D. HITTLE & ASSOCIATES, INC.
Engineers and Consultants

April 15, 2016

Mr. Barry Loveless, Director of Public Works
City of Bainbridge Island
280 Madison Avenue N
Bainbridge Island, WA 98110

Subject: **Proposal to Provide Consulting Services**
Electric Utility Municipalization
Feasibility Study

Dear Mr. Loveless:

D. Hittle & Associates, Inc. (DHA) is pleased to submit our qualifications to the City of Bainbridge Island (COBI) to provide assistance with the evaluation the potential costs and benefits of forming and operating a municipal electric utility to serve the residents and businesses of Bainbridge Island. DHA has over 45 years of experience in providing analytical, engineering and management consulting services to municipal and cooperative utilities throughout the Pacific Northwest. The firm has an exceptional reputation in working with small to medium sized consumer-owned utilities, government agencies and large power users.

In recent years we have assisted various municipalities, counties and local organizations as they assess the feasibility of establishing new consumer owned electric utilities. Over the last few years we worked with the City of Millersburg, Oregon to assess the feasibility of acquiring electric facilities owned by PacifiCorp and establishing a municipal electric utility. A public referendum was held in November 2015 to determine whether or not to proceed with forming the municipal electric utility. The referendum was not passed.

We provided the initial feasibility study of electric service for Thurston County Public Utility District (PUD) in 2012. In 2008, we provided the initial feasibility study of electric service for Jefferson County PUD and provided additional assistance to the PUD community in assessing the costs and benefits of consumer-owned electric service in Jefferson County. Following the initial feasibility study, Jefferson Co. PUD proceeded towards establishment of an electric utility and began electric service on April 1, 2013. An initial feasibility assessment for electric service was also provided to Skagit County PUD in 2008.

An earlier feasibility assessment led to the formation of a municipal electric utility in Hermiston, Oregon in 2001. DHA assisted Hermiston in all technical and analytical aspects of the City's acquisition of acquiring the local distribution system from PacifiCorp and establishment of a municipally-owned electric utility. There are several other cities, cooperatives, and public utility districts for whom we have performed studies evaluating the acquisition of customers or assets and the economic and technical feasibility of starting electric utility service.

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In addition to our direct experience with assessing the feasibility of establishing electric service within the entirety of a municipality or county, we have assisted Asotin County PUD with undertaking electric service to PUD-owned electric loads whereby electric assets owned by Avista Corporation were not acquired. We have also assisted Whatcom County PUD in evaluating the feasibility of providing electric service to two large industrial facilities. In this case, Whatcom County PUD was looking to construct high voltage transmission lines to serve the industrial customers rather than acquire PSE-owned facilities. We have also helped in the formation of cooperatives and the sale and purchase of utility assets among publicly owned electric utilities.

We believe our experience with similar evaluations and our knowledge of the Pacific Northwest electric utility industry will serve COBI well in determining the feasibility of its options related to initiating electric service in Thurston County. Because of our experience we have many insights into what is required for a successful municipalization and contacts throughout the region and country that may provide COBI with insights and advice.

A number of study issues identified by COBI are potentially of a legal nature and as such, we are proposing to team with the law firm of Gordon Thomas Honeywell, and specifically, Don Cohen of that firm. Any legal work would be performed in coordination with the City Attorney and only as needed, avoiding duplication with City Attorney work.

Gordon Thomas Honeywell ("GTH") is a 120-year-old law firm with 50 attorneys in offices in Seattle and Tacoma. GTH has provided a full range of legal services to electric utilities and other public entities throughout the Pacific Northwest for many decades. It is one of the region's most trusted law firms, priding itself on using a practical understanding of both law and business to bring value to its utility clients and providing the highest quality legal services in a timely, dependable, and cost-effective matter. Background information on GTH is at www.gth-law.com.

Qualifications

DHA is highly qualified to provide the services requested by COBI. We are a relatively small firm with extensive experience in all aspects of electric utility planning, operation, financing, engineering and management. Many of our employees have worked for public utilities and public agencies in the past and are familiar with the issues that affect these agencies. We are also experienced in working with utility boards, city councils and other governing bodies and strive to provide reports, presentations and workshops that help boards make well-informed decisions.

Much of our focus has been and continues to be with publicly-owned utilities and utility agencies. As such, we have a significant awareness of the needs of public utility organizations and understand that ultimately, the goal is always on the efficient and effective use of public resources. The benefits of public utility ownership should be realized by the residents and

businesses in the community. Further, electric service needs to be provided in a safe and reliable manner.

DHA has over 45 years of experience in providing engineering and consulting services to electric utilities, government agencies, municipalities and commercial industry throughout the Northwest and the Western United States. DHA provides a wide range of engineering and consulting services including planning, permitting and design of electrical generation, transmission and distribution systems. The firm has an exceptional reputation in working with small to medium sized consumer-owned utilities, government agencies and large power users. DHA has a staff of approximately 15 engineers, designers, and consultants in two offices, Lynnwood and Kennewick, Washington. DHA is a corporation based in Washington.

Hiring DHA provides COBI with several distinct advantages over other firms:

1. **Knowledge and understanding of utility statutes and requirements:** Several key DHA staff have worked at Washington utilities in management positions as well as been deeply involved in advising consumer-owned utility clients for decades. We provide engineering and consulting services to many Washington municipal, cooperative and PUD utilities.
2. **Knowledge and understanding of BPA service requirements, policies and contracts:** Assigned DHA staff have been part of the BPA policy development process associated with BPA serving Asotin County PUD, the City of Hermiston and Whatcom County PUD and Jefferson County PUD. We have provided management consulting services to clients regarding BPA rate and contract matters. We also know key BPA staff on a first name basis. We understand the BPA rate structure and understand the timing of service or waiting requirements for new service by BPA.
3. **Knowledge and database on Puget Sound Energy (PSE):** DHA has (over the past 15 years through public records) built a database on PSE service quality, transmission lines, FERC filings, and asset values. DHA is very familiar with PSE and its facilities and yet has never worked directly for PSE. We know what is in the public record and where to find it. This knowledge has been gained from working for customers of PSE, competitors of PSE, the union that represented many PSE employees, and advising PUD's and Cities considering alternatives to PSE.
4. **Understanding the public relations and political aspects of a feasibility study:** Feasibility studies, such as this, are potentially controversial documents that will be evaluated by citizens groups and PSE. They will be the subject of newspaper stories and advertising. They will also be information documents to advise COBI and its City Council, as well as, provide independent expert information to citizens. DHA has been through this process many times and understands the complexities. We also understand the Edison Electric Institute "playbook" and strategy papers used by investor owned electric utilities to discredit such studies and can provide those insights to COBI.

5. **Knowledge of electric utility engineering design:** As a firm that regularly provides Washington State and Pacific Northwest electric utilities with design and construction services associated with transmission, distribution and substations, we can identify service options that may not now exist and know how to price those options for inclusion within the feasibility study. Similarly, DHA is familiar with a variety of distributed energy and renewable energy resource concepts.
6. **Knowledge of electric utility financing:** DHA is a nationally recognized engineering consulting firm that helps our clients finance projects. We served as the consultant of record for Energy Northwest with regard to matters related to monitoring bond covenants on behalf of bond holders. We also provided Energy Northwest with Conservation Renewable Energy Bond (CREBs) certificates for wind energy projects. John Heberling has been involved with the issuance of over $4 billion in electric utility revenue bonds and notes to finance electric system projects.
7. **Knowledge of electric utility management consulting:** DHA regularly performs management consulting studies to advise electric utilities on how to structure their operations. This has included, long range capital plans, staffing plans, evaluation of crews and methods, Integrated Resource Plans (IRP's), crew safety training, studies on performing work in-house versus contracting it out, and setting electric utility rates.
8. **No Conflicts of Interest with PSE or other Investor Owned Electric Utilities:** DHA has never worked directly for PSE and our firm's focus is on Pacific Northwest consumer and cooperatively owned electric utilities, along with selected government agencies and industries.
9. **Good working relationship with other public utility consultants:** DHA has worked on many assignments with financial advisors and attorneys who regularly work with publicly-owned utilities. DHA is also an associate member of the Washington PUD Association and knows key individuals at that organization. Furthermore, DHA is a member in good standing within the Public Power community through our active associated membership in the NWPPA, the Oregon PUD Association, WRECA, and ORECA. We are also a member of the Electric League of the Pacific Northwest, with one of our engineers serving on the Board of that organization.
10. **Management commitment to advising COBI:** The two key staff identified in our proposal to COBI includes the President and Vice President of DHA. As such, we take this project very seriously and will make sure that all resources of DHA will be made available to COBI on this important project.

