

Agenda Report

TO: CITY COUNCIL

Date: July 16, 2007

FROM: CITY MANAGER

SUBJECT: AUTHORIZATION TO ENTER INTO CONTRACT WITH RED OAK CONSULTING TO PROVIDE COMPREHENSIVE WATER COST OF SERVICE AND RATE DESIGN STUDIES FOR AN AMOUNT NOT TO EXCEED \$109,000

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to enter into a contract with Red Oak Consulting to provide a comprehensive Water Cost of Service and Rate Design Study (WCOS) for Pasadena Water and Power Department (PWP) for an amount not to exceed \$109,000. This contract is exempt from competitive bidding pursuant to City Charter 1002(F), contracts for professional services or unique services.

BACKGROUND:

PWP is seeking the services of a qualified technical and financial consulting firm to conduct a comprehensive water cost of service and rate design study (WCOS). PWP reviews its water rate structure and conducts a WCOS about once every five years. Since PWP conducted a WCOS study in 2002, its water rates have been subject to various regulations, court rulings and restrictions. The results of the WCOS will ensure that PWP's water rate structure recovers its revenue requirements and that it is in compliance with existing regulations, bond covenants and restrictions.

The proposed WCOS will involve the determination of actual cost of service and the development of various water rate design options to fund revenue requirements. The proposed study will also consider low income, conservation, recycled and drought water rate pricing programs as well as a review of the distribution charge component of the existing rate structure which has not been changed since 1995. In addition, the WCOS will consider the restrictions on water rates set by Proposition 218, Government Code Section 54999, and the appropriate process and procedure required for any water rate adjustments to ensure compliance with Proposition 218. The WCOS will also consider the allocation of

water rights in the Raymond Basin among customer groups and/or between inside and outside city customers, charges for various water services and for connecting to the water system, the reserve requirements and appropriate target levels.

REQUEST FOR PROPOSAL (RFP) PROCESS AND PROPOSAL EVALUATION

A Request for proposal was sent to about 20 technical and financial consulting firms in April 2007. Seven consulting firms responded to the proposal. The review panel, comprised of staff members of PWP, interviewed all seven responding firms as follows:

- | | |
|-----------------------------------|-----------------|
| 1. Raftelis Financial Consultants | Pasadena, CA |
| 2. Foresight Consulting Services | Davis, CA |
| 3. Black & Veatch | Los Angeles, CA |
| 4. Red Oak Consulting | Pasadena, CA |
| 5. Navigant Consulting | Los Angeles, CA |
| 6. Bartle Wells Associates | Berkeley, CA |
| 7. EES Consulting | Kirkland, WA |

The interviews were scheduled from May 14, 2007 to May 16, 2007, and Red Oak Consulting was awarded the highest score by the review panel (see Exhibit A).

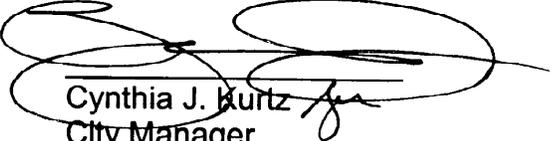
It is recommended that the City Council authorize the City Manager to enter into a contract with Red Oak Consulting (Red Oak) for an amount not to exceed \$109,000.

Red Oak Consulting demonstrated superior knowledge of all the issues that were addressed in the RFP and provided thorough, organized, and coherent responses to the RFP issues. Additionally, the staff of Red Oak Consulting that will be assigned to the proposed WCOS exhibited superior expertise in the areas of Proposition 218, capital related water rates, water policy issues, recycled water rates, water conservation rate programs, low-income water rates, and strong institutional knowledge of the rate policies and practices of Metropolitan Water District (MWD). In addition, Red Oak Consulting offered interesting, creative and practical solutions to matters concerning the latest regulatory water issues, and proposes to deliver a more robust cost-of-service and rate design model that will meet PWP's critical cost of service and water rate design objectives.

FISCAL IMPACT

Funds are available in the FY 2008 Water Operating Budget (8115-402-833100-0798) for the requested amount of \$109,000.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

Prepared by:


Keith Ban
Principal Financial/Rate Analyst
Pasadena Water and Power

Approved by:


Phyllis E. Currie
General Manager
Pasadena Water and Power

EXHIBIT A

REQUEST FOR PROPOSAL EVALUATION MATRIX

NO	FIRM NAME	TOTAL POINTS
1	Raftelis Financial Consultants, Inc.	84
2	Foresight Consulting Services	78
3	Black & Veatch	80
4	RedOak Consulting	89
5	Navigant Consulting, Inc.	72
6	Bartle Wells Associates	85
7	EES Consulting	71

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor/Organization, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:

Malcolm Pirnie, Inc.

2. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

See Attached List of Officers

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

N/A

Prepared by: Anita Marsh

Title: Senior Marketing Coordinator

Date: June 22, 2007

For office use only: Contract/Transaction No. _____ If not a contract, type of transaction: _____

Malcolm Pirnie, Inc.
EI # 13-2653703
Officer & Director Information

Name	Title	Off	Dir	Business Location
John R. Amend	Vice President	Y	N	50 Fountain Plaza, Suite 600, Buffalo, NY 14202
Thomas E. Arn	Vice President	Y	N	4646 E. Van Buren Street, Suite 400, Phoenix, AZ 85008-6945
Gary H. Bacon	Vice President	Y	N	4646 E. Van Buren Street, Suite 400, Phoenix, AZ 85008-6945
Edward R. Balchon	Vice President	Y	N	1300 East 8th Avenue, Suite F-100, Tampa, FL 33605
John J. Batten	Vice President	Y	N	104 Corporate Park Drive, Box 751, White Plains, NY 10602-0751
Robert S. Belitz	Vice President & Treasurer	Y	N	104 Corporate Park Drive, Box 751, White Plains, NY 10602-0751
Jeffrey R. Bennett	Vice President	Y	N	101 Arthur Anderson Boulevard, Suite 280, Sarasota, FL 34232
Susan L. Bergen	Vice President	Y	N	4646 E. Van Buren Street, Suite 400, Phoenix, AZ 85008-6945
Cosmo A. Bertino	Vice President	Y	N	1900 Polaris Parkway, Suite 200, Columbus, OH 43240-2020
Tommy J. Bernard	Vice President	Y	N	100 Fillmore Street, Suite 200, Denver, CO 80206
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Bruce J. Kirkland	Vice President	Y	N	100 Roscommon Drive, Suite 100, Middletown, CT 06457-1553
Harry R. Kleiser	Vice President	Y	N	300 E. Lombard Street, Suite 610, Baltimore, MD 21202-3227
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EI # 13-2653703
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