

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
AQUA OHIO, INC. TO INCREASE ITS  
RATES AND CHARGES FOR ITS  
WATERWORKS SERVICE.

CASE NO. 21-595-WW-AIR

IN THE MATTER OF THE APPLICATION OF  
AQUA OHIO WASTEWATER, INC. TO  
INCREASE ITS RATES AND CHARGES FOR  
ITS WASTEWATER SERVICE.

CASE NO. 21-596-ST-AIR

### ENTRY

Entered in the Journal on August 11, 2021

#### I. SUMMARY

{¶ 1} The Commission directs Staff to reissue the request for proposal for audit services to assist the Commission with the audit of the rate increase applications filed by Aqua Ohio, Inc. and Aqua Ohio Wastewater, Inc.

#### II. DISCUSSION

{¶ 2} Aqua Ohio, Inc. (Aqua) and Aqua Ohio Wastewater, Inc. (AWI)<sup>1</sup> are waterworks and sewage disposal system companies as defined by R.C. 4905.03(G) and(M), respectively, and public utilities as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

{¶ 3} On June 28, 2021, Aqua and AWI filed applications for an increase in its waterworks and wastewater service rates pursuant to R.C. 4909.18 in Case Nos. 21-595-WW-AIR and 21-596-ST-AIR, respectively. According to R.C. 4909.18, once a company has requested an increase in rates, the Commission shall cause an investigation to be made of the facts and exhibits set forth in the Companies' application. To complete this investigation in a timely manner, the Commission has determined that most of the investigation should be conducted by a qualified independent auditing firm.

---

<sup>1</sup> Collectively, Aqua and AWI will be referred to hereafter as "the Companies."

{¶ 4} On July 14, 2021, the Commission directed Staff to issue a request for proposal (RFP) for audit services of the rate case applications of Aqua and AWI with proposals submitted pursuant to the RFP due by July 28, 2021.

{¶ 5} Due to an insufficient number of proposals submitted to the Commission, the Commission directs Staff to reissue the RFP for audit services, in accordance with the attached revised RFP. The Commission notes that the attached RFP has been revised to modify the timeline for the audit.

{¶ 6} The Commission is seeking proposals from independent firms to verify and attest to the Companies' financial information, review the depreciation study, investigate the cost of service study and proposed rates, audit the functional areas of the Companies' management policies, practices, and organization identified in Staff's June 14, 2021 letters filed in the dockets, and to file a report with the Commission. The statutory framework that the auditor selected must follow in verifying the Companies' filings are set forth in, but are not limited to, R.C. 4909.15 and 4909.18 and the Standard Filing Requirements contained in Ohio Adm. Code 4901-7-01, Appendix A. The auditor selected will be required to conduct such audit and will be responsible for submitting a report in each docket, which is based upon those requirements.

{¶ 7} All proposals submitted pursuant to the RFP are due by August 25, 2021. 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 the issues in the RFP. The auditor must demonstrate that it will be able to perform the required services, showing its clear understanding of the tasks to be completed, the experience and qualifications of the personnel who will perform the work, and the anticipated breakdown of costs and timing. The selection criteria to be used by the Commission to determine the selection of the auditor shall be the technical and management capabilities of each firm, as well as the overall cost of each bid. The Commission intends to select the auditor by September 8, 2021.

{¶ 8} The Companies shall directly contract with the auditor chosen by the Commission for the services solicited in the RFP.

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

{¶ 10} 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 its Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of the report.

{¶ 11} 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.

{¶ 12} 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.

{¶ 13} Upon request of the auditor or Staff, the Companies shall provide any and all documents or information requested. The Companies may conspicuously mark such documents or information as “confidential” if the Companies believe the document should be deemed as such. In no event, however, shall the Companies refuse or delay in providing such documents or information.

### III. ORDER

{¶ 14} It is, therefore,

{¶ 15} ORDERED, That Staff reissue the RFP attached to this Entry and that August 25, 2021, be set as the due date for proposals in response to the RFP. It is, further,

{¶ 16} ORDERED, That, in accordance with Paragraph 8, the Companies bear the cost of the audit services of the contractor chosen by the Commission. It is, further,

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

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

COMMISSIONERS:

*Approving:*

Jenifer French, Chair  
M. Beth Trombold  
Lawrence K. Friedeman  
Daniel R. Conway  
Dennis P. Deters

JRJ/mef

---

## REQUEST FOR PROPOSAL NO. RA21-RCA-1

---

An Independent Audit of the Applications to Increase Rates of  
Aqua Ohio, Inc. and Aqua Ohio Wastewater, Inc.