DHA provides a wide variety of services to electric utilities. Typical services include:

- **Energy Resources**
  - On-site & Emergency Generation Design
  - Power Supply Arrangements and Negotiations
  - Project Management
  - Integrated Resource Plans
  - Transmission Contract Negations and Rates
  - Project Feasibility Studies

- **Transmission & Distribution (T&D) Systems**
  - Substation Design and Construction Services
  - Overhead Distribution design
  - OH & UG Road Relocation designs
  - Submarine power cable design
  - Customer Connections
  - System Valuations, Appraisals
  - System Protection Schemes
  - Data Acquisition, Monitoring & Control (i.e. SCADA)
  - T&D System Planning and Design
  - Underground Distribution design
  - OH & UG line extensions
  - Plat design and Large
  - Staking and Field Services
  - System Reliability Studies

- **Demand-Side Management (DSM)**
  - Utility T&D System Efficiency Improvements
  - Load Shaping Strategies
  - Electric Reliability Improvements
  - NEC & NESC Code Compliance Remediation
  - Targeted End-Use Load Efficiency Projects
  - Power Quality Studies

- **Competitive Electric Service Strategies**
  - Energy Load, Delivery, Supply Integration
  - Innovative Customer Services
  - Utility Partnering Ventures
  - Direct Access/Retail Wheeling & Strategies

- **Economic Analysis/Financing**
  - Revenue Requirements
  - Retail Rate Analyses
  - Unbundled Electric & Natural Gas Rate Studies
  - Bond Issue Engineers Reports
  - Grant Applications and Management
  - Cost of Service Studies
  - Power Supply Options
  - Alternative Ownership Structures
  - Assistance with Negotiations
  - Expert Witness Testimony

Experience with Similar Projects

DHA has provided several studies and assessments similar to the feasibility evaluation requested by COBI. These studies include:

- ***Feasibility Study – Acquisition of Electric System Facilities***
  City of Millersburg, Oregon

  DHA was retained in October 2013 to study the feasibility of establishing and operating a municipal electric system in the City of Millersburg, Oregon. Millersburg is a relatively small city with a large commercial loads. The study involved the identification of electric facilities that would need to be acquired from Pacific Power or alternatively, need to be constructed to obtain power from BPA and provide power to the residents and businesses in Millersburg.

  Detailed discussion were held with BPA regarding interconnection and contract issues. Acquisition and construction costs were estimated, financing options were evaluated and quantified and detailed projections of operating costs and revenue requirements for the proposed new municipal utility were developed. Comparisons of estimated retail rates for the City electric system and Pacific Power were prepared and the long-term economic benefits to the community were defined.

  Following completion of the study in January 2014, on-going support was provided to the City and its legal counsel. DHA participated in public meetings and work sessions with the City Council to answer questions and support the study and its findings. Following a public referendum in November 2013, the City decided not to pursue establishment of the municipal electric utility.

- ***Electric Initial Business Assessment***
  Thurston County PUD No.1, Olympia, Washington

  The commissioners of Thurston County PUD, based on input from a public meeting held in January 2012, decided to perform a business assessment related to the PUD providing electric service to certain businesses and residents. DHA was retained by the PUD to provide a study of the various technical and economic issues associated with the District providing electric service within Thurston County.

  DHA explored ownership options, evaluated electric facilities needed for service, estimated the costs of acquisition of facilities from Puget Sound Energy, and estimated the costs of owning, operating, maintaining and administering an electric utility to provide electric service to a portion of the county. A detailed economic analysis was prepared and the net benefits to the residents and businesses to be served by the PUD were estimated.

  Following completion of the study in August 2012, DHA provided presentations to the PUD commissioners and the general public, which included a public access TV presentation. The

PUD decided not to pursue providing electric service, based on the results of a vote of the County.

- ***Preliminary Feasibility Study – Electric System Acquisition***
  Jefferson County PUD, Port Hadlock, Washington

With uncertainty over the future of PSE and significant local citizen concern over foreign ownership and privatization at the time, the PUD undertook a feasibility study in 2008 related to the PUD acquiring the electric facilities of PSE in the county and providing electric service to those businesses and residents currently served by PSE. DHA was retained by the PUD to provide a study of the various technical and economic issues associated with the PUD acquiring PSE-owned electric facilities and providing electric service within Jefferson County. The purpose of the study was to provide an initial assessment of the potential costs and benefits over a ten year projection period to the electric consumers in Jefferson County if the PUD were to provide electric service in the area currently served by PSE.

In general, the study estimated the costs of acquiring necessary electric facilities, estimated the electric loads in the proposed service area, evaluated power supply options, estimated the cost of operating an electric utility, defined staffing needs, necessary rolling stock and vehicles, and determined what the PUD would need to charge for electric service to recover revenues sufficient to pay all of its costs. Costs of electric service from the PUD were compared to continued service from PSE. Much of this information was presented by DHA staff at a series of informational public meetings scheduled and sponsored by the PUD.

A public referendum was held in 2009 that authorized the PUD to form an electric utility and following that, the PUD negotiated with PSE to purchase PSE's electric system assets in Jefferson County. It also obtained a power purchase contract with BPA. The sale of assets by PSE was reviewed by the Washington Utilities and Transportation Commission and a significant portion of the sale price was credited to the ratepayers of PSE. The PUD began electric service on April 1, 2013.

Preliminary Feasibility Study – Electric System Acquisition
Skagit County PUD, Mount Vernon, Washington

DHA was retained by the PUD in 2008 to provide a study of the various technical and economic issues associated with the PUD acquiring PSE-owned electric facilities and providing electric service within Skagit County. The purpose of the study was to provide an initial assessment of the potential costs and benefits over a ten year projection period to the electric consumers in Skagit County if the PUD were to provide electric service in the area currently served by PSE. The study estimated the costs of acquiring necessary electric facilities from PSE, estimated the electric loads in the proposed service area, evaluated power supply options, estimated the cost of operating an electric utility, and determined what the PUD would need to charge for electric service to recover revenues sufficient to pay all of its costs. Costs of electric service from the PUD were compared to continued service from PSE.

"D. Hittle's work for Skagit PUD#1 was enormously helpful in aiding the Commission of Skagit PUD to make a decision to put forth a ballot initiative seeking Electric Authority from the citizens of Skagit County. Their services and deliverables met and exceeded our expectations."

Robbie Robertson, Commissioner

- ***Electric Service Options***
  City of Port Townsend, Washington

  DHA conducted a study on behalf of the City of Port Townsend to evaluate alternative forms of consumer-owned electric service in the city and in Jefferson County. The options included: (1) a municipal electric utility; (2) either a Jefferson County PUD serving just the incorporated City or a larger Jefferson County PUD serving the incorporated City as well as other areas of the county; (3) service through an existing publicly-owned electric utility; and (4) an RUS cooperative. The study defined the issues related to each proposed alternative for electric service, evaluated issues related to purchasing power from the Bonneville Power Administration as a new utility and defined schedule requirements associated with establishing a new electric utility.

- ***Electric Facility Acquisition and Utility Startup***
  City of Hermiston, Oregon

  DHA provided feasibility analysis, technical assistance and management consultation as the City evaluated and pursued acquisition of electric distribution facilities and formation of a municipal electric system. Engineering plans and financial operating projections for the City's municipal electric utility were prepared. The financial projections included detailed estimates of all costs of power supply, operation, maintenance, debt service and annual improvements and additions for a ten-year analysis period. The savings to residential and commercial customers in the City that would be realized with a municipal utility were estimated for a number of scenarios. DHA also provided expert witness testimony on behalf of the City in its legal proceedings related to condemnation of the existing electric system

facilities. The Hermiston Energy Services system was established on October 1, 2001 and DHA continues to serve as the City's Independent Engineer monitoring performance and conducting periodic economic and engineering analysis.

- ***Analysis of Electric Service to Georgia Pacific and Bellingham Cold Storage***
  Whatcom County PUD, Ferndale, Washington

  DHA performed an analysis of alternate service of the Bellingham Cold Storage Facility and the Georgia Pacific Mill and developed a conceptual transmission plan to connect these new proposed loads of Whatcom County PUD to the nearest BPA point of interconnection. DHA developed three basic routes that included both overhead and underground transmission that could be built without being blocked by existing PSE transmission lines. Our role included design, negotiations with BPA, public presentations of information, estimation of revenue requirements and permitting. This analysis resulted in DHA developing a design/build set of contract documents that Whatcom County PUD used to secure a design/build transmission Contractor for this project. DHA also served as Owner's Representative on behalf of Whatcom County PUD in negotiations with the Contractor. The project was ultimately terminated by Whatcom County PUD at the request of Bellingham Cold Storage and Georgia Pacific prior to their taking service from the PUD. Both firms negotiated significant cost reductions from Puget Sound Energy.

