



Public Utilities Commission

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Commissioners

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Lawrence K. Friedeman
Dennis P. Deters
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June 3, 2021

RE: *In the Matter of the Review of Duke Energy Ohio Inc.'s Distribution Capital Investment Rider 21-573-EL-RDR*

To whom it may concern,

In the Commission Entry in the instant case on 6/2/21, the Commission issued RFP No. RA21-CA-2. However, this RFP number had previously been used in a different case. To avoid any confusion, Staff requests that RFP No. RA21-CA-3 replaces the previously docketed RFP. No changes were made to the RFP outside of the renumbering.

Thank you.

A handwritten signature in black ink, appearing to read "K. Schaefer", with a long horizontal stroke extending to the right.

Krystina Schaefer
Division Chief, Grid Modernization & Retail Markets
Public Utilities Commission of Ohio

REQUEST FOR PROPOSAL NO. RA21-CA-3

**A COMPLIANCE AUDIT
OF THE JULY 1, 2020 to JUNE 30, 2021 DISTRIBUTION CAPITAL
INVESTMENT RIDER OF
DUKE ENERGY OHIO**

Issued by:

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

PROPOSAL DUE: July 2, 2021

Table of Contents

I. INTRODUCTION.....	1
II. PURPOSE.....	1
III. SCOPE OF INVESTIGATION.....	2
IV. TIMELINE.....	5
V. DEADLINES AND DELIVERABLES.....	5
VI. MINIMUM CONTENTS OF PROPOSAL.....	8
VII. REVIEW CRITERIA.....	11
VIII. OTHER PROPOSAL CRITERIA.....	13
IX. QUESTIONS.....	16

I. INTRODUCTION

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer, consisting of either a market rate offer (MRO) or an electric security plan (ESP). Section 4928.142 Revised Code. Duke Energy Ohio (DEO) filed an application for approval of an ESP on May 29, 2014. After a hearing, the Commission modified and approved DEO's application, *In re Duke Energy Ohio*, Case No. 14-841-EL-SSO, et al., Opinion and Order (April 2, 2015) for the period June 1, 2015 through May 31, 2018. In its Opinion and Order, the Commission established a Distribution Capital Investment Rider (DCI).

Duke Energy Ohio (DEO) filed an application for approval of a new ESP on June 1, 2017. On December 19, 2018, the Commission approved a Stipulation for the new ESP, to run through May 31, 2025, in Case No. 17-1263-EL-SSO. In its Opinion and Order, the Commission extended the DCI Rider.

Through the DCI, DEO may recover property taxes, Commercial Activity Tax, and earn a return on and of plant in service associated with distribution net investment associated with Federal Energy Regulatory Commission (FERC) Plant Accounts 360-374. The net capital additions to be included in the DCI reflect gross plant in-service after June 30, 2016, as adjusted for accumulated depreciation. Capital additions recovered through other riders authorized by the Commission to recover distribution capital additions, will be identified and excluded from the DCI. The maximum annual revenue authorized to be collected through the DCI was also established. Pursuant to the Opinion and Order the DCI Rider is to be audited annually for the purpose of determining accuracy and reasonableness of the amounts for which recovery is sought. Such audit shall be conducted by an independent third party auditor or the Commission's Staff at the Commission's Direction.

II. PURPOSE

In accordance with the Opinion and Order in Case No. 17-1263-EL-SSO, the Commission is seeking proposals to review the accounting accuracy, prudence, and compliance of DEO with its PUCO-approved DCI with regards to in-service net capital additions since the Opinion and Order. This review is to include the November 1, 2020 DCI quarterly filing and the 2021 quarterly filings up to and including the August 1, 2021 filing. Capital additions recovered through other riders authorized by the Commission to recover

delivery-related capital additions, will be identified and excluded from the DCI. The auditor's review shall also include an identification, quantification, and explanation of any significant net plant increase within individual accounts.

The auditor shall be familiar with and comply with all:

- GAAP.
- FERC Uniform System of Accounts.
- Various accounting and tax changes or decisions issued since June 30, 2016.

