



CITY OF
BAINBRIDGE ISLAND

CITY OF BAINBRIDGE ISLAND, WASHINGTON

REQUEST FOR PROPOSALS

March 10, 2016

ELECTRIC UTILITY MUNICIPALIZATION

FEASIBILITY STUDY

**PROPOSALS TO BE RECEIVED UNTIL
4:00 P.M. ON APRIL 15, 2016**

Douglas Schulze, City Manager
Barry Loveless, Director of Public Works
City of Bainbridge Island, Washington
280 Madison Ave N
Bainbridge Island, WA 98110

I. Introduction and Purpose

The City of Bainbridge Island (“COBI”) is soliciting proposals from qualified and responsive firms to provide professional and technical consulting services to assist staff with economic and technical analyses to evaluate the potential benefits and costs of forming and operating a municipal electric utility to serve the residents and businesses on Bainbridge Island.

These analyses will be used in the first instance to inform the Council of COBI as to the relative benefits and costs of forming and operating a municipal electric utility to serve Bainbridge Island, compared to continuing to receive electric service from Puget Sound Energy (“PSE”). These analyses will likely be used, together with other materials, to inform the voters when that matter is placed on the ballot.

II. Background and Project Description

COBI is an incorporated municipality that encompasses all of Bainbridge Island, and is the home of over 23,000 residents. Residents and businesses of Bainbridge Island currently receive electric service from PSE, an investor-owned utility regulated by the Washington Utilities and Transportation Commission, and operating under a franchise agreement with COBI that will expire in 2022. This franchise agreement does not prohibit formation of a municipal electric utility by COBI prior to its expiration.

In 2015, a group of Bainbridge Island residents formed a grass-roots organization for the purpose of promoting the creation of a municipal utility to provide electric service to Bainbridge Island residents and businesses. As a result of these efforts, the Council decided to conduct a study to evaluate whether creation of a not-for-profit utility to provide electric service in place of PSE would be of benefit to the residents and businesses of Bainbridge Island. Doing so would involve acquiring and operating as a not-for-profit utility the electric utility properties located on Bainbridge Island that are currently owned and operated by PSE. While the idea of a not-for-profit utility to replace PSE was discussed in 2000 when PSE’s current franchise was under consideration, no formal action on that idea was taken at that time by the Council. This will be the first time the matter of forming a not-for-profit utility has been subjected to analysis as contemplated by this RFP.

In addition to determining the operational and financial benefits and costs of forming a municipal electric utility to serve Bainbridge Island as compared to continued service from PSE, the Council is also interested in understanding the process to be followed to form such a municipal utility. Further, the Council would like to understand if establishing such a municipal utility would open up synergies that are not currently available, particularly in the areas of increasing local control over energy sources serving Bainbridge Island, the ability to diversify energy sources, fostering economic development, decreasing greenhouse gas emissions, and increasing system reliability and power quality.

Finally, while the focus of this RFP is an analysis of the feasibility of establishing a municipal electric utility, the Council is also interested in gaining knowledge and a better understanding of 1) the benefits and costs associated with other forms of not-for-profit utilities, such as a public utility district or a cooperative, and 2) the additional benefits of other services, such as city-owned broadband, that would be a possible adjunct benefit to local utility ownership.

III. Scope of Work

The following is the scope of work to be completed by the consultant on a "fee-for-service" basis as determined by staff.

Engineering/Facilities/Network

Task 1. Prepare a boundary map of the proposed service area. This map should also delineate the transmission, substation and distribution system facilities on Bainbridge Island necessary to provide such service, and the point at which the municipal utility would interconnect with the transmission grid. The map should reflect proximity to transmission lines.

Task 2. Using historic, econometric and other data as appropriate, prepare projections of potential electrical load and numbers of customers to be served (by category—residential, commercial, industrial) by a municipal electric utility over a 20-year horizon. The projections of potential loads should include energy and capacity loads, as well as diurnal, monthly and annual load shapes. Such projections should take into account distributed generation, energy efficiency and demand response efforts, as well as programs currently available and which may be available in the future to Bonneville Power Administration (“BPA”) requirements customers promoting such activities.

