

Jefferson County Public Utility District No. 1
WATER, SEWER, ELECTRIC UTILITY RATE STUDY
REQUEST FOR PROPOSALS
JPUD RFP No. 20-001

Jefferson County Public Utility District No. 1 is requesting the development of a comprehensive utility system cost of service and rate study for water, sewer and electric utilities; including new pole attachment fees. The intent of the study is to independently assess and evaluate JPUD's existing water, sewer and electric rates and pole attachment fees and provide recommendations. The broad objective of the study is to ensure the PUD can adequately fund the water, sewer and electric utility operations, capital costs, and bonded debt while minimizing rates to the greatest degree possible.

Jefferson County Public Utility District No. 1 was founded in 1939 as part of the Grange movement to electrify rural communities in Washington State. However, JPUD did not enter the utilities business until 1979, when it acquired its first water district in the community of Gardiner. More water systems followed, as did community drain fields for septic systems. For more than 25 years following that acquisition, JPUD operated as a small water and septic district with less than ten employees and a budget of \$2 million dollars.

In 2010, after 2 years of negotiations, JPUD and PSE came to a purchase agreement of \$103 million dollars for Jefferson County's electrical system and all of its assets. In order to pay for that purchase, JPUD applied for and received funding from the USDA's Rural Utility Service (RUS) program, borrowing \$115 million to cover capital improvements and startup expenses, as well as, the agreed purchase price.

In April of 2013, JPUD took over operation of the grid, becoming the first public agency to take over a private system in the state of Washington in more than 65 years. Over the last 6 years, JPUD has grown from 8 to 50 employees; serves over 19,700 electric customers and approximately 5,000 water and septic customers; and an operating budget of approximately \$39 million per year.

JPUD is currently in the process of updating its 2012 Water System Plan, which include significant capital projects. Draft versions of this document will be available to the selected consultant team.

SCOPE OF SERVICE

A. STUDY OBJECTIVES

Jefferson County PUD is looking for a comprehensive study that will identify creative solutions for a complex issue, electric and water prices that reflect costs.

1. Provide a comparison of current water, sewer, electric system costs (operations, capital improvements, bonded debt) and pole attachment fees against appropriate industry benchmarks with a focus on the Northwest region.
2. Recommend baseline rate structures required to fund water, sewer and electric systems and considering annual inflation, and indexed adjustments to rates needed to maintain each utility.

B. STUDY REQUIREMENTS

In general, the scope of service elements shall involve the following:

1. For each system (water, sewer and electric), review key background information including, but not limited to:
 - a. Regulatory requirements, bond covenants and other contractual requirements and operations;
 - b. Historical revenues, operating expenses, debt service requirements, reserve policies (i.e., working capital and renewal and replacement), billing and collection procedures, approved rates and charges, customer information and usage data;
 - c. Possible land development and the load it may place on the system(s);
 - d. All requirements as a BPA customer;
 - e. Source(s) of supply, current system facilities and the proposed capital improvement plans;
 - f. The District's projected revenue, operation expenses, debt service and other funding;
 - g. Incorporate other established pertinent data, as necessary (i.e., pole attachment, development charges etc.); and
 - h. Review net-metering and distributed energy and review the impacts they may have on the rate strategies.
2. 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.
3. Comment as to the extent to which the projected revenues meet projected operating and capital needs to satisfy bond covenants and required and/or recommended reserve levels.
4. Project rate increases and recommended structure needed to meet operating requirements, capital improvements, regulatory obligations, and reserve funding levels assuming no additional obligations.
5. Identify various scenarios for alternative rate strategies and structures, including but not limited to a conservation-based rate structure, changes to base, kWh, kW, kVar or Power Factor Charges. Review time of use, EV charging rates, large load capacity fees, and Paper Mill pass through billing.
6. Consider system development fees, CIP timing, capital surcharges, growth levels etc.
7. The alternatives should consider the cost of service and District's fiscal health as well as ratepayer impacts. Additional debt scenarios will be developed in conjunction with the District.
8. Assess revenue needs for the next five-year planning period (2020 — 2024), to include adequate coverage for operations and maintenance, capital projects and program activities and debt service.
9. Attend meetings and conference calls with staff as needed. Present results to the Board of

Commissioners at public workshops and meetings.

