



2017 Request for Proposals

Cost of Service & Rate Design Study

Issued by: Holy Cross Energy
3799 Highway 82
P.O. Box 2150
Glenwood Springs, CO 81602-2150

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RFP Website: <https://www.holycross.com/rfp-cos>



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1. Introduction

1.1. Background

Holy Cross Energy (HCE) is a not-for-profit, cooperative utility providing electricity and related services to 42,000 members, primarily located in the Western Colorado counties of Eagle, Garfield, and Pitkin.

HCE is governed by a duly elected Board of Directors consisting of seven active HCE members from specific geographical districts serving staggered three-year terms. HCE is not subject to the economic (ratemaking) jurisdiction of the Colorado Public Utilities Commission because its Members have elected to exempt HCE from such jurisdiction. HCE remains subject to the Commission's complaint and territorial jurisdiction and is also subject to any Federal, State or local authority with appropriate jurisdiction.

HCE has a peak winter load of about 270 MW, a peak summer load of about 145 MW, and provides 1,200,000 MWh in retail sales to 56,000 premises. Peak daily system load typically occurs in the evening hours throughout the year. Power supply resources include long term power supply contracts with Xcel Energy, the Western Area Power Administration, various local renewable generating facilities and an ownership share in the Comanche 3 coal-fired power plant near Pueblo, CO. HCE's Board of Directors has adopted a voluntary goal of supplying 30% of the electricity used to serve customer load with renewable resources by 2020 and 35% by 2025.

1.2. General Information

HCE is issuing this Request for Proposals (RFP) from qualified firms to complete a comprehensive Cost of Service/Rate Design Study. This Cost of Service/Rate Design Study needs to be completed by July 31, 2018.

HCE completed their Advanced Metering Infrastructure (AMI) project at the end of 2015 and expects their two years of interval data to play an integral role in informing this study.

HCE currently offers non-traditional rate options to their members such as optional Time-Of-Use (TOU) rates, optional Renewable Energy Riders, and a Totalized Tariff and Snowmaking/Ski Lift rate for the ski areas within their service territory. In addition, HCE has a required Electric Cost Adjustment (ECA) rider that adjusts for actual operating revenue, expenses and sales in order to meet the desired Target Operating Margin. Lastly, HCE's WE CARE rate rider is a two percent surcharge used to fund renewable energy generation, energy efficiency and conservation measures.



HCE's main goals through this Cost of Service/Rate Design Study are to:

- Provide the cooperative with the revenue necessary to maintain financial integrity
- Equitably assign costs to members
- Design rates that recover those costs
- Provide solutions to our diverse customer base through rate options specific to Renewable Energy and Electric Vehicles
- Explore innovative rate design solutions
- Design key account rates that provide HCE with necessary revenue while providing flexible options based on member needs

2. Nature of Services Required

2.1. General

HCE is soliciting proposals for a comprehensive Cost of Service/Rate Design Study. This study and any resulting recommendations will need to be in full compliance with the governing laws or requirements of the federal government, the State of Colorado and HCE.

2.2. Scope of Work to be Performed

HCE needs a comprehensive cost of service study to better understand the necessary allocation of expenses to our members. In addition, HCE expects the cost of service study to inform rate designs that equitably recover costs from our members. HCE relies on an internal load forecast model and 20-year financial forecast model to determine the forecast of sales and revenue.

2.2.1. Cost of Service Study

HCE desires to equitably recover costs from members based on the actual cost of providing service to that member. The cost of service study should functionalize and classify costs in order to accurately assign costs to specific rate classes. The cost of service study should include the following tasks:

- Analyze and discuss impact of existing and future capital improvements
- Analyze and discuss impact of serving customers in Colorado
- Assess revenue needs for the next six-year planning period (2019-2024), to include adequate coverage for operations and maintenance, capital projects and program activities and debt service
- Review proposed capital improvement plan and total projected project costs
- Review financial history, including revenues and expenses, and current rate and fee structure
- Develop requisite Revenue Requirement analysis of test period system revenue and expense as the foundation of the cost of service class analysis



- Identify annual and peak requirements and usage by member class
- Identify current electric load and project future loads based on anticipated community growth
- Examine member database and review current member classifications
- Review aid to construction payment from developers
- Review charges for fixed cost items such as street lights
- Review current purchased power costs
- Review current fixed and variable energy and demand charges
- Review interconnection/construction related costs and revenues
- Review costs as they relate to time of day

The respondent is to present the findings and conclusions of each task and resulting recommendations in the cost of service study final report in a clear and concise manner. A summary presentation to the Board of Directors will be requested during a regularly scheduled meeting.

