

**CITY OF AZUSA
AZUSA LIGHT & WATER**

Request for Proposal (RFP)

**Hydroelectric Plant Acquisition Study
for Azusa Light & Water**

May 17, 2011

Azusa Light & Water (AL&W) is soliciting proposals from interested consulting companies to assist the utility in developing a business case for acquiring (or not acquiring) a 3 MW hydroelectric power plant and associated facilities located in the City of Azusa from a neighboring utility. Such assistance would be provided utilizing the standard Professional Services Agreement (PSA) of AL&W.

BACKGROUND

The City of Azusa owns and operates a municipal electric utility. AL&W provides electric utility services to Azusa residents and businesses, serving 15,000+ electric accounts within its service area. AL&W owns and operates an electric distribution system from its substations to the end-use customer. Power supplies are obtained from outside the service area and imported to serve local loads. AL&W is a Participating Transmission Owner (PTO) within the regional transmission organization - California Independent System Operator (CAISO).

AL&W average system peak load is about 65 megawatts during the summer months and 40 megawatts during the winter periods as measured from the combined metered services at the utility's two receiving substations. The bulk of power supply needs are obtained from an entitlement in a coal fired generating plant (San Juan Unit 3), to which AL&W is a participant under an umbrella group of municipal utilities (Southern California Public Power Authority or SCPPA). Other present resources include entitlements in Hoover Hydroelectric Project, the Palo Verde Nuclear Generating Station, the Garnet and High Winds wind projects, several small hydroelectric projects in the region and various term purchases from third parties.

Presently, the City of Pasadena owns the Azusa Hydroelectric Plant and an associated 5.5 mile long conduit from the San Gabriel Dam. Pasadena has indicated they would consider transferring these facilities to the City of Azusa under business terms yet to be determined. Azusa has begun evaluating such a

transaction and has expressed preliminary interest in acquiring the project provided a business case for doing so can be developed.

The powerhouse and conduit were built in the late 1890's by the San Gabriel Electric Company (successor to the San Gabriel Power Company, Pacific Power & Light and eventually Southern California Edison Company in 1917) to provide hydroelectric energy as a possible power source for an ice-making plant in Azusa. The initial capacity of the plant was 2,000 KW and by June 30, 1898, power was being transmitted to Los Angeles where much of it was used by electric railway lines in and around Los Angeles.

The original power plant was the second two-phase plant in the United States, the first being at Niagara Falls. In the late 1940's a 3 MW new power plant was constructed south of the old facility to replace the first plant. This was necessitated because Edison was converting from 50 cycle power to 60 cycle power.

In 1912, the City of Pasadena formed its Water Department when it sold bonds to buy some small independent water companies. Pasadena realized that it needed more water as the city continued to develop and grow. It was determined that the San Gabriel Canyon would be a viable source, but a dam and a pipe line to Pasadena would need to be built. Pasadena purchased various properties and water rights in the canyon so a dam could be built. However, the reservoir formed by the dam could potentially encroach on the Azusa Conduit, which was owned by Southern California Edison Company. Edison told Pasadena that if they wanted to build the dam, they would have to purchase the conduit and powerhouse from them. On January 18, 1930, the City signed an option with Edison the purchase these properties.

On June 18, 1929, the voters of Pasadena approved the sale of bonds in the amount of \$10,000,000 for the "San Gabriel Project". The ground breaking ceremony for Pine Canyon Dam was held on April 26, 1932 and the dam was scheduled for completion by January 1934. Pasadena sold Pine Canyon Dam and Reservoir to MWD on November 23, 1932, and the City officially purchased the Azusa Hydroelectric Project and Conduit from Southern California Edison on June 20, 1933. On May 26, 1934, Pine Canyon Dam and Reservoir's name was changed to Morris Dam and Reservoir.

Staff believes that it would be helpful to have the assistance of a third party to evaluate the condition of the project from available documents and to assess the value, benefits, liabilities and costs of a possible acquisition by AL&W.

