



2020 Utility System Assessment Frequently Asked Questions

1. Why is the City doing this assessment?

The City of Alexandria is undertaking a comprehensive review of its utility system to identify issues of concern and potential opportunities for improvements, and to evaluate whether the current structure of the utility system is the best long-term approach for the city in terms of quality of service, reliability and cost.

Conducting an independent, third-party assessment of the utility system is important in helping city government and the citizens of Alexandria understand the current and projected costs and benefits of the existing system, and whether there might be ways to provide an adequate, reliable supply of electricity more efficiently and at a lower cost. This assessment is being done with the interests of the citizens of Alexandria at the forefront.

2. Why did the City choose PA Consulting?

PA Consulting Services, Inc., of Denver, Colorado, was chosen by the city in a competitive process that involved more than a dozen firms from across the United States. PA Consulting was selected based on their significant experience in the energy and utilities sectors, as well as specific experience working with publicly owned utilities in such cities as Austin, Los Angeles, and Orlando to evaluate and improve city services.

3. What will PA Consulting actually do, and what are the deliverables?

Phase 1 of the assessment will examine the city's electric and gas utility systems and provide the city with a range of strategic options and commercial improvement recommendations for those utilities, based on the analyses performed. The Phase 1 analysis and recommendation are tentatively scheduled to be complete 6-8 weeks from the inception of the assessment.

Phase 2 will examine the city's water and wastewater utility systems and will be conducted after completion of the Phase 1 analysis.

The assessment of the city's electric and gas utility systems will involve the operations and financial aspects of the systems, including strategic alternatives, and will produce a 10-year financial forecast of for each, including operations, electric and gas supply, delivery and distribution, general and administrative costs, and rates.

The consultants will also provide strategic options and improvement recommendations, which may include actions to improve commercial operation of the electric and gas utilities, as well as strategic options the city may want to pursue to maximize the value of the electric and gas systems for the city and its residents.

4. Why is the assessment being split into two parts – will that take longer and cost more?

PA consulting has recommended splitting the assessment into two parts because in their experience it makes sense to evaluate the power side of the utilities system – electric and gas – together and at the same time because of their similarities and interplay, and because they are the larger elements of the overall system in terms of size, employees and revenue generation.

It also makes sense to evaluate the water and wastewater systems separately because there is no crossover from the power side assessment — there is nothing that will be done there that relates to the water systems — and because they are smaller and have less financial impact on the city.

There is also the matter of city resources to participate in the assessment and its outcomes, whatever those may be. Officials believe it makes better sense to focus on the largest part of the utility system first.

As for cost, the price would be the same whether the assessment is done in one phase or two — the work and expertise required is the same.

5. Can a thorough assessment be done this quickly?

Yes, the city believes it can be and PA Consulting feels confident, based on prior assessments they have done of similar systems, that a comprehensive analysis can be done on the schedule they have proposed.

That said, the schedule assumes the ready availability of historical, financial and past budget information, and access to city utility staff, so if the pandemic or other issues affect that availability, the schedule could be affected.

6. How will the recommendations from the consultants be shared and decided upon?

The city will make the full reports and recommendations produced by the consultants available to the public, and decisions about the recommendations will be made in the normal course of city business by bringing them to the Alexandria City Council. If the circumstances or recommendations suggest that some form of additional public meeting or meetings might be necessary, the city will consider that at the appropriate time. As Mayor Hall has said, this will be an open and transparent process.

7. Is Cleco involved in this process? Has PA Consulting worked for Cleco before?

No, Cleco is not involved in this assessment. PA Consulting has provided risk management consulting services to Cleco previously. In the present situation, PA Consulting is an independent third-party expert retained by the City of Alexandria, and Cleco will have no role in the assessment, except perhaps as a source of historical or contractual information which will be independently verified.

8. Given the current crisis, should the city wait to incur this expense?

While city officials are very concerned about the effects of the coronavirus pandemic on the City of Alexandria, and the city is taking all the necessary precautions to prevent its further spread, officials do not believe that all of the city's business should come to a halt.

Specifically, the city is able to proceed on this project while still observing COVID-19 precautions, and adhering to all proper city protocols and requirements. City officials believe it is in the best interest of the city's residents to move this assessment forward to ensure well-informed decisions are made about the future of our city utility systems.

9. Since tax revenues will be down due to the pandemic, should the city reconsider spending \$200,000 on an assessment?

The City of Alexandria planned and budgeted for this assessment prior to the coronavirus issue, and believes this is a wise investment in the future of the city. Delaying the process will not reduce the cost, so city officials believe proceeding at this time is prudent.

10. Should the city wait until the coronavirus issue is over so that the public can participate in the consultant selection process?

City officials are all very concerned about the effects of the coronavirus pandemic on the City of Alexandria, and are taking all the necessary precautions to prevent its further spread, but officials do not believe that all of the City's business should come to a halt.

This particular process has been going on in public for several months now, during which time residents of Alexandria have been free to attend City Council meetings and reach out to the Mayor's office or to their elected City Council representatives. While access to City Council meetings is now limited, residents can still reach out to those same offices at any time to seek information, raise questions or concerns, and continue to participate in the process. The full minutes of all Council meetings are also available online shortly after each meeting.

