1. **We understand that an independent third party manages the PPL Electric procurement process to secure generation for default service. In that context, please clarify whether a review of the procedures used by PPL Electric to obtain electricity for default service and the results of recent procurements should be included or excluded from the audit. If included, please specify if the subject should be treated as a separate diagnostic work area in Phase I.**

As noted in the RFP, Phase I areas of review will assess the condition of each functional area or business unit against evaluative criteria or expected business practice which are to be grouped by functional areas as determined at the discretion of the individual proposer and each proposal will be evaluated on the merits of its scope and detailed work plan. It should be noted that PPL Electric Utilities periodically petitions the Commission for approval of a bi-annual default electric service procurement plan (see docket number P-2014-2417907 for the most recent filing). The most recent filing is expected to go into effect in June 2015 and is currently under Commission review. Consequently, any Phase I proposed review on this issue should be limited to the approach used by the Company to formulating and securing its procurement portfolio mix in the future.

1. **We assume that a review of electric T&D operations and reliability should be included as a work area in Phase I of the audit. Please confirm that only the emergency preparedness/physical security aspect of T&D operations discussed on pages 29-30 of the RFP should be included in the Phase II budget.**

Correct, Phase II is only to address the pre-identified issues as noted in the RFP. The audit steps determined by the Proposers that are required to fully evaluate the emergency preparedness/physical & cyber security aspects identified on pages 29-30 of the RFP should be included as part of the Phase II budget/work plan. All other proposed areas of review should be part of Phase I.

1. **We assume that a review of financial management should be included as a work area in Phase I of the audit. Please confirm that only the specific financial issues discussed on page 28 of the RFP should be included in the Phase II budget.**

See previous answer to question #2.

1. **Regarding the discussion on pages 28-29 of the RFP, please explain more fully what CAP Agencies are and clarify the objectives of the review in this pre-defined study area.**

Customer Assistance Program (CAP) Agencies are independent community-based organizations in which PPL Electric Utilities outsources the administration of various components of its CAP. PPL has approximately ten of these community-based, independent organizations. Customers are referred to the community-based administering organizations through a number of channels, including PPL Electric’s Customer Service Representatives (CSR’s) and other community organizations. The administering organizations enroll and maintain customers on-line through direct connections with PPL Electric’s Customer Service System. PPL Electric’s Universal Service and Energy Conservation Plan filed with the Commission at docket number M-2013-2367021 offers a more detailed description of PPL’s CAP and its administration by the community-based organizations.

The main objectives of the Phase II – Pre-Identified Area of the RFP relating to CAP on page 28-29 of the RFP is to assess the coordination, information flow, and overall communication between PPL Electric and its CAP agencies to determine if the program is adequately and efficiently meeting customer needs. To meet this objective, the RFP specifies a review of the training provided to CAP agencies, staffing levels, processing time, callback timeframes, etc. Proposers should use their judgment and experience to determine any additional audit steps or audit techniques necessary to provide reasonable assurance that the Company’s CAP is operating effectively and efficiently.

1. **Please clarify how the hold-back provisions for payment under Section II.C.7 of the Stratified Management Audit Contract (Appendix C) work in practice. For example, will monthly invoices be paid in full until 90% of the budget has been reached, or will each monthly invoice be discounted by 10%? Also, as written, the contract implies there will be a separate draft report for Phase I and Phase II; please clarify.**

The monthly invoices will be paid in full until 90% of the budget for each phase (Phase I, Phase II, and Phase III, if authorized) has been reached. The remaining 10% of the budget for each phase is then released in the increments provided in the RFP; 5% when the draft report is released to the Company and 5% when the final report is received. While the contract specifies that the holdback is 10% of each phase, this requirement just specifies what line items of the budget the holdback will be applied to since the RFP asks for costs be provided separately for each Phase (See Section II-8 of the RFP).

There is only one (1) draft report. As specified by the RFP (Section IV-4), draft reports are provided to the Commission for review by chapter, task area or issue. Therefore, for draft purposes, Phase II issues could be incorporated into an overall chapter covered in Phase I or it is also possible that a Phase II issue be drafted as a separate chapter.