- ***Assessment of Providing Electric Service***
  Asotin County PUD, Clarkston, Washington

  DHA was engaged to provide a "Fair Market Valuation" of the Washington Water Power (Avista) electric system located within the District's service area. The study was prompted by the PUD's concern that the investor owned utility was considering a system wide sale of its properties and the PUD wanted to be prepared to offer to purchase the system within its service area. The work included a detailed inventory of the electric system properties and an estimate of "replacement cost new less depreciation" of the facilities, an analysis of the number of customers, the energy sales and revenues, (based on the rates being charged by the private utility), by customer class and a pro-forma operating statement including the operating costs of the system. DHA also developed a projected debt service payment that could be supported by the projected revenues less operating expenses.

  A subsequent feasibility analysis was conducted for Asotin County PUD in 2002 to evaluate the feasibility of acquiring Avista's facilities in Asotin County and providing electric to the residents and businesses of the County.

- ***Electric System Acquisition and Expansion***
  Columbia River People's Utility District, St. Helens, Oregon

  In 2000, Columbia River People's Utility District, St. Helens, Oregon acquired the electric facilities of Portland General Electric in several communities that had been surrounded by

the PUD's electric system. Prior to the acquisition, DHA provided a feasibility assessment, evaluated the facilities to be acquired, estimated the costs of acquisition and provided assistance with financing and projections of operating expenses.

- ***Electric Facility Acquisition Study***
  Rockwood People's Utility District, Gresham, Oregon

  The Rockwood Peoples' Utility District of Multnomah County, Oregon is an established water utility district in east Portland, Oregon. DHA evaluated the service area for the utility and the major substation, transmission and distribution facilities were inspected and reviewed for inclusion based on the service needs of the customers in the area. DHA also identified the potential operating areas and separation engineering issues to establish the area as an independent utility. Pro-forma operating results including power supply costs, operations and debt service were established as part of the revenue requirement for a new electric service division.

- ***Feasibility Study***
  Electric Facility Acquisition and Formation of New Electric Utility
  Clackamas People's Utility District, West Linn, Oregon

  In March 2004, DHA was retained by the Clackamas People's Utility District (PUD) Feasibility Study Political Action Committee to provide a preliminary feasibility study of the proposed Clackamas PUD (CPUD). The purpose of the study was to provide a limited initial assessment of various technical and economic issues associated with the establishment of CPUD to acquire certain Portland General Electric (PGE)-owned electric facilities and provide electric service in Clackamas County.

  The study involved the estimation of acquisition costs and development of a plan for establishing a new electric utility. Costs and benefits were defined and estimated electric rates for the new utility were compared to estimated rates for PGE. The community interest in conducting the study was prompted by the sale of PGE by its previous owner, Enron Corporation. A public referendum was held and the community decided not to proceed.

Personnel

Staffing for this assignment will be primarily provided out of DHA's Puget Sound Office located in Lynnwood, Washington. John Heberling and Bob Schneider, who both have extensive experience with consulting assignments of this type, will provide the necessary services. Randy Valerio, P.E. will provide technical information with regard to engineering and estimating costs. Don Cohen is proposed to be included on the project team to provide legal assistance as necessary.

John Heberling, P.E. has conducted many studies evaluating the feasibility of establishing consumer-owned electric utilities. John developed a study for the City of Millersburg, Oregon to evaluate the feasibility of establishing a municipal electric utility. He was the primary technical consultant working with the City of Hermiston during the initial assessment and formation of the City's municipal electric utility operation. John continued to advise Hermiston on BPA contract, retail rate and other planning matters for many years following establishment of the municipal electric utility. John is a nationally recognized expert in economic feasibility analysis and in the financing of publicly and cooperatively owned electric utilities.

Bob Schneider, P.E., has many years of experience providing similar services to various entities throughout the Northwest and has conducted power supply and delivery discussions with BPA on behalf of several utilities. Bob advised Whatcom County PUD on service to Bellingham Cold Storage and Georgia Pacific as well as service of additional Whatcom County PUD loads. He was the DHA project manager on an assignment for the International Brotherhood of Electrical Workers, Local 77 which involved intervention in the merger of Puget Sound Power and Light Company with Washington Energy Company before the Washington Utilities and Transportation Commission. The focus of that testimony was on future electric system reliability and its likely deterioration based on the initial terms of the merger agreement.

Bob Schneider was also the DHA project manager on a preliminary feasibility study for the City of Bonney Lake regarding municipalization and evaluation of options with regard to PSE's White River hydroelectric project on Lake Tapps. He also submitted expert witness testimony on behalf of the Port of Seattle SEATAC in their wholesale transmission access proceeding before the Federal Energy Regulatory Commission, involving PSE stranded transmission costs. Mr. Schneider was the Power Manager of Snohomish County PUD and negotiated the purchase and sale of generation resources and power purchase contracts. He is also a recognized expert in distribution and transmission reliability issues.

Mr. Schneider and Mr. Heberling jointly conducted the recent initial electric service feasibility assessments for Thurston County PUD, Jefferson County PUD, Skagit County PUD and the City of Port Townsend, Washington.

Don Cohen of Gordon Thomas Honeywell is one of the most respected utility and municipal lawyers in the Northwest. He has been regularly named to the Washington Super Lawyer list, and to Best Lawyers-Seattle in Municipal Law. Don understands municipal government not only based on his almost 35 years providing legal advice to and, when necessary, handling litigation for, municipal utilities, public utility districts, joint operating agencies, and cooperatives, but also because of 20 years of community service activities for the City of Mercer Island. Information on certain aspects of Don's utility practice is summarized in the material that follows.

Professional resumes for all of these individuals are provided with this proposal.

Proposed Approach

In the Request for Proposals (RFP) dated March 10, 2016, COBI has indicated that it is interested in conducting an analysis to evaluate the benefits and costs of forming and operating a municipal electric utility to serve the residents and businesses of Bainbridge Island. The analysis will be used to inform the COBI Council of the costs and benefits of a municipal electric utility compared with continued electric service from Puget Sound Energy (PSE). It is anticipated that the analysis will be used, along with other materials to provide information to voters when the matter is placed on the ballot.

In addition to determining the costs and benefits of forming a municipal utility, the Council is also seeking information regarding the process that would be followed to form a municipal utility. Further, the Council would like to understand if establishing a municipal utility would open up currently unavailable opportunities for local control over energy sources serving Bainbridge Island that could foster economic development, decrease greenhouse gas emissions, increase system reliability and improve power quality.

Although the primary focus of the study is to evaluate the feasibility of establishing a municipal utility, the COBI Council is also interested in gaining a better understanding of the comparative benefits of and costs of other forms of consumer-owned utilities (public utility district, electric cooperative). Additional benefits that may be derived from other services such as city-owned broadband are to be presented as well.

DHA is well qualified to conduct the scope of work requested by COBI and provide the information needed by the Council and the community to determine if and how it should best proceed to form a consumer-owned electric utility. We are well aware of the process to evaluate such proposed efforts. Our work products and reports are straightforward, comprehensive and readily understandable. We are also prepared to assist the Council and COBI with the presentation of the information to the public and to support the technical and economic analyses included in the study.

Following is a detailed approach to each of the tasks identified by COBI in the RFP. The proposed approach to accomplishment of the tasks is based on our past experience for similar studies. The first task, a kickoff meeting, is important from the aspect of defining expectations and gaining a better understanding of the goals of COBI. Note that we have included three optional tasks in the following descriptions, Tasks A, B and C, not identified in the RFP.

Task A Kickoff Meeting

A meeting will be held in Bainbridge Island with COBI management and advisors to discuss the goals and expectations of COBI with regard to the study. The meeting will also serve as an opportunity to strategize on alternative courses of action that COBI could take in the future to achieve its electric service goals and to discuss issues affecting the electric utility industry in the Northwest.

An important element of this meeting (potentially as a workshop with the Commissioners) will be to share lessons learned from past studies, key BPA service and policy issues that will impact the economic feasibility, timing of utility formation, the range of desired service options to be studied, and a "big picture" perspective discussion on possible outcomes should any of the alternatives prove economically viable. Basic assumptions to be used in the analysis will be discussed, as will data requirements. The outcome of the kickoff meeting will be a better understanding of the study objectives and approach, identification of specific service options to be evaluated and a project schedule.

We would also suggest that we discuss how we could do portions of some of the tasks as part of a fatal flaw analysis so that costs are controlled, should a significant problem be found early in the analysis. Furthermore, we would propose that we discuss zoning and franchise issues and strategies at the kickoff meeting.

Task 1 Prepare Boundary Map

A map will be prepared of the proposed service territory for the municipal utility showing existing transmission lines, substations and distribution facilities. (See Figure 1, attached) The map will indicate the potential transmission interconnection point for the new utility. We will conduct a visual inspection of the existing electric system on Bainbridge Island to obtain basic information for the map. The map will be prepared with AutoCAD so that future modifications and augmentations can be readily accomplished and the map can be used for further engineering and analysis and presentation.

It is important to note that existing PSE electric distribution system maps could be made available to COBI at some point. Initial requests for this kind of information does not typically result in obtaining any meaningful materials.

