

**INVITATION FOR PROPOSALS TO PROVIDE
FINANCIAL CONSULTING SERVICES
TO THE PUBLIC UTILITIES BOARD**

PURPOSE

The Board of Commissioners of Public Utilities of Newfoundland and Labrador ("the Board") is seeking proposals for the provision of financial consulting services for a five-year period. The services to be provided will include a core level of recurrent work with respect to the Board's mandate for regulation of public utilities as well as other requirements that may arise from time to time.

BACKGROUND

Description

The Board operates as a quasi-judicial regulatory agency responsible for the regulation of public utilities, automobile insurance rates, certain motor carriers, and establishing prices of petroleum products in accordance with:

the Public Utilities Act, R.S.N.L. 1990,
the Electrical Power Control Act, R.S.N.L. 1990,
the Automobile Insurance Act, R.S.N.L. 1990,
the Insurance Companies Act, R.S.N.L. 1990,
the Petroleum Products Act, S.N.L 2001 and
the Motor Carrier Act, R.S.N.L. 1990.

Under the *Expropriation Act, R.S.N.L. 1990*, and with a referral from government, the Board is also responsible for settling compensation disputes between landowners and Government arising from the expropriation of land.

Pursuant to the provisions of the *Public Utilities Act*, the Board is responsible for the general supervision of public utilities, and must satisfy itself by means of examinations and inquiries that these utilities are in compliance with the Act and with Orders of the Board. Any observed violations may be investigated further, and compliance can be enforced.

The Board

In accordance with the *Public Utilities Act*, the Board consists of a Chairperson and Chief Executive Officer, a Vice-Chair and Commissioner who are full-time, and up to six part-time Board members. There are 15 full-time staff members.

Industry

Newfoundland Power Inc. ("Newfoundland Power") is the principal distributor of electricity in the Province, providing service to more than 224,000 customers, or approximately 86% of the population of the Province. Newfoundland Power generates about 8% of the energy sold to its customers and purchases the balance from Newfoundland and Labrador Hydro. Total sales revenue for 2004 amounted to \$396 million on a weather-adjusted basis. The Capital Expenditure Program for the year ended December 31, 2004 was \$54 million. Plant investment as of the year ended December 31, 2004 was \$1.1 billion.

Newfoundland and Labrador Hydro ("Hydro") has the principal responsibility for generation and transmission of power in the Province and sells most of its power to Newfoundland Power and to several industrial customers. It also sells directly to over 34,000 customers living in rural communities of the province who are not serviced by Newfoundland Power. Total sales revenue for 2004 was \$391 million. The fixed assets of Hydro were valued at \$1.9 billion in 2004. Expenditures for additions to fixed assets in 2004 amounted to \$28 million.

ELIGIBILITY

Before preparing a proposal for the provision of financial consulting services to the Board proponents are advised to ensure that their firm can meet the following eligibility criteria. The required qualifications are:

- * Well developed professional auditing techniques and a sound system of control and review of audit work performance.
- * Substantial resources in the fields of public utility accounting, taxation, auditing, information technology and management consulting.
- * Provincially based expertise.
- * Experience in comprehensive auditing will be an asset.

DISCLOSURE OF CONFLICT

While knowledge of the industries regulated by the Board will be an asset, the Board requires that any possible conflict of interest be reported. Failure to report any such conflict may be cause for disqualification.

SCOPE AND REQUIREMENTS

The range of services to be provided will vary from year to year, but will include a core level of activities relating to the annual financial reviews and compliance audits of the public utilities regulated by the Board in accordance with the Board's responsibilities under the *Public Utilities Act* and the *Electrical Power Control Act*. The Board may also assign other projects related to specific utility applications before the Board, or with respect to special projects initiated by the Board. In addition, the financial consultant may be required to provide expert testimony at hearings before the Board.

Any project that is in progress at the time this contract is awarded will be completed by the party to which it has been assigned. After the completion of any such project, the scope or the requirements will be as stated in this request.

TERM OF ENGAGEMENT

It is expected that the successful firm will be engaged for a period of five years. However, the appointment will be on an annual basis with potential renewal based on performance every year over the five-year period. The Board reserves the unqualified right not to reappoint. Under circumstances to be determined by the Board, the Board may extend the contract beyond the initial five-year term.