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

---

PROPOSAL DUE: August 25, 2021

---



## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	PURPOSE .....	2
III.	SCOPE OF INVESTIGATION .....	2
IV.	TIMELINE.....	9
V.	DEADLINES AND DELIVERABLES.....	9
VI.	MINIMUM CONTENTS OF PROPOSAL .....	11
VII.	REVIEW CRITERIA.....	14
VIII.	OTHER PROPOSAL CRITERIA .....	15
IX.	QUESTIONS .....	18

## I. INTRODUCTION

On June 28, 2021, Aqua Ohio, Inc. (Aqua Ohio) and Aqua Ohio Wastewater, Inc. (Aqua Wastewater) (collectively, Aqua, Applicants or Companies) filed applications for an increase in its waterworks and wastewater services rates in Case Nos. 21-0595-WW-AIR and 21-0596-ST-AIR, respectively. Aqua Ohio is a water-works company as defined in Ohio Revised Code (R.C.) 4905.03(G), and a public utility as defined in R.C. 4905.02, respectively. Aqua Wastewater is a sewage disposal system company and a public utility as defined in R.C. 4905.03(M) and R.C. 4905.02, respectively. As such, Aqua is subject to the jurisdiction of the Public Utilities Commission of Ohio (PUCO or Commission). According to R.C. 4909.18 after a company has requested an increase in rates, the Commission shall cause an investigation to be made of the facts and exhibits set forth in the Companies' application. In order to complete this investigation in a timely manner, the Commission has determined that most of the investigation should be conducted by a qualified independent auditing firm.

The Companies have requested a test year from January 1, 2021 through December 31, 2021, and a date certain of December 31, 2021 for examination. The Commission is seeking proposals from independent firms to verify and attest to the Companies' financial information, review the depreciation study, investigate the cost of service study and proposed rates, audit the functional areas of the Companies' management policies, practices and organization identified in Staff's June 14, 2021 letters filed in the dockets and to file a report with the Commission. The statutory framework that the auditor selected must follow in verifying the Companies' filings are set forth in, but are not limited to, R.C. 4909.15 and 4909.18 and the Standard Filing Requirements (SFR) contained in Ohio Adm. Code 4901-7-01, Appendix A (SFR). The auditor selected will be required to conduct such audit and will be responsible for submitting a report in each docket, which is based upon those requirements.

Proposals must be submitted electronically to Tanika Hawkins at [Tanika.Hawkins@puco.ohio.gov](mailto:Tanika.Hawkins@puco.ohio.gov) and in writing to the Public Utilities Commission of Ohio at:

Public Utilities Commission of Ohio  
Regulatory Utility Services Division  
Response to RFP No. RAD21-RCA-1  
180 East Broad Street  
Columbus, Ohio 43215

Proposal submissions must be received no later than 5:00 pm, local time, on July 28, 2021. Proposals not submitted to the Regulatory Utility Services Division by the deadline will not be considered for contract award.



## II. PURPOSE

In accordance with provisions of R.C. 4909.18 the Commission is seeking proposals to audit and attest to the accuracy of the financial information, depreciation study, cost of service study and management policies or practices provided by the Companies in the Applications. The investigation shall verify the financial information provided in SFR Section B (Rate Base), Section C (Operating Income), and Section E (Rates and Tariffs).

The auditor selected shall verify and attest to the accuracy of financial data contained in the rate filings of the Applicants. The audit should include, but not be limited to, verifying actual data by tracing financial information to the general ledger of the Applicants; documenting budgeted data by tracing financial information to the corporate approved budget; verifying plant additions, retirements, and transfers; verifying the Applicants' revenues (both projected and actual); and reviewing all adjustments reflected in the filing. In addition, the auditor must verify the existence of the used and useful nature of the plant samples through physical inspections. The auditor is required to develop recommended revenue requirement to the Commission.

