Louisiana Public Service Commission

Proposal to Provide Consulting Services - Audit of Magnolia Water

RFP 26-06

Submitted By:

SILVERPOINT CONSULTING LLC

July 29, 2026

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Ms. Kathryn H. Bowman
Louisiana Public Service Commission
602 North Fifth Street, Galvez Building
P.O. Box 91154
Baton Rouge, LA 70821-9154

Dear Ms. Bowman:

Silverpoint Consulting LLC (Silverpoint) is pleased to submit to the Louisiana Public Service Commission (Commission) this proposal to provide consulting services to Staff in connection with the audit of Magnolia Water Utility Company (Magnolia Water) billing, customer service, and acquisition practices as well as compliance with other regulatory agencies.

Silverpoint's proposed project team for the Magnolia Water assignment offers Staff a superior level of audit capabilities and subject matter expertise to support the upcoming investigation. As the principal of the firm, I have managed a wide range of engagements on behalf of state commissions, and have over twenty-five years of experience conducting management audits at regulated utilities. Besides myself, our proposed team also includes Olu Adebo, Managing Principal and CEO of IBS Management and Consultancy Services (IBS). IBS has advised more than twenty water and wastewater utilities in the U.S. in such areas as rates, cost of service, forensic billing and revenue analysis, capital program deployment, and operational efficiency. Before forming IBS, Olu was Chief Financial Officer and Controller for the largest water and sewer utility on the east coast, the District of Columbia Water and Sewer Authority (DC Water).

I have endeavored to keep our proposal brief and concise. If additional information would be helpful in your review, I would be glad to provide it. The Silverpoint team looks forward to meeting with you to elaborate on our proposal.

Very truly yours,

Stephanie L. Vavro
Principal, Silverpoint Consulting LLC

cc: Clarisa Findley

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I. Executive Summary

A. Background

Magnolia Water Utility Operating Company, LLC (Magnolia Water, Magnolia, or the Company) is a subsidiary of Central States Water Resources (CSWR), a Missouri-based investor-owned utility group operating in nearly a dozen states. In Louisiana, Magnolia Water currently operates 501 utility systems across the state and serves approximately 270,000 customers.[1] Magnolia Water first entered the Louisiana market with the purchase of a small group of St. Tammany Parish systems in 2020.[2] In December 2022, Magnolia Water finalized a landmark consent decree with the U.S. Department of Justice (DOJ) and the Environmental Protection Agency (EPA) that allowed the company to acquire 209 water and wastewater systems serving approximately 45,000 customers from Total Environmental Solutions, Inc. (TESI). The acquisition doubled Magnolia's wastewater customer base and gave it the authority to fix systems that had been broken for many years. As part of this agreement, Magnolia Water promised to bring every failing system into full compliance by May 31, 2026.

In May 2025, Magnolia Water filed a request for extension of its current Formula Rate Plan (FRP) with the Louisiana Public Service Commission (Commission).[3] Magnolia Water customers who intervened in the docket opposed the utility's request and argued for a full rate case and financial review. They also expressed frustration with dramatic rate increases as well as the utility's failure to meaningfully address billing discrepancy and service quality concerns. Commission Staff recommended that Magnolia Water be authorized to renew its RFP for an additional three-year term with certain modifications. This position was also reflected in the Final Recommendation of the Administrative Law Judge (ALJ) issued on June 10, 2026.

During the June 17, 2026 Business & Executive (B&E) Session, the Commission accepted the recommendation of the ALJ and approved the extension of Magnolia Water's FRP. During the meeting, Commissioners heard the complaints of several intervenors that included issues regarding water quality, customer service, and lack of transparency for repairs and upgrades. In recognition of these concerns, the Commission directed Staff to issue a Request for Proposal (RFP) for an outside consultant to assist it in an audit of Magnolia Water billing, customer service, and acquisition practices as well as its compliance with other regulatory agencies, in particular the Louisiana Department of Health (LDH), Louisiana Department of Environmental Quality (LDEQ), and any other relevant state or Federal agency that regulates the Company. On July 6, 2026, the Commission issued an RFP for a qualified firm to assist in-house counsel and auditing personnel, as well as an outside engineering consultant, in conducting this audit.

Silverpoint Consulting LLC (Silverpoint) is pleased to submit to the Commission this proposal in response to the RFP.

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[1] The utility has indicated that it provides wastewater services to more than 50,000 connections and water services to over 20,000 connections.
[2] These included systems previously owned and managed by more than a dozen entities including Mo-Dad Utilities, LLC and H2O Systems.
[3] Docket No. U-37584 In re: Request for Extension of Formula Rate Plan.

B. Overview of the Proposal

Silverpoint's proposed project team for the Magnolia Water assignment offers Commission Staff a superior level of audit capabilities and subject matter expertise to support the upcoming investigation. As the principal of Silverpoint, Stephanie Vavro has managed a wide range of engagements on behalf of state commissions and has over twenty-five years of experience conducting management audits at regulated utilities. Our principal subject matter expert, Olu Adebo, is a former senior executive at one of the largest water and wastewater utility on the East Coast. His current firm, IBS Management & Consultancy Services (IBS), has advised more than twenty water and wastewater utilities in the U.S. in such areas as rates, cost of service, forensic billing and revenue analysis, capital program deployment, and operational efficiency.

This engagement requires integrating regulatory investigation, utility finance, engineering findings, customer service analytics, billing forensics, and prudence review into a single evidentiary framework capable of supporting Commission action. The audit is also subject to a relatively tight timeline. Working backwards from the drafting, review, and confidentiality-redaction time a filed report requires, the window for substantive fieldwork will be approximately four months. Silverpoint has designed its proposed work plan, approach, and project schedule to conform to these realities.

We consider the most challenging aspect of the upcoming audit to be the assessment of the company's acquisition and capital investment practices. Magnolia is a not a single water system, it is a portfolio of several hundred systems acquired from different owners, in different conditions, at different times, and consolidated under a common tariff and FRP. Many were acquired precisely because they were distressed, some carrying documented regulatory violations, and some were subject to Federal or state obligations at the time of transfer. It also means that the audit's central questions cannot be answered at the enterprise level—a portfolio average merely conceals the actual variation between systems. When a utility acquires distressed small systems and folds them into a consolidated rate structure, the acquiring company's capital deployment decisions determine which customers benefit from the pooled revenue and which subsidize it. Customers whose systems receive little post-acquisition investment while paying consolidated rates can experience what some intervenors have described—service quality that has not improved, and lack of transparency about repairs and upgrades. Conversely, if a company over-invests in a newly acquired system relative to the rate base it contributed, those costs may be disproportionately transferred to legacy customers.

The key question is not merely whether Magnolia Water spent too much. It is whether the money went where the acquisition record said it would go, whether the amounts were reasonable for what was delivered, and whether the resulting distribution of costs and service quality across systems is defensible. Answering that question requires considerable subject matter expertise of the water/wastewater domain:

- **Water and wastewater utility financial expertise** - knowing which cost behaviors are normal for this industry and which are not
- **System-level analytical capability** - disaggregating consolidated financials down to the individual system

- **Operational credibility** - distinguishing a genuine operating constraint from a management choice.

In the same vein, this project requires well-honed regulatory audit and reporting writing capabilities:

- **Regulatory audit discipline** - structuring discovery to produce admissible evidence and findings that withstand cross-examination
- **Command of Commission practice** – knowing how a docketed audit is built, filed, defended, and carried through a contested proceeding
- **Sampling design and evidentiary standards** – developing a selection strategy that is defensible on its face and workpapers that survive scrutiny
- **Integration across various disciplines -** coordinating the efforts of engineering, technical, and financial consultants towards common project objectives
- **High quality reporting** – crafting well-written, probative audit reports, particularly under compressed timelines.

As such, we believe no other firm is better suited to accomplish the Commission's objectives for this audit engagement than Silverpoint. We invite those evaluating our proposal to review a more detailed discussion of our team's qualifications and experience in Section II of this proposal. In Section III, we share our preliminary work plan, schedule, and project management approach; Section IV contains our cost proposal.

II. Consulting Qualifications

A. Company Background

Silverpoint Consulting provides exceptional quality consulting and analytical services to regulators and utilities in the energy and telecommunications industries. The firm has a strong reputation for objectivity and for providing highly credible subject matter expertise. Silverpoint's particular strength is its ability to manage and coordinate the efforts of senior, highly qualified consultants in multi-disciplinary projects. Our staffing philosophy is to bring together those with directly relevant expertise—typically former executives or senior managers from well-regarded utilities—who can quickly tackle the key issues and problems central to a project. Our consultants bring deep industry knowledge and a well-rounded perspective garnered from decades of serving both utilities and regulators. Silverpoint's approach to an engagement—building a focused work plan and a strong team of individuals to execute it—produces the best and most cost-effective results for our clients.