Task 2 Develop Load Forecast

This task will be accomplished by using public records of the number of consumers on Bainbridge Island and typical average power consumption patterns in Western Washington. The number of consumers and energy consumption for each customer class (residential, commercial, and other) will be defined. We will obtain information on distributed generation already known to be employed on Bainbridge Island from COBI planners. Load growth will be estimated for 20 years based on regional average projections and local factors and will take into account expected energy efficiency and distributed generation measures.

The result of this task will be an electric load forecast showing number of consumers and energy sales by customer class, total utility energy requirements and peak demand by year for 20 years, 2016-2035. We will use a previously developed Excel model, modified for COBI, to accomplish this task in a very efficient and effective manner.

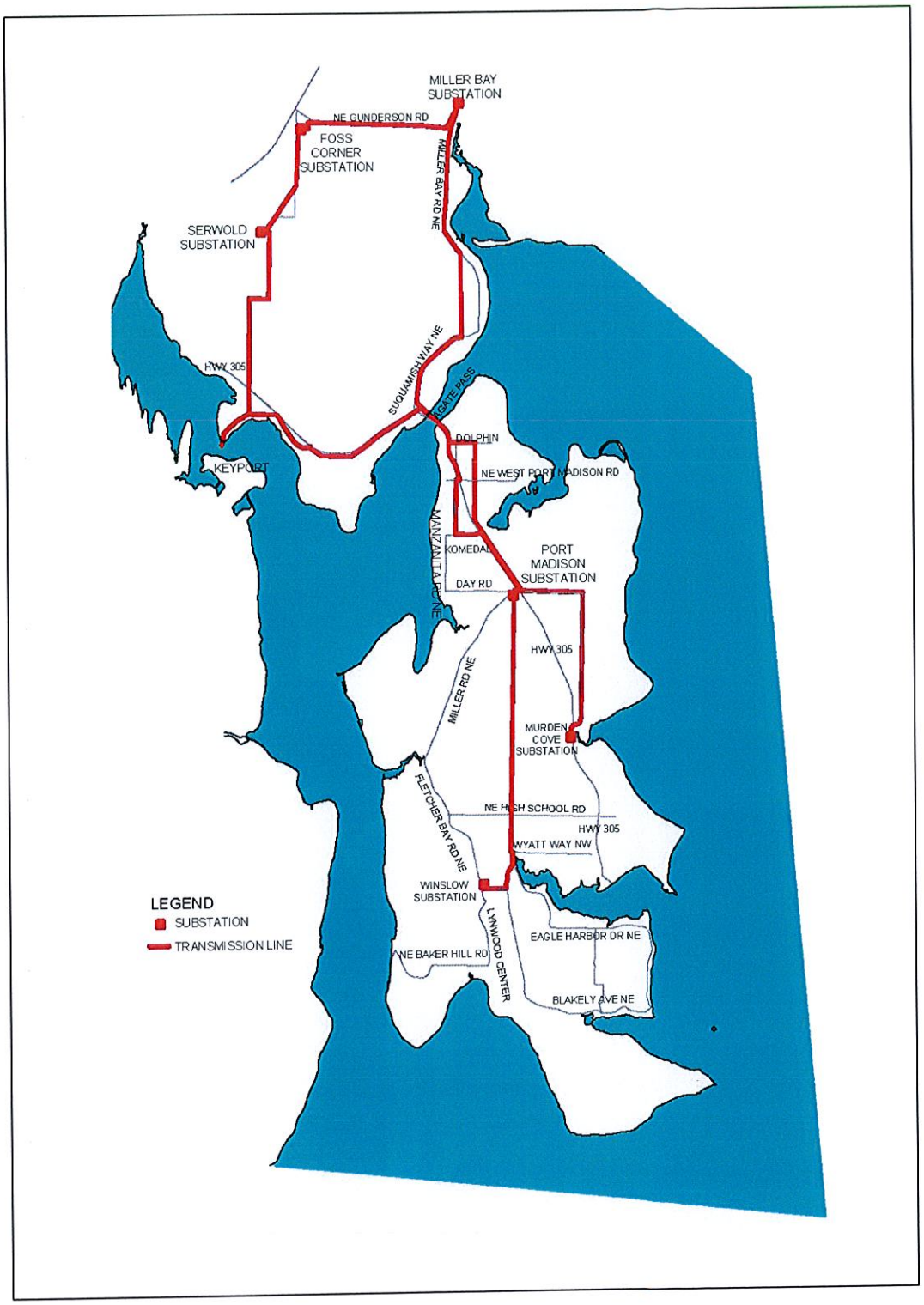

Figure 1
Bainbridge Island, Washington and Adjacent Area
Location of Existing Electric Transmission Lines and Substations

Task 3 Define Electric Facilities to be Acquired or Constructed

The basic electric facilities that will be needed to serve the customers on Bainbridge Island will be identified. Additional facilities that will be needed to operate the COBI's electric system separate from the existing facilities of PSE will be specified. Potential transmission interconnection facilities will also be identified. The advantages and disadvantages of municipal ownership of all or some of these facilities will be identified and other options, such as wheeling over PSE's system will be discussed. This task will also include discussions with BPA regarding options for interconnecting the COBI utility system to the BPA grid.

We will review PSE's available plans for capital improvements on Bainbridge Island and indicate how these improvements are intended to affect electric service.

The cost of these facilities will be estimated by general component (e.g. substations, overhead distribution lines, underground distribution lines, transformers, meters, etc.) based on experience with other similar systems. The cost of additional new facilities will also be estimated, as will the timing when these costs would most likely be incurred.

Task 4 Identify Applicable Severance Issues

Potential severance issues at the boundary of the new utility and PSE's system that may be applicable will be reviewed, identified and presented. Regulations and laws affecting these issues will be indicated and the potential costs associated with severance issues will be estimated.

Task 5 Assess Existing Distribution Facilities

An assessment of the general condition of the existing distribution, substation and transmission facilities on Bainbridge Island will be conducted. Much of this task will be performed by viewing the facilities in the field. For efficiency, we would expect to coordinate this field work with the field visitation conducted in Task 1.

The condition assessment will be used to determine how well and how long the existing system can serve its function. It will serve as a basis for estimating future capital improvement needs of the new utility. It will also serve to provide an estimate of the average age of the existing facilities for calculating the average amount of depreciation already realized by PSE on these facilities.

Task 6 Define BPA Power and Transmission Issues

BPA's rules and regulations with regard to service by a new public power utility customer will be defined and presented. The limitations on availability of Tier 1 power and the schedule for when BPA power can be obtained will be defined. We will conduct discussions with BPA representatives regarding power and transmission issues as part of this task.

The cost of BPA power and transmission services to the COBI utility will be estimated for each of the first 20 years of proposed COBI utility operation. Due to BPA's rules, regulations and rate structure, it is expected that some of these costs will change in the first few years of the new utility's operation.

Task 7 Define Energy Efficiency Programs

BPA energy efficiency programs will be reviewed and presented. We will also conduct a review of other energy efficiency programs that are currently being implemented by other electric utilities in the region and expected in the reasonable future. An estimate of the costs and benefits of these programs will be compiled so as to allow for the quantification of effects on, and costs and benefits for the COBI utility can be made.

It will also be necessary to define the programs that PSE is implementing or planning to implement regarding energy efficiency, distributed generation and demand response resources and estimate the costs, benefits and impacts of these programs. A comparison of the estimated results of PSE programs with the estimated results of the COBI utility will be provided. In particular, the estimated benefits of the potential improvement in the results of these programs with local control of the electric utility will be described.

A 20 year projection of these energy efficiency programs will be provided.

Task 8 Identify Options and Costs for Operations

Various options for operating and maintaining a potential new utility will be defined and quantified. In the past we have recommended contracting of these services as well as provided a detailed estimate of staffing and equipment for new City employees to provide this work. The City of Hermiston, for example, contracted with Umatilla Electric Cooperative to provide all operations, maintenance, engineering, billing and planning services. This has worked very well. Jefferson County PUD contracted some services initially but has since hired skilled labor for line crews and other tasks.

Estimated costs to provide the service will be quantified for inclusion in the long-range projection of costs of operation.

Task 9 Estimate OCLD of Facilities

We will estimate the Original Cost Less Depreciation (OCLD) of the electric facilities needed to provide electric service on Bainbridge Island. The facilities identified in Task 3, above, will be defined in such a manner that current unit costs can be applied to establish an estimate of the total cost of facilities. The condition of the facilities as determined in Task 5 will be factored in as well. PSE's average system investment in distribution facilities as well as the declared value of PSE assets on Bainbridge Island and Kitsap County will be reviewed as well.

The Reproduction Cost New Less Depreciation (RCNLD) will be developed and connected to the estimated OCLD value. These values will be used to define the high and low ends, respectively, of an estimated range of purchase prices that COBI might expect to pay to acquire the system facilities.

