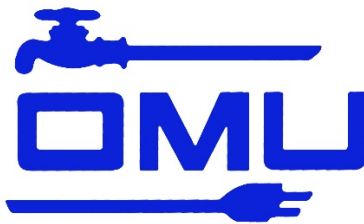


Owensboro Municipal Utilities

Local people.



Local service.

Request for Proposals

**Cost of Service and Rate Design Study For
Electric Utility (The “Electric Study”) and/or
Water Utility (The “Water Study”)**

July 18, 2022

Owensboro Municipal Utilities
2023 Cost of Service and Rate Design Studies – Request for Proposals

A. Purpose

Owensboro Municipal Utilities (OMU) is soliciting proposals for the performance and development of a comprehensive, in-depth and robust Cost of Service and Rate Design Study for our Electric Utility (the “Electric Study”) and/or Water Utility (the “Water Study”) with the option of an additional five-year financial plan for each Study. The general scope of work will include studies to review existing rate and service fee structure, and develop rates and charges that reflect the current cost of providing electric and water services with the added option of a five-year financial plan (the “Electric Study” and the “Water Study”, respectively).

B. Company Background & Introduction

OMU is a public power, water and telecommunications municipal utility serving the City of Owensboro, Kentucky; currently serving approximately 28,000 electric meters and 26,000 water meters in Daviess County, Kentucky. OMU is a municipal utility established by the City of Owensboro, and operated and managed by the City Utility Commission of the City of Owensboro pursuant to the provisions of the Kentucky Revised Statutes (KRS) 96.530 and KRS 96.350.

The City Utility Commission (CUC) consists of five voting members who are nominated by the Mayor and confirmed by the City Commission. The CUC appoints the OMU General Manager and governs the system except for City control of the following: rate adjustments and issuance of revenue bonds. Daily operations are managed by the General Manager with supporting staff.

The OMU network has four interconnects with LGE/KU system. OMU Bulk Electric System consists of one 345 kV interconnect, two 138 kV interconnects, and one 69 kV interconnect. All interconnects terminate at the OMU Elmer Smith Switchyard (ESS). All interconnects are owned and operated by LGE/KU. OMU ESS is the metered boundary with LGE/KU. OMU transforms voltages from 345 kV and 138 kV down to 69 kV at ESS. In addition, OMU has an internal 138 kV line that runs from OMU ESS west to Transmission Substation M where OMU transforms the voltage to 69 kV. OMU then has a multi looped 69 kV Transmission lines that ties between ESS and Substation M. The multi looped 69 kV lines then transmit loads to 12 Distribution Substations within the OMU system. Transmission service from MISO through LGE/KU is identified below.

In 2020, OMU shut down the Elmer Smith Generation Station (ESGS), a 400 MW, two-unit coal-fired power plant which was the primary source of electricity for OMU customers. On June 1, 2020, OMU began taking full requirements service for power from Big Rivers Electric Corporation (BREC) under a power purchase agreement (PPA) with a term ending on December 31, 2026. In addition, OMU has an allocation of 25 MW of Southeastern Power Administration (SEPA) hydropower which is used to serve load.

OMU is registered with the NERC for the following functions: Transmission Owner (TO), Transmission Operator (TOP), Transmission Planner (TP), Planning Coordinator (PC), Resource Planner (RP), and Distribution Planner (DP). OMU utilizes Balancing Authority (BA) service through LGE/KU and Reliability Coordinator service through TVA. OMU was previously registered as a Generator Owner (GO) and Generator Operator (GOP); however, OMU decertified with NERC in June of 2020 due to the retirement of ESGS.

OMU is a member of the Kentucky Municipal Energy Agency (KYMEA), a joint action agency formed in June of 2015 along with 10 other municipal electric systems in Kentucky; all of whom are interconnected with the LGEE system. OMU does not receive power from KYMEA at this time.

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The OMU electric system is a summer peaking system and the all-time Electric Peak demand was 208 MW; set in July of 2008. The 2021 peak demand was 182 WM set in August. Projected annual electric retail sales to OMU customers, over the next five years, will average 800,000 MWh per year with less than 1% annual load growth expected over the next 10 years. The electric system debt on ESGS will fully mature in 2026.

