

**REQUEST FOR PROPOSALS**  
**City of Pittsburg, Kansas**  
**Feasibility Study: Pittsburg Electric Utility**

**1. INTRODUCTION**

The CITY of Pittsburg, Kansas currently has its electrical needs provided by Westar Energy Company as a sole provider. The CITY is studying alternatives. A “Request for Proposals” is being solicited for consulting services to evaluate if it is economically, legally, and technically feasible to serve consumers in the Pittsburg area.

**2. BACKGROUND**

The City has been a customer of Westar Energy and its predecessors KG&E and Kansas Power and Light since early in the last century. Currently, Westar Energy is in the process of considering mergers with another utility. The scope of the municipal utility and the customers served is yet to be determined, and via this study, working with staff and an ad hoc committee, definition of the utility will be achieved.

The CITY has granted a non-exclusive franchise to Westar Energy to serve the CITY of Pittsburg with electrical power. This franchise agreement currently is on a year-to-year basis and is attached to this document as Attachment No. 1.

Pittsburg, Kansas is a First Class City with a current population of about 20,400 and 7,000 full time on-campus students at Pittsburg State University. Major industrial users include several industries, municipal water and wastewater facilities, a municipal auditorium, and Pittsburg State University. Several other major industries are located on the border of Pittsburg, Kansas, and some of these industries are served with City water and wastewater services.

The CITY may consider the creation of a Municipal Power Utility via the adoption of an ordinance establishing the same.

**3. SCOPE OF SERVICES**

The scope of services is to identify what will need to be done legally, economically, and technically to serve some or all of the electric needs of some (or all) of the consumers within the potential service area. Proposers should feel free to offer suggested changes, alternatives or improvements felt necessary for the evaluation required, provided such changes or alternates will improve the information the CITY will have available as it decides who should be served by a new Pittsburg Electric Utility.

A fundamental consideration in this study is the change that is occurring in the electric utility industry today. It is the City's intent that full advantage be taken of this coincidence of timing to ensure that the new utility is properly structured to be effective meeting the needs of its customers and to determine if there is significant opportunity for savings given financially conservative assumptions about future developments.

The scope of services is to:

1. Confirm the legal authority of the City to pursue alternatives to the incumbent provider.
2. Establish the City's present electric load and project that load over 20 years, broken down by residential, commercial and industrial customer needs.
3. Evaluate available power supply alternatives and project power supply requirements and costs, including transmission services.
4. Estimate the comprehensive start-up cost of establishing a municipally owned electric distribution system within the study area:

This includes the cost of acquiring the existing distribution facilities located in the City and the alternative of construction of a new distribution system;

Estimates for plant acquisition costs shall be calculated reflecting the most appropriate valuation methodology and shall include a likely range of values based upon the various valuation methodologies including income approach, comparable sales, replacement cost new less depreciation, original cost less depreciation and any other valuation methodologies which may ultimately be used

- The reconfiguration and severance expense
  - The potential stranded asset cost assessment
  - The cost for financing and alternative methods of financing
  - The cost for professional services related to acquisition and start-up
5. Estimate the 20-year operating costs of a municipally owned electric distribution system, including any contractual transition period. Cost estimates should include:
    - Project cost of acquiring capital equipment
    - Project manpower needs and costs
    - Project capital acquisition and replacement needs
    - Estimate cost of various power generation options
    - Project the cost of purchasing power over the 20-year period
  6. Project revenues to be derived over 20 years by the existing utility based on our current and projected future rates given the City's present and projected electric load.

7. Include pro-forma estimates itemizing key financial parameters related to operating revenues and operating expenses as well as debt service requirements.
8. For the largest twenty electricity users in the service area, compare projected electricity costs over twenty years under current provider to the municipally owned provider.
9. Determine the revenues and expenditures to be realized under municipal operation of the electric system including a comparison of the 20-year projected revenue requirements under municipal ownership with the projected revenues and expenditures by the existing utility.
10. Evaluate possible lost revenue to the City due to acquisition and operation of the electrical system and identify mechanisms for compensating the City for lost revenue.
11. Identify and detail recommendations for addressing the legal regulatory and operational issues involved in acquisition and operation of a municipal utility. Particular attention should be given to an evaluation of stranded investment costs and possible changes in the Kansas and Federal regulatory structure/environment.
12. If deemed economically feasible, define the tasks/actions and professional services necessary to proceed with a municipalization effort specific to the Kansas regulatory and legislative environment. Provide a detailed timeline of likely events.
13. Provide a list of ten questions that should be asked of the incumbent provider.
14. A statement of the strengths, weaknesses, opportunities and threats to the creation of a municipal power utility for Pittsburg, Kansas.
15. The consulting engineer will review potential partners available such as KMEA, the KPP, electrical cooperatives, other communities and the Southwest Power Pool which may facilitate the purchase of power, the transmission of power, operation, maintenance, management, emergency support or consulting support of the electrical utility if formed.

