

Request for Proposals and Qualifications (RFPQ) Instructions

When most water, sewer and other utilities seek an outsider to do a rate analysis; most call it a “rate study,” they do it with a written request for proposals or request for qualifications. Sometimes the two are combined. We call that “RFPQ.”

The process of issuing a RFPQ, receiving responses and choosing a “winner” is a formal way of soliciting all kinds of professional services, especially engineering. The typical RFPQ works well for engineering, not so well for utility rate analysis. Still, your service acquisition procedure may require you to issue a RFPQ. If so, the following RFPQ template will help you do that better than the typical RFPQ. You will notice this one is quite different from others.

Simply talking with prospective rate analysts works better than issuing a RFPQ, so that method is covered, too. If you cannot use only the “talk to them” method alone, you can at least combine the two methods and still improve your results.

Dos and don'ts for both methods:

- Do require the prospect to give you a no-conditions guarantee, something like, “If you are not satisfied with our service, don't pay us.”
- Do require references (preferably a listing of ALL clients for the past one or two years, if not longer, and do not allow reference “cherry-picking”).
 - Do check references of at least the top prospect. Reference checking is probably the most effective way of determining if the prospect really is right for you. It also takes far less time than scouring a thick RFPQ response looking for a clue that a prospect is really not all they say they are.
- Do require a sample analysis report or two. We analysts use templates as our starting place for proposals, rate analysis models and reports. Once a prospect scopes your situation, they should be able to give you a sample report that is very much like what yours will be like.
- Don't pay for rate analysis on an hourly basis. Purchase results, not time. Good analysts can and will scope your project and propose fees on a lump-sum basis.
 - Exception: The case where you are suing or being sued over rates. Once lawyers get involved there is no telling what and how much work will be required. (FYI: If you're in this situation you waited too long to hire a rate analyst.)

- Competition is good, but limit it to rate analysts. The following analogy is not perfect, but you will get the point. When you need heart surgery, you don't do a "cattle call" to heart surgeons, dentists, lawyers and car mechanics. As good as the last three are at what they do, you don't want them doing YOUR heart surgery. Likewise, when you need rate analysis, just solicit rate analysts. You will get better results and fees will almost always be lower. This rate analyst, for one, avoids cattle calls. I think others do, too. So, cattle calls drive away the very consultants you need.
- If your service acquisition policy does not require you to separate the technical issues proposal from the pricing proposal, don't do it. Keep it simple, in one response package.
- Give analysts a short deadline to respond. One week, two at the most is plenty of time, if you do all correspondence by e-mail, and you should.
- Pay attention to fees but do not fixate on them. Analysts' fees vary a lot but almost all are small compared to the increase in rate revenues they will likely net for you. Prompt delivery of new rates, generally an overall revenue increase, is the important money consideration. More time getting the increase = money lost. That loss will be more than almost any rate analyst's fees.

"Talk with them" method:

- To create a rate analysis, my firm needs (and most analysts need) the data and information described in this Data Needs Sheet <https://gettinggreatrates.com/freebies/DataNeedsSheet.pdf>. But to just scope a project, we only need some of this information and little of that needs to be in detail. You probably have that information in your head.
 - We analysts need to talk with you to scope what services you really need, figure out what it will cost you and figure out what it will be like to work with you.
 - You need to talk with us for the same reasons, just from the other side of the fence.
- Find prospective rate analysts, probably by talking with your Rural Water Association and League of Cities.
- Call prospects.
 - First, ask the prospect, "How much of your revenue comes from doing rate analysis?" Don't waste your time or their time having a scoping conversation with a prospect who is not a rate analyst. What are good answers to the "How much..." question? If they make at least 50 percent of their income from rate analysis, they are one. If it's 75 percent, better. One-hundred percent, bingo! If someone makes 10 percent of their revenue from rate analysis, they are a beginner or they are dabbling. Let someone else hire those. You hire a rate analyst.

- Second, tell the rate analyst who makes it through the first test that you want to end up with “adequate rates that are fairly structured,” plus whatever specifics are on your plate (fund \$5 million in capital improvements in three years, do better repair and replacement, whatever.) Don’t try to expound upon, “Cost of service study this and that...a study based upon industry standards... and so on and so forth.” You just need to tell them the goal and let the prospect tell you how they will get you there. You only need to demonstrate that you are good at acquiring rate analysis services, not that you are a rate analyst. Remember the guarantee that lets you fire them and not pay them if you are not satisfied, period. That tells them you are serious about hiring a rate analyst.
- Third, be quiet. Let the prospect ask questions to scope the project. This will take up most of the call and this is when you find out if you like and respect this consultant and if they have rate analysis prowess. This is where the “cost of service” talk comes into play and the prospect will be the one expounding, or proving that they can’t.
- Get the prospect’s proposal for services and fees, preferably by e-mail.
- See if their proposal makes sense and whether they have padded it with extraneous stuff. When your chosen rate analyst does your rate analysis, you want them to stay focused on the task at hand. If a prospect can’t stay focused in the proposal, it is not a good sign.
- Check references to verify that they have performed for others as they claim they can for you. References are past clients. They know the analyst far better than you can get to know them at this stage. Tap their knowledge.
- If the prospect fits, hire them. Follow your regular consultant “contracting” process to do that. But, if your process allows for it, and almost all do, use the analysts’ proposal along with your acceptance as your “contract” – saves time. Time = money.

Written RFPQ method:

- Use as much of the “talk with them” method as you can, to get the cheapest and best results; and add the written RFPQ to satisfy your acquisition policy.
- Talk first. Decide if the prospect is a rate analyst. Then, follow up with a written RFPQ.
- In the template that follows, retain the terms that fit and change out anything that doesn’t. Keep it short. The more you specify, the longer it will take the analyst to customize their standard proposal to your specifications. That takes time. Time = money. Plus, over-specifying tells the prospect that you are going to micro-manage their work so they will boost the fees they propose to get compensated for that extra work. Don’t do that.
- Visit <https://gettinggreatrates.com/freebies/RFPTemplate.docx> to download the template in Microsoft Word format.

Closing

Using my firm as an example, our typical non-RFPQ'ed proposal runs five pages. (RFPQ'ed proposals run about as long as the RFPQ itself.) Our reference list (last five year's clients) runs 11 pages. Most sample rate analysis report packages for one utility run about 50 pages for a simple situation, 90 for a complex situation with one scenario model. Add 45 pages for each additional model.

You can review similar responses from two or three prospective service providers pretty quickly. Add an hour checking references and the "winner" will probably be clear to see. Plus, if you have already talked with the prospect, you know if they are right for you or not.

Choosing a rate analyst is really not that hard and it doesn't have to be expensive, so don't make it so.

Call if you have questions about any of this. We have done it a couple hundred times. You may have never done this before. We want rate setting to turn out well for you whether we do your analysis or not.

But, be sure to call us to solicit our proposal, too. If you are not doing a cattle call, we will likely propose and you will likely have us do your rate analysis. Then we are confident rate setting WILL turn out well for you.

Best regards,
GettingGreatRates.com



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