gas Company dba Dominion Energy Ohio (Dominion or Company) is a natural gas company and a public utility as defined by R.C. 4905.03 and R.C. 4905.02, respectively. As such, Dominion is subject to the jurisdiction of this Commission.

{¶ 3} Under R.C. 4929.05, a natural gas company may seek approval of an alternative rate plan by filing an application under R.C. 4909.18, regardless of whether the application is for an increase in rates. After an investigation, the Commission shall approve the plan if the natural gas company demonstrates, and the Commission finds, that the company is in compliance with R.C. 4905.35, is in substantial compliance with the policies of the state as set forth in R.C. 4929.02, and is expected to continue to be in substantial compliance with state policy after implementation of the alternative rate plan. The Commission must also find that the alternative rate plan is just and reasonable.

{¶ 4} Pursuant to R.C. 4929.111, a natural gas company may file an application under R.C. 4909.18, 4929.05, or 4929.11, to implement a capital expenditure program (CEP)

for any of the following: any infrastructure expansion, infrastructure improvement, or infrastructure replacement program; any program to install, upgrade, or replace information technology systems; or any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction. In approving the application, the Commission shall authorize the natural gas company to defer or recover both of the following: a regulatory asset for post-in-service carrying costs (PISCC) on the portion of the assets of the CEP that are placed in service but not reflected in rates as plant in service; and a regulatory asset for the incremental depreciation directly attributable to the CEP and the property tax expense directly attributable to the CEP. A natural gas company shall not request recovery of the PISCC, depreciation, or property tax expense under R.C. 4929.05 or R.C. 4929.11 more than once each calendar year.

{¶ 5} In Case No. 11-6024-GA-UNC, et al., the Commission modified and approved Dominion's application for authority to implement a CEP for the period of October 1, 2011, through December 31, 2012. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 11-6024-GA-UNC, et al., Finding and Order (Dec. 12, 2012). Subsequently, in Case No. 12-3279-GA-UNC, et al., the Commission modified and approved Dominion's application to implement a CEP for the period of January 1, 2013, through December 31, 2013. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 12-3279-GA-UNC, et al., Finding and Order (Oct. 9, 2013).

{¶ 6} In Case No. 13-2410-GA-UNC, et al., the Commission modified and approved Dominion's application to implement a CEP in 2014 and succeeding years, pursuant to R.C. 4909.18 and 4929.111. The Commission also approved Dominion's request for accounting authority to capitalize PISCC on program investments for assets placed in service but not yet reflected in rates; defer depreciation expense and property tax expense directly attributable to the CEP; and establish a regulatory asset to which PISCC, depreciation expense, and property tax expense are deferred for future recovery in a subsequent proceeding. Dominion was authorized to accrue deferrals under the CEP until the accrued

deferrals, if included in rates, would cause the rates charged to the Company's General Sales Service customers to increase by more than \$1.50 per month. Additionally, the Commission noted that the prudence and reasonableness of Dominion's CEP-related regulatory assets and associated capital spending would be considered in any future proceedings seeking cost recovery, at which time the Company would be expected to provide detailed information regarding the expenditures for the Commission's review. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 13-2410-GA-UNC, et al., Finding and Order (July 2, 2014).

{¶ 7} On February 27, 2019, in the above-captioned case, Dominion filed a notice of intent to file an application for approval of an alternative rate plan under R.C. 4929.05. In the notice, Dominion stated that the application would request approval to establish a CEP rider mechanism (CEP Rider).

{¶ 8} On March 29, 2019, Dominion filed a notice of intent to file an alternative rate plan application for an increase in rates, notice of test year and date certain, and attached exhibits. Dominion noted that the notice of intent was sent to the mayor and legislative authority of each affected municipality. Dominion also notified the Commission that the Company is using a test year of the 12 months ending December 31, 2018, and a date certain of December 31, 2018.

