

**Request for Proposal  
for an Investigative Accounting Examination  
of Consolidated Edison Company of New York, Inc.  
Case 09-M-0243**

<b>I. OVERVIEW</b>
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The New York Public Service Commission (the Commission) is seeking an independent consultant to perform an investigative accounting examination of Consolidated Edison Company of New York, Inc. (CECONY or the Company), as described below. The initial scope of this examination is based upon the fraudulent or illegal activities of certain CECONY employees and a vendor or vendors which are the subject of criminal charges brought by the United States Attorney for the Eastern District of New York (US Attorney). The investigation will be undertaken within the procedures described in , *inter alia*, Public Service Law (PSL) Section 66(19), which states that the “commission shall have power to provide for management and operations audits of gas corporations and electric corporations”. The audits undertaken pursuant to PSL Section 66(19) are generally supported by the work of consultants who work under a contract developed by the Department of Public Service. The PSL provides that the cost of the consultant’s work is paid by the utility, but the consultant will be selected by the Commission. The examination and the work of the consultant are managed by Department of Public Service Staff (Staff).

Starting on January 14, 2009 the US Attorney’s Office has announced a series of arrests of 11 CECONY employees (and one CECONY retiree) who are alleged to have received from one or more contractors over \$1 million in bribes or kickbacks. The owner of a construction company that has done work for CECONY has also been arrested. A part of the implementation of these kickback schemes, these employees are alleged to have arranged for the Company to pay inflated claims to the participating contractor(s). The Commission in Case 09-M-0114 issued an order on April 21, 2009 to initiate a prudence investigation into these illegal or improper activities, into the extent, if any, by which such activities extend beyond those uncovered by the US Attorney, and into the adequacy of CECONY’s related internal controls . The Commission also seeks quantification of the ratepayer burden, as a result of any illegal or improper actions taken by the CECONY employees or by CECONY, and whether if and to what extent CECONY acted in an imprudent manner in its operations that resulted in these costs being incurred. The examination being requested here will cover these issues and provide the Commission with an independent report, evidence and testimony to be considered in Case 09-M-0114.

<b>II. SCOPE</b>
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The investigative accounting examination should be performed in two parts. Part One should focus on the known fraudulent, illegal or improper transactions that were part of the indictment capital projects described in the affidavits supporting the January, 2009 arrests of the

CECONY employees. These transactions, which occurred between 2000 and 2009, the actions taken by the 14 CECONY employees<sup>1</sup>, and the implementation of the contracts associated with these actions should be examined in detail. There also should be a full review of the internal controls of CECONY relevant to the construction and interference activities. This review would identify the means by which these controls were deficient, overcome or not complied with in implementing the CECONY employees' kickback schemes. As part of this review the consultant will determine if, and to what extent, CECONY's procedures applicable to these transactions involved the application of deficient controls and if, and to what extent, CECONY's procedures demonstrated a lack of enforcement of such controls, so as to allow the arrested CECONY employees and contractor or contractors to perform the fraudulent, illegal or improper transactions. Based on these facts, the consultant would examine all transactions of this contractor(s) over the time period 2000 to 2009 to identify patterns of questionable documentation, arrested employee involvement, or non-compliance with Company procedures used for processing of the transactions. This information should be used to estimate the extent of illegal or improper contract overcharges included in the total payments made to this contractor or contractors over the period 2000 to 2009.

In Part Two of the investigative accounting examination the consultant will expand the investigation beyond the transactions, the CECONY employees, and the contractor or contractors identified in the US Attorney's investigation. The purpose of this Part of the examination is to determine if fraudulent activity and transactions have been performed with other vendors or by other CECONY employees. As an initial matter, all CECONY construction payments for the period 2000 to 2009 to contractors where any of the identified CECONY employees participated in approving the transaction should be subject to review. Analytical procedures will be performed on these contracts and transactions to determine if they exhibit patterns or traits experienced with the contracts examined in Part One of the examination. Where such patterns appear there will be a more detailed examination of the documentation and processing of these transactions and a determination made if they exhibit similar patterns of questionable documentation, employee involvement or transaction processing. This, in turn, should allow the consultant to determine the extent of improper or illegal contract overcharges associated with these non-indictment contract transactions. Finally, the consultant will perform analytical procedures and an examination of a sample of construction contractor payment transactions and contracts in each of the 5 regions of Con Ed's service territory, to establish if similar patterns of questionable documentation, employee involvement, or transaction processing are present that would indicate the potential of fraudulent overcharges being incurred in other CECONY operating regions. Depending on the results of this examination, a determination will be made if a more detailed examination of transactions and is required for other CECONY regions.

