

CITY OF SCOTTVILLE
MEMORANDUM

Date: December 16, 2024

To: Mayor Dixie Spore and Members of the Scottville City Commission

From: Clarence E. Goodlein, City Manager

Subject: Request For Approval Of A Rate Study And Financial Projections For City's Water And Wastewater Systems And Awarding Of The Work To The Low Bid, Utility Financial Solutions of Holland, Michigan and Traverse City, Michigan, For A Fee of \$37,000.

Background: As you will recall, the City Commission approved and authorized the release of a request-for-proposals (RFP)¹ for a rate study and financial projections of the City's water and wastewater systems at their October 28, 2024 regularly scheduled City Commission meeting. Subsequently, City Administration issued a public notice that it was seeking sealed proposals² for this work and posted this notice in the Ludington Daily News and at City Hall. In this regard, sealed proposals were accepted until December 06, 2024 at 5:00 PM and the bid opening occurred at 10:00 AM on December 09, 2024.

At the close of the time for the acceptance of sealed proposals, the City received two (2) bid-proposals³ from qualified firms; these bids are shown in the following Table I.

Table I

<u>Firm</u>	<u>Location</u>	<u>Bid</u>
Endeavor Utility Solutions	Evansville, Indiana	\$37,426
Utility Financial Solutions	Holland & Traverse City, MI	\$37,000

Analysis of Proposals: A comparison of the firms who have bid for this work are shown in Table II.

Table II

<u>Comparison Metrics</u>	<u>Endeavor Utility Solutions</u>	<u>Utility Financial Solutions</u>
Experience	10 Years	28 Years
References	None Listed	Listed – Four (4) MI Cities
Time To Completion	Approximately 6 Months	Approximately 3 Months
Staffing	Not Listed – 1 Mentioned	9 Member Staff Listed
Clients	Not Listed	43 States and Internationally

¹ See Document A that accompanies this memorandum.

² See Document B that accompanies this memorandum.

³ See Documents C & D that accompany this memorandum.

Recommendation: In view of the information that is provided in Tables I & II of this memorandum, it is recommended that the City Commission award the work for the completion of a rate study and financial projections for the City's water and wastewater systems to Utility Financial Solutions of Holland and Traverse City, Michigan for a fee of \$37,000 with payment to be made from both the City's Water Supply System Fund (Fund # 591) and the City's Sewage Disposal Fund (Fund # 590). In this regard, it is important to note that no funds will be expended from the City's General Fund (Fund # 101) that is used for the City's operating expenses.



Request For Proposals

Financial Projections For City's Water & Wastewater Systems And Rate Study

The City of Scottville, Michigan is requesting proposals from qualified financial consultants who specialize in the analysis of water and waste-water revenue and expenses as well as the effects of debt, bonds, and the current unappropriated fund balances/cash reserves of these funds upon the present and future operation of these systems. It is the City of Scottville's intent to obtain a comprehensive financial assessment of its water and wastewater systems and recommendations concerning ready-to-use rates, revenue requirements that will address current and future maintenance of these systems as well as necessary capital improvements; bond and debt requirements; and funding schedules that will provide adequate unappropriated fund balances/cash reserves.

It is expected that recommendations will be provided in a comprehensive report that would be divided between discussions of the financial needs and requirements of each system and that would provide an integrated solution for the financial vitality of each system. The report should be detailed and provide the reader with data references and/or comparisons that would support its conclusions and recommendations. It is understood that this report will be based upon an extensive review of the City's water and wastewater funds and budgets, read-to-use rate classifications, current and projected usage, and any other information deemed to be relevant to an extensive assessment of each system. This report should furnish sound financial recommendations that would provide a pathway to each system's financial viability. As much as is possible, conclusions and recommendations should consider the effects of economic factors such as inflation and the possibility of recession and provide a financial strategy that can be confidently employed for three-five years.

Proposals should include:

- A brief overview of the firm and its experience as well as the resumes of staff who would participate in the work that is proposed.
- An Executive Summary.

- A detailed description of the work that will be completed and the plan of work.
- A proposed work schedule.
- The fee for these services should be stated clearly as should caveats describing circumstances, if any, that could result in fees increasing or decreasing due to unusual occurrences.
- A listing of at least five (5) references for which similar work has been performed.
- Any other information that you believe would be helpful during the evaluation of your firm's qualifications and experience.

The selected vendor should expect that they will need to provide staff who will present the findings of their analysis at a regularly scheduled meeting of the City Commission that occurs on the second and fourth Monday of each month and begins at 6:00 P.M. The presenter should be prepared to provide the findings of the report during a slide presentation that clearly demonstrates the methodology that was employed to reach the report's conclusions and recommendations. This presentation should be designed to be easily understandable by City Commission members and the public.

Only those consultants or firms who are staffed with personnel who have documented experience in the financial analysis of water and wastewater utilities and who are recognized as experts in the field of utility finances will be considered qualified to submit a proposal for consideration by the Scottville City Commission. Consultants who provide the aforementioned services as only a complement to other primary services that they provide should not submit a proposal as they will be deemed not qualified.

The City of Scottville will receive sealed proposals for financial projections of the City's water and wastewater systems as well as recommended ready-to-use fees at its offices that are located at 105 S. Main Street in Scottville, Michigan 49454. These proposals will be accepted until no later than 5:00 PM on December 06, 2024. On December 09, 2024 at 10:00 AM, the City Clerk, Ms. Kelse Lester, will conduct the bid opening and catalogue the bids.

Questions concerning this *Request for Proposals* should be directed to the City Manager, Clarence Goodlein, by calling 231.757.4729 or by sending email to citymanager@cityofscottville.org.

The City of Scottville reserves the right to reject any or all proposals and to waive any defects in the proposals in the best interest of the City and to accept the proposal, in the opinion of the City Commissioners, that best serves the interests and needs of the City.

The City of Scottville does not discriminate based upon race, color, age, religion, sex, sexual orientation, disability, and natural origin; nor does it discriminate based upon handicap status and activities, as to employment or the provision of services. The City of Scottville is an equal opportunity employer.

Please mark your envelope: **WATER & WASTEWATER RATE STUDY** with your Company's name in the return address of the envelope.

PUBLIC NOTICE
City of Scottville, Michigan
Request For Proposals

Financial Projections For City's Water & Wastewater Systems And Rate Study

The City of Scottville will receive sealed proposals for financial projections of the City's water and wastewater systems as well as recommended ready-to-use fees at its offices that are located at 105 S. Main Street in Scottville, Michigan 49454. A complete description of the proposal and vendor requirements is available at the following web address:

These proposals will be accepted until no later than 5:00 PM on December 06, 2024. On December 09, 2024 at 10:00 AM, the City Clerk, Ms. Kelse Lester, will conduct the bid opening and catalogue the bids.

Questions concerning this *Request for Proposals* should be directed to the City Manager, Clarence Goodlein, by calling 231.757.4729 or by sending email to citymanager@cityofscottville.org .

The City of Scottville is an EQUAL OPPORTUNITY EMPLOYER.



City of Scottville, MI

Water and Wastewater Rate Study

Technical & Cost Proposal

November 26, 2024



1113 North Barker Avenue
Evansville, Indiana 47720
(812) 419-3455
cmartinez@eutilitysolutions.com

November 26, 2024

Ms. Kelse Lester
City Clerk
City of Scottville
105 S. Main Street
Scottville, MI 49454

RE: Proposal for Financial Projections and Rate Study for City of Scottville's Water and Wastewater Systems

Dear Ms. Lester,

Endeavor Utility Solutions LLC is pleased to submit this proposal to provide financial projections and a comprehensive rate study for the City of Scottville's water and wastewater systems. With over a decade of expertise in utility regulation, economics, and financial analysis, Endeavor is uniquely positioned to deliver actionable insights and strategies to support the City's financial and operational goals.

