



City of McCleary

Memorandum

To: Mayor Miller
From: Todd Baun- Director of Public Works
Date: April 7, 2022- For April Council Meeting
Subject: Update: FCS Rate Study Contract

RECOMMENDATION

Please Accept and allow the Mayor to sign the Contract with FCS

BACKGROUND

In February/early March of 2022, we requested proposals for the development of a full cost allocation plan and a rate study update for our water, sewer (including storm) and electric utilities, including pole attachment fees. The intent of the study is to independently assess and evaluate the City's existing water, sewer and electric rates and pole attachment fees and provide recommendations. The broad objective of the study is to ensure the City can adequately fund the water, sewer and electric utility operations, capital costs, and bonded debt while minimizing rates to the greatest degree possible.

We sent the RFP to 25 firms and have received only one response, who is the FCS Group. A contract has been negotiated with FCS and provided for review.

We budgeted \$80,000 for this study in 2022. There are a couple of options that FCS has provided depending on the amount of work and detail that we would like to see. They are as follows:

- Option # 1—FCS added a couple of extra items into the scope to address cost-based rate development for Simpson Door Customer. In order to establish cost-based rates, they will need to perform a cost-of-service analysis, which requires a comprehensive review of billing data as well. The scope also includes connection charge development / updates for the water and sewer utilities. Contract budget with contingency would be \$113,505. That cost would add an additional \$14,760 in the Light and Power budget, \$5,380 each in the Water, Sewer, and Stormwater budgets.

Task	Allocation Plan	Rate Study						Total Project Budget	
		Electric	Water	Sewer	Stormwater	Combined	Budget		
ALLOCATION PLAN									
Task 1.1 Kick off meeting & background review	\$ 855						\$ -	\$ 855	
- Prepare and transmit data request prior to kickoff meeting	430						\$ -	430	
Task 1.2 Perform cost analysis of central services	4,040						\$ -	4,040	
- Review organization, identify indirect support services	720						\$ -	720	
Task 1.3 Cost allocation framework review	1,440						\$ -	1,440	
Task 1.4 Prepare the full cost & 2CFR200 Allocation Plan	4,040						\$ -	4,040	
- Prepare financial model (full cost and 2CFR200 plans)							\$ -		
Task 1.5 Review draft findings							\$ -		
- Review results with City staff (1 meeting)	2,000						\$ -	2,000	
- Council / Public workshop (1 meeting)	2,000						\$ -	2,000	
Task 1.6 Documentation	3,010						\$ -	3,010	
Task 1.7 Presentation of plan findings	855						\$ -	855	
Task 1.8 Model training	720						\$ -	720	
TOTAL ALLOCATION PLAN	\$ 20,110	\$ -	\$ 20,110						
RATE STUDY									
Task 2.1 Initial project meeting							\$ 1,040	\$ 1,040	
Task 2.2 Data collection & validation							\$ 4,520	4,520	
- Customer data validation	1,280	1,280	1,135	825			\$ 3,840	3,840	
Task 2.3 Revenue requirement (3 scenarios)	3,840						\$ 7,170	7,170	
- Electric power forecast and load analysis	6,440	6,440	5,380				\$ 4,950	4,950	
Task 2.4 Cost of service analysis	4,950						\$ 6,680	6,680	
Task 2.5 Rate design (up to 3 alternatives)	6,680						\$ 2,970	2,970	
Task 2.6 Pole attachment fee update	5,800						\$ 990	990	
Task 2.7 Connection charges							\$ 5,380	5,380	
Task 2.8 Implementation & education							\$ 5,380	5,380	
- Five (5) review meetings (remote)							\$ 4,905	4,905	
- Council / Public workshops (3 meetings)							\$ 6,480	6,480	
- Development							\$ 1,290	1,290	
- Presentation to Council / Public (remote)							\$ 6,380	6,380	
Task 2.9 Documentation							\$ 6,380	6,380	
TOTAL RATE STUDY	\$ -	\$ 32,690	\$ 14,090	\$ 13,945	\$ 12,575	\$ 20,095	\$ 93,395	\$ 93,395	
TOTAL BUDGET w. CONTINGENCY	\$ 20,110	\$ 32,690	\$ 14,090	\$ 13,945	\$ 12,575	\$ 20,095	\$ 93,395	\$ 113,505	

- Option #2 – FCS does the work as stated in the RFP. Contract budget would be \$80,425.

Total Budget	Allocation Plan	Rate Study						Total Budget	
		Electric	Water	Sewer	Stormwater	Combined	Budget		
Total Initial Budget									
Total Initial Budget	\$ 20,110	\$ 32,690	\$ 14,090	\$ 13,945	\$ 12,575	\$ 20,095	\$ 93,395	\$ 113,505	
less: Electric COSA									
(6,680)									
less: Customer data validation (electric)									
(3,840)									
less: Reduced load forecast and power forecast / load reconciliation									
(2,260)									
less: Cost based rate design									
(1,980)									
less: COSA review meeting									
(1,090)									
less: Connection charge update									
(1,090)									
less: Connection charge review meetings									
Total Adjustment	\$ -	\$ (14,760)	\$ (5,380)	\$ (5,380)	\$ (5,380)	\$ (5,380)	\$ (2,180)	\$ (33,080)	\$ (33,080)
Net Budget	\$ 20,110	\$ 17,930	\$ 8,710	\$ 8,565	\$ 7,195	\$ 17,915	\$ 60,315	\$ 80,425	

Note: Electric includes pole attachment fee update.

- Option #3 – We can adjust items as needed. For example, the RFP did ask for 3 Council Presentations as well and a Documentation. If all the Council meetings are not needed, or documentation (Allocation Plan or Rate Study or both), that can provide additional savings.- Contract unknown due to not knowing items to cut out.