

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
VECTREN ENERGY DELIVERY OF OHIO,
INC. FOR AUTHORITY TO ADJUST ITS
CAPITAL EXPENDITURE PROGRAM RIDER
CHARGES.

CASE NO. 20-99-GA-RDR

IN THE MATTER OF THE APPLICATION OF
VECTREN ENERGY DELIVERY OF OHIO,
INC. FOR AUTHORITY TO ADJUST ITS
DISTRIBUTION REPLACEMENT RIDER
CHARGES.

CASE NO. 20-101-GA-RDR

ENTRY

Entered in the Journal on January 29, 2020

I. SUMMARY

{¶ 1} The Commission directs Staff to issue a request for proposal for audit services to review the accounting accuracy, prudence, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019, as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance.

II. DISCUSSION

{¶ 2} Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) is a natural gas company and a public utility as defined in R.C. 4905.03 and R.C. 4905.02, respectively. As such, VEDO is subject to the jurisdiction of the Commission.

{¶ 3} On January 7, 2009, the Commission authorized VEDO to establish the distribution replacement rider (DRR) to recover the costs and receive a return on investments made by the Company to accelerate implementation of a bare-steel and cast-iron pipeline replacement program (Replacement Program). *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1080-GA-AIR, et al. (2007 Rate Case), Opinion and Order (Jan. 7, 2009).

{¶ 4} The DRR was originally approved for a five-year period ending February 2014. *2007 Rate Case*, Opinion and Order (Jan. 7, 2009). Subsequently, however, the Commission approved a stipulation that authorized VEDO to expand the scope of the Replacement Program and to continue the DRR to recover associated costs through the end of calendar year 2017. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1571-GA-ALT (*2013 DRR Extension Case*), Opinion and Order (Feb. 19, 2014). Pursuant to the *2013 DRR Extension Case*, VEDO agreed that any additional request to extend the DRR would be made as part of an application for an increase in distribution rates under R.C. 4909.18 and 4909.19. *2013 DRR Extension Case* at 8.

{¶ 5} The Commission has also authorized VEDO to implement a capital expenditure program (CEP), pursuant to R.C. 4909.18 and 4929.111. In Case No. 12-530-GA-UNC, et al., the Commission modified and approved VEDO's application to implement a CEP for the period October 1, 2011, through December 31, 2012. Under the approved CEP, VEDO was authorized to defer the post in-service carrying costs (PISCC), depreciation, and property tax expenses (CEP Deferral) for capital investments that were not part of its Replacement Program, up to the point where the accrued deferrals, if included in rates, would cause the rates charged to Residential (Rate 310, 311, and 315) and General Default Sales Service, Group 1 (Rate 320, 321, and 325) customers to increase by more than \$1.50 per month. In approving the application, the Commission noted that the prudence and reasonableness of VEDO's CEP-related regulatory assets and associated capital spending would be considered in any future proceeding 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 Vectren Energy Delivery of Ohio, Inc.*, Case No. 12-530-GA-UNC, et al., Finding and Order (Dec. 12, 2012).

{¶ 6} Subsequently, in Case No. 13-1890-GA-UNC, et al., the Commission modified and approved VEDO's application to continue its CEP, including deferral of the PISCC, depreciation expense, and property tax expense, in 2013 and succeeding years. Once again, the Commission noted that the prudence and reasonableness of VEDO's CEP-related

regulatory assets and associated capital spending would be examined in a future cost-recovery proceeding. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1890-GA-UNC, et al., Finding and Order (Dec. 4, 2013).

{¶ 7} In Case No. 18-298-GA-AIR, et al., VEDO filed an application to increase its rates for gas distribution service and for approval of alternative rate plans. On August 28, 2019, the Commission approved a stipulation and recommendation (Stipulation) that, among other things, authorized VEDO to include the DRR balance as of December 31, 2017, in base rates and provided for the continuation of the Replacement Program and DRR for the period from January 1, 2018, through December 31, 2023. The Stipulation also authorized VEDO to include the deferred CEP balance as of December 31, 2017, and the assets underlying such balance, in base rates and, going forward, established a CEP Rider, with an annual process for cost-recovery filings, including a review of the necessity, prudence, lawfulness, and reasonableness of the CEP investment. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 18-298-GA-AIR, et al. (2018 Rate Case), Opinion and Order (Aug. 28, 2019).