Our approach is designed to ensure the long-term financial sustainability of Scottville's water and wastewater systems while addressing critical challenges such as revenue sufficiency, capital improvement funding, and the impact of economic uncertainties. Leveraging industry-standard methodologies, including those outlined in the AWWA M1 Manual, our analysis will deliver equitable and ready-to-use rate recommendations tailored to Scottville's needs.

While Endeavor is a newly established firm, I bring 10+ years of professional experience working with utilities and regulatory agencies, including contributions to cost-of-service studies, rate designs, and policy development. My commitment to excellence and my ability to translate complex data into clear, actionable recommendations are cornerstones of my practice.

We are confident in our ability to meet the City's expectations, delivering a detailed report and presentation that empowers the City Commission to make informed decisions for the future of Scottville's water and wastewater systems.

Thank you for considering our proposal. We welcome the opportunity to partner with the City of Scottville and look forward to the possibility of presenting our approach in greater detail. Please do not hesitate to contact me at 812-419-3445 or cmartinez@eutilitysolutions.com if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "Charles Martinez". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Charles Martinez
Owner, Endeavor Utility Solutions LLC

Executive Summary

Endeavor is honored to submit this proposal to conduct financial projections and a comprehensive rate study for the City of Scottville's water and wastewater systems. With over a decade of professional experience in utility regulation and financial analysis, our mission is to deliver data-driven recommendations that support Scottville's goals for financial sustainability, operational efficiency, and equitable rate design.

Our approach combines industry-standard methodologies, including guidance from the American Water Works Association (AWWA) M1 Manual, with tailored financial strategies to meet the unique needs of Scottville's water and wastewater systems. By conducting an in-depth review of the City's budgets, revenue and expense data, fund balances, and current rate classifications, we will identify opportunities to enhance revenue sufficiency, address capital improvement funding needs, and establish a path toward long-term financial vitality.

The deliverables will include:

- **Comprehensive Financial Assessment:** A detailed analysis of revenue requirements, capital improvement funding needs, and debt obligations, considering current and projected economic conditions such as inflation and potential recession.
- **Rate Recommendations:** Ready-to-use rate structures designed to ensure equity, adequacy, and alignment with the City's operational and financial goals.
- **Presentation and Engagement:** A user-friendly, data-supported report and slide presentation tailored to the City Commission and public stakeholders, clearly outlining our methodology, findings, and actionable recommendations.

While Endeavor is a new firm, I, Charles Martinez, bring over 10 years of experience working with utilities and regulatory bodies, including cost-of-service studies, rate designs, and financial evaluations for public and private entities. My work has consistently supported decision-makers in achieving sustainable and effective solutions to utility challenges.

I am confident in my ability to provide a robust, actionable financial strategy for the City of Scottville. I am committed to transparent communication, rigorous analysis, and delivering a final product that positions Scottville's water and wastewater systems for a resilient future.

Project Understanding and Approach

The City of Scottville is seeking a comprehensive financial assessment of its water and wastewater systems, with a focus on achieving financial sustainability, funding necessary capital improvements, and maintaining adequate unappropriated fund balances/cash reserves. This initiative requires a detailed analysis of revenue requirements, rate classifications, and financial projections, taking into account inflationary pressures and potential economic uncertainties.

Our understanding of the project emphasizes the need to:

- Assess the current financial status of Scottville's water and wastewater systems.
- Develop equitable and ready-to-use rate structures to ensure sufficient revenue.
- Recommend financial strategies to support capital improvements, address bond and debt obligations, and maintain adequate reserves.
- Provide clear, actionable findings that are understandable to City Commission members and the public.

Proposed Approach

Endeavor will employ a structured, phased approach to deliver a comprehensive financial projection and rate study for Scottville's water and wastewater systems.

1. Data Collection and Review

- Collaborate with City staff to gather key financial and operational data, including:
 - Current budgets and expenditures.
 - Fund balances and cash reserves.
 - Debt obligations and bond schedules.
 - Water and wastewater usage and rate classifications.
- Assess historical trends to understand baseline conditions.

2. Financial Analysis

- Develop financial projections for the next 3-5 years, incorporating:
 - Revenue needs for ongoing operations and maintenance.
 - Funding requirements for capital improvements.
 - Inflationary pressures and economic uncertainties.
- Evaluate the adequacy of current rate structures and identify gaps in revenue.

3. Rate Design and Recommendations

- Design equitable rate structures aligned with Scottville's operational and financial goals.
- Ensure recommendations address both short-term needs and long-term financial sustainability.
- Include detailed rate schedules and potential scenarios based on usage patterns and customer classifications.

4. Scenario Development and Sensitivity Analysis

- Develop scenarios to assess the impact of varying economic conditions, including inflation and recession.
- Evaluate the effects of potential rate adjustments on system revenue and customer affordability.

5. Report Preparation

- Prepare a detailed report divided into sections for the water and wastewater systems, providing:
 - Financial needs and revenue requirements.
 - Recommended rate structures and implementation strategies.
 - Data references and supporting documentation for conclusions.
- Integrate findings into a cohesive financial strategy that addresses Scottville's goals.

6. Presentation to the City Commission

- Develop a slide presentation that clearly communicates methodology, findings, and recommendations.
- Present at a scheduled City Commission meeting, ensuring that the report is accessible and understandable to both the Commission and the public.

Project Deliverables

- Comprehensive financial projection report with actionable recommendations.
- Ready-to-use rate schedules and revenue projections.
- Slide presentation summarizing findings and methodology.

This structured approach ensures that Scottville receives a thorough analysis and practical recommendations, positioning its water and wastewater systems for a financially sustainable future.

Work Plan and Schedule

The proposed study will follow a structured and detailed work plan divided into phases to ensure a comprehensive financial assessment and rate study for the City of Scottville's water and wastewater systems.

Phase 1: Project Initiation and Data Collection (Month 1)

- Kickoff Meeting: Conduct an in-person or virtual meeting with City staff to confirm objectives, review the project scope, and finalize data requests.
- Data Collection: Gather and review critical documents and data, including:
 - Financial statements, budgets, and fund balances.
 - Water and wastewater usage data by rate classification.
 - Debt obligations, bond schedules, and capital improvement plans.
- Stakeholder Engagement: Identify key stakeholders and establish a communication plan.

Phase 2: Financial and Operational Assessment (Month 2)

- Revenue and Expense Analysis: Review historical revenue and expenses to identify trends and gaps.
- Debt and Reserve Evaluation: Assess debt obligations, bond requirements, and cash reserves for financial adequacy.
- Preliminary Findings: Prepare a summary of preliminary observations and confirm assumptions with City staff.

Phase 3: Financial Projections (Month 3-4)

- Projection Development: Create financial models to project revenue needs for 3-5 years, incorporating inflation, economic uncertainties, and operational needs.
- Scenario Analysis: Evaluate multiple scenarios to test the impacts of varying economic and operational conditions.
- Capital Funding Strategies: Identify strategies to address funding for planned capital improvements.

Phase 4: Rate Design and Recommendations (Month 4-5)

- Rate Structure Evaluation: Analyze current rate structures for equity, sufficiency, and alignment with financial needs.
- Rate Design: Develop ready-to-use rate structures tailored to usage patterns and revenue requirements.
- Draft Recommendations: Prepare a draft set of recommendations for review by City staff.

Phase 5: Report Preparation and Review (Month 5-6)

- Draft Report: Develop a detailed draft report, including:
 - Financial assessment and projections.
 - Recommended rate schedules and scenarios.
 - Supporting data and methodology.
- Staff Review: Share the draft report with City staff for review and incorporate feedback.

Phase 6: Final Report and Presentation (Month 6)

- Final Report: Deliver a comprehensive final report with actionable recommendations for each system.
- Presentation: Present findings and recommendations at a regularly scheduled City Commission meeting.

This six-month schedule ensures thorough analysis, robust stakeholder engagement, and actionable recommendations tailored to the City of Scottville's needs.