Task 3. Determine which facilities would likely need to be acquired and/or constructed as part of the establishment of a new municipal electric utility (e.g., transmission, sub-transmission and substation facilities; operations center, warehousing and pole yard). Address the potential advantages and disadvantages of municipal ownership of distribution facilities, and any transmission facilities and/or substations needed to provide service on Bainbridge Island. Identify any system capital improvements planned for installation on Bainbridge Island by PSE in the next five (5) years, and for the subsequent fifteen (15) years if available. A thorough understanding and documentation of PSE planned system enhancements will allow the Council to consider what a “no action” alternative would entail (if there is agreement to continue to receive service from PSE).

Task 4. If applicable, identify potential severance issues at the boundaries of the acquisition area to be served by the municipal electric utility.

Task 5. If applicable, provide a general assessment of the existing distribution facilities (and any necessary transmission and substations) including age, condition, and state of technology (e.g., metering, power quality enhancements) located on Bainbridge Island and necessary to provide electric service with a municipal electric utility. The number and type of smart meters currently in use on Bainbridge Island should also be provided.

Task 6. Provide an assessment of the availability of BPA power for a new municipal electric

utility, the availability of BPA transmission to deliver such power to Bainbridge Island, the likely rates at which such power and transmission service could be purchased from BPA over a 20-year horizon, and the steps that would need to be taken to access such BPA power and transmission.

Task 7. Assuming that the municipal electric utility procures its power supply from BPA, describe any energy efficiency programs currently available to and any expectations from BPA for such a municipal utility as a requirements customer of BPA, and any demand response and distributed generation programs or other assistance that is likely to become available in the future. Estimate over a 20-year horizon the energy efficiency, distributed generation and demand response resources that are likely to be achieved by such utility, compared to the energy efficiency, distributed generation and demand response resources likely to be achieved on Bainbridge Island under PSE during a comparable period. In making such estimates, impacts of the energy efficiency and capacity goals of the 7th Power Plan assigned to BPA and its requirements customers should be examined.

Operations/Finance/Economic Analysis

Task 8. Identify and recommend options and costs for a municipal utility to develop and/or contract for business systems to handle customer service, billings, collections, and systems that may be needed to perform operation and maintenance, such as crew dispatch and SCADA.

Task 9. Provide a reliable estimate of book value (OCLD) of the facilities that would likely need to be acquired by a municipal utility to provide electric service to Bainbridge Island, and an enumeration of the financial and operational risks that PSE may confront over a 20-year horizon.

Task 10. Provide an economic evaluation of municipal ownership and operation, including assumptions or derivations as to the potential acquisition costs, severance costs, operating and maintenance costs, likely annual capital investments and costs, power supply sources and costs, start-up and other non-recurring costs, lost tax revenues, lost franchise revenues and other key variables.

Task 11. Provide the expected annual revenue requirement for rates the first 20 years of operation needed to fund and operate a municipal electric utility, including identification of all major cost elements. Provide the expected annual revenue requirement with the same level of detail for rates for a comparable period for electric service to Bainbridge Island by PSE including costs of any decommissioning and remediation of any coal-fired generation, if applicable. Using the foregoing 20-year annual revenue requirement for the municipal electric utility and PSE's forecast retail rates for the same period, provide a comparison of forecast retail rates for the municipal electric utility and PSE for a 20-year period.

Task 12. Identify and recommend options for potential financing mechanisms, including an evaluation of their relative advantages and disadvantages.

Task 13. Provide a comparison of the retail rates for municipalities with electric utilities, such as the cities of Port Angeles, Ellensburg, Milton, Cheney and Steilacoom, with the retail rates charged by investor-owned utilities in nearby communities. Describe the types of governance approaches used by

cities with municipal electric utilities and their advantages and disadvantages, such as those employed by the cities of Seattle and Tacoma, Washington, and Eugene, Oregon.

Task 14. Provide a comparison of system acquisitions within the past 10 years showing the estimated book value, potential acquisition cost, and actual acquisition cost for each system.

