



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL
ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

MAURA HEALEY
ATTORNEY GENERAL

(617) 727-2200
(617) 727-4765 TTY
www.mass.gov/ago

May 12, 2020

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: Investigation by the Department of Public Utilities on Its Own Motion into the Efficiencies of Operations and Productivity of National Grid's Management and Personnel, D.P.U. 19-117

Dear Secretary Marini:

Pursuant to the Department of Public Utility's ("Department") order in *Massachusetts Electric Company and Nantucket Electric Company*, D.P.U. 18-150, at 502–503 (2019), the Department directed Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (collectively, "National Grid" or "Company") to issue a Request for Proposals ("RFP") to address the Department's investigation to conduct an independent audit regarding certain potential management problems of National Grid ("Management Audit").

On April 17, 2020, National Grid filed with the Department the bids the Company received in response to the RFP. Specifically, the Company stated that it received responses from FTI Consulting ("FTI") and Schumaker & Company ("Schumaker"). The Company noted its preference to hire FTI to conduct the Management Audit.

On April 21, 2020, the Office of the Attorney General ("AGO") notified National Grid that the RFP did not appear to have been posted on the Company's website, despite the Department's clear order that the Company do so "for access to all potential bidders." D.P.U. 19-117, at 15–16 (Feb. 27, 2020). Thereafter, the Company notified the Department of this issue and proposed to post the RFP to its website and to re-open the bidding process until May 4, 2020.

On April 24, 2020, the Hearing Officer extended the RFP comment deadline to May 12, 2020 to allow time for bidders to submit proposals. After posting the RFP to its website, the Company received one additional bid from Vantage Energy Consulting, LLC ("Vantage"). On

May 5, 2020, the Company submitted the Vantage bid, along with the bids previously submitted by FTI and Schumaker, to the Department for consideration. The Company again noted its preference to hire FTI.

The AGO recommends that the Department reject the Company's choice of FTI and instead chose Schumaker to conduct the Management Audit. As discussed below, the selection of FTI creates the appearance of a conflict of interest because two FTI managers formerly served in leadership roles at National Grid. Moreover, FTI's experience in conducting comprehensive utility management audits is lacking when compared with Schumaker's years of experience.

Both the AGO and the Department have stressed the importance that the firm conducting the Management Audit have the ability to conduct a truly "independent" audit. AGO Comments, at 4-7; D.P.U. 19-117, at 16 ("The Department's directives above are designed to safeguard the independence of the Consultant and allow sufficient time for a thorough, in-depth review"). Here, two top members of the FTI team are former high-ranking employees at National Grid. In particular, the Senior Managing Director of FTI, and person within FTI who would have "ultimate responsibility" for the Management Audit, is a former Executive Vice President of National Grid, Plc, and Executive Vice President, Chief Financial Officer and Treasurer of National Grid USA. RFP Filing, Att. 1, at 29, 31-33 (FTI Consulting Proposal) (May 5, 2020). In addition, a second top FTI team member worked at National Grid USA from 2000-2015 in "various leadership and project lead roles." *Id.*, at 34.¹ Given these close ties between FTI and National Grid, it is questionable whether FTI can perform an "independent" audit. In choosing a consultant to perform the Management Audit, the Department should strive to ensure that the audit is free from bias, whether conscious or unconscious. Therefore, FTI should be removed from consideration in order to eliminate any question of bias or the appearance of a conflict of interest.

Moreover, although FTI appears to have some industry experience, its proposal does not demonstrate expertise in conducting comprehensive utility management audits. In fact, FTI's proposal provides only one previous example of a management audit performed by FTI. *Id.*, at 27.²

Conversely, Schumaker is more established in the management audit field, having conducted "*over 100 utility consulting assignments for more than 33 state regulator commissions.*" RFP Filing, Att. 2, at 4 (Schumaker & Company Proposal) (May 5, 2020) (emphasis added).

¹ Notably, neither National Grid nor FTI are upfront about this prior relationship. In fact, this close connection is buried in FTI's proposal on pages 32 and 34 in the "Other Items - Detailed Biographies" section.

² In the "Experience and Qualifications" section, FTI's proposal mentions just two additional audits performed by Overland Consulting, an FTI subcontractor, without FTI's involvement. *Id.*, at 28.

Further, Schumaker’s lead consultants are Certified Management Consultants, certified by the Institute of Management Consultants USA. *Id.*, at 6. And, Schumaker utilizes its internal “SHUCO Best Practices Knowledgebase” which contains information on “best practices” from its previous audits. *Id.*, at 16. Perhaps most importantly, the selection of Schumaker would ensure an “independent” Management Audit. The Schumaker proposal demonstrates a strong commitment to objectivity. The “ability to ‘step back’ from the situation and view it without organizational or political bias often allows us to develop simple, yet effective, solutions – solutions that may not be readily apparent to those who are deeply entrenched in the daily operations of the organization.” *Id.*, at 54; *see also, id.*, at 7, (attaching the “Institute of Management Consultants USA Code of Ethics”).

Ultimately, considering the three RFP responses, the AGO recommends that the Department choose Schumaker to conduct the Management Audit.³ It is clear from the Schumaker proposal that the firm is well-qualified and has the independence needed for an objective assessment of the Management Audit topics. Choosing Schumaker will help ensure that the Department’s objectives are achieved and that the Company and its ratepayers benefit from the Management Audit.

Sincerely,

/s/ Alexander M. Early

Alexander M. Early
Assistant Attorney General

Encl.

cc: Jessica Ellis, Hearing Officer
Service List

³ The AGO notes that Vantage provided a strong bid and certainly appears qualified to conduct the Management Audit. *See, RFP Filing*, Att. 3, at 10 (Vantage Energy Consulting, LLC Proposal) (May 5, 2020) (noting that Vantage has conducted “30 comprehensive and focused management audits.”). Should the Department be disinclined to choose Schumaker for any reason, the AGO recommends that the contract be awarded to Vantage.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

**Investigation by the Department of Public
Utilities on Its Own Motion into the Efficiencies
of Operations and Productivity of National Grid's
Management and Personnel**)
)
)
)
)
)
)

D.P.U. 19-117

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 C.M.R. § 1.05(1) (Department's Rules of Practice and Procedure). Dated at Boston this 12th day of May, 2020.

/s/ Alexander M. Early _____
Alexander M. Early
Assistant Attorney General
Office of Ratepayer Advocacy
One Ashburton Place
Boston, MA 02108
(617) 727-2200