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RFP No. PSC-25-03
Addendum No. 1
Issued: October 11, 2024

SECTION I QUESTIONS AND ANSWERS

Please find below questions and answers on RFP No. PSC-25-03.

Question 1

Regarding RFP No. PSC-25-03, under Section A.2.1 Category 1 – Revenue Requirement/Cost of Service Determination and Depreciation, the RFP states “The Contractor shall develop and deliver a revenue requirement model, which requires expertise in utility ratemaking theory, utility revenue requirement and financial modeling. The Contractor should have expertise in the determination of appropriate costs of service including but not limited to cash working capital and depreciation analysis.”

- a. Per the language above, is it the Commission’s expectation that the Contractor will produce its own independent revenue requirement model, or does the Commission anticipate that the Contractor will make appropriate adjustments to the revenue requirement model filed by WGL?

Answer to Question 1a

The Commission expects the Contractor to have its own Revenue Requirement Model that it will use to populate data from WGL’s application with the starting point being WGL’s adjusted numbers and the proposed revenue requirement. The contractor will further make appropriate rate making adjustments in the revenue requirement model to WGL’s proposed revenue requirement with guidance from the Commission technical Staff. All assumptions, analysis and recommendations for the adjusted result proffered by the contractor must be visible and independent.

- b. Per the language above, is it the Commission’s expectation that the same expert proposed to perform the work related to revenue requirement model is required to also provide expertise on cost of service, cash working capital, and depreciation? Or is the Commission open to receiving bids on a topic (e.g. depreciation)?

Answer to Question 1b

It is the Commission's expectation that the Offeror's proposal must address all of the services in Category 1: Revenue Requirements/Cost of Service Determination and Depreciation. While the Offeror may subcontract with another firm to assist with part of the work, the proposal must cover all the required components, including expertise in revenue requirement models, cost of service, cash working capital, and depreciation. Submitting a proposal for only one portion of the category will not be accepted.

- c. Similar to subpart a. above, WGL has filed a depreciation study by Dr. Ronald E. White of Foster Associates. Does the Commission anticipate that whichever expert it contracts to perform analysis of depreciation perform a fully independent depreciation study, or does the Commission anticipate that the depreciation expert will provide adjustments to Dr. White's proposed depreciation rates as appropriate?

Answer to Question 1c

The Commission does not require or recommend an independent depreciation study from the Contractor. The Contractor will be expected to review the depreciation study and testimony filed by WGL as well as the intervening parties' testimonies and provide expert analysis and recommendation supported by facts on record. If adjustments are appropriate, the Contractor will be required to adjust WGL's proposed depreciation rates and communicate to the Commission the impact to revenue requirement.

-End of Addendum-