OMU currently owns two water production and purification facilities. The William R. Cavin Water Treatment Plant (Cavin Plant) was originally commissioned in 1995 with a capacity to produce 10 million gallons per day (MGD); with three high service pumps providing a pumping capacity of 15 MGD. A 20 MGD expansion of the plant was completed and commissioned in the spring 2021. This expansion mitigated the risk from OMU’s older water treatment facility, Plant A.

Plant A was originally constructed in 1907 with an expansion in 1973; produced 18 MGD with four high service pumps have a pumping capacity of 28.5 MGD. Plant A began experiencing age-related issues and settling of its filter building creating an increased risk. In 2021, OMU shut down Plant A and currently maintains the Cavin Plant and infrastructure system to provide water to its retail customers and three wholesale customers.

OMU obtains raw water from a well field located along the south bank of the Ohio River between Hamilton Avenue and the Elmer Smith Generating Station. Currently, 36 wells deliver water to the treatment facility. Average daily production is approximately 12 MGD. The 2021 peak production, of 15 MGD, was reached in July.

OMU is contemplating a Cost of Service Study with Rate Design for the Electric Utility (here in called the “Electric Study”) and a Cost of Service Study with Rate Design for the Water Utility (herein called the “Water Study”) with the option of performing a five-year financial plan for each Study. Qualified firms may submit a bid for either Study or both Studies with the option of a five-year financial plan for each Study based on qualifications and prior experience.

Both Studies’ emphases is to provide funding for operating costs, reasonable operating reserves after funding operations, debt service, and capital projects; determine actual cost of providing utility service to each customer class to identify separate fixed and variable costs that are specific to each customer class as well as a development of a five-year financial plan identifying projected future revenue requirement patterns.

C. Scope of Professional Services

OMU is requesting a comprehensive, in-depth and robust utility rate study to develop rates and charges that reflect the current cost of providing electric and water services, and a five-year financial plan (the “Electric Study” and the “Water Study”). OMU Staff maintains an existing forecast model for bond issuance and cost of service model that was developed and has been modified for over 20 years. OMU staff will provide support and data as needed.

The scope of professional services listed in this Request for Proposals (RFP) serves as a base in obtaining proposals from interested and qualified firms and is subject to change as OMU reserves the right to modify the scope if is deemed to be in the best interest of the organization.

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Tasks: Electric Study and Water Study Tasks are required to, at minimum, meet the following primary objectives for each Study, separately (unless specified otherwise):

1. Determine the cost of providing services to each class of customer and compare the cost with projected revenue by class;
2. Unbundle the total cost for all services provided by the Electric Utility and Water Utility, including variable, incremental and fixed costs for power, production, transmission & distribution, metering, customer service and general & administrative expenses;
3. Develop rate designs and recommendations, based upon industry trends and/or standards;
4. Comprehensive review of and recommendations for existing Economic Development and Net Metering rates (for the “Electric Study”);
5. Assist OMU with the development of a five-year financial plan to identify current and projected rate adjustments and off-system sale pricing requirements;
6. The following meetings and presentations are minimally required:
 - a) Initial meeting – clarify scope of required services, expectations of management and preliminary work (via web)
 - b) Comprehensive Draft Study Report review and discussion with management (via web)
 - c) Comprehensive Final Study Report review and discussion with management (via web)
 - d) Presentation of Final Study Report and Recommendations to Utility Commission (on-site)
 - e) Presentation of Final Study Report and Recommendations to Owensboro City Commission (on-site)
 - f) Additional meetings and/or presentations as requested by management (up to two); and
 - g) As needed, regular electronic (web) meetings and discussions between OMU and Consultant throughout the project.

Deliverables: For each Study separately, unless specified otherwise:

1. Executive Summary Report of major findings from all analyses and reports;
2. Cost of Service and Cost Unbundling analysis and report;
3. Rate Design Analysis and Recommendation report;
4. Development of an Electric Vehicle (EV) rate (for the “Electric Study”);
5. Detailed Regional Rate Structure and Rate comparison report, including wholesale rate comparisons (for the “Water Study”);
6. Recommendation Report for Utility Service fees and other fees;
7. Recommendation Report for Line Development and Extension policy;
8. Final proof analyses of assumptions utilized for all recommendations;
9. Five-Year Financial Plan, model and report; including final Excel-based financial model used for the Study; and
10. Consulting Engineer Certificate.