Stephanie Vavro, Silverpoint's Principal, has forty years of business experience, with more than twenty-five years as a consultant focused on examinations of regulated utilities. She has extensive project management experience in natural gas and electric utility reviews as well as in focused investigations of telecommunications companies. Since 2009, Silverpoint teams have completed significant consulting projects on behalf of regulators in Maryland, New York, Pennsylvania, New Jersey, Arkansas, Virginia, Delaware, Maine, Massachusetts, Minnesota, Mississippi, Ohio, and the District of Columbia. These engagements have centered around such topics as utility management and operations, electric utility resilience and service reliability, storm preparedness and response, infrastructure planning and resiliency, and natural gas procurement. Silverpoint has also supported regulatory reviews of proposed utility mergers and acquisitions. Ms. Vavro is well-versed in all aspects of regulatory proceedings including the preparation of testimony and formal docketed reports.

Prior to forming Silverpoint, Stephanie was a senior consultant and lead quantitative analyst with Liberty Consulting, where she worked on numerous investigations at utilities such as Duke Energy, Commonwealth Edison, Nova Scotia Power, New Jersey Natural Gas, Verizon, Qwest, BellSouth, and Ameritech-Ohio. Before that time, she was an energy analyst at Dickstein Shapiro, a Washington, D.C. law firm, where she focused on electric industry restructuring and other energy issues to support client initiatives, contract negotiations, and regulatory proceedings. Her background also includes market research and strategic planning positions with large industrial and natural resource companies. Stephanie has a B.A in Mathematics, *magna cum laude*, and an M.S. in Management Science, both from Lehigh University.

Since forming Silverpoint, Ms. Vavro has managed over twenty major projects on behalf of regulators and other clients. A summary of our principal projects is shown on the next table. Many of Silverpoint's engagements, including our three most recent projects, entailed interpretation of state rules, regulations, and laws relevant to the utilities and subject matter under review.

Silverpoint Principal Engagements

Client/Project	Time Frame	Description
New Jersey Board of Public Utilities (BPU)	2025-2026	Management audit of USF and related programs at regulated utilities and a process/controls audit at the related state agency
Minnesota Department of Commerce	2025	Expert testimony and support re the proposed acquisition of ALLETE/Minnesota Power by private equity investors
Mississippi Public Service Commission	2024-2025	Investigation of inadequate service quality and operating practices at the Holly Springs Electric Department
Maine Public Utilities Commission	2023-2024	Audits of natural gas procurement practices at two of the state's utilities
Arkansas Public Service Commission	2022-23	Investigation of the preparation, response, performance, and communications of the state's gas and electric public utilities and cooperatives during a 2021 winter weather event
Maryland Public Service Commission	2022-23	Facilitation of the PC 44 (Transforming the Grid) Distribution System32 Planning work group.
Management Audit of Consolidated Edison and Orange & Rockland (NY PSC)	2021-22	As subcontractor, served as project manager and lead for IT, strategic planning, customer service, finance, cost allocation and budgeting work areas
District of Columbia Public Service Commission, Audit of Washington Gas Light (WGL)	2025 2021 2017	Audits of WGL's natural gas procurement policies and practices, including demand forecasting, capacity portfolio planning, commodity procurement, and asset optimization
WGL and the Virginia SCC, Asset Optimization Market Study	2020-21	Investigation of potential alternatives to WGL's current agent for its unique asset optimization program per SCC Order
Keegan Werlin/Eversource, Support in Docket 20-12-46	2021	Regulatory research and subject matter expertise in support of CL&P re new rules to impose storm-related customer credits
Management and Affiliate Transaction Audit of Orange & Rockland, New Jersey BPU	2017-19	Comprehensive management audit of O&R's New Jersey operations including distribution system O&M and capital, reliability, cost allocation and shared services.
Delaware PSC Commission Staff – Delmarva Rate Case	2013-14	Examination of proposed reliability-related investments of Delmarva Power in the context of its rate case
Maryland Public Service Commission (Various)	2010-11 2011 2014-15	Advisory service in connection with the FirstEnergy-Allegheny Energy merger Investigation into Pepco's reliability and service quality Examination of the long-term storm hardening plans and restoration staffing plans of the State's electric utilities
Massachusetts Dept. of Telephone and Cable, Verizon audit	2013	Audit of Verizon's wholesale performance measures and related remedies in Massachusetts
Massachusetts Attorney General	2012	Review of Western Massachusetts Electric's response to the October 2011 snowstorm
Pennsylvania Public Utility Commission	2011	Audit of Verizon's wholesale performance measures and related remedies in Pennsylvania
Public Utility Commission of Ohio	2009	Audit of Duke Energy Ohio affiliate transactions, cost allocation methods and corporate separation

Overview of Silverpoint Project Experience

Multiple Gas and Electric Utilities

Earlier this year, Silverpoint conducted a management audit of the USF and Lifeline programs at each of New Jersey's seven electric and gas utilities. In another recent engagement, Silverpoint investigated the effectiveness of utility preparation, response, operational performance, and communications during a February 2021 extreme winter weather event on behalf of the Arkansas Public Service Commission. This investigation encompassed each of the state's investor-owned electric and natural gas utilities as well as numerous electric cooperatives.

Electric Utilities

Last year, Silverpoint completed an investigation into the Holly Spring Utility Department on behalf of the Mississippi Public Service Commission. This troubled municipally owned utility department had a decades-long history of inadequate service quality and operating practices. Our final report served as the principal support for the Commission's petition to place the utility in receivership.

In 2022, Silverpoint served as subcontractor to NorthStar Consulting on a focused management audit of Consolidated Edison and Orange and Rockland on behalf of the New York Public Service Commission. Silverpoint's team led the investigation and reporting for the strategic planning, IT, customer service, finance, and budgeting work areas. Silverpoint's principal also served as general project manager on that engagement. In 2019, Silverpoint completed a comprehensive management and operations audit and an affiliate transactions audit of Orange and Rockland Utilities, Inc., and its subsidiary Rockland Electric Company on behalf of the New Jersey Board of Public Utilities (BPU). Our investigation encompassed areas including customer service, distribution system operations and maintenance, T&D capital planning and construction, system reliability, emergency preparedness and restoration capability, strategic planning, governance, finance, human resources, IT, affiliate relations, and cost allocation. Specific areas of focus included cyber security, implementation of smart grid and advanced metering technologies, and distributed energy resources.[4]

During 2022 and early 2023, Silverpoint's team served as facilitators for the Maryland Public Service Commission (PSC) distribution system planning work group, part of its Transforming the Grid initiative in PC 44. Earlier, Silverpoint completed three other significant projects on behalf of the Maryland PSC. In one of these engagements, Silverpoint was the project manager for a joint investigation into the reliability and service quality of Potomac Electric Power (Pepco). Our investigation took place as part of a high-profile proceeding and was completed under a very ambitious schedule given the depth and breadth of scope—the team compressed what was arguably a four- or five-month investigation into nine weeks. The Maryland PSC Commissioners selected our team to establish a sound factual record in their proceeding aimed at addressing reliability issues as well as the utility's preparedness and response to four storm-related outage events.

The Maryland Commissioners selected the Silverpoint team to conduct the evaluation while under considerable pressure from the state's legislators, county and local officials, and the general public to fix the problem of Pepco's chronic outages. The primary objectives of the Pepco investigation were to: (1) evaluate the company's storm preparedness procedures and practices, (2) evaluate implementation of outage procedures in the context of its performance during 2010 storm events, (3) determine the overall reliability of the company's system and the adequacy of its O&M levels and planned capital investment, (4) evaluate the adequacy of the utility's outage-related communications with its customers, and (5) develop recommendations for improvements in

[4] A copy of the public version of our final audit report is available on the BPU website: https://www.bpu.state.nj.us/bpu/pdf/boardorders/2019/20190807/8-7-19-1B.pdf

reliability, preparedness, responsiveness, and communications. Despite its disagreement on some of the conclusions, Pepco nonetheless indicated that its top management found our final report well-written and tough, but fair.[5]

In 2014, Silverpoint completed another project for the Maryland Commission, an examination of the long-term infrastructure hardening plans and storm restoration improvement plans of six of the state's electric distribution companies, including two electric coops. Utilities were tasked with developing storm hardening plans that would reduce outages during major storm events, which is to say plans focused on improving "major storm-only" System Average Interruption Duration Index (SAIDI) or System Average Interruption Frequency Index (SAIFI), rather than on improving SAIDI or SAIFI during normal or minor storm conditions. Silverpoint examined each utility's analysis of the range of options for storm hardening and system resiliency improvements appropriate to the vulnerabilities of its own system. We also reviewed the utilities' storm restoration improvement plans in which they determined the resources required to restore service to 95 percent of affected customers within one, two, three, or four days for three storm events of predetermined size.[6]

The same year, Silverpoint completed a review of Delmarva Power's proposed five-year capital plan for $325 million in reliability-related projects on behalf of the Delaware Commission Staff. The team assessed whether the company's past and future capital projects were aimed toward (a) sustaining current levels of reliability over the short term, (b) improving reported reliability metrics, (c) modernizing the system, or (d) helping to sustain system reliability over the longer term through, for example, replacement of aging infrastructure. We ultimately offered our recommendation for the capital spending needed to maintain an appropriate level of reliability.