SCOPE OF WORK

1. Review available documents related to the history, condition and commitments of the Azusa Conduit and the Azusa Hydroelectric Plant.
2. Analyze and forecast the value of electric power from the Azusa Hydroelectric Plant to include capacity, energy, renewable energy credits and GHG benefits.
3. Forecast the annual cost of capital improvements and maintenance of the Azusa Hydroelectric Project.
4. Evaluate and estimate the cost of replacing the key elements of the Azusa Hydroelectric Plant with new modern equipment. Project the Azusa Hydroelectric Plant annual capital and maintenance cost associated with this upgrade.
5. Analyze/forecast the annual cost of maintenance and repair of the Azusa Conduit.
6. Evaluate and estimate the cost of upgrading key elements of the Azusa conduit to improve reliability and reduce improve water transmission efficiency (i.e. reduce water losses). Project the annual Azusa Conduit capital and maintenance cost associated with this upgrade.
7. Summarize the 20 year cash flows (and present worth) of cost and value of the Azusa Conduit and Hydroelectric Plant under status quo and various upgrade scenarios.
8. Research and document the assets, agreements, deeds, permits, licenses and judgments associated with the Azusa Conduit and Hydroelectric Project that would be part of a potential acquisition. Document the agreements, licenses and permits that would be necessary to consummate an acquisition of the Project by the City of Azusa to include projected timelines.
9. Summarize the costs, liabilities, benefits and rights associated with a potential acquisition of the Azusa Conduit and Hydroelectric Project by the City of Azusa from the City of Pasadena.
10. Review and assess the transmission delivery aspects and costs of electric power from the Azusa Hydroelectric Project to the City of Azusa under Pasadena's current arrangements with Southern California Edison and through a new direct interconnection with Azusa's local electric system.

11. If the Azusa Conduit and Hydroelectric Project were acquired by Azusa, explore and discuss the organizational/resource impacts to Azusa to administer and maintain the project.

PROPOSAL PREPARATION

Qualifications of Proposers

AL&W will require information, to be submitted in proposals, which will demonstrate professional capabilities and experience of the bidder with the assessment of hydroelectric facilities and in the development of economic/business evaluations for asset acquisitions by electric utilities.

Proposal Presentation and Format

Consulting companies or individual firms submitting their proposal should arrange and present proposal contents using the following sequence or format to help facilitate evaluation:

- Cover letter
- Company and qualifications
- Work plan
- Data Request
- Scope exclusions/addenda
- Deliverables
- Schedule of completion
- Consultants who are assigned to perform the work
- Principal & staff hourly rate schedule

Cover Letter

The one page cover letter should include the proposed not-to-exceed amount for compensation/expenses, the expected completion date for scope of work, and the principal consultant who will be assigned as lead/project manager to perform the work as proposed.

Company and Qualifications

This section should contain the following:

- a) Name of firm and mailing address, phone, e-mail address or website and fax number of the proposer's principal place of business.

b) Mailing address, staffing and degree of participation in study by any other firm or subcontractor.

c) Overall company relevant experience.

d) 2-3 references from recent clients, for which similar services have been provided in the last five years, preferably to municipal utilities, by the principal staff that will be assigned to this project.

e) Estimate of the man-hours to be expended in relation to each specific portion of the scope of work that will be performed.

f) Brief resumes and relevant experience of key staff assigned to do the work as proposed, clearly indicating the qualifications to perform required tasks.

Work Plan

This section should give an introduction and overview of the approach, list general objectives, document a work plan by breaking down scope into specific tasks or work elements clearly associated with the scope of work, and explain the methodology to be used in completing each task.

Data Request

This section of the proposal shall itemize all data the consultant expects AL&W to provide in carrying out the scope of work as proposed. Relatively recent condition assessments of the conduit and the hydroelectric plant will be made available for review by the consultant.

Scope Exclusions/Addenda

In reviewing this RFP, the Consultant may encounter tasks, which, in the opinion of the Consultant, may be unnecessary or may have been omitted by AL&W. At the consultant's discretion, they may identify these unnecessary tasks, and may include any tasks that are deemed necessary/prudent by the Consultant, but are not required by this RFP. In addition, the consultant shall submit any changes that it may require to AL&W's standard service agreement (attached).

Deliverables

Deliverables include a report summarizing the findings and analyses performed by the consultant hereunder.

Schedule of Completion

Consultant shall provide a study schedule that the Consultant believes is most appropriate to complete the scope of work as proposed. AL&W is contemplating a target completion date of 100 days following project notice to proceed.