The auditor shall be familiar with and comply with all:

- R.C. Chapter 49, including R.C. 4909.18
- Ohio Adm.Code 4901-7-01, Appendix A, Standard Filing Requirements (SFRs).
- Ohio Adm.Code 4901:1-15.
- The National Regulatory Utility Commissioners (NARUC) Uniform System of Accounts for Class A Water Utilities (1973) and Class A Sewer Utilities (1976)
- Aqua Ohio's and Aqua Wastewater's Tariffs on file with PUCO
- The filings, including Commission Orders, Staff Reports, and Stipulations, in PUCO Case Nos. 16-907-WW-AIR; 11-4161-WS-AIR; 15-864-WS-SIC, 18-337-WW-SIC; 19-567-WW-SIC; 20-532-WW-SIC; 17-1717-WS-ACE; 18-1330-WS-ACE.

## III. SCOPE OF INVESTIGATION

The auditor's investigation shall determine if the Applicants' filed exhibits concerning the test year operating income, rate base, and other data are reasonable for ratemaking purposes, and if the financial and statistical records supporting this data can be relied upon. The auditor's investigation shall include but not be limited to:

### A. General Project Requirements

The auditor selected shall:

- Review the entire application in each case, including any supplemental information.

- Read all applicable supporting testimony.
- Verify the mathematical accuracy of the information contained in each application.
- Review the Staff Report of Investigation in the base rate cases establishing current rates (PUCO Case Nos. 16-907-WW-AIR and 11-4161-WS-AIR).
- Review the Opinion and Order from the base rate cases establishing current rates (PUCO Case Nos. 16-907-WW-AIR and 11-4161-WS-AIR).
- Develop a comparison of the revenue requirement from the Opinion and Order in each last base rate case to the current revenue requirement (proforma) in each current case, to assist in identifying what costs are driving each requested increase.
- Interview the Applicants' management personnel and review both internal and published financial reports to assure understanding of the Applicants' operation and organization.
- Auditor shall obtain and review the following:
  - Actuarial reports for pensions, other postemployment benefits (OPEB), etc.
  - Affiliate Agreements for Inter-affiliate Transactions
  - Audit Committee Minutes
  - Billing Records (registers, etc.)
  - Board of Director Minutes
  - Chart of Accounts and Accounts Manual
  - Construction Work Orders
  - Construction Budgets
  - Continuing Property Record (CPR)
  - Corporate Budget by Month and by Function
  - Current Labor Contract
  - External Independent Audit Reports and Workpapers
  - Franchise Fee Records (collection and payment)
  - Forecast Assumptions
  - General Ledger and Subsidiary Ledgers
  - Income Tax Returns
  - Internal Audit Reports and Workpapers
  - Invoices
  - List of Property Units
  - NARUC Institutional or Goodwill Advertising Expenses Acct 930.1
  - NARUC Miscellaneous General Expense Acct. 930.2
  - Monthly or Quarterly Operating/Financial Reports
  - Monthly or Quarterly Trial Balances
  - Monthly Sales by Rate Schedule and/or Customer Class
  - Organizational Charts (corporate and internal reporting lines and departments)
  - Payroll Records

- Property Tax Statements
- Risk Committee Minutes and Documentation
- Sample of Customer Bills (to verify rates and information)
- Standard Journal Entries
- Report weekly to designated staff members and discuss the applications and audit progress
- The auditor will not be required to investigate the financial information supporting the lead lag study, or rate of return.

#### B. Allocations

The auditor selected shall review the prescribed allocation processes and procedures for assigning costs to the Companies. The auditor selected shall review any operating income and rate base jurisdictional allocation factors (state/federal), determine the basis of each factor and render an opinion regarding the appropriateness of the allocation factor.

#### C. Operating Income

- The auditor selected shall prepare an operating income comparison of the test year to actual historical financial data. The comparison shall contain data for the five most recent historic years for which data is available to help determine whether the test year operating income is representative of historical trends. Anomalies of the test year will be noted and investigated.
- The auditor selected shall obtain thorough records, trial balances, or informational requests to the utility, a side-by-side spreadsheet of financial and operational monthly data for the twelve months of the test year. From this analysis, the auditor shall create a list of items to be further examined by obtaining invoices, payroll records, work orders, supporting budget documentation or other source documents.
- The auditor selected shall work with Staff and develop an investigation audit plan directed at the significant issues of the case.
- Compare the final approved budget to five actual, historical years to determine whether the test year budgeted information is representative of historical trends. Anomalies of the budget shall be noted and investigated.
- Document the budget process.
- Interview Company personnel responsible for the compilation of the budgeted information.
- Interview a select sample of company personnel (function heads) that had input into the budget and track their input through the budget process.
- As actual information for the budgeted months becomes available, compare, and analyze budgeted months to actual months. Significant variances shall be investigated.

