

Request for Qualifications

For Economic Modeling of Water Demand, Rates and Retail
Water Agency Revenue Stability to Support Adoption of
Conservation Based Water Rates

June 16, 2015

Santa Ana Watershed Project Authority

11615 Sterling Avenue

Riverside, CA 92503



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Notice

The Santa Ana Watershed Project Authority (SAWPA) is seeking qualification proposals for Economic Modeling of Water Demand, Rates and Retail Water Agency Revenue Stability to Support Adoption of Conservation Based Water Rates. The purpose of the Request for Qualifications (RFQ) is to solicit competitive proposals to identify a firm or individual that can facilitate model(s) that analyze retail water agencies' water demand, rates and revenues in support of the Emergency Drought Grant Program.

Submission Details

Submission Deadline

All submissions to this RFQ must be submitted electronically, as stated below, no later than:

Monday, July 7, 2015
No later than 5:00pm

Submission Delivery Address

The delivery email address to be used for all questions, and clarifications:

Ian Achimore
Senior Watershed Manager
Direct Line: 951.354.4233
Email: iachimore @ sawpa.org

Electronic Submissions

Electronic submissions, in response to this RFQ, will be accepted as long as they meet the following criteria:

- Sent via email to: iachimore @ sawpa.org
- Document standards:
 - Must be in Microsoft Word format, or Adobe PDF format
 - File name must end in “.doc, .docx,” or “pdf”

Planned Schedule

Event	Date
RFQ Release Date	June 16, 2015
Submission Due Date	July 7, 2015
Post RFQ Submissions on SAWPA.org	July 24, 2015

Right to Change RFQ and Process

SAWPA reserves the right to reject any and all submissions, in whole or in part, to advertise for new submissions, to abandon the need for services, and to cancel or amend this RFQ at any time. SAWPA reserves the right to waive any formalities in the RFQ process, consistent with applicable laws.

Introduction

SAWPA is working with its member agencies and other water agencies to use grant funding provided by the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84, Chapter 2) to implement the Emergency Drought Grant Program. The Program includes a project component to assist retail water agencies with reducing overall water demand in response to the current drought. The Program is being implemented in the SAWPA 2,850 square mile service area, which is the Santa Ana River Watershed, which includes approximately 120 agencies associated with water, of which approximately 70 are retail water agencies.

This request for qualifications is in relation to the Implementation of Conservation Based Water Rates project component. The scope of the project is to conduct outreach to retail water agencies and provide them with funding/tools in order for them to implement conservation based water rate structures (also known as “budget-based” rates) that promote water use efficiency and at the same time sustain revenue stability as efficiency increases and the drought continues. A model or set of models for each retail water agency who is interested in adopting conservation based water rates is needed in order for the agencies to determine their price responsiveness of demand, in accordance with different rate structures, and their projected revenues from each rate structure.

The Emergency Drought Grant Program was developed through the One Water, One Watershed (OWOW) implementation process which reflects a collaborative planning process that addresses all aspects of water resources in the watershed over a long term planning horizon. All projects developed through the process must reflect the OWOW 2.0 Plan, which is the Santa Ana River Watershed’s Integrated Regional Water Management Plan. The approaches contained in the OWOW 2.0 Plan include multi-beneficial projects and programs that are linked together for improved synergy, proactive innovative, and sustainable solutions, integrated regional solutions supporting local reliability and local prioritization, watershed based project and programs that effectively leverage limited resources, promote trust and produce a greater bang for the buck, and integrates water supply, water quality, recycled water, stormwater management, water use efficiency, land use, energy, climate change, habitat, and disadvantaged communities and tribes.

For the Implementation of Conservation Based Water Rates project, SAWPA will use the funding provided by the grant to assist approximately five to ten retail water agencies in implementing conservation-based rate structures within the Santa Ana River Watershed. SAWPA conducted a series of workshops in May 2015 aimed at agency decision-makers on the economic and water supply benefits of conservation-based rates. These initial workshops will be supported by targeted follow-up meetings with interested agencies. These meetings are intended to educate policy makers and retail water agency

staff on conservation based water rate structures and necessary billing system changes, and how grant funding provided by the Emergency Drought Grant Program can assist each agency who chooses to transition to these types of rate structures. The results of this RFQ will be presented to the approximately 70 retail water agencies in the Santa Ana River Watershed as tools that can assist them in adopting conservation based water rates.

The budget for the conservation based water rate project will be apportioned into two separate allocations of grant funding. The first allocation is for the development of region-wide workshops and support tools administered by SAWPA. The region-wide support tools can include a local evapotranspiration monitoring and reporting tool and water efficiency calculator. The second allocation of funding is intended to support individual retail water agencies in their conservation based rate structure tool development.