Task 10 Provide Economic Analysis of Municipal Utility

The economic analysis to be prepared for the study will clearly identify all estimated initial costs to be incurred by COBI and will determine a total financing requirement. DHA will assume that the new electric utility will be funded initial from revenue bonds or RUS loans and that all taxing agencies, including the City, will be made whole in such an ownership change. We will create a 20-year projection of costs and expenditures for the municipal utility along with revenue requirements.

A detailed projection of annual operating costs for the new utility for a 20-year period will be prepared. These costs will include power supply and transmission, operations and maintenance, administration and general, debt service, capital renewals, improvements and replacement. This projection of costs will be tied to the load forecast and the BPA cost analysis and will be used to determine revenue requirements in Task 11.

Task 11 Provide Projection of Revenue Requirements and Compare with PSE

The costs of operation including power supply costs and renewal and replacement expenditures will be projected for a 20-year period. The average cost of power to utility customers will be derived from the revenue requirement projection. PSE rates will be estimated based on public information as well as the history of PSE rate changes in the past. From our past studies we have a significant amount of information regarding PSE's current rate structure and a knowledge of the various factors that will affect PSE's rates in the future.

The projected cost of power for the COBI-owned system will be compared to the cost of power with continued service from PSE. The total net savings (or net cost) to electric consumers will be estimated for a 20-year period. The present value of the estimated costs to provide electric service by the new utility as compared to the estimated cost of electric service from PSE over the 20-year period will be used to define the net economic benefits of the new utility.

Task 12 Identify and Recommend Financing Options

Alternative means of financing the initial acquisition costs will be investigated. It is expected that for purpose of analysis, COBI-issued revenue bonds will be assumed as the primary source of funds. Use of RUS loans similar to Jefferson County PUD will be investigated as well. The annual debt service for these bonds and loans will be estimated based on appropriate financing parameters. We will discuss options with financial advisors familiar with COBI as well as with the financing of utility acquisitions and improvements as well. In addition, Don Cohen would provide input as needed on financing alternatives. He has served as issuer's legal counsel on a

number of financings of renewable energy, conservation, and telecommunications projects over the past 20 years.

Our evaluation of financing options will include necessary quantification of information such as interest rates, repayment periods and initial financing costs, all of which will be used in the estimation of the economic costs and benefits of the new utility. A recommendation of the preferred financing option will be provided.

Task 13 Provide Retail Rate and Governance Options

A compilation of retail rates for other municipalities and representative consumer-owned utilities will be prepared and used to compare with each other as well as with PSE and other regional investor-owned utilities. We typically will show this information on the basis of comparative charges for electric service for the same type of customer and the same amount of electricity used during a month. This allows for a quick comparison.

Along with the comparison of rates, the governance approach used by some of the regional municipal utilities along with advantages and disadvantages of each approach will be prepared.

Task 14 Provide a Comparison of Other System Acquisition Costs

A listing of other utility acquisition costs over the past ten years will be developed. This will be based on our experience and knowledge of such acquisitions as well as through discussions with utility organizations and regulatory agencies such as the Washington Utility and Transportation Commission. We will also obtain applicable information on a broader scale from the American Public Power Association (APPA). To the extent available, the comparative estimated book value, potential acquisition cost and actual acquisition costs will be provided.

Task 15 Define Operational Risks with a Municipal Utility

Safety, reliability and quality of electric service are critical to electric consumers and the community. It is important to understand the issues related to these factors and determine how best to address them for a new utility. We will define these issues and risks for the new CONI utility and indicate how they may reasonably be mitigated. At the same time we will identify how some of these issues may be of lower risk with the new utility as compared to with continued service by PSE.

Task 16 Provide List of Socially Responsible Initiatives

Many consumer-owned utilities provide discounts to low income residents and seniors. Lifeline rates, providing a low rate for minimal amounts of electric service have been used in the past by utilities to provide a low cost opportunity for people who can't afford full priced service but need to be assured that they can have enough power for the bare necessities. We will provide a list of some of these socially responsible programs that are in use in the region by other consumer-owned utilities. We will also note how the COBI utility, being locally controlled and based in the community can provide certain socially responsible programs more readily and more in-line

with the specific needs of the community. Ways in which retail rate structures can be configured in a way to address some of these issues will be identified.

Task 17 Synergies and Other Benefits

One of the typical claims by investor owned electric utilities is that a municipalization will destroy economies of scale provided by the investor-owned utility. However, studies have shown that the opposite is true. In particular local control can reduce complexity of regulation and the bureaucracy associated with a large organization with multiple regulatory body compliance conflicts (SEC, Washington Utilities Commission, Utility Management, FERC and principal owners).

A typical synergy often found by municipal utilities is in customer billing and invoicing, where water and/or sewer bills and meter reading costs can be combined with similar electric as a joint costs of City government that can allow savings to be apportioned between departments. Similarly, many of our city utility clients find that they can combine public works projects, such as road improvements, water and sewer line replacements with the undergrounding of electrical power lines as a way of enhancing reliability at a reasonable cost, while streets and trenches are open, again with a sharing of joint trenching or paving costs among departments.

Another aspect that many municipal systems learn about is that some PSE customer policies that result in very high connections costs for trivial loads (like cross walks or school crossing lights) are not required after municipalization.

Perhaps one of the biggest benefits is local control and local crews that are part of the community. This allows rates and other decisions to be made locally for the benefit of the customer owners and not in a distant board room, state regulatory hearing room, or in Washington DC. It also helps insure that ratepayer money spent is used to help the local economy where it makes sense.

We will list these factors and provide estimates of costs, as applicable. In addition, Don Cohen would provide legal counsel on publicly-owned broadband. He has consulted with and represented PUDs, consortiums of PUDs (including NoaNet), and municipal utilities on broadband and other telecommunications matters for 20 years.

Task 18 Provide "Carbon tax" Risk and Cost Analysis

An analysis of the risks and costs of a "carbon tax" on the COBI utility will be prepared and compared to the risks and costs of the carbon tax on PSE. It is expected that the impacts of the carbon tax should be lower on customers of BPA with its primarily hydroelectric power supply resources.

Task 19 Opine on Use of Municipal Utility Benefits to Invest in Renewable Energy

We will indicate how the COBI utility could potentially use its net benefit to invest in renewable energy. In general, the concept would be that if the municipal utility could provide electric service at lower rates than PSE, could it use the differential and build or acquire renewable energy resources and still maintain rates that would be somewhat lower, or at least no greater, than PSE's rates. We would opine as to how this could be accomplished.

Task 20 Identify Steps, Costs and Timeline to Form Municipal Utility

The timeline for forming a municipal utility will be defined. Costs, including legal fees, engineering fees and other up-front expenses will be defined and presented in a straight-forward manner. A range of values will be provided to include the costs of alternative approaches, such as acquisition through condemnation as compared with a negotiated purchase.

Task 21 Present Findings at Three Public Meetings

COBI has indicated that presentations at three public meetings will potentially be needed. We are proposing to make three public meeting presentations at locations arranged by COBI. Should additional meetings be desired, they can be added to the scope of work as additional services. Further, we will coordinate with COBI's legal and financial advisors as needed during the preparation of the assessment to assure accurate representation of information respective to the expertise of these advisors.

Task 22 Prepare Comparative Matrix for Consumer-Owned Utility Options

A comparative matrix of structures, advantages, disadvantages and other factors related to alternatives for consumer-owned utilities (municipalities, public utility districts, and cooperatives) will be prepared. We have prepared comparative charts of this kind for previous studies.

We would also expect to use Don Cohen to assist in analyzing different forms of not-for-profit utilities. This would include governance approaches used by municipal electric utilities and other not-for-profit electric utilities, local control, and legal support on the formation processes involved.

Task B Report

A report summarizing the results and findings of the feasibility study will be submitted to the COBI in draft form for review. Following the submittal of the report, a presentation of the results to the COBI management and Council will be made in a possible work session. Following receipt of comments from COBI, ten bound copies of the final report will be submitted. The final report will contain and executive summary that will be suitable for use as the basis of a news release by COBI in advance of the work session.

Much of the report will be developed and prepared throughout the course of the study effort. Each task is expected to produce both analytical and descriptive narratives. In this manner the final report will be a compilation of the individual task summaries, which in turn, will all build upon each other.

In addition to the report, we will provide preliminary results of the analysis to COBI staff for review and comment.

Task C Additional Legal Review and Assistance

Although not specifically included in the scope of work in the RFP, additional legal review and assistance can be provided by Don Cohen if deemed useful by COBI. Specifically, the following could be provided:

Public Entity Restrictions and Requirements – Don Cohen is experienced in statutory and administrative restrictions on the use of public funds, facilities, and employee time in municipalization efforts. His experience includes dealing with the Washington State Public Disclosure Commission on these issues, including with respect to complaints and proceedings brought by Puget Sound Energy. We believe that Don Cohen's familiarity with these issues will be of benefit to COBI its elected officials, staff, and consultants, as municipalization subjects are considered. Don would also bring a deep understanding of the Washington Public Records Act and Open Public Meetings Act, which will be important as the City analyzes data on rates, potential costs, and other business-sensitive issues.