Project Cost

Endeavor is pleased to offer a comprehensive financial assessment and rate study for the City of Scottville's water and wastewater systems at a competitive and transparent cost. The total **not-to-exceed cost** for this project is **\$37,426**, which includes all professional services, travel, and administrative expenses as outlined below.

Breakdown of Costs

1. **Professional Services:**
 - o Hourly Rate: \$110 per hour
 - o Estimated Hours: 296 hours (Task list shown below)
 - o Total Cost: \$32,560
2. **Travel Expenses:**
 - o Includes two in-person meetings or presentations, covering transportation, lodging, and meals.
 - o Total Cost: \$3,066
3. **Report Printing and Binding:**
 - o Preparation of high-quality, bound copies of the final report for City use.
 - o Total Cost: \$1,000
4. **Administrative and General Expenses:**
 - o Covers indirect project-related expenses, including communication, supplies, and other administrative needs.
 - o Total Cost: \$800

Not-to-Exceed Amount

The total cost for the project will not exceed **\$37,426**. This ensures the City of Scottville has full cost control and budget certainty.

Caveats for Fee Adjustments

Fee adjustments will only occur under the following circumstances:

- Significant changes to the scope of work or additional tasks requested by the City.
- Additional meetings, presentations, or data requests beyond the agreed-upon scope.

Any adjustments will be discussed and approved with City representatives in advance to ensure transparency and mutual agreement.

Endeavor is committed to delivering high-quality results within the agreed-upon budget and timeline.

Water and Wastewater Rate Study		
Project Phase/Task	Hrs	Cost
Phase 1: Project Initiation and Data Collection		
Kick-off meeting with City staff	8	\$880
Data collection and review	25	\$2,750
Phase 2: Financial and Operational Assessment		
Analyze historical trends	20	\$2,200
Assess debt obligations	20	\$2,200
Summarize initial findings	25	\$2,750
Phase 3: Financial Projections		
Develop financial models	25	\$2,750
Evaluate scenarios	20	\$2,200
Analyze capital improvement requirements	20	\$2,200
Phase 4: Rate Design and Recommendations		
Analyze current rates	20	\$2,200
Develop rate structures	20	\$2,200
Prepare recommendations	15	\$1,650
Phase 5: Report Preparation and Review		
Write draft report	30	\$3,300
Incorporate feedback	20	\$2,200
Phase 6: Final Report and Presentation		
Prepare final report	20	\$2,200
Present findings to city	8	\$880
Total:	296	\$32,560

Firm Overview and Qualifications

Endeavor is a consulting firm specializing in utility regulation, economics, and financial analysis. Based in Evansville, Indiana, Endeavor was founded to provide municipalities, utilities, and public entities with expert guidance in areas such as rate design, cost-of-service analysis, and financial planning.

Although Endeavor is a newly established firm, it is built on a solid foundation of over a decade of professional experience in utility regulation and analysis. The firm's approach is rooted in delivering actionable insights, rigorous analysis, and tailored recommendations to support sound decision-making for utilities and their stakeholders.

Qualifications

Charles Martinez, the founder and principal consultant of Endeavor, brings a wealth of expertise to this project. With over 10 years of experience in utility regulation and financial analysis, Mr. Martinez has worked with both private utilities and regulatory agencies, providing valuable insights and recommendations to address complex challenges.

Key highlights of Mr. Martinez' qualifications include:

- Educational Background:
 - Master's degree in Public Utility Regulation and Policy Analysis from New Mexico State University, with a focus on utility economics, rate design, and regulatory policy.
- Professional Experience:
 - Sharyland Utilities L.P.: Provided regulatory analysis and support for rate cases and policy initiatives.
 - New Mexico Public Regulation Commission (NMPRC): Reviewed financial and rate filings from public utilities.
 - Consulting Work for the Department of Defense and Department of Energy: Conducted economic and financial analysis for complex utility projects. Reviewed cost-of-service studies and rate designs.
- Technical Expertise:
 - Familiarity with industry-standard methodologies, including the American Water Works Association (AWWA) M1 Manual.
 - Experience in cost allocation, revenue requirement analysis, and policy development for utility operations.
- Skills in Presentation and Stakeholder Communication:
 - Adept at translating complex data and findings into clear, accessible recommendations for diverse audiences, including policymakers, utility staff, and the public.

Commitment to Excellence

Endeavor is committed to delivering high-quality, detail-oriented work that supports the City of Scottville's goals. With a focus on collaboration, transparency, and actionable results, the firm is uniquely positioned to provide a robust financial and rate study that aligns with the City's vision for its water and wastewater systems.

References

Endeavor is a newly established firm and, as such, does not have prior project-specific references. However, the firm's foundation is built upon the extensive professional background and educational expertise of its founder, Charles Martinez.

Mr. Martinez brings over 10 years of experience in utility regulation, financial analysis, and rate design, as outlined in the Qualifications section. His professional history includes significant contributions to cost-of-service studies, regulatory reviews, and financial planning for utilities, as well as advanced academic training in Public Utility Regulation and Policy Analysis.

This combination of professional expertise and academic preparation positions Endeavor to successfully meet the needs of the City of Scottville for this project.

Additional Information

Endeavor is dedicated to delivering a thorough and professional financial assessment and rate study for the City of Scottville. Below are additional details to demonstrate our commitment to meeting the City's needs:

Accessibility and Communication

- The firm is based in Evansville, Indiana, with convenient access to regional airports, enabling efficient travel for in-person meetings as required.
- Regular communication will be maintained through virtual meetings, email updates, and phone calls to ensure the City is informed at every stage of the project.

Commitment to Quality and Timeliness

- Endeavor prioritizes delivering high-quality, data-driven analysis and actionable recommendations.
- All project milestones and deliverables will be completed on or ahead of schedule, with an emphasis on clear and transparent communication throughout the process.

Presentation and Engagement

- Charles Martinez will personally prepare and deliver the final report and presentation to the City Commission. This ensures that all findings, methodologies, and recommendations are clearly communicated and accessible to all stakeholders.
- The presentation will be designed to address the needs of both technical and non-technical audiences, fostering a thorough understanding of the study's conclusions.

Endeavor is fully committed to exceeding the City of Scottville's expectations and providing value through comprehensive financial and rate analysis.

Conclusion

Endeavor is honored to have the opportunity to propose a comprehensive financial assessment and rate study for the City of Scottville's water and wastewater systems. With a foundation rooted in over a decade of experience in utility regulation and financial analysis, I am confident in my ability to deliver actionable recommendations that will position Scottville's systems for long-term financial sustainability.

As a new firm, Endeavor is uniquely driven to provide exceptional service and results that exceed expectations. By leveraging proven methodologies, such as those outlined in the AWWA M1 Manual, and applying a collaborative and transparent approach, I will ensure the City receives the insights and strategies necessary to make informed decisions for its future.

I welcome the opportunity to partner with the City of Scottville and am committed to providing a detailed report, tailored recommendations, and an engaging presentation that meets the needs of City leaders and stakeholders alike.

Thank you for considering Endeavor Utility Solutions LLC for this important project. I am available to discuss this proposal further at your convenience and look forward to the opportunity to contribute to the success of Scottville's water and wastewater systems.



City of Scottville
Water and Wastewater
Cost of Service Study
December 6, 2024



Corporate location:
Utility Financial Solutions, LLC
185 Sun Meadow Court
Holland, MI USA 49424
(616) 393-9722
Fax (888) 566-4430

Submitted Respectfully by:

Dawn Lund, Vice President
Utility Financial Solutions, LLC
dlund@ufsweb.com
(231) 218-9664

Utility Financial Solutions, LLC
dlund@ufsweb.com
C: 231-218-9664



December 6, 2024

Clarence Goodlein, City Manager
City of Scottville
105 S. Main Street
Scottville, MI 49454

Utility Financial Solutions, LLC (UFS) is pleased to submit a proposal to provide a water and wastewater cost of service, financial projection, and rate design for the City of Scottville. Our proposal is based on years of experience navigating complex financial challenges for municipal utilities around the United States.