10. Report(s): The consultant shall prepare a draft and final report which include the following:
 - a. A brief description of each system, including facilities, plant capacity, etc.;
 - b. Source(s) of supply (including a description of water right/entitlements and status, electric rights/entitlements and status) historical and projected net sustainable yield and use with a statement of the consultant's opinion as to the expected sufficiency to meet demand;
 - c. Service description, including population and potential growth projections;
 - d. Overview of financial operations over the last five years, including factors attributable to rate shortfall and corrective recommendations;
 - e. A description of capital improvement programs, including State and Federal regulatory requirements, a 5-year summary of proposed capital expenditures and a statement regarding sufficiency of improvements to meet operating needs and regulatory requirements and reasonableness of the cost estimates;
 - f. In depth, comprehensive revenue and expense projection;
 - g. Include net-metering and distributed energy and the impacts they may have on the rate strategies; and
 - h. In depth rate structure comparison.
11. The consultant shall present information at briefing meetings with District staff at critical points in the preparation process. In addition, upon completion of the draft report, the consultant shall be prepared, if requested, to present the study to the Board and residents in a public format. The presentation capabilities and public involvement process proposed by the consultant is a key factor in determining the successful proposals for the study.
12. The benefits of any proposed modifications shall be weighed against the financial impacts on ratepayers. Analyze the proposed rates for customer impacts and develop alternate rates modeled to address financial impacts on ratepayers. The analysis is to include:
 - a. Preparation of typical bill comparisons for each proposed rate structure for representative customer classes using the current rate schedules as a baseline.
 - b. Compare customer class and proposed rate structures with neighboring utilities that provide the same services.
 - c. Any preferences in long-term versus short-term rate benefits.
13. Provide a user-friendly model, prepared in Microsoft Excel, reflecting the rate design(s) proposed such that District staff can track actual results against the predicted results from the study. The model will be the property of the District and may be used by the District for any purpose.
14. Successful consultant must be prepared throughout the analysis to:
 - a. Adjust its scope of services to account for possible changes in rate structures acceptable to the District; and
 - b. Adjust its methodology to account for local conditions.
15. The recommended rate structure shall be planned for at least five years.

16. Review of possible new Metering Project.

C. STUDY ELEMENTS

1. In making its rate structure recommendations, the final report shall explicitly include the following elements and analysis:
 - a. **Current Rate Structure:** Assess the current rate structure's performance as a baseline for comparing recommended changes.
 - b. **Equity:** Assess the equity of recommended water, sewer electric rates for all types of property ownership.
 - c. **Sensitivity Analysis:** Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water, sewer and electric system costs. Assessment is to include a sensitivity analysis where the long-term revenue generated under each alternative shall be illustrated when confronted with the impacts of growth.
 - d. **Other Service Charges:** Assess existing customer service fee structure and identify other potential areas for service and system charges and recommend changes. Also review and recommend pole attachment fee.
 - e. **Comprehensive Summary of Recommended Rate Structure(s).** Assess performance of each recommended rate structure and provide recommendation on preferred rate structure.
 - f. **Supporting Data.** Provide data supporting conclusions and observations made for each of the areas above and site within study.

D. SERVICES TO BE PROVIDED BY CONSULTANT

1. Conduct a review of the existing water, sewer and electric rates and status of the utility funds. Develop a general familiarity with the JPUD's billing system.
2. Meet or confer with staff as needed and attend three meetings (evening) with the Board of Commissioners (BOC) at a working session to present the interim status of the study and obtain their input. Meet with a special committee (Citizen Advisory Board) during one meeting to obtain comments.
3. Conduct analyses as required to address the scope of service.
4. Preliminary Report:
 - a. Prepare a preliminary study report and tentative rate structures.
 - b. Submit 2 copies.
 - c. Present preliminary report and tentative rate structures to staff and/or committee for comments.
 - d. Present preliminary report and tentative rate structures to the BOC.

