



**REQUEST FOR EXPRESSIONS OF INTEREST
AND STATEMENTS OF QUALIFICATIONS**

Title: DISTRICT ENERGY EXPERT EXTERNAL RATE REVIEW PANEL

Reference No.: 1220-050-2016-005

FOR PROFESSIONAL SERVICES

(General Services)

TABLE OF CONTENTS

1. INTRODUCTION	
1.1 Purpose	3
1.2 Definitions.....	3
2. INSTRUCTIONS TO RESPONDENTS	
2.1 Address for Submission Delivery	4
2.2 Date.....	4
2.3 Inquiries.....	4
2.4 Addenda.....	5
2.5 Status Inquiries.....	5
3. RFEOI/SOQ SUBMISSION FORM AND CONTENTS	
3.1 Package	5
3.2 Form of Submission.....	5
4. EVALUATION AND SELECTION	
4.1 Evaluation Team.....	6
4.2 Evaluation Criteria	6
4.3 Litigation	7
4.4 Additional Information	7
4.5 Interviews	7
5. GENERAL CONDITIONS	
5.1 No City Obligation.....	7
5.2 Respondent's Expenses	7
5.3 No Agreement	8
5.4 Conflict of Interest.....	8
5.5 Solicitation of Council Members and City Staff.....	8
5.6 Confidentiality	8
SCHEDULE A – SCOPE OF SERVICES.....	9
SCHEDULE B – DISTRICT ENERGY RATE-SETTING POLICY	12

REQUEST FOR EXPRESSIONS OF INTEREST AND STATEMENTS OF QUALIFICATIONS

1. INTRODUCTION

1.1 Purpose

The purpose of this request for expressions of interest and statements of qualifications (the “**RFEOI/SOQ**”) is to:

- (a) invite submissions (the “**Submission**”) from respondents (the “**Respondent**”) that describe the desire, relevant expertise, capability and resources of the Respondent to undertake the project requirements as generally set out in Schedule A – Scope of Services; and
- (b) This is not a solicitation of proposals; rather it is a non-binding invitation to qualified Respondents to make themselves known to the City by providing information and by demonstrating to the City their experience and capacity.

All information provided by Respondents shall be reviewed by the City. It shall be at the discretion of the City to accept or reject responses from any Respondent who elects to submit a response to this RFEOI/SOQ.

All interested parties should respond to this RFEOI/SOQ as the City will not issue an RFP following this RFEOI/SOQ, rather the City will directly negotiate with one or more Respondents, or may at any time and at its sole discretion decide to cancel this process for any reason in its entirety.

1.2 Definitions

In this RFEOI/SOQ the following definitions shall apply:

“**BC Bid Website**” means www.bcbid.gov.bc.ca;

“**City**” means the City of Surrey;

“**City Representative**” has the meaning set out in section 2.3;

“**City Website**” means www.surrey.ca;

“**Date**” has the meaning set out in section 2.2;

“**Evaluation Team**” means the team appointed by the City;

“**Preferred Respondent(s)**” means the Respondent(s) selected by the Evaluation Team;

“**Respondents**” (individually the “Respondent”) means someone who makes a Submission in response to this RFEIO/SOQ;

“**RFEOI/SOQ**” means this Request for Expressions of Interest and Statements of Qualifications;

“**Services**” has the meaning set out in Schedule A; and

“**Submission**” means a submission submitted in response to this RFEOI/SOQ.

2. INSTRUCTIONS TO RESPONDENTS

2.1 Address for Submission Delivery

A Submission should be labelled with the Respondent's name, RFEOI/SOQ title and number. A Submission should be submitted in the form as described in section 3.2 – Form of Submission.

The Respondent may submit a Submission either by email or in a hard copy, as follows:

(a) Email

If the Respondent chooses to submit by email, the Respondent should submit the Submission electronically in a single pdf file to the City by email at: purchasing@surrey.ca.