{¶ 8} At this time, the Commission seeks to review the accounting accuracy, prudence, and used and usefulness of VEDO's total rate base investments for 2018 and 2019, as well as to review and evaluate the Company's CEP and DRR investments and program compliance. To assist the Commission with this review, the Commission directs Staff to issue a request for proposal (RFP) for audit services, as attached to this Entry.

{¶ 9} The audit will consist of two parts. The first part of the audit is to review and attest to the accounting accuracy and used and useful nature of VEDO's capital expenditures and related assets and corresponding depreciation reserve since December 31, 2017 (i.e., the date certain in the 2018 Rate Case) through December 31, 2019. The second part of the audit is to simultaneously assess and inform the Commission as to the necessity, reasonableness, and prudence of VEDO's capital expenditures and related assets, with an emphasis on the CEP and DRR expenditures and assets, for the same time period.

{¶ 10} All proposals submitted pursuant to the RFP are due by February 12, 2020. In order to demonstrate the ability to perform the services required in the RPP, 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.

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

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

{¶ 13} 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.

{¶ 14} 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.

{¶ 15} 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.

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

III. ORDER

{¶ 17} It is, therefore,

{¶ 18} ORDERED, That Staff issue the RFP attached to this Entry and that February 12, 2020, be set as the due date for proposals in response to the RFP. It is, further,

{¶ 19} ORDERED, That, in accordance with Paragraph 11, VEDO bear the cost of the audit services of the contractor chosen by the Commission. It is, further,

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

{¶ 21} 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

Dennis P. Deters

SJP/mef

REQUEST FOR PROPOSAL NO. UD20-CEP/IRPA-2

AN AUDIT OF THE CAPITAL EXPENDITURE PROGRAM AND
INFRASTRUCTURE REPLACEMENT PROGRAM FOR VECTREN
ENERGY DELIVERY OF OHIO, INC.

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

PROPOSAL DUE: February 12, 2020



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I. INTRODUCTION

Vectren Energy Delivery of Ohio, Inc. (VEDO, Applicant, or Company) is a public utility under Sections 4905.02 and 4905.03 of the Ohio Revised Code and subject to the Public Utilities Commission of Ohio's (Commission) jurisdiction. Since 1953, Section 4905.22 of the Ohio Revised Code 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 Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT (2018 Rate Case), the Commission approved a stipulation and recommendation that, among other things, provided a process for the filing of VEDO's capital expenditure program (CEP) rider and provided for the continuation of VEDO's infrastructure replacement program (IRP) rider, which is called the distribution replacement rider (DRR).

This Request for Proposal (RFP) seeks audit services to review the accounting accuracy, prudence, and used and usefulness of VEDO's total rate base investments for a two-year period covering 2018 and 2019, to review and evaluate VEDO's CEP investments and program compliance, and to review and evaluate VEDO's DRR investments and program compliance.

Background: Capital Expenditure Program (CEP)

Since September 2011, Section 4929.111 of the Ohio Revised Code has permitted natural gas companies to apply to the Commission for approval of a 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 (PISCC) and depreciation and property tax expenses associated with the CEP assets.

In Case Nos. 12-530-GA-UNC and 12-531-GA-AAM, VEDO 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 infrastructure replacement rider called the DRR. 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 Residential and General Service, Group 1 class of customers if it were included in customer rates. Subsequently, in Case Nos. 13-1890-GA-UNC and 13-1891-GA-AAM, the Commission authorized the Company to continue the CEP Deferral for the period January 1, 2013 through December 31, 2013 and beyond, up to the point where the deferred amount would exceed \$1.50 per month for the Residential and General Service, Group 1 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.

In the 2018 Rate Case, VEDO sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from October 1, 2011 through December 31, 2017. Simultaneously, the Company sought and was granted authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 12-530-GA-UNC *et al* and 13-1890-GA-UNC *et al*). The Company did not seek authority to recover the underlying CEP assets. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year's deferrals. The Commission prescribed a CEP Rate Cap of \$1.50 per month.

The rate of return used in development of the revenue requirement in each application will be set at a pre-tax rate of return of 8.81 percent as authorized by the Commission in VEDO's 2018 Rate Case.