Acquisition preparation – If the City decides to proceed with municipalization efforts after the feasibility analysis, experience in condemnation proceedings and pre-condemnation analysis and negotiations will be necessary. Don Cohen and GTH have significant background in this field, which will be important to keep in mind during the feasibility study phase. GTH has been involved in many condemnation matters involving public projects for utilities, highways, bridges, schools, parks, and other public facilities.

Schedule

It is expected that the scope of services would require about twelve to sixteen weeks to accomplish. The schedule can be adjusted as needed to accommodate COBI's time requirements.

Assuming a notice to proceed approximately the first of May 2016, the proposed schedule is summarized as follows:

Kick-off Meeting	Week of May 9, 2016
Present initial results	July 1, 2016
Submit Draft Report	July 15, 2016
Presentation	To be determined
Submit Final Report	August 5, 2016

References

Chad Stokes, Attorney
Cable, Huston, Benedict
Portland, Oregon
503-224-3092

John Weidenfeller, General Manager
Thurston County PUD
Olympia, Washington
360-357-8783

Forrest Reid, Attorney for City of Millersburg
Reid Law Firm
Albany, Oregon
541-926-3823

Jim Lazar
Consulting Economist
Olympia, Washington
360-786-1822

Jim Parker, General Manager
Jefferson County PUD
Port Hadlock, Washington
360-385-5800

Alan Dashen
Northwest Municipal Advisors
Bellevue, Washington
425-452-9550

Tom Anderson, former General Manager Whatcom County PUD
Bellingham, Washington
360-739-1968

Steve Johnson, former Executive Director
Washington PUD Association

(Additional references available upon request)

Cost Estimate

The estimated costs to complete the study are shown in the following table. As shown at the bottom of the table, the cost of the total project without the Optional Tasks 16-19 is $82,410. This amount includes $5,500 of legal advisory services from GTH. With the Tasks 16-19 included, the total cost of the project is estimated to be $97,620, including $7,500 of GTH costs.

	Task	Total Labor Hours	Total Labor Cost	Travel and Direct Expenses	Task Total
A	Kickoff Meeting	10	$ 1,730	$ 60	$ 1,790
1	Prepare map	34	4,370	160	4,530
2	Develop load forecast	18	3,150	160	3,310
3	Define facilities to acquire, construct	44	7,500	-	7,500
4	Identify applicable severance issues	14	2,390	-	2,390
5	Assess existing distribution facilities	48	6,770	240	7,010
6	Define BPA power & transmission issues	28	4,820	-	4,820
7	Describe energy efficiency programs & compare	32	5,520	-	5,520
8	Identify options and costs for operations	20	3,430	-	3,430
9	Estimate OCLD of facilities	24	3,980	-	3,980
10	Provide economic evaluation of municipal utility	14	2,320	-	2,320
11	Provide 20-year revenue reqs., compare with PSE	16	2,780	-	2,780
12	Identify and recommend financing options	8	1,390	-	1,390
13	Provide retail rate and governance comparison	13	2,805	-	2,805
14	Provide comparative system acquisitions	10	1,620	-	1,620
15	Identify operational risks with muni utility	16	2,750	-	2,750
	Subtotal (Tasks A - 15)	349	$ 57,325	$ 620	$ 57,945
16	Provide list of socially responsible initiatives	16	$ 2,760	$ -	$ 2,760
17	Provide list of synergies and other benefits	25	5,415	-	5,415
18	Provide "carbon tax" risk and cost analysis	24	4,120	-	4,120
19	Opine on use of muni benefits to invest in renewables	17	2,915	-	2,915
	Subtotal (Tasks 16 - 19)	82	$ 15,210	$ -	$ 15,210
20	Identify steps, costs and timeline to form muni utility	19	$ 4,865	$ -	$ 4,865
21	Present findings at three public meetings	36	6,240	360	6,600
22	Provide comparative matrix of alternative public utility	22	4,680	-	4,680
	Subtotal (Tasks 20 - 22)	77	$ 15,785	$ 360	$ 16,145
B	Report	48	8,320	-	8,320
	Total Project (Tasks A, 1 - 22, and B)	556	$ 96,640	$ 980	$ 97,620
	Total Project (Tasks A, 1 - 15, and B)	474	$ 81,430		$ 82,410
C	(Optional) Legal Review services				$ 10,000

We have also identified an aditional $10,000 of optional legal advisory services related to the study effort.

It is understood that COBI may choose not to undertake certain tasks and as such, the estimated cost of the study would be adjusted accordingly.

Conclusion

In conclusion, we would very much appreciate the opportunity to work with COBI on this very challenging and important assignment. We believe that our experience and understanding of the technical, economic, financial and policy issues affecting electric service in the Pacific Northwest would serve COBI well. Our objective is to assist COBI with evaluating electric service options that would provide reliable and cost effective electric service to the residents and businesses of Bainbridge Island.

If you have any questions or need additional information, please contact Bob Schneider or me at (425) 672-9651. Thank you for the opportunity to submit our proposal.

Sincerely,

John L. Heberling, P.E.
Vice President
D. Hittle & Associates, Inc.

JOHN L. HEBERLING, P.E.
VICE PRESIDENT AND SENIOR CONSULTANT
D. HITTLE & ASSOCIATES, INC., ENGINEERS AND CONSULTANTS

Experience

Mr. Heberling has over 35 years of experience as a consultant to electric utilities, municipal, state and federal government agencies, private power developers, and banks and financial institutions involved with the funding of energy-related projects. With a strong focus on regulatory, economic and technical issues related to utility infrastructure systems, his practice has included development of numerous feasibility evaluations, planning studies, financial and economic analyses, rate studies, long-range operating projections, due diligence reviews and reports in the support of bond issuance and non-recourse loans. Much of his study work has been related to hydroelectric and thermal generating technologies and electric transmission systems. Mr. Heberling has been involved in a number of studies addressing various aspects of electric utility restructuring and competitive electric market issues.

Mr. Heberling's experience includes project management on numerous large planning studies, preparation of analyses and reports associated with the issuance of over $4 billion of tax-exempt revenue bonds, evaluation of alternative ownership options for utility systems, estimation of the value of electric system facilities, economic evaluations of utility expansion and renewal alternatives, preparation of pro-forma projections of operating revenues and expenses for utility systems and development of analytical computer models. He has also written grant applications and helped with grant management for his utility clients. His focus is always on the bottom-line impact on rates and competitiveness.

Mr. Heberling is known for the clarity of his reports and his insights on publicly owned electric utilities and their strategic challenges. He is also known for his skills at presenting complex and technical analysis associated with both controversial and noncontroversial projects to elected policy makers and the management of his utility clients. In 2014 Mr. Heberling served as the Interim General Manager for Hermiston Energy Services, a city-owned utility. He has also provided electric utility management consulting studies, such as, a recent study of the metering and billing process for the City and Borough of Sitka, Alaska.

Representative Projects

Valuations, Rate Studies and Related Analyses

- Valuation of Municipal Electric System, Municipality of Anchorage, Alaska
- Valuation of Highland Hydroelectric Facilities (five projects), Sumitomo Bank, Redding, California
- Valuation of Hydroelectric and Transmission Facilities (four projects), Four Dam Pool Power Agency, Anchorage, Alaska
- Cost of Service Analysis and Rate Study, Peninsula Light Co., Gig Harbor, Washington
- Cost of Service Analysis and Rate Study, Ferry County PUD, Republic, Washington
- Cost of Service Analysis and Rate Study, Copper Valley Electric Association, Glennallen, Alaska
- Cost of Service and Retail Rate Study, Hermiston Electric System, Hermiston, Oregon
- Unbundled Rate Analysis, Anchorage Municipal Light & Power, Anchorage, Alaska
- Cost of Service Analysis and Rate Planning Model, City and Borough of Sitka, Alaska
- Management Assessment of Federal Hydroelectric System Assets, Bonneville Power Administration, Portland, Oregon

Power Supply Planning and Resource Evaluations

- Southeast Alaska Intertie Project Feasibility Study, Southeast Conference, Petersburg, Alaska
- Kake – Petersburg Transmission Line Feasibility Study, Southeast Conference, Petersburg
- Resource Evaluation and Strategic Resource Plan, City of Sitka, Alaska
- Power Supply Study, City of Riverside, California
- Generation Resource Analysis, City of Seattle, Washington
- Power Supply Planning Study, City of Ketchikan, Alaska
- Evaluation of Generating Alternatives, Copper Valley Electric Assn., Glennallen, Alaska

- Evaluation of Power Supply Proposals, Cordova Electric Cooperative, Cordova, Alaska
- Development of Resource Screening and Selection Criteria, Snohomish Co. PUD, Everett, Washington
- Feasibility Assessment of Gas Field Acquisition, City of Anchorage, Alaska

