

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

Docket No. 2019-AD-24

Audit of Entergy Mississippi, LLC 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 an auditor and a qualified procurement expert consulting firm to conduct audits and management reviews of Entergy Mississippi, LLC (“EML”) for the time periods of October 1, 2018 through September 30, 2019 and October 1, 2019 through September 30, 2020. Subject to Commission discretion and approval, the auditor(s) selected may have the option to renew the initial two-year contract for fiscal years 2021 and 2022 depending upon three pricing options described herein. The initial audits and reviews must be completed to the satisfaction of the Commission no later than December 6, 2019 and December 11, 2020, 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 the audits to include:¹

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

¹ Selected firms will be required to communicate and coordinate their efforts to ensure that all statutory requirements are met.

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.

The selected firms shall clearly specify which provisions of the governing statute have been addressed in their respective reports and which provisions have not been addressed, and shall represent that the statutory review requirements delineated above have been met.

Additionally, for purposes of these audits, 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, if any. In an Official Opinion provided to Commissioner Brandon Presley on September 21, 2010, the Office of the Attorney General interpreted the fuel audit statute as requiring an examination of individual purchases of energy; however, the appropriate sample of purchases should be determined by the auditor. (*Presley*, 2010 WL 4105488 (Miss.A.G.)) Since EML exited the System Agreement on November 7, 2015, its fuel purchase transactions are subject to MISO control, and are no longer strictly bilateral in nature. Therefore, the firm selected for the procurement and prudence review shall include in its written proposal a plan for analyzing energy purchases and sales in a way that accurately reflects EML's current operating environment as a member of MISO.

Ultimately, 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 and management auditors shall review the prior year's audit findings, along with the filed comments and recommendations of the Mississippi Public Utilities Staff, Company responses to audit recommendations, and auditors' replies, if any, and evaluate whether such findings and recommendations have been adequately addressed by EML. For ease of reference, public versions of the final audit reports and Staff Comments may be found in Docket No. 2017-AD-42.²

In addition, the firm selected for the management audit shall include in its report an investigation and review of the operations of EML's generation units,

² Available at <http://www.psc.state.ms.us/trinityview/mspsc.html>

including operations at Grand Gulf Nuclear Station³ and the Independence 1 and 2 coal units owned jointly by EML, Entergy Arkansas, LLC (EAL) and others.⁴ Furthermore, the firm selected for the management review shall investigate the inventory levels maintained at EML's coal units, Independence 1 and 2.

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 auditors 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 reflect the provision of services by either the auditing or the consulting firm, and shall address the above-referenced auditing requirements for Entergy Mississippi, LLC.

All proposals should be bound, and must include specific pricing information for either the financial audit or the procurement and prudence review.

³ Grand Gulf Nuclear Station is owned by System Energy Resources, Inc., from whom EML purchases energy pursuant to the Unit Power Sales Agreement and a wholesale procurement contract with Entergy Arkansas, Inc.

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 of the Proposal that the Proposal is for the audit of Entergy Mississippi, LLC (Docket No. 2019-AD-24);
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;

⁴ EML owns a 25% interest in the Independence 1 and 2 coal generation units operated by EAL.

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, LLC 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 7, 2019
Contract Start Date	June 3, 2019
Draft Audit Reports Due to Commission and audited Companies:	November 15, 2019;
	and

November 13, 2020

Designation of Confidential Information in Draft Reports Due to Auditors:
November 22, 2019;
and
November 20, 2020

Final Audit Reports (both Public and Confidential Versions) Due to
Commission:
December 6, 2019;
and
December 11, 2020

Response by Company to Auditor Recommendations Due to Commission:
January 17, 2020;
and
January 22, 2021

Auditors' Optional Reply to Company Response Due to Commission:
January 31, 2020;
and
February 5, 2021

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 5, 2019 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 7th day of February, 2019.



A handwritten signature in black ink, appearing to read "Katherine Collier".

Katherine Collier,
Executive Secretary

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