Proposals should be specific to the statutory requirements in Kansas pertaining to acquisition, purchase, and financing of facilities and services of customers.

The study will use a 20-year evaluation period. Capital expenditures for assets with an expected useful life may be amortized over a longer period of time, if appropriate, but cost comparisons will be limited to the 20 years.

#### 4. PROPOSAL FORMAT

Responses to this RFP are expected to comply with the format requirements in this Section to allow The City the opportunity to conveniently and fairly compare the competing proposals it receives. Failure to follow this format can be sufficient reason in and of itself to rule the proposal non-responsive in spite of any merit it may contain.

Responses to this RFP shall be contained in one volume with the exception of the sample work product as required below. Twelve (12) copies of the proposal and one (1) copy of the sample work product are required. All pricing information will be submitted in a single separate sealed envelope. Any firm brochures and/or information pertaining to the qualifications of the individuals and/or consultant team may be submitted; however, all must be included in the single proposal volume. All proposals shall be organized as follows:

##### **Transmittal Letter —**

Summarize the key points of the proposal in a transmittal letter (no more than two pages) which shall be signed by an officer of the consulting firm who shall have the authority and responsibility to make such proposal and commit resources to the completion of the required scope of services.

##### **Project Management and Approach —**

Indicate how the study will be staffed and managed specifically referencing the Scope of Study required in this RFP. Submit a narrative describing the methodology and presentation of information to be used in completing the required Scope of Study (no more than eight pages). Specify any required information and methods to be employed in gathering this information. **A schedule and work plan shall be included.** Details regarding the assurance of quality and schedule control must be included. Modifications to the Scope of Study will be considered where deemed essential or advisable to improve study results and/or meet budget and schedule deadlines.

##### **Organizational Structure and Firm Experience —**

Submit a one page organizational structure of the consulting team indicating functional responsibilities and project tasks. Also, provide a brief summary of experience on projects of this nature for each individual firm, including subcontractors.

In particular, describe for each firm the extent of experience in municipalization and with electric utilities in general. At a minimum, indicate:

1. In reverse chronological order for a minimum of ten (10) years, previous municipalization feasibility and pre-feasibility studies conducted by the staff and/or firm and include for each study listed:
  - a one or two page summary of the scope and conclusion of the study

- current status of the project (e.g. did municipalization occur?)
  - client names and phone numbers to serve as references
2. Any formation of electrical municipalization in which the staff and/or firm played a significant role indicating, at a minimum:
    - the role of the staff and/or firm
    - current status of municipalization
    - client names and phone numbers to serve as references
  3. Experience in advising clients as to the impact of electric industry restructuring changes being pursued by the Federal Energy Regulatory Commission (FERC), the Southwest Power Pool, the Kansas Corporation Commission (KCC), and the Kansas Legislature.
  4. Any other experience with municipal or investor-owned utilities which is relevant to the scope of work required in this RFP. Full disclosure of all potential or perceived conflicts of interest which could lead to conditions prejudicial of the municipality or any completed study shall also be made in this section.

**Experience of Key Individuals Who Will Actively Participate in this Project —**

For each individual, include a one-page resume emphasizing experience relevant to this project. Indicate which individuals were significantly involved in the projects included in the lists above, and their respective roles in these projects.

**Budget —**

Prepare and submit in a separate, sealed envelope the bid price for the Scope of Study and all services required in this RFP. Pricing information should include total staff hours anticipated, billing rates by category, and itemization of estimated expense. Bid prices should reflect a fixed fee or a not to exceed amount.

**Sample Work Product—**

Submit a separate, single, complete copy of a similar feasibility municipalization study that has been completed by the consulting firm. This study should reflect the knowledge, expertise and quality of workmanship of the consultant.

**5. METHOD OF SUBMISSION**

Proposals must be submitted marked “CITY OF PITTSBURG ELECTRIC UTILITY” and addressed to:

Tammy Nagel  
City Clerk

City of Pittsburg, Kansas  
P.O. Box 688  
Pittsburg, Kansas 66762

**Proposals must be received March 26, 2018, AT 5:00PM CST.** There will not be a public opening of proposals.

Email proposals will be accepted, but three (3) paper copies must be provided subsequent to the proposal deadline. Proposals received after the time and date listed above will not be considered.

The CITY will not be responsible for any expenses in the preparation and/or presentation of the proposals and oral interviews, if any, for the disclosure of any information or material received in connection with the solicitation, whether by negligence or otherwise.