MONITORING PERFORMANCE

During the five-year term of engagement, the evaluation of the consultant's performance will be based on the following criteria:

(a) **Adherence to Proposed Fees**

Candidates should provide hourly rates in their proposals. Every project to be undertaken will require prior approval by the Board, and this prior approval will cover a time budget for the project as well as a disbursement budget. The consultant shall keep account of actual time spent by assigned personnel on each major task and submit to the Board upon completion of each major task a schedule which compares the actual time spent to time budgeted. The cost of this accounting of time shall be considered to be included in the hourly rate quoted under this proposal.

In each year, upon the anniversary date of the engagement, the consultant and the Board will agree to a fee schedule of the hourly rates to be charged and the amount to be charged for core level activities.

(b) Persons Assigned

For the initial year of the engagement, the persons assigned should be those originally proposed. Any subsequent changes to the assigned personnel must be acceptable to the Board. The Board expects that the most senior of the assigned personnel be accessible to the Board as reasonably required.

(c) Deadlines

The deadlines established for work assigned to the consultant will be rigorously imposed. Failure to meet deadlines will be an important component of the Board's evaluation of performance.

(d) Quality

Annual renewal of the engagement will depend upon the maintenance of the highest quality of work in all of the services performed for the Board.

PROPOSAL CONTENT

Firms submitting proposals will be evaluated on the basis of the following factors:

- (a) educational, professional and technical skills and qualifications of personnel assigned;
- (b) the experience of the firm in providing services similar to those being requested by the Board;
- (c) the demonstration by the firm of insights into how the required work can be successfully executed; and
- (d) the absence of conflict of interest.

Proposals should describe the special expertise or qualifications of your firm to provide the financial consulting services requested. The hourly rates for services to be rendered by each assigned person should be presented, along with an indication of how these hourly rates are likely to change over each of the next five years.

While the Board will require prior approval of each project to be commissioned, your proposal should provide a statement of the policies of your firm with respect to reimbursement of expenses, travel costs and other out of pocket expenses.

The Board is not seeking fully costed proposals for any of the projects to which reference has been made. A separate budget and engagement letter will be required for each project or activity undertaken by the consultant at the request of the Board.

ADVISORY SERVICES AND PUBLICATIONS

Information should be included in the proposal regarding any advisory services that may be available to the Board on "routine" matters. These may include staff assistance and/or publications relating to matters such as public utility accounting, taxation, auditing, information technology, and management consulting.

ORAL PRESENTATION

If selected to make an oral presentation to the Selection Committee, it is expected that officials who would be assigned to provide financial consulting services to the Board will make the presentation.

DOCUMENTS AVAILABLE

Copies of relevant legislation can be made available.

CONDITIONS

It is possible that the Board's consideration of the proposals submitted in response to this invitation will lead to the selection of two or more firms, rather than a single firm, to provide the services being requested. It is also possible that the decision of the Board will be to refrain from any appointment at this time.

Any major change in the responsibilities of the Board may lead to a further invitation for proposals and the termination of any arrangement that may be established pursuant to the present invitation.

The Board makes no claim, expressed or implied, with regard to the volume of work that may result from the acceptance of a proposal for the provision of these professional services. The Board reserves the exclusive right to accept or reject any or all proposals.

The Board reserves the right to discuss any or all proposals and to request additional information from any or all proponents.

The Board will not be liable for any costs incurred by the proponents in the presentation of their response to this proposal.

PROCESS

Closing Date and Time

Proposals must be delivered to Ms. Cheryl Blundon, Board Secretary, no later than 4:00 P.M., on Tuesday, May 24, 2005. The envelope should be sealed and clearly marked and addressed as follows:

PROPOSAL FOR FINANCIAL CONSULTING SERVICES

Director of Corporate Services & Board Secretary,
Board of Commissioners of Public Utilities,
P. O. Box 21040,
Suite E- 210, 120 Torbay Road,
St. John's, NL
A1A 5B2.

Four copies of the proposal are required. Additional copies of the proposal may be required if required to appear before the Selection Committee,

Additional Information

Additional information can be provided, if necessary, by telephone or by interviews. In order to arrange such an interview, please contact Ms. Cheryl Blundon, Director of Corporate Services & Board Secretary, at (709) 726-8600.

Selection Committee

A short list of eligible candidates will be interviewed by a Selection Committee, which will be chaired by the Board's Chair and CEO.

Decision

The Selection Committee will prepare a report recommending the appointment of a financial consultant to the Board. The appointment is expected to be made before June 30, 2005.