



## Request for Proposals

### **Cost of Service & Rate Study** **Proposals are due no later than** **August 11<sup>th</sup>, 2017 at 4:00 p.m.**

Mason County PUD No. 1 is soliciting proposals to develop a Comprehensive Utility System Cost of Service and Rate Study for its water and electrical utilities. It is expected that the selection will be made and work can commence in September 2017. Please submit a copy of the proposal electronically to:

Kristin Masteller, Director of Business Services, [kristinm@mason-pud1.org](mailto:kristinm@mason-pud1.org)  
with a cc: to Steven Taylor, General Manager at [sntaylor@mason-pud1.org](mailto:sntaylor@mason-pud1.org)

Also mail 5 hard copies of the RFP and clearly label the envelope:

#### **RFP SUBMISSION FOR COST OF SERVICE AND RATE STUDY.**

Mason Co. PUD No. 1  
21971 N. Hwy. 101, Shelton, WA 98584.

Deadline for submission is no later than 4:00 p.m., Friday, August 11<sup>th</sup>, 2017. RFP's post marked after that date will not be considered. Please direct your questions regarding this RFP to Kristin Masteller, at 360.877.5249 or [kristinm@mason-pud1.org](mailto:kristinm@mason-pud1.org).

#### **I. BACKGROUND**

The District is a Public Utility District per title RCW 54.08, and provides water, electric and onsite sewer (septic) services to the residents in portions of Mason and Jefferson Counties. The water systems are in Mason County only and the electricity system in a portion of both Mason and Jefferson counties. The largest community in the District's service area is Hoodsport. Mason County PUD 1 is located in northwestern Washington on the Olympic Peninsula. The PUD also serves one small community septic system in Mason County. This service will not be included in this study.

The PUD owns and/or manages 40 group A & B Water Systems that serve approximately 2,400 meters throughout Mason County. The District is also a BPA customer with nearly all of the power being purchased from BPA, excepting Lilliwaup Falls Hydro Project, Rocky Brook Hydro, PUD No. 1's Community Solar Project and Skokomish Tribal Rooftop Solar. The District has approximately 5,100 meters, 99% being residential, the remaining 1% being commercial or other customers in both Mason and Jefferson Counties. The electric service area reaches from the Skokomish Valley, across to Union and onward north into Jefferson County to Walker Mountain along the shore of the Hood Canal.

## **II. SCOPE OF SERVICES**

The Scope of Services shall involve all necessary analyses and documentation to perform the study of the District's utility rates and recommend a rate schedule, based on cost of services. In general, the scope of services shall involve the following:

- 1) Review Background Information: for each system (Water and Electrical), review key background information including, but not limited to:
  - i) Regulatory requirements, bond covenants and other contractual requirements and operations;
  - ii) 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;
  - iii) Possible land development and the load it may place on the system(s);
  - iv) Source(s) of supply, current system facilities and the proposed capital improvement plans;
  - v) The District's projected revenue, operation expenses, debt service and other funding;
  - vi) Incorporate other established pertinent data, as necessary (i.e., pole attachment, development charges etc.)
  - vii) Review net-metering and distributed energy and review the impacts they may have on the rate strategies.
- 2) Project operating results reflecting only previously approved rates.
- 3) 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.
- 4) 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.
- 5) Project rate increases and recommended structure needed to meet operating requirements, capital improvements, regulatory obligations, and reserve funding levels assuming no additional obligations.
- 6) Identify various scenarios for alternative rate strategies and structures, including but not limited to a conservation based rate structure, changes to base, kWh, kW or CCF Charges
- 7) Consider system development fees, CIP timing, capital surcharges, growth levels etc.
- 8) 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.