We approach challenges strategically, partnering with your team to understand your goals before using innovative processes and in-depth research to determine the best solution to suit your needs. We stay on top of industry trends and anticipate challenges to help you solve existing problems and prepare your utility for long-term success. Our methodology and educational components have earned us a reputation as the preferred provider of rate studies in the United States.

Our project team members are experts in their respective fields and instruct for leading utility groups including the American Public Power Association, Southern Gas Association, and the National Association of Regulatory Utility Commissioners. Our specialized team of accountants, engineers, and economists have years of industry-specific experience to help ensure that you reach your goals. UFS was incorporated in 2001 and brings decades of experience to your utility.

For your project, UFS will complete the studies and provide an executive report detailing the process to help communicate with members of your governing body and community. The goal of these efforts is to:

- Establish and maintain long-term financial stability.
- Educate on principals of cost of service and financial planning.
- Earn positive engagement from members of government.

We appreciate the opportunity to submit this proposal and look forward to discussing it with you. If you have questions or need additional information, please contact me at (231) 218-9664.

Sincerely,

A handwritten signature in black ink, appearing to read "Dawn Lund", is written over a white background.

Dawn Lund
Vice-President, Utility Financial Solutions, LLC

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Understanding of Project Requirements

Summary of Services for Water and Wastewater Utilities

Described below is an overview of the services UFS will provide. Greater detail is included within the detailed scope of service section. The list below includes sections not directly identified within the proposal but are critical in meeting the needs of the community and the utility department.

1. **Development of Long-Term Financial Projections** – These studies are included as part of the UFS scope and are critical in development of a long-term rate strategy. Our study incorporates the strategic plan, funding of long-term capital plans, amount, and timing of any financing needs, and balances the financial stability of the departments. The long-term financial projection and development of key financial targets is discussed in the detailed work plan of our proposal.
2. **Cost of Service Study** – This study identifies the cost of providing services to each class of customer. Our studies identify the cost by customer class for general rate components including variable charges (commodity/volume) and customer charges based on meter size. The cost of service study will breakout each rate component.
3. **Customer Rate Designs** – The cost of service study provides input on sustainable long-term rate structures, however, rate impacts on customers and achieving goals and objectives of each community is a significant factor in proper design of utility rates. UFS' rate design study identifies impacts on customers at various levels of usage/volume. This function assists the governing body in making informed decisions and understanding the impacts on customers and the community.
4. **Presentation to Staff & Governing Body** – The presentation to staff and the governing body serves two purposes:
 - i. Obtain approval of rate adjustments, rate designs, and to obtain guidance during the rate design process.
 - ii. Equally important is the education provided to the governing body to understand the importance of maintaining financial stability, how rates are used to achieve community goals and objectives, and why certain components such as a customer charge are used by utilities. UFS staff are skilled at obtaining guidance needed to develop rates and providing education to allow the governing body to make informed decisions during this process.
5. **Reports (PDF)**
 - i. **Executive Summary Report** –
 - ~ Summarization of the financial projection results, key financial targets and recommended long term rate track needed to achieve financial stability for the utility.
 - ~ Summarization of the cost of service results and cost-based rate structures for consideration in design of utility rates.
 - ~ Description of the major assumptions used in development of the financial projection and cost of service study.
 - ~ Considerations on future rate adjustments and movement toward cost of service
 - ~ The summary report is used to obtain input from the governing body prior to designing utility rates.
 - ii. **Rate Design Report** –
 - ~ Summary of anticipated revenue to be received from the rate design and impacts on customers at various usage levels.

Summary of Ability

A summary of the firm's ability to achieve the Utility's project goals.

Introduction

The Utility is requesting a Cost of Service Study and Financial Plan to assess and evaluate the existing rates to ensure the utility operations and maintenance, capital improvement program, depreciation, and debts are adequately funded, while rate impacts are minimized. UFS has the staff available to complete the project in the Utility's desired timeframe. UFS' ability to achieve the Utility's project goals is best demonstrated by our references (noted in a later section) and our organized and well thought out processes outlined below.

Project Set Up

After project award, if selected, UFS will conduct a kick-off meeting to review the information request and confirm the project schedule and deliverables. As data is gathered by the Utility, UFS will process and enter it into the study. Progress calls will be scheduled to address any questions and to review outstanding data requests. UFS will analyze revenues by completing a revenue "proof" to ensure that the monthly billing units provided calculate out to the reported sales revenue when multiplied by current rate schedules.

Revenue Requirements

We will analyze operating expenses and test year budgets. Expenses are itemized at the finest level of detail available from the Utility and forecasted for the test year. Expenses are then categorized such that appropriate allocations can be applied, and costs distributed to the contributing rate class. A similar approach is applied to the Utility's fixed asset net book value and depreciation costs and incorporates the capital improvement program for interim and test years. Together, the expenses, depreciation and a rate of return comprise the revenue requirements of the system. These revenue requirements will flow through to both the cost of service study and the financial projection study.

Staff Availability

UFS has adequate staff available to complete the tasks. UFS staff are highly experienced in cost of service and rate design projects as noted in our experience and references. Current workload allows UFS availability to meet the needs of the Utility.

Financial Projection Studies

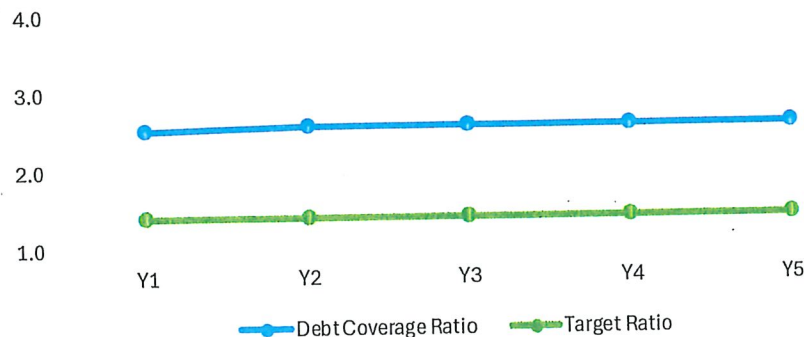
UFS' financial analysis and the subsequent cost of service studies are unique in their ability to easily change from cash basis revenue requirements to Utility Basis revenue requirements. The financial analysis includes both cash basis targets such as cash reserves and debt coverage; and accrual basis targets such as rate of return. UFS studies also include a review of secondary financial matrices such as debt to equity ratios, age of system, days cash on hand and working capital requirements as part of the overall assessment of the financial health of the utility. The financial projection will incorporate assumptions such as inflation, anticipated changes in expenses, debt issuances, and capital improvements. The financial projection incorporates targets to help ensure the long-term financial stability of the Utility is maintained or improved and develop a plan for rate adjustments.

Target One: Debt Coverage Ratio

Based on review of bond issues and debt service schedules, the principal and interest expense will be identified and incorporated into the analysis. We will provide a table as shown below to compare projected Debt Service Ratios with requirements in the Bond Ordinance.