Background: Infrastructure Replacement Program (IRP) - Distribution Replacement Rider (DRR)

The Commission's Opinion and Order in Case No. 07-1080-GA-AIR (2007 Rate Case) approved a Stipulation and Recommendation and authorized VEDO to establish an infrastructure replacement rider, also known as the DRR. The purpose of the DRR is to permit VEDO to seek recovery of: (1) the return of and return on plant investment, including PISCC, and certain incremental expenses incurred during implementation of its accelerated bare steel and cast iron mains and service lines replacement program; (2) deferred expenses associated with the Company's riser investigation pursuant to Case No. 05-463-GA-COI; (3) costs for replacement of prone-to-fail risers; (4) incremental costs related to the Company's assumption of ownership and responsibility for repairing customer service lines; and (5) actual annual Operations and Maintenance expense savings as an offset to costs otherwise eligible for recovery under the DRR. The 2007 Rate Case Stipulation provided a process for establishing the annual DRR rate and a Stipulation filed in Case No. 13-1571-GA-ALT continued that process.

In the 2018 Rate Case, VEDO sought and was granted authority to continue the DRR program for an additional six-year period (for recovery of investments made in years 2018 through 2023). The Company was also authorized to adjust the DRR rate each year to collect from customers the prior calendar year's capital expenditures and related deferrals. The Commission authorized annual rate caps by customer class per year. The customer caps for the residential customer class for the next six years are as follows:

DRR Investment Year	Recovery Period	Applicable Cap
2018	9/1/19 – 8/31/20	\$2.50
2019	9/1/20 – 8/31/21	\$5.00
2020	9/1/21 – 8/31/22	\$7.50
2021	9/1/22 – 8/31/23	\$10.00
2022	9/1/23 – 8/31/24	\$12.00
2023	9/1/24 – 8/31/25	\$13.75

The DRR rates by class approved in Case No. 19-1011-GA-RDR are as follows:

Rate Schedule	Proposed \$ per Month	\$ per Ccf
310, 311, and 315	\$1.75	
320, 321, and 325 (Group 1)	\$2.27	
320, 321, and 325 (Group 2 and 3)		\$0.00260
345		\$0.00329
360		\$0.00145

II. PURPOSE

The Commission is seeking proposals to: (1) conduct a comprehensive audit of VEDO’s plant in-service investment for 2018 and 2019; (2) conduct a comprehensive audit and review of VEDO’s CEP assets, deferrals, schedules, and related program elements; and (3) conduct a comprehensive audit and review of VEDO’s DRR assets, deferrals, schedules, and related program elements.

The Commission is seeking proposals to conduct a two-part audit of the Applicant’s plant in-service with a focus on CEP and DRR assets. The first part of the audit is to review and attest to the accounting accuracy and used and useful nature of the Applicant’s capital expenditures and corresponding depreciation reserve since the date certain of its most recent base rate case (December 31, 2017 as set in the 2018 Rate Case) through December 31, 2019.

The second part of the audit is to simultaneously assess and form an opinion on the necessity, reasonableness, and prudence of the Applicant’s capital expenditures and related assets, with an emphasis on the CEP and DRR expenditures and assets from December 31, 2017 through December 31, 2019.

The auditor is expected to prepare a single report to be filed in both the CEP and DRR dockets. However, the proposals shall include a detailed description of how the auditor proposes to present results to the Commission in such a way as to allow for stand-alone analysis of the CEP program and a stand-alone analysis of the DRR program.

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 and 2019.
- 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 C.F.R. Parts 190-199).
- The Company's 2018 Rate Case (Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT).
- The Company's CEP application in Case No. 20-99-GA-RDR.
 - Schedules will be filed March 1, 2020.
- The Company's DRR application in Case No. 20-101-GA-RDR.
 - Estimate DRR workorder detail will be available in March 2020, and final schedules including revenue requirement will be filed May 1, 2020.
- The Company's IRP DRR-related cases (Case Nos. 05-463-GA-COI, 07-1081-GA-ALT, 13-1571-GA-ALT, and 19-1011-GA-RDR).
- The Company's CEP-related cases (Case Nos. 12-530-GA-UNC, 12-531-GA-AAM, 13-1890-GA-UNC, and 13-1891-GA-AAM).

