



Item: Energy Consultant Proposal Award

From/Presented By: Gregory T. Doyon – City Manager

Action Requested: City Commission is asked to authorize the City Manager to engage an energy consultant to review ECP and make recommendations about future operations.

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission authorize the City Manager to engage the firm of Burns & McDonnell to perform a comprehensive review of Electric City Power and offer recommendations regarding its future operations.”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Staff Recommendation: Authorize the City Manager to execute the contract.

Background: During its budget work session on March 24, 2009, the Commission discussed ECP’s budget and its future. It was recommended that the City retain the services of an experienced energy consultant to assist the City assessing its involvement with the electric utility business and charting a new direction for the utility. On April 21, 2009, the Commission held a work session soliciting feedback from a draft RFP for a consultant. The RFP was issued on April 27, 2009, and closed on May 15, 2009. The City received 8 responses (summary attached) which are open for public inspection in the City Clerk’s office.

Significant Impacts: Although projected to make modest gains in 2010, ECP has not made a profit since its inception four years ago. The challenges with the utility extend beyond its financial condition. The City needs to consider its structure, relationship with Southern/SME, and develop a clear plan for its electric utility. Creating a plan will require input from all interested parties and assessing the benefits and risks associated with continuing the business.

Citizen Participation: There will be opportunities for the public to interact with the consultant.

Workload Impacts: There will be a significant time commitment required by staff, ECP Board members, and Commissioners initially as the consultant seeks to obtain background information and ECP's current status.

Project Work Scope: As outlined in the RFP:

Task 1

Perform an organizational and operational assessment of Electric City Power

Key Specific Deliverables:

- Assess the City's capacity to operate a municipal electric utility within its current municipal structure
- Review all enabling ordinances, resolutions, policies, contracts and ECP's Assignment and Assumption Agreement. Suggest revisions and updates.
- Evaluate the structure of the relationship between ECP and Southern Montana Electric (Southern)
- Evaluate and identify any conflicts between the City, ECP and SME. Identify any alternatives
- Assess the structure of ECP relative to current state statute involving electric utilities. Review shall include its relationship to Montana Public Service Commission and compliance requirements for reporting and supply portfolio mix

Task 2

Perform a comprehensive financial analysis of ECP

Key Specific Deliverables:

- Review past performance and current financial position
- Provide a long term financial prospective/outlook based on current energy contracts, ECP'S relationship with Southern and regional, state, local energy demands, local energy supply alternative options, and state statutes
- Evaluate current business models or plans for viability and effectiveness
- Evaluate economic development potential, if any, of ECP energy supply contract with SME

Task 3

Evaluate Risk

- Evaluate benefits and risk associated with partnering with Southern under the current organizational structure
- Assess risk potential associated with continuing the operation of ECP in consideration of changes with the HGS project, past utility revenue shortfalls, changes in state law and existing power contracts

- Assess financial risk to the City of Great Falls as creator of ECP, using ECP to serve on its behalf
- Evaluate risk associated and whether the City should consider continuing any further involvement in generating facility construction via membership in SME

Task 4

Identify Alternatives

Based on conclusions from Tasks 1, 2, & 3, provide options and alternatives for the City Commission and ECP to consider including:

Key Specific Deliverables:

- Recommendations for continuing operation of ECP
- Recommendations on continuing the relationship with Southern
- Recommendations on continuing a membership relationship with SME
- Long-term viability of ECP
- Steps required to insure ECP is financially feasible and/or an exit strategy from the energy utility business
- Selling or discontinuing existing ECP customer power contracts
- Determine an appropriate level of return on investment for ECP

Evaluation and Selection Process: At the request of the City manager, the City Commission selected two members (Commissioners Bronson & Jolley) and the ECP Board selected two members (Members Golie & Ebeling) to sit on the review board. The committee reviewed all proposals and ranked them by preference. A majority of the panel selected the same firm as their top choice and a teleconference session was scheduled to interview them.

The interview occurred on June 29, 2009, and ended with a unanimous recommendation to the Commission that Burns and McDonnell be selected.

Fiscal Impact: Recommended consultant has proposed a not to exceed amount of \$59,660.

- Attachments/Exhibits:**
1. RFP
 2. Proposal Summary
 3. Proposal from Burns & McDonnell
(Proposal not available online; on file in City Clerk's Office.)