In another Maryland engagement, Silverpoint, in conjunction with the law firm of Nixon Peabody LLP, served as the Commissioners' advisors during their evaluation of the proposed acquisition of Allegheny Energy, Inc./Potomac Edison by FirstEnergy Corp. Silverpoint assembled a team of financial, investment banking, utility operations, accounting, and energy market subject matter experts, and served as the lead for non-legal issues including merger conditions, financial governance, ring-fencing provisions, the size and sharing of merger savings, market power, and reliability.

In 2021, Silverpoint provided regulatory support to Eversource and its law firm, Keegan Werlin, in connection with a Connecticut Public Utilities Regulatory Authority docket related to Tropical Storm Isaias and implementation of new legislation regarding customer storm outage credits.

Silverpoint worked for the Massachusetts Attorney General's Office in connection with an investigation by the Department of Public Utilities into Western Massachusetts Electric Company's (WMECO's) response to an October 2011 snowstorm. Our written testimony summarized the results of our examination of WMECO's pre-event preparedness and restoration efforts from both an operational and a communications perspective. As part of our review, the

[5] A copy of our final report is available on the Commission's website (Item 44 in Case No 9240): https://webpscxb.psc.state.md.us/DMS/case/9240

[6] A copy of the public version of our final report is available on the Commission's website (Item 98 in Case No 9298): https://webpscxb.psc.state.md.us/DMS/case/9298

team assessed whether WMECO's actions were consistent with good utility practice, and identified instances in which the utility did not adequately implement its emergency response plan. The testimony also summarized the results of our survey-level review of WMECO's tree trimming practices before the storm and the degree of automated controls on its distribution system.

In 2009, Silverpoint led an audit of Duke Energy Ohio for the Ohio Public Utilities Commission that focused on the company's electric security plan and its compliance with corporate separation rules. The team examined the adequacy of financial protections such as ring-fencing provisions and cost allocation methods to prevent cross-subsidies between affiliates. It also examined the company's compliance with its code of conduct, and with specific separation rules governing areas such as asset transfers, money pools, and shared facilities. Silverpoint also investigated the effect on the utility's A&G costs from changes in service company cost allocation methods and corporate downsizing that occurred after the merger with Cinergy.

Natural Gas Utilities
Silverpoint recently completed two management audits of natural gas procurement practices on behalf of the Maine Public Utilities Commission, investigating Summit Natural Gas of Maine and Avangrid affiliate Maine Natural Gas Company. In 2017 Silverpoint completed a detailed review of natural gas procurement policies and practices at Washington Gas Light on behalf of the Public Service Commission of the District of Columbia. As part of this investigation, our team evaluated the efficiency and effectiveness of the company's default gas supply functions, including demand forecasting, capacity resource portfolio planning, commodity procurement, and management of transportation, storage, and peaking assets. The team also evaluated the utility's asset management efforts and its risk management practices, including physical and financial hedging. In 2020, Silverpoint conducted an investigation into the availability of natural gas marketers qualified to serve as agent for Washington Gas Light's unique asset optimization program. In 2021 and 2025, Silverpoint conducted a follow-up audit of Washington Gas Light's natural gas procurement practices.

Telecommunications Utilities
Silverpoint's principal has extensive experience with audits and focused investigations of service quality, wholesale performance, and incentive plans. In 2011 and 2012, she was engagement director/project manager for Silverpoint's review of Verizon Pennsylvania's wholesale performance measures and related remedies on behalf of the Commission. The team had two primary objectives: (1) to determine if Verizon's methods for calculating and reporting wholesale performance metrics and remedies produced accurate and reliable results, and (2) to develop a process and tool that allows Staff to reproduce metric and penalty calculations using Verizon's raw data. Silverpoint conducted a similar investigation of Verizon on behalf of Massachusetts the following year.

B. Silverpoint Project Team

A brief description of each principal member of Silverpoint's proposed team for this engagement follows. Focused resumes, edited to emphasize the directly relevant qualifications and experience of each individual, are contained in Appendix A. More extensive resumes are available upon request.

Stephanie Vavro

Stephanie Vavro, the principal of Silverpoint Consulting, has forty years of business experience, with twenty-five years as a consultant focused on regulated industries. For over fifteen years, her firm has completed projects on behalf of state regulatory commissions in the areas of service reliability, utility management and operations audits, natural gas procurement, affiliate relationships and cost allocation, and storm preparedness and response. Ms. Vavro has extensive experience in audits and investigations of regulated utilities. For example, a Silverpoint team conducted a substantial portion of the most recent Consolidated Edison and Orange & Rockland management audits, as a subcontractor, on behalf of the New York Commission. Silverpoint also completed the last comprehensive audit of Rockland Electric/Orange & Rockland on behalf of the New Jersey BPU. More recently in April, the firm completed an audit of Universal Service Fund (USF) and similar programs at New Jersey's seven gas and electric utilities and an examination of the budgeting, actual expenditures, and internal controls at the state agency administering benefit programs on behalf of the BPU.

Stephanie's particular strength is her ability to manage and coordinate the efforts of senior, highly qualified consultants in multi-disciplinary projects. Examples include the firm's investigation into Pepco's reliability and service quality, an assessment of long-term storm hardening plans and restoration staffing plans of Maryland' electric utilities, and an assessment of the preparation for and response to Winter Storm Uri by Arkansas' utilities and cooperatives.

Prior to forming Silverpoint, Stephanie was a senior consultant and lead quantitative analyst with Liberty Consulting, where she worked on numerous utility audits including New Jersey Natural Gas, Commonwealth Edison, Nova Scotia Power, Duke Energy Carolinas, Verizon, Qwest, BellSouth, and Ameritech-Ohio. Before that time, she was an energy analyst at Dickstein Shapiro, a Washington, D.C. law firm, where she focused on electric industry restructuring and other energy issues to support client initiatives, contract negotiations, and regulatory proceedings. Her background also includes market research and strategic planning positions with large industrial and natural resource companies.

Stephanie has a B.A in Mathematics, *magna cum laude*, and an M.S. in Management Science, both from Lehigh University.

Olu Adebo

Olu Adebo, Managing Principal and CEO of IBS Management & Consultancy Services (IBS), has over thirty years of financial management and consulting experience, including twenty-five years in the utility and infrastructure sector. Until 2012, he served as Chief Financial Officer and Controller for the largest water and sewer utility on the east coast, the District of Columbia Water and Sewer Authority (DC Water). After leaving DC Water, Olu established IBS, an independent global financial and management consulting firm that has worked with national and international utilities on strategic and financial planning, operational audits, and feasibility and rate/tariff studies.

Olu recently managed the audit of administrative budgeting, expenditure processes, and internal controls at a New Jersey agency as part of Silverpoint's audit of USF/Lifeline at the State's gas and electric utilities. He has provided financial and analytical expertise on other Silverpoint engagements including an audit of Washington Gas Light and a review of the storm hardening and restoration plans of six Maryland electric utilities. His firm IBS has provided management support and expert assistance to the Long Island Power Authority in the areas of utility operations, customer service, financial operations, performance management, and compliance. Current and prior IBS projects include the provision of financial, project management, and planning services to water authorities in New York, Philadelphia, Washington DC., Maryland, Atlanta, Newport News, East Orange, Cleveland, and Jackson Mississippi.

In his capacity as CFO at DC Water, Olu managed the utility's $450 million annual operating budget and its $3.8 billion ten-year capital improvement budget. As CFO, he had overall responsibility for financial management and operations including accounting operations and financial reporting; budgeting; treasury, investment, and debt management; and risk management.