Interested retail water agencies, who have not adopted conservation based water rates in the Santa Ana River Watershed, may be eligible to receive grant funding under the second allocation. For the purposes of eligibility, adoption of conservation based water rates is defined as an agency transitioning from a flat or tiered rate structure to a customer-specific allocation that follows an increasing block rate structure that includes at least three blocks, with one or more blocks accounting for high or exceeding water use, based on State efficiency standards or more stringent efficiency standards. The customer class for which the rate applies shall comprise at least 50% of the agency's potable water demand.

Resources

- SAWPA Website - www.sawpa.org
- Emergency Drought Grant Program- <http://www.sawpa.org/owow/pa-22drought-project/>
- OWOW 2.0 Plan - <http://www.sawpa.org/owow-2-0-plan-2/>
- SAWPA Service Area Map - <http://www.sawpa.net/>
- SAWPA Member Agencies - <http://www.sawpa.org/resources/>

Deliverables for the RFQ Responses

In responding to the RFQ, the firm or individual should provide a description of their model(s) and the inputs to be provided by the retail water agency and the other varied inputs such as weather variables. The firm or individual should also describe their calculations to estimate demand response to price at different time intervals and under different hypothetical conditions.

Each of the following individual questions should be answered in the RFQ response:

1. What is the name of your model(s), who developed it, and has it been utilized before by retail water agencies for setting water rates?

2. Explain how your model(s) accounts for different alternative rate structures and the impact of those rate structures on demand. Does your model(s) allow retail water agency to test rate concepts with their specific data?
3. What specific data do you need from the retail water agencies in order to run the model(s), approximately how long of a time period does the data need to cover to calculate valid results, and in what format should the data be provided?
4. Does your model(s) utilize customer level data along with the retail water agency's financial data?
5. Can your model(s) accurately calculate household water demand and agency revenues? Describe these calculations and the results of any calibration tests you have conducted.
6. How does your model(s) account for variable demand by drought and weather patterns, additional demand by the installation of new water meters, pipeline and system leaks, etc.?
7. Does the retail water agency need to have adjusted their rates in any particular manner in the past to run the model(s)? If not, can you borrow data from other agencies who have already adopted a type of rate structure, such as conservation based water rates? Does the agency providing the data need to have similar characteristics to the retail water agency under analysis in order to calculate valid results?
8. Will the model(s) be provided to the retail water agency for their future use after the contract with the firm or individual expires?
9. What is the base software of your model(s)?
10. How is your model(s) user friendly?
11. What is the approximate length of time it would it take for you to provide and run the model for a retail water agency with several customer classes?
12. How will your model(s) assist retail water agencies in complying with 1) Proposition 218, and 2) the recent San Juan Capistrano decision by the Fourth Appellate District such as specifically tying the cost of service to incremental priced tiers?
13. In order to provide a cost estimate to retail water agencies in the Santa Ana River Watershed, how do you price the cost of providing, supporting and running the model(s) for a single retail water agency? Does the amount of customer classes, the amount of total customers, the sophistication of the data provided by the retail water agencies, etc., impact the pricing of providing and running the model(s)?
14. Please provide an approximate cost and timeline estimate for an average retail water agency that accounts for support time, provision of the model, etc.
15. What are the benefits of providing and running the model(s) to a group of retail water agencies instead of a single retail water agency? Is there a reduction in the cost that an individual retail water agency would have to pay if the model(s) were provided to several retail water agencies (i.e. a group rate)?
16. How many individuals at your firm would be available for this type of project if implementation were to occur in the next two years?

Assumptions and Constraints

The firm or individual responding to the RFQ must be willing to enter into a Professional Services Agreement to perform modeling and support for a period of one to three years.

Purpose and Audience

With the goal of conserving water in order to meet the State Water Board's emergency regulations that implement Governor Gerald Brown's April 1, 2015 Executive Order, and to respond to the strong likelihood that the current four year drought is the "new normal", retail water agencies in the Santa Ana River Watershed are interested in all the tools available to them. Retail water agencies are interested in implementing a rate structure that will meet their financial obligations to provide adequate and sustainable funding for their operations and maintenance costs, debt service and capital projects, capital replacement, bond requirements and unforeseen events. The firm or individual's services to be provided by this RFQ are specifically for retail water agencies for their development and implementation of conservation based water rates. Retail water agencies will be reimbursed by the Emergency Drought Grant Program if they use the model to adopt conservation based water rates. For the purposes of eligibility, conservation based water rates is defined as an agency transitioning from a flat or tiered rate structure to a customer-specific allocation that follows an increasing block rate structure that includes at least three blocks, with one or more blocks accounting for high or exceeding water use, based on State efficiency standards or more stringent efficiency standards. The customer class for which the rate applies shall comprise at least 50% of the agency's potable water demand.

Detailed Specifications

Qualifications

The firm or individual responding to the RFQ must provide the following:

- Extensive experience in computer generated financial models
- Qualified, experienced staff and resources to implement an up to a three year project

References

The firm or individual must also provide a contact (name, title, phone number, email) from several agencies that have contracted with the firm or individual. The references should be able to discuss your successes and strengths as a firm or individual.