

Louisiana Public Service Commission



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Deputy Undersecretary

December 15, 2017

VIA EMAIL

Re: Docket No. TBD In re: Statewide Consolidation of Utilities Inc. of Louisiana and Community Utilities of Louisiana, Inc. and establishment of formula rates

To all LPSC qualified consultants:

Enclosed please find a Request for Proposals ("RFP") for **outside independent technical consultant** issued by the Louisiana Public Service Commission for the above referenced subject. If your firm is interested in submitting a proposal, please review the RFP carefully to determine whether your firm meets the specific requirements to qualify for this representation.

All Proposals must include a showing that your firm possesses the requisite qualifications and experience to represent the Commission in this matter. Also, please note that all Proposals, including the **original, plus (5) five copies and an electronic copy** must be received on or before **January 5, 2018**. Selection of a consultant is anticipated to take place at the Commission's **January, 2018 Business and Executive Session**.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melanie A. Verzwylt".

Melanie A. Verzwylt
Staff Attorney

MAV/kst
Enclosure

RFP 17-20
LOUISIANA PUBLIC SERVICE COMMISSION
REQUEST FOR PROPOSALS (“RFP”)
December 15, 2017

DOCKET NO. TBD In re: Statewide consolidation of Utilities Inc. of Louisiana and Community Utilities of Louisiana, Inc. and establishment of formula rates.

The Louisiana Public Service Commission (“Commission” or “LPSC”), in accordance with the requirements of the LPSC General Order dated November 10, 2014, regarding the selection of contract employees (the “Contract Order”) to represent the Commission, issues this Request for Proposals (“RFP”) to **outside consultants** who will assist the Commission in its review of the upcoming filing by Utilities Inc. of Louisiana (“UIL”) and Community Utilities of Louisiana, Inc. (“CULI”) (the “Companies”) to consolidate their operations and establish a formula rate plan (“FRP”) or rate stabilization clause (“RSC”). It is anticipated that qualifying proposals will be placed on the January 2018 Open Session agenda for Commission consideration.

I. Background

UIL and CULI are subsidiaries of Utilities, Inc. (“UI”), an Illinois-based utility wholly owned by the Canadian corporation, Corix, Inc. UI has more than fifty years of experience in providing water and wastewater services to approximately 300,000 customers in 15 states. UIL was created and incorporated in 1993 and its former sister company, Louisiana Water Service (“LWS”), which has since been consolidated with UIL, was incorporated in 1982, both for the purpose of owning and operating water and wastewater utility systems within Louisiana. UIL and LWS were consolidated in 2016 and renamed UIL.

UI created CULI in 2014 and in 2015 CULI acquired the assets of the former Density system (“Density Assets”) and the former WTSO system (“WTSO Assets”). Following the acquisition, CULI began making improvements that would bring each system up to safety and environmental regulatory compliance standards. In 2016, CULI filed two separate proceedings seeking Commission approval of a rate increase for the Density Assets and the WTSO Assets. While each docket proceeded on separate procedural tracks, both were resolved by way of a global settlement. At its November 17, 2017 Open Session the Commission voted to approve the global settlement in Dockets U-34206 and U-34287, setting interim rates for the Density and WTSO Assets and requiring CULI to request consolidation with UIL.

Orders No. U-34206 and U-34287, dated December 11, 2017, require the Companies to make a filing no later than January 31, 2018, requesting statewide consolidation and establishment of an FRP/RSC. The Orders further require resolution of the docket no later than October 2018, provided that the initial filing and all necessary information are provided in a timely manner. The following excerpt from the order pertains to the instant RFP.

- a. *The Statewide Consolidation Filing will include a rate allocation and request for approval of a Formula Rate Plan/Rate Stabilization Clause.*
 - i. *An outside consultant should be hired to handle the formation of the FRP/RSC.*
 - ii. *The Commission will resolve the Statewide Consolidation Filing application via a Commission Order no later than October 2018 under the condition that the filing deadline of January 31, 2018 is met and that UIL/CULI respond to Staff inquiries in a timely manner.*
 - b. *In order to provide predictability, the Parties agree that a ROE range of 9.75% to 10.75% with a 10.25% midpoint will be used for the statewide consolidated company. Further details to establish an FRP/RSC will be determined during the Statewide Consolidation Filing docket.*
 - i. *In establishing a FRP/RSC in the Statewide Consolidation Filing docket, Staff will consider UIL and CULI's 2017 calendar year-end financials as well as any capital improvements made by CULI or UIL in the first quarter of 2018. Any first quarter 2018 improvements must be accompanied by documentation and support that costs were incurred.*
 - c. *Staff will put forth a recommendation for the consolidated company's ROE and capital structure based upon information presented and available in the Statewide Consolidation Filing docket.*
- 2) *Notice shall be given to customers prior to implementation of rates established in the Statewide Consolidation Filing docket by virtue of bill inserts and the Company will hold town hall meetings (or group town hall meetings) where necessary.*
 - 3) *Within 18 months of a Commission Order being issued in the Statewide Consolidation Filing docket, all water customers of UIL must be metered.*
 - a. *These costs can be recouped in the test year of the FRP/RSC that the costs are incurred.*

