

Request for Proposals for Rate Study & Design

Lockwood Water & Sewer District (hereinafter referred to as “the District”) is requesting proposals from qualified firms (hereinafter referred to as “Firm”) for professional services to conduct a cost of service rate study for the District’s water and wastewater utilities and recommend changes to the rate structures and rate adjustments to fully cover the costs of operating, maintaining and upgrading the water and wastewater systems. It is expected that the selection will be made and work can commence by June 2016. Please submit a copy of the proposal electronically to:

Mike Ariztia
mikea@lockwoodwater.com

and mail 5 hard copies of the Proposal to Lockwood Water & Sewer District 1644 Old Hardin Rd. Billings, MT 59101. Deadline for submission is no later than 5:00 p.m., Friday, 13 May, 2016. Please direct your questions regarding this RFP to Mike Ariztia, at (406) 259-4120 or mikea@lockwoodwater.com.

BACKGROUND

The Lockwood Water & Sewer District is part of unincorporated Yellowstone County and is located southeast of the City of Billings. The nominal capacity of the water treatment plant is 3 million gallons per day. Treatment consists of coagulation, settling, filtration, and disinfection. The distribution system has approximately 45 miles of main lines ranging up to 24 inches in diameter and serves more than 6,000 people. There are 3 storage reservoirs with a capacity of 1.8 million gallons. A self-service bulk water “salesman” is located at 1644 Old Hardin Road for cistern owners. The salesman accepts quarters and bills and operates 24 hours a day, 7 days a week.

Construction of the sewer system began in July of 2009 with Phase 1. Phase 1 consisted of 2 two lift stations, trunk mains and a force main that tied into the City of Billings. Phase 1 customers consisted mainly of commercial and industrial businesses. Phase 2 of the project began in October of 2015 and moved into the residential neighborhoods with the construction of approximately 43,000 lf of new sewer mains.

Currently the largest water customer of the District is Yellowstone Energy LP Billings Generation Inc, the largest sewer and second largest water user is the Aspen Air Corp. Lockwood Water & Sewer District is currently in negotiations with Exxon Mobil to provide sewer collection service to transport their wastewater to the City of Billings wastewater treatment plant. Should this agreement come to fruition Exxon would become the Districts largest industrial user and contribute flows into the system greater than all existing customers combined.

RATE DESIGN DEVELOPMENT

The District seeks to ensure our utility rate(s) cover the true cost of providing water and sewer services to our customers. This includes but is not limited to: treatment costs, O & M and equipment repair and replacement costs, maintaining appropriate working capital and cash balances as well as meeting debt service requirements, and capital improvements needs. In doing so, the proposed rate/fee structure shall ensure an equitable treatment of all charges on future and current users.

Specific Issues for Consideration: The Consultant shall develop a utility rate mode by addressing, at a minimum, the following requirements:

- A detailed review of existing water and sewer rate structure
- Adequate and equitable usage and basic charges

- Review the District's current water and sewer connection/System Development fees that would fund Capital Improvement Projects (CIPs) for new service locations and assess its suitability for cost recovery to existing system.
- Long term debt, City of Billings System Development Fees and Reserve Capacity charges, current and future.

Study Requirements (Tasks):

- Assess revenue needs for the next five-year planning period (2017 – 2022), to include adequate coverage for operations and maintenance, capital projects and program activities and debt service.
- Review proposed capital improvement plan and total projected project costs
- Review financial history, including revenues and expenses, and current rate and fee structure
- Review annual and peak requirements and usage by customer class
- Examine customer database and review current customer classifications
- Identify largest users and determine if users are being charged appropriately based on usage in comparison to other users.
- Review and development of hookup/construction related costs and revenues
- Analyze and evaluate existing rate structure with regard to changing patterns of consumption, growth in customer base, annual revenues from rates, demands on rate revenue and the effects of conservation on annual revenues any future resources needs. Provide recommendations based on findings.
- Examine adequacy of reserves for operating revenues and capital projects to determine sufficient levels to offset low consumption/revenue years while also reducing spikes in annual rate increases.
- Examine the District's use of Debt financing for capital improvements and make recommendations related to its uses and limitations relative to maintaining a proper balance for debt coverage and rate stabilization over this five-year period.
- Consultant shall structure proposed rate schedules on the basic premise that each customer should be classified and served under a schedule that will cover all costs of that customer's service plus return a reasonable margin for proper operating reserves, capital Improvements and adequate inventories. New rate schedules must classify each customer into the fewest possible reasonable classifications.
- Other Service Charges: Assess existing customer service fee structure and identify other potential areas for service and system charges (account set up, Pre-Treatment programs, etc.) and recommend changes, if appropriate.
- Consultant shall provide a comparison of current and proposed rates to surrounding utilities.
- In addition to the actual study, analysis and rate recommendations, consultant will be required to provide necessary materials and be present to present information to the LWSD Board during the public meeting process as required by Montana law.
- The rate study shall include an easy-to-use electronic model in Microsoft Excel or other agreed to program to be used by the City for future rate setting.
- Review existing reserves as they relate to rates.
- Review existing agreement with the City of Billings for wastewater treatment to include existing rates and fees paid by LWSD to the City.
- Make recommendations for modifications/alternatives to the wastewater agreement that could benefit Lockwood.