The consultant will prepare a report presenting his/her findings, conclusions and recommendations from the examination for Part One. The report will present estimations of the improper or illegal overcharges and describe the means used by the CECONY employees and contractors to perpetrate the fraud. It will also assess the condition of the internal controls of CECONY and will determine whether, either by poor design or lack of enforcement of these controls, CECONY established conditions that facilitated the fraudulent activity causing the overcharges to occur. Such a report will be provided for Part One, so that an evaluation can be made as to the needed scope of Part Two of the examination. The report for Part Two of the examination will provide the same

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<sup>1</sup>A total of 14 CECONY employees (including retirees) have been identified in the US Attorney's investigation as recipients of bribes or kickbacks.

information as included for Part One, but cover all activity and transactions examined under both Parts. It will also provide a complete description of CECONY's existing internal controls and the consultant's recommendations for improvements in CECONY's internal controls to protect against such illegal or improper conduct in the future. In performing this review and making recommendations for improvements the consultant should consider industry best practices for construction contract related internal controls.

The following provides additional detail for the various portions of the examination summarized above.

## **Part One**

### **Detailed Examination of Fraudulent Transactions**

- The consultant will conduct a full review of the arrest affidavits, interview relevant CECONY employees and meet with federal law enforcement authorities in order to develop an understanding of the kickback and related fraudulent overcharging schemes used by the CECONY employees and participating contractor. Note will be specifically made of breakdowns of CECONY internal controls that were relied upon in perpetrating the fraud. (The consultant shall also submit formal informational and interview requests to the Company to gather the information needed to pursue the examination.)
- For each transaction the consultant will determine its accounting on the New York State Public Service Commission defined Uniform System of Account (USOA) books of CECONY. The amounts will be accounted for by operating department (electric, gas, steam and common) and account. For capitalized amounts the consultant will also trace these transactions to the Continuing Property Records of CECONY. If these transactions are directly associated with an observable in service retirement unit, the consultant will make an attempt to inspect the item.
- For each transaction and the contract under which it is authorized for payment the consultant will obtain all documentation required to be produced according to the internal control procedures of CECONY for the contract procurement and contract management of areas of construction. Instances where documentation is missing or incomplete will be highlighted and reference will be made to the NYSPC record retention requirements to determine if the company is in violation.

### **Full Review of CECONY Construction Related Internal Controls Relative to all Contracts**

- The consultant should develop a thorough understanding of the internal controls, processes, policies and procedures related to CECONY's construction contract administration and contract management. Specifically such review should cover the following activities:
  - Construction Services Procurement Process
  - CECONY Construction Management Invoice Review and Payment Approval
  - Contract Change Processing and Approval

- Construction Services Procurement Process
  - The consultant will assess, based on the design and operation of the internal controls, the potential of any illegal or improper schemes between CECONY employees and contractor(s) to collude to reduce the effectiveness of the competitive bidding process for procurement of construction services. The consultant will review the documentation produced in the procurement process for the contracts awarded to the participating contractor(s) under which known fraudulent transactions occurred. As part of this review the consultant will consider (at a minimum) the following:
    - Did CECONY maintain a sufficient qualified bidder's list.
    - Was there a formal selection process that produced documented justification for award of contracts.
    - Determine how many projects and contracts were procured on a sole source basis and was adequate written justification provided in accordance with internal control procedures.
    - Determine if construction management staff and specifically those responsible for construction inspection and invoice payment approval were allowed to participate in contract procurement activities.
    - Did CECONY consistently retain the most qualified contractor at the best possible prices. If a higher priced contractor was selected was sufficient written justification provided to support the higher cost.
- CECONY Construction Management Invoice Review and Payment Approval
  - The consultant will review contract performance activities and CECONY's review and approval process including inspection of construction, review and comparison to contract specifications and all activities and procedures leading up to the approval and release of monies to the contractor. The consultant will compare the processing of the fraudulent transactions to the stated internal controls in this area to determine the schemes used by the arrested CECONY employees to overcome the controls or not comply with them in order to effectuate the fraudulent transactions.
  - Were contract management employees sufficiently rotated so that they did not participate in the review and approval process of several projects/contracts of a contractor over an extended period of time. If not, determine if this contributed to the alleged fraudulent transactions?
  - The consultant will evaluate the sufficiency of documentation for the contractor invoice review and payment process. Were contract scope overcharges sufficiently explained.