The CITY reserves the right to request additional information, if necessary, or to request an interview with firm(s), or to reject any and all proposals with or without cause, and waive any irregularities or infirmities in the proposals submitted. The City further reserves the right to make such investigations as it deems necessary as to the qualifications of any and all firms submitting proposals. In the event that all proposals are rejected, the City reserves the right to re-solicit proposals.

Responding firms may withdraw their proposals at any time prior to the final filing date and time, as indicated on the cover page of this RFP, by written notification signed by an authorized agent of the firm(s). The proposal may thereafter be resubmitted, but only up to the final filing date and time.

The responding firm assumes sole responsibility for the complete effort required in the RFP. No special consideration shall be given after proposals are opened because of a firm's failure to be knowledgeable about all requirements of this RFP. By submitting a proposal in response to this RFP, the firm represents that it has satisfied itself, from its own investigation, of all of the requirements of this RFP.

Documents and information submitted in response to this RFP shall become property of the City of Pittsburg and generally shall be available to the general public as required by applicable law, including the Kansas Open Records Act (KORA).

The CITY reserves the right to hold oral interviews with any and all of the firms submitting a proposal. The City expects to hold oral interviews, if any, tentatively planned for the week of April 9, 2018.

## **6. QUESTIONS AND ANSWERS**

All questions regarding this RFP should be presented in writing to:

John H. Bailey, P.E., Ph.D.

Special Projects Engineer  
City of Pittsburg, Kansas  
City Hall  
201 W. 4<sup>th</sup> St.  
Pittsburg, Kansas 66762  
[John.Bailey@pittks.org](mailto:John.Bailey@pittks.org)

All answers to questions posed will be posted on the CITY'S website at <http://www.pittks.org> and through an addendum (if any) to this RFP made available to all potential bidders at the City's website.

#### **7. PRE-PROPOSAL TELECONFERENCE AND COMMUNICATION PROTOCOL**

The CITY will rely primarily on email communications with the potential consultants to advise them of any addendum to this RFP and to make distribution of any addendum. Consultants are urged to register up to three (3) contact persons per firm who will receive any such emails. Addendum, if needed, will be emailed to all registered contacts. To register your email addresses, send an email to [john.bailey@pittks.org](mailto:john.bailey@pittks.org).

If any potential consultants have any questions on this RFP or seek any clarifications to it they are encouraged to communicate via email with [john.bailey@pittks.org](mailto:john.bailey@pittks.org).

The CITY will hold a non-mandatory conference call with all interested potential consultants on February 19th at 10:00 CST. Consultants who register their email address will receive instructions on how to join the conference call.

#### **8. SELECTION CRITERIA**

The CITY'S Staff Screening and Selection Committee will evaluate the proposals. The composition of this standing committee may be determined by the City Manager. The evaluation committee will utilize the following criteria with the Scoring Factors provided:

1. Project Management and Approach (Scoring Factor= 20)
2. Organization Structure and Firm Experience (Scoring Factor = 30)
3. Resumes of Key Individuals Assigned to the Project (Scoring Factor= 20)
4. Sample Work Product (Scoring Factor = 15)
5. Cost (Scoring Factor = 10)
5. References (Scoring Factor = 5)

#### **9. SELECTION PROCESS**

The following process will be used for consultant selection. Dates are preliminary and are subject to change as needed to accommodate a fair and open selection process in the minimum amount of time.

<b>EVENT</b>	<b>PROJECTED DATE</b>
RFP reviewed by City Commission	January 23, 2018
RFP released to Consultants	January 26, 2018
Pre-Proposal Conference Call	February 19, 2018

Proposals Due (By 5:00 PM CST)	March 26, 2018
Proposals Distributed to Electricity Study Group	April 2, 2018
Consultant Interviews	April 9, 2018
Consultant Selection	April 16, 2018
Draft Consultant Contract Finalized	May 14, 2018
Consultant Contract to City Commission	May 28, 2018
Notice to Proceed Issued to Consultant	To Be Scheduled

The CITY reserves the right to reject any and all proposals received, to waive minor defects in any proposal received, and to negotiate with any or all of those firms submitting proposals so that the resulting consulting contract is as favorable as possible to the CITY. Potential consultants who fail to follow the required format for submission of their proposal may have their proposal declared non-responsive by the CITY regardless of any merits it may contain.

The consultant will be required to enter into a contract with the CITY that incorporates the approved scope of work and requirements for working with the CITY.

The consultant will first consider the scenario of all of the customers in the study area being served by the new municipal electric utility and will use the results of this analysis to determine logical sub-groups of this population to evaluate as alternative customer bases to be served by the new utility.

