



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: OCTOBER 24, 2016

ITEM NO: 7

SUBJECT: SECOND AMENDMENT TO THE PROFESSIONAL CONSULTANT SERVICES FOR ELECTRIC COST OF SERVICE AND RATE DESIGN PROJECT - ASSIGNING THE AGREEMENT TO NEWGEN STRATEGIES & SOLUTIONS, LLC, EXTENDING THE TERM TO APRIL 30, 2018, AND INCREASING THE CONTRACT BY \$85,820 FOR A TOTAL CONTRACT AMOUNT OF \$231,970

ISSUE:

The item for Board of Public Utilities consideration is approval of a Second Amendment to the Professional Services Agreement (Agreement) for the Electric Cost of Service Analysis and Rate Design Project, to assign the Agreement from Leidos Engineering, LLC., of Denver, Colorado to NewGen Strategies and Solutions, LLC, of Lakewood, Colorado, extend the term of the Agreement to April 30, 2018, and increase the Agreement by \$85,820 to a revised contract amount of \$231,970.

RECOMMENDATION:

That the Board of Public Utilities:

1. Approve the Assignment Agreement between City of Riverside, Leidos Engineering, LLC., of Denver, Colorado to NewGen Strategies and Solutions, LLC, of Lakewood, Colorado, approving the assignment of the Professional Services Agreement for the Electric Cost of Service Analysis and Rate Design Project to NewGen Strategies and Solutions, LLC; and
2. Approve the Second Amendment to the Professional Services Agreement for the Electric Cost of Service Analysis and Rate Design Project to extend the term of the Agreement to April 30, 2018, and increase the Agreement by \$85,820 to a revised contract amount of \$231,970.

BACKGROUND:

On July 10, 2015, the Board of Public Utilities (Board) approved the Agreement with Leidos Engineering, LLC, of Denver, Colorado, (Leidos), for the purpose of conducting an Electric Cost of Service Analysis and Rate Design Project ("the Project") for Riverside Public Utilities. The Project is a critical component of Utility 2.0 and the Thriving Financially Roadmap. The scope of the Project focuses on three areas:

- Phase 1 – Cost of Service Analysis at Current Rates;
- Phase 2 – Electric Utility Rate Trends Analysis; and
- Phase 3 – Rate Design Recommendations.

The work for the three phases is a coordinated effort between RPU staff and consultants. Current tentative presentation dates to the Board are June through August 2017.

Conceptual approval of Utility 2.0 and incorporating numerous financial scenarios into the 10 year financial proforma resulted in a delay in schedule from the original implementation date and required additional effort by RPU staff and Leidos. Additional effort was also required due to the complexity of the analysis of future rate options and determining rate alternatives. These issues combined required additional meetings between RPU staff and consultants. The First Amendment to the Agreement with Leidos approved on

May 23, 2016 extended the contract through April 30, 2017 and increased the original Agreement by \$21,150 to a revised contract amount of \$146,150.

During the course of the Project, updated information has become available that should be incorporated into the Project including the following:

1. Updated retail sales forecasts
2. Current customer usage data and billing information
3. Updated 10 year financial proforma
4. Consideration of additional rate design alternatives

The updated retail sales forecasts include the impacts of energy efficiency, distribution generation including solar, and slower than anticipated load growth. These factors combined reduce the retail sales forecasts which is consistent with industry trends reflecting minimal to negative load growth.

Current customer usage data from the new customer information system will also be incorporated into the Project. The monthly customer usage data from the previous customer information system included activity through fiscal year ending June 30, 2014. The new monthly customer usage data will provide customer account activity through fiscal year ending June 30, 2016 and include current trends in retail customer sales. The customer usage data will assist in allocating costs to customer classes to determine revenue requirement by class and to determine the impact of alternative rate designs by customer class and individual customer.

The Project will also incorporate the updated 10 year financial proforma which includes current financial information, updated retail sales forecasts, and revised financial and capital improvement plan projections, all of which incorporate Utility 2.0 and the various options presented to Board and City Council. In addition, changes in the electric utility industry have occurred during the course of the project, including new rate structures to address utility concerns across the country. Additional rate design alternatives may be considered and analyzed including methods of recovering fixed costs and rate adjustment mechanism for costs such as power supply and regulatory compliance costs.

The Second Amendment to the Agreement with NewGen will extended the contract through April 30, 2018 and increase the Agreement by \$85,820 to a revised contract amount of \$231,970 to provide sufficient time and funding for project completion and presentations to the Board and City Council.

This Second Amendment also includes an assignment from Leidos to NewGen Strategies and Solutions, LLC, of Lakewood, Colorado (NewGen). In April 2016, staff was informed by Leidos that key personnel assigned to the Electric Cost of Service Analysis and Rate Design Project were provided an early, voluntary retirement packages plans which they opted to take. Our key consultant on the Project moved to NewGen. In the best interests of RPU, in working with legal and purchasing divisions, staff elected to continue the Agreement with Leidos requiring them to provide continuity of the project by subcontracting with NewGen as allowed in the Agreement. At this time, staff recommends assigning the entire Project to NewGen to have the original key consultant and supporting team complete the Project.

FISCAL IMPACT:

The total cost of the second amendment is estimated to be \$85,820. Sufficient funds are available in Public Utilities Administration Professional Services Account No. 6000000-421000.

Prepared by:	Laura Chavez-Nomura, Utilities Assistant General Manager/Finance
Approved by:	Girish Balachandran, Utilities General Manager
Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Guess, City Attorney

Certifies availability

of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

Attachments:

1. Assignment Agreement
2. Second Amendment to Professional Consultant Services Agreement – NewGen Strategies and Solutions, of Lakewood, Colorado