2.2.2. Rate Design Development

HCE seeks to ensure our rates reflect true cost of providing electrical service to our members. This includes but is not limited to: power purchased, O&M, and equipment repair and replacement costs; maintaining appropriate working capital and cash balances as well as meeting debt service requirements, and capital improvement needs. In doing so, the proposed rate/fee structure shall ensure an equitable treatment of all charges on future and current users.

The respondent should develop a rate structure and associated rates by addressing, at a minimum, the following requirements.

- Review of existing member class structure and advise on various rate concepts that can be applied to members
- Advise HCE on the appropriateness of innovative rate concepts that could be applied to its members
- Respondent will advise HCE on industry-accepted methodologies for allocating costs to the various customer classes. Types of cost include but are not limited to cost of materials, personnel and other administrative costs, equipment cost, transformer cost and cost of street lighting. Respondent will provide a breakdown of these expenses and show how they relate to providing electric services.
- Consistency between member class rate schedules and fee schedules
- Consumption/revenue elasticity based on any proposed rate increases/decreases



- Fully consider the positive and negative impacts of wholesale power cost
- Evaluate accepted policies, practices and procedures to ensure model reliability, predictability and rate stability over the long term
- Discuss rate structures that address energy and conservation costs and reimbursements
- Identify large users and determine if users are being charged under the appropriate rate schedule
- Develop multiple revenue recovery options for our key accounts, specifically the ski areas
- Cost recovery for distributed generation, such as customer installed solar, including net metering and credits for excess generation
- Compare the proposed rates to the retail rates of other appropriate electric utilities
- Recommend on-peak and off-peak times for time-of-use rates
- Advise as to time-of-use pricing differentials and recommend a pricing signal strong enough to impact member behavior
- Analyze the impact of default residential time-of-use rates
- Recommend compensation structures for members enrolling in potential demand response programs (DR)
- Analyze existing rate and fee structure and recommend alternatives based on findings
- Evaluate existing rate structure with regard to changing patterns of consumption, growth in customer base, annual revenues from rates, price elasticity of consumption, demands on rate revenue (from Cost of Service Study) and the effects of conservation on annual revenues any future power resources needs
- Examine adequacy of reserves for operating revenues and capital projects to determine sufficient levels to offset low consumption/revenue years while also reducing spikes in annual rate increases
- Examine HCE's use of debt financing for capital improvement and make recommendations related to its uses and limitations relative to maintaining a proper balance of debt coverage and rate stabilization over this five-year period
- Respondent should structure proposed rate schedules on the basic premise that each customer should be classified and served under a schedule that will cover all costs of that customer's service plus return a reasonable margin for proper operating reserves, capital improvements, adequate inventories, and contributions to general Association government. New rate schedules must classify each customer into the fewest possible reasonable classifications.



- For proposed rate schedules, respondent shall provide an adequate sampling of customers per classification showing the impact of rate changes on customer bills for proposed rates. The respondent shall show a sampling of data for one calendar year by month for each customer.

Specifically, the respondent shall review, analyze, validate the reasonableness, and recommend changes where appropriate for the following:

- Methodologies for fee structure, rates and charges
- Utility repair/replacement funding methodology, considering long-term capital improvement needs, debt service opportunities and associate funding sources/levels.

The respondent is to present the findings and conclusions of the tasks in the rate study final report in a clear and concise manner. The report should include detailed recommendations for changes, if any, to current practices and/or procedures. Provide a schedule for timely and coordinated execution of all essential aspects of the report. A written report supporting the recommendations is required. A summary presentation to the Board of Directors and management will be requested during a regularly scheduled meeting.