III. SCOPE OF INVESTIGATION

The auditor's investigation shall determine if DEO has implemented its PUCO-approved DCI in compliance with the Opinion and Order issued in Case No. 17-1263-EL-SSO.

A. GENERAL PROJECT REQUIREMENTS

The auditor selected shall:

- Review Case Nos. 14-841-EL-SSO and 17-1263-EL-SSO.
- Read all applicable testimony.
- Review Plant-in-Service related adjustments contained within the Order in Case No. 17-32-EL-AIR.
- Obtain and review all additions, retirements, transfers, and adjustments to current date value of plant in service that have occurred since July 1, 2020.
- Verification with FERC Form 1 for year 2020.
- Obtain and review all appropriate documentation relating to the Company's compliance with its PUCO-approved DCI.
- Obtain and review all appropriate documentation related to compliance with DEO's quarterly filings in Case Nos. 18-1378-EL-RDR and 19-1943-EL-RDR.
- Verification of the used and usefulness of incremental plant in service.
- Review all changes in capitalization policy and assess impact on the DCI, previously authorized recovery as part of base rates, and impact on O&M expenses.

- Assess the Company's utilization of tax changes and provisions and verification of their appropriate treatment within the DCI. Estimate foregone tax reduction opportunities and evaluate impact on the DCI.
- Review all appropriate documentation relating to the recommendations made in the Auditor's Report in Case Nos. 19-1287-EL-RDR and 20-1205-EL-RDR as well as any Commission Orders in these cases to determine if the recommendations have been addressed pursuant to the Auditor's recommendation, and if not, the financial or operational impacts of the Companies not addressing the identified concerns.
- Review the Company's manual adjustment for the impact of tree trimming for its adherence with the Commission Opinion and Order in Case No. 17-1118-EL-RDR.
- Assess the Company's unitization of their plant and RWIP backlogs per the Commission Opinion and Order in Case No. 18-1036-EL-RDR.
- Review the Company's procedures for estimating projects to ensure their accuracy and assess if cost controls are adequate within projects.
- Review the Company's adherence to its Vegetation Management policy and Danger/Hazard Tree Removal Capitalization Guidelines.
- Assess the Company's adherence to the capitalized incentive pay offset calculation and assess the financial impact of any recommendations.

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 its 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. PUCO STAFF SUPERVISION

The PUCO Staff will oversee the project. Staff personnel shall be informed of all correspondence between the auditor selected and the Company and 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 PUCO Staff no less than once a week through the duration of the audit unless otherwise agreed to by the Staff. These meetings may occur via telephone.

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 EXPERT WITNESS DUTIES

Included in the RFP response shall be the maximum amount of expenses eligible for recovery by the Auditor for serving as an expert witness before the Commission should formal comments or testimony be ordered by the Commission. These expenses will be billed separately from the cost of the audit. Expenses associated with the presentation of formal comments or testimony will include the following:

- Transportation expense (i.e. airfare, etc.)
- Living expenses (hotels, meals, local transportation)
- Preparation time, up to 16 hours per witness, unless additional time is prior approved in writing by Staff.
- Hours spent in travel
- Hours spent preparing comments or testimony

Only actual expenses shall be reimbursed. The reasonableness of any expense shall be determined by Staff.

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	July 2, 2021
Award audit (Commission Order)	July 14, 2021
Audit Conducted	July 14, 2021 through December 3, 2021
Draft audit report presented to Staff	November 19, 2021
Final audit report filed with Commission	December 3, 2021

V. DEADLINES AND DELIVERABLES

A. AVAILABILITY OF DOCUMENTS

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

The 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, the Staff or auditor may disclose or otherwise make use of such documents or information for any purpose, unless the Company moves the Commission for a protective order pertaining to such documents or information within the three-day notice period.

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

B. FISCAL REPORTS

The auditor will submit invoices when work is 50% complete and when work is 100% complete unless a more frequent interval is 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 by the personnel involved, and the corresponding charges in relation to the activity schedule originally set forth in the auditor's proposal. All invoices are to be sent to the Company and copies are to be sent to the PUCO Staff.

