

(225)342-1409

February 8, 2012

**RFP 12-02  
LOUISIANA PUBLIC SERVICE COMMISSION  
REQUEST FOR PROPOSAL**

*Density Utilities of La., LLC, ex parte.*

*In re: Request for Proposals for outside consultant to assist Staff with the upcoming proceedings to review Density Utilities of Louisiana LLC's Formula Rate Plan Annual Filing for the 2011 test year pursuant to Order No. U-30864-A*

Pursuant to the provisions of the Louisiana Public Service Commission's ("Commission") General Order issued in October 2009, General Counsel, on behalf of the Commission, is seeking proposals from independent technical consultants to assist the Commission in conducting Density's FRP annual report due on or before March 31, 2012. This is the second annual review under the FRP; Staff requests the assistance of an outside consultant to work closely with in house Legal, Auditing and Economics Staff to conduct the review of Density's filing.

Bidders who submit proposals should demonstrate and review their familiarity with waste water utilities, their operations as well as any experience in representing regulators in utility rate case proceedings. Bidders should also discuss any experience with FRPs or like methods of rate regulation for utilities. All proposals shall be accompanied by a professional firm resume indicating the qualifications and experience necessary to meet the requirements of this RFP.

**I. Scope of Representation**

The independent technical consultant retained by the Commission shall assist the

Commission's Legal, Audit Division, and Economics Unit in analyzing the 2011 test year results reported by Density, the financial transactions giving rise to the line item activity reported on the income statement and balance sheet, and the where necessary, the source documentation supporting entries made to specific operating revenue and expense accounts. The Consultant may also be asked to evaluate whether the existing FRP is warranted and to determine if the FRP is an appropriate rate structure for Density and its customers. In performing this duty, the consultant shall review the filing, accompanying work papers and the company's financial data; historical data involving prior test year reviews, rate increases and/or decreases involving the company; draft and assist in the drafting of data requests; analyze data responses; participate in formal status conferences, pre-trial conferences, depositions, and hearings; draft and prepare audit memoranda and/or pre-field testimony in support of Staff's ultimate recommendations, together with exhibits supporting the memoranda and/or pre-filed testimony; and assist in the drafting of applicable motions, exceptions, briefing sheets and orders of the Commission. Additionally, the consultant shall be available to participate in informal conference calls, meetings and conferences with the Commission and its staff as well as attending any Business and Executive Sessions that the Staff deems necessary. The scope of the work shall continue through the conclusion of the docket through Commission vote, regardless of whether said vote is the result of a stipulated agreement or contested hearing recommendation.

## **II. Period of Representation**

The time period estimated to complete this docket is estimated at approximately twelve (12) months. This is merely an estimate and may vary greatly depending upon whether the matter is contested, and as such the Commission makes no representations as to the accurateness of the Period of Representation.

## **III. Minimum Requirements**

To be considered, all applicants must meet the following minimum requirements:

Applicant shall at a minimum be experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, capital structure, the Commission's Orders regarding formula rate plans for utilities and all related studies and calculations related to a rate case or rate review. Experience with any ratemaking treatments and/or principles specifically particular to waste water entities are preferred. Applicant shall also be familiar with incentive based rate mechanisms such as FRPs, questions of proper capital structure, affiliated transactions, be familiar with the types of costing methodologies utilized by the LPSC, and shall be qualified and prepared to render expert testimony with respect to the following:

- (1) appropriate accounting standards and practices for public utilities and/or public utility accounting, and generally accepted auditing standards;

- (2) the appropriate ratemaking adjustments to be made to the utility's accounting records;
- (3) The determination and calculation of the appropriate rate base of a utility plant investment dedicated to providing service;
- (4) traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
- (5) the cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
- (6) the allocation of investment and expenses between the non-regulated and regulated operations at the holding company and at the operating company level;
- (7) cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
- (8) familiarity with just and reasonable costs and prudent investments associated with providing reliable and quality service as recommended by NARUC;
- (9) the determination and calculation of an adequate revenue requirement sufficient to cover the allowable costs of service, and rate of return for water/wastewater utilities; and
- (10) depreciation and taxation.

Consideration will be given to factors which indicate degrees of competence, such as educational background and achievement, amount of practical experience in the field of public utility practice, and similar practice before this or other regulatory agencies, in addition to the applicants knowledge of Louisiana ratemaking standards and regulatory law.

#### **IV. Estimate of Cost**

All applicants responding to the Request for Proposal shall quote their rates on an hourly basis and shall also submit a total budget, which shall separate professional fees from costs. However, applicants shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, an applicant's rates and budget shall not be altered except by

formal approval of the Commission.

#### **V. Conflict of Interest**

Previous or current employment which could result in a conflict of interest shall be prominently and separately disclosed. In addition, applicants shall disclose matters in which they currently represent private clients before the Commission.

#### **VI. Disclaimer**

The LPSC reserves the right to reject any and all proposals, to amend and/ or supplement this RFP at any time, and to consider proposals or modifications thereof received at any time prior to LPSC vote at Open Session, if such action is found by the LPSC to be in the public interest. Pursuant to the General Order regarding the selection of contract employees, the LPSC has the right to accept other than the lowest offer with regard to price. In addition, there is also no assurance, express or implied, that an award will necessarily be made pursuant to this RFP.

#### **VIII. Billing Guidelines**

As required by the August 4, 2004 General Order, all bills will be rendered monthly and shall specifically identify and describe all work performed, the person performing such work, the time and charge for such work, and shall additionally show the total amount billed to date and the authorized original estimate. Bills will be rendered in strict accordance with the Commission's guidelines. Expenses shall also be separately disclosed with proof of such expenses attached.

Expenses, where applicable, shall be reimbursed at state authorized rates as specified in the Travel Policies and Procedures Memorandum issued by the State of Louisiana, Division of Administration in effect at the time such expenses are incurred ("Allowable Expenses"). This memorandum can be found at <http://www.doa.louisiana.gov/osp/travel/travelpolicy.htm>. Any expenses that exceed the Allowable Expenses shall be borne by the contract employee and shall not be reimbursed by either the Commission, or the correspondent utility, unless otherwise specified by the Commission.

#### **VIII. Submission of Proposals**

Interested parties should submit the **original (hard copy), plus an ADDITIONAL 6 copies, and e-mail an electronic copy** of the proposal to:

Attention: **Lisa Boudreaux**  
Louisiana Public Service Commission  
Office of the General Counsel  
602 North Fifth Street (Galvez Building) (70802)

P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154  
Phone: (225) 342-1418  
Fax: (225) 342-5610  
Email: [lisa.boudreaux@la.gov](mailto:lisa.boudreaux@la.gov)

To be considered, an original, plus six copies, and the electronic copy of the proposal must be received on or before **March 9, 2012**. Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-1418. (DW/MV)