

CITY OF BETHLEHEM
INTER-DEPARTMENTAL CORRESPONDENCE

SUBJECT: Request for Approval by City Council of Contract Award or Contract Price Increase Pursuant to City Ordinance, Article 121.05 (a)

Project or Contract Reference: 2020 PA PUC Water Rate Case

TO: City Council, all members, and Council Solicitor

FROM: Edward J. Boscola, P.E. Director of Water and Sewer Resources

DATE: January 2, 2020

On behalf of the Administration, pursuant to City Ordinances, Article 121.05, I request City Council's approval of the following recommendation of the referenced contract award or price increase.

- Check Type of Contract or Change:

The contract is for over \$50,000 and required to be bid under the Third Class City Code. We have advertised the above referenced project and received qualified bids. We recommend award of the contract to the bidder identified and for the reasons stated below.

The recommendation is for a price increase of 10% or more for an existing contract over \$50,000 that was previously bid and awarded under the Third Class City Code.

The contract is for the engagement of professional services. We have received one (1) proposal for professional services in connection with above referenced requirement for professional services. We recommend award of the contract to Gannett Fleming Valuation and Rate Consultants, LLC.

- Is the contract appropriation or price increase included in this year's budget? yes no

2020 Water Fund Operating Budget.

- Identify contract funding sources (general fund, grants, loans, etc.....):

Account #2006-42055 – Water General Expenses – Professional Services

- The name and address of the recommended Professional Service Provider are:

Gannett Fleming Valuation and Rate Consultants, LLC
207 Senate Avenue

Camp Hill, PA 17011-2316

- Term of contract or estimated completion date, subject to standard extensions:

The contract shall run from the Notice to Proceed until June 30, 2020 for Tasks I through VII and until March 31, 2021 for Task VIII.

- Description of project or scope of services to be provided:

The preparation of the 2020 PA PUC Major Water Rate Case filing documents will include exhibits and direct testimony in response to the list of filing requirements including:

Task I – Valuation – Rate Base, Original Cost and Depreciation Study

Task II- Rate of Return – Analysis of capital structure, development of debt and fund equity, risk considerations and financial analysis, calculate overall rate of return.

Task III- Revenue Requirements – Development of pro forma statements of income and revenue requirements, Balance Sheet and Operating Statement for historic and future test years.

Task IV – Cost of Service Allocation and Rate Structure – Development of Consumption Analysis, Cost of Service Allocation, Rate Design and Rate Application. Provide required signs and customer notice language.

Task V – Quality of Service – Organize City’s responses for filing purposes.

Task VI – Address Items from Prior Rate Case Order – Meter Calibration, Meter Replacement, evaluate separate industrial rate structure, accuracy of categorizing non-residential customers by class, incorporate Demand Study results into testimony of Task IV.

Task VII – Review Other Tariff Water Fees. Review current charges for sufficiency and identify other fees for additional services.

Task VIII – Post-Filing Services – Respond to interrogatories, review opposing testimony, prepare rebuttal testimony, participate in settlement proceedings and attend evidentiary hearings.

- State the actual or estimated price to the City or the proposed Department budget allowance for the initial term; and state payment rate per unit of service if applicable:

Task I - \$30,000

Task II - \$17,000

Task III - \$57,000

Task IV - \$22,000

Task V - \$0

Task VI - \$5,000

Task VII - \$3,000

Task VIII - \$100,000 – Estimated (dependent on need for rate case hearings, testimony, settlement proceedings, and litigation).

Total - \$234,000

- Number of renewal term options and duration of each renewal, if any:

None.

- Maximum dollar value of all renewals provided for beyond the original term as if all renewals were exercised:

\$234,000

- Reasons for recommendation of Administration and Council approval of contract Amendment:
 - Gannett Fleming Valuation & Rate Consultants has provided this service to the City for 35 years, since 1984, on 12 PA PUC Water Rate Case Filings.
 - Gannett Fleming has maintained and updated the database which includes the original cost of plant installed by year for over 100 years for each type of plant account.
 - Gannett Fleming calculates the remaining life depreciation using their proprietary software based on service life estimates for each plant account that have been approved by the PA PUC.
 - The Gannett Fleming Project Team has from 3 to 34 years of experience in the varied aspects of PA PUC water rate case filings.

Please approve this recommendation by passing the accompanying resolution. A vote of final approval is requested at the first City Council agenda listing of this matter.

By: _____
Department Head

Copies To: Mayor
Director of Administration
Director of Budget and Finance
Law Bureau
Purchasing Bureau
Controller

Attachment: proposed resolution

RESOLUTION NO. _____

Authorization for Contract or Amendment under Article 121.05(a)

BE IT RESOLVED by the Council of the City of Bethlehem that the Mayor and the Controller and/or such other City officials as deemed appropriate by the City Solicitor, are hereby authorized to execute a Contract or Amendment and such other agreements and documents as are deemed by the City Solicitor to be necessary and/or related thereto, with the following named contractor, for the uses and purposes indicated in the supporting Recommendation of Award of Bid or Contract dated January 2, 2020:

1. Name of Contractor: Gannett Fleming Valuation and Rate Consultants, LLC.
2. Project or Contract Reference: 2020 PA PUC Water Rate Case

Sponsored by _____

ADOPTED by Council this _____ day of _____, 20____.

President of Council

ATTEST:

City Clerk