Task 15. Identify the known or potential operational risks or concerns that should be considered by the COBI (such as response to major outages following a windstorm).

Other Considerations – (Tasks 16 – 19 will be considered as alternative tasks based on cost of work)

Task 16. Provide a list of potential socially responsible initiatives that COBI may consider as part of creating a municipal power entity, e.g. low interest loans, supplementing power to certain lower income homes, senior programs, etc.

Task 17. Provide listing of synergies and other benefits that might accrue to COBI, its residents and businesses, from the formation and operation of a municipal electric utility by COBI (such as the installation of broadband).

Task 18. Do a comparative risk and cost analysis including a “carbon tax” or a proxy “social cost of carbon” for a prospective COBI electric utility, assuming reliance on a BPA power supply, and a similar analysis for PSE and its power resources.

Task 19. If Task 12 demonstrates that a municipal utility would likely provide service to Bainbridge Island at retail rates lower than those of PSE for comparable service, opine on whether such rate differential or “dividend” could be used by the municipal utility to pursue investment in or development of renewable resources, undergrounding and/or enhanced reliability.

Legal/Process/Policy

Task 20. Identify the steps and costs required, along with a projected timeline, for COBI to form a municipal utility and acquire the electric distribution plant (including substations) currently operated by PSE, including all necessary approvals and/or permitting requirements.

Task 21. In cooperation with staff, prepare and present findings of the foregoing analyses at three (3) COBI scheduled public meetings.

Task 22. Provide in matrix format a comparison of the three forms of not-for-profit utilities (municipal, public utility district and cooperative), how they are similar to and/or differ, the relative advantages and disadvantages of each, and the steps required for their formation and their relative availability to provide electric service to Bainbridge Island.

IV. Desired Consultant Qualifications

Potential consultants shall have the following qualifications:

1. Qualified to obtain, analyze and interpret key energy data pertinent to COBI.
2. Qualified to make recommendations for preferred alternatives related to municipal electric utility formation options.
3. Qualified to evaluate and value electric distribution facilities.
4. Qualified to opine on applicable state and federal laws and studies of municipal acquisition projects.
5. Have thorough knowledge of regional wholesale power suppliers, transmission availability and alternative energy policies.
6. Qualified to perform economic feasibility analysis related to preferred municipal and supply options.

The consultant shall supply appropriate references for all qualifications cited above and current professional resumes of all key individuals proposed to provide services to COBI.

V. Proposal Requirements and Submittal Process

The written proposal must include a discussion of the proposer's approach to the project and to each task, a breakdown and explanation of the project tasks and products, a proposed project schedule, an estimate of costs by task and product, a list of completed feasibility studies to include acquisitions as well as clients who did not pursue acquisition, and documentation of the firm's and consultant's qualifications for the scope of work.

Five copies of the response proposals must be submitted to:

Barry Loveless
Director of Public Works
City of Bainbridge Island
280 Madison Ave N
Bainbridge Island, WA 98110
(206)842-2016

no later than 4:00 p.m. on April 15, 2016.

Proposals received by fax are not acceptable and will not be considered.

All questions relating to the content of the RFP must be in writing and mailed, faxed or emailed by 4:00 p.m. on April 1, 2016 to:

Barry Loveless
Director of Public Works
City of Bainbridge Island
280 Madison Ave N
Bainbridge Island, WA 98110
(206)780-3710 (fax)
bloveless@bainbridgewa.gov

Answers will be provided in writing no later than April 10, 2016. Please include the company name, contact person name and fax number/email address with your inquiry.

VI. Consultant Selection Process and Evaluation Criteria

Consultants will be evaluated based on the following criteria:

Responsiveness of the proposal to the RFP
Understanding of and approach to the project
Qualifications and experience of those persons completing the work
Comparable project experience and information from references
Proposed cost to complete the project and budget monitoring/coordination

COBI reserves the right to reject any proposal and may elect to make a decision or selection without further discussion or negotiation. This RFP shall not be construed as a contract or agreement of any kind. COBI will not be liable for any costs or expenses incurred in the preparation of a proposal and may withdraw or modify this RFP at any time.