

June 23, 2009



Via e-mail

Mr. Paul Kalv
Electric Director
City of Leesburg
2010 Griffin Road
Leesburg, FL 34749-0630

Subject: AMI Selection Project Proposal

Dear Paul:

Thank you for the opportunity to assist the City of Leesburg, Florida (Leesburg) with your AMI related projects. R. W. Beck and Plexus Research, a division of R. W. Beck, has broad expertise in the areas of AMI, Smart Grid, demand response, distribution automation, comprehensive engineering planning, and design services for electric, water, and gas utilities, rates, and related areas. We are pleased we can leverage our experience to help you with all of Leesburg's needs.

The AMI business case project is now moving forward and we look forward to working with you closely on this project. We need to complete the AMI business case, but Leesburg should consider having an AMI selection plan in place if a decision is made to proceed with deployment. A selection plan is also needed if Leesburg is awarded a stimulus grant funded by the American Recovery and Reinvestment Act (ARRA).

The enclosed Scope of Services provides an R. W. Beck team to assist Leesburg with the AMI selection process. Our proposal is affordably priced to provide focused collaborative services to assist a Leesburg project team of subject matter experts (SMEs) with AMI procurement strategy and planning, requests for proposals, and proposal evaluation. (Attached is a table of the proposed Leesburg project team of SMEs we propose to assist with AMI selection. This selection team is similar in composition to the team assisting with the AMI business cases.) R. W. Beck has provided AMI selection services to many clients and we have the broad based experience to help you develop request for proposals and evaluate proposals from AMI vendors that align with Leesburg's needs.

The opportunities and challenges for Leesburg do not end with the current AMI business case project and the proposed AMI selection project. AMI deployment involves a variety of change management issues including:

- Creating a technology roadmap to plan beyond AMI. Technology road mapping is a process of discovery and prioritizing AMI, Smart Grid, and other technology investment decisions based on strategic objectives and external factors that will drive Leesburg's business. Participants in the road mapping process are required to "look backwards" from a projected point in the future -- five years from now, 10 years from now -- and ask "How did we get here?" Knowing the destination is fundamental to a successful journey.
- Creating a communication plan for Leesburg customers and employees to help build acceptance of changes resulting from the introduction of new technology such as AMI, Smart Grid, demand response, etc.



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- Perform and implement a business process redesign plan to assist Leesburg staff realize the benefits anticipated with AMI. Utility staffs implementing business process redesign often realize their original AMI benefit estimates were either too conservative or they can achieve additional benefits not originally anticipated during the AMI business case.

These change management issues are not of immediate concern to Leesburg, but I suggest we keep them in mind as we progress through the AMI business case and selection project towards AMI deployment.

Please feel free to contact me if you have any questions or need additional information.

Sincerely,

R. W. BECK, INC.



Shannon D. Messer
Senior Consultant



Ted Szymankiewicz
Client Manager

encl: Scope of Services



AMI Selection Scope of Services

Project Understanding

The City of Leesburg, Florida (Leesburg) is considering deployment of advanced metering infrastructure (AMI) for its service area where electric, gas, and water retail services are provided. AMI is expected to improve the electric, water, and gas meter data collection processes and provide a variety of other improvements to utility business services and operations. Leesburg is also considering implementing a demand-side management (DSM) program to reduce peak hour wholesale electric power purchases from Florida Municipal Power Agency.

R. W. Beck, Inc. and Plexus Research, a Division of R. W. Beck, Inc. (R.W. Beck), is currently developing a high-level AMI business case project to investigate the economic feasibility of AMI at Leesburg. Anticipating that the AMI business case will demonstrate the high-level economic feasibility of deploying AMI, Leesburg requests this Scope of Services to identify R. W. Beck's approach and project plan to assist Leesburg staff with AMI selection.

A description of the AMI selection approach, project tasks, project deliverables, project costs, and schedule are provided within the following sections of this Scope of Services.

AMI Selection Objectives and Approach

The purpose of the AMI selection project is to assist Leesburg develop a procurement strategy and plan, develop RFPs, and evaluate proposals enabling Leesburg staff to identify two AMI vendor finalists.

A successful AMI selection project that is accepted by stakeholders and functional areas within the Leesburg Electric, Gas, and Water Departments requires a significant level of involvement by the AMI project team, which is composed of key management, subject matter experts (SMEs), and other staff. Also, the AMI project manager, AMI project team members, and other key utility staff are expected to be accessible to R. W. Beck as needed. Overall guidance to the AMI selection project will be provided by an AMI Steering Committee composed of key Leesburg senior management. Representatives of the AMI Steering Committee are also expected to be accessible to R. W. Beck as needed.