- Compare most recent prior year budget to actual results and note significant variances.
- Prepare and analyze monthly test year and three historical years of monthly historical consumption data (sales) and customer count by tariff.
- Review the Applicants' written summary explaining the sales forecast methodology as it relates to the test year. (SFR Supplemental C-12)
- Interview Applicants' personnel responsible for the sales forecast.
- Review the Applicants' proposed adjustments to operating income and trace these adjustments to the supporting workpapers and source data.
- Review any Applicant proposed changes that are, during the test period or the twelve-month period immediately following the test period, reasonably expected to occur and determine whether the proposed adjustments that the Applicant identified and quantified, individually, are just and reasonable.
- Other independent analyses will be performed as deemed necessary by the auditor selected, Staff or both.

#### D. Rate Base

- The auditor selected shall prepare a balance sheet comparison of the date certain to actual historical financial data. The comparison shall include historic data for the most recent five years for which data is available to determine whether the rate base is representative of historical trends. Anomalies in the date certain balance sheet shall be noted and investigated.
- The auditor shall verify the beginning balance of the plant accounts are consistent with the Commission Orders in PUCO Case Nos. 16-907-WW-AIR and 11-4161-WS-AIR.
- The auditor selected shall prepare a comparison to identify plant additions by year and by account. Major additions shall also be identified by project description. The auditor shall sample projects directed at the major additions since the previous cases, as well as major additions not included in previous cases (Case Nos. 16-907-WW-AIR and 11-4161-WS-AIR) and examine work orders and other source documents. Primary efforts shall be directed toward the significant issues of the case. The auditor shall conduct field investigations to physically inspect sample projects.
- The auditor selected shall review major additions, retirements, transfers, and adjustments to current date certain value of plant in service that have occurred since the date certain from the last sewer rate proceeding and that have occurred since the date certain from the last water rate proceeding. Additionally, the auditor shall review the same that may have occurred prior to the date certain of the last water rate proceeding but were not included in that proceeding.

- The auditor shall review all projected plant additions included in the application, including determining whether the projected projects and their costs are reasonably projected to be used and useful by the date certain.
- The auditor shall review annual plant balances, plant retirements, and their corresponding salvage and cost of removal.
- The auditor shall review and provide detailed analysis of the Companies' depreciation study to determine the reasonableness of the average service life (including Iowa curves), projected retirement dispersion, net salvage (gross salvage and cost of removal), proposed accrual rates and annual depreciation expense. Please note: Aqua Ohio did not propose to revise its accrual rates and did not include a depreciation study as part of its application in Case No. 21-595-WW-AIR.
- The auditor shall review and provide detailed analysis of the Companies' accumulated depreciation reserve, including any proposed adjustments to the balance reserve, to determine if the balance as of the date certain is proper and adequate.
- The auditor selected shall review current Commission approved amortization of reserve deficiency (if applicable).
- The auditor shall verify that plant retirements have been reflected in plant in service and depreciation reserve.
- The auditor shall verify that amortization expense of capital leases corresponds with the capitalized amount and is amortized at the proper rate.
- The auditor shall analyze Allowance for Funds used During Construction (AFUDC), or Interest Used during Construction (IDC) to insure a proper calculation.
- Any major sale of plant or equipment since the Applicant's last base rate cases shall be reviewed to determine if gains or losses from the sale are treated properly.
- The auditor shall verify the Applicants' inventory of Material and Supplies (M&S) included in the applications is for repair or replacement of existing plant and equipment and not for construction projects.
- The auditor shall become familiar with any regulatory assets, the nature of the entries, dollar amounts, reason for the deferrals, and whether regulatory approval has primarily been obtained for the deferrals.
- The auditor shall investigate the accounting for income taxes and verify that the Applicants have properly accounted for the differences on the balance sheet.
- The auditor will review and analyze the Applicants' proposed adjustments to operating income and rate base and trace them to supporting workpapers and source data.
- Other independent analyses will be performed as deemed necessary by the auditor selected, Staff or both.

- Final review of projected plant in service additions through the date certain, including confirming projected projects are used and useful and appropriate schedule updates.

