

REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES

**STATE OF DELAWARE
DEPARTMENT OF STATE
DIVISION OF THE PUBLIC ADVOCATE**

**REQUEST FOR CONSULTING SERVICES RELATED
TO AN INVESTIGATION BY THE DIVISION OF THE PUBLIC ADVOCATE
OF UTILITY SERVICE RATES
(PSC DOCKET NO. 13-115 – DPL ELECTRIC)**

CONTRACT NO. STA - 13 - 001 - 13115DPA

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I. INTRODUCTION:

You are hereby invited to submit a proposal to the Delaware Division of the Public Advocate ("DPA") in accordance with the specifications and conditions contained in this Request for Proposals for Professional Services ("RFP"). Please submit your proposal in the format specified with appropriate data in each section. Offerors should submit an original and five (5) copies of each proposal.

Signed: _____
Andrea Maucher
DPA Case Manager
Division of the Public Advocate

II. BACKGROUND:

Delmarva Power & Light Company, a wholly-owned subsidiary of PEPCO Holdings, Inc. (PHI), provides electric distribution services to approximately three hundred thousand (300,000) residential, commercial, and industrial customers in Delaware. Delmarva requests an increase in operating revenues of \$42,043,757, or 7.38% in total revenues, which it claims is necessary because “the Company has undertaken several major initiatives to enhance reliability and safety, expand and enhance its customer service, modernize its infrastructure in a manner that will enable customers to manage their energy consumption, and provide services in a more environmentally-responsible manner.”

The Delaware Public Service Commission (“PSC”) last approved a settlement among most of the participants to the case that granted Delmarva a \$22 million increase. (PSC Docket No. 11-528, Order No. 8265, dated Dec. 12, 2012). Additional information is available on the Commission’s website at: <http://depsec.delaware.gov/electric.shtml> under Important or Pending Cases.

III. SCOPE OF WORK TO BE PERFORMED:

The DPA seeks assistance from qualified firms and individuals to provide professional public utility consulting service to the DPA in exercising its statutory duty of advocating for the lowest reasonable rates for consumers, consistent with an equitable distribution of rates among all rate classes and the maintenance of adequate utility service. Such service includes detailed examination of Delmarva’s claimed revenues and expenses, its request for an increase in its authorized rate of return, an evaluation of the Company’s proposed cost allocation and rate design, and an assessment of its capital budget and expenditures. Because of the significant level of spending proposed by Delmarva for reliability, the DPA is also seeking an evaluation of the Company’s compliance with

the PSC's regulations for electric reliability and a detailed examination of whether the proposed reliability improvements are truly necessary in light of the current state of Delmarva's distribution system. The DPA's internal staff will work with the consultant(s) in the preparation and presentation of testimony and exhibits and may participate in certain areas of the case which could be incorporated in the consultant's testimony.

The successful offeror(s) will be required to analyze the Company's application, schedules and pre-filed testimonies and draft discovery questions. Additionally, the selected offeror(s) will be expected to assist in the development of cross-examination of the utility's prefiled testimony and exhibits; to develop, present, and stand cross-examination on direct testimony of the utility's filing, and to assist DPA Counsel, as needed, in the briefing and presentation of the DPA's case to the Hearing Examiner and to the Commission. This may also include the preparation of surrebuttal testimony. Professional assistance may also be required in the post-hearing phases of the proceedings which may include the preparation of explanations, summaries, schedules, and exhibits as may be required by the Hearing Examiner, DPA Counsel, or by the PSC.

In summary, this is a litigated proceeding before a PSC appointed Hearing Examiner and the selected offeror(s) will be expected to adhere to a formal procedural schedule that will aim to conclude the case within seven months from the date of filing. However, extensions to that time period can be, and have been, granted for cause. DPA seeks from the bidder(s) a firm total not-to-exceed price for complete performance of these tasks and a list of individuals and their qualifications who will be performing the tasks.

