



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/15/2016

ALL

Item Creation Date: 9/26/2016

Q14443-A2 Professional Consulting Services for Electric, Gas and Water Regulatory- ORDINANCE

Agenda Item#: 31.

Background:

S72-Q14443-A2 - Approve an amending ordinance to increase the maximum contract amount to Contract No. 4600012752 from \$340,000.00 to \$476,000.00 for professional consulting services for electric, gas and water regulatory and technical professional consulting services for the Administration and Regulatory Affairs Department.

Specific Explanation:

The Director of the Administration and Regulatory Affairs Department and the Chief Procurement Officer recommend that City Council approve an amending ordinance to increase the maximum contract amount to the contract between the City of Houston (City) and **Diversified Utility Consultants, Inc. (DUCI)** from \$340,000.00 to \$476,000.00 for professional consulting services for electric, gas and water regulatory and technical professional consulting services for the Administration and Regulatory Affairs Department.

The contract was awarded on May 14, 2014 by Ordinance No. 2014-443 for a two-year term in an amount of \$340,000.00 and was subsequently amended on May 11, 2016 by Ordinance No. 2016-360 to extend the contract from June 6, 2016 to June 5, 2017. Expenditures as of October 26, 2016 totaled \$290,000.00. This amendment will ensure continuation of the contract services and corresponding projects, while the City completes the new contract award procurement process.

The consultant will continue to assist the City with a broad range of utility issues as they relate to the municipal regulation of investor owned utilities and as outlined in the Scope of Work under the current contract. Specifically, services are currently needed to assist the City in addressing utility issues in certain local proceedings and initiatives; before the state commissions including the Public Utility Commission of Texas (PUC) and the Railroad Commission (RRC); and legislative initiatives. Under the proposed amendment, DUCI will continue to assist and provide support on utility matters and will, in close collaboration with the City, hire additional qualified utility experts, as appropriate and necessary.

The purpose of the contract is to engage a utility expert with experience across the water, electric and natural gas utility sectors to assist City staff in fulfilling the City's regulatory obligations. The contract also provides a streamlined approach for engaging utility consultants, necessary to ensure the City's timely and effective participation in utility proceedings.

DUCI has specialized knowledge and technical expertise, a thorough understanding of state and local regulations, is familiar with the City's regulated utilities, and has extensive experience before the State regulatory commissions and State Legislature on utility matters. DUCI also has a broad range of expertise and experience in gas, electric and water regulation. DUCI has assisted and guide the City on utility matters for more than ten years. During this period, DUCI exhibited considerable discretion in accepting City related utility projects, and in identifying and recommending technical experts as appropriate and necessary to assist the City on complex regulatory matters. DUCI has assisted the City in several utility related projects and proceedings including:

CenterPoint Gas Notice of Inquiry (NOI): Resulted in a favorable settlement agreement for the City and ratepayers. Results include a multi-year base rate freeze and the funding of an energy-focused City position (\$100,000 annually).

- 2009 CenterPoint Entex Gas Rate Case: CenterPoint requested a \$25.4 million increase in gas rates. This request included a proposed 40.48% increase to the monthly fixed customer charge for residential customers. The Company's request was reduced by \$20.3 million.
- 2009 Southern Water Company (SWC) Rate Case: SWC requested a \$1.3 million water/sewer rate increase. SWC appealed the City's actions to the Texas Commission on Environmental Quality (TCEQ). The TCEQ ultimately adopted substantial decreases to the Company's request based in large part on the City's testimony.

- 2008 Nitsch and Son Water Rate Case: Nitsch requested a 2.743% rate increase. Council adopted a 4.86% increase instead. This increase represented a \$3.15 monthly increase versus the \$17.76 Nitsch proposed increase (based on the average consumption of 6,000 gallons per month). Rates approved by Council remain in place.


DUCI is also currently assisting the City in several PUC proceedings, including proceedings related to the transfer of water rate regulation from the TCEQ to the PUC. Additional activities include, but are not limited to the review of CenterPoint Energy Houston Electric's Distribution Cost Recovery Factor, the Sunset Advisory Commission review of the Railroad Commission, and utility related legislative initiatives.

M/WBE Participation:

M/WBE Zero-Percentage Goal document approved by the Office of Business Opportunity.

Fiscal Note:

Funding for this item is included in the FY2017 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policy Ord, 2014-1078.



 John J. Gillespie, Chief Procurement Officer
 Finance/Strategic Procurement Division

 Department Approval Authority Signature

Prior Council Action:

Ordinance No. 2014-0443, Passed on 05-14-2014
 Ordinance No. 2016-360, Passed on 05-11-2016

Amount of Funding:

\$136,000.00-General Fund (1000)

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ATTACHMENTS:

Description	Type
<u>Ordinance No. 2014-0443</u>	Ordinance/Resolution/Motion
<u>Ordinance 2016-360</u>	Ordinance/Resolution/Motion
<u>RCA-Q14443</u>	Ordinance/Resolution/Motion
<u>RCA Q14443-A1</u>	Ordinance/Resolution/Motion
<u>Tax Log</u>	Backup Material
<u>OBO</u>	Backup Material
<u>Funding Sheet</u>	Financial Information