The AMI selection project has a scope of work composed of five major tasks summarized below. A detailed description of each task is provided in subsequent sections of this Scope of Services.

- Task 1 - "Procurement Strategy and Planning" is the organizational, planning, and setup phase of the selection project to review the AMI business case results, procurement practices, RFP template language, proposal evaluation methods, and project responsibilities, schedules, and deliverables.
- Task 2 - "Request for Proposals" develops the AMI requests for proposal from Leesburg's functional requirements, procurement practices and policies, and R.W. Beck's best practices request for proposal and contract template language.
- Task 3 - "Proposal Evaluation" develops an evaluation and scoring assessment of all AMI proposals submitted by vendors and selects proposals from two AMI vendor finalists.

- Task 4 - "Update AMI Business Case" updates the AMI business case model developed in the AMI business case project with costs bid from the proposals of the two AMI vendor finalists and any revisions of benefit estimates submitted by the AMI project team.
- Task 5 - "Reporting & Presentation" documents the work and result, and presents them to Leesburg management.

Work performed by R. W. Beck to develop the AMI selection project as described within this Scope of Services does not constitute any endorsement or warranty, explicit or implicit, of any vendor's AMI services, products, or technology.

Task 1: Procurement Strategy and Planning

R. W. Beck will serve the lead role in the initial project planning, organization and setup of the AMI selection project with key Leesburg management and staff. Leesburg shall have already formed a management AMI Steering Committee responsible for providing overall guidance to the AMI selection project. Also, Leesburg shall have already assigned an AMI project manager and project team familiar with the AMI project, utility operations, utility procurement practices and policies, and utility management and staff. The Leesburg AMI project manager and project team are responsible for arranging the necessary meetings, providing necessary information, and committing the necessary time and resources to the project. Success and acceptance of the AMI selection project and deliverables will depend in large part on the commitment of the AMI Steering Committee, AMI project manager, and AMI project team.

R. W. Beck, the Leesburg AMI project manager, and a representative(s) of the AMI Steering Committee will conduct a workshop concurrent with a one day or less on-site visit to inform the AMI project team about the AMI selection project, goals, and objectives. The Leesburg AMI project manager and executive representative of the AMI Steering Committee will inform the AMI project team about the importance that management places on the AMI selection project and their commitment and role in making the project a success. R. W. Beck staff will present to the AMI project team an overview of the project, processes, methods, schedules, workshops, responsibilities, and overall expectations of their commitment of time and resources necessary for project success.

The focus of the Procurement Strategy and Planning task is to assimilate Leesburg's AMI business case results, AMI vision and strategy, functional requirements, contractor and staffing needs, elements of the RFP, and proposal evaluation methods into a comprehensive procurement strategy and approach. The Procurement Strategy and Planning Task will have the following order of events:

1. R. W. Beck, AMI project team, and AMI Steering Committee will review the AMI business case project report and conclusions including, but not necessarily limited to the following:
 - AMI vision or strategy and alignment with the city's goals, objectives, and business strategy
 - AMI business case results
 - AMI functional requirements
2. R. W. Beck, the AMI project team, and AMI Steering Committee will review Leesburg's major procurement practices, policies, and procedures to determine what revisions, if any, may be required of R. W. Beck's suite of RFP documents.
3. R. W. Beck, the AMI project team, and AMI Steering Committee will review and outline RFP evaluation methods and criteria before RFPs are submitted to AMI vendors. Identifying these

methods and criteria before AMI vendors receive an RFP is a recommended best practice. (Some utilities are required to identify these methods and criteria before any major procurement process is formally launched.)

4. R. W. Beck and the AMI project manager will meet to coordinate their respective project schedules, deliverables, or other circumstances that affect the AMI selection project. Changes in schedules, project scope, or deliverables resulting from this meeting must be approved by the AMI Steering Committee.