- 9) Assess revenue needs for the next six-year planning period (2018 – 2024), to include adequate coverage for operations and maintenance, capital projects and program activities and debt service.
- 10) Attend meetings and conference calls with staff and consultants as needed. Present results to the Board of Commissioners at public workshops and meetings.
- 11) Report(s): The consultant shall prepare a draft and final report which include the following:
  - i) A brief description of each system, including facilities, plant capacity, etc.;
  - ii) Source(s) of supply (including a description of water right/entitlements and status, electrical rights/entitlements and status, and septic system right/entitlement 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;
  - iii) Service description, including population and potential growth projections;
  - iv) Overview of financial operations over the last five years, including factors attributable to rate shortfall and corrective recommendations;
  - v) A description of capital improvement programs, including State and Federal regulatory requirements, a 6-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;
  - vi) In depth, comprehensive revenue and expense projection;
  - vii) Include net-metering and distributed energy and the impacts they may have on the rate strategies.
  - viii) In depth rate structure comparison.
- 12) 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.
- 13) 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:
  - i) Preparation of typical bill comparisons for each proposed rate structure for representative customer classes using the current rate schedules as a baseline.
  - ii) Compare customer class and proposed rate structures with neighboring utilities that provide the same services.
  - iii) Any preferences in long-term versus short-term rate benefits

- 14) Provide a user-friendly model prepared in Microsoft Excel reflecting the rate designs 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.
- 15) Successful consultant must be prepared throughout the analysis to:
- i) Adjust its scope of services to account for possible changes in rate structures acceptable to the District; and
  - ii) Adjust its methodology to account for local conditions.

### **III. COMPLETION EXPECTATIONS**

The District expects the Cost of Service Study to be completed no later than April 30, 2018, the Rate Strategy Development to be completed no later than May 31, 2018. 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 an 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:

- iii) Contact person name, firm name, address, telephone number, fax number, and email address
- iv) Sub-consultant(s)' name(s)
- v) 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/sub-consultant 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, and related functions:

- i) Provide a narrative description of the company and why it is best-qualified to provide the desired services
- ii) Describe the general experience and specialties of the company

- iii) Identify specific experience with cost of service, capital plans, funding, and rate studies
- iv) Identify other public utility, municipal and co-op clients
- v) Identify experience with net-metering and distributed energy impacts

### **3. Proposed Team**

Provide the following information:

- i) 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 sub-consultants.
- ii) 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 sub-consultants.

### **4. References**

- i) 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 sub-consultant are different from those noted in the previous section, they should also be provided.
- ii) Provide a current (within the last 5 years) client list including jurisdiction name, contact name, and telephone number, and length of engagement.
- iii) 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 completion of services should be based on the timeline set forth in Section V. 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 PUD 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.

**7. District-Furnished Documentation**

The District will assist with data collection for each portion of the scope as needed. 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 what a typical expected estimated time and effort required by District Staff to assist in the preparation of the work plan and study.

**V. SCHEDULE FOR SELECTION AND AWARD**

The District anticipates that the process for selection of the consultant and awarding the contract will be according to the following tentative schedule:

<b>SCHEDULE</b>	
<b>PROCESS</b>	<b>EXPECTED DATE</b>
1. Issue RFP	Week of June 26, 2017
2. Proposal Due Date	August 11, 2017
3. Preliminary Selection by Staff	Week of August 14, 2017
5. Interviews (at discretion of District)	Week of August 14, 2017
6. Final Selection and Board approval	August 22, 2017
7. Begin Study	Month of September, 2017

**VI. PROFESSIONAL SERVICES AGREEMENT**

A copy of the standard Professional Services Agreement is attached to this Request for Proposal as Attachment A. The Professional Services Agreement should be executed within ten (10) business days of notification of being the firm selected.

**VII. PRELIMINARY SCHEDULE MILE STONES**

<b>Mile Stones</b>	
<b>PROCESS</b>	<b>EXPECTED DATE</b>
1. Staff help with data request	Month of September, 2017
2. PUD Budget meetings	October, 2018
3. Public hearings	June 2018
4. Implementation of rates	2018

**DISTRICT OPTION TO REJECT ALL BID PROPOSALS:**

The District may, at its sole discretion, reject any or all bid proposals submitted. The District shall not be liable for any costs incurred in connection with the preparation and submittal of any bid proposal. The District reserves the right to waive any informality in a submitted proposal.

**DISADVANTAGED BUSINESS ENTERPRISE:** Mason County PUD No. 1 is an equal opportunity employer; small, minority and women owned firms are strongly encouraged to apply.