E. Rate and Tariff Review

The auditor selected shall review the rates and tariff matters proposed by the Applicants and analyze the acceptability and reasonableness of the revenue recovery mechanisms contained in application. This review shall include an examination of the applicant's cost of service study to determine whether it is an appropriate basis for calculating the revenue responsibility of each class. The auditor shall also review the revenues generated under special contracts approved in Case Nos. 18-223-WW-AEC and 17-2193-WW-AEC and confirm the revenues cover the cost to serve these customers. It shall also include an evaluation of the distribution of the proposed revenue increase and proposed rate design across the various rate divisions. The auditor shall also develop and propose rates to generate its recommended revenue requirement and prepare typical bills under those proposed rates.

F. Management and Operations Review

The auditor selected shall audit the functional areas of Aqua's management policies, practices and organization identified in Staff's June 14, 2021 letters filed in the dockets of the instant cases. The auditor shall analyze, interpret, and make specific recommendations with respect to the structure, policies, and procedures of the following areas:

1. Financial planning process and objectives, including the policies and procedures for Aqua's capital planning and financing activities and how Aqua's capital needs are supported by Essential Utilities, Inc.'s centralized treasury department.
2. Legal, including the policies and procedures for Aqua's lobbying and political activities and how those fit in with the more comprehensive compliance program established by Essential Utilities, Inc.
3. Budgeting and forecasting, including policies and procedures for how costs are allocated to Aqua from Essential Utilities, Inc., including a review of how the methodology compares to those used in other jurisdictions.

G. 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.

#### H. Commission 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 Staff no less than once a week through the duration of the audit. These meetings may occur via teleconference.

#### I. 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. The proposed cost of the audit shall include the cost to review the final cost of plant in service additions and retirements through the date certain, including confirming projected projects are used and useful and appropriate schedule updates. The proposed cost of the audit shall also include costs to review any objections to the auditor's recommendations, provide initial responses to each objection to Staff, and respond in testimony, if Staff determines a response is necessary. A detailed presentation of costs shall be provided, broken down by phase and task, in conformance with this Request for Proposal. The proposed costs shall be considered firm prices for performing the work described in the proposal.

#### J. 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.

**Proposals bidding on less than the full scope of work set forth in this RFP will be considered; however, preference will be given to those proposals that include the full scope of the investigation contained in this RFP.**

#### 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. A consideration for the timeline is the statutory requirements in R.C. 4909.42.

Audit proposals due	August 25, 2021
Award audit (Commission Order)	September 8, 2021
Audit Conducted	September 8 – January 26 2022
Draft audit report presented to Staff	January 12, 2022
Final audit report filed with Commission	Concurrently with Staff Reports
Auditor review of Objections to its Recommendations	March of 2022

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

##### A. Availability of Documents

The Company shall provide 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 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, Staff or the auditor may disclose or otherwise make use of such documents or information for any purpose, unless the Company move 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

At a minimum, the auditor will submit invoices when work is 50% complete and when work is 100% complete. Separate invoices shall be prepared for Case Nos. 21-595-WW-AIR and 21-596-ST-AIR. The invoices shall include details regarding the dates and activities covered by each invoice for each case, and shall be sufficiently detailed to allow Staff to identify the work completed, the personnel involved, and the corresponding charges in relation to the activity schedule originally set forth in the auditor's proposal. All invoices are to be sent to the Companies, and copies sent to Staff. After approval of the invoice by Staff, the Companies will be authorized to make payment.

The Companies shall be ordered by the Commission to enter 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 companies 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 requested by Staff, this interim report may be made verbally.

D. Draft Report

A draft of the final audit report in each case (Case Nos. 21-0595-WW-AIR and 21-0596-ST-AIR) as well as native files of draft schedules, shall be sent via email to Tanika.Hawkins@puco.ohio.gov by December 14, 2021.

E. Final Report

One copy of the final audit report in each case (Case Nos. 21-0595-WW-AIR and 21-0596-ST-AIR) shall be mailed to the Commission when filed. The final reports should include an executive summary of recommendations. The final docketed reports should contain an overview of the investigation, recommended adjustments, if any, and an attestation by the auditor whether or not the financial information contained in the application is from a reliable source and is appropriate for ratemaking purposes. If it is necessary to prepare a redacted report, due to confidentiality concerns, one physical copy and an electronic copy of a non-redacted report shall also be provided to both the Commission and the Companies. The non-redacted report shall clearly be labeled "confidential." Along with the paper copies of the audit reports, the auditor shall submit to Staff electronic format complete versions of the final audit reports and native files of schedules.