For each task listed, provide a separately priced quote and estimated time schedule. **A**
bidder may provide a quote on any or all of the following tasks:

TASK 1: RATE BASE, REVENUE REQUIREMENT, REVENUES, EXPENSES AND OTHER

GENERAL RATE CASE ISSUES EVALUATION:

- a) Analysis and evaluation of Delmarva's rate base, revenue requirement, and operations and maintenance expenses, including depreciation, revenues and other general rate case issues as filed.
- b) Analysis and evaluation of appropriate adjustments to historical test year data, including weather normalization.
- c) Analysis and evaluation of the depreciation rates contained in the filing.
- d) Recommendations for alternative adjustments, as needed.

TASK 2: COST OF SERVICE AND RATE DESIGN STUDY EVALUATION:

- a) Analysis and evaluation of Delmarva's cost of service and rate design.
- b) Determination of appropriate functionalization, classification, and allocation of distribution revenue requirements to various customer classes.
- c) Analysis and evaluation of any proposed alternative ratemaking methodologies, including multi-year rate plans.
- d) Identification and analysis of other issues not raised by the Application that should be addressed.

TASK 3: CAPITAL STRUCTURE, COST OF CAPITAL, COST OF EQUITY AND OVERALL

RATE OF RETURN ISSUES EVALUATION:

- a) Analysis and evaluation of proposed capital structure, cost of capital, cost of equity, and overall rate of return.
- b) Prepare recommendations or alternative adjustments, as needed.

TASK 4: RELIABILITY ASSESSMENT

- a) Assessment of Delmarva's compliance with the Commission's current Electric Reliability and Service Quality Standards (see

<http://regulations.delaware.gov/AdminCode/title26/3000/3007.shtml>
#TopOfPage) and whether modifications to the PSC regulations are warranted.

b) Analysis and evaluation of Delmarva's proposed capital expenditures in meeting PSC regulations and the degree to which proposed level capital expenditures will noticeably improve service to customers.

The DPA anticipates that the bidder will demonstrate professional expertise and due diligence in developing a work plan for project completion and the not to exceed price for services. The DPA recognizes that the potential exists for the scope of work to expand beyond what was originally contemplate in preparation of the proposal; therefore, timely filed requests for supplemental compensation will be considered. To be considered timely, the request must be filed with the DPA sufficiently far enough in advance for adequate evaluation by the Public Advocate (generally not less than two weeks). All offerors are hereby specifically advised that in order to receive any payment above the accepted not to exceed price, the DPA will require detailed written support demonstrating that the work involved in bringing the matter to conclusion was not, and could not have been, reasonably contemplated so as to be incorporated into the original proposal.

IV. DEADLINE FOR PROPOSALS:

All proposals must be received not later than NOON on Monday, April 29, 2013 in a sealed envelope marked BID PROPOSAL ENCLOSED. Proposals received thereafter *will not* be considered by the DPA. To be received, the proposals must be physically present, by mail or by delivery at the Division of the Public Advocate, 820 N. French Street, Carvel Building, 4th Floor, Wilmington, DE 19801, by the time specified hereinabove. One additional copy of the proposal should also be sent to Andrea Maucher, DPA Case Manager, 401 Federal Street, Townsend Building – Suite 3, Dover, DE 19901 no later than the deadline specified.

V. PROPOSED PLANS AND TIMETABLES:

The offeror's proposal must clearly state all plans for the performance of the proposed review, together with a preliminary discussion of each major element of review proposed. The timetable must estimate the calendar time required, and the proposed elements of the review, including the development of proposed report, cross-examination and preparation of affirmative testimony.

VI. SIGNATURE ON PROPOSALS AND NUMBER OF COPIES:

The proposals and all copies must be signed by an officer or partner authorized to bind the offeror contractually. The name, title, address, and telephone number of the officer or partner (if different from above) who may be contacted during the period of proposal evaluation shall be included. An original plus five (5) copies are required.

VII. DPA CASE MANANGER:

The following individual is designated as the DPA Case Manager:

Andrea Maucher
Public Utility Analyst
Division of the Public Advocate
401 Federal Street
Townsend Building, Suite 3
Dover, Delaware 19901

Ms. Maucher will act as the point of contact and coordinator for the entire project. She will represent the DPA in all aspects of this project and will receive all proposals, invoices, reports, and other correspondence relating to the project. Contact with other members of the DPA Staff is not appropriate prior to the selection of the Consultant. Ms. Maucher will also oversee scheduling and procedural concerns as well as serve as the principal contact for the technical tasks associated with

this review. Periodic updates should be provided to the Case Manager as the review progresses, at least on a bi-weekly basis.