PDF emailed Submissions are preferred and the City will confirm receipt of emails. Note that the maximum file size the City can receive is 10Mb. If sending large email attachments, Respondents should phone to confirm receipt. A Respondent bears all risk that the City's equipment functions properly so that the City receives the Submission.

(b) Hard Copy

If the Respondent chooses NOT to submit by email, the Respondent should submit one original unbound Submission and one (1) copy (two (2) in total) which should be delivered to the City at the office of:

Name: Richard D. Oppelt, Purchasing Manager
at the following location:

Address: Surrey City Hall
Finance & Technology Department – Purchasing Section
Reception Counter, 5th Floor West
13450 – 104 Avenue, Surrey, B.C., Canada V3T 1V8

2.2 Date

The City would prefer to receive Submissions on or before **July 5, 2016**. The City's office hours are 8:30 am to 4:00 pm, except holidays.

2.3 Inquiries

All inquiries related to this RFEOI/SOQ should be directed in writing to the person named below (the "**City Representative**"). Information obtained from any person or source other than the City Representative may not be relied upon.

Name: Richard D. Oppelt, Purchasing Manager
Email: purchasing@surrey.ca
Reference: 1220-050-2016-005

2.4 Addenda

If the City determines that an amendment is required to this RFEOI/SOQ, the City Representative will issue a written addendum by posting it on the BC Bid Website at www.bcbid.gov.bc.ca (the "BC Bid Website") and the City Website at www.surrey.ca (the "City Website") that will form part of this RFEOI/SOQ. It is the responsibility of Respondents to check the BC Bid Website and the City Website for addenda. The only way this RFEOI/SOQ may be added to, or amended in any way, is by a formal written addendum. No other communication, whether written or oral, from any person will affect or modify the terms of this RFEOI/SOQ or may be relied upon by any Respondent. By delivery of a Submission, Respondent is deemed to have received, accepted and understood the entire RFEOI/SOQ including, any and all addenda.

2.5 Status Inquiries

All inquiries related to the status of this RFEOI/SOQ, including whether or not a Respondent has been selected, should be directed to the City Website and not to the City Representative. Successful respondents will be advised once staff recommendations for selection have been considered by Council.

3. RFEOI/SOQ SUBMISSION FORM AND CONTENTS

3.1 Package (Hard Copy)

If the Respondent chooses NOT to submit by email, the Respondent should submit a Submission in a particular submittal format, to reduce paper, encourage our recycled product expectations, and reduce package bulk. Bulk from binders and large packages are unwanted. Vinyl plastic products are unwanted. The City also has an environmentally-preferable purchasing commitment, and seeks a package format to support the green expectations and initiatives of the City.

Please do not use any plastic or vinyl binders or folders. The City prefers simple, stapled paper copies. If a binder or folder is essential due to the size of your Submission, they should be fully 100% recycled stock.

The City seeks and prefers submittals on 100% Post Consumer Fibre (PCF) paper, consistent with the City's policy and the City environmental practices.

Please double-side your Submission.

Submissions should be in a sealed envelope/package, marked on the outside with the Respondent's name, title of the Submission and reference number.

3.2 Form of Submission

Respondents should provide a Curriculum Vitae and a cover letter summarizing their abilities with respect to the evaluation criteria and core area of expertise.

- (a) Qualifications and relevant individual experience;
- (b) Experience of Respondent with projects of similar scope; and
- (c) References.

Note: Respondents can provide other information that is not requested here but which you think the City should consider in the evaluation process.

4. EVALUATION AND SELECTION

4.1 Evaluation Team

The evaluation of Submissions will be undertaken on behalf of the City by an Evaluation Team. The Evaluation Team may consult with others including City staff members, third party consultants and references, as the Evaluation Team may in its discretion decide is required. The Evaluation Team will give a written recommendation for the selection of a Preferred Respondent or Preferred Respondents to Council for consideration.