Consulting Engineer's Reports in Support of Financing

- Anchorage Municipal Light & Power, Anchorage, Alaska
- Alaska Energy Authority, Anchorage, Alaska
- Benton County PUD, Kennewick, Washington
- Chelan County PUD, Wenatchee, Washington
- Columbia River PUD, St. Helens, Oregon
- Douglas County PUD, East Wenatchee, Washington
- Emerald People's Utility District, Eugene, Oregon
- Energy Northwest, Richland, Washington
- Franklin County PUD, Pasco, Washington
- Guam Power Authority, Guam
- State of Hawaii, Hawaii
- Intermountain Power Agency, Murray, Utah
- Ketchikan Public Utilities, Ketchikan, Alaska
- Snohomish County PUD, Everett, Washington
- Southeast Alaska Power Agency, Ketchikan, Alaska
- City of Tacoma, Washington

Strategic Plans and Other Utility Analytical Studies

- Southeast Alaska Energy Export Study, Southeast Conference, Juneau, Alaska
- Southeast Alaska Transmission Intertie Study, Southeast Conference, Juneau, Alaska
- Acquisition Assessment, Four Dam Pool Hydroelectric Projects, Alaska
- State of Alaska Energy Plan, Alaska Industrial Dev. & Export Authority, Anchorage, Alaska
- Feasibility Assessments of Regional Transmission System Expansion, Alaska Energy Authority
- Feasibility Study of Electric System Acquisition, Jefferson Co. PUD, Port Townsend, Washington
- Feasibility Study of Electric System Acquisition, City of Hermiston, Oregon
- Feasibility Study of Municipal Utility Formation, City of Millersburg, Oregon
- Feasibility Study of Municipal Utility Formation, Asotin Co. PUD, Clarkston, Washington
- Electric Load Forecast, City of Sitka, Alaska
- Electric Load Forecast, Orcas Power & Light Cooperative, Eastsound, Washington
- Electric Load Forecast, Nespelem Valley Electric Cooperative, Nespelem, Washington
- Joint Operational Effectiveness Study, Kootenai Electric Cooperative, Hayden, Idaho
- Electric Utility Strategic Operations Study, Town of Steilacoom, Washington
- Feasibility Study of Gas Distribution System, Homer Electric Association, Homer, Alaska
- Equity Management Plan, Copper Valley Electric Association, Glennallen, Alaska
- Cooper Lake Hydroelectric Project Relicensing, Chugach Electric Association, Anchorage, Alaska
- Columbia Generating Station Periodic Report, Energy Northwest, Richland, Washington

Registration

Professional Engineer – Alaska and Washington

Education

B.S. in Electrical Engineering, University of Washington
B.S. in Industrial Engineering, University of Washington

ROBERT K. SCHNEIDER, P.E.
SENIOR PRINCIPAL ENGINEER
D. HITTLE & ASSOCIATES, INC., ENGINEERS AND CONSULTANTS

Experience

Mr. Schneider has more than 40 years of experience as a professional engineer. A significant portion of this experience is in performing planning studies and economic evaluations associated with the use, distribution, transmission, generation and conservation of electrical power by publicly and cooperatively owned electric utilities.

He presented expert witness testimony before the Federal Energy Regulatory Commission on transmission issues; presented expert witness testimony before the Washington Utilities and Transportation Commission on reliability issues, and assisted a 40 utility group (Requirements Customer Coalition) with developing testimony in the BPA 1996 Rate Case. He testified before administrative law judges in multiple BPA rate cases. He has provided expert witness testimony in a reliability matter before the Oregon PUC regarding service to an Ore-Idaho potato processing plant. He was an expert witness in an arbitration case regarding ancillary services associated with a wind turbine project. He provided consulting services to the Oregon Department of Energy on reliability related planning criteria.

Mr. Schneider is a Principal Engineer and manager of the Puget Sound Office of D. Hittle & Associates, Inc. He became a professional engineer in 1975 and is registered in California, Washington and Alaska. He has Bachelor of Science, Masters of Engineering and Masters of Business Administration degrees all from the University of Washington. He is listed in Who's Who in Science and Engineering. He has served in leadership positions of a number of engineering societies, included serving as president of the Puget Sound Engineering Council and a Vice President of the American Society of Mechanical Engineers. Mr. Schneider also served on a Technical Advisory Committee related to Codes and Safety Rules to the Chief Electrical Inspector for the Washington Department of Labor and Industries. He is currently on the University of Washington Mechanical Engineering External Advisory Board and a Board member of the Electric League of the Pacific Northwest.

Representative Projects

- Power Plant waste heat mechanical piping, American Samoa Power Authority (ASPA), American Samoa. This was a study to capture diesel generator waste heat from the ASPA power plant, and determine if it could be economically used in a local fish processing/canning facility. The work included a preliminary design along with cost estimates and economic feasibility. Also included was an analysis of project risk to ASPA associated with the project. Bob was the project manager on this assignment.

- D. Hittle & Associates, Inc. worked for the Energy Northwest on economically evaluating contract alternatives for use of the Packwood Hydroelectric project. This included performing financial modeling of the project, negotiating a new transmission contract with Lewis County PUD and ultimately a power sale agreement to BPA. Mr. Schneider was the project manager on this assignment.

- D. Hittle & Associates, Inc. was the Project Engineer of record for the 25 MW CARES wind farm project. My Schneider advised the Conservations and Renewable Resources Energy System (CARES). CARES was a consortium of publicly and cooperatively owned utilities that worked with BPA on the development of a 25 MW wind farm. Mr. Schneider was the project manager that developed an RFP that wind farm developers responded to, evaluated the proposals, and negotiated contracts with BPA and the selected wind farm developer. He also assisted with the licensing, financing, and managing of the wind farm project for CARES.

- Electric Utilities Comprehensive Plan, City of Centralia, Centralia, WA. Bob was the project manager on this study. This included a detailed analysis of existing city electric utilities, zoning, and used State GMA supplied population figures and local zoning information to forecast future electric power needs and then determine the electric system necessary to reliably serve the loads.

- D. Hittle & Associates, Inc. performed a number of studies for the City of Centralia relating to the Yelm Hydro Electric Project. Mr. Schneider did a Vegetation Management plan for the Yelm Project that was in response to FERC license related questions. He updated the City's Yelm Emergency Action Plan that was also submitted to FERC. He further prepared a 10 year capital improvement plan for the City of Centralia's electric system and its Yelm hydro-electric project, which included evaluating upgrades of various Yelm project systems including electric, control, and piping systems.

- D. Hittle & Associates, Inc. performed a joint assignment with the NESCO Sumas 1 cogeneration plant and Whatcom County PUD on evaluation of the sale of the cogeneration project to the PUD for the purpose of supplying power to certain select industries, including Bellingham Cold Storage, Georgia Pacific and the Phillips-Conoco Refinery. An important aspect of the project was in evaluating natural gas reserves that were owned by the cogeneration project in light of market trends for natural gas.

- D. Hittle & Associates, Inc. was the lead consultant for Klickitat County PUD landfill gas to energy proposal the Roosevelt Regional Landfill. Mr. Schneider was the Project Manager on this assignment, which included identifying environmental, power generation and economic issues and proposing approaches to optimize the project for the PUD. Also included were estimates of the gas collection piping systems, generation, and electric utility interconnection costs as well as a pro-forma estimate of revenues and costs.

- Bob Schneider performed a feasibility analysis and inspection of the Bethel Utilities Corporation power and water heating system for the City of Bethel, Alaska. This study was to determine the condition of the BUC facilities as well as a likely range of purchase prices that could be supported by current rates for electric and heat. The work included discussions with Alaska State representatives over levels of grant funding that might be available and pro-forma cash flow analysis based on certain financing assumptions.

- Prior to joining D. Hittle & Associates, Mr. Schneider was the Director of Power Management at Snohomish County PUD. He was responsible for the operations and maintenance of a 112 MW hydroelectric and 340-cfs reservoir water supply project, all of the PUD's power supply and generation Participants' Agreement Contracts, as well as load forecasts and capital 5 year plans.

- Prior to working at Snohomish County PUD, Mr. Schneider worked for the Bechtel Power Corporation at their San Francisco Power Division Headquarters.

Registration

P.E. Mechanical, California, 1975, Washington, 1995, Alaska 1997
US Green Building Council LEED AP, 2009

Education

B.S. Physics, University of Washington, 1971
M.S.Eng. Nuclear, University of Washington, 1973
M.B.A. Business, Government & Society, and Finance, University of Washington, 1976

RANDEL G. VALERIO, P.E.
PRINCIPAL ENGINEER
D. HITTLE & ASSOCIATES, INC., ENGINEERS AND CONSULTANTS

Experience

Mr. Valerio has over 20 years of electrical engineering experience including utility engineering, commercial and industrial building design. He has expertise in power and lighting system designs in commercial, industrial and municipal facilities, backup emergency power systems, electric utility service designs, power factor correction, nurse call systems, arc flash hazard analysis, power quality analysis, circuit protection, street lighting design and LAN/DATA designs.