Deliverables

- On-site review of the AMI business case report and conclusions including a draft list of AMI requirements necessary to realize the anticipated AMI benefits
- On-site review of Leesburg's major procurement practices, policies, and procedures that may have to be observed, included, or accompany the AMI RFP document(s)
- On-site review of RFP evaluation methods and criteria that will be used to assess AMI vendor proposals
- On-site review of project management plan used to coordinate project schedules and deliverables

Task 2: Requests for Proposals

R. W. Beck will conduct workshops concurrent with up to two days of on-site visits to review with the AMI project team the request for proposal (RFP) process and related procurement considerations. A variety of AMI procurement best practices sample template language from past client projects will be provided by R. W. Beck to the AMI project team during the workshops for review, consideration, and possible inclusion by the AMI project team in Leesburg's AMI RFP.

Major elements of Leesburg's proposed AMI RFP documentation, related procurement materials, or templates to be discussed and reviewed during the on-site workshops includes, but are not necessarily limited to the following:

- Invitation to bid and instructions to bidders
- Description of Leesburg's service territory, physical distribution and communications infrastructure, licenses, facilities, and operations
- AMI functional specifications developed from the AMI business case project including any other specifications requested by the AMI project team during the on-site workshops
- Specifications for meters and related equipment
- Acceptance test requirements and specifications
- Standard terms and conditions applicable to the RFP and eventual contract with the selected bidder(s) including any special terms and conditions required by the AMI project team to comply with Leesburg's procurement practices and policies

R. W. Beck development of Leesburg's proposed AMI RFP and related procurement documentation specifically excludes the following:

- Third party vendors and contractors that may have responsibility in whole or part for providing materials or services regarding logistics, installation of all AMI meters, communications, distribution, or IT infrastructure, integration with IT business systems, coordination with utility staff and customers necessary, deployment, AMI system startup, or project management. All responsibilities

for these materials or services are assumed to be provided by the AMI vendors, their designated subcontractors, or by Leesburg.

- Design, specifications, and requirements for procurement, installation, and integration of meter data management systems or Wi-Fi communications
- Design, specifications, and requirements for procurement, installation, and integration of distribution automation, Smart Grid, demand side management or demand response technology or capabilities not available as an “out-of-the box” solution offered and supported AMI vendors receiving an RFP

During the on-site workshops, R. W. Beck and the AMI project team will review the proposed RFP evaluation methods and criteria before RFPs are submitted to AMI vendors or bidders. Identifying these methods and criteria before AMI vendors receive an RFP is a recommended best practice and may be required by individual utilities before any major procurement process is formally launched.

After the on-site workshops, R. W. Beck will incorporate all revisions or suggestions received from the AMI project team during the workshops and prepare a final draft of the AMI RFP and related procurement documents for final review by the AMI project team and the AMI Steering Committee. The AMI Steering Committee must approve the AMI RFP and related procurement documents before R. W. Beck submits bid invitations to no more than four AMI vendors or bidders representing single AMI solutions and technologies (i.e. not assembling custom solutions from multiple vendors) subject to the constraints described within the “Cost and Schedule” section of this Scope of Services. This Scope of Services to develop Leesburg’s AMI RFP may be amended as desired by the AMI project team subject to approval by the AMI Steering Committee.

Deliverables

- AMI RFP and related procurement documents

Task 3: Proposal Evaluation

R. W. Beck will administer the process to evaluate vendor proposals received in response to the AMI RFP developed in Task 2 of this Scope of Services. This evaluation process is a comprehensive assessment of the technical, operational, and cost attributes of AMI proposals submitted by vendors using R. W. Beck evaluation methods, criteria, and tools. R. W. Beck will initially prepare a scoring assessment for up to four AMI vendor proposals received in response to Leesburg’s AMI RFP. This initial scoring assessment will identify and segregate AMI proposals requiring in-depth evaluation from AMI proposals that are not compliant with Leesburg’s RFP. R. W. Beck and the Leesburg AMI project team will collaborate to progressively revise and refine the scoring assessment to select proposals from two AMI vendor finalists. Progressively revising and refining the AMI proposal scoring assessment may require R. W. Beck to follow-up with one or more of the proposing AMI vendors if needed to clarify proposal terms and conditions and mitigate any risks associated with the proposed AMI systems.

The two AMI vendor finalists will be invited to Leesburg to deliver an on-site presentation about their respective proposals to the AMI project team and the AMI Steering Committee. R. W. Beck will facilitate the presentations and follow-up on any questions or additional information requested of the AMI vendors on behalf of the AMI project team or AMI Steering Committee.