4.2 Evaluation Criteria

The City will compare and evaluate all Submissions to determine the Respondent's strength and ability to provide the Services, using the following criteria:

Evaluation Criterion:

- (a) Qualifications and relevant individual experience.
- (b) Unique knowledge of Core Areas of Expertise relating to the project.
- (c) Experience of Respondent with projects of similar scope and complexity.
- (d) Demonstrated success on past projects of similar scope and complexity.
- (e) References

Core Areas of Expertise:

1. Utility Pricing and Regulation: Demonstrated expertise and experience in the area of utility finance/pricing, ideally with past experience working for or reporting to British Columbia Utilities Commission or another similar regulatory body;
2. Finance: A professional understanding with demonstrated expertise and experience in finance and financial modelling, ideally in the field of utility finance and pricing;
and
3. Renewable, Low-Carbon Energy: Demonstrated expertise in the area of renewable energy production and demand management.

The Evaluation Team will not be limited to the criteria referred to above, and the Evaluation Team may consider other criteria that the team identifies as relevant during the evaluation process. The Evaluation Team may apply the evaluation criteria on a comparative basis, evaluating the Submissions by comparing one Respondent's Submission to another Respondent's Submission. All criteria considered will be applied evenly and fairly to all Submissions.

4.3 Litigation

In addition to any other provision of this RFEOI/SOQ, the City may, in its absolute discretion, reject a Submission if the Respondent, or any officer or director of the Respondent submitting the Submission, is or has been engaged directly or indirectly in a legal action against the City, its elected or appointed officers, representatives or employees in relation to any matter, or if the City has initiated legal action against any officers or directors of the Respondent.

In determining whether or not to reject a Submission under this section, the City will consider whether the litigation is likely to affect the Respondent's ability to work with the City, its consultants and representatives and whether the City's experience with the Respondent indicates that there is a risk the City will incur increased staff and legal costs in the administration of an agreement if it is awarded to the Respondent.

4.4 Additional Information

The Evaluation Team may, at its discretion, request clarifications or additional information from a Respondent with respect to any RFEOI/SOQ, and the Evaluation Team may make such requests to only selected Respondents. The Evaluation Team may consider such clarifications or additional information in evaluating a Submission.

4.5 Interviews

The Evaluation Team may, at its discretion, invite some or all of the Respondents to appear before the Evaluation Team to provide clarifications of their Submissions. In such event, the Evaluation Team will be entitled to consider the answers received in evaluating submissions.

5. GENERAL CONDITIONS

5.1 No City Obligation

This RFEOI/SOQ is not a tender and does not commit the City in any way to select a Preferred Respondent(s), or to proceed to negotiations for an agreement, or to award any agreement, and the City reserves the complete right to at any time reject all Submissions, and to terminate this RFEOI/SOQ process.

5.2 Respondent's Expenses

Respondents are solely responsible for their own expenses in preparing, and submitting a Submission, and for any meetings, negotiations or discussions with the City or its representatives and consultants, relating to or arising from this RFEOI/SOQ. The City and its representatives, agents, consultants and advisors will not be liable to any Respondent for any claims, whether for costs, expenses, losses or damages, or loss of anticipated profits, or for any other matter whatsoever, incurred by the Respondent in preparing and submitting a Submission, or participating in subsequent proposal requests, negotiations for an agreement, or other activity related to or arising out of this RFEOI/SOQ.

5.3 No Contract

By submitting a Submission and participating in the process as outlined in this RFEI/SOQ, Respondents expressly agree that no contract of any kind is formed under, or arises from, this RFEI/SOQ, prior to the signing of a formal written Contract. The Respondent may cancel or revoke its Submission at any time, until acceptance by the City.

5.4 Conflict of Interest

A Respondent shall disclose in its Submission any actual or potential conflicts of interest and existing business relationships it may have with the City, its elected or appointed officials or employees. The City may rely on such disclosure.

