

*City of Walla Walla*  
**REQUEST FOR PROPOSAL**  
**WATER RATE STUDY**

The City of Walla Walla is requesting proposals from qualified consultants to conduct a comprehensive water rate study. The intent of the study is to independently assess and evaluate the City of Walla Walla's existing water rate and provide recommendations. The broad objective of the study is to adequately fund water utility operations, capital costs, and bonded debt while minimizing rates to the greatest degree possible.

The study will be based on a comprehensive review of the City of Walla Walla's water funds and budgets, Comprehensive Water System Plan, customer classes, current usage data, future planned growth of the City of Walla Walla pursuant to the Urban Area Comprehensive Plan, and any other information deemed necessary.

**SCOPE OF WORK**

**A. STUDY OBJECTIVES**

1. Provide a comparison of current water system costs (operations, capital improvements, bonded debt, environmental resource management) against appropriate industry benchmarks.
2. Identify those portions of water system revenues that fund water system costs.
3. Recommend baseline rate structure required to fund water system costs as well as adjustments to rates needed to fund other costs.
4. Recommend ways of communicating water system costs to include assessment of restructuring utility bill format as one possible method.

**B. STUDY REQUIREMENTS**

The study is to be performed in conformance with the following policy directions:

1. The recommended rate structure shall be based on cost of service and shall be sufficient to meet the short and long-term revenue requirements of the City of Walla Walla's Water Utility Funds.
2. The study shall recommend rate structures that consider and make provision for the following factors:

- a) Current and future cost of providing water in accordance with established and anticipated standards and regulations.
  - b) Projected demands.
  - c) Availability of supply (seasonal fluctuations and long-term availability)
  - d) Age and condition of system and need fully to fund long-term capital improvement/replacements for supply, treatment, and distribution infrastructure.
  - e) Funding requirements for all current long-term liabilities and debt obligations (bond and loans).
  - f) Risk/uncertainty associated with generating hydropower revenues.
  - g) Impact of upcoming water quality regulations to include the Long Term Stage 2 Enhanced Surface Water Treatment Rule.
  - h) Upcoming revisions to Washington State's water code to include costs of complying with language contained in the Joint Executive Legislative Water Group Policy January 16, 2002 draft or as revised in subsequent drafts (mandated conservation programs, leak detections, water audits, rate structures, etc.).
  - i) ESA and watershed planning impacts on the City's source of supply.
  - j) Impact of current and future environmental regulations.
  - k) Impact of watershed fire.
  - l) Other impacts as identified.
3. The recommended rate structures shall provide direct identification of revenues appropriated to major funded activities and infrastructure.
  4. The recommended rate structures shall be consistent with industry practice for utility rate making in Washington.
  5. The study shall provide at least three recommended rate alternatives based upon standard rate practice (increasing block rates, decreasing block rate, etc.) that meet the criteria above and make a recommendation as to which one best meets the criteria. All alternatives shall assume "Abase plus consumption" rates.
  6. Rates shall include provision for an emergency rate structure to address loss of surface/groundwater supply, drought, hydropower, etc.
  7. The benefits of any proposed modifications shall be weighed against the financial impacts on ratepayers.
  8. Justifications for any special classes of customers under the recommended rate structure shall be demonstrated.
  9. The recommended rate structure shall result in no decrease in stability of the revenue stream to the Water Fund, as compared to the current structure. Consideration should be given to funding past and future depreciation (replacement of facilities).

10. The recommended rate structure shall be easy to administer and understand.
11. The City of Walla Walla's automated billing system should be able to handle any proposed rate structure.
12. The recommended rate structure shall be planned for at least seven years.

## C. STUDY ELEMENTS

In making its rate structure recommendations, the final report shall explicitly include the following elements and analysis:

1. **Current Rate Structure:** Assess the current rate structure's performance as a baseline for comparing recommended changes.
2. **Equity:** Assess the equity of recommended water rates for all types of property ownership to include multi-family units.
3. **Conservation Impacts:** Assess the interaction between the water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations as well as their impact on the economic well-being of the community.
4. **Sensitivity Analysis:** Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water system costs and other costs under the impacts of future water quality and environmental regulations and standards. Assessment is to include a sensitivity analysis where the long-term revenue generated under each alternative as well as the current rate structure shall be illustrated when confronted with the impacts of growth, drought, watershed fire, mandated requirements under current and upcoming federal and state programs, loss of hydropower generation revenue, and major water quality improvements.
5. **Other Service Charges:** Assess existing customer service fee structure and identify other potential areas for service and system charges (shut-down activities, plan reviews, water service shut-offs, etc.) and recommend changes. Assessment is to note any resulting increase in liability the City may incur as result of assessing the fees.
6. **Development Payback:** Provide guidelines for determining payback period of proposed development based on costs underwritten by the City and return under the proposed rate structures.
7. **Impacts of Other Costs:** Assess impacts on recommended rate structures due to direct, shared, and pass-through funding for other city entities to include:

- a) Comparison of direct water services received, water system activities, capital maintenance and improvement investment, and funding obligations against industry standards and costs taking into account:
    - (1) the size of the customer base,
    - (2) age of the system,
    - (3) past system funding and capital investment,
    - (4) environmental regulation compliance,
    - (5) water quality regulation compliance,
    - (6) other relevant factors.
  - b) Identification and estimation of funds utilized in support of water system activities (not under direct Water Division control) and comparison of services against industry standards and costs taking into account the size of the customer base and other relevant factors.
  - c) Identification and estimation of funds supporting activities shared with other City functions comparison of services against industry standards and costs taking into account the size of the customer base and other relevant factors.
  - d) Identification and estimation of funds passed through to fund other City entities.
  - e) Incorporating the City Attorney's opinion on the legal standing of existing shared and pass-through charges and taxes.
8. **Rate-payer Education/Communication:** Recommend methods for communicating utility costs to include layout of the utility bill and how it might be used to identify actual costs of providing water services under recommended rate structures. Assess ease of communication associated with each recommended rate structure.
9. **Annual operating fund balance targets.**
10. **Annual target contingency fund balances and level of liquidity.**
11. **Budgeting Horizon and Cycle:** Assess appropriate budgeting horizon and cycle needed to support recommended rate structures.
12. **Consolidated System Rates:** Revised rate structure and rate impacts based on consolidation with the City of College Place.
13. **UGA/Out-of-City Limits Rates:** Recommend rates for customers in City's Urban Growth Area (UGA) and outside of UGA to maximize long-term City benefits.
14. **Comprehensive Summary of Recommended Rate Structure(s).** Assess performance of each recommended rate structure against current rate structure performance as baseline and provide recommendation on preferred rate structure.

15. **Supporting Data.** Provide data supporting conclusions and observations made for each of the areas above and site within study.

#### D. SERVICES TO BE PROVIDED BY CONSULTANT

1. Conduct a detailed review of the existing water rates and status of the Water Fund, and develop a general familiarity with the City of Walla Walla's billing system.
2. Meet or confer with staff as needed and attend one meeting (evening) with the City Council at a working session to present the interim status of the study and obtain their input. Meet with group of citizens/citizen task force during one evening to obtain comments.
3. Conduct analyses as required to address the scope of work.
4. Preliminary Report:
  - a) Prepare a preliminary study report and tentative rate structure.
  - b) Submit 15 copies.
  - c) Present preliminary report and tentative rate structure to a citizen task force for comments.
  - d) Present preliminary report and tentative rate structure to the City Council at a Council Work Session.
5. Final Report
  - a) Incorporate changes pursuant to comments received at the first presentation.
  - b) Submit 15 copies, plus one reproducible copy.
  - c) Provide a disk with report in MS Word format, with spreadsheets in Excel format.
  - d) Present the final report and recommended rate structure to the City Council and members of the public at a regular Council meeting.
6. Supply a time schedule for developing the preliminary and final reports. The final report shall be delivered to the City by May 15, 2002.

#### E. SERVICES TO BE PROVIDED BY THE CITY OF WALLA WALLA

The services to be provided by the City of Walla Walla include, but are not necessarily limited to the following:

1. Furnish all reasonably available records and information, including financial reports, budgets, and consumption data.
2. Provide a loaner copy of the Comprehensive Water System Plan.

3. Provide staff support and assistance as required and agreed to in advance of study.

### **PROPOSAL SUBMITTAL**

A. The following information is to be submitted as part of the proposal. The proposal is not to be more than ten single-sided pages in length including single page resumes of persons to be assigned to the project. Three copies of the proposal are to be provided. Other material may be attached as deemed appropriate, to include a copy of a rate study performed by the applicant that most closely fits the scope of work outlined above. The ten-page portion of the proposal is to be organized into the following categories:

1. **Approach to the Project:** Describe your approach to this project and any special ideas, techniques or suggestions that you think might make the project proceed smoothly.
2. **Experience:** Describe the experience of the firm and of the individuals assigned with related projects of a similar nature. Provide at least three references.
3. **Qualifications:** Describe your staff's unique qualifications and training for this type of work.
4. **Schedule:** Describe your plan/schedule for completing the work. A shorter timeline is preferred and will be given added value in the evaluation of the proposals.

B. A copy of a proposed contract may be attached. You should provide evidence of Professional Liability Insurance.

C. Deadline for submission of proposals:

1. Interested firms should submit proposals by 5:00 P.M. February 22, 2002 to:

Public Works Department  
City of Walla Walla  
P.O. Box 478  
Walla Walla, WA 99362  
Attn: Public Works Director

2. Proposals should be marked:

“Water Rate Study—City of Walla Walla”

## **SELECTION OF CONSULTANT**

Proposals will be evaluated by a committee made up of City employees. They will be evaluated on the basis of experience, qualifications, your approach to the project, degree of City staff time required to complete the project, and any innovative ideas you have for making the project go quickly and smoothly.

Final selection will be based on the evaluation of proposals unless it is deemed necessary by the committee to conduct interviews of closely scored consultants. The consultant determined best qualified to perform this project will be recommended to the City Council for contract award.