Olu has a bachelor's degree in electrical engineering from the University of Lagos, and a Master of Business Administration from the University of District of Columbia. He is a Certified Public Accountant and Certified Project Management Professional.

Additional Resources
Silverpoint will supplement the core team with a staff accountant or analyst from IBS if needed to support planned testing work.

C Recent Project References and Report Samples

Silverpoint has been part of the pool of management audit firms selected to conduct management audits on behalf of the New Jersey BPU since 2012. Earlier this year, Silverpoint conducted an audit of the USF and Lifeline programs at New Jersey's seven electric and gas utilities. The audit also included an examination of the administrative budgeting process, actual expenditures, and internal controls of the Department of Community Affairs (DCA) in its role as the BPU's USF program administrator.[7] Mr. Adebo was an executive consultant on Silverpoint's team for this engagement. Several years earlier, Silverpoint conducted a comprehensive management and operations audit of Orange and Rockland Electric Utilities, Inc., and its subsidiary, Rockland Electric Company, on behalf of the New Jersey BPU.[8]

Contact information for the director of the Board's audit division, responsible for both of these projects, follows:

Ms. Alice Bator
Director, Division of Audits
New Jersey Board of Public Utilities
44 S. Clinton Avenue, 3rd Floor Suite 314
Trenton, NJ 08625

[7] A copy of the public version of the report is available on the New Jersey BPU website at: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.nj.gov/bpu/pdf/boardorders/2026/20260521/1B%20Secretary%20Letter%20USF%20Audit%20Acceptance%20of%20Report.pdf

[8] A copy of the public version of the report is available on the New Jersey BPU website at https://www.bpu.state.nj.us/bpu/pdf/boardorders/2019/20190807/8-7-19-1B.pdf

609-292-0626
Alice.Bator@bpu.nj.gov

Last year, Silverpoint completed a high-profile investigation into the Holly Spring Utility Department on behalf of the Mississippi Public Service Commission. This troubled municipally owned utility department had a decades-long history of inadequate service quality and operating practices. Silverpoint's final report served as the principal support for the Commission's subsequent petition to a chancery court to place the utility in receivership.[9] Given the nature of the independent investigation, the Silverpoint team was allowed no contact with Commissioners until we testified at a public hearing in September. Contact information for the Staff attorney responsible for coordinating our investigation with the utility and its attorneys follows:

Ms. Stephanie Taylor
Senior Attorney, Mississippi Public Service Commission
501 North West Street
Woolfolk State Office Building
Jackson, MS 39201-1174
601-961-5461
Stephanie.Taylor@psc.ms.gov

In 2025, Silverpoint completed its third detailed review of natural gas procurement policies and practices at Washington Gas Light on behalf of the Public Service Commission of the District of Columbia. Our team evaluated the efficiency and effectiveness of default gas supply functions including demand forecasting, capacity resource portfolio planning, commodity procurement, management of transportation, storage, and peaking assets, and asset management practices. Silverpoint conducted the first audit in 2017 and the first follow-up audit in 2021.[10] Contact information for the Commission's manager for those engagements follows:

Mr. Felix Otiji
Public Service Commission of the District of Columbia
1325 G Street, NW, Suite 800
Washington, DC 20005
202-626-5136
fotiji@psc.dc.gov

Additional references are available upon request.

[9] Silverpoint's final report can be downloaded on the Mississippi PSC site at the following address https://ctsportal.psc.ms.gov/portal/PSC/DocumentDetails?documentId=564118 (Note: download will be slow)
[10] A copy of the public version of our final report from the first audit in 2017 is available on the Commission's website: https://edocket.dcpsc.org/apis/api/Filing/download?attachId=18273&guidFileName=c46f5602-094f-46ba-8fa1-d0a38011e8e2.pdf

III. Preliminary Work Plan

A. Proposed Plan of Action

In this section, Silverpoint discusses its proposed plan of action for the audit of Magnolia Water. If selected, the team will refine the plan with Staff during the first two weeks of the engagement so that efforts are concentrated on their specific areas of interest. We have organized the plan of action into six workstreams, which are summarized in the next table. Workstreams 2 through 5 will be performed concurrently; Workstream 6 will overlap them to some degree beginning roughly in month three of the project.

Magnolia Water Audit Workstream

	Workstream	Covers
WS1	Orientation, Docket Review, and Audit Planning	Prior dockets, master system inventory, first data request, risk assessment
WS2	Billing Practices and Revenue Integrity	Billing population analytics, bill re-computation, adjustments, collections and receivables
WS3	Acquisition Practices and Post-Acquisition Investment	Acquisition prudence, system-level capital deployment, procurement, cost charged to Magnolia
WS4	Customer Service Practices	Complaint analytics, service response, customer communications
WS5	Regulatory Compliance Coordination	LDH and LDEQ record, reconciliation against Company filings, compliance-to-investment cross-reference
WS6	Reporting, Testimony, and Contested-Hearing Support	Progressive drafting, full and public report versions, testimony and hearing support

The Silverpoint team will employ a risk-based regulatory audit methodology designed to maximize audit coverage and insight while efficiently deploying audit resources. We will focus on identifying the areas presenting the greatest potential regulatory, operational, financial, and ratepayer risk. Using data analytics, targeted sampling, engineering input, complaint analysis, and risk profiling, the team will identify the patterns, trends, and indicators that point to potential issues. Where that evidence suggests material concerns, the team will offer its estimate of financial exposure to the extent the evidence reasonably supports one, and will identify any areas that may warrant additional Commission review.

We believe that an important threshold question in this audit is whether investment, billing, service quality, and regulatory compliance align at the same system. One cannot properly answer that question if each workstream analysis examines a different set of systems. An audit of these four areas would be strongest when these dimensions are examined for the same systems rather than for four separate samples. As such, Silverpoint plans to coordinate its sampling for Workstreams Two through Five, such that it can organize evidence and findings into an integrated dossier on each selected system across those four workstreams, as illustrated on the next table.

Integrated System Dossier Methodology

Workstream	What it contributes to the dossier	Question it answers for that system
WS2 – Billing and Revenue	Recomputed bills, estimated-read rate, adjustment and re-bill history, collections treatment	Was the customer billed correctly?
WS3 – Acquisition and Capital	Acquisition file, condition at acquisition, capital deployed and its documentation, procurement	Did investment follow documented need?
WS4 – Customer Service	Complaint files, service order response, outage and repair history, customer communications	Did the customer's experience improve?
WS5 – Regulatory Compliance	LDH and LDEQ record, milestone status, variance against Company filings	Were the regulator's findings addressed?

Overall, Silverpoint proposes to select a total of 25 to 35 systems and acquisition transactions for detailed review. The population from which the team would sample is every Louisiana acquisition and system in the review period. After performing summary-level data analysis for this population, we plan to select 17-26 systems that are either (a) large, (b) look anomalous based on our initial review[11], or (c) have otherwise already been flagged. Those that meet more than one criterion (e.g., a large system with anomalous capital levels that has been the subject of complaints) would be ideal candidates for selection. To ensure a degree of randomness, we would also select five to seven systems outside the issue population as well as a cluster of three to five systems that had been acquired in a grouped transaction under common compliance obligations. Ultimately, we believe this approach will make the system sampling choices defensible rather than appearing arbitrary.

The Commission's directive for this audit identifies billing, customer service, acquisitions practices and regulatory compliance as four subject areas of focus. The underlying question in all four of these areas is the same—did Magnolia's acquisition strategy and subsequent investment deliver measurable value to Louisiana ratepayers, commensurate with what those ratepayers were charged? In the case of the TESI assets, the consent decree compliance record on the assets will provide an independent measure of whether benefits materialized, and customer complaints will represent evidence that customers do not perceive such benefits.

We see TESI consent decree compliance as an analytical spine, acting as the central support that holds a complex evaluation together, particularly for Workstream Three. The TESI population provides us with something rare: 209 systems with deficiencies documented by DOJ and EPA before acquisition, a company-committee remediation deadline of May 31, 2026, and a reported outcome of 43 federal-decree systems still incomplete. Testing capital deployment against that population is the single strongest available application of the investment-follows-need principle.

[11] For example, capital per customer could be in the top or bottom quartile, or operating costs may be inconsistent with reported capital.

This investment accountability chain, illustrated below, is testable at every link because each has an independent document source.

Investment Accountability Chain

System Acquired
Acquisition filing, purchase price, rate base added, customer acquired

Documented Deficiencies
Consent decree terms, LDH sanitary surveys, LDEQ order, condition assessments at acquisition

Capital Invested
Project-level spend by system/year, normalized per customer and per $ of rate base contributed

Service Improved?
Systems removed from consent decree, violations closed, complaint volume, quality outcomes

Ratepayer Benefit Achieved?