{¶ 9} Concurrently with the notice, Dominion also filed a motion for waiver from certain provisions of the Commission's Standard Filing Requirements contained in Ohio Adm.Code 4901-7-01 (SFRs). Under Ohio Adm.Code 4901:1-19-06(C), an alternative rate plan application that is for an increase in rates must include the exhibits described in R.C. 4909.18(A) through (D) and the SFR prescribed in Ohio Adm.Code 4901-7-01, unless otherwise waived pursuant to Ohio Adm.Code 4901:1-19-02(D). Specifically, Dominion sought waivers of the supplemental filing requirements found in Chapter II(B)(1) through Chapter II(B)(6), Chapter II(B)(8), and Chapter II(B)(9); Chapter II(C); Chapter II(D); Chapter II, Section C; Chapter II, Section D; and Chapter II, Section E.

{¶ 10} On May 1, 2019, Dominion filed its alternative rate plan application, along with supporting exhibits and testimony, pursuant to R.C. 4909.18, 4929.05, 4929.11, and 4929.111. The application seeks to establish the CEP Rider. Specifically, Dominion states that the purpose of the proposed CEP Rider is to recover the PISCC, incremental depreciation expense, and property tax expense currently deferred under and associated with the CEP, as well as a return on the CEP rate base, as approved in Case No. 13-2410-GA-UNC. Dominion also proposes establishing initial CEP Rider rates, which would recover the revenue requirement associated with the CEP regulatory asset and related capital investments for the period October 1, 2011, through December 31, 2018. Thereafter, Dominion proposes an annual update process through which future CEP deferrals and investments would be reviewed and recovered, beginning with investment through December 31, 2019.

{¶ 11} On June 17, 2019, Staff filed its review and recommendation regarding Dominion's motion for a waiver of certain SFR. In its review, Staff requested that Dominion be required to comply with the SFRs set forth in Chapter II, Section C (Operating Income) and D (Rate of Return); and the supplemental filing requirements in Chapter II(B)(1) through Chapter II(B)(6), as well as Chapter II(B)(8). Staff did not oppose Dominion's motion to waive the remaining requirements, which were Chapter II, Section E (Rates and Tariffs) and Chapter II(B)(9), Chapter II(C), and Chapter II(D).

{¶ 12} On June 18, 2019, Dominion filed a letter with the Commission indicating that it did not object to providing Staff with additional information responsive to the filing requirements identified by Staff.

{¶ 13} By Entry issued on June 19, 2019, the Commission, consistent with Staff's recommendations, granted the Company's motion for waiver of certain SFR, in part, and denied it, in part. Specifically, the Commission directed Dominion to file the information required by the SFR in Chapter II, Section C (Operating Income) and D (Rate of Return); and the supplemental filing requirements in Chapter II(B)(1) through Chapter II(B)(6), as well as

Chapter II(B)(8). We also noted that the grant of the requested waiver, in part, did not preclude Staff from obtaining any information waived through formal data requests, if such information was subsequently deemed necessary to complete Staff's investigation effectively and efficiently.

{¶ 14} To assist the Commission with an audit of Dominion's CEP and associated CEP costs and deferrals, the Commission directs Staff to issue a request for proposal (RFP) for audit services, as attached to this Entry.

{¶ 15} All proposals submitted pursuant to the RFP are due by August 28, 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.

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

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

{¶ 18} 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.

{¶ 19} 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.

{¶ 20} 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.

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

### III. ORDER

{¶ 22} It is, therefore,

{¶ 23} ORDERED, That Staff issue the RFP attached to this Entry and that August 28, 2019, be set as the due date for proposals in response to the RFP. It is, further,

{¶ 24} ORDERED, That, in accordance with Paragraph 16, Dominion bear the cost of the audit services of the contractor chosen by the Commission. It is, further,

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

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

COMMISSIONERS:

*Approving:*

Sam Randazzo, Chairman  
M. Beth Trombold  
Lawrence K. Friedeman  
Daniel R. Conway  
Dennis P. Deters

AS/mef

---

REQUEST FOR PROPOSAL NO. RA19-CSPA-2

---

A PLANT IN SERVICE AND CAPITAL SPENDING PRUDENCE AUDIT  
OF EAST OHIO GAS COMPANY d/b/a DOMINION ENERGY OHIO

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

---

PROPOSAL DUE: August 28, 2019

---





## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE.....	1
III.	SCOPE OF INVESTIGATION .....	2
IV.	TIMELINE.....	6
V.	DEADLINES AND DELIVERABLES.....	6
VI.	MINIMUM CONTENTS OF PROPOSAL.....	9
VII.	REVIEW CRITERIA.....	12
VIII.	OTHER PROPOSAL CRITERIA .....	13
IX.	QUESTIONS .....	17