Specifically, the city is able to proceed on this project while still observing COVID-19 precautions, and adhering to all proper city protocols and requirements, and the city will be issuing news releases and providing periodic updates on project developments or milestones.

11. Will rates go up or employees lose jobs as a result of this assessment?

The answers to those questions are unknown at this time. Rates are typically driven by the cost to serve customers and the number of jobs can fluctuate based on technology and demand for services. The reality is, rates or the number of workers needed could change regardless of whether an assessment is done.

Mayor Hall has noted he will not recommend a system that causes financial hardship for the community – that would not make sense. The goal of the assessment is to see if there are ways to make things better – more reliable, less expensive — not the opposite.

12. If the city decides to pursue a different utility model, will that cause a budget shortfall?

The city is a long way from making any decisions about its utility model for the future. Again, Mayor Hall has noted he will not recommend a system that causes financial hardship for the community – that would not make sense. The goal of the assessment is to see if there are ways to make things better – more reliable, less expensive — not the opposite.

13. Has the city done similar assessments in the past? Why do we need a new one?

Yes, assessments of the utility systems have been done in the past, even as recently as 2018 when a valuation report was prepared on the city’s utility assets. And, during the Mayoral transition planning process in 2019, a panel of nine well-known Alexandria citizens recommended the city “hire a third-party consultant to assess critical city utility infrastructure and develop a long-term plan for key assets and operations, with a focus on risk management and cost controls for utility operations (particularly water and wastewater functions).”

This new assessment will be comprehensive, examining all the utility system components, individually and as a whole, and will help city government and the citizens of Alexandria understand the long-term costs and benefits of the current system, and whether there might be ways to provide an adequate, reliable supply of electricity more efficiently and at a lower cost.

14. Does the assessment set us up for a takeover by a large utility by making all our information public?

No, officials believe it will actually put Alexandria in the best position to protect the city’s interests by knowing exactly what it has in the existing systems, what options it has for improvements, if any, and the value of the city’s assets. That knowledge empowers city officials to make informed, independent decisions that are in the best interests of the City of Alexandria and its residents, and to deal with any potential takeover attempts from a position of strength.

15. If we sold our utility system, and no longer had local control over rates, power plant construction and operation, etc., would we be worse off?

The City of Alexandria is a long way from making any decisions about its utility model for the future, whether wholly- or partially-owned or any other structure. Mayor Hall has emphasized recommending a structure that causes increased risk, loss of control over key issues, or financial hardship for the community would not make sense. The goal of the assessment is to identify ways to make things better – more reliable, less expensive, and with local interests at heart — not the opposite.

16. Our utility systems seem to work pretty well now - service is good, rates are reasonable, and we just invested more than \$100 million in new electric generating equipment not that long ago. Why do we need to change things?

The city may or may not need to change things — we simply do not know — and that is why the city needs to conduct a comprehensive review of its utility system to identify issues of concern and potential opportunities for improvements, and to evaluate whether the current structure

of the utility system is the best long-term approach for the city in terms of quality of service, reliability and cost.

This assessment is important in helping city government and the citizens of Alexandria understand the current and projected costs and benefits of the existing system, and whether there might be ways to provide an adequate, reliable supply of services more efficiently and at a lower cost. Put simply, this assessment is being done to protect the long-term interests of the citizens of Alexandria.

And as officials have said publicly several times, if the assessment finds that the current utility system is the best way to meet the city's needs, that is great. The city is not going into this assuming change is necessary. But, if changes can be made that make the system more efficient, more sustainable for the long-term, and more affordable, officials believe the citizens of Alexandria should know that and have a voice in how their utility services are supplied. After all, they are the ones paying for it.

17. How can we know that the assessment isn't being done to justify a preconceived outcome?

First, everything about this assessment has been and will be done in an open and transparent manner. From the initial notice of intent to do an assessment, to the hiring of the consultants, to providing regular updates to the City Council and residents, this is an open process. Alexandria residents deserve nothing less and officials have pledged to lead with transparency during throughout this process.

Second, as officials have said publicly several times, if the assessment finds that the current utility system is the best way to meet the city's needs, that is great. The city is not going into this assuming change is necessary. But, if changes can be made that make the system more efficient, more sustainable for the long-term, and more affordable, officials believe the citizens of Alexandria should know that and have a voice in how their utility services are supplied. After all, they are the ones paying for it.

18. If this assessment is a good idea, why are some people opposed to it?

The city has heard from some people who appear to be opposed to this assessment process. Often the concerns expressed show individuals may not understand exactly what it is and why it's being done. Moving ahead with the assessment and communicating clearly and transparently about how and why it is being done should help clear up those concerns and ensure everyone is working with the same, current and accurate information.

The bottom line is the City of Alexandria has a utility system that is a mix of old and new components and technologies, some of which are 120 or more years old. City leaders need to be looking to the future and to the city's ability to provide a reliable and affordable supply of electricity and gas to this community for the next 50 or 100 years.

Officials note having reliable and affordable utility services is a key to growth for Alexandria – it is key to the city’s ability to compete for new businesses, for new facilities, for new jobs, and for new residents. City leaders have an obligation to the residents of Alexandria to be looking ahead and not just *planning* for business and residential growth, but to help *drive that growth* by ensuring the availability of reliable and affordable utility services.