

GRU Management Response to Navigant Audit Recommendations

Item #130547

No.	Recommendation	Report Section	Management Response
1	Reconsider a Prepayment Arrangement	Section I. Executive Summary, Subsection L – Item 1, p. 30; Section VI. Assessment of the PPA with GREC, Subsection E – Item 1, pp. 120-121	Prepayment as a part of a purchase is something to consider.
2	Convert PPA to a Tolling Agreement (GRU Purchases Fuel Handling Facilities)	Section I. Executive Summary, Subsection L – Item 2, p. 31; Section VI. Assessment of the PPA with GREC, Subsection E – pp. 121-122	Risk/Reward of solid fuel tolling arrangement is not acceptable.
3	Reduce Minimum Dispatch in PPA to 55 MW	Section I. Executive Summary, Subsection L – Item 3, p. 31; Section VI. Assessment of the PPA with GREC, Subsection E – Item 3, p. 122	Operational flexibility below the current 70 MW minimum is worth consideration.
4	Shift Payment Terms in the PPA	Section I. Executive Summary, Subsection L – Item 4; Section VI. Assessment of the PPA with GREC, Subsection E – Item 4, pp. 122-123	Backend loading of the payments under the PPA is a possibility.
5	Continue to Seek Third Parties to Take a Portion of the GREC Output	Section VI. Assessment of the PPA with GREC, Subsection E – Item 5, p. 123	Ongoing efforts continue in this regard.

GRU Management Response to Navigant Audit Recommendations

No.	Recommendation	Report Section	Management Response
6	Continue to Seek Third Parties to Take Available MWs from the Deerhaven Coal Generation Facility	Section VI. Assessment of the PPA with GREC, Subsection E – Item 5, p. 123	Maintaining GREC on cold standby has diminished value of this alternative.
7	Consider Pooling Generation Assets with other Municipality Generators within the State	Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, p. 123	GRU is engaged in discussion which would allow for its generation assets to be dispatched in a larger power.
8	Consider Exchanging Generation Assets and GREC PPA Rights for a Long-Term PPA	Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, pp. 123-124	Current gas market has made alternative unlikely.
9	Evaluate the current GRU Rate Structure and Consider offering a “Green Choice” Option	Section VI. Assessment of the PPA with GREC, Subsection E, Item 5, p. 124	GRU’s green choices are so much “out of market”, making this option rather unlikely.
11	Evaluation of the potential benefits and drawbacks of using a “Steering Committee” on complex projects or contract negotiations to review overall status, provide broad oversight, and to interface with the City Commission	Section I. Executive Summary, Subsection M – Item 3, p. 33; Section VIII. City and GRU Internal Controls, pp. 166-168	Complex projects/contract negotiations will be fully vetted with Commission.
8	Establish reporting metrics and a reporting format to continually evaluate the relative cost/benefit of long-term contracts, such as the PPA, over the term of the agreement	Section I. Executive Summary, Subsection H – Item 2, p. 21, Subsection I – Item 10, p. 27; Section VI. Assessment of the PPA with GREC, p. 108	New management is fully vetting the impacts in terms of costs/benefits of PPA.

GRU Management Response to Navigant Audit Recommendations

No.	Recommendation	Report Section	Management Response
19	Develop a more formal risk management process for identifying, evaluating and quantifying the potential impact of key business and contract risks including more standardized processes for recording and communicating relevant information to management and the City Commission	Section I. Executive Summary, Subsection I – Item 10, p. 27, Subsection M – Item 4, p. 34; Section VII. Financial Impact of the PPA and Outlook for Biomass, p. 128; and Section VIII. City and GRU Internal Controls, pp. 168-169	Power 2020
20	Require that ratepayer impact be evaluated as one of the key drivers in City/GRU decision-making and be included as an evaluation criteria in the ranking process for vendor selection	Section V. Review of Decision-Making – RFP to Equitable Adjustment, Subsection D – Evaluation, Analysis and Observations, Item 4.d), p. 91; Section VIII. City and GRU Internal Controls, p. 159	Agreed
21	<p>Develop standards for future RFI/RFP competitive bidding processes including vendor sourcing and qualification, competitive pricing, purchase orders, vendor contracts and vendor assessments, among others.</p> <p>Institute requirements for:</p> <ul style="list-style-type: none"> ▪ The inclusion of draft or preferred form contracts in RFPs and associated responses; ▪ Establishment of firm pricing in responses to RFPs up to set dates; and ▪ Include ratepayer impact as a key evaluation criteria in proposal/vendor ranking and selection processes. 	Section I. Executive Summary, Subsection M – Item 2, pp. 32-33; Section V. Review of Decision-Making – RFP to Equitable Adjustment, Subsection C – Summary Findings and Observations, p. 84; Section VIII. City and GRU Internal Controls, p. 165	Agreed

GRU Management Response to Navigant Audit Recommendations

No.	Recommendation	Report Section	Management Response
26	Develop a more formal change control and impact assessment process to ensure effective, and timely, evaluation and analysis of contract or project changes	Section VIII. City and GRU Internal Controls, Subsection D – Item 9, p. 179	Agreed
27	Task the GRU CFO (or other staff from the Finance and Accounting Department) with the financial evaluation and management of significant contracts and involve them in reporting/communication to the City Commission	Section VIII. City and GRU Internal Controls, Subsection D – Item 4, p. 165, Item – 5, p. 166-167	Agreed