

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI**

Docket No. 2017-AD-043

Audit of Mississippi Power Company Pursuant to Miss. Code Ann. § 77-3-42

REQUEST FOR PROPOSALS

Pursuant to Mississippi Code Annotated Section 77-3-42, the Commission seeks to contract with a qualified certified public accounting firm and a qualified procurement expert consulting firm to conduct an audit and management review of Mississippi Power Company for the time periods of October 1, 2016 through September 30, 2017 and October 1, 2017 through September 30, 2018. Subject to Commission discretion and approval, the selected CPA or consulting firm may have the option to renew the initial two-year contract for fiscal years 2019 and 2020, depending upon several proposal options described below. The initial audit and review must be completed to the satisfaction of the Commission no later than December 8, 2017 and December 7, 2018, respectively.

Miss. Code Ann. § 77-3-42 (2)(a) requires that the financial audits be conducted in accordance with “generally accepted auditing standards.” Further, Section 77-3-42 (2)(c) requires either the financial audits or the procurement reviews to include:

1. A determination if fuel and associated costs are properly identified and recorded in the appropriate uniform system of accounts,

2. A determination if purchased energy and associated costs are properly identified,
3. An assessment of a utility's practices for economical purchase and use of fuel and electric energy, and
4. An assessment of the relevant contract terms and conditions and any variations from contract terms.

For purposes of the procurement reviews, the Commission interprets the above statute to require a determination regarding the prudence of purchased power transactions including, but not limited to, transactions with affiliates. Additionally, in an Official Opinion provided to Commissioner Brandon Presley on September 21, 2010, the Office of the Attorney General interpreted the Statute to require an examination of individual purchases of energy, with the appropriate sample of purchases to be determined by the consultant. (*Presley*, 2010 WL 4105488 (Miss.A.G.))

The selected CPA auditor(s) and procurement consultant(s) shall specify which provisions of the governing statute have been addressed in their respective reports, and shall represent that those statutory review requirements have been met.¹ Further, these audits must be sufficient to allow the Commission to make the following determinations as set forth in Miss. Code Ann. § 77-3-42(5):

1. Whether or not the utility is properly and correctly employing the use of the fuel adjustment clause or rider applicable to its operations and billing procedures,

2. Whether or not the utility has engaged in practices in the acquisition of fuel or purchased energy which are efficient and economical, and
3. Whether or not there is a reason to question the practices, contracts, operations, or procedures of the utility in the purchase or acquisition of fuel or purchased energy relative to efficiency, economy and the public interest.

The financial audits and management reviews of the Kemper County IGCC operations shall be limited to the purchase and use of natural gas in Mississippi Power Company's commercial operation of the Kemper Combined Cycle Gas Turbine (CCGT) unit.² In the event the Commission broadens the scope of the Kemper-related audits to include other operative areas of the plant, the parties may, upon mutual agreement, amend the affected provisions of the services contract as needed.

The financial and management auditors shall review the prior year's audit findings, along with the filed comments and recommendations of the Mississippi Public Utilities Staff, and evaluate whether such findings and recommendations have been adequately addressed by Mississippi Power Company. For ease of reference, public versions of the final audit reports and Staff Comments may be found in Docket No. 2014-AD-101.³

¹ This requirement may be met by either the financial auditors or the procurement experts or they may divide responsibilities to meet this requirement, subject to Commission Staff approval.

² Test energy produced from burning natural gas, syngas or a mixture of natural gas and syngas will not be eligible for recovery by the Company until its recoverability has been addressed in a rate case.

³ Accessible at <http://www.psc.state.ms.us/trinityview/mspsc.html>

In accordance with Miss. Code Ann. §77-3-42(2)(b), the Commission has adopted Rules 17 and 19 of the Public Utilities Rules of Practice and Procedure (amended 2010) to provide definitions and guidelines related to fuel adjustment clauses or riders, and fuel procurement and use.