Not-To-Exceed Fee

Consultant shall provide in a table format, the cost for each task, including a listing of the personnel assigned to each task, and a total not-to-exceed cost for this project. Reimbursement will be based on actual cost up to the not-to-exceed amount.

Fee Schedule/Hourly Rates

A schedule of hourly rates shall be included for all personnel classifications that will be utilized in this study.

Other Client Commitments

Consultant shall list other clients that are currently being served by the consultant, including pending or anticipated clients that will be served, which may adversely impact the timely completion of the work as proposed or wherein consultant may have a possible conflict of interest.

General Instructions to Proposers

1. AL&W's Point of Contact

Upon release of this RFP, all e-mail communications concerning this process must be directed to AL&W's point of contact for this RFP:

George F. Morrow
Director of Utilities
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702

Telephone: (626) 812-5219
FAX: (626) 334-3163
E-Mail: gmorrow@ci.azusa.ca.us

2. Proposer Requests and Questions

Specific Consultant requests and questions concerning this RFP shall be submitted in writing to the RFP Point of Contact. AL&W will make every attempt to reply to questions submitted in writing.

3. Pre-Proposal Meeting

A non-mandatory Pre-Proposal meeting is scheduled for this RFP process on Thursday, May 26, 2011 at 10:30 am at AL&W's administrative office at 729 N. Azusa Ave. We will strive to have a call in number for this meeting, but there is no guarantee. In addition, all parties submitting proposals may be asked to undertake a telephone conference call or in-person interview if deemed necessary by AL&W during its review of proposals.

4. RFP Amendments

Should there be any necessary addendum or corrections to the RFP as originally released, AL&W will issue written amendments to all consultants of record who have requested and received this RFP solicitation.

5. Submittal Address and Deadline

Two originals of the respondent's proposal in its entirety must be received by Azusa Light & Water no later than 5:00 p.m. PST on Wednesday, June 8, 2011 at the following address:

**AZUSA LIGHT & WATER
729 North Azusa Avenue
Azusa, California 91702**

**Attention: George F. Morrow
RE: RFP – Azusa Hydroelectric Project**

All proposals shall be firm and may not be withdrawn for a period of ninety (90) days following the deadline date for submission of proposals noted herein.

6. Disposition of Proposals

All proposals submitted to AL&W in response to this RFP will become the property of AL&W and will not be returned. All expenses incurred in preparing and/or submitting proposals shall be at the sole cost and expense of the Proposer. AL&W reserves the right to reject any and all proposals submitted in response to this RFP.

Consultant Selection Process

Selection of a consultant will be based on evaluation of consultants' experience and qualifications, work plan and schedule, not-to-exceed cost, and references.

Proposal Approval and Agreement Execution

The successful consulting company or individual submitting their proposal will be required to enter into a standard professional services agreement (PSA) with AL&W. The agreement will incorporate by reference the negotiated Work Statement and its payment schedule. The following summarizes the anticipated approval process and requirements for issuance of notice to proceed with the proposed work.

a) Utility Board Approval

The approval of a contract will be made within 90 days after the opening of proposals by approval of the professional services agreement. The City Council may reject any and all proposals or may waive irregularities or informalities in any proposal if it is in the public's best interest. After execution of contract by the City, the City Clerk will forward the professional services agreement in triplicate to the consultant for signature.

b) Consultant to obtain Insurance

The consultant shall provide to AL&W the worker's compensation, comprehensive general and automobile liability, and the professional liability insurance coverage's, endorsements and certifications. This insurance document shall also be obtained by any sub-consultant retained by the primary consultant.

c) Consultant execute contract

AL&W's standard service agreement shall be signed by the consultant in triplicate and shall be returned together with the insurance documents within 15 calendar days from the date of receipt of Notice of Award. No contract shall be binding upon the City until completely executed by the consultant and the City and approved by the City Attorney. Failure to execute the contract agreement and file acceptable insurance within the time limit may be just cause for annulment of the award.

d) Notice to Proceed

Within fifteen (15) calendar days of receipt of agreement from Consultant, AL&W shall issue a notice to proceed to the Consultant.

End.