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D. Proposed Schedule

Activity	Date
RFP Issue	July 18, 2022
Notice of Intent to Provide a Proposal	July 29, 2022
Questions due from Bidders	August 5, 2022
Responses to Questions	August 12, 2022
Proposals Due (by 3:00pm, CST)	August 26, 2022
Proposal Review and Negotiation	August 29 – September 7, 2022
Proposal Award	September 16, 2022
Electric Study	
Kickoff Meeting (via web)	October 3, 2022
Cost of Service Analysis and Report	November 4, 2022
Electric Rate Design Analysis and Recommendations	November 14, 2022
Completion of 5-year Financial Plan model and report	November 23, 2022
Comprehensive Draft Study Report review and discussion with OMU management (via web)	December 1, 2022
Comprehensive Final Study Report review and discussion with OMU management (via web)	December 15, 2022
Presentation to OMU Utility Commission (on-site)	January 19, 2023
Presentation to Owensboro City Commission (on-site)	March 2023
Water Study	
Kickoff Meeting (via web)	Week of September 11, 2023
Cost of Service Analysis and Report	October 20, 2023
Water Rate Design Analysis and Recommendations	November 3, 2023
Completion of 5-year Financial Plan model and report	November 17, 2023
Comprehensive Draft Study Report review and discussion with OMU management (via web)	December 1, 2023
Comprehensive Final Study Report review and discussion with OMU management (via web)	December 15, 2023
Presentation to OMU Utility Commission (on-site)	January 18, 2024
Presentation to Owensboro City Commission (on-site)	March 2024

*Proposals Due Date and Time are firm and no extensions will be offered.

OMU reserves the right to adjust dates and the right to revise, suspend or terminate this RFP process and any schedule thereto at its sole discretion without liability to Respondents or any other person or entity.

E. Qualifications

All firms submitting proposals must meet the following minimal qualifications:

1. Must have previous experience performing Cost of Service and Rate Design Study for electric municipal utilities; and/or
2. Must have previous experience performing Cost of Service and Rate Design Study for water municipal utilities.
3. Must have demonstrated experience in long-term forecast modeling.

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F. Proposal Requirements

All proposals should include the following specific for Electric Study and/or Water Study Proposals as necessary:

1. A list of client references prioritized by those that most closely align with the scope of work within this RFP.
2. A description of work completed for other utilities including cost of service studies, rate design studies and long-term forecasting modeling.
3. A description of the models to be used in analysis and forecasting.
4. Examples (redacted as necessary) of reports completed for other clients. Executive summaries or excerpts are acceptable.
5. A list of proposed team members including their experience and qualifications, their role on the team, and the projected percentage of their time dedicated to this project for the duration.
6. Identification of a project manager to be assigned to the study. The project manager must have a minimum of (5) years of experience in the type of study being requested.

G. Proposal Evaluation and Award

Proposals will be reviewed based upon the following evaluation criteria:

1. Responsiveness to specifications in RFP; demonstrating understanding of scope and deliverables with complete proposal meeting all specifications.
2. Capability to perform required services as demonstrated by consultant's experience and references on comparable projections.
3. Study Quality and approach as demonstrated by description of work and tools as well as sample work provided.
4. Cost for Study being clearly stated in fee structure and total cost.

Award will be made to the Consultant(s) that, in the sole judgement of OMU, provides the proposal best suited for OMU considering the criteria listed above. Winning Consultant(s) will be expected to enter into an Agreement, including a Non-Disclosure Agreement (NDA) within a reasonable period of time following the award of the proposal and with terms agreeable to OMU.

OMU reserves the right to reject any and all proposals. OMU also reserves the right to modify requested services and/or terminate services at any time after the completion of the Electric Study requirements.

H. Cost of Responding

Respondent will bear all costs associated with the preparation and submission of its proposal. Neither OMU, its affiliates, nor any agent of OMU will be responsible or liable for any costs, regardless of the cost or outcome of the proposal process.

I. Disclaimer

Respondent is responsible for examining the complete proposal documents and any subsequently- issued RFP addenda and for analyzing all RFP requirements that might affect the cost of the project or performance of any part of the work to be completed in connection with the project. Failure to do so will be at the sole risk of the Respondent and no relief will be given for errors or omissions resulting therefrom.

