

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES
2021

DATE: SEPTEMBER 27,

SUBJECT: PROFESSIONAL CONSULTANT SERVICES AGREEMENT FROM RFP NO. 2074 FOR ELECTRIC COST OF SERVICE ANALYSIS AND RATE DESIGN WITH NEWGEN STRATEGIES AND SOLUTIONS, LLC FOR A TERM TO DECEMBER 31, 2023 WITH AN OPTIONAL 2 YEAR EXTENSION, IN THE AMOUNT OF \$127,604

ISSUE:

Consider approving a Professional Consultant Services Agreement from RFP No. 2074 for Electric Cost of Service Analysis and Rate Design with NewGen Strategies and Solutions, LLC., for a term to December 31, 2023 with an optional two-year extension, in the amount of \$127,604.

RECOMMENDATION:

That the Board of Public Utilities:

1. Approve Professional Consultant Services Agreement from RFP No. 2074 for Electric Cost of Service Analysis and Rate Design with NewGen Strategies and Solutions, LLC., for a term to December 31, 2023; and
2. Authorize the City Manager, or his designee, to execute the optional two year contract extension.

BACKGROUND:

As Riverside Public Utilities (RPU) plans for its future, a cost-of-service analysis and rate design project is necessary for financial planning purposes as well as to design future rate adjustments beyond the current electric utility five-year rate plan that includes a final year rate adjustment effective January 1, 2023. Some issues RPU has identified for determining future revenue requirements and designing rates include:

- Changing Industry and Regulatory Requirements –The impacts of distributed generation, electric vehicles, and renewable energy portfolio requirements need to be considered along with changes in local, state, and federal regulatory requirements. This includes the City of Riverside’s strategic goal of reaching 100% zero-carbon electricity production by 2040 while continuing to ensure safe, reliable, and affordable energy for all residents.
- Operating and Infrastructure Costs –The costs of production, transmission, distribution, and funding for capital improvements to meet the Electric Utility’s aging infrastructure

needs are all components of rates. These components will be analyzed in a comprehensive cost of service analysis to determine current and forecasted overall revenue requirements. While a majority of the Electric Utility's costs are fixed, most of the revenue from retail sales are variable. The project will consider the ability to adequately recover fixed costs as conservation, energy efficiency, and customer owned self-generation cause sales to decrease.

- **Cost Allocation Between Customer Rate Classes** – It is essential to identify the cost to serve the City's customers and to ensure equitable allocation of cost responsibility among the customer classes.

RPU's previous Electric Cost of Service Analysis and Rate Design Project was completed in 2018 in support of the current electric utility five-year rate plan. Due to continued changes in the electric industry and the economic impacts of the COVID-19 pandemic, an updated electric cost of service analysis and rate design project is necessary to address the areas of full cost recovery, determining revenue requirements, and designing future rates beyond the current electric utility five-year rate plan.

The Electric Cost of Service Analysis and Rate Design Project will provide a comprehensive review of all rate schedules, forecast of future revenue requirements, equitable allocation of costs among customer classes, an electric utility rate trends study, and a five-year rate design recommendation.

DISCUSSION:

On January 20, 2021, staff issued RFP No. 2074 for consulting firms with experience in preparing an Electric Cost of Service Analysis and Rate Design Project. On March 3, 2021, proposals were received from six consultants. One consultant submitted an incomplete proposal and was deemed non-responsive.

RPU staff completed the review, interviews, evaluation and scoring of the five proposals on qualifications, pricing, experience, professional references, demonstration of the cost of service model, and overall project approach. NewGen Strategies and Solutions, LLC (NewGen) received the highest scores and was chosen as the most qualified. Although NewGen's pricing proposal was not the lowest, the combination of the weight factor for pricing and project hours, along with the higher scores in qualifications, experience, professional references, demonstration of the cost of service model, and overall project approach established them as the most qualified consultant to complete this project. NewGen also completed RPU's 2018 Electric Cost of Service Analysis and Rate Design Project in support of the current electric utility five-year rate plan.

The table below includes the proposal amounts and rankings for phases I through III of the Electric Cost of Service Analysis and Rate Design Project including the cost of service analysis, electric utility rate trends study, and rate design recommendation.

Company	City, State	RFP Proposal Amount	Rank
NewGen Strategies and Solutions, LLC	Lakewood, CO	\$74,238	1
EES Consulting	Marietta, GA	\$43,730	2
Leidos Engineering, LLC	Reston, VA	\$78,740	3

PA Consulting Group, Inc	Los Angeles, CA	\$163,410	4
ScottMadden, Inc	Westborough, MA	\$173,480	5
TerraVerde Energy, LLC*	San Francisco, CA	\$0	6

*Non-Responsive

In addition to the proposals for Phases I through III, staff negotiated additional enhancements to the Electric Cost of Service Analysis and Rate Design Project and other related services. Under Phase IV Enhancements or Recommendations by Company for Consideration, NewGen will design a customer impact rate design model for the entire RPU billing database and provide a comprehensive and complete bill impact statistical analysis of all rate design impacts to all customers. Under Phase V Other Related Services, NewGen will provide a review of the proposed Self-Generation Program which establishes a new program for RPU customers installing qualifying renewable electric generation facilities including solar, wind and other renewable resources.

Staff has included opportunities to incorporate the public and stakeholder outreach feedback into the analysis performed by the consultant to ensure a transparent and open process.

NewGen Strategies and Solutions, LLC	Amount
Phases I, II, and III- Cost of Service Analysis, Rate Trends Study, Rate Design	\$74,238
Phase IV- Customer Impact Rate Design Model	\$5,508
Phase V- Self-Generation Program Review	\$47,858
Grand Total	\$127,604

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23256.

STRATEGIC PLAN ALIGNMENT:

The Electric Cost of Service Analysis and Rate Design Project supports the City Council Strategic Plan 2025 Priorities and Goals for:

Infrastructure, Mobility & Connectivity:

Goal 6.2. Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The Electric Cost of Service Analysis and Rate Design Project aligns with the City Council's Strategic Plan 2025 Cross-Cutting Thread themes:

1. **Community Trust** –The Electric Cost of Service Analysis and Rate Design Project is transparent and developed with our customers' and the community's wellbeing as a top priority.
2. **Equity** –The Electric Cost of Service Analysis and Rate Design Project includes an equitable allocation of costs among customer classes which is incorporated into the resulting rate design recommendation.

3. **Fiscal Responsibility** – The Electric Cost of Service Analysis and Rate Design Project incorporates a forecasted revenue requirement that includes operating and capital expenditures funded by the prudent use of rate revenue, bond proceeds, and reserves.
4. **Innovation** –The Electric Cost of Service Analysis and Rate Design Project includes the Electric Utility Rate Trend Study that evaluates emerging rate structures, technologies, and trends and how they may apply or be implemented by RPU.
5. **Sustainability & Resiliency** – The Electric Cost of Service Analysis and Rate Design Project will design future rates for a five-year period to equitably recover costs while maintaining the financial health of RPU.

FISCAL IMPACT:

The agreement is in the amount of \$127,604. Sufficient funds are budgeted and available in the Management Services Professional Services Account No. 6000000-421000. If additional funds are needed for the optional two year extension, staff will include the funding in future year budgets and will return to the Board to add funding to the contract.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Business and Customer Services
Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Certifies availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Attachments:

1. Professional Consultant Services Agreement
2. Award Recommendation
3. Presentation