- Were there sufficient procedures and training provided for preparation of construction inspection reports. Were the construction inspection reports properly completed and contained sufficient information. Were duplicate copies of completed reports filed to avoid alteration by another employee to support a fraudulent transaction.
- Determine if the contractor provided sufficient supporting information with the invoice when filing for payment under the contract.
- Determine if the CECONY procedures and documentation that is generated supports the percent of work completed claimed in contractor invoices and verifies that it agrees with the actual work completed under the contract.
- Contract Change Processing and Approval
  - The consultant will review all internal controls and procedures of CECONY regarding contract change orders and their approval. For the projects identified in the arrest affidavits the consultant will examine documentation for work change orders to determine if they comply with procedures and if such documentation is sufficient to assure that work requested in the orders was actually performed.
  - The consultant should also review other contract change orders to determine that procedures and their enforcement provide that:
    - The justification for change orders is documented with sufficient information to demonstrate the need.
    - That the parties initiating, reviewing and approving orders are identified.
    - The work to be performed under the change order was not included as part of the original contract.
    - Verify computations in the change order for accuracy, compliance with the terms of the contract and whether proper documentation was provided for labor and materials included in the order.
- The consultant should the review risk assessment process of CECONY in prioritizing areas for internal audit examination. The consultant should also review the internal audit examinations performed in the period 2000 to 2009 related to the construction administration and management activities of the company.
- The consultant should review the ethics policy of CECONY and any whistleblower hotline system CECONY maintains. The consultant should review any whistleblower allegations and their resolution related to CECONY's construction activities and specifically the 10 CECONY employees and contractor involved in the fraudulent activities.
- There should be a review of the CECONY documentation related to its assessment of the sufficiency of its internal controls related to the construction administration and management

activities of the company as required under section 404 of the Sarbanes-Oxley Act. A comparison should be made as to the asserted operation of the controls in the assessment and the actual operation of such controls determined in this examination. Also the consultant will determine if the fraudulent activity determined in its examination supports the conclusion that CECONY has a material weakness of its internal controls.

Examination of 2000 – 2009 Transactions of Contractor(s) Participating in Fraudulent Activities

Through the performance of the previous areas of examination the consultant should possess a detailed knowledge of the CECONY internal controls and procedures related to construction administration and contract management. By examination of the known fraudulent transactions the consultant should have determined the various means by which the arrested CECONY employees and participating contractor or contractor were able to circumvent or not comply with the related internal controls that allowed them to obtain payment approval of inflated invoices under the indictment capital projects. The consultant will perform an examination of the transactions and contracts of the participating contractor or contractors for 2000 to 2009 to determine if they also exhibit similar patterns of questionable documentation, arrested employee involvement and processing of the transactions. This will require use of analytical procedures to determine if other contracts and their related transactions exhibit traits or anomalies similar to those of the known fraudulent transactions. Those contracts and transactions possessing a high level of similar traits/anomalies should be selected for further examination. At least some of the traits or factors that should be considered in such analysis are:

- Rank the arrested employees according who had the longest duration of participation in the contract management and invoice review and approval process for the participating contractor during 2000 to 2009.
- Did one or more the arrested CECONY employees have a role in the contract procurement process where the contractor who participated the fraudulent activity was awarded the contract.
- Did one or more of the arrested CECONY employees participate in the contract management and invoice review and approval for the contract/project and if so weigh it based on ranking of duration in being assigned to contract management for contracts of the participating contractor.
- Contracts where actual costs were significantly higher than expected in awarding the contract.
- Contracts where there were a significant number of and dollar amounts of change orders approved.
- Contracts where there were significant amounts of rock/underground cement pillars encountered and removed in the construction effort.

For those contracts that possess a high level of similar traits there should be a full examination of the underlying documentation supporting the review and payment approval process for transactions under the contract. The examination will evaluate and determine the extent to which the documentation and processing of these contracts follow patterns consistent with the known improper or illegal payments identified in connection with the indictment contracts and payments. For those contracts that follow such patterns, the consultant will recommend the amount which he or she estimates is associated with illegal or improper payments included under such contracts and their related payment transactions. For such estimated amount the consultant will determine its accounting on the USOA books of CECONY. The amounts will be accounted for by department and account.