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J. Withdrawal of Proposal

A Respondent may withdraw a proposal, by written request, at any time prior to the deadline of proposal submission.

K. Collusion and Conflicts

By submitting a proposal to OMU in response to this RFP, Respondent certifies that they have not divulged, discussed or compared its proposal with other Respondent(s) and have not colluded whatsoever with any other Respondent(s) or parties with respect to its proposal or other proposals.

L. Confidentiality & Compliance

OMU will take reasonable precautions and use commercially reasonable efforts to protect any claimed proprietary and confidential information contained in a proposal, provided that such information is clearly identified by the Respondent as "**PROPRIETARY AND CONFIDENTIAL MATERIAL**." Notwithstanding the foregoing, OMU in its sole discretion may release such information: (1) to any external contractors for the purpose of evaluating proposals, but such contractors will be required to observe the same care with respect to disclosure as OMU; (2) to others who have a need for such information for purposes of evaluating the RFP and the proposals, the RFP process or a final definitive agreement resulting from the RFP process ("Agreement"), including but not limited to, OMU, its directors, employees, staff, consultants and/or agents and other parties, their consultants and/or agents; or (3) if OMU is requested or compelled to disclose such information (or portions thereof) (i) pursuant to subpoena or other court or administrative process, (ii) at the express direction of any agency with jurisdiction over OMU, or (iii) as otherwise required by law. If OMU determines that the release of such information will be made under one of the circumstances set out above, OMU will provide Respondent with written notice; provided, however, OMU shall have no duty or obligation to the Respondent to withhold such information or take legal steps to protect the information from disclosure. Under no circumstances will OMU or any of its directors, management, employees, agents or contractors be liable for any damages resulting from the disclosure of the Respondent's claimed proprietary and confidential information during or after the RFP process. By submitting a proposal in response to this RFP, the Respondent acknowledges and agrees to the requirements in this provision concerning confidentiality.

H. Proposal Submittal and Due Date

Proposals are due NOT LATER THAN 3:00pm (CST) on August 26, 2022.

Proposals may be submitted via email and/or in a sealed envelope to:

Attn: Lynn Holland, Director of Finance & Accounting
Laura Chapman, Manager of Planning
Owensboro Municipal Utilities
2070 Tamarack Road
Owensboro, Kentucky 42301

Email: hollandjl@omu.org; chapmanls@omu.org
Subject: 2023 Cost of Service and Rate Design Study

It is recommended that proposals be submitted in both hard copy and via email.

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Proposal Pricing

Proposed pricing must be provided separately for the Electric Cost of Service and Rate Design Study (Electric Study) and the Water Cost of Service and Rate Design Study (Water Study), and for the 5-year financial plan option for each Study. A Fee Schedule listing all relevant fees related to all work proposed shall be submitted.

Proposed pricing must remain valid and binding through at least September 30, 2022 and through the execution of the Agreement, if proposal is awarded.

Company Name:

ELECTRIC STUDY	
A. Estimate Cost for Scope of Work Described for Electric Cost of Service and Rate Design Study:	\$
B. Estimate Cost for Scope of Work Described for Electric 5-Year Financial Plan:	\$
C. Total Estimated Cost:	\$
Provide a breakdown of Project Man-hours for each of the two items above:	
A. Electric Cost of Service and Rate Design Study:	Number of Estimated Hours
Example: Project Manager	XX Hours
B. Electric 5-Year Financial Plan	
Example: Project Manager	XX Hours
WATER STUDY	
A. Estimate Cost for Scope of Work Described for Water Cost of Service and Rate Design Study:	\$
B. Estimate Cost for Scope of Work Described for Water 5-Year Financial Plan:	\$
C. Total Estimated Cost:	\$
Provide a breakdown of Project Man-hours for each of the two items above:	
A. Water Cost of Service and Rate Design Study:	Number of Estimated Hours
Example: Project Manager	XX Hours
B. Water 5-Year Financial Plan:	
Example: Project Manager	XX Hours

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Company Representative

Name:	Title:
Telephone:	Email:

OMU reserves the right to modify requested services and/or terminate services at any time after completion of the Electric Study requirements

Appendix 1 – OMU Electric Rate Ordinance (26 pages)

Appendix 2 – OMU Water Rate Ordinance (6 pages)

Appendix 3 – OMU FY 2020-2021 Audit Report (85 pages)