Sample Report Table: Debt Coverage Ratio Graph and Calculation

Target 1: Debt Coverage Ratio



Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Net Income	\$ 996,826	\$ 997,462	\$ 945,213	\$ 826,113	\$ 758,497
Add Depreciation/Amortization Expense	2,565,601	2,609,101	2,732,859	2,921,523	3,057,531
Add Interest Expense	764,408	726,408	688,408	648,408	606,408
Cash Generated from Operations	\$ 4,326,835	\$ 4,332,971	\$ 4,366,480	\$ 4,396,044	\$ 4,422,436
Debt Principal and Interest	\$ 1,714,408	\$ 1,676,408	\$ 1,688,408	\$ 1,698,408	\$ 1,706,408
Projected Debt Coverage Ratio (Covenants)	2.52	2.58	2.59	2.59	2.59
Minimum Debt Coverage Ratio	1.40	1.40	1.40	1.40	1.40

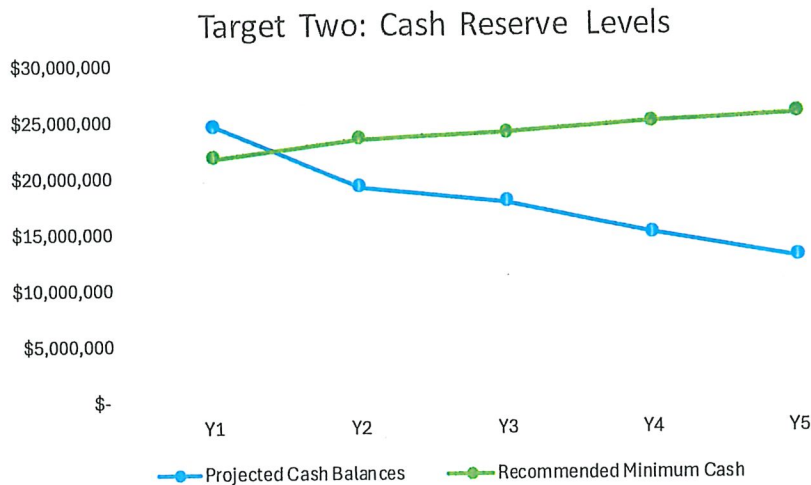
Target Two: Minimum Cash Reserve Calculation

To help ensure timely completion of capital improvements and enable the utility to meet requirements for large, unexpected expenditures and risk factors, the recommended minimum level of cash reserves will be identified. Development of the minimum cash reserves considers several factors.

A sample list is below:

- Working capital
- Variations in expenses
- Capital improvement programs
- Annual bond payments
- Exposure to catastrophic events such as extreme weather

Sample Report Table: Minimum Cash Reserves



Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Minimum Cash Reserve Allocation					
Operation & Maintenance Less Depreciation Expense	25%	25%	25%	25%	25%
Supply Expense	25%	25%	25%	25%	25%
Historical Rate Base	2%	2%	2%	2%	2%
Current Portion of Debt Service Payment	83%	83%	83%	83%	83%
Five Year Capital Improvements - Net of Bond Proceeds	20%	20%	20%	20%	20%
% Plant Depreciated	56%	54%	55%	55%	59%
Calculated Minimum Cash Level					
Operation & Maintenance Less Depreciation Expense	\$ 6,589,952	\$ 6,762,400	\$ 6,941,318	\$ 7,153,036	\$ 7,281,393
Supply Expense	8,381,482	9,722,132	9,982,984	10,548,544	11,075,971
Historical Rate Base	1,527,454	1,689,254	1,769,511	1,877,918	1,877,918
Current Portion of Debt Service Payment	1,391,419	1,401,379	1,409,679	1,416,319	1,462,799
Five Year Capital Improvements - Net of Bond Proceeds	3,939,646	3,939,646	3,939,646	3,939,646	3,939,646
Minimum Cash Reserve Levels	\$ 21,829,953	\$ 23,514,811	\$ 24,043,138	\$ 24,935,463	\$ 25,637,727
Projected Cash Reserves	\$ 24,692,803	\$ 19,224,903	\$ 17,829,253	\$ 15,047,239	\$ 12,790,153

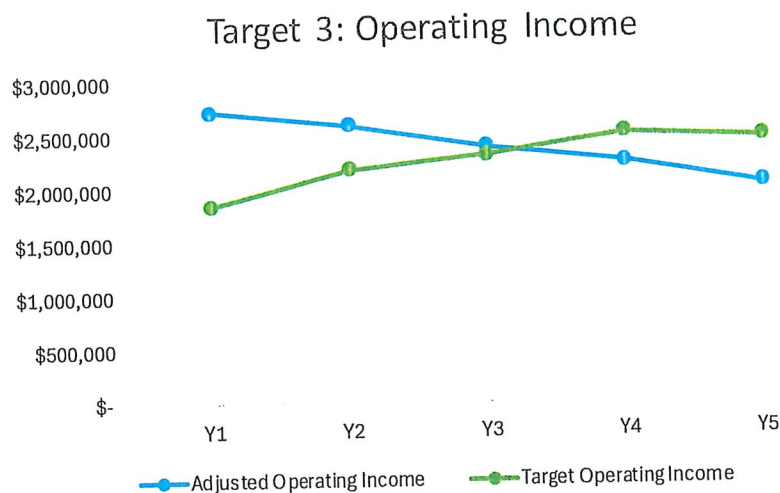
Target Three: Operating Income

The optimal target for setting rates is the establishment of a target operating income to consistently fund capital improvements and replacements.

Development of this target considers the following:

- Interest expense on the outstanding debt
- Inflationary increase on asset replacement costs
- Assets contributed by customers to the Utility

Sample Report Table: Target Operating Income



Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Target Operating Income Determinants					
Net Book Value/Working Capital	\$ 33,525,928	\$ 38,888,526	\$ 39,931,938	\$ 42,194,174	\$ 38,927,644
Outstanding Principal on Debt	\$ 18,160,200	\$ 17,210,200	\$ 16,210,200	\$ 15,160,200	\$ 14,060,200
System Equity	\$ 15,365,728	\$ 21,678,326	\$ 23,721,738	\$ 27,033,974	\$ 24,867,444
Target Operating Income Allocation					
Interest on Debt	4.21%	4.22%	4.25%	4.28%	4.31%
System Equity	7.06%	6.73%	6.87%	6.90%	7.48%
Target Operating Income					
System Equity	\$ 1,085,106	\$ 1,459,590	\$ 1,629,338	\$ 1,864,944	\$ 1,859,437
Target Operating Income	\$ 1,849,514	\$ 2,185,998	\$ 2,317,746	\$ 2,513,352	\$ 2,465,845
Projected Operating Income	\$ 2,728,770	\$ 2,599,641	\$ 2,394,956	\$ 2,247,337	\$ 2,037,669
Rate of Return in %	5.5%	5.6%	5.8%	6.0%	6.3%

Five-Year Projection Summary

The projections will be summarized, and development of alternative rate tracks will be reviewed and compared to each financial target to help ensure the future financial stability of the utility. We will work with Management and the Governing body in review and development of five-year strategies and rate track. All adjustments are tied to the cost of service study for the test year, so results can easily be updated, and sensitivities run within the same study.

Projected Summary Financial before Rate Adjustments

Fiscal Year	Projected Rate Adjustments	Adjusting Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash	Capital Improvements Plan	Debt Coverage Ratio
Year 1	0.0%	\$ 2,728,770	\$ 3,038,480	\$ 16,392,621	\$ 18,099,160	\$ 6,065,000	1.10
Year 2	0.0%	2,711,845	3,019,772	14,592,541	19,169,551	2,175,000	1.11
Year 3	0.0%	2,622,411	3,061,319	10,964,992	19,674,886	4,012,870	1.11
Year 4	0.0%	2,473,225	3,149,568	5,938,354	20,516,844	5,420,360	1.12
Year 5	0.0%	2,380,491	3,098,229	4,959,247	20,862,261	1,380,000	1.12

Projected Summary Financials with Rate Adjustment and \$5.0 Million Bond Issuance

Fiscal Year	Projected Rate Adjustments	Adjusting Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash	Capital Improvements Plan	Debt Coverage Ratio
Year 1	2.0%	\$ 3,350,054	\$ 3,038,480	\$ 17,013,904	\$ 18,099,160	\$ 6,065,000	1.26
Year 2	2.0%	3,972,613	3,019,772	22,477,689	19,169,551	2,175,000	1.44
Year 3	2.0%	4,216,200	3,061,319	21,453,355	19,674,886	4,012,870	1.53
Year 4	2.0%	4,407,444	3,149,568	21,578,377	20,516,844	5,420,360	1.62
Year 5	2.0%	4,662,614	3,098,229	21,908,593	20,862,261	1,380,000	1.71

Cost of Service Studies

The development of the cost of service study incorporates the revenue requirement identified as part of the financial projection. This section describes the additional procedures used in development of the cost of service study and sample outputs from previous studies.