## **I. INTRODUCTION**

Since 1953, Section 4905.22 of the Ohio Revised Code (R.C.) has required utilities in Ohio to “furnish necessary and adequate service” and “provide such instrumentalities and facilities as are adequate and in all respects just and reasonable.” In September 2011, R.C. 4929.111 permitted natural gas companies to apply to the Public Utilities Commission of Ohio (Commission) for approval of a capital expenditure program (CEP) for investment related to: infrastructure expansion, improvement, or replacement; programs to install, upgrade, or replace technology systems; or, programs to comply with government rules and regulations. With approval of a CEP, natural gas companies can establish a regulatory asset to defer for future recovery the post in-service carrying costs (capitalized interest or “PISCC”) and depreciation and property tax expenses associated with the CEP assets. In Case Nos. 11-6024-GA-UNC and 11-6025-GA-AAM, The East Ohio Gas Company d/b/a Dominion Energy Ohio (Dominion, Company or Applicant) sought and was granted authority to create a CEP and to begin deferring the related PISCC and depreciation and property tax expenses (the CEP Deferral) for capital investments that were not part of its accelerated main replacement program called pipeline infrastructure replacement (PIR). The Commission authorized the CEP Deferral for the period October 1, 2011 through December 31, 2012 and determined that the Company could only accrue the deferral up to the point where the deferred amount would exceed \$1.50 per month for the General Sales Service (GSS) class of customers if it were included in customer rates. Subsequently, in Case Nos. 12-3279-GA-UNC and 12-3280-GA-AAM, the Commission authorized the Company to continue the CEP Deferral for the period January 1, 2013 through December 31, 2013. And in Case Nos. 13-2410-GA-UNC and 13-2411-GA-AAM, the Commission authorized the Company to continue the CEP for the period January 1, 2014 through December 31, 2014 and beyond, up to the point where the deferred amount would exceed \$1.50 per month for the GSS class of customers if it were put into rates. The Commission also restated its determination that it would consider the prudence, reasonableness, and magnitude of the CEP Deferral and capital expenditures when the Company applied for recovery. On May 1, 2019 in Case No. 19-468-GA-ALT, Dominion filed an application with the Commission seeking authority to establish a rider on customer bills to collect the amounts accrued in the CEP Deferral through December 31, 2018 and a return of and a return on the underlying CEP capital assets.

## **II. PURPOSE**

Pursuant to its intent to consider the prudence, reasonableness, and magnitude of the CEP Deferral and associated capital expenditures as stated in Case Nos. 11-6024-GA-UNC, 12-

3279-GA-UNC, and 13-2410-GA-UNC *et al.*, the Commission is seeking proposals to conduct a two-part audit of the Applicant's CEP capital expenditures. The first part of the audit is to review and attest to the accounting accuracy and used and useful nature of the Applicant's non-PIR / non-automated meter reading (AMR) capital expenditures and related assets and corresponding depreciation reserve since the date certain of its most recent base rate case (March 31, 2007 as set in Case No. 07-829-GA-AIR, *et al.*) through December 31, 2018. The second part of the audit is to simultaneously assess and form an opinion on the necessity, reasonableness, and prudence of the Applicant's non-PIR / non-AMR capital expenditures and related assets, with an emphasis on the CEP expenditures and assets from October 2011 through December 31, 2018.

The auditor and/or retained sub-contractors shall be familiar with and comply with all of the following:

- Generally accepted accounting principles (GAAP).
- Federal Energy Regulatory Commission (FERC) Uniform System of Accounts.
- Various accounting and tax changes or decisions issued during calendar year 2018.
- The operations and regulatory environment of natural gas distribution utilities.
- The capital spending practices and requirements of natural gas distribution utilities.
- The Pipeline and Hazardous Materials Safety Administration's (PHMSA) Pipeline Safety Regulations (49 CFR, Parts 190-199).
- The Company's application in Case No. 19-468-GA-ALT.

