Request for Proposals Cost of Service Study & Rate Design

Public Utility District #1 of Jefferson County is soliciting proposals to develop a Comprehensive Utility System Cost of Service Study and Rate Design for all of its utilities. It is expected that the selection will be made and work can commence by the end of March 2014. Please submit a copy of the proposal electronically to:

Michael Legarsky
mlegarsky@jeffpud.org

and mail 5 hard copies of the RFP to PUD#1 at PO Box 929, Port Hadlock, WA 98339. Deadline for submission is no later than 5:00 p.m., Friday, 28 February, 2014. Please direct your questions regarding this RFP to Michael Legarsky, at 360.385.8341 or mlegarsky@jeffpud.org

I. BACKGROUND

The District, a municipal corporation of Washington, provides water, electric, sewer, and telecom services to the residents of Northeast Jefferson County. The largest city in the District's service area is Port Townsend. Jefferson County PUD is located in northwestern Washington on the Olympic Peninsula.

On April 1st of 2013 the PUD acquired ownership and operational control of the electrical utilities in eastern Jefferson County from Puget Sound Energy. The District is a BPA full requirements customer and that serves approximately 18,500 meters, the majority being residential. The PUD's 12 water systems have approximately 4,000 meters. The PUD also provides community drainfield septic services for approximately 400 homes.

The PUD financed the acquisition of the electric utility through the USDA Rural Utilities Service, which has specific TIER requirements and unique accounting rules for, among other things, capitalization of certain expenses.

SCOPE OF WORK

The District currently relies on BPA's load forecast to develop the District’s forecast of sales and revenue. Additionally, a detailed utility cost of service study followed with a rate design development process that will provide justifiable and equitable methodologies for appropriate user fees that are adequate to fully fund the expenses associated with the utility systems, equipment repair and replacement, and capital. This will include a review and evaluation of the District’s current operating revenues and expenses and a comparison to similar utilities.

COST OF SERVICE STUDY

The District desires to ensure that, to the extent practical, we recover from each customer the cost of providing service to that customer. The cost of service includes recovery of all operating costs, amounts necessary to maintain reasonable operating reserves after funding operations, debt service, and capital projects. Furthermore, the District desires to ensure that our customer classifications are appropriate.

The cost of service study will define and separate fixed and variable costs. The study should identify costs to be allocated across all customer classes and those costs that are specific to a class. In determining the actual cost of providing electric service to each customer class, traditional cost of service and rate setting principles and approaches should be employed such that the District can ensure that class rate requirements are equitable.
Planning Criteria (Tasks):

- Review proposed capital improvement plan and total projected project costs
- Review financial history, including revenues and expenses, and current rate and fee structure
- Develop requisite Revenue Requirement analysis of test period system revenue and expenses as the foundation of the cost of service class analysis
- Identify annual and peak requirements and usage by customer class
- Identify current electric load and project future loads based on anticipated community growth
- Examine customer database and review current customer classifications
- Identify largest users and determine if users are being charged under the appropriate rate schedule
- Review charges for fixed cost items such as street lights and security lights
- Review current transmission delivery and power charges
- Review current fixed and variable energy and demand charges
- Design a pole attachment charges based on RCW 54
- Review and development of hookup/construction related costs and revenues

Reporting: The Consultant is to present the findings and conclusions of each task and resulting recommendations in the cost of service study final report in a clear and concise manner. A written report is required and periodic presentation to management. A summary presentation to the Board of Commissioners will be requested during a regularly scheduled public workshop.

RATE DESIGN DEVELOPMENT

The District seeks to ensure our utility rate(s) cover the true cost of providing electrical service to our customers. This includes but is not limited to: power and transmission purchase, O & M and equipment repair and replacement costs; maintaining appropriate working capital and cash balances as well as meeting debt service requirements, and capital improvements needs. In doing so, the proposed rate/fee structure shall ensure an equitable treatment of all charges on future and current users.