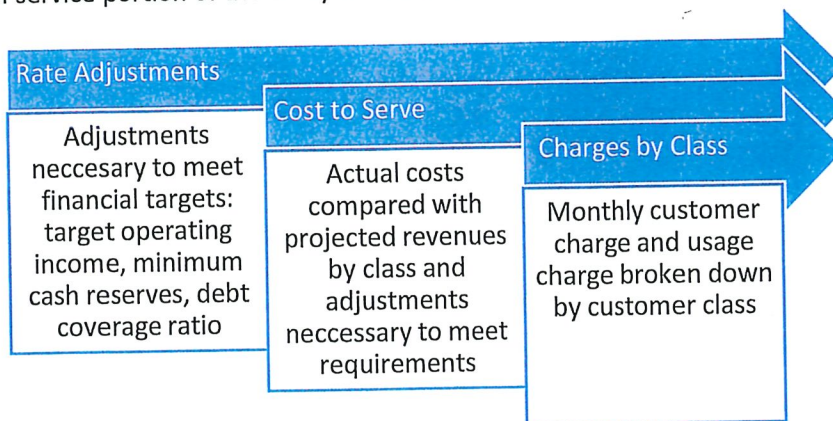
Development of Allocators

A critical part of the cost of service study is the development of allocation factors from customer’s usage patterns. These allocators are used to allocate the fixed capacity costs, semi-variable operating costs, variable costs, and customer related costs. An example for water is the identification of peak ratios (max month, max day, max hour). There are over 40 allocation factors often developed as part of a UFS cost of service study. Allocation factors are developed for each expense.

Prepare Cost of Service Analysis

Customer classes are typically established based on differences in load and usage patterns. How customers use the utility dictates the cost of providing many utility services.

The cost of service portion of the study will determine the following:



A summary of the cost of service analysis is developed similar to the following table:

Customer Class	Cost of Service	Projected Revenues	% Change
Residential	\$ 3,581,760	\$ 2,749,223	30.3%
Non Residential	5,327,113	4,249,812	25.3%
Meter Charges	3,642,412	3,632,903	0.3%
Fire Protection	250,429	374,501	-33.1%
Wholesale	4,628,057	4,640,963	-0.3%
Sprinkling Residential	358,037	103,156	247.1%
Sprinkling Non Residential	374,795	208,350	79.9%
	\$ 18,162,603	\$ 15,958,908	13.8%

The cost of service column from the table above identifies the cost to provide service to each class of customers and is compared with the projected revenues from each class. The percent change is the rate adjustment necessary for each class to achieve cost of service. We typically do not recommend rates move fully to cost of service, but as part of the discussions with staff and the governing body we develop a plan to move classes toward cost of service to minimize rate impacts on any specific customer class.

Water Cost of Service

Consistent with AWWA’s “Manual of Water Supply Practices” we will conduct an analysis to isolate cost by customer class. Peak usage ratios will be established using the following information:

- Review of pumping statistics
- Review of peak loadings on water production -
- Review of monthly usage for each customer class and meter size (billing statistics)

The peak day and peak hour usage factors will be estimated based on average monthly usage compared to peak monthly usage with adjustments made for the monthly billing cycles. The calculated peak is compared with the actual peaks from the production statistics and adjusted to balance.

We then apply the peak to average ratio by customer class to further determine the base, max day, and max hour factors.

Customer Class	Base		Maximum Day			Maximum Hour		
	Annual Use	Average Rate	Capacity Factor	Total Capacity	Extra Capacity	Capacity Factor	Total Capacity	Extra Capacity
5/8" Meter	794,576	1.6	1.47	2.4	0.8	1.47	2.4	0.77
3/4" Meter	43,620	0.1	1.67	0.1	0.1	1.67	0.1	0.06
1" Meter	434,796	0.9	2.02	1.8	0.9	2.02	1.8	0.91
1-1/2" Meter	190,019	0.4	2.03	0.8	0.4	2.03	0.8	0.40
2" Meter	606,089	1.2	1.67	2.1	0.8	1.67	2.1	0.84
3" Meter	135,166	0.3	1.77	0.5	0.2	1.77	0.5	0.21
4" Meter	188,509	0.4	1.23	0.5	0.1	1.23	0.5	0.09
6" Meter	439,040	0.9	1.59	1.4	0.5	1.59	1.4	0.54
Total System	2,831,815	5.80		9.60	3.80		9.60	3.82

Wastewater Cost of Service

Wastewater allocation factors will be developed based on cost causation and allocated to each billing parameter. The allocation factors developed include peaking factors, flow characteristics, and customer related costs.

Example COS Summary Table

Customer Type	Cost of Service Rates	Projected Revenues	Percentage Adjustment
5/8"	\$ 3,543,212	\$ 3,045,073	16%
3/4"	\$ 100,929	\$ 93,713	8.0
1"	\$ 813,759	\$ 770,611	6.0
1-1/2"	\$ 432,333	\$ 371,866	16.0
2"	\$ 1,457,418	\$ 1,265,868	15.0
3"	\$ 270,158	\$ 245,673	10.0
4"	\$ 412,630	\$ 370,115	11.0
6"	\$ 303,145	\$ 300,426	1.0
Flat Rate	\$ 190,341	\$ 171,035	11.0
Total	\$ 7,523,925	\$ 6,634,380	13.4%

Example Monthly Customer Charge Cost of Service Results

	Current Monthly Charge	Current Unit Charge		Current Charge 3rd Block	COS Monthly Customer Charge	COS Unit Charge
		1st and 2nd Block	Block			
In-City						
5/8"	\$ 9.45	\$ 2.18	\$ 2.05	\$ 10.53	\$ 2.08	
1"	16.00	2.18	2.05	22.34	2.08	
2"	52.25	2.18	2.05	72.16	2.08	
3"	106.00	2.18	2.05	150.68	2.08	
4"	168.00	2.18	2.05	270.92	2.08	
6"	240.00	2.18	2.05	586.42	2.08	
Outside City						
5/8"	\$ 14.50	\$ 3.68	\$ 2.89	\$ 17.15	\$ 2.93	
1"	26.00	3.68	2.89	34.77	2.93	
2"	78.25	3.68	2.89	105.06	2.93	
4"	158.00	3.68	2.89	385.31	2.93	
6"	248.00	3.68	2.89	821.48	2.93	

Rate Design

A five-year rate track will be provided with the financial projection, along with a one-year rate design. Design of utility rates uses input from the cost of service study as guidance on changes to rate classes and the rate components for each rate class. Cost of service results are one factor in design of rates for customers. Other factors must be considered such as impact on customers, social and environmental issues, and philosophy of the utility's governing body.

The rate design identifies the impacts on customers at various usage levels and is listed by rate class, meter size and usage level.

UFS will develop and recommend a schedule of water and wastewater rates designed to generate adequate revenues and reflect or move toward the recommended rate adjustment. Rate designs for the existing rate structure are typically provided for one year. Additional years' rate design may be added at an additional cost. Please note that all rate designs outside of the current rate structure will be charged hourly.