Rate Design Investigation: Utility rate modeling, and associated long-range forecasting of revenue and expenses, necessitates careful scrutiny of available data upon which a study is predicated so that the model can be implemented with confidence and with reasonable certainty of fairness and equity. Evaluation of accepted policies, practices and procedures to ensure model reliability,

predictability and rate stability over the long term is essential for model usefulness. Accordingly, Consultant shall meet with District Staff to review and discuss available documentation including, but not limited to, Utility Billing records, historical budget documents and audit reports, resolutions, policies, and operation and maintenance practices.

Reporting: The Consultant is to present the findings and conclusions of the tasks in the rate study final report in a clear and concise manner. The report should include detailed recommendations for changes, if any, to current practices and/or procedures. Provide a schedule for timely and coordinated execution of all essential aspects of the report. A written report supporting the recommendations and presentation to management is required. A summary presentation to the Board of Directors will be requested during a regularly scheduled public with material to support.

COMPLETION EXPECTATIONS

The District expects the Rate Design Development to be completed no later than September 30, 2016. This may necessitate that some work be done on parallel paths.

Assist with Plan Implementation: The Consultant shall be prepared to assist the District in implementing any new or revised rate schedules, to include attendance at several anticipated rate hearings.

PROPOSAL FORMAT AND CONTENT

Please review this RFP carefully to ensure your understanding of all District requirements prior to developing your proposal. Proposals shall clearly reflect an understanding of and agreement with the stated requirements. Submission of a proposal indicates acceptance of the conditions contained in the RFP unless clearly indicated otherwise.

Prepare and submit the following in a brief, narrative format or other stated format (in the order noted). Proposals will be limited to cover letter plus 10 pages and resumes:

1. Cover Letter

- A one page cover letter and introduction that includes the request for proposal subject. The name of the firm, name of the contact person, local address, telephone number, fax number, email address and date.

2. Basic Information

- Subconsultant(s)' name(s).
- State the office location(s) where the services and work will be performed, and identify the office location(s) and percentage of activities of other offices/subconsultant offices involved in performing the services and work.

2. Firm Experience

Provide the following information, with a particular emphasis on experience that relates to cost of services and rate studies, and related functions:

- Provide a narrative description of the company and why it is best-qualified to provide the desired services
- Describe the general experience and specialties of the company
- Identify specific experience with cost of service and rate studies

3. Proposed Team

- Describe the composition of the team, including staff from other than the local office, and consultants. Include resumes of each person identified

- Identify the supervisors and consultants who will work on the rate study and include resumes of each person so identified.
- Provide qualifications, relevant experience, and training of the specific staff to be assigned to this agreement.
- Provide the percentage of time available that team members will be available to dedicate to the project.

4. References

- List 3-5 project references, including contact names and telephone numbers for projects of comparable size and scope performed by the key personnel listed above. To the extent any references for individual employees of either the Consultant or subconsultant are different from those noted in the previous section, they should also be provided.
- Provide an example of a recently completed rate study.

5. Work Summary

Provide a narrative description summarizing the expected tasks and activities, with a description of the analysis, reports and participation, which the Consultant expects to provide pertaining to that activity. This would include a summary of the steps to be completed to accomplish the scope of work, approaches to the project, and your firm's understanding of the project requirements.

6. Work Plan and Project Schedule

Describe the scope of the required services to be provided and outline a plan on how such services will be provided. Please include depth of work, staffing time estimates. Proposers should list all reports that are to be issued, the points to be addressed by reports, parameters of recommendations and the estimated completion dates. Provide a project schedule that includes the estimated time required to complete each step in the scope of work. The plan must include an appropriate number of kick-off and regular meetings, information gathering and disseminating sessions, and updates with key District personnel to understand and discuss the District's issues and concerns. Ensure a sufficient number of meetings with District Staff to provide Staff with preliminary findings and strategies based upon the available data.

7. Cost Data

Indicate the total hours and hourly rates by staff classification and the resulting all-inclusive maximum fee (not to exceed total) for which the requested work will be done for each of the specific deliverables identified in this Request for Proposal. Fees must include all anticipated costs including travel, per diem, and out-of-pocket expenses.

District Furnished Documentation

The District will assist with data collection for whenever possible. Appropriate District Staff will be made available for interviews and to gather data the Consultant determines is essential to complete the cost of service analysis, rate study models, and final reports. Proposal must be clear in addressing what the District will be expected to assist with. Therefore, provide a description of required documentation and estimated time and effort required by District Staff to assist in the preparation of the work plan and study.

Information and Proposal Submittals

Questions should be directed to:

Mike Ariztia, District Manager
Lockwood Water & Sewer District
1644 Old Hardin Rd.
Billings, MT 59101
(406) 259-4120

Please print **"Professional Rate Analysis Proposal"** on the outside of the response package and provide (5) copies of the proposal. All responses must be received by 5:00 P.M on May 13, 2016

Sealed Response Packets should be directed to:

Lockwood Water & Sewer District
Attn: Mike Ariztia, District Manager
1644 Old Hardin Rd.
Billings, MT 59101