To be clear, every Louisiana Magnolia system remains eligible for the sample. The team would weigh toward systems whose deficiencies were independently documented, such as those under the TESI consent decree, because the evidentiary record at those systems is the strongest available. A non-TESI system that is large, that looks anomalous, or that has drawn complaints is equally eligible.

1. Workstream One: Orientation, Docket Review, and Audit Planning

As part of Workstream One, the team will examine the record already before the Commission, including documents related to Magnolia's rate case, the establishment and operation of its FRP, its test year annual reports, and the recent FRP extension proceeding, Docket U-37584. Taken together, these documents contain a substantial body of Company-supplied representations about capital projects, system conditions, compliance status, and customer service performance. The team will also review all relevant statutes, Commission rules, and regulations.

Silverpoint will also issue its first set of data requests to the utility. As a preliminary matter, there has been inconsistency in the data concerning the utility's holdings. Public sources give materially different figures for Magnolia Water's Louisiana footprint, as summarized on the next table.

Magnolia Water System Information

Source and date	Water connections	Wastewater connections	Systems
Magnolia LPSC filing, Oct 2020	~9,810	~18,700	Not stated
Magnolia LPSC filing, May 2022	~16,750	~27,900	Not stated
Press reporting of 2025 position	20,000+	50,000+	501
Magnolia filing, March 2026	~28,800	~59,500	Not stated
Company testimony, 2026 rate proceeding	28,000–29,000	~61,000	Not stated
The Current / Louisiana Illuminator, July 2026, citing PSC records	~79,000	82,000+	Not stated
Customer petition, Nov 2025	Not stated	Not stated	500+

The July 2026 press figures, attributed to Commission records, are roughly 2.7 times the utility's own March 2026 filing on the water side and nearly 1.4 times on wastewater side. Both cannot be correct on the same basis. An explanation is likely definitional rather than deceptive— for example, "connections" may mean metered services points, billed accounts, or population served. Every per-customer metric presented by Magnolia Water in its rate proceeding—capital per customer, operating cost per customer, revenue per customer—rests on a denominator that has not been pinned down. As such, our first information request would include one for Magnolia to reconcile its reported connection counts and systems counts across every Commission filing and public statement since 2019, with definitions stated. Such standardization will be extremely important for establishing a common frame of reference for discussion throughout the audit report.

Silverpoint's initial set of data requests to Magnolia Water will include the following:

- A complete water/wastewater system inventory with acquisition history, service area maps, customer counts, and connection data by system
- Acquisition files for all Louisiana acquisitions in the review period: purchase agreements, due diligence reports, condition assessments, valuation analyses, approval documentation, and post-closing integration plans
- Consent decree and consent agreement documentation for any system acquired subject to a federal or state decree or agreement, including the compliance schedule, milestone dates, remediation status by system, and correspondence with the administering agency
- Reconciliation of reported system counts and connection counts across all filings and public statements in the review period, with the definition applied to each figure
- Capital expenditures by system by year at the project level, with in-service dates and functional classification
- Operating expenses by system by year, including the basis for any allocation of shared or corporate costs to individual systems

- Billing system documentation: system of record, rate tables by system and period, meter reading schedules and methods, estimated billing policy, adjustment and re-billing authorities, and the billing calendar
- Customer service documentation: complaint intake and escalation procedures, complaint logs by system, call center performance data, service order response data, and disconnection and reconnection practices
- Compliance records: all LDH sanitary surveys, violations, and correspondence; all LDEQ compliance orders, notices, and correspondence; and Magnolia's remediation plans and status for each, by system
- Cost allocation methodology and all service, management, billing, or operating agreements under which costs are charged to Magnolia, together with the basis and supporting documentation for each charge recorded in Magnolia's books
- Procurement policies and documentation, including how contractors are selected, whether competitive bidding is used, and the basis for any sole-source award
- Financing documentation for debt on Magnolia's books, including terms, rates, and the basis on which any related-party financing charge to Magnolia was determined
- Internal and external audit reports, management letters, and internal control documentation covering billing, customer service, and capital expenditures.

Silverpoint will build a master system inventory from Company-supplied data, reconciling system and connection counts. This inventory is the organizing framework for Workstreams Two through Five and will be an artifact shared with the engineering consultant. Silverpoint will conduct a scoping session with Staff counsel, Staff auditing, and the engineering consultant to confirm the review period, the materiality threshold, the division of prudence analysis, and, critically, Staff's priorities among the four subject areas, so that our efforts can be concentrated where the Commission most wants it. Finally, the team will produce an audit risk assessment and work plan identifying which systems, acquisitions, and practice areas will receive detailed testing. This plan will also identify what will not be examined and why.

2. Workstream Two: Billing Practices and Revenue Integrity

The objective of our activities in Workstream Two is to determine whether Magnolia Water billing practices produce accurate, timely, correctly rated bills, and whether the errors generating complaints are isolated or systemic. Billing complaints in water utilities almost always trace to one of a small number of root causes: meter reading failure and consequent estimated billing, incorrect rate or tariff application, faulty or aged metering, defective billing determinants after a system acquisition or billing system conversion, or breakdowns in the adjustment and re-billing process. Each cause has a distinct signature in the data. The team's approach will be diagnostic rather than anecdotal. Rather than investigating individual complaints and generalizing, the team will first profile the billing population to identify which signature is present, in which systems, and at what magnitude, then test the identified conditions against source records and complaint files.

The distinction between profiling and testing matters. Profiling is a summary-level exercise performed across the full billing population: estimated-versus-actual read rates, consumption distributions, adjustment and re-bill frequency by reason code, and billing-cycle irregularities, all disaggregated by system and period. It draws no conclusions about individual accounts and pulls no source documents. Once the company's billing extract is loaded, the incremental cost of profiling every account rather than a sample is negligible.

Testing is the opposite—it touches source documents and individual accounts, and is therefore performed on risk-based samples drawn from the profiled population. Rate re-computation, adjustment testing against approval authority, meter record verification, and complaint file review all proceed on stratified samples, with selection driven by the anomalies profiling identified. Profiling the full population first will be particularly important in this audit because Magnolia is a portfolio of acquired systems and one of the audit's central questions is how outcomes vary across them. A sample drawn before the population is profiled risks under-representing the smaller systems where the customer complaints originated. The full-population profile is what identifies which systems are anomalous, makes the subsequent sample selection defensible rather than arbitrary, and feeds the system-level comparison in Workstream Three.

One scoping caveat applies. Profiling assumes a billing extract that is complete and internally consistent. Where a utility has grown by acquisition, billing history is frequently fragmented across legacy systems carried over from acquired utilities, and validating completeness can consume more effort than the profiling itself. The team will assess data condition immediately upon receipt and advise Staff promptly if remediation effort is material, rather than absorbing it into the schedule.

The major steps in our planned profiling activities in Workstream Two include the following:

- Obtain the billing transaction population for the review period and validate its completeness and internal consistency against reported revenue by system, identifying any gaps arising from legacy system migration.
- Profile the population on four diagnostics together: estimated versus actual reads, consumption distributions indicating meter under-registration or failure, adjustment and re-bill frequency by reason code and authorizing party, and billing-period irregularity including catch-up and multi-period bills — all disaggregated by system and period.
- Produce the billing exception profile identifying the systems, periods, and conditions that will receive detailed testing, and document the selection basis.

Bill re-computation will be the anchor procedure of this workstream and the audit's single strongest form of evidence on billing. Every other billing procedure produces an indicator: an estimated-read rate that looks high, an adjustment pattern that looks irregular, a complaint concentration that suggests a problem. Re-computation produces proof—a bill is rebuilt from the tariff and the consumption record, and it either reconciles to what the customer was charged or it does not. It is also the procedure that answers the Commission's question most directly. The complaints that prompted this audit are about bills. An audit finding that a specific tariff was misapplied to a specific system over a specific period, supported by recomputed bills, is both persuasive and defensible in a way that a statistical inference is not.

Silverpoint expects to produce the following deliverables in Workstream Two:

- Billing exception profile—full-population analysis identifying anomalous systems and periods, with documented sample selection basis
- Billing data analysis workpapers with system-level exception reporting
- Bill re-computation results—measured variances by system, rate class, and period, from both the risk sample and the control sample, with extrapolated exposure where a defined population is affected
- Meter-to-cash internal control assessment
- Findings memorandum with recommendations and indicative financial exposure where the evidence supports it.