# Attachment No. 1

(Published in The Morning Sun on May 29<sup>th</sup>, 2015)

## ORDINANCE NO. S -1021

AN ORDINANCE, granting to Kansas Gas and Electric Company, a Kansas Corporation, doing business as Westar Energy, its successors and assigns, an electric franchise, prescribing the terms thereof and relating thereto, and repealing Ordinance S-917.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF PITTSBURG:

**SECTION 1.** That in consideration of the benefits to be derived by the City of Pittsburg, Kansas (the "City"), and its inhabitants, there is hereby granted to Kansas Gas and Electric Company, a Kansas Corporation, doing business as Westar Energy, hereinafter sometimes designated as "Company," said Company being a corporation engaged in the business of selling and furnishing electric power throughout the state of Kansas and to the inhabitants of the City, the right, privilege, and authority for an initial term of two (2) years from the effective date of this ordinance. Thereafter, this franchise will automatically renew for additional one (1) year terms, unless either party notifies the other party of its intent to terminate the franchise at least ninety (90) days prior to the termination of the then current term. The additional term(s) shall be deemed a continuation of this franchise ordinance and not as a new franchise ordinance or amendment. Under no circumstances shall this franchise ordinance exceed twenty (20) years from the effective date of the franchise ordinance. This franchise permits Company to occupy and use the several streets, avenues, alleys, bridges, utility easements, and public right-of-way of said City, for the placing and maintaining of equipment and property necessary to carry on the business of selling and distributing electricity for all purposes to the City, and its inhabitants, and through said City and beyond the limits thereof; to obtain said electricity from any source available; and to do all things necessary or proper to carry on said business in the City.

**SECTION 2.** As further consideration for the granting of this franchise, and in lieu of any city occupation, license, or revenue taxes, the Company shall pay to the City during the term of this franchise five percent (5%) of its gross cash receipts from the sale of electric energy for use within the corporate limits of said City, such payment to be made monthly for the preceding monthly period. Gross cash receipts shall not include other operating revenues received by the Company, which are not related to the "sale of electric energy." Other operating revenues include, but are not limited to, delayed payment charges, connection fees, disconnection and reconnection fees, collection fees and return check charges. Company will use commercially reasonable efforts to ensure the accuracy of its records and of the determination of the amount of gross cash receipts subject to the fee provided for in this Section 2. Notwithstanding anything to the contrary in this franchise, the fee provided for in this Section 2 shall not become effective within any area annexed by the City until thirty (30) days after the City provides the Company with a certified copy of the annexation ordinance, proof of publication as required by law and a map of the city detailing the annexed area.

**SECTION 3.** That Company, its successors and assigns, in the construction, maintenance, and operation of its electric transmission, distribution and street lighting system, shall use all reasonable and proper precaution to avoid damage or injury to persons and property, and shall hold and save harmless the City, from any and all damage, injury and expense caused by the negligence of said Company, its successors and assigns, or its or their agents or servants.

**SECTION 4.** After the approval of this ordinance by the City, Company shall file with the City Clerk, the Company's unconditional written acceptance of this ordinance. Said ordinance shall become effective and be in force and shall be and become a binding contract between the parties hereto, their successors and assigns, from and after the first day of the first month after such acceptance is provided by said Company to the City after its final passage, approval and publication as required by law, and acceptance by said Company.

**SECTION 5.** That this ordinance, when accepted as above provided, shall constitute the entire agreement between the City and Company relating to this franchise and the same shall supersede and cancel any prior understandings, agreements, or representations regarding the subject matter hereof, or involved in negotiations pertaining thereto, whether oral or written.

**SECTION 6.** This franchise is granted pursuant to the provisions of K.S.A. 12-2001 and the City's Public Right-of-way Management ordinances, Section 74-225, et seq.

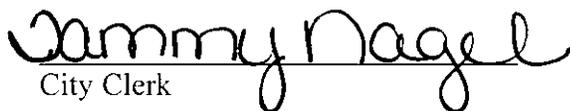
**SECTION 7.** The Company will file this ordinance with the State Corporation Commission of Kansas. Should the State Corporation Commission take any action with respect to this franchise ordinance, which would or may preclude Kansas Gas and Electric Company, a Kansas Corporation, doing business as Westar Energy, from recovering from its customers any cost provided for hereunder, the parties hereto shall renegotiate this ordinance in accordance with the State Corporation Commission's ruling.

**SECTION 8.** A franchise shall be assignable only in accordance with the laws of the State of Kansas, as the same may exist at the time when any assignment is made. In the event of any assignment of this franchise, Company shall be released from all obligations which are assumed in writing by its assignee upon the signing by such assignee of an assumption of the franchise being assigned.

PASSED and APPROVED this 26<sup>th</sup> day of May, 2015.

  
\_\_\_\_\_  
Mayor

Attest:

  
\_\_\_\_\_  
City Clerk