## **Part Two**

### **Examination of 2000 – 2009 Transactions In Which the 10 Arrested CECONY employees Participated**

Using the knowledge gained from earlier portions of the examination, the consultant will perform an examination of the 2000 to 2009 transactions and contracts of all contractors in which the 13 CECONY employees participated in performing contract management invoice review and payment approval activities. The examination will determine if the transactions and contracts also exhibit similar patterns of questionable documentation, arrested employee involvement and processing of the transactions.

This will require use of analytical procedures earlier described in Part One to determine if these contracts and their related transactions exhibit traits or anomalies similar to those of the known fraudulent transactions. Those contracts and transactions possessing a high level of similar traits/anomalies should be selected for deeper examination. The traits at a minimum that should be considered in this analysis would be those described in the Part One examination where there is the examination of 2000 – 2009 transactions of the contractor that participating in known fraudulent activities.

### **Examination of Construction Contractor Transactions for All Regions of CECONY**

It must be determined if the types of illegal or improper activities discovered by the US Attorney are occurring between other CECONY employees and vendors in CECONY's other operating regions. The consultant will obtain a sample of construction contracts and related payment transactions in each of the 5 regions in the CECONY service territory. The consultant will perform the earlier described analytical procedures and detailed examination of suspect payment transactions in each of the 5 regions of Con Ed's service territory to establish if similar patterns of questionable documentation, employee involvement and processing of the transactions are present that would indicate the potential of fraudulent overcharges being incurred in the other operating regions of CECONY. Depending on the results of this examination the consultant and /or Staff will determine if a more detailed examination of contracts and their related transactions and is required for all regions of CECONY.

All of the above items should be considered in the development of your proposal and will also form the foundation of the audit report prepared by the consultant. Your proposal should identify any additional aspects of the process that you believe necessary to provide a thorough investigative accounting examination. A final report will be prepared for both Parts One and Two

and all findings, conclusions and recommendations should be thoroughly documented by the consultant. Further, while the planned date for the initial draft for Part One is October 2009, we expect the consultant to bring to Staff's attention any matters of significance in advance of the initial draft report (as they are identified) that would, if adopted, improve CECONY's construction administration management processes and their related procedures and controls..

### **III. SPECIFIC DELIVERABLES**

The consultant will be expected to provide the following key documents:

- 1) Work Plan - The chosen consultant will be expected to confer with Staff during the creation of its initial work plan. The consultant will be responsible for submission of an initial and final draft work plan to Staff. These drafts should outline in additional detail the scope and methods to be employed by the consultant during the course of the engagement as well as a detailed schedule (including milestones) for the remainder of the review. The consultant may modify the initial draft after giving due consideration to Staff's comments, and must then submit a final draft work plan to Staff for approval. Approval of the work plan by Staff will authorize the consultant to execute the tasks as stated therein.<sup>2</sup> (This Section applies to both Part One and Part Two of the audit.)
- 2) Briefings - The consultant will provide regular briefings to Staff on the progress of the examination and will identify emerging issues as the examination progresses.
- 3) Draft Reports - The schedule for the initial draft report for Part One is November 2009 as set forth in the schedule below. This initial draft report must represent the final work product. Staff will review the initial draft report and provide the consultant with any comments. Thereafter, the consultant will present a revised draft report to Staff. For the final report, the consultant may make modifications to address specific comments as it deems necessary, after consultation with Staff.
- 4) Final Report - A final report for Part One by January 2010 to Staff will document the consultant's evaluation of each aspect of the examination scope, as outlined in this RFP and the subsequent approved detailed work plan. All consultant workpapers must be available for Staff's review.
- 5) Presentation of Evidence and Testimony - If required the consultant will be required to prepare and submit testimony in Case 09-M-0114 describing its examination, the evidence it developed and its findings supported by the evidence.

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<sup>2</sup> Payments to consultants are discussed in detail in the *Guide*; however, bidders should be aware that 10% of the professional fees will be retained throughout the project. In addition, the Department of Public Service will retain an additional 5% of professional fees pending the approval of the detailed workplan. Once the Department approves the workplan, the 5% retained will be released. Further discussion of payments and retentions are discussed in the *Guide*.

## IV. SCHEDULE

The schedule for this project is set forth below. A different schedule may be proposed if the consultant believes that the schedule is not achievable. If a consultant proposes a different schedule, the consultant should provide a rationale. On the other hand, if a consultant believes it can accelerate the schedule, it is encouraged to propose that, and provide a rationale.