5.5 Solicitation of Council Members and City Staff

Respondents and their agents will not contact any member of the City Council or City staff with respect to this RFEI/SOQ, other than the City Representative named in section 2.3, at any time prior to the award of an agreement or the cancellation of this RFEI/SOQ.

5.6 Confidentiality

All Submissions become the property of the City and will not be returned to the Respondent. All Submissions will be held in confidence by the City unless otherwise required by law. Respondents should be aware the City is a "public body" defined by and subject to the Freedom of Information and Protection of Privacy Act of British Columbia.

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SCHEDULE A SCOPE OF SERVICES

1. Project Background/Purpose

- 1.1 The City of Surrey has developed a district energy utility that delivers thermal energy to new and existing buildings within the City Centre area. The utility operates as a business unit of the City's Engineering Department under the brand name, Surrey City Energy ("SCE").
- 1.2 SCE is a municipally-owned utility and, as such, is exempt from the regulatory oversight of the British Columbia Utilities Commission ("BCUC"). Similar to the City's water, sewer, drainage and solid waste utilities, Council is tasked with the responsibility of regulating the pricing of services being delivered under the utility and ensuring that the public interest is served.
- 1.3 Where SCE differs from the City's other utilities is that it is a new utility providing a new service in the City, it is relatively complex and there are private utility operators who offer similar service under the regulation of BCUC.
- 1.4 While the City is exempt from the regulatory oversight of BCUC, an external rate review panel has been established to assist Council in the oversight of SCE's rates and rate structure.

2. The Project Objectives/Desired Outcomes

- 2.1 The panel is comprised of three (3) members that are appointed by Council with Council appointing one (1) member as the Chair. The panel will provide objective, expert advice to the City regarding SCE utility rate structure and rates consistent with the rate-setting principles articulated in Schedule B, District Energy Rate-Setting Policy.
- 2.2 The City seeks Submissions from Respondents for one (1) panel member. The City may recommend Council appoint more than one (1) Respondent from this RFEOI/SOQ based on the quality of Submissions received and at the sole discretion of the City.

3. Respondent's Preferred Qualifications and Related Experience

- 3.1 The panel should have within its membership a variety of expertise to ensure a balanced review process. Expertise in the following areas is considered desirable:
 - (a) Utility Pricing and Regulation: Demonstrated expertise and experience in the area of utility finance/pricing, ideally with past experience working for or reporting to British Columbia Utilities Commission or another similar regulatory body;
 - (b) Finance: A professional understanding with demonstrated expertise and experience in finance and financial modelling, ideally in the field of utility finance and pricing; and
 - (c) Renewable, Low-Carbon Energy: Demonstrated expertise in the area of renewable energy production and demand management.

- 3.2 Each panel member should be able to carry out the work objectively, have the demonstrated ability to make complex decisions that equitably balance the interests of various stakeholders, and be perceived as a credible, objective expert by SCE stakeholders.
- 3.3 In the interest of avoiding any conflicts of interest, panel members should not be:
- (a) an employee of the City of Surrey;
 - (b) an elected official for the City of Surrey;
 - (c) a customer of SCE;
 - (d) an employee or major shareholder of an energy utility; or
 - (e) in any position or role that would be perceived as being in a conflict of interest in relation to the responsibilities described in these Terms of Reference.