### **III. SCOPE OF INVESTIGATION**

The auditor's investigation shall determine if the Applicant has accurately determined and accounted for its non-PIR / non-AMR plant in-service balance and depreciation reserve balance from the date certain balance in the Applicant's last base rate case in Case No. 07-829-GA-AIR through December 31, 2018. In addition, the auditor shall assess, form, and support an opinion on the necessity, reasonableness, and prudence of the Applicant's capital expenditures and associated assets from the date certain balance in the Applicant's last base rate case through December 31, 2018, with an emphasis on the CEP expenditures and assets. For the period 2007–2018, the Applicant's total net capital expenditures (plant additions, cost of removal, and retirements) were approximately \$2.6 billion. During that period, PIR and AMR net expenditures were approximately \$1.5 billion and \$89 million, respectively, and net CEP expenditures were approximately \$615 million. The remaining rate base net expenditures for the same period were approximately \$449 million.

A. General Project Requirements

For the plant in-service audit, the auditor selected shall:

- Determine total company plant in-service for each account and subaccount, from the date certain balance approved in the Applicant's previous application to increase rates forward through December 31, 2018.
- Audit the Applicant's plant in-service to determine the proper value investments by account and subaccount, with an emphasis on CEP expenditures and investments.
- Determine total company depreciation reserve for each account, from the date certain balance approved in the Applicant's previous application to increase rates forward through December 31, 2018.
- Audit the Applicant's depreciation reserve to determine the proper value for investments by account and subaccount, with an emphasis on CEP expenditures and investments.
- Provide a determination as to the accuracy and completeness of the Applicant's historical plant records and continuing property record.
- Ensure plant in-service transactions were properly classified as a capital expenditure.
- Identify subaccounts and/or functions for the determination of allocation factors and/or depreciation expense.
- Perform physical inspections to confirm the assets used and usefulness.
- Provide a report of findings that include rationale and description of any recommended adjustments.

For the capital expenditures prudence audit, the auditor shall:

- Review Case Nos. 11-6024-GA-UNC, 12-3279-GA-UNC, and 13-2410-GA-UNC *et al.*, and Case No. 19-468-GA-ALT.
- Read and become familiar with all applicable testimony and work papers.
- Identify and assess the necessity, reasonableness, and prudence of the Applicant's non-PIR / non-AMR capital expenditures and assets for the period April 1, 2007 through December 31, 2018, with an emphasis on CEP expenditures and assets.

- Identify and assess the necessity, reasonableness, and prudence of the Applicant's policies and practices for plant additions, new construction, plant replacement, and plant retirements.
- Identify and assess the necessity, reasonableness, and prudence of the principal causes for increases in the Applicant's non-PIR / non-AMR capital expenditures coinciding with the CEP program.
- Identify and assess the reasonableness and prudence of the Applicant's cost-containment strategies and practices in the use of outside contractors for non-PIR / non-AMR capital expenditures and assets for the period April 1, 2007 through December 31, 2018, with an emphasis on CEP expenditures and assets.
- Identify and assess the reasonableness and prudence of the Applicant's cost-containment strategies and practices in the use of internal company labor for non-PIR / non-AMR capital expenditures and assets for the period April 1, 2007 through December 31, 2018, with an emphasis on CEP expenditures and assets.
- Utilize the auditor's and/or retained subcontractor's familiarity and experience with natural gas distribution utility operations and capital spending practices to identify and assess the reasonableness and prudence of the Applicant's capital spending policies and practices or lack of such practices not specifically identified herein.
- Recommend and support specific adjustments to the non-PIR / non-AMR plant in-service balance based on any findings or lack of necessity, unreasonableness, or imprudence.
- Review and audit all CEP related schedules to ensure accuracy of the required CEP formula, including, but not limited to, Schedules 1-14 as filed on April 30, 2019, which pertain to – PISCC, property tax, depreciation, and incremental revenue, in Case No. 13-2410-GA-UNC.
- Recommend and support specific adjustments pertaining to the CEP schedules.

