

2019 Stillwater Utilities Authority Cost of Service Study and Rate Design Request for Qualifications

Project summary:

The Stillwater Utilities Authority, Stillwater, Oklahoma is undertaking a selection process to find a well-qualified consultant to undertake a cost of service and rate design study.

Goals of the project:

- Included utilities:
 - [Water](#)
 - [Wastewater](#)
 - [Electric](#)
 - [Waste Management](#) - solid waste including recycling component
- Adequate and stable total revenue for required maintenance and capital investment in utility systems, and to support provision of City services at a level of service expected by the customers.
- Customers should be able to count on rates that are as low as practical and stable from year to year without drastic changes.
- Total cost of service apportioned fairly among different customer classes.
- Promote economic development.
- Promote efficiency and discourage wasteful use of resources.

The City of Stillwater:

Stillwater is located in north central Oklahoma at the intersection of US-177 and State Highway 51. It is the county seat of Payne County. The population is approximately 50,000, making it the tenth largest city in Oklahoma. Stillwater is home to the main campus of Oklahoma State University (OSU), which is the largest employer.

The Stillwater Utilities Authority:

The Stillwater Utilities Authority (SUA) is a public trust of the City of Stillwater. The SUA operates the City's electric, water, and wastewater systems and the solid waste collection service.

Water:

- The water system includes:
 - Raw water transmission system
 - Water treatment plant
 - Municipal and rural potable water transmission and distribution systems

- The SUA provides wholesale raw water to:
 - Otoe-Missouria Tribe
 - Town of Morrison
 - One industrial customer
- OSU operates its own water treatment plant and distribution system, and the SUA can support or fully serve OSU when necessary.
- The SUA is the wholesale potable water supplier to the following rural water districts:
 - 51 East Water Incorporated
 - Payne County RWD #3
 - Noble County RWD #2
 - Lone Chimney Water Association
- The municipal water distribution system serves over 16,000 customers. The rural water distribution system serves over 1,700 customers.
- Raw water is withdrawn from the Kaw Dam intake facility and pumped through a 36-inch steel transmission main for 36 miles to the water treatment plant.
- The water distribution system is comprised of over 300 miles of distribution water mains in the municipal area and over 150 miles of mains in the rural area.
- The municipal distribution system contains 7 storage facilities and 6 booster pump stations. The rural system has 9 standpipes and 7 booster pump stations.
- Utilities to operate the water treatment plant and lift stations are provided by:
 - SUA – SUA water facilities are not billed for electric, water, wastewater or solid waste services. However all consumption is metered and recorded each month.
 - Ponca City and the Oklahoma Municipal Power Authority supply electric service for the Kaw pump station. The water utility pays for this service.
 - Central Rural Electric Cooperative supplies electric service to the facilities in the rural water service areas. The water utility pays for this service.
 - The water utility receives natural gas service from a third party to several facilities. The water utility pays for this service.

Wastewater:

- The wastewater system includes:
 - Waste water collection system
 - Waste water treatment plant
- The SUA provides wastewater transportation and treatment for OSU.
- The SUA's wastewater collection system serves over 14,000 customers within the City limits and 40 customers outside the City limits.
- Wastewater generated in the city and from the OSU campus is collected and transported to the 10 MGD wastewater treatment plant. The wastewater collection system includes over 250 miles of sewer mains and 16 lift stations.
- Utilities to operate the wastewater treatment plant and lift stations are provided by:

- SUA – SUA wastewater facilities are not billed for electric, water, wastewater or solid waste services. However all consumption is metered and recorded each month.
- Central Rural Electric Cooperative supplies electric service to the facilities in rural areas. The wastewater utility pays for this service.
- The wastewater utility receives natural gas service from a third party to several facilities. The wastewater utility pays for this service.

Electric:

- Stillwater is a public power provider. It is the largest municipal generator of electricity and the largest municipal transmission owner in the State of Oklahoma.
- The service area of the electric system currently encompasses approximately 30 square miles, with the exception of OSU. OSU purchases electric power from Oklahoma Gas and Electric.
- As a full requirements customer, the SUA purchases all wholesale electric power for resale to its customers from the Grand River Dam Authority (GRDA) and receives electricity from them at four 138kV substations.
- Pursuant to the terms of the Power Purchase Agreement, GRDA purchases capacity and energy produced by the SUA.
- The SUA owns and operates a fully integrated transmission and distribution system that serves approximately 21,000 customers.
- The SUA owns and operates the Stillwater Energy Center with a peaking capacity of 64 MW
 - 56 MW of natural gas fired reciprocating engine generation
 - 8 MW of diesel reciprocating engine generation
- The electric transmission system is comprised of 8 substations, approximately 24 miles of 69kV line, and 356 miles of 12.47kV distribution lines.
- The SUA is in the process of installing Advanced Meter Infrastructure to be completed within the next 24 months.

Waste Management:

- The SUA has current long-term contracts which provide for landfill disposal of municipal solid waste, green-waste, and recycling processing. These contracts expire in June 2022.
- Waste Management utility does not provide solid waste services to OSU.
- Waste Management utility provides collection of residential, commercial and commercial demolition materials in Stillwater and surrounding areas.
- The SUA operates a weekly curbside automated and semi-automated system for residential solid waste and recycling collection for approximately 13,500 single-family homes.
 - Cart selections ranging from 35 to 192 gallons.
 - Additional services include house-side, green waste collection, glass collection, move-in cardboard removal, 35 gallon bag program, bulk item collection, commercial cardboard collection and recycling center.