VIII. PERSONNEL ASSIGNED:

Proposals must include an organizational chart listing each person that will be assigned to the project, their position within the firm, billing rate, experience, specific contribution to be made to the project, and other pertinent information. In addition, the proposal shall list the names of both the partner or officer in charge or the project manager, and give an estimate of their billable time for the project. The proposal shall further contain an estimate of the hours to be worked by all other persons to be assigned to this project. No persons other than those listed in the offeror's original proposal will be permitted to work on the project without the prior express approval of the DPA Case Manager.

Your application should include a résumé for each person who will be assigned to the project indicating the individual's knowledge of the subject areas for this project and the qualifications applicable to the performance of the project. In addition, please list in your proposal three (3) current references for each person, along with addresses and current telephone numbers of the reference. The DPA may contact these references in the evaluation of the proposals received.

IX. RELATED PROJECTS:

Each proposal must list all projects currently in progress or completed within the last two (2) years which the offeror considers to be similar to this project. Each project should be described in sufficient detail to permit comparison with the subject matter of this RFP. Please place this information in an appendix to your proposal.

X. CONFLICTING INTERESTS OR EMPLOYMENT:

Any individual or firm submitting a proposal is required to review its prior and existing employment, and that of its personnel, to insure that there are no interests which could reasonably be deemed to conflict with the work which is the subject matter of this RFP. The DPA wishes to avoid even the appearance of impropriety and, therefore, any doubts in this regard should be resolved in favor of full disclosure. The successful offeror, and the personnel employed on the project, must have no financial or business interest, directly or indirectly, with PSC-regulated companies which would or could be reasonably thought to affect the exercise of independent professional judgment throughout the proceedings contemplated by this RFP. Even though not state employees, the offeror should read and be familiar with the terms of 29 Del. C. Ch. 58 - "Laws Regulating the Conduct of Officers and Employees of the State" so as to assist them in avoiding any improper conduct. In addition, 26 Del. C. §109 provides:

No person shall be eligible for appointment to or shall hold the office of Commissioner, or be appointed by the Commission to hold any office or position under it, who is a director, officer or employee of any public utility or owns or directly or indirectly controls any stock of any public utility entitled to vote for election of directors. No Commissioner, and no employee, appointee or official engaged in the service of or in any manner connected with the Commission shall hold any office or position, or be engaged in any business, employment or vocation, the duties of which are incompatible with the duties of his office as Commissioner, or his employment in the service or in connection with the work of the Commission.

XI. FIRM OFFER:

All proposals must contain a **conspicuous** statement within the proposal that the proposal is a firm offer for a period of not less than six (6) weeks from the deadline for proposals.

XII. PRICE:

It is intended that the contract resulting from the formal acceptance of the Proposal will be on a "NOT TO EXCEED" basis. Your proposal should be realistic for the approach you propose and should enable you to give the DPA the full benefit of your best professional judgment and efforts.

Using the format below, provide a breakdown of the price of the proposal by hourly rates for every professional individual. Charges for non-professionals such as secretarial and typing support may be aggregated under "other fees or expenses."

<u>NAME</u>	<u>BILLING RATE</u>	<u>HOURS</u>	<u>EXPENSES</u>	<u>TOTAL</u>
Partner				
Project Manager				
All Others (by name)				
All Other Fees or Expenses				

Flexibility between classes and among members of the project team is permissible so long as the maximum price is not exceeded.

In addition to the above format, each proposal must contain the following statement:

The DPA shall pay (offeror) as full compensation for all authorized work performed and accepted including all costs, fees, and expenses, an amount not to exceed \$_____.

All price information shall be placed in your proposal.

Only reasonable expenses shall be charged. The DPA reserves the right to disallow expenses that the DPA determines are not reasonable and necessary. Insomuch as the proposed services will

be for a state agency, the successful offeror should make every effort to keep costs of hotels, meals and transportation to a minimum. When considering future proposals from a successful offeror, the DPA may consider the successful offeror's record in this regard.

