

Hillsdale Board of Public Utilities
45 Monroe Street
Hillsdale, Michigan 49242-0279
Telephone: 517/437-3387
Fax: 517/437-3388



May 31, 2019

Request for Proposal
Electric, Water, And Sewer Cost of Service & Rate Design Study
And
Cash Reserve Policy

Three (3) copies of your proposal shall be delivered to the Hillsdale Board of Public Utilities office at 45 Monroe Street, Hillsdale, MI, 49242 on or before 3:00 p.m. local time, June 26, 2019. The projected award of this project is anticipated on July 16, 2019. Your submittal should outline the proposed scope of work and basis of compensation for the rendering of the study services and policy creation as appropriate for the project to be described below.

Please direct any questions you may have to Chris McArthur, Director at 517-437-3387 or at cmcarthur@hillsdalebpu.com or Bonnie Tew, Director of Finance at 517-437-3387 or btew@cityofhillsdale.org.

BACKGROUND

The Hillsdale Board of Public Utilities (BPU) serves approximately 6,000 electric customers with 2,300 of those customers outside the city limits. The BPU also provides water and sewer service to approximately 3,700 customers within the city limits. Our customer base consists of residential, commercial and industrial customers. The BPU is requesting a comprehensive electric, water, and sewer cost of service study and rate design. Along with that, the current cash reserve policy needs to be updated that encompasses all three departments.

The rate study should include a financial planning model to provide information to assist in the following:

- Determine the cost of providing service to each class of customer.
- Rate impacts of capital projects and financing alternatives.
- Development of a long-term financial plan to ensure the utility remains financially stable.

- Development of a long-term rate track to smooth out large rate adjustments and minimize rate impact on customers.

The cash reserve policy shall be created for the whole of the BPU and should take into account the following:

- Ensure funds exist to pay expenses.
- Fund normal capital improvements from reserves to maintain system reliability.
- Help ensure future management, Boards and Councils will continue to maintain adequate reserve levels.

SCOPE OF PROJECT

The scope of the project shall include the following:

1. Review Relevant Reports
 - a. Review current rate structures
 - b. Review outstanding bond issues
 - c. Review ordinances related to utility
 - d. Review capital construction plan for utility

The Consultant shall review the current administrative allocations, City Charter, rules & regulations, ordinances and Strategic Plan related to electric, water, and sewer cost of service study and the overall cash reserve policy. The Cash Reserve Policy is critical to determine the amount of cash reserves for day-to-day operation, emergencies and future capital improvements. The Consultant shall identify an appropriate minimum amount of cash reserves needed to meet the current and future needs of the utilities.

2. Cost of Service Analysis
 - a. Determine revenue requirements.
 - b. Provide long-range financial model with the ability to modify expenditures, debt service, growth projections and financing alternatives.
 - c. Review and forecast sales and revenues.
 - d. Develop allocation factors for each expenditure item.
 - e. Determine cost of service for customers.
 - f. Review utility rate classes and recommend additional rate classes or combining of existing rate classes as needed.
 - g. Determine appropriate equipment replacement funding.
 - h. Provide guidance and recommendation on appropriate cash reserves and target net income for the utility.
 - i. Provide rate comparison survey to compare Hillsdale BPU rates with area communities and other members of MSCPA.
 - j. Work with utility management in the design of the utility rates.

- k. Provide assistance on recommendations related to Power Cost Adjustment.
 - l. Unbundle rates to accurately account for fixed costs.
3. Cash Reserve Policy
 - a. Determine minimum cash reserves to have on hand per utility for day to day operations, emergencies and capital improvements.
 - b. Prepare policy to be presented to Board and City Council for approval.
 - c. Prepare implementation plan for policy.
4. The Consultant shall provide 20 copies of the final study and policy when completed. Electronic copies shall also be delivered.
5. The scope of services for this project shall include the Consultant furnishing all personnel and equipment to accomplish the study and policy.

MEETINGS AND PRESENTATION

The Consultant shall meet with BPU staff to review the draft study and draft policy. The Consultant shall present the final report to the BPU Board and also to the City Council.

FEE PROPOSAL

Compensation for the above services shall be on an hourly rate plus expenses, with a not-to-exceed cost amount. Please attach your hourly rates, estimated hours and expenses, and state a not-to-exceed amount in your proposal.

EXPERIENCE AND QUALIFICATIONS

- Your proposal should state the proposed principal consultant and all sub-contractors that will be working on this project.
- List at least five (5) similar projects with other utilities and provide contact persons with telephone numbers.
- Submit one (1) copy of a cost of service and rate design study and one (1) cash reserve policy that your firm has performed for a similar size utility.
- State your proposed schedule for completion of the study. The BPU anticipated implementation date of the rates and policy is October 1, 2019.

The Hillsdale Board of Public Utilities retains the right to accept, reject or modify any and all proposals, and/or to waive any irregularities so as to benefit the Hillsdale Board of Public Utilities.

Please feel free to contact either Chris McArthur or Bonnie Tew at 517-437-3387 if you would like additional information.

Sincerely,

Chris McArthur
Director