3. Completion Expectations

3.1. RFP Schedule

HCE has established the target schedule show below for the RFP. HCE reserves the right to amend the target schedule at any time.

Event	Date
RFP Issuance	December 11,2017
Proposal Submittal Date	January 26, 2018
Estimated Notification of Finalists	February 12, 2018



3.2. Contact Information, Questions and Answers

This RFP, all RFP-related documents and forms, and other related information can be accessed at HCE's Cost of Service RFP website. The website can be found at the following URL:

<https://www.holycross.com/rfp-cos>

It is the respondent's responsibility to access the website to investigate any and all changes and addendums to this RFP and to obtain copies of any such information from the website.

Respondents may submit written requests for additional information via e-mail only. Any requests should be sent to Sam Whelan at swhelan@holycross.com. Questions submitted by respondents and the answers to those questions will be sent to the inquiring party via e-mail and posted on the RFP website so as to be accessible to all respondents during the RFP process. All questions will be redacted to remove personal, company, or site related information at HCE's discretion. Any questions sent to any other e-mail address will not receive a response.

HCE will establish an email distribution list for updates to this RFP. An email will be sent when changes to the RFP website or documents are made including updated question and answer lists. Please send an email to swhelan@holycross.com requesting to be added to this list. Please note that all parties who submit questions to this address will automatically be added to the distribution list.

3.3. Proposal Submission

Proposals must be delivered to HCE's Glenwood Springs Headquarters by 4:30 P.M. (MST) on January 26, 2018. Proposals received later than the due date and time will be rejected and destroyed without opening. A proposal may be withdrawn at any time prior to the due date and time for receipt of proposals set forth above.

Proposals must be submitted in a sealed package with the respondent's company name and address clearly indicated on the package containing the proposal and clearly marked:

**2017 COS RFP Response
Confidential Sealed Bid Proposal**

The sealed package must include two (2) bound hardcopies of the proposal and one electronic copy of the proposal. The electronic copy may be on a CD or flash drive but must be in Adobe Portable Document Format (.pdf file).



If sent by the United States Postal Service, packages should be addressed to:

Holy Cross Energy
Attn: Sam Whelan
PO Box 2150
Glenwood Springs, CO 81602

If delivered by any other means, packages should be addressed to:

Holy Cross Energy
Attn: Sam Whelan
3799 Highway 82
Glenwood Springs, CO 81601

3.4. Proposal Opening and Evaluation

Opening of the proposals will not be done in public. Proposals will be screened for completeness and responsiveness to the RFP. Any proposals that do not meet the content and organizational requirements specified herein will be eliminated from further consideration. HCE may, at its sole discretion, request additional information about any item in a respondent's proposal. Such requests will be made in writing via e-mail. The respondent is required to provide a written response via e-mail to the sending e-mail address within five (5) business days or HCE may, at its sole discretion, deem the respondent to be non-responsive and reject any further responses and terminate any discussions at any time. HCE encourages respondents to provide one or more alternate points of contact for any questions.

3.5. Representations

This RFP does not commit HCE to enter into a contract, nor does it obligate HCE to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract. HCE reserves the right to modify or withdraw this RFP, to negotiate with respondents to resolve contractual specifications, and/or to reject any or all responses and to terminate contract development at any time. Prior to the execution of a contract, HCE reserves the right to:

- Request additional information from a respondent; and
- Reject any or all proposals; and
- Accept other than the lowest cost proposal(s); and
- Obtain clarification from respondents concerning proposals; and
- Conduct contract development discussions with selected respondents.



3.6. Confidentiality

Any portions of the RFP containing confidential or proprietary information should be clearly marked "Proprietary and Confidential." HCE reserves the right to release any such information to its agents or contractors for the purpose of evaluating the respondent's proposal. Under no circumstances will HCE be held liable for any damages resulting from any disclosure of respondent's claimed confidential information during or after the RFP process.