Specific Issues for Consideration: The Consultant shall develop a utility rate mode by addressing, at a minimum, the following requirements:
- Review of existing rate structure
- Consistency between rate schedules and fee schedules
- Consumption/revenue elasticity based on any proposed rate increases/decreases
- Adequate and equitable usage, demand, and basic charges
- Fully consider the positive and negative impacts of wholesale power costs and revenues
- Conservation costs and reimbursements
- Aid to construction payments from developers
- Net metering costs and benefits
- Low income rates and charges
- Effect of distributed generation

Rate Design Investigation: Utility rate modeling, and associated long-range forecasting of revenue and expenses, necessitates careful scrutiny of available data upon which a study is predicated so that the model can be implemented with confidence and with reasonable certainty of fairness and equity. Evaluation of accepted policies, practices and procedures to ensure model reliability, predictability and rate stability over the long term is essential for model usefulness. Accordingly, Consultant shall meet with District Staff to review and discuss available documentation including, but not limited to, Utility Billing records, historical budget documents and audit reports, resolutions, policies, operation and maintenance practices.
**Evaluation:** Specifically, the Consultant shall review, analyze, validate the reasonableness, and recommend changes where appropriate for the following:

- Methodologies of fee structure, rates and charges
- Utility Repair/Replacement Funding Methodology, considering long-term capital improvement needs, debt service opportunities and associated funding sources/levels

**Rate Design Study to Include:**

1) Analyze and discuss impact of existing and future capital improvements.
2) Assess revenue needs for the next six-year planning period (2015 – 2021), to include adequate coverage for operations and maintenance, capital projects and program activities and debt service.
3) Analyze existing rate and fee structure and recommend alternatives based on findings.
4) Consultant will advise the District on industry-accepted methodologies for allocating costs to the various customer classes. Types of cost include but are not limited to cost of materials, personnel and other administrative costs, equipment cost, transformer cost and cost of street and security lighting. Consultant will provide a breakdown of these expenses and show how they relate to providing electric services.
5) Examine current user classes and current rate approaches.
6) Evaluate existing rate structure with regard to changing patterns of consumption, growth in customer base, annual revenues from rates, price elasticity of consumption, demands on rate revenue (from Cost of Service Study) and the effects of conservation on annual revenues any future power resources needs.
7) Examine adequacy of reserves for operating revenues and capital projects to determine sufficient levels to offset low consumption/revenue years while also reducing spikes in annual rate increases.
8) Examine the District’s use of Debt financing for capital improvements and make recommendations related to its uses and limitations relative to maintaining a proper balance for debt coverage and rate stabilization over this five-year period.
9) Consultant shall structure proposed rate schedules on the basic premise that each customer should be classified and served under a schedule that will cover all costs of that customer’s service plus return a reasonable margin for proper operating reserves, capital improvements, adequate inventories, and contributions to general District government. New rate schedules must classify each customer into the fewest possible reasonable classifications.
10) For proposed rate schedules, Consultant shall provide a sampling of a minimum of three (3) customers per classification showing the difference of charges between existing and proposed rates. The Consultant shall show a sampling of data for one calendar year by month for each customer.
11) Consultant shall provide a comparison of current and alternative JPUD rates to surrounding utilities.
12) Any preferences in long-term versus short-term rate benefits.

**Reporting:** The Consultant is to present the findings and conclusions of the tasks in the rate study final report in a clear and concise manner. The report should include detailed recommendations for changes, if any, to current practices and/or procedures. Provide a schedule for timely and coordinated execution of all essential aspects of the report. A written report supporting the recommendations is required and presentation to management. A summary presentation to the Board of Commissioners will be requested during a regularly scheduled public workshop. Material to support PUD rate hearings must be included.

Page 3 of 5 pages
III. COMPLETION EXPECTATIONS

The District expects the Cost of Service Study to be completed no later than July 15, 2014, the Rate Design Development to be completed no later than August 15, 2014. This may necessitate that some work be done on parallel paths.