Summary of Overall Rate Adjustments – Water and Wastewater

Charged per thousand gallons	Water Utility			Wastewater Utility		
	Current Charge	Proposed Charge Year 1	COS Rates	Current Charge	Proposed Charge Year 1	COS Rates
Commodity Charge - Inside City	\$ 4.57	\$ 4.66	\$ 5.01	\$ 7.87	\$ 8.00	\$ 7.88
Commodity Charge - Outside City	9.14	9.09	6.85	15.74	15.60	11.39
3/4" Meter Inside	12.00	13.00	13.95	14.00	14.50	11.39
1" Meter Inside	12.00	13.00	22.36	14.00	15.00	15.18
2" Meter Inside	48.00	53.00	61.10	56.00	56.50	40.83
4" Meter Inside	192.00	202.00	138.97	224.00	224.00	116.28
6" Meter Inside	432.00	432.00	213.53	504.00	504.00	187.33
3/4" Meter Outside	24.00	25.35	15.12	28.00	28.28	17.48
1" Meter Outside	24.00	25.35	24.20	28.00	29.25	26.30
2" Meter Outside	96.00	96.00	92.66	102.00	110.18	136.44
4" Meter Outside	384.00	384.00	230.61	425.70	436.80	297.85
6" Meter Outside	864.00	842.40	463.12	956.70	982.80	520.40
Total Revenue	\$ 1,772,678	\$ 1,861,311		\$ 2,418,218	\$ 2,514,946	
Proposed Rate Change		5.0%			4.0%	

Meetings, Reports and Deliverables

Meetings

The following meetings are anticipated (conducted virtually):

- Kickoff meeting – Clarify scope of services and expectations of management.
- Data Verification – Verify data collected.
- Financial Review – Review assumptions used in the long-term projections.
- Review draft reports with management.
- Presentation as requested by management such as review report with Governing body.

Format of Reports

UFS reports are typically separated into the reports listed below:

- **Power Point Summary** – A concise presentation of study results that is shared with management and staff. This summary will include graphs, charts, tables, and findings.
- **Executive Summary Report (PDF)** – An overview that identifies the objectives, process, and results of the rate study in a clear and concise format.
- **Rate Design** – The rate design includes the following:
 - ~ Comparison of the current and proposed rates.
 - ~ Expected revenues generated from proposed rates.
 - ~ Impact on customer classes at various usage levels or load factors within each rate class.

Presentation of Cost of Service and Rate Design Study

A critical aspect of the study is the clear and concise presentation to the Governing body of the utility. UFS professionals are skilled at explaining and working with advisory and governing bodies to ensure decisions are based on information they can understand and apply to their community.

UFS will attend one regularly scheduled meeting, virtually (on-site if requested*):

- Present the findings of the study to the City Commission with a slide presentation that will demonstrate the methodology used to reach the conclusions and recommendations

* On-site presentations and/or meetings will be considered as out of scope pricing and will be added as an additional cost.

Firm Qualifications

This section discusses UFS' experience and qualifications assisting municipalities with cost of service and financial analysis. UFS personnel are recognized as national experts and include highly qualified, motivated, experienced, and knowledgeable professionals. UFS' reputation has resulted in industry leading status shown by the number of clients we serve, our frequent requests to instruct classes and speak at conferences around the nation and our frequent requests to serve as expert witnesses on rate related issues.

UFS' experience includes completion of rate studies in 43 states, Guam, several Caribbean Islands and Canada. This provides UFS with the experience and knowledge to provide creative solutions.

UFS is the industry leader in electric, water, and sewer studies. Our national experience is summarized below:

In Demand → UFS has completed numerous rate studies for electric, water, sewer, gas, telecommunications, and solid waste.

Diverse → UFS is the preferred provider of rate services for municipalities, electric cooperatives, and members of Joint Action Agencies.

Innovative → UFS is leading the industry in development of Time of Use rates including variations of Variable Peak Pricing, Dynamic Pricing and Real Time Pricing.

Reliable → Our methodologies on establishing financial targets and cash reserve policies have become industry standards and have assisted utilities in improving bond ratings with Fitch, S&P and Moody's.

Supported → Our establishment of rates for customers located outside city limits have been accepted in State Courts and resulted in UFS becoming expert witnesses and arbitrators on rate disputes across the United States.

Experienced → UFS has provided electric, gas, water, wastewater, and telecommunications services to some of largest utilities in the country including Nashville TN, Knoxville TN, Sacramento Municipal Utility District, Rochester MN, Imperial Irrigation District CA, Austin TX, Huntsville AL, Columbia MO, and Lansing MI.

Knowledgeable → We are frequent speakers on special rate topics around the United States including APPA's National Conference, APPA's Educational Institutes, E&O Workshop, Legal Conferences, Business and Financial Workshop, numerous webinars topics and state conferences in over 15 states.

A sample of recent presentations are listed below:

- ~ Development of Key Financial Targets
- ~ Information provided by Cost of Service Studies
- ~ Cash Reserve Policies for Municipal Utilities
- ~ Development of Utility Extension Policies
- ~ Cost of Service Challenges and Solutions
- ~ Appropriate levels of Contributions to City (Payment in lieu of Tax)
- ~ The Rate Race
- ~ Development of Avoided Cost and Rate Designs for Distributed Generation

Teachers → UFS personnel are the instructors on cost of service and financial planning courses offered through the American Public Power Association (APPA), American Water Works Association (AWWA), and the National Association of Regulatory Utility Commissioners (NARUC), EUCL, and Southern Gas Association. UFS' industry leading status has resulted in courses on distributed generation to the US Department of Energy.

These courses include the following:

- ~ Basic Cost of Service
- ~ Intermediate Cost of Service
- ~ Advanced Cost of Service
- ~ Financial Planning
- ~ Utility Financial Check-up
- ~ Cost of Service and Rate Design for Distributed Generation
- ~ Development of Line Extension Policies
- ~ Rate Structures to promote Energy Conservation
- ~ Rate Structures to create Revenue Stability
- ~ Advanced issues in Rate Design
- ~ Advanced issues in Cost Allocations

UFS holds a commitment to the following:

- **Quality Control** – Proper quality control and management help ensure the accomplished work is in alignment with the project scope, is completed timely, within budget and the results are accurate and defensible.
- **Timeliness of Studies** – Part of the quality control includes the timely completion of the rate studies. UFS experience in completing studies provides us the ability to complete the studies as requested and discussed in the initial kick-off meeting.
- **Financial Strength** – UFS commenced business in 2001 and has the highest financial rating by Dunn and Bradstreet.
- **Independence** – UFS maintains its independence throughout its engagements to help ensure unbiased recommendations to the governing bodies. We do not provide services that could impair our independence such as engineering, accounting, or auditing services.
- **Diverse Staff Backgrounds** – Proper development of rate studies require knowledge in accounting, finance, economics, and engineering. UFS staff has diverse backgrounds that include degrees in accounting (CPA), engineering, finance, economics, information technology and degrees in Water Purification Technology.

Resumes

The next section consists of resumes of UFS team members that are likely to work on this project.

* Additional resumes are available upon request.