4. Project Description/Scope of Services

- 4.1 A full rate review is conducted once every year. The rate review process includes:
- (a) The updating by City staff of the financial model for SCE including proposed rates, rate escalation factor and any other changes to the financial structure of SCE considered necessary by staff;
 - (b) The panel will review the updated financial model and the proposed rates and rate structure;
 - (c) The panel will prepare a report that either approves the revised rates and rate structure as proposed in the updated financial model or recommend revisions to the model and/or rates and/or the rate structure; and
 - (d) With the panel's report as background staff will prepare a report to Council recommending the financial model for SCE including any proposed rate or rate structure changes.
- 4.2 Through this process, SCE will be held to a high level of accountability in its stewardship of the utility and related reporting. The approval of the SCE rates and rate structure will be conducted in a fully transparent manner.
- 4.3 The panel's review will include consideration of the following factors:
- (a) Long-term forecasted cost of inputs, including forecasted fuel costs and the utility's cost of capital, including debt charges and return on equity premiums;
 - (b) Revenue forecasts;
 - (c) Rate stabilization reserve requirements; and
 - (d) Comparisons of the rates and rate structure to other energy benchmarks.

5. Project Deliverables

- 5.1 The panel is expected to meet with City of Surrey staff to review and discuss the rate design and financial outlook with a view to seeking Council's approval of rates for each year of operation. The panel is expected to produce a report that will accompany the report to Council seeking approval for each year's rates.

6. Project Timeline

- 6.1 The utility has been providing service to its 1st customer since the spring of 2015. It is anticipated that the panel would meet with staff in September of each year with subsequent review and follow-up culminating in delivery of the finalized panel report in October of each year.
- 6.2 Panel members would be expected to serve terms of up to three (3) years.

7. Project Budget

- 7.1 A compensation will be provided to each of the panel members in the amount of \$2,000/year (\$3,000/year for the chair).

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SCHEDULE B

DISTRICT ENERGY RATE-SETTING POLICY

CITY POLICY

No.

REFERENCE:

APPROVED BY:

CITY COUNCIL

REGULAR COUNCIL MINUTES

DATE:

HISTORY:

TITLE: District Energy (DE) Rate-Setting Policy

Utility rates for thermal energy provided by the City of Surrey (the “City”) are regulated under the District Energy System By-law, 2012, No. 17667, as amended. This policy forms the basis for the establishment and adjustment of the City’s thermal energy utility rates.

EXPERT EXTERNAL RATE REVIEW PANEL

The City will establish an Expert External Rate Review Panel (the “Panel”) in accordance with the Terms of Reference attached as Schedule 1 to this policy. Information on the District Energy Utility (the “Utility”) rates and rate structure is to be reviewed by the Panel who will provide objective, expert advice to the City to ensure that the rates and rate structure are consistent with the following principles.

RATE STRUCTURE AND RATE-SETTING PRINCIPLES:

1. COST RECOVERY

The cost-of-service model is the accounting structure that will be used to establish the rates and rate structure for the Utility and will take into account all costs associated with financing, operating, and administering the utility.

2. RATE COMPETITIVENESS

Rates will be established and maintained such that they are competitive with the costs that Utility customers would incur if they were using other thermal energy options that are available in the market, such as electricity and natural gas.

3. RETURN ON INVESTMENT

The rates over time will be set to include a rate of return on investment. In this regard, the rate of return on the City’s investment over time will be no less than the City’s cost of borrowing to finance the development of the Utility and no more than the rate of return established for private utilities regulated by the British Columbia Utilities Commission.

4. *SHORTFALL RECOVERY*

If by virtue of the rates and rate structure that emanates from this policy, the Utility incurs a shortfall in any year including debt servicing, operations, administration and capital replacement, such a shortfall will be recognized as debt against the Utility and will be taken into account in relation to future rate adjustments.

5. *LOW-CARBON / RENEWABLE ENERGY SOURCES*

The Utility will seek to maximize the proportion of low-carbon, renewable heat sources within its energy supply mix as early as possible while ensuring that the other rate-setting principles are respected.

6. *FAIRNESS*

Utility rates will be structured such that the rates charged to different user types are fair and equitable. The Utility will not charge one user type a higher rate as a means to charge a different user type a lower rate that is not commensurate with the cost of providing utility service to that user type (i.e., cross-subsidization will not occur across user types).

This policy is subject to any specific provisions of the Local Government Act and other relevant legislation and by-laws and Union collective agreements.