1. **Phase I of the proposed Management Audit is a “diagnostic review that will assess the condition of each functional area or business unit”. What are the functional areas and/or business units that are to be assessed against evaluative criteria or expected business practice?**

As noted in the answer to Question #1, Phase I is designed to be a diagnostic review of each functional area or business unit of the company’s operations, however, the functional areas are to be determined at the discretion of the individual proposer. Proposals should present and explain the functional areas and the audit steps required to provide adequate assurance of appropriate management controls, systems and processes at the utility.

1. **Has the PUC identified any expected timeframe or proposed completion date for this Stratified Management and Operations Audit?**

The Audit Bureau’s projected timeline for the PPL Stratified Management and Operations Audit anticipates completion of audit field work around year-end 2015 with a completed final audit report ready for release to the company around mid-June 2016. We also anticipate field work could begin as early as June 2015. However, the proposers have some flexibility on start and finish dates through their time estimates for completing the work as required by section II-9 of the RFP.

1. **What is the Commonwealth e-mail file size restrictions for transmitting electronic files?**

Commonwealth e-mail is only able to receive files up to 8 MB in size.

1. **Please clarify the provisions under Section III-7 (c) of the RFP, pertaining to the elimination of an Offeror whose proposal received the lowest technical score and had the lowest cost score of the prospective proposals received from responsible parties.**

The RFP is written to ensure that an Offeror who receives the lowest technical score and lowest cost score (i.e., highest cost) cannot win the RFP. Therefore, if a proposal received the lowest technical score from the evaluation committee (i.e., the proposal/Offeror was viewed as the least capable) and the lowest cost score (i.e., the proposal had highest cost) it is eliminated from the selection process.

1. **Should the issues identified in Phase II of the RFP be excluded from Phase I and covered exclusively in Phase II?**

Yes. As previously noted, Phase I areas of review will assess the condition of each functional area or business unit against evaluative criteria or expected business practice which are to be determined at the discretion of the individual proposer while Phase II is to address the pre-identified issues as noted in the RFP.

1. **Would PPL’s Montana, Kentucky, and UK operations be included in the review?**

The scope of the audit is limited to PPL Electric Utilities Corporation and their Pennsylvania electric distribution operations.

1. **Is there any breakdown of points or percentage of points for each of the subsections within the Technical criteria?**

Weighting factors have been applied for each of the subsections, but the weightings are not disclosed.

1. **Please clarify the provision under Section IV-7 paragraph 1, pertaining to the requirement that all contracts containing Small Diverse Business participation must include a provision requiring Small Diverse Business subcontractors to perform at least 50% of the subcontracted work. Is the 50% determined by combining Phase I and Phase II or are Phase I and Phase II considered separately?**

The 50% requirement refers to the work that the Offeror is subcontracting to the Small Diverse Business partner(s). Please contact Gayle Nuppnau from General Services Bureau of Small Business Opportunities by phone at 717-346-3819 or through e-mail at [gnuppnau@pa.gov](mailto:gnuppnau@pa.gov) for additional clarification or questions pertaining to Small Diverse Business participation/opportunities.

1. **When comparing Small Diverse Business cost to total cost, does the comparison include travel expenses?**

BSBO considers all costs that the PUC uses in its analysis; however, only costs for Phase I and Phase II are considered for the Diverse Business scoring. Travel costs are included as part of phase I and II and therefore would be included in the analysis.

1. **Will the Service Company organization and functions be different following the divestiture of PPL Corporation’s generating assets?**

Corporate services functions have been streamlined to be more cost-effective recognizing that the organization these functions support will be much smaller after the divestiture. A PPL Electric Services Company has been established that will provide services to PPL Electric and PPL Corporation (i.e., including PPL’s Kentucky Utilities and Operations in Wales).

1. **Would transactions involving the service companies be included in the Phase II Affiliated Interest review?**

Yes.

1. **Is the transition caused by the divestiture of the PPL Corporation’s generating assets expected to be complete by the anticipated audit start date in June?**

The divestiture is expected to be completed by the 1st or 2nd Quarter of 2015. Therefore, the divestiture is expected to be completed by the time the audit starts, or shortly thereafter, depending on the exact timing of both the divestiture and the audit.