XIII. ACCEPTANCE OF PROPOSAL:

If the DPA accepts your proposal, the DPA will provide a contract for you to execute. Until a formal notice of acceptance is issued, however, no communication either written or oral, by the Public Advocate or DPA employee, shall constitute or be interpreted as a promise of or actual acceptance of any proposal.

The DPA will issue a formal notice of acceptance in writing to the successful offeror upon the DPA's receipt of approval of a validly executed purchase order for the proposal from the Office of the Secretary of Finance of the State of Delaware. Such formal notice of acceptance is required prior to the creation of a contractual relationship between the successful offeror and the DPA. By submitting a proposal, an offeror specifically agrees to perform no services chargeable to the DPA or the State of Delaware under or in connection with this RFP or the subject thereof until receipt of formal notice of acceptance.

To facilitate the processing of the proposal of the successful offeror, the following tentative acceptance paragraph should be provided at the end of your proposal:

If this proposal meets with DPA approval and we are selected as the successful offeror, you will so indicate by providing us with a contract for our execution. We understand that this acceptance is conditioned upon approval by the Office of the Secretary of Finance of the State of Delaware of a validly executed purchase order for the work to be performed in connection therewith. We will perform no services under this proposal to be charged to the DPA or to the State of Delaware and will not consider a binding contractual arrangement to have been entered into until the issuance by the DPA of a formal notice of acceptance stating that a validly executed purchase order for services to be performed in accordance with this proposal has been approved by the Office of the Secretary of Finance of the State of Delaware. We acknowledge that all terms, conditions, and assurances contained in the RFP to which this proposal responds are accepted and incorporated by this proposal.

Accepted this _____ day of _____,2013.

By:

Division of the Public Advocate

XIV. FACTORS THE DPA MAY CONSIDER IN THE SELECTION PROCESS

The DPA will normally evaluate the proposals that meet the specifications of this RFP on the basis of its consideration of the following factors:

1. Demonstrated ability to understand and perform the assignment in an expeditious and professional manner.
2. Innovative suggestions for making the required review and analysis.
3. Description of the work product to be produced.
4. Demonstrated knowledge and understanding of public utility regulatory proceedings of a similar nature.
5. The quality of the staffing plan and qualifications and past experience of the personnel assigned to work on the project.
6. The specific approach proposed for the project, including the time requirements for different phases of the project, if any.
7. The DPA's prior experience with the offeror's work product.
8. Responses and recommendations of listed references.

9. Existence of conflicting or potentially conflicting interest or employment of the appearance of such conflicts.
10. Total price of proposal and the components thereof.
11. The DPA's overall impression of the offeror from the form of the proposal and from services previously performed for the DPA, if any.

XV. ASSURANCES:

By submitting a proposal in response to this RFP, the offeror assures the DPA that he, she, or it has or will, prior to performing any work to be billed to the DPA in connection with the project which is the subject matter of this RFP, secure all necessary licenses or permits required by the Division of Revenue and other appropriate agencies and departments of the State of Delaware to perform work of the nature contemplated by this RFP.

XVI. INDEPENDENT CAPACITY AND ASSIGNABILITY:

The successful offeror and any agents and employees thereof shall, in the performance of work under the proposal and this RFP, act in an independent capacity and not as officers or employees of the State. The successful offeror shall neither assign nor transfer any interest under the contract resulting from this RFP without the prior written consent of the DPA.

XVII. INDEMNIFICATION:

The successful offeror agrees to indemnify, defend, and save harmless the State of Delaware, its officers, Commissioners, employees, and agents from any and all claims and/or losses accruing or

resulting to persons, firms, or corporations who may be injured or damaged by the successful offeror in the performance of its duties and responsibilities under the proposal accepted by the DPA and also from and against any liability, including costs and expenses, for violation of proprietary rights, copyrights, or rights of privacy or confidentiality arising out of the publication, translation, reproduction, delivery, performance, use or disposition of any data furnished pursuant to this engagement or based on any libelous or otherwise unlawful matter contained in such data.

The successful offeror agrees that it will also provide or cause to be provided, at no further cost to the DPA, such additional professional consulting services as may be necessary to rectify or otherwise correct the effects of any errors or omissions resulting from the negligent performance or non-performance by the successful offeror, its employees, agents, or assigns of its reasonable duties and responsibilities in connection with the subject matter of this RFP.