All services provided by R. W. Beck to assist the AMI project evaluate AMI vendor proposals as described in this task is subject to the constraints described within the “Cost and Schedule” section of this Scope of Services. This Scope of Services to evaluate Leesburg’s AMI proposals may be amended as desired by the AMI project team subject to approval by the AMI Steering Committee.

Deliverables

- Evaluation and scoring assessment of all AMI proposals submitted by vendors and select proposals from two AMI vendor finalists

Task 4: Update AMI Business Case

R. W. Beck will update the AMI cost-benefit model previously developed in the AMI business case project to include the economic feasibility of proposals submitted by the two AMI vendor finalists. The cost-benefit model will be updated with cost bids in the proposals of the two AMI vendor finalists and revisions to any benefit estimates submitted by the AMI project team. Economic feasibility is assessed using an annual cash flow analysis of the elements comprising the business case model. Results of the revised AMI economic feasibility assessment include the following:

- A variety of tabular views of benefit and cost categories, by year, for both 15-year and 20-year study periods
- Calculation of net present value (NPV) and internal rate of return (IRR) for both 15-year and 20-year study periods
- Graphical presentation of net annual cash flow, cumulative net cash flow, and cumulative present value for both 15-year and 20-year study periods
- Breakeven analysis of the annual cash flows for up to two candidate AMI solutions as described in Task 4 of this Scope of Services
- Scenario analysis of Leesburg's preferred candidate AMI solution to assess sensitivity to major business case variables. Leesburg's preferred candidate AMI solution will be selected from one of the proposals submitted by the two AMI vendor finalists
- Revised AMI business case with cost bids in the proposals of the two AMI vendor finalists and revisions to any benefit estimates submitted by the AMI project team

Deliverables

- Revised AMI business case with cost bids in the proposals of the two AMI vendor finalists and revisions to any benefit estimates submitted by the AMI project team

Task 5: Reporting and Presentation

R. W. Beck shall prepare a final brief memo report and presentation for Leesburg management to document and finalize the AMI selection project. This final memo report and presentation will summarize procurement strategy, development of the RFPs, evaluating AMI proposals, and updating the AMI business case model as described in Task 1-4. Also, as Task 1-3 are completed, R. W. Beck will submit interim project progress memos to the AMI project manager and AMI Steering Committee for review and comment.

Deliverables

- Interim project progress memos after Tasks 1-3 are completed
- Final memo report and presentation to Leesburg management after Task 4 is completed

Cost and Schedule

R. W. Beck proposes to develop and administer the AMI selection project described within this Scope of Services for a total not-to-exceed fee of Ninety Thousand Dollars (\$90,000) for labor, materials, and related expenses. In addition to this not-to-exceed fee, Leesburg will also reimburse all travel-related project expenses for R. W. Beck.

R. W. Beck is anticipated to begin work on tasks described within this Scope of Services no sooner than July 28, 2009, subject to any prior scheduling commitments or conflicts and the execution of a Professional Services Agreement if needed. Assuming the project begins as anticipated, delivery of the project (Task 5) (i.e. the final report and presentation) is anticipated no earlier than the week of October 7, 2009 subject to any prior scheduling commitments or conflicts, Leesburg staff availability, and response by the AMI vendors. A Gantt chart of the project including major tasks is provided in Figure 1. The actual schedule for individual tasks and the project rollup is subject to the completion of the AMI business case project, availability of the Leesburg AMI project team, AMI Steering Committee, and unforeseen circumstances outside this Scope of Services.

This Scope of Services shall remain valid for 90 days as of June 22, 2009.

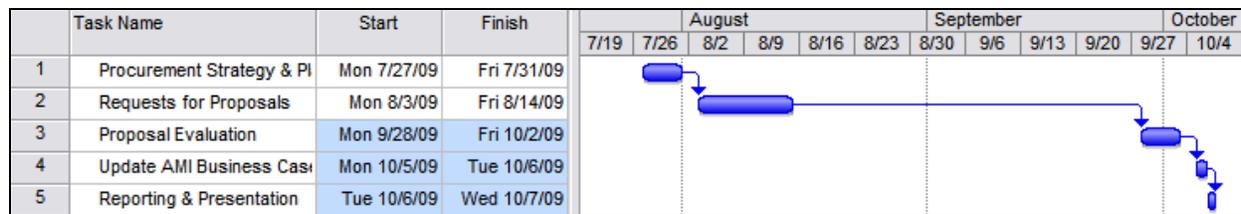


Figure 1: Gantt Chart of the Project