Assist with Plan Implementation: If requested, the Consultant shall be prepared to assist the District in implementing any new or revised rate schedules, to include attendance at several anticipated rate hearings.

IV. PROPOSAL FORMAT AND CONTENT

Please review this RFP carefully to ensure your understanding of all District requirements prior to developing your proposal. Proposals shall clearly reflect an understanding of and agreement with the stated requirements. Submission of a proposal indicates acceptance of the conditions contained in the RFP unless clearly indicated otherwise.

Prepare and submit the following in a brief, narrative format or other stated format (in the order noted):

1. Basic Information
   Provide the following information:
   - Contact person name, Firm name, address, telephone number, fax number, and email address
   - Subconsultant(s)’ name(s)
   - State the office location(s) where the services and work will be performed, and identify the office location(s) and percentage of activities of other offices/subconsultant offices involved in performing the services and work

2. Firm Experience
   Provide the following information, with a particular emphasis on experience that relates to capital plans, cost of services studies, rate studies, on-call professional services, and related functions:
   - Provide a narrative description of the company and why it is best-qualified to provide the desired services
   - Describe the general experience and specialties of the company
   - Identify specific experience with capital plan preparation, rate studies, and on-call professional services
   - Identify other public utility, municipal and co-op clients
   - Identify experience with net-metering and distributed energy impacts

3. Proposed Team
   Provide the following information:
   - Identify names and positions of key personnel anticipated to work on each Schedule of Work. Identify tasks assigned to each individual and percentage of time individual is intended to serve on the project. This requirement also applies to subconsultants.
   - Provide a resume, including education and experience, for key team members. Include summary of work on similar projects, approximate dates, and individual’s responsibility in the assignment. This requirement also applies to subconsultants.
4. References
- List 3-5 project references, including contact names and telephone numbers for projects of comparable size and scope performed by the key personnel listed above. To the extent any references for individual employees of either the Consultant or subconsultant are different from those noted in the previous section, they should also be provided.
- Provide a current client list including jurisdiction name, contact name, and telephone number, and length of engagement.
- Provide an example of a recently completed rate study.

5. Work Summary
Provide a narrative description summarizing the expected tasks and activities, with a description of the analysis, reports and participation, which the Consultant expects to provide pertaining to that activity. This would include a summary of the steps to be completed to accomplish the scope of work, approaches to the project, and your firm’s understanding of the project requirements.

6. Work Plan and Project Schedule
Submit a work plan upon which the estimate for the total contract price should be based. This should demonstrate an understanding of the issues and subjects which will be addressed and provide District Staff and the Consultant a written document to refer to throughout the project.

The project schedule shall include the estimated time required to complete each step in the scope of work, including estimated start and completion dates (non-binding). The number of hours allocated to each individual by each task should be indicated with a project schedule-type display showing each activity in the proposed work plan. A summary time estimate will work closely with the Consultant throughout the engagement in order to assess the project’s progress and status. The plan must include an appropriate number of kick-off and regular meetings, information gathering and disseminating sessions, and updates with key District personnel to understand and discuss the District’s issues and concerns, become acquainted with key Staff, and identify persons who will provide data.

Ensure a sufficient number of meetings with District Staff to provide Staff with preliminary findings and strategies based upon the available data. This shall include conducting “reality checks” with Staff and feedback regarding the projects, phasing, intentions, rate suggestions, revenue sources, and the like that would be acceptable to field Staff and elected officials. Consultant shall meet with Staff to identify potential changes to projects and/or phasing of projects, to present findings, to demonstrate the effect(s) of various scenarios on the comprehensive plan and rate structures, and to obtain a consensus on the scenario(s) to present to the District Commission.

7. District-Furnished Documentation
The District will assist with data collection for each Schedule whenever possible. Appropriate District Staff will be made available for interviews and to gather data the Consultant determines is essential to complete the cost of service analysis, rate study models, and final reports. Proposal must be clear in addressing what the District will be expected to assist with. Therefore, provide a description of required documentation and estimated time and effort required by District Staff to assist in the preparation of the work plan and study.