In preparing its proposal, the auditor is advised that Applicant's legacy fixed-asset reporting system may not permit reporting of CEP versus non-CEP expenditures and assets. Staff's understanding is that a separate data repository is used to provide such reporting. For this reason, the required emphasis on CEP expenditures and assets may require additional time and/or selections (a) to identify and exclude non-CEP items from fixed-asset-system selections and/or (b) to trace selections from the data repository to the fixed asset system. The timelines below reflect this issue. Following the award of the audit, the auditor shall confer with Staff and the utility, and if the auditor determines that any

difficulties or delays are greater than assumed, the timeline below may be revisited and extended.

B. Role of the 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 Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of the audit reports.

C. Commission Staff Supervision

Staff will oversee the project. Staff personnel shall be informed of all correspondence between the auditor selected and the Applicant, and Staff shall be given at least three working days notice of all meetings and interviews with the Company to allow Staff the opportunity to attend. The auditor shall meet with Staff no less than once a week through the duration of the audit. These meetings may occur via telephone or other electronic media acceptable to Staff.

D. Cost of Audit and Quotation of Charges

The proposed cost of the audit shall 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 this Request for Proposal. The proposed costs shall be considered firm prices for performing the work described in the proposal.

E. Cost of Presenting Expert Testimony

The proposed cost of the audit shall include actual costs associated with serving as an expert witness before the Commission during the applicable hearing, including time and materials. These expenses will be billed separately from the cost of the audit. 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 8 hours per witness.
- Actual hours spent in travel.
- Actual hours spent presenting testimony.

#### **IV. TIMELINE**

The timeline presented below is intended to provide the auditor 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 audit and hearing activities may vary somewhat when they are set through a subsequent Commission entry.

Audit proposals due	August 28, 2019
Award audit (Commission Order)	September 11, 2019
Audit Conducted	September 11, 2019 thru February 26, 2020
Draft audit report presented to Staff	February 19, 2020
Final audit report filed with the Commission	February 26, 2020

#### **V. DEADLINES AND DELIVERABLES**

##### **A. Availability of Documents**

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

Staff or the auditor selected 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 Administrative Code 4901-1-07. Service shall be complete upon mailing or delivery in person.

**B. Fiscal Reports**

The auditor will submit invoices when work is 50 percent complete and when work is 100 percent complete, unless more frequent intervals are agreed to by Staff. 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 time spent in each billable activity, 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 Applicant and copies are to be sent to Staff.

After approval of the invoice by the Staff, the Company will be authorized to make payment.

The Applicant 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. Auditors shall submit a copy of this contract agreement between the auditor and the Applicant to the Staff member assigned to the audit.

**C. Interim Reporting**

At the midpoint of the audit activities, the auditor selected 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. Unless otherwise requested by Staff, this interim report may be made verbally.



D. Draft Report

Two copies of a draft of the final audit report shall be sent to Staff at least ten days prior to the due date of the final audit report. The report may be sent electronically upon prior agreement by Staff.

E. Final Report

One copy of the final audit report plus one reproducible original shall be docketed with the Commission by the morning of the date specified in Section IV. The final report should include an executive summary of recommendations. The final docketed report should contain an overview of the investigation, recommended adjustments, if any, and an attestation by the auditor that the financial information contained in the application is from a reliable source. Along with the docketed report, the auditor shall deliver to Staff one hard copy of the audit report, and shall submit to Staff a computer flash drive containing a complete version of the final audit report. 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 Applicant. 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. With the final audit report, the auditor selected shall deliver to Staff one complete set of working papers that contain documents used and procedures followed to develop the conclusions set forth in the audit report. Working papers should include Applicant’s name, case number, description (items in folder), and source documents. Plant work papers should include a copy of the work order, location, age, and value of the property. Plant information should include an explanation of the adjustment, if applicable, and a picture of the inspected project. 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.

The auditor selected shall maintain working papers and document all supporting information, including, without limitation, meetings, interviews, or any pertinent

information. The auditor selected shall utilize Staff's data request procedures, utilizing a Microsoft Outlook public folder (or similarly accessible method) for issuing information requests and recording responses or may use its own system, provided Staff has full access to all data requests and responses and is able to store the requests and responses in Microsoft Outlook. All text documents should be word searchable and all data and formulas in Excel spreadsheets shall be fully disclosed and accessible.