Proposals

Past audits performed at the Commission's request have been jointly performed by independent CPA firms for the financial audit and independent consultants for the review of procurement practices and procedures and prudence determinations. However, the Commission will no longer accept joint proposals submitted on behalf of both financial advisors and consulting firms. The Commission expressly instructs all interested parties to submit proposals individually, for either the financial audit or the procurement and prudence review. Therefore, each proposal should specifically reflect the provision of services by either the auditing or the consulting firm, and shall specifically address the above-referenced auditing requirements for Mississippi Power Company.

All proposals should be bound, and must include specific pricing information for either the financial audit or the procurement and prudence review. Quoted pricing information should be broken down to reflect three possible contract terms: (a) a two-year contract without extension; (b) a two-year contract with an optional two-year extension; and (c) a four-year contract.

All proposals submitted in response to this Request for Proposals must include, at a minimum, the following information:

1. Clear identification on the cover that the Proposal is for the audit of Mississippi Power Company (Docket No. 2017-AD-043);
2. The legal name of the firm(s) and the location of the firm's principal place of business;
3. A thorough Executive Summary of the Proposal;
4. Evidence of the firm's experience and abilities in the specified area directly related to the proposed service including, but not limited to, a list and supporting documentation reflecting the specific expertise and experience of the proposed auditor(s) in performing work in the relevant area;
5. The qualifications and experience of all persons who would be assigned to provide the required services;
6. A detailed description of how the service will be provided including, but not limited to, a description of major tasks and sub-tasks;
7. A Project schedule and details of how each task identified will be best accomplished;
8. Thorough and detailed pricing information;
9. Any available references for contracts of similar size and scope. Include the name of the organization; the length of the contract; a brief summary of the work; and, the name and telephone number of a responsible contact person;

10. A statement verifying that the prospective auditor has/has not retained any person or agency on a percentage, commission or other contingent arrangement to secure this contract;
11. A disclosure of any previous work by the auditor, auditing firm, individual auditors or consultants within the group, undertaken for Entergy Mississippi, Inc. and/or Mississippi Power Company. A brief description of the work, the findings of the work and a list of company participants shall be included. Discuss any conflicts of interest that may arise, if your proposal is accepted; and
12. Any additional information that will aid in evaluation of the response.

Anticipated Schedule of Activities (subject to revision by the Commission)

Commission Selection of Auditor	May 2, 2017
Contract Start Date	June 1, 2017
Draft Audit Reports Due to Commission and audited Companies:	November 13, 2017; and November 12, 2018
Designation of Confidential Information in Draft Report Due to Auditors:	November 20, 2017; and November 19, 2018
Final Audit Reports (both Public and Confidential Versions) Due to Commission:	December 8, 2017; and December 7, 2018
Response by Company to Auditor Recommendations Due to Commission:	January 19, 2018;

and
January 18, 2019

Auditors' Optional Reply to Company Response Due to Commission:
February 2, 2018;
and
February 1, 2019

Evaluation of Proposals

Factors to be considered in the evaluation of proposals include, but are not limited to, the following:

1. Responsiveness to all items set forth in this Request for Proposals.
2. Auditor's or consultant's ability to provide the required services as reflected/evidenced by qualifications and experience.
3. Whether adequate personnel and other resources to perform the services are currently available or demonstrated to be made available at the time of contracting.
4. The overall detailed description of the proposed plan for performing the required services.
5. A record of past performance of similar work.

Interested individuals and or companies must provide six bound (6) copies of a detailed Proposal stating their interest to serve as an auditor, qualifications, relevant prior experience, pricing, and selected project personnel. Proposals may be either mailed or hand-delivered to the Commission. All Proposals must be received by the Commission no later than 5 p.m. Central Time on April 14, 2017 at the following address:

Mississippi Public Service Commission
Attn: Executive Secretary

501 N. West St. Suite 201-A
P O Box 1174
Jackson, MS 39215-1174

All questions or comments should be directed to Katherine Collier at 601-961-5438, or Laura Dixon, Attorney for the Commission, at 601-961-5498.

Issued this the 23rd day of March, 2017.



Katherine Collier
Executive Secretary

cc: Brandon Presley, Chairman
Cecil Brown, Vice-Chairman
Samuel F. Britton, Commissioner