XVIII. ACCESS TO RECORDS AND RIGHT TO AUDIT:

The successful offeror agrees that the DPA, through its duly authorized agents or employees, shall have the right to audit and examine such books, records, time cards, and other material in possession or control of the offeror as may be deemed necessary to verify fees, charges, or expenses billed to the DPA in regard to the project which is the subject of this RFP.

XIX. CONFIDENTIALITY OF PROPOSALS, WORK PAPERS AND MATERIALS

The proposal filed in response to this RFP will be considered a public document and will be available for public inspection upon filing with the DPA.

The successful offeror agrees that the DPA shall own and have unlimited right to all interim and final written testimony, exhibits, or reports, and that the offeror shall not assert any rights or establish any claim under existing copyright, patent, or data law as to such material or processes. Further, the offeror agrees that upon request it will turn over to the DPA original or legible copies of all work papers created by offeror in support of its testimony, exhibits, or reports during the course of this engagement within thirty (30) days following the deliberation and decision by the Commission on the subject matter of this RFP..

XX. PAYMENT:

The successful offeror shall submit monthly detailed bills to the DPA for services performed to that point in time. Subject to review and audit by the DPA, such invoice will be promptly processed and paid.

XXI. TERMS AND CONDITIONS:

This RFP neither commits the DPA to enter into a contract nor to pay any cost incurred in the preparation of a proposal in response to this request. The DPA reserves the right to accept or reject any or all proposals received, to negotiate with all qualified sources, or to cancel or modify this RFP in whole or in part. The DPA reserves the right to request additional written data, information, oral discussion, or presentations in support of any written proposal or portion thereof which is deemed necessary to clarify any aspect of the proposal.

The DPA reserves the right to enter into negotiations with one or more offerors concerning the subject matter of this RFP independent from the proposals which may be submitted in response to the RFP, and the DPA may accept any proposal with or without modifications acceptable to the offeror without conducting further written or oral discussions with any offeror, and the DPA shall be under no obligation to explain to any offeror whose proposal is not accepted the reasons for such non-acceptance. By submitting a proposal, the offeror agrees that it will not seek such explanation for non-acceptance of its proposal.

XXII. TERMINATION OF AGREEMENT FOR CAUSE:

It is understood and agreed that if, through any cause or for any reason, the successful offeror shall fail to fulfill in a timely and proper professional manner the obligations under the successful proposal, or shall violate any of the terms and conditions of this RFP, the DPA shall have the right to terminate the agreement by giving written notice of such termination to the successful offeror specifying the effective date of such termination, which shall be not earlier than the mailing of such notice. In the event of such termination, all finished or unfinished documents, data, studies, testimony, exhibits, or other material prepared or being prepared pursuant to the project shall, at the option of the DPA, become its property and the successful offeror shall be entitled to receive just and equitable compensation for any reasonably satisfactory work performed.

XXIII. TERMINATION FOR CONVENIENCE OF DPA:

The DPA reserves the right to terminate this project at any time, either before or after acceptance of the proposal. Such termination, when made prior to the issuance of formal notice of acceptance of a proposal, may be accomplished by telephone or mail. Such termination, when made after issuance of formal notice of acceptance of the proposal, shall be accomplished by notice of termination which shall be made in writing and which shall be effective upon receipt by the successful offeror.

XXIV. EFFECTIVE DATE AND TIME OF PERFORMANCE:

The rights and obligations of the successful offeror and the DPA shall not be effective, and neither the successful offeror nor the DPA shall be bound by the terms of a tentatively accepted proposal, unless and until a validly executed purchase order has been approved by the Office of the Secretary of Finance of the State of Delaware. Performance of services contemplated by this RFP shall not begin prior to the issuance of a formal notice of acceptance by the DPA.

XXV. ADDITIONAL WORK NOT CONTEMPLATED IN THE PROPOSAL:

In the event that it becomes necessary or desirable during the course of the project for the successful offeror to perform additional work not reasonably contemplated within the proposed firm price, it is understood and agreed that **NO** compensation will be paid for such work commenced or undertaken at the direction of DPA Counsel, the Public Advocate, or any DPA employee without the **prior** approval of the DPA.