

Agenda Report

March 12, 2012

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH BURNS & MCDONNELL ENGINEERING COMPANY, INC. TO PROVIDE A COMPREHENSIVE ELECTRIC COST-OF-SERVICE AND RATE DESIGN STUDY FOR AN AMOUNT NOT TO EXCEED \$121,550

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed cost of service and rate design study is statutorily exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges); and
2. Authorize the City Manager to enter into a contract with Burns & McDonnell Engineering Company, Inc. ("Burns & McDonnell") to provide a comprehensive Electric Cost-of-Service and Rate Design Study ("ECOS") for the Pasadena Water and Power Department ("PWP") for an amount not to exceed \$121,550. This contract is exempt from competitive bidding pursuant to City Charter 1002(F), Contracts for professional or unique services.

BACKGROUND:

PWP is seeking the services of a qualified technical and financial consulting firm to prepare and present a comprehensive electric cost-of-service study and associated rate design. PWP regularly performs internal reviews and updates to the electric rates to ensure recovery of revenue requirements and compliance with existing regulations, bond covenants, and restrictions.

The current electric rate structure includes separate components for energy, distribution, and transmission. In addition, there is a Power Cost Adjustment ("PCA") factor that may be adjusted to accommodate fluctuations in energy costs related to market conditions, renewable premiums, etc. PWP's electric rates have remained very stable for nearly five years: the PCA was increased in October 2010; the distribution and customer rates were adjusted in October 2007; and the transmission rates were adjusted in July 2006 when PWP joined the California Independent System Operator as a Participating Transmission Owner.

Every five to ten years, PWP engages the services of a qualified technical and financial consulting firm to perform a robust and comprehensive ECOS. The last ECOS was completed in 2000 and led to the 2001 implementation of completely restructured electric rates. Since that time, numerous changes have occurred in the electric utility industry.

This ECOS will address the ongoing changes taking place in the electric utility industry and may result in new rates that will support the development and purchase of renewable resources, reflect new regulations and initiatives such as greenhouse gas, distributed generation, demand reduction, feed-in-tariff, smart grid and metering, and electric vehicle programs. The ECOS will also evaluate and recommend time-of-use ("TOU") rates to ensure that rates accurately reflect the time differential cost of providing services and recover associated costs, and will analyze and evaluate demand charges including the current ratchet demand structure. In addition, the ECOS will review the implications of Proposition 26 on PWP's charges and transfer policies, confirm conformity and compliance with new regulations, and address equity issues among current customer groups as it relates to demand charges and standby provisions.

The study is anticipated to begin in April 2012, and is expected to be completed by August 2012. An important part of completing the ECOS and resulting rate proposals will include community outreach and input from a variety of customer groups. The results may involve new rate structures; therefore, stakeholder involvement and feedback will be central to a successful outcome. The specific key customers/customer groups will be identified through the cost-of-service study.

REQUEST FOR PROPOSAL AND PROPOSAL EVALUATION

On November 28, 2011, a Request for Proposal ("RFP") was posted on the City's Vendor Portal. The following six qualified technical and financial consulting firms responded to the proposal:

- | | |
|---|-----------------|
| 1. Borismetrics | Sacramento, CA |
| 2. Burns & McDonnell | Brea, CA |
| 3. Nexant | Chandler, AZ |
| 4. PA Consulting Group | Los Angeles, CA |
| 5. SAIC Energy, Environment & Infrastructure, LLC | Pasadena, CA |
| 6. Utility Financial Solutions, LLC | Holland, MI |

Each proposal was reviewed and evaluated by a panel comprised of PWP staff based on the criteria stated in the RFP. The criteria included: 1) ability of firm to perform the list of requests; 2) qualifications of individuals assigned to the project; 3) fee to complete the work within schedule; 4) specific method and techniques; 5) effectiveness of an analytical model provided by the consultant; 6) record of success by the consultant; 7) local Pasadena business preference; and 8) small and micro-business preference. The review panel further interviewed four of the six firms listed above and awarded the highest score to Burns & McDonnell (see Exhibit A attached).

Burns & McDonnell demonstrated superior knowledge of all the issues that were addressed in the RFP and provided thorough, organized, and coherent responses to the RFP issues. This firm has recent similar experience in performing ECOS studies involving electric vehicle rates, feed-in-tariff, demand response and distributed changes, and TOU rates for comparable utilities.

COUNCIL POLICY CONSIDERATION

The recommended action is consistent with the General Plan Energy Element and the City Council's Strategic Planning Goals to increase conservation and sustainability. Developing electric rates to encourage load management use will reduce the need to procure additional energy and promote energy efficiency.

ENVIRONMENTAL ANALYSIS:

The proposed contract for the completion of the ECOS has been determined to be statutorily exempt from CEQA per Section 15273 (Rates, Tolls, Fares, and Charges). Under Section 15273, no further environmental review is required for the establishment, modification or approval of rates that are for the purpose of meeting operating expenses or for obtaining funds for capital projects necessary to maintain existing service. The action proposed herein falls within this exemption, and is not for the purpose of expanding the system.

If future recommendations would expand the power system or structures, the City will consider whether additional environmental analysis must be done, and will complete such analysis at the more appropriate time if and when specific recommendations are made.

FISCAL IMPACT:

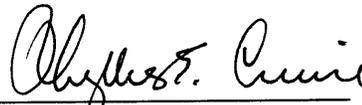
The proposed contract price is \$121,550. This amount includes the contract base price of \$84,500; optional services of \$26,000 for presentation and discussion of the study results at public meetings beyond those identified in the base contract; and ten percent (10%) contingency in the amount of \$11,050 to accommodate any necessary changes in the scope of work. Funding for this action will be addressed by the utilization of existing budgeted appropriations in account 8114-401-833000-0921. It is anticipated that \$84,500 of the cost will be spent during the current fiscal year, and the remainder of the cost will be spent in fiscal year 2013.

The following table presents a contract summary.

Contract Base Price	\$84,500
Optional Services (Presentations and Public Meetings)	\$26,000
Contingency	\$11,050
Total Fiscal Impact	\$121,550

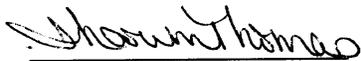
The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



Phyllis E. Currie
General Manager
Pasadena Water and Power

Prepared by:



Shari Thomas
Assistant General Manager
Pasadena Water and Power

Approved by:



Michael J. Beck
City Manager

EXHIBIT A
REQUEST FOR PROPOSAL
EVALUATION MATRIX

NO.	FIRM NAME	TOTAL POINTS
1	Borismetrics	80
2	Burns & McDonnell	89
3	Nexant	87
4	PA Consulting Group	80
5	SAIC Energy, Environment, & Infrastructure, LLC	86
6	Utility Financial Solutions, LLC	85

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

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

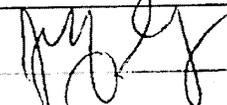
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name: Burns & McDonnell Engineering Company, Inc.

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:
See attached.

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:
Burns & McDonnell is 100% employee-owned. Therefore there no one has more than 10% equity, participation or revenue interest in Burns & McDonnell.

Prepared by:  Jeffrey J. Greig

Title: vice President & General Manager

Phone: 816.822.3392

Date: 12/21/11

BURNS & McDONNELL ENGINEERING COMPANY, INC.

a Missouri Corporation,

9400 Ward Parkway, Kansas City, Missouri 64114

DIRECTORS

Greg M. Graves	9400 Ward Parkway, Kansas City, MO 64114	Director/Chairman of the Board
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David G. Yeamans	9400 Ward Parkway, Kansas City, MO 64114	Director

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