Request for Proposals

Energy Consultant

Introduction

The City of Great Falls is seeking an energy industry consultant to perform an organizational and financial review of its municipal electric utility, Electric City Power (ECP).

On October 7, 2003, the City of Great Falls passed ordinance 2861, authorizing establishment and operation of an electric utility to market power service to customers. On November 1, 2005, the City passed Ordinance 2925 which created Electric City Power, Inc., a non-profit designed to own, operate, and take all other actions necessary or desirable in connection with the municipal electric utility on behalf of the City. On December 6, 2005, the City passed Resolution 9537 declaring intent of the City to participate in development of Highwood Generating Station (HGS) and authorizing the City Manager to take all actions necessary.

On August 29, 2003, the City invested \$500 to become a member of Southern Montana Electric Generation & Transmission Cooperative, Inc. (Southern). This membership allows the City to purchase electricity for resale from Southern. Effective on October 2, 2007, the City and Southern entered into a revised wholesale power contract which expires December 31, 2048. ECP sells power to both public and private customers. However state law has changed to significantly limit ECP's potential to acquire additional customers.

ECP has been operating at a loss since its inception. While the City has made an initial investment in HGS, it is not a formal member of SME, the entity formed to construct HGS. SME suspended construction activities associated with the coal fired plant and is exploring alternative generation options including natural gas.

Scope and Deliverables

Task 1

Perform an organizational and operational assessment of Electric City Power

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- Assess the City's capacity to operate a municipal electric utility within its current municipal structure
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- Evaluate current business models or plans for viability and effectiveness
- Evaluate economic development potential, if any, of ECP energy supply contract with SME

Task 3 Evaluate Risk

- Evaluate benefits and risk associated with partnering with Southern under the current organizational structure
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- Assess financial risk to the City of Great Falls as creator of ECP, using ECP to serve on its behalf
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Task 4 Identify Alternatives

Based on conclusions from Tasks 1, 2, & 3, provide options and alternatives for the City Commission and ECP to consider including:

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Proposal Content

All proposals shall include the method and procedures used to develop recommendations. Consultant shall demonstrate their experience in the energy industry, understanding of municipal operations and experience with municipal electric utilities. Provide resumes for persons involved with the project sufficient to demonstrate expertise in areas described herein. Proposal shall include a brief description of how the project will be approached and potential methodologies used for recommendations.

Proposal shall include a fixed price for the cost of services necessary to successfully complete deliverables.

Proposal must include a disclaimer identifying any potential conflicts of interest including prior work for the City of Great Falls, ECP, Southern (and its member Co-ops).

Selection Criteria

The City of Great Falls reserves the right to reject any or all proposals or to select a proposal that is in the best interest of the City. Proposals will be ranked based on the consultants understanding of the work, methodology, level of experience, cost, value offered, and ability to complete within a timeframe of three months or sooner.

Form of Proposal

An original and five copies of the sealed proposals must be received by the City Clerk at the Great Falls Civic Center, 2 Park Drive South, Room 202, P.O. Box 5021, Great Falls, Montana 59403, by 4:30 p.m. on May 15, 2009.

RESPONSES TO REQUEST FOR PROPOSALS

ENERGY INDUSTRY CONSULTANT

Company <small>Listed in Order of Rated Preference</small>	Amount Bid
Burns & McDonnell 9400 Ward Parkway Kansas City, MO 64114	\$59,660
R.W. Beck, Inc. 1001 Fourth Ave., Suite 2500 Seattle, WA 98154-1004	\$75,700 +\$30,700 Option 1
Commonwealth Assoc. Inc. 2021 East College Way, Ste 101 Mount Vernon, WA 98273	\$271,235 +\$10,000 contingency
Elenchus Research Assoc. Inc. Suite 610, 34 King St. East Toronto, ON M5C 2X8	\$50,510
Scott Madden Mgmt Consultants 2626 Glenwood Ave., Ste. 480 Raleigh, NC 27608	\$85,000
Basin Creek Power Services, LLC 65 East Broadway, 4 th Floor Butte, MT 59701	\$187,640
Lands Energy Consulting, Inc. 2719 California Ave. SW, Ste 5 Seattle, WA 98116	30,000
ProSidian Consulting, LLC 5500 Open Book Lane Charlotte, NC 28270	\$157 per hour