II. Scope of Representation

All proposals shall include an outline of a plan of action for conducting the review of the filing described above. Additionally, the consultant must be prepared to assist Commission Staff in drafting and responding to discovery, preparing direct and cross-answering testimony, reviewing and analyzing stipulation terms, testifying before an administrative law judge, and conducting informal meetings with the parties as necessary. However, the Commission and its Staff shall have the right to determine how the tasks will be carried out. In addition, all proposals shall be accompanied by a professional firm resume indicating the qualifications and experience necessary to meet the requirements of this RFP. Deviations from the requirements contained herein, or conditional bid amounts may result in rejection of the bid as non-conforming.

III. Period of Representation

The time period estimated to complete the Scope of Representation is approximately 12 months. However, this is merely an estimate and the Commission makes no representations as to the accuracy of the Period of Representation.

IV. Minimum Requirements

To be considered, all applicants must meet the following minimum requirements *in addition to those provided* in the Commissions General Order dated November 10, 2014. Consideration will be given to factors such as educational background and achievement, practical experience in the field of public utility practice and similar practice before other state public utility commissions; in addition to the applicant's knowledge of Louisiana ratemaking standards, regulatory law, and formula rate plans.

Applicants shall at a minimum be qualified and prepared to render expert testimony, and be cross-examined, with respect to all of the issues addressed in this RFP and which are likely to arise in the proceeding, including but not limited to:

- A. Appropriate accounting standards and practices for water and wastewater utilities, public utility accounting, and generally accepted auditing standards;
- B. The appropriate ratemaking adjustments to be made to the utility's accounting records;
- C. The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- D. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
- E. The cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
- F. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
- G. Health and environmental compliance standards for water and wastewater utilities;
- H. Just and reasonable costs and prudent investments associated with providing safe, reliable and quality service as recommended by NARUC; and

I. Depreciation and taxation.

All proposals shall include a plan of action, estimated timeline, and fees and costs associated with completing the scope of representation above. This will result in one proposal. However, in the event an applicant is chosen, Commission and its Staff shall have the right to determine how the tasks will be carried out. In addition, all proposals shall demonstrate that the Applicant has the qualifications and experience necessary to meet the requirements of this request for proposals. Applicants will only be considered if proposals meet all of the requirements of this request for proposals and the Commission's Contract Order.

V. Estimate of Costs

All proposals shall include fees and costs associated with consulting in the dockets. All applicants responding to this RFP shall quote their rates on an hourly basis and submit a total budget, and shall separate professional fees from costs. However, applicants shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, an applicant's rates and budget shall not be altered except by formal approval of the Commission.

VI. Conflict of Interest

Applicants shall prominently and separately disclose current, as well as past employment, which could possibly result in a conflict of interest. In addition, applicants shall disclose matters in which they currently represent clients before the Commission.

VII. Billing Guidelines

As required by the November 10, 2014 General Order, all bills will be rendered monthly and shall specifically identify and describe all work performed, the person performing such work, the time and charge for such work, and shall additionally show the total amount billed to date and the authorized original estimate. Bills will be rendered in strict accordance with the Commission's guidelines. Expenses shall also be separately disclosed with proof of such expenses attached.

Expenses, where applicable, shall be reimbursed at state authorized rates as specified in the Travel Policies and Procedures Memorandum issued by the State of Louisiana, Division of Administration in effect at the time such expenses are incurred ("Allowable Expenses"). Any expenses that exceed the Allowable Expenses shall be borne by the contract employee and shall not be reimbursed by either the Commission, or the correspondent utility, unless otherwise specified by the Commission.

VIII. Reservation of Rights

The LPSC reserves the right to reject any and all proposals, to amend and/or supplement this RFP at any time, and to consider proposals or modifications thereof received at any time prior to LPSC vote at Open Session, if such action is found by the LPSC to be in the public interest. Pursuant to the General Order regarding the selection of contract employees, the LPSC has the right to accept other than the lowest offer with regard to price. In addition, there is also no assurance, express or implied, that an award will necessarily be made pursuant to this RFP.

IX. Submission of Proposals

Interested parties should submit the **original (hard copy), 5 copies, and e-mail an electronic copy** of the proposal to:

Kim Trosclair
Louisiana Public Service Commission
Office of the General Counsel
602 North Fifth Street (Galvez Building) (70802)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154
Phone: (225) 342-9888
Fax: (225) 342-5610
Email: kim.trosclair@la.gov
melanie.v@la.gov

To be considered, an original, five copies, and the electronic copy of the proposal must be received on or before **January 5, 2018**. **Selection of consultants is anticipated to take place at the Commission's January 2018 Business and Executive Session**, the date of which will be determined at the Open Session held December 20, 2017 in Natchitoches, Louisiana. Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.