In addition, the schedule below is based on the public records currently available. These records are available on the New York State Department of Public Service website at the following address:

[http://www.dps.state.ny.us/09M0243\\_investigation](http://www.dps.state.ny.us/09M0243_investigation)

As further information becomes available from the US Attorney's investigation or other sources, adjustments to the schedule and to the scope of Phase One work may be necessary. Such adjustments would be implemented through a change order developed jointly by the consultant and Staff.

<u>Target Date</u>	<u>Task</u>
April 21, 2009	Issue RFP <sup>3</sup>
May 6, 2009	Bidders' Conference Call – If Necessary
May 21, 2009	Consultant Proposals Due
June 22 - 24	Finalist Interviews
August 20, 2009	Consultant Selected
September 2009	Orientation Meetings
September 2009	Draft Workplan Submitted to Staff
October 2009	Workplan Approved by Staff
November 2009	Draft Report for Part One Submitted to Staff
January 2010	Final Report for Part One to the Department <sup>4</sup>

## V. BIDDERS' CONFERENCE CALL

A bidders' conference call concerning this RFP will be held at **May 6, 2009**. Firms interested in participating in the bidders' conference call and who plan to submit proposals should contact Elizabeth Katz, at (518)474-6893 or at [Elizabeth\\_Katz@DPS.State.NY.US](mailto:Elizabeth_Katz@DPS.State.NY.US) for the conference call-in number, by close of business on **May 4, 2009**.

Due to the unusual nature of the bidding process; Parts One and Two bid together, prospective bidders are encouraged to contact the Project Manager at any time during the proposal writing phase with questions.

<sup>3</sup> The RFP will be posted to the Department's web page at <http://www.dps.state.ny.us>.

<sup>4</sup> The final report will also be posted to the Department's web page.

## VI. PROPOSAL FORM and CONTENT

This RFP is bid in whole. (Part One and Part Two must both be included.) We encourage individual consultants to work with others to form an audit team under the leadership of an experienced project manager and/or firm. However, there must be one entity or person that represents the entire consultant team and there must be one person who is authorized to represent the team and sign the contract. Therefore, there will be only one consulting “firm” retained. All firms, employees of firms, and subcontracting firms and individuals that are part of the proposal must be approved by Staff and must comply with all aspects of the RFP, including the conflict/ethics provisions set forth in the *Guide* --Attachment B. The proposal must demonstrate a clear understanding of the objectives and deliverables. It should also illustrate the consultant’s approach to meeting the objectives in a timely and comprehensive manner. Proposals should comply with the *Guide*.

## VII. PROPOSAL SUBMISSION

Consultants interested in responding to this RFP must submit an original and 9 copies of their proposal. The Department of Public Service must receive all proposals no later than **5:00 PM on May 21, 2009**. All materials should be enclosed in a sealed inner envelope and be identified on the outside as “Response to RFP For A Comprehensive Investigative Accounting Examination of Consolidated Edison of New York, Inc. (CECONY).” Consultants should also submit an electronic version of their proposal on **May 21 2009** to Elizabeth Katz at [Elizabeth\\_Katz@dps.state.ny.us](mailto:Elizabeth_Katz@dps.state.ny.us) and to the Department of Public Service’s Secretary at [secretary@dps.state.ny.us](mailto:secretary@dps.state.ny.us). The Department will not accept e-mail submissions or facsimile copies of proposals as a substitute for the hardcopies of the proposal. Further, submission of electronic version or facsimile copy of the proposal will not be considered as sufficient with respect to the bid receipt deadline of **5:00 PM on May 21, 2009** for the hardcopy.

All proposals must be received in our office at:

Jaclyn A. Brillling  
Secretary  
New York State Department of Public Service  
3 Empire State Plaza  
Albany, New York 12223-1350

All proposals should include a cover letter, signed by a responsible person certifying:

- the accuracy of all information in the proposal;
- the bidders’ commitment and ability to perform all the work contained in its proposal; and
- compliance with all Request for Proposal requirements.

The cover letter should include the bidders’ address, name of a contact person, telephone number, e-mail, address and fax number. In addition, the cover letter should contain a statement that the proposal is a firm offer for a 180-day (or more) period. Staff will acknowledge receipt of each bid by e-mail. Additionally, bidders may submit a self-addressed stamped envelope requesting that Staff verify that their bid was received.