The bill re-computation and adjustment testing described above are performed on the core sample of 25 to 35 systems defined earlier in this chapter. Population-wide profiling covers every system; detailed testing is concentrated on that common sample, so billing, capital, service, and compliance evidence accumulates for one shared set of systems rather than four separate ones. This approach allows the evidence to be assembled into a single dossier per system.

3. Workstream Three: Acquisition Practices and Post-Acquisition Investment

As part of our investigative audit into the company's broader business practices, Silverpoint will consider whether claimed investments in a given system line up with the condition of the water/wastewater infrastructure in place. The Silverpoint team will focus on the overall financial aspects and amounts expended, both at the enterprise and individual system level relative to the whole. The engineering consultant will examine what could or should have been done or used to improve the system. Both roles entail an assessment of prudence. Silverpoint plans to coordinate with the engineering consultants to ensure that workpapers are maintained so they can be joined at the system level.

In Workstream Three, the audit team will conduct its Tier 1 portfolio analysis on the entire population of Magnolia Water systems, as well as the more detailed Tier 2 targeted testing for systems in its selected sample (discussed earlier in this chapter). The principal activities in our portfolio analysis will include the following:

- Build the acquisition portfolio analysis across the population: acquisition date, price, rate base added, customers acquired, documented condition at acquisition, capital invested by year and category, operating cost per customer, compliance events, and complaint volume.
- Analyze capital deployment by system, normalized per customer and per dollar of rate base contributed, to identify where deployment is anomalous in either direction relative to the portfolio.
- Cross-reference deployment against the compliance record by system to identify where documented need did not attract investment. This cross-reference, produced with Workstream Five, is what is used to select much of the Tier 2 sample.

Silverpoint's Tier 2 targeted testing work for the selected sample systems will include the following:

- Review acquisition files for the sampled transactions: how each was evaluated, valued, and supported; the due diligence and condition assessment against what was subsequently found and spent; and purchase price reasonableness against documented condition and rate base.
- Compare the representations made to the Commission at the time of each sampled acquisition—planned investment, expected service improvement, rate impact—against actual outcomes. This comparison is the strongest available evidence on the transparency concerns raised in the complaints before the Commission.
- Test capital expenditure documentation at the sampled systems—authorization, procurement or the basis for its absence, invoices, change orders, in-service documentation—together with the capitalization-versus-expense boundary and the treatment of overheads and contractor cost.
- Test costs charged to Magnolia that are not system-specific: acquisition and business-development cost recorded in rate base or expense, charges made to Magnolia by affiliated entities, and any incentive compensation tied to acquisition activity. Tested for documentary support and reasonableness of the amount charged to Magnolia, at a sample level rather than exhaustively.
- Coordinate with the engineering consultant on the sampled systems, documenting joint conclusions on the system dossier.

Silverpoint's deliverables in Workstream Three will include the following:

- Acquisition portfolio summary analysis (Tier 1, full population)
- Acquisition prudence findings for sampled transactions (Tier 2)
- System-level capital deployment analysis with portfolio comparison
- Compliance-to-investment cross-reference matrix
- System dossiers for the core sample — one per system, integrating the billing, capital, service, and compliance evidence, with the engineering consultant's technical conclusions attached
- Findings on unsupported, misallocated, or imprudently incurred cost, with indicative financial exposure where the evidence supports it.

Silverpoint will also review Magnolia's acquisition policy and practice for any abnormalities. As a starting point, we will look at the prudence, reasonableness, and post-acquisition capital investments in a random selection of systems. Given the FRP, there is a decided incentive for the utility to invest capital to earn a return. The interesting question is whether there is a pattern of spending that appears driven by corporate returns rather than engineering or quality objectives.

4. Workstream Four: Customer Service Practices

Silverpoint's principal objective in Workstream Four is to assess whether the customer service function is adequately resourced, responsive, and effective, and whether service failures align with the billing and capital findings at the same systems. Magnolia Water's customer service performance will be measured against two benchmarks: the Company's own commitments and policies, and prevailing practice in comparable water utilities. The team will also seek to identify correlation—complaint patterns that concentrate in particular systems and that align with those systems' estimated billing rates, capital investment history, or compliance findings.

Silverpoint's population-wide analytical work will include the following:

- Analyze complaint volumes and types by system and period, normalized per thousand customers, drawing on Company complaint logs, Staff-supplied district office records, formal interventions in Magnolia dockets, and parish resolutions. Company-reported and independently-sourced complaint data will be compared; a system where the independent record is materially heavier than the Company log is itself a finding.
- Classify complaints by type, covering billing amount, billing accuracy, water quality, service interruption, delayed repair, communication, and collections, because complaint type determines which evidence tests it. Billing complaints are tested by re-computation in Workstream Two; water quality and repair complaints are tested against capital deployment and the agency record in Workstreams Three and Five.
- Analyze call center and service order performance from Company-reported operating data, covering answer time, abandonment, first-contact resolution, and response time by type, including during billing peaks and service events.
- Correlate complaint concentrations against the Workstream Two billing anomalies and the Workstream Three capital analysis. This correlation is the principal analytical objective of the workstream and is what converts anecdotal complaint evidence into structural findings.

Our core sample procedures will include the following:

- For each core sample system, review the complaint files end to end, covering intake, categorization, escalation, resolution, and elapsed time, including every complaint escalated to a Commission district office, and assess whether documented procedure was followed in practice.
- For each core sample system, review customer communications regarding repairs, upgrades, service interruptions, and rate changes, which will provide direct evidence on the transparency concerns the Commission's directive identified.
- Benchmark headline performance measures against comparable water utilities at a summary level.

Key deliverables in Workstream Four will include the following:

- Customer service process assessment
- Complaint analytics by system, with Company-reported and independently-sourced records compared

- Service section of each core sample system dossier
- Call center and service response performance analysis with benchmarking
- Findings memorandum with recommendations.

5. Workstream Five: Regulatory Compliance Coordination

Silverpoint's principal objective in Workstream Five is to establish Magnolia's compliance posture with LDH, LDEQ, and other applicable agencies, and integrate that record into its financial and operational analysis. The team will request compliance records from Magnolia and, working through Staff, seek the corresponding record directly from LDH and LDEQ. Obtaining both is important: differences between what the Company reported and what the agencies recorded are themselves a finding relevant to the transparency concerns in the Commission's directive.

The compliance record can then be used analytically rather than simply reported. Every LDH violation and LDEQ compliance order identifies a specific deficiency at a specific system on a specific date. Placed alongside the capital deployment analysis from Workstream Three, that record answers directly whether Magnolia's investment followed regulator-identified need, and where it did not, what the Company's basis was. Key activities in this area will include the following:

- Obtain the compliance record in schedule form from Magnolia, and the corresponding agency record from LDH and LDEQ through Staff, at the level of violations, orders, and status by system rather than full correspondence files.
- Reconcile the agency record against Magnolia's representations in its FRP annual filings, which the Commission's Order in Docket U-37584 requires to include status updates on open LDEQ compliance orders and LDH violations. Variance between the two records is itself a finding and requires no further procedure to establish.
- Coordinate through Staff with LDH and LDEQ personnel on the core sample systems and any other reconciliation flags, to confirm the record and obtain their perspective on Magnolia's responsiveness. Contact will be targeted on identified systems rather than a general agency review.
- Produce the compliance-to-investment cross-reference feeding Workstream Three, jointly with the engineering consultant, and assess compliance with FRP filing obligations including capital project and surcharge status reporting.

Key deliverables in Workstream Five will include the following:

- Compliance record compilation by system and agency
- Agency reconciliation memorandum identifying variances from Company representations
- FRP filing compliance assessment
- Compliance-to-investment cross-reference matrix.

6. Workstream Six: Reporting, Testimony, and Contested Hearing Support

Silverpoint expects to begin drafting portions of the audit report before fieldwork ends. Sections may be drafted as workstream findings stabilize and will be circulated to Staff progressively, so that Staff may see draft findings as they emerge and the final assembly period can be devoted to integration and review rather than first drafting. This approach will ensure that the February 2027 B&E session review date is achievable. For the purposes of developing a project budget, Silverpoint has assumed that it will be the primary author of the draft audit report. As such, our team will work with the consulting engineer to coordinate their analysis and commentary.

Each report finding will follow a consistent structure: condition, criteria, cause, effect including indicative financial exposure where the evidence supports it, and recommendation. Recommendations will be specific, assignable, and capable of being tracked in subsequent FRP annual filings, consistent with the reporting conditions the Commission has already imposed on Magnolia in Docket U-37584. The report will be prepared in two versions: a full version for the Commission and Staff, and a public version with material designated confidential under Rule 12.1 redacted.