In addition his utility expertise includes transmission and distribution line design, staking, easement acquisition, substation design and valuation, distribution and transmission line construction inspections, retail rate design, consumer class modeling, allocation of service costs and joint use contact evaluations. Mr. Valerio has been project manager on many utility engineering projects overseeing them through the concept, permitting, design development, contract administration and bidding and construction inspections.

He managed over 60 miles of distribution feeder rebuilds and designs for Grant County Public Utility District throughout a three and a half year period. While managing the projects, he also completed field work, quality control checks and helped develop an automated material summing spreadsheet that streamlined material data entry and pole spotting.

Mr. Valerio completed planning, routing and design of underground distribution feeders for utilities in American Somoa and the Marshall Island-Ebeye. The voltages varied and included overhead to underground conversions in a slat-water environment that was routed either along a sea wall or frequently flooded. Designs utilized fiberglass ground sleeves, stainless steel sector boxes and specialized trenching techniques.

He completed planning and easement coordination for over 30 miles of transmission line upgrades that required the filing and processing of a Certificate of Public Convenience and Necessity with the Oregon Public Utility Commission.

Mr. Valerio has completed several joint use pole evaluations that require field verification and pole loading calculations. He completed a system wide joint use pole evaluation for the City of Hermiston Energy Services that included inventory, coordinates and photographs of more than 1,500 poles utilizing electronic hand held equipment.

He has designed two substations for Benton Rural Electric Association. One design provided a typical design that will be used for all future construction projects. The design included ease of expansion, standard materials and compact design for rural substations.

Mr. Valerio completed retail rate adjustments for several utilities in the Pacific Northwest for both past and present wholesale power rate changes. These retail rate and cost of service allocations allowed each utility to meet their required revenues throughout the present rate case periods. Each retail rate adjustment recommendation was presented and approved by the respective utilities' Board of Directors.

He prepared substation valuations for several utilities in the Pacific Northwest interested in acquiring the facilities from Bonneville Power Administration. Part of the valuations included coordination with Bonneville Power Administration staff for purchase costs and options, equipment and maintenance condition reviews, allocation of plant costs and evaluation of accounting methods.

Mr. Valerio designed a six mile 34.5 kV to 115 kV overhead transmission line conversion for Benton Rural Electric Association utilizing a pole top unit of polymer arrestors (replacing the traditional static wire) and a Rural Utilities Service submitted and approved vertical and horizontal post delta configuration pole framing. The design allowed use of existing shorter poles resulting in significant pole replacement cost savings.

He completed a four mile, delta configured 115 kV transmission line to serve the Umatilla Chemical Incinerator Project. The design incorporated a future 10 year salvage and relocation scheme to minimize the financial impact to Umatilla Electric Cooperative.

Representative Projects

Comprehensive Planning and Work Plans

- Construction Work Plan, Clearwater Power Company, Lewiston, Idaho
- Comprehensive Plan, Clearwater Power Company, Lewiston, Idaho
  17 Substations in three states
- Construction Work Plan, Umatilla Electric Cooperative, Hermiston, Oregon

Power Engineering and Design

- 3 Substation Designs, 115 kV to 12.47 kV, 8 MVA to 60 MVA, metal clad switchgear, open bay/open bus, remodels, bay additions, transformer change outs
- 115 kV and below transmission line design, rights of way, planning, self supported structures, construction services
- 15 kV and below distribution line designs, overhead, underground, standards development, work order inspections

Cost of Service, Rate Studies and Related Analyses

- Cost of Service, Retail Rate Design, Northern Lights, Inc., Sandpoint, Idaho
- Cost of Service, Retail Rate Design, Big Bend Electric Cooperative, Ritzville, Washington
- Cost of Service, Retail Rate Design, Flathead Electric Cooperative, Kalispell, Montana
- Cost of Service, Retail Rate Design, Clearwater Power Company, Lewiston, Idaho

System and Facility Valuation and Appraisal

- Purchase of BPA Delivery Substations, Valuation Study, Franklin County Public Utility District, Pasco, Washington
- Purchase of BPA Delivery Substations, Valuation Study, Benton County Public Utility District, Kennewick, Washington
- Purchase of BPA Delivery Substations, Valuation Study, Big Bend Electric Cooperative, Ritzville, Washington
- Purchase of BPA Delivery Substations, Valuation Study, Benton Rural Electric Association, Prosser, Washington
- Purchase of BPA Delivery Substations, Valuation Study, Hood River Electric Cooperative, Hood River, Oregon

Distribution

- Over 60 miles Feeder Rebuilds to 795 AAC, Grant County Public Utility District, Ephrata, Washington
- Beverly Bridge Crossing and Restoration, Kittitas County Public Utility District, Ellensburg, Washington

- 7th to 1st Street Feeder Tie-line, Umatilla Electric Cooperative, Hermiston, Oregon
- Overhead to Underground Conversion, 6 miles along sea wall, American Samoa Power Authority, Pago Pago, American Samoa

Substations

- Kennedy Substation, 40 MVA, 115 kV – 12.5 kV, Benton Rural Electric Association, Prosser, Washington
- White Swan Substation, 25 MVA, 115 kV – 34.5 kV bay addition, Benton Rural Electric Association, Prosser, Washington
- Sunnyside Port Substation Addition, 20 MVA, 115 – 12.5 kV, Benton Rural Electric Association, Prosser, Washington
- Tosco Substation Modification, 40 MVA, 115 – 13.8 kV, Whatcom County PUD, Ferndale, Washington
- South Slope Substation, 20 MVA, 115 kV – 12.5 kV, Benton Rural Electric Association, Prosser, Washington
- Substation Conversions, Standard 34.5 to 69 kV Substation Designs, Flathead Electric Cooperative, Kalispell, Montana

Transmission

- Sunnyside - Grandview, 8 miles, 556 ACSR, 115 kV with 12.47 kV Underbuild, Benton Rural Electric Association, Prosser, Washington. Close BPA coordination required. Interstate and rail crossings. Cost saving pole top design.
- Chemical Substation Loop, 4 miles, 556 ACSR, 115 kV, Umatilla Electric Cooperative, Hermiston, Oregon. All federal property and extensive environmental review. Cost saving pole top design.
- M-Line 69 kV Conversion, 12 miles with 24.9 kV Underbuild, Midstate Electric Cooperative, LaPine, Oregon. Design utilized existing right-of-way from existing distribution line throughout Deschutes National Forest.

Registration

P.E. Electrical – Washington, 1997; Oregon, 1998; Idaho, 2000, Maine, 2000, Montana, 2007, Minnesota, 2008 and Louisiana, 2009.

Education

B.S. Electrical Engineering
University of Nevada-Reno, Reno, Nevada, 1988

Affiliation

Tau Beta Pi National Engineering Society
National Society of Professional Engineer
I.E.E.E. Power Engineering Society

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Primary Areas of Practice
Utilities & Municipal Law, Regulatory, Business Litigation

Education
J.D., Northwestern University School of Law, 1970 cum laude
Board of Editors, Northwestern University Law Review
Order of Coif
B.A. Psychology, Washington University, St. Louis, 1967
Phi Beta Kappa
Omicron Delta Kappa

Jurisdictions Admitted to Practice
Washington State Courts
Illinois State Courts ("inactive" status)
U.S. District Court, Western District of Washington
U.S. District Court, Eastern District of Washington
U.S. Court of Federal Claims
U.S. Court of Appeals, Ninth Circuit
U.S. Supreme Court

Professional History
Joined Firm, 1982
University of Puget Sound School of Law, Acting Dean, 1980, Associate Dean, 1979 and 1981, Associate Professor, 1978-82
University of Michigan Law School, Assistant Dean and Director of Graduate Studies, 1976-78
University of Tennessee College of Law, Assistant Dean and Assistant Professor, 1974-76
Private Business, 1972-74
Attorney, Jenner & Block, Chicago, 1970-72

Honors
Selected for the 2015 Washington Super Lawyer list
Best Lawyers - Seattle, 2015 Municipal Law
Named a "Best Lawyer" in the Best Lawyers in America

AV Preeminent Rated by Martindale Hubbell
Named Gordon Thomas Honeywell 2015 "Partner of the Year"
City of Mercer Island Citizen of the Year, 2000

Community Activities

Mercer Island Town Center Stakeholder Group (2015)
Mercer Island Sustainability Policy Task Force (Chair, 2012)
Board of Trustees, Mercer Island Open Space Conservancy Trust (2004 - 2012);
Chair, 2008-2010 Mercer Island Parks Levy Stakeholders Comm. (Chair, 2007-2008)
Mercer Island Planning Commission (1991-2001; Chair, 1996-2001)
Seattle University School of Law Board of Visitors (1997-2001)