5. Final Report

- a. Incorporate changes pursuant to comments received at the first presentation.
- b. Submit 6 copies, plus one reproducible copy.
- c. Provide a disk with report in MS Word format, with spreadsheets in Excel format.
- d. Present the final report and recommended rate structures to the Board of Commissioners and members of the public at a regular BOC meeting.
- e. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to JPUD by September 1, 2020.

E. SERVICES TO BE PROVIDED BY JPUD

The services to be provided by the JPUD include, but are not necessarily limited to the following:

1. Furnish all reasonably available records and information, including financial reports, budgets, and consumption data.
2. Provide a copy of the Water System Plan.
3. Provide a copy of the 4-year Electric Capital Plan.
4. Provide staff support and assistance as required and agreed to in advance of study.

F. PROPOSAL SUBMITTAL

The following information is to be submitted as part of the proposal. The proposal is not to be more than 10 double-sided pages in length including any resumes and cover letters. One (1) hard copy and an electronic copy of the proposal are to be provided. In addition to the 10-page proposal, please include a copy of a rate study performed by the applicant that most closely fits the scope of work outlined above. The 10-page portion of the proposal is to be organized into the following categories:

1. Project Approach: Describe your approach to this project and any special ideas, techniques, or suggestions that you think might make the project proceed smoothly.
2. Experience: Describe the experience of the firm and of the individuals assigned with related projects of a similar nature. Provide at least three references.
3. Schedule: Describe your plan/schedule for completing the work.

Deadline for submission of proposals:

Interested firms should submit proposals no later than 3:00pm on February 26, 2020. to:

Alyson Dean
Jefferson County Public Utility District No. 1
310 Four Corners Road
Port Townsend, WA 98368

Email submittals are accepted and should be sent to adean@jeffpud.org

Proposals should be marked:

“Water, Sewer and Electric Rate Study - JPUD”

G. SELECTION OF CONSULTANT

Proposals will be evaluated by a committee made up of JPUD employees. They will be evaluated on the basis of the project team’s experience, the experience of the proposed project manager; ability to meet schedule; approach to the project; approach to communicating with the client; and past performance/references.

H. GENERAL CONDITIONS

The PUD reserves and has the sole discretion to:

1. Award a contract for Professional Services for all, any, or any combination of the anticipated scope of work described within the RFP.
2. Reject any and all consultant qualifications considered by the PUD to be non-responsive or not in the best interest of the PUD, in its discretion.
3. Supplement, amend or otherwise modify this RFP or cancel this RFP without substitution.
4. Waive any or all informalities in the consultant’s qualifications or failures to comply with the RFP requirements.
5. Request further information, or presentations from consultants as needed to support the PUD’s selection of the most qualified consultant
6. Select any consultant that in the opinion of the PUD is most qualified.
7. Modify the anticipated scope of work, and milestones and schedule.

I. PUBLIC RECORDS

Public Records Act Under Washington State Law (reference RCW 42.56 – the Public Records Act) all materials received or created by the PUD are considered public records. These records include but are not limited to qualification submittals, agreement documents, contract work product, or other information submitted by a vendor to the PUD.

The State of Washington’s Public Records Act requires that public records must be promptly disclosed by the PUD upon request unless the RCW or another Washington State statute specifically exempts records from disclosure. Exemptions are narrow and explicit and are listed in Washington State Law (RCW 42.56 and RCW 19.108).

Respondents must familiarize themselves with the Washington State Public Records Act and the limits of record disclosure exemptions. For more information, visit the Washington State Legislature’s website regarding the Public Records Act at <http://apps.leg.wa.gov/RCW/default.aspx?cite=42.56>. If the consultant believes that any of the records it submits to the PUD as part of your informational material are

exempt from disclosure, you can request that they not be released. To do so, you must notify the PUD in writing. You should clearly and specifically identify each record and the exemption(s) that may apply.