#### F. Working Papers

A complete set of working papers is an integral part of the audit requirements. With the final audit reports, the auditor selected shall deliver to Staff one complete set of working papers for each case (Case Nos. 21-0595-WW-AIR and 21-0596-ST-AIR) that contain documents used and procedures followed to develop the conclusions set forth in the audit reports. 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 use Staff's data request procedures, such as using a Microsoft Outlook Public Folder for issuing information requests and recording responses. If requested by Staff, the auditor shall provide one physical copy of all working papers.

#### G. Production of Documents

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

#### H. Testimony

The auditor shall be expected to present expert testimony during the course of any hearing at which the audit reports are 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 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; and
- 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 – non"/ (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;
  - 4. A brief description of each current contract.
- F. A listing of the auditor's and each subcontractor's clients which may have a financial interest in the Company, or their affiliates. Auditors maintaining any present of

- ongoing contracts or agreements with the Company and affiliates may, at the discretion of the Commission, be disqualified by reason of possible conflict of interest. In the proposal, such contracts should be described in sufficient detail that the Commission can determine whether a conflict of interest exists. A response indicating that this information will be provided on request or that such contracts are too numerous to enumerate will be cause for disqualification of the auditor.
- 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. 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.
  - 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 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:
    - 1. Name of individual to contact for reference
    - 2. Company/facility which employed the individual
    - 3. Telephone number
    - 4. Whether reference is for the company or a principal
    - 5. 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.

The maximum contract price quoted by the auditor shall include all items of work defined in the proposal. The auditor will be expected to deliver the performance described in its proposal not to exceed the agreed upon price.

- 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. For each employee and/or subcontractor the auditor intends to use, the proposal shall clearly set forth the qualifications and experience of each individual in each of the following areas, as applicable:
  - 1. Financial audit;
  - 2. Plant in service investigation;
  - 3. Depreciation study;
  - 4. Cost of service study;
  - 5. Management and operations review; etc.
- N. Identification by name, 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.
- O. If your proposed scope of work does not include the entire scope of investigation in the RFP, please clearly identify each portion of the RFP for which you are submitting a response with references to the scope of investigation sections A through D, E, and/or F.

## **VII. REVIEW CRITERIA**

Proposals will be evaluated on a basis which includes the following criteria:

### **A. Scope of Work**

Preference will be given to bids that encompass the complete scope of investigation included in this RFP. However, we will consider proposals for less than the full scope of work set forth in the RFP.

### **B. 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.

C. Cost

The total proposed contract price is specified in the Proposal. Auditors are encouraged to provide as competitive a bid as is practicable.

D. 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.

E. Experience of Personnel Assigned to Project and Related Organizational Experience

Relevant experience in field, qualified to undertake assignment. References of previous clients/projects provided.

F. 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 status. 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 electronically by Tanika Hawkins at [Tanika.Hawkins@puco.ohio.gov](mailto:Tanika.Hawkins@puco.ohio.gov) and in writing at the following address no later than 5:00 p.m. on August 25, 2021. The proposal should be sent in a sealed container, clearly marked and addressed to:

The Public Utilities Commission of Ohio  
Regulatory Utility Services Division  
Response to RFP NO. RA21-RCA-1  
3rd Floor, 180 East Broad Street  
Columbus, OH 43215-3793

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

D. Copies

Six hard copies of the proposal and an electronic copy 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 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, without limitation or discussion with those submitting proposals, to reject any and all proposals.

#### J. Penalty for Divulging Information



The auditor selected shall abide by all provisions of Sections 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 “PUCO RFP Email Notification List” link at:

<https://puco.ohio.gov/wps/portal/gov/puco/documents-and-rules/request-for-proposals>

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 Public Utilities 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

Administrative questions regarding this RFP should be directed to Tanika Hawkins at [Tanika.Hawkins@puco.ohio.gov](mailto:Tanika.Hawkins@puco.ohio.gov). Technical questions should be directed to Dorothy Bremer at [Dorothy.Bremer@puco.ohio.gov](mailto:Dorothy.Bremer@puco.ohio.gov).

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

**Commission of Ohio Docketing Information System on**

**8/11/2021 2:38:42 PM**

**in**

**Case No(s). 21-0595-WW-AIR, 21-0596-ST-AIR**

Summary: Entry directing Staff to reissue the request for proposal for audit services to assist the Commission with the audit of the rate increase applications filed by Aqua Ohio, Inc. and Aqua Ohio Wastewater, Inc. electronically filed by Heather A. Chilcote on behalf of Public Utilities Commission of Ohio