III. SCOPE OF INVESTIGATION

The auditor's investigation shall determine if the Applicant has accurately determined and accounted for its plant in-service balance and depreciation reserve balance from the date certain balance in the Applicant's last base rate case (2018 Rate Case) through December 31, 2019. 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, 2019, with an emphasis on the CEP and DRR expenditures and assets.

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, 2019.

- Audit the Applicant's plant in-service to determine the proper value for investments by account and subaccount, with an emphasis on CEP and DRR 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, 2019.
- Audit the Applicant's depreciation reserve to determine the proper value for investments by account and subaccount, with an emphasis on CEP and DRR 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 the basis used in allocating costs.
- Confirm the accuracy and reasonableness of the depreciation expense.
- Perform physical inspections to confirm the assets used and usefulness.
- Provide a report of findings that include the rationale and a detailed description of any recommended adjustments.
- The report shall include recommendations based on the findings of the accounting accuracy and used and useful nature of the Applicant's capital expenditures and related assets, as well as corresponding depreciation reserves.
- The report shall include recommendations based on findings of the necessity, reasonableness, and prudence of the Applicant's capital expenditures and related assets, with an emphasis on the CEP and DRR
- The report should include recommendations and adjustments pertaining to the DRR that are separate from recommendations and adjustments pertaining to the CEP, non-CEP, and non-DRR analysis.
- Review CEP Case Nos. 12-530-GA-UNC and 13-1890-GA-UNC *et al.*, and Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT.
- Review DRR Case Nos. 05-463-GA-COI, 07-1081-GA-ALT, and 13-1571-GA-ALT, Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT, and Case No. 19-1011-GA-RDR.
- Read and become familiar with all applicable testimony and work papers.
- Conduct an analysis of the CEP and DRR programs assessing compliance with commission rules and orders.
- Identify and assess the necessity, reasonableness, and prudence of the Applicant's capital expenditures and assets for the period January 1, 2018 through December 31, 2019, with an emphasis on CEP and DRR 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 for the period January 1, 2018 through December 31, 2019.
- Identify and assess the necessity, reasonableness, and prudence of the principal causes for increases in the Applicant's capital expenditures coinciding with the CEP and DRR program for the period January 1, 2018 through December 31, 2019.
- Identify and assess the reasonableness and prudence of the Applicant's cost-containment strategies and practices in the use of outside contractors for capital expenditures and assets for the period January 1, 2018 through December 31, 2019, with an emphasis on CEP and DRR 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 capital expenditures and assets for the period January 1, 2018 through December 31, 2019, with an emphasis on CEP and DRR 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 plant in-service balance based on any findings or lack of necessity, unreasonableness, or imprudence with an emphasis on CEP and DRR expenditures and assets.
- Review and audit all CEP-related schedules and workpapers ensure accuracy of the required CEP formula as filed in Case Nos. 13-1890-GA-UNC and 20-99-GA-RDR. This includes, but is not limited to, PISCC, property tax, depreciation, and incremental revenue.
- Review and audit all DRR-related schedules filed in Case No. 19-1011-GA-RDR and in Case No. 20-101-GA-RDR to ensure accuracy of the required DRR formula.
- Review and audit all CEP- and DRR-related schedules filed by the Applicant to verify beginning balances and accurate accounting of investments and deferrals.
- Recommend and support specific adjustments pertaining to the CEP and DRR schedules.

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 the Commission Staff (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	February 12, 2020
Award audit (Commission Order)	February 26, 2020
Audit Conducted	February 26, 2020 thru June 17, 2020
Draft audit report presented to Staff	June 10, 2020
Final audit report filed with the Commission	June 17, 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 February 12, 2020. The proposal should be sent in a sealed container, clearly marked and addressed to:

Nicci Crocker
Response to RFP NO. UD20-CEP/IRPA-2
The Public Utilities Commission of Ohio
3rd Floor, 180 East Broad Street
Columbus, OH 43215-3793

An electronic copy should also be sent to 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

Five 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 time 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 Zee Molter at 614-466-7589.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

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Case No(s). 20-0099-GA-RDR, 20-0101-GA-RDR

Summary: Entry that the Commission directs Staff to issue a request for proposal for audit services to review the accounting accuracy, prudence, and use and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019, as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance. electronically filed by Docketing Staff on behalf of Docketing