## VIII. PROPOSAL EVALUATION

### Overview

All proposals will be evaluated by Staff. The Commission desires to select the bidder who will provide the “best value,” taking into consideration the most beneficial combination of qualifications, services and cost, and the consistency of the bid with the requirements of this RFP. Only proposals deemed to be responsive to the submission requirements will be evaluated by an Evaluation Team comprised of members of Staff. The criteria against which each proposal will be evaluated are described below.

### Evaluation Criteria

The selection process entails two steps. First, initial review of the proposals based on the criteria identified below will be conducted by Staff. We anticipate your proposals for Part One will be more comprehensive and flushed out than your proposals for Part Two. Second, based upon this initial evaluation, one or more of the consulting firms will be selected and interviews with the finalists will be scheduled. Similar to the cost of proposal preparation, consultant costs associated with preparation and participation of finalist interviews are the responsibility of the consulting firm, should not be incorporated in the proposal, and are not reimbursable.

The initial evaluations of the proposals will be based on Staff's assessment by using the following criteria:

**Criteria 1: Content of Proposal** - The proposals will be reviewed by Staff for conformity with the RFP, and reviewed for substantive content. The ability of the consulting firm to prepare a proposal that is clearly written, concise, yet complete and well organized will be considered a strong indication of the firm's ability to produce a final report of similar quality. The criteria will also include the firm's proposed project management processes. Any proposed reservations or constraints concerning Staff's involvement must appear in the proposal and will be a factor in its evaluation.

**Criteria 2: Firm and Individual Consultant Expertise and Experience** - In evaluating the proposals, we will consider the experience, ability and expertise of the consulting firm and the experience of the individuals assigned to the project. The proposal should demonstrate the firm's ability to manage the project and present its proposed approach and methods to be used to conduct the evaluation and meet the objectives as outlined in the project scope. The expertise and experience of individuals to their proposed work assignments associated with this audit should be clearly outlined as it will be an important factor in this aspect of the evaluation.

**Criteria 3: Cost** - The not-to-exceed cost of the consultant's proposal will be analyzed from the prospective of the number of consultant days and the consultant billing rates, as well as administrative, travel and out-of-pocket expenses. The evaluation will also consider the consultant's proposal for the implementation of change orders to accommodate changes in the scope and schedule for Phase 1.

### **Proposal Price**

The consultant shall provide a not-to-exceed cost in which the cost of professional services, professional out-of-pocket expenses, and support services (clerical, secretarial, research, and report preparation services) are separately stated, and the criteria for each defined for billing purposes for both Part One and Part Two. The proposal must include the current professional fee (billing) rates for each individual as well as an estimate of out-of-pocket expenses for each individual. The cost for all *draft* reports is to be included in the not-to-exceed cost. However, the cost of printing the *final* report is not to be included in the not-to-exceed cost. If staff determines that the consultant should provide printed copies of the final report, the consultant will be reimbursed for its cost of printing the final report. The individual professional fees and out-of-pocket expenses, along with the costs of support services should be rolled up to the not-to-exceed project cost.

For billing purposes, the professional billing rate should be an all inclusive rate that captures both the professional fee and out-of-pocket expenses for each individual, and which rolls up to the not-to-exceed project cost. The intended method of billing for clerical, secretarial, research, and all report preparation services must be explained in your proposal. An example of the invoice detail that is to be submitted and billed is shown in Exhibit 2-2 of the *Guide*. Staff will audit all invoices and no payment will be made by the utility until authorized by Staff.

The consultant's proposal should include recommendations for the process, timing and procedures to be used to formulate and implement any change orders needed to accommodate changes to the scope and schedule for Part 1 based on further information made available from the pending US Attorney's investigation or from other sources concerning illegal or improper activities by Con Ed employees.

Payments made under the contract will be made according to a negotiated schedule of deliverables; however, 15% of the professional fees will be retained until Staff approves the detailed workplan. With the approval of the workplan the incremental 5% of professional fees which were withheld pending approval of the workplan will be released and subsequently 10% of the professional fees will be retained until Staff determines that all deliverables have been provided to Staff. Furthermore, until such time as the consultant has completed its draft report and delivered it to the Department for its review, no more than 75% of the budgeted professional fees will be paid to the consultant. Proposals should identify key milestones for payment. A more detailed discussion of invoices and consultant payments is included in the *Guide*.

As Part Two is still tentative in scope and size, we suggest bidding Part Two at a not-to-exceed cost of 1.5 to 2 times the cost you bid Part One.