Key activities in Workstream Six will include the following:

- Draft workstream sections progressively and circulate to Staff for review.
- Integrate the engineering consultant's findings on the shared system-level finding sheets.
- Prepare the full and public versions of the audit report, with confidentiality designations reviewed with Staff counsel.
- Support Staff's presentation of the report to the Commission at the February 2027 B&E Session.
- If the report is opposed, prepare direct testimony supporting the findings, respond to discovery, prepare cross-examination materials, support Staff in drafting pleadings, and appear at hearing.

Deliverables in Workstream Six will include the following:

- Draft workstream report sections (progressive, from Month 3)
- Full version of the Audit Report
- Public version of the Audit Report with Rule 12.1 redactions
- If needed, direct testimony and related material to support Staff pleadings.

B. Project Management and Control

The engagement director will be responsible for managing the overall engagement, ensuring adherence to project cost and schedule, reporting to the Commission’s representatives, preparing required status reports, and providing for the delivery of all work products and services under the contract. Her responsibilities will include monitoring work activities to ensure that they comply with project goals and objectives, facilitating requests for information, and anticipating and responding to problems or concerns. Each consultant will be responsible for day-to-day management in his or her areas of focus and will be responsible for raising issues and concerns with the project manager if needed.

The Silverpoint team will present to the utility a workable set of administrative procedures and protocols to address requests for data and interviews and to address the treatment of confidential information. To control and adequately document requests for information and documents, Silverpoint will maintain a spreadsheet log for that separately numbers each data request, and that shows the scheduled due date, actual response date, and completion status for each request. The team will maintain similar spreadsheet logs of interview requests. We will routinely provide updated data request logs and interview logs to Staff if desired.

Team members are experienced consultants, and are well-accustomed to correlating statements in the report to documents and working papers that support them. Throughout the investigation, team members will establish an audit trail, creating written interview notes and work papers, and documenting analyses to support their findings, conclusions, and recommendations. All reports will be sufficiently annotated to identify the source of information that supports a statement of fact, a finding, or a conclusion.

C. General Approach

This section describes the general approach that the team will follow in performing the engagement. The approach has three phases: Orientation and Planning, Technical Review, and Final Report Development. The orientation and planning phase is relatively brief. The technical review and final report development phases will overlap.

Phase I – Orientation and Planning

The orientation and planning phase is relatively brief but extremely important. The objectives of this first phase of the review are to:

- Confirm understanding of the scope, objectives, and priorities
- Review relevant statutes; Commission rules, regulations, and Orders; and utility filings
- Finalize contractual, project management, and other administrative matters
- Finalize work plan
- Conduct initial videoconference meeting with representatives from the utility to obtain an overview of the organization and personnel involved in the audit
- Obtain agreement on protocols for communications between the investigative team and utility personnel, including:
    - The process by which the team requests documents and interviews
    - The timing of responses to data requests, including a process for clarifications and supplemental responses, and format for responses
    - The preferred treatment of confidential or proprietary information
    - Protocols for status meetings and format for any written status reports
- Submit initial data and interview requests.

After this phase, all parties will be in a better position to align their understanding of the level and nature of resources that will be required during the investigation. In Phase I, our team will schedule an initial informal yet structured conference call to obtain an overview of the company's organizational and decision-making structure relevant to areas within the scope of this audit.

Phase II – Technical Review

In Phase II, our team will first schedule a full day technical working session with Magnolia Water to begin the principal investigation, data collection, interviews, analysis, and other technical review activities in each subject area in scope. The primary purpose of Phase II is to develop a factual record from which to develop initial hypotheses about the issues of this investigation, and to support overall conclusions and recommendations. The activities that the team expects to perform in each subject area are delineated in the proposed work plan.

Work at this stage of the project will include many steps, including detailed document reviews, data analysis, and in-depth interviews of selected personnel. The team will integrate and summarize information gathered during the technical review phase and develop preliminary findings, conclusions, and recommendations. Where appropriate, the team will discuss preliminary analysis with the utility to assure that its data and calculations are accurate.

Silverpoint expects to conduct initial interviews on-site but will also make use of teleconferences for follow-on interviews where appropriate.

Phase III – Final Report Preparation

The team will prepare a draft report that discusses the findings from our investigation. We will include sufficiently detailed descriptions of the results of our analysis so that readers of the report will be able to understand the rationale behind the conclusions and recommendations and will have a basis for evaluating those conclusions. We will provide enough background on subject areas so that readers understand the appropriate context for our comments. Also, the report will be written such that the team's professional judgment is clearly differentiated from analytical findings or facts.

The draft report will specify: (a) the project's mission and objectives, (b) a description of the examination processes, including evaluation criteria, study approach, and methods, (c) a description of data collection and analytical processes, (d) a discussion of the overall assessment of the review areas, and (e) a set of specific conclusions and accompanying recommendations. Silverpoint will make appropriate use of footnotes or similar reference notes throughout the report so that readers will be able to trace statements of fact, findings, conclusions, and recommendations to documentation such as interview notes and company-provided documents. Industry terms will be explained for easier understanding.

We will allow the utility to review their portion of the draft for the purpose of identifying any factual errors or raising issues of confidentiality. After receiving comments on the draft report, the team will revise the report as appropriate. We will prepare an annotated version of the final report, including both public and confidential versions if required. The final report will meet applicable requirements for admissibility in administrative proceedings.

D. Project Schedule

Consistent with the RFP, we have assumed a six-month work schedule, which we will adjust as needed to comport with Staff's requirements. The table below sets forth a proposed bi-weekly schedule.

Proposed Project Schedule

Month	**1**		**2**		**3**		**4**		**5**		**6**	
Document review/work plan update	■											
Initial DRs/IRs/kick-off meetings		■										
Interviews/field work/data requests			■	■	■	■	■	■	■			
Analysis and findings					■	■	■	■	■			
Conclusion/recommendation develop.							■	■	■	■		
Report drafting								■	■	■	■	
Draft report											**X**	
Comment period											■	■
Final report												**X**

IV. Cost Proposal and Hourly Budget

Silverpoint proposes to provide consulting work to support Staff in the conduct of the audit and to provide a final report on that audit in time for the February 2027 B&E Session. If there is opposition to the final report, the Silverpoint team will develop and file supporting testimony. If the matter becomes contested, Silverpoint will assist Commission Staff in drafting relevant pleadings and preparing for a contested hearing on the report. The table that follows outlines our proposed not-to-exceed budget.

Silverpoint Project Cost Proposal

	Vavro	**Adebo**	**Support Staff**	**Total**
Hourly Rates	$300	$300	$245	
Workstream One	40	40		80
Workstream Two	50	70	20	140
Workstream Three	80	85	40	205
Workstream Four	30	40	15	85
Workstream Five	20	30	15	65
Workstream Six – Report	100	40		140
Workstream Six – Post Report	40	40		80
Total Hours	360	345	90	795
Total Professional Fees	$108,000	$103,500	$22,050	$235,270
Estimated Travel Expenses	$9,600	$9,600		$19,200
Total Not-to-Exceed Budget				$254,470

For estimating project travel expenses, Silverpoint has assumed three in-person trips to the Commission or utility locations by each team member before the final report, and one in-person trip to the Commission by each team member during any contested proceedings.

V. Conflicts of Interest Disclosure

Silverpoint Consulting LLC submits the following disclosure in accordance with Section VI of RFP 26-06.

Silverpoint Consulting, its principal, and its firm-level team members have not performed work for Magnolia Water Utility Operating Company, for any Louisiana jurisdictional utility, or for any affiliate, consumer advocacy group, or other party currently before the Louisiana Public Service Commission. Silverpoint does not currently represent any client before this Commission.

Silverpoint has engaged IBS Management & Consultancy Services, LLC as its water and wastewater subject matter expert for this engagement. In the interest of full disclosure, IBS performs financial and advisory work for water and wastewater utilities in other jurisdictions. Its current and recent utility clients include the Washington Suburban Sanitary Commission (Maryland), the District of Columbia Water and Sewer Authority, the Philadelphia Water Department, and the New York City Water Board. None of these entities is regulated by the Louisiana Public Service Commission, none is an affiliate of Magnolia Water or of its parent, and none is a party to any proceeding before this Commission. Silverpoint and IBS are aware of no facts arising from these engagements that would impair the independence or objectivity of the audit team with respect to Magnolia Water.

Should any actual or potential conflict come to the attention of Silverpoint or IBS during the course of the engagement, the team will disclose it to Commission Staff promptly and in writing.