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

The Company shall be ordered by the Commission to enter into a contract, which shall incorporate by reference all provisions of this proposal, with the auditor chosen by the Commission to perform the audit. All good faith efforts must be made to have the contract signed by the Company and the auditor within two weeks of the Commission's Order selecting the auditor. Auditors shall submit a copy of this contract agreement between the auditor and the Company to the Staff member assigned to the audit.

C. INTERIM REPORTING

No later than 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 requested by the PUCO Staff, this interim report may be made verbally.

D. DRAFT REPORT

An electronic version of a draft of the final audit report shall be sent to the Commission Staff at least ten days prior to the due date of the final audit report.

E. FINAL REPORT

A final audit report shall be electronically docketed with the Commission on the date specified in Section IV. The final report should include an executive summary of recommendations in addition to a detailed section supporting all conclusions provided for in the executive summary. 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 audit report, the auditor should deliver to Staff a flash drive containing a complete version of the final audit report. If it is necessary to prepare a redacted report, 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 the Commission Staff one complete set of working papers that contain documents used and procedures followed to develop the conclusions set forth in the audit report. These documents shall be provided to the Commission Staff on a flash drive. Working papers should include the Company’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 other pertinent information. The auditor selected shall utilize Staff’s data request procedures, using a Microsoft Outlook Public Folder or similar system accessible to and approved by Staff, for issuing information requests and recording responses. All text documents shall be word searchable. All data and formulas should be created and maintained in fully accessible Excel sheets.

G. PRODUCTION OF DOCUMENTS

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

H. TESTIMONY

The auditor shall present expert testimony during the course of any hearing at which the audit report is considered. The individual providing testimony will be one 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 individual to contact if further information is desired.
- B. An indication of how the bidder plans to incorporate the 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 the Commission 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 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 Native American (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 Native American (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 PUCO, be disqualified by reason of possible conflict of interest. In the proposal,

such contracts should be described in sufficient detail that the PUCO 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. For the auditor and each subcontractor, a description of all existing, pending or past rulings, judgements, findings, contingent liabilities, revocation of authority, regulatory investigations, judicial actions, or other formal or informal notices of violations, fines, or any other matter related to services in Ohio or equivalent services in another jurisdiction within the past five years.
- H. 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, indicate "None."
- I. 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.
- J. Contact persons that the Commission or its 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
- K. 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.

- L. 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.
- M. 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.
- N. 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 requirement, 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 OF PERSONNEL ASSIGNED TO PROJECT AND RELATED ORGANIZATIONAL EXPERIENCE

Relevant experience in field, qualified to undertake assignment. 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 e-mailed to devin.mackey@puco.ohio.gov and krystina.schaefer@puco.ohio.gov no later than 5:00 PM on July 2, 2021.

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. CONTRACTOR REQUIREMENTS AND MINORITY PARTICIPATION

The PUCO, 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.

E. 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 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.

F. 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.

G. 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.

H. RIGHT TO REJECT ANY AND ALL PROPOSALS

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

I. PENALTY FOR DIVULGING INFORMATION

The auditor selected shall abide by all provisions of R.C. 4901.16, which states; “Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.”

The auditor shall not divulge any information regarding its audit activities to the media or to any other entity, except in its report and

testimony before the Commission, before, during, and/or after the audit. All comments or concerns that the auditor wants to address shall be directed to the PUCO Media Office.

J. RFP WEBSITE

All firms wishing to remain on the Commission's bidder list must subscribe to the PUCO 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.

K. STATUTORY SCOPE OF AUDIT

Any auditor selected by the Commission to perform an audit shall execute its duties pursuant to the Public Utilities 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.

L. AUDITOR SELECTION

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

IX. QUESTIONS

Questions regarding this RFP should be directed to either Krystina Schaefer at krystina.schaefer@puco.ohio.gov or Devin Mackey at devin.mackey@puco.ohio.gov.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/3/2021 4:50:02 PM

in

Case No(s). 21-0573-EL-RDR

Summary: Notification of revised RFP number electronically filed by Mr. Devin C Mackey on behalf of PUCO