## ATTACHMENT A

### CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement (herein Agreement) is made between Mason County PUD No. 1, whose place of business is located at 21971 N. Highway 101, Shelton (Potlatch), Washington 98584, Attn: Kristin Masteller (hereinafter "PUD 1") and \_\_\_\_\_ (hereinafter "Consultant) for a Project generally described as Conservation Potential Assessment Update.

#### 1. SCOPE, COMPENSATION AND QUALITY OF CONSULTING SERVICES

1.1 Consultant will provide the services and be compensated for these services as described in proposal to Mason County PUD No. 1 dated \_\_\_\_\_

1.2 Consultant shall render its services in accordance with generally accepted professional practices.

1.3 Consultant shall comply with applicable laws, ordinances, codes, rules, regulations, permits and other published requirements in effect on the date this Agreement is signed.

1.4 All invoices sent by Consultant to PUD 1 shall be paid within thirty (30) days of receipt. If PUD 1 fails to pay any invoice within thirty (30) days and such failure continues ten (10) days after Consultant gives PUD 1 notice of such failure, Consultant shall have the right to terminate this Agreement immediately without liability to PUD 1. The right to terminate under the terms of this section shall be in addition to all other legal, equitable, or contractual remedies available to Consultant.

#### 2. TERMS & CONDITIONS OF CONSULTING SERVICES AGREEMENT

2.1 Timing of Work. Consultant shall commence work on or before \_\_\_\_\_, 2017.

2.2 Relationship of Parties, No Third-Party Beneficiaries. Consultant is an independent contractor under this Agreement. This Agreement gives no rights or benefits to anyone not named as a party to this Agreement, and there are no third party beneficiaries to this Agreement.

3. Insurance of Consultant. Consultant shall maintain throughout the performance of this Agreement the following types and amounts of insurance:

3.3.1 Worker's Compensation and Employer's Liability Insurance as required by applicable state or federal law.

3.3.2 Comprehensive Vehicle Liability Insurance covering personal injury and property damage claims arising from the use of motor vehicles with combined single limits of \$1,000,000.

3.3.3 Commercial General Liability Insurance covering claims for personal injury and property damage with combined single limits of \$1,000,000.

3.3.4 Professional Liability (Errors and Omissions, on a claims-made basis) Insurance with limits of \$1,000,000.

Interpretation. Notwithstanding any other provision(s) in this Agreement, nothing shall be construed or enforced so as to void, negate or adversely affect any otherwise applicable insurance held by any party to this Agreement.

4. Mutual Indemnification. Consultant agrees to indemnify and hold harmless PUD 1 and its officials, employees and agents from and against any and all loss, cost, damage, or expense of any kind and nature (including, without limitation, court costs, expenses, and reasonable attorneys' fees) arising out of injury to persons or damage to property (including, without limitation, property of PUD 1 and its respective employees, agents, licensees, and representatives) in any manner caused by the negligent acts or omissions of Consultant in the performance of its work pursuant to or in connection with this Agreement to the extent of Consultant's proportionate negligence, if any.

PUD 1 agrees to indemnify and hold harmless Consultant and its employees from and against any and all loss, cost, damage, or expense of any kind and nature (including without limitation, court costs, expenses and reasonable attorneys' fees) arising out of injury to person(s) or damage to property (including, without limitation, property of Consultant, and its respective employees, agents, licensees and representatives) in any manner caused by the negligent acts or omissions of PUD 1, to the extent of PUD 1's proportionate negligence, if any.

5. Resolution of Disputes, Attorneys' Fees. The law of the State of Washington shall govern the interpretation of and the resolution of disputes under this Agreement. If any claim, at law or otherwise, is made by either party to this Agreement, the prevailing party shall be entitled to its costs and reasonable attorneys' fees. Venue for any such action shall be exclusively in Mason County, Washington.

6. Termination of Agreement. PUD 1 may terminate this Agreement upon thirty (30) days written notice to Consultant sent to the addresses listed herein. In the event PUD 1 terminates this Agreement, PUD 1 agrees to pay Consultant all services rendered through the termination date.

7. Assignment. The Consultant shall not let, assign or transfer this Agreement, or any interest in it or part of it, without the written consent of PUD 1.

PUD 1

CONSULTANT

By \_\_\_\_\_

By \_\_\_\_\_

Steve Taylor, Manager