Stephanie L. Vavro

Stephanie Vavro has forty years of business experience, with over twenty-five years as a consultant focused on regulated industries. As principal of Silverpoint Consulting, she has managed the firm's engagements on behalf of state regulatory commissions in such areas as electric utility service reliability and resilience, storm preparedness and response, utility management and operations, affiliate transactions and cost allocation, and natural gas procurement. She is well-versed in all aspects of regulatory proceedings including preparation of testimony and formal docketed reports.

Selected Consulting Experience

- Project manager for Silverpoint's audit of the USF/Lifeline programs at New Jersey's seven electric and gas utilities and of supporting State agency administrative expenses.
- Project manager and expert witness for the Minnesota Department of Commerce regarding the proposed acquisition of ALLETE/Minnesota Power by private equity investors.
- Project manager for an investigation into inadequate service quality and operating practices at a municipal electric utility on behalf of the Mississippi Public Service Commission.
- Project manager for audits of Summit Natural Gas and Maine Natural Gas (Avangrid) natural gas procurement practices on behalf of the Maine Public Utilities Commission.
- As a sub-contractor, project manager for a management audit of Consolidated Edison and Orange and Rockland on behalf of the New York Public Service Commission.
- Project manager for an assessment of utility preparedness and response to a February 2021 cold weather event by the state's gas and electric utilities for the Arkansas Commission.
- Project manager for the Silverpoint-EN Engineering team that served as facilitators for a Maryland Public Service Commission (PSC) distribution system planning work group formed to improve stakeholder transparency and participation.
- Project manager for three audits of Washington Gas Light gas procurement practices on behalf of the District of Columbia Commission.
- Project manager of Silverpoint's management audit of Rockland Electric Company on behalf of the New Jersey Board of Public Utilities (BPU).
- Project manager for Silverpoint's asset optimization market study for Washington Gas Light, performed at the behest of the Virginia State Corporation Commission.
- Project manager for an examination of the long-term storm hardening plans and restoration staffing plans of six electric distribution companies on behalf of the Maryland PSC.
- Regulatory consultant to Pillsbury Winthrop Shaw Pittman in support of client engagements, including the proposed sale of JEA and the DOE NOPR on resilience pricing.
- Project manager for Silverpoint's joint investigation into Pepco's reliability and service quality on behalf of the Maryland PSC.
- Project manager for the consulting team serving as advisors to the Maryland Public Service Commission in its evaluation of the FirstEnergy-Allegheny merger.

- Project manager and expert witness for the Delaware Public Service Commission Staff regarding an examination of proposed reliability-related investments of Delmarva Power.
- Project manager for Silverpoint's audits of Verizon's wholesale performance measures and related remedies on behalf of the Pennsylvania PUC and the Massachusetts DTC.
- Project manager for Silverpoint's review of Western Massachusetts Electric's response to the October 2011 snowstorm on behalf of the Massachusetts Attorney General.
- Project manager for Silverpoint's audit of Duke Energy Ohio, which included an examination of affiliate transactions, cost allocation methods, and corporate separation.
- Senior consultant in the audits of Duke Energy Carolinas for the North Carolina Utilities Commission, with primary responsibility for post-merger analysis of affiliate agreements, derivation of fully distributed costs, cost allocation methods, and regulatory compliance.
- Senior consultant for audits of Duke Energy Indiana and Kentucky affiliates, focused on affiliate transactions, cost allocation methods, and regulatory compliance.
- Lead consultant in the focused audit of the affiliate relationships and transactions of New Jersey Natural Gas and its affiliates.
- Lead consultant on affiliate relations standard and cost allocation audits of four New Jersey electric utilities on behalf of the New Jersey BPU.
- Lead consultant in an audit of Nova Scotia Power, with a focus on affiliate transactions and cost allocation issues.
- Analyst supporting work on divestiture and a rate case settlement with Public Service of New Hampshire on behalf of the New Hampshire Public Service Commission.
- Lead consultant in a review of Commonwealth Edison's reliability-related capital spending programs on behalf of the Illinois Commerce Commission.

Other Experience (1981-1998)

- Contracted consultant to Reed Consulting Group, the firm administering the divestiture of GPU's fossil and hydro generating units.
- Energy analyst at Dickstein Shapiro, a Washington, DC law firm, with primary emphasis on industry restructuring and related policies, issues, and trends.
- Marketing research manager for a $400 million coal and energy company; responsibilities included development of coal price forecasts, utility market analysis, SO_2 compliance analyses, and support of business development efforts.
- Marketing and planning analyst for a $100 million coal and natural resource division of Bethlehem Steel Corporation, and an analyst in the corporate research department.

Education

M.S., Management Science, Lehigh University
B.A., Mathematics, magna cum laude, Lehigh University

Olu Adebo, CPA, PMP

Olu Adebo is a financial management and consulting executive with more than 30 years of experience, including extensive work in the utility and infrastructure sectors. Prior to establishing his consulting practice, he served as Chief Financial Officer and Controller of the District of Columbia Water and Sewer Authority (DC Water), one of the largest water and wastewater utilities on the East Coast. In this role, he managed a $450 million annual operating budget and a $3.8 billion capital improvement program. He was responsible for all aspects of financial management and operations, including accounting and financial reporting, budgeting, treasury and debt management, investment strategy, and risk management. Following his tenure at DC Water, Mr. Adebo founded IBS Management and Consultancy Services, an independent firm providing financial and management consulting services to utility, governmental, and infrastructure clients. His areas of expertise include regulatory and rate case support, financial management, expense review and prudence analysis, and cost allocation and shared services.

Selected Experience

IBS Management and Consultancy Services, Managing Consultant and CEO

For Silverpoint

- Managed an audit of administrative budgeting/expenditure processes and internal controls at a New Jersey agency, part of Silverpoint’s audit of utility USF/Lifeline programs.
- Provided analysis supporting a review of storm hardening and restoration plans of six Maryland electric utilities.
- Provided financial analysis support for a gas procurement audit of Washington Gas Light.

Selected Water Utility Engagements

- Performed a management audit/organizational efficiency review of the San Antonio Water System, analyzing current operations and identifying improvement opportunities.
- For the District of Columbia Water and Sewer Authority, performed CFO advisory services, including development of strategic plans, debt management, rates, and affordability reviews.
- For the East Orange Water Commission, provided CFO advisory services, budget and financial planning support and business process reengineering; performed rate and an affordability study and forensic audit to support a high profile dispute.
- For the City of Cleveland Water Department, provided project management support for the implementation of 450,000 automated meter readers; performed organizational assessment and efficiency review; developed a financial model to support costs reduction initiatives.
- Provided financial consulting services for the water department of Jackson Mississippi related to strategic planning, billing systems, infrastructure tax analysis, long range financial plan development, revenue sufficiency analysis, and credit rating analysis.

- Managed many of IBS' international projects including the following:
  - A corporate management audit of Liberia Water and Sewer Corporation to assess financial, human capital and technical capacity and capabilities of the enterprise.
  - Comprehensive, short- and long-term tariff studies and support for implementation nationally for Water Utilities Corporation of Botswana.
  - An operational efficiency review and tariff determination for Lagos Water Corporation.

Selected Other Experience

District of Columbia Water and Sewer Authority, Chief Financial Officer

- Restructured financial and risk management operations to achieve Board of Directors and City Council objectives, and implemented strong financial planning, budgeting and rate setting processes. Achieved strong bond ratings (including two rating upgrades to AA+) and consistent superior financial performance.
- Implemented an innovative new rate structure, which resulted in the unbundling of sewer charges. The new rate structure is now being used to recover the costs of the $2.6 billion twenty-year capital improvement project, the Clean Rivers Project, geared to eliminate combined sewer overflows.
- Optimized risk management office and program to include implementation of owner-controlled insurance program, risk management performance benchmarking, and integration of safety and risk management team.
- Successfully negotiated a multi-million-dollar settlement of outstanding accounts receivable for company and improved business relation with large wholesale customers.
- Participated in the development of key organizational polices, including procurement, personnel, and financial policies; key team member in the development of a performance management program.
- Implemented key internal controls improvement including outsourcing of the internal audit function.
- Successfully implemented a wide range of technology projects including financial, procurement, payroll/timekeeping, maintenance management, and customer information systems (including AMR/AMI).

Olu also served as the Accounting Manager, Procurement Director, Controller and Director of Budget and Finance. Prior to joining DC Water, Olu held financial positions with other companies including Whole Foods Market, Empower America, and Riggs National Bank.

Education

Bachelor of Electric Engineering Degree, University of Lagos
Master of Business Administration, University of District of Columbia
Certified Public Accountant (CPA) and Project Management Professional (PMP)