4. Submittal Preparation

4.1. Proposal Content Requirements

The content and format requirements for all proposals submitted in response to this RFP are outlined here. A proposal that does not include all the information required below may be deemed incomplete and is subject to rejection. If it appears that certain information is inadvertently omitted, HCE may contact the respondent to obtain the information. Proposals must include all the items listed below, in the order listed:

- 1) Cover Letter
- 2) Executive Summary
- 3) Respondent Information
- 4) Proposed Scope of Work
- 5) Work Plan
- 6) Pricing
- 7) Project Schedule
- 8) References
- 9) Additional information

4.1.1. Cover Letter

The cover letter must include all signatures necessary to approve and submit the respondent's proposal by a representative having the authority to contractually commit the respondent for respondent's offer provided in the proposal and be dated no later than the Proposal Submittal Date.

4.1.2. Executive Summary

The Executive Summary should highlight the content of the proposal.

4.1.3. Respondent Information

The respondent should provide the following information in a narrative form:



- 1) Primary and alternative contact information including contact name(s) and title(s), mailing address(s), phone number(s), and e-mail address(s); and
- 2) A profile of the respondent's company
- 3) A description of the experience of the company as it relates to this RFP
- 4) The proposed team that will be working on this project
- 5) Other information deemed appropriate by respondent

4.1.4. Proposed Scope of Work

The respondent should provide a description of the proposed scope of work. In particular, the respondent should provide a summary of the planned tasks and activities, and a description of the reviews and analyses reports.

4.1.5. Work Plan

The respondent should provide a work plan to include:

- Summary of the steps to be completed to accomplish the scope of work
- Necessary information regarding approaches to the project
- Regular meetings with key HCE personnel
- Information gathering and disseminating sessions
- Detailed request for information for the data/information the respondent will need to complete this project

4.1.6. Pricing

The respondent's pricing must include detailed cost quotations tied to the work plan for the project. Proposed payment terms and payment schedule should also be included. Cost quotations should include a not-to-exceed amount.

4.1.7. Project Schedule

All proposals must provide a detailed schedule of activities and completion dates. The number of hours allocated to each task and individual should be shown.

4.1.8. References

The respondent should include reference material as a part of this submission. Reference items should include:

- 3-5 references from projects of comparable scope as performed by the proposed team listed above. References should include contact names and telephone numbers
- Current client list with number of meters, contact name, telephone number, and details of engagement



- A Cost of Service/Rate Design report from a recently completed project

4.1.9. Additional Information

Respondent may provide any additional information the respondent feels will assist HCE in their evaluation of the respondent's proposal.

5. Evaluation Process

5.1. Screening for Responsiveness

All proposals received will be evaluated for responsiveness and completeness. HCE will eliminate any proposals that (a) are non-conforming to this RFP, (b) do not meet the minimum requirements set forth in this RFP, (c) are not economically competitive with other proposals, or (d) are submitted by respondents that lack appropriate qualifications to provide a comprehensive Cost of Service/Rate Design Study. Please be certain that all required information is included in your proposal, as HCE will not be required to notify you of incompleteness, seek clarification, or ask for additional information. Failure to provide the information set forth herein may be grounds for elimination of consideration.

5.2. Project Preferences

HCE reserves the right to make an award for reasons other than the lowest price offered. The following general criteria (in no particular order) are defined to provide guidance to all respondents, but are not an exhaustive list of criteria that will be used in selection:

- Cost: Preference will be given to proposals able to provide the Cost of Service/Rate Design Study to HCE at the lowest reasonable cost.
- Technically sound: Proposals that show the ability to produce a technically sound study in regards to cost allocation and ratemaking principles are preferred.
- Timing: Proposals that can reasonably be expected to achieve the target dates set forth in this RFP are preferred.
- Adaptable: Proposals that show the respondents ability to design innovative rates that will help HCE adapt to and lead in the future utility industry are preferred.

5.3. Bid Selection

Those proposals deemed responsive, complete, technically sound, adaptable and price competitive will be eligible for further negotiations with HCE. HCE intends to notify all respondents of the results of the evaluation and begin contract development on or around February 12, 2018.