- The SUA offers dumpster service for Stillwater and surrounding areas. The SUA provides weekly collections for over 1,500 dumpsters serving approximately 3,000 multi-family households and approximately 900 commercial businesses.
- Weekly single-stream recycling along with access to the City's recycling center is offered to residential utility customers. The SUA accepts cardboard, plastic (#1, 2, 5), tin, aluminum and paper in the single-stream collection. A separate curb-side glass collection is performed once a month. The recycling center also accepts the same items along with electronics, light bulbs, motor oil, antifreeze, cooking oil, textiles and bulk items.
- Based on FY 2017 data, the total amount of solid waste recovered and disposed of by the SUA was approximately 24,255.13 tons. Of that, 1,120.93 tons were comprised of green-waste materials, and approximately 2,533.78 tons of recyclable materials were collected.

Financial structure of the SUA:

Stillwater operates under a council-manager form of government. The Stillwater Utilities Authority is governed by a Board of Trustees. The members of the City Council also serve as the SUA Trustees. The SUA Board of Trustees is responsible for setting rates for all utility services.

The utility systems are operated as enterprises and each individual utility is intended to be self-supporting with costs recovered primarily through user charges. The SUA receives a 1-cent sales tax which is used to offset the cost of purchased power incurred by the electric utility.

The SUA Trustees adopted a resolution in June 2007 providing for annual rate increases for the electric utility effective January 1 of each year equal to 3% or the most recent annual consumer price index for the south urban region as determined by the U.S. Bureau of Labor Statistics, whichever is less. Effective January 1, 2018 electric service rates increased 2.0%.

A water and wastewater cost of service and rate design study was completed in FY2015 which led to the adoption of a resolution establishing new water and wastewater rate structures for our retail, wholesale, and raw water customers. The resolution sets the rates for Fiscal Years 2016, 2017, and 2018. Beginning July 1, 2018 and in the absence of action by the Trustees, the resolution provides for an annual increase to rates in an amount equal to 3% or the most recent annual consumer price index for the south urban region as determined by the U.S. Bureau of Labor Statistics, whichever is less. Effective July 1, 2018 water and wastewater service rates increased 2.0%.

The SUA Trustees may transfer any surplus funds to the Beneficiary (City of Stillwater) and has historically done so on an annual basis. For the purpose of this study, surplus funds will be defined as those funds collected that are in excess of the funds that are necessary to meet the revenue requirements of the utilities and will exclude funds that are restricted or designated by internal or external authorities.

Qualifications of responding firms:

The minimum qualifications outlined below are not intended to be a comprehensive list of the services that may be required. Responses that are detailed and suggest services that the SUA may need or desire, but that are not listed here, are encouraged.

- Responses must describe ability and experience in providing a rate study for all utilities that are part of the SUA. Firms that are unable to provide a rate study in each of these areas may be eliminated from consideration:
 - Water
 - Wastewater
 - Electric
 - Waste Management
- Describe experience and qualifications related to the following:
 - The utility method, cash method, and other methods of determining the cost of service and revenue requirements.
 - Recommending and conducting public meetings as may be appropriate in setting utility rates.
 - Recommending and conducting meetings with governing authorities and staff as may be appropriate to discuss and develop a proposed rate structure.
 - Designing a rate structure, timeframe and process for implementation, and timing for follow up rate studies.

RFQ response schedule:

- Deadline for questions – January 31, 2019
- **Responses due – February 15, 2019, 5:00 PM**
- Evaluation and interviews with top ranked consultants – March, 2019
- Selection, contract negotiation, authorization by SUA Trustees – April, 2019

Submitting a response:

Responses are due February 15, 2019, 5:00 PM and are to be submitted via email as an attachment or link to a downloadable file to:

John McClenny
Special Projects Director
jmccleddy@stillwater.org

Responses are limited to no more than 15 pages and must include:

- Qualifications
 - Describe approach and experience relevant to each of the items listed under minimum qualifications.
 - Describe any important services that are recommended but not specifically listed in this RFQ.
- Staff Experience

- Provide resumes and experience information on leadership and key staff to be assigned to the project.
- References
 - Provide contact information for at least 3 past clients for which similar work has been completed.
 - Provide a list of all clients for which similar work has been completed over the past 3 years.
- Work product examples (not included in page limit for response).
 - Provide the completed final report document that was submitted to each of the 3 references along with a brief explanation of the process and approach for each.
- Signed and completed General Contract Terms (not included in page limit for response).

Selection Process:

- Staff will complete an initial evaluation of the qualifications (see “Evaluation Criteria”).
- Top ranked firms may be invited for an in-person interview and presentation.
- Proposals may be requested from the top ranked firms.
- A company will be selected based on staff’s evaluation. A detailed scope of services, project schedule, fee structure, and contract terms will be negotiated with the selected company.
- In the event that a satisfactory contract cannot be negotiated with the selected company, the SUA reserves the right to negotiate with any of the other responding firms, modify or cancel the project, or take any other action deemed to be in the best interests of the SUA.
- The SUA Trustees must authorize a contract before a notice to proceed will be issued.

Evaluation Criteria:

- Qualifications
- Staff Experience
- References
- Work product examples

Questions:

Questions submitted each week will be answered and posted on the project website on the Monday following the week in which the question was received. The deadline for submitting questions is noted in the project schedule section. Questions are to be submitted via email to:

John McClenny
Special Projects Director
jmccleddy@stillwater.org