G. Production of Documents

At any time, upon request of the Commission or Staff, the auditor selected shall immediately produce any document or information obtained or produced within the scope of the audit.

H. Testimony

The auditor and/or any retained subcontractor shall present expert testimony during the course of any hearing at which the audit report is considered. The individual(s) providing testimony will be one or more persons 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 if further information is 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 which are women;
  6. The percentage of the Ohio total which 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 which are women;
  9. The percentage of the total assigned which 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 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 ongoing contracts or agreements with the Company or its 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.

- 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. If none, state "none."
- 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. Contact persons that 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 companies 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
  - Project or work for which reference is given, including dates performed
- 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.
- K. Identification, by name, of the lead personnel to be employed, the extent of their involvement in the project, and a description of how the proposed personnel's experience matches project requirements. Contract terms will not permit substitution of lead personnel without prior written approval of the Commission.

Identification of lead personnel in the cost proposal will not constitute satisfactory compliance with this requirement.

- L. A description of the qualifications, experience, and proven results achieved by all professional lead or significant 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 reserves the right to request samples of prior relevant work from any auditor prior to 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**

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 is specified in the proposal. Auditors are encouraged to provide as competitive a bid as is practicable.

### **C. Understanding of Project**

Whether the entity bidding on the project has grasped 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. Whether the method of handling the project is indicated, the proposal reflects thorough understanding of project requirements, the methods appear realistic under stated time constraints, and

innovative methodologies appear appropriate to the project. The proposal is responsive to the RFP.

D. Experience

Experience of personnel assigned to the project and related organizational experience; relevant experience in applicable fields; qualifications to undertake assignment; and, references of previous clients/projects provided.

E. Timelines

Demonstrated ability to meet stated deadline; realistic timelines provided; demonstrated proven results of lead personnel.

## **VIII. OTHER PROPOSAL CRITERIA**

A. Relevance

The auditor shall include only relevant information and pertinent exhibits in the proposal. Duplication of materials provided in the RFP, exhaustive resumes, inclusion of standard company promotional materials, etc., will not garner additional points in the evaluation process and may detract from the clarity and conciseness of the proposal.

B. Proprietary Data in Proposal

Submissions to the Public Utilities Commission of Ohio 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. on August 28, 2019. The proposal should be sent in a sealed container, clearly marked and addressed to:

Nicci Crocker  
Response to RFP NO. RA19-CSPA-2  
The Public Utilities Commission of Ohio  
3<sup>rd</sup> Floor, 180 East Broad Street  
Columbus, OH 43215-3793

An electronic copy may also be sent to [nicci.crocker@puco.ohio.gov](mailto:nicci.crocker@puco.ohio.gov). Such electronic copy shall not fulfill the requirement for submitting paper responses.

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

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

E. Contractor Requirements and Minority Participation

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 outside of Ohio but with substantial commitments of offices, divisions, and facilities within the state. The Commission will give preference to proposals that demonstrate 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 a 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 the delay due to mishandling at the Commission. Only an appropriate date or item stamp showing the time of the 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 or scientific advantage that is of benefit to the Commission.

G. Modification or Withdrawal of Proposal

Any proposal may be modified or withdrawn upon written request of the auditor if such 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 bidders 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 to reject any and all proposals without limitation or discussion with those submitting proposals.

J. Penalty for Divulging Information

The auditor selected shall abide by all provisions of Section 4901.16 of the Ohio Revised Code 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 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 selected 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 Sections 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16, Revised Code.

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**

Technical questions regarding this RFP should be directed to Nicci Crocker at 614-466-7757. Administrative questions should be directed to Adam Bargar at 614-466-8112.

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**8/14/2019 2:41:06 PM**

**in**

**Case No(s). 19-0468-GA-ALT**

Summary: Entry that the Commission directs Staff to issue a request for proposal for audit services to assist the Commission with the review of the accounting accuracy, prudence, and compliance of The East Ohio Gas Company dba Dominion Energy Ohio, with its Commission-approved capital expenditure program. electronically filed by Docketing Staff on behalf of Docketing