Name and title of primary contact person:

Dawn Lund, Vice-President, Utility Financial Solutions, LLC

Email – dlund@ufswb.com

Cell – (231) 218-9664

UFS team members, including titles, are listed below:

Mark Beauchamp – President

Dawn Lund – Vice-President

Dan Kasbohm – Manager *

Mike Johnson – Manager *

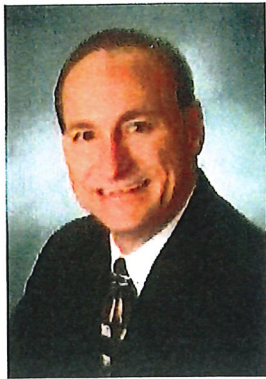
Chris Lund – Business and Technology Manager *

Jillian Jurczyk – Manager *

Joan Bakenhus – Senior Financial Analyst

Robert Blank – Financial Analyst *

Janel Albrecht – Financial Analyst *



Mark Beauchamp, CPA, CMA, MBA
 President, Utility Financial Solutions, LLC

Email: mbeauchamp@ufsweb.com
Cellular: 616-403-5450
Location: Holland, MI

Education

- AAS Water Purification Technology
- ABA Business Administration
- BBA Major – Accounting
- MBA Master’s Degree in Business

Expert Witness Service

- Detroit Edison vs. Ameritech – Provided expert witness services for Detroit Edison on development of Pole Attachment Rates for Ameritech
- Nebraska State Unicameral – Served as an expert witness before the State of Nebraska Unicameral on proper rate setting and credits to provide customer installed renewable generation
- Dayton Power & Light – Provided expert witness services on pole attachment rates. Case was resolved prior to Court appearance
- Coldwater Board of Public Works – Provide expert witness services on rate challenge by large industrial customer. Case was dropped after deposition was provided
- Smethport PA – Provided deposition and responses to Pennsylvania Public Service Commission on Rate Filing for Smethport

Industry Involvement

- Member of the American Public Power Association
- Member of the American Water Works Association
- Member of the Institute of Management Accountants
- Speaker at national conferences on Financial Planning for Municipal Utilities, Pricing for Water Utilities, Pricing Fiber Optic backbone systems, Unbundling Electric Rates, and Ways to Attract and Retain Customers
- Author of articles appearing in national magazines and newsletters regarding pricing fiber optics, training electric rates, and designing water rates

License and Qualifications

- Class “A” license in wastewater treatment from the State of Michigan
- (CPA) Certified Public Accountant – Wisconsin
- (CMA) Certified Management Accountant – Institute Certified Management Accountants

Course Instructor

- **American Public Power Association (APPA)**
 - Advanced Cost of Service Course (Cash Basis & Utility Basis of Ratemaking)
 - Intermediate Cost of Service (Cash Basis & Utility Basis of Ratemaking)
 - Basic Cost of Service (Cash Basis & Utility Basis of Ratemaking)
 - Financial Planning for Municipal Utilities
 - Financial Planning for Board & Councils
 - Financial Planning and Rate Setting for Managers (Part of Managers Certificate Program)
- **American Municipal Power (AMP)**
 - Financial Planning and Rate Designs for Electric Utilities
- **Michigan State University**
 - Advanced Issues in Cost Allocation (Utility Basis of Rate Making)
 - Retail Costing and Pricing of Electricity
 - Wholesale Costing and Pricing of Electricity
- **Southwest American Water Works Association**
- **Michigan Rural Water Association**
 - Cost of Service & Rate Making for Water Utilities
- **Michigan Finance Government Officers Association**
 - Cost of Service & Rate Making for Water & Wastewater Utilities

Dawn Lund

Vice-President, Utility Financial Solutions, LLC



Dawn has utility energy experience pricing and marketing utility services for electric, water and wastewater beginning in 1996. Dawn has worked with UFS since 2006 and previously worked with a large utility and held positions as Cost and Rate Specialist and Marketing and Communications Specialist. Dawn works with utilities across the country teaching financial concepts and is also the instructor for Financial Planning courses for the American Public Power Association. She is also a regularly requested speaker for various regional and national organizations.

Email: dlund@ufsweb.com
Cellular: 231-218-9664
Location: Traverse City, MI

Cost of Service (COS)

- Completed electric, water, and wastewater cost of service and rate design studies for utilities across the country, Guam, the Caribbean, and Canada
- Determining appropriate allocations of overhead costs between utility services

Long-term Financial Analysis

- Development of long-term sales and expense projections for electric, water, and wastewater utilities
- Development of long-term financial plan and rate track for electric, water, and wastewater

Presentation & Training

- Presentations to City Councils and Boards for approval of utility rates and proposed rate tracks
- Instructor for APPA’s Financial Planning and Basic Cost of Services courses
- Monthly presentations to various organizations on topics such as: cost of service, financial planning, key financial targets, cash policies, and how to explain rate increases to the end user, cost of services challenges/solutions, and introduction to allocation studies

Rate Design

- Development of equitable rates between inside-city and outside-city customers
- Development of wholesale contract rates
- Development of special rates; Economic and Time of Use
- Development of Connection Fees
- Development of rate designs to meet financial objectives of utility

Other Professional Involvement

- Member of AWWA Finance, Accounting, Management and Controls Committee
- Member of AWWA Rates and Charges Committee
- Member of MI-AWWA Education Committee
- Developing MI-AWWA Water Academy material for Cost of Service and Financial Planning
- Developed the Basic Cost of Service and Financial Planning courses for APPA
- Preferred consulting firm for Hometown Connections Financial Planning, Cost of Service, and Rate Design

Joan Bakenhus

Senior Financial Analyst, Utility Financial Solutions, LLC



Joan has experience working with municipal utilities from 1986-1996 and came back to industry in 2006. Joan has a degree in Business Administration. Joan has worked as a Rate Analyst for one of the largest public power systems in the nation (Lincoln Electric System) and for Utility Financial Solutions, LLC since 2006. Joan is experienced in development of long-term financial plans, rate design models and cost of service studies for electric, water, and wastewater utilities.

Email: jbakenhus@ufsweb.com

Cellular: 402-483-2542

Location: Nebraska

Cost of Service (COS)

- Working with Utilities to identify information requirements to complete cost of service and financial plans
- Set up and develop utility revenue requirements, cost of service program and utility revenue proof
- Balancing and set up of models for development of cost of service for water, wastewater, and electric utilities to determine commodity and customer charges
- Responsible for analysis, preparation and updating cost of service models for several electric, water utilities

Rate Design

- Balancing and set up of models for development rate design for water, wastewater, and electric utilities to determine commodity and customer charges
- Development of rate design models for electric, water utilities
- Development of rate surveys

Other Utility Tools

- Balancing of sales with revenue to help ensure proper billing statistics are used in cost of service models

Long-term Financial Analysis

- Development of long-term financial forecasts for water, wastewater, and electric utilities to determine the amount of timing of rate adjustments

References

Holland Board of Public Works – Holland, MI

Client Contact: Dave Koster
 Phone: 616-355-1562
 Email: dkoster@hollandbpw.com



Holland Board of Public Works

Utility	Electric	Water	Wastewater
Services Provided	2009 – Present	2009 – Present	2009 – Present
Scope of Work	<ul style="list-style-type: none"> • Long-term financial projections, review of financial targets, and long term rate track • Cost of service study and multi-year rate design • Updates between 2016 and 2022 		
	<ul style="list-style-type: none"> • Large customer rate for high load factor • Green Rate Alternatives • Time of use rate analysis • Value of solar analysis • Solar with storage analysis • Pole attachment study • Stranded cost study • Large customer rate alternatives • EV charging rates for public and residential 	<ul style="list-style-type: none"> • Review of wholesale water rates • Consolidation study with neighboring utility 	<ul style="list-style-type: none"> • Rate designs updated annually • Planned funding for a large anaerobic digester project • Review of debt defeasance for a large project and impact on financials • Additional capacity valuation • Financial capability assessment
Additional Information	In addition to the studies listed above, UFS has provided a financial projection and feasibility study for HBPW's fiber utility.		

Kalamazoo Water and Wastewater Regional Authority – Kalamazoo, MI

Client Contact: Rich Pierson, Director Regional Authority
 Phone: 269-998-4587
 Email: Rp5343@yahoo.com



Utility	Water	Wastewater
Services Provided	2008 – Present	2008 – Present
Scope of Work	<ul style="list-style-type: none"> • Long-term financial projections and cost of service studies • Wholesale contract review of water and wastewater cost of service studies • Negotiations on new water and wastewater contracts • Review of current water and wastewater cost of service methodology • Review of appropriate use of utility basis of ratemaking in contract • Presentations to Regional Authority 	

Zeeland Board of Public Works – Zeeland, MI

Client Contact: Andy Boatright, General Manager
 Phone: 616-722-6121
 Email: aboatright@zeelandbpw.com



Utility	Electric	Water	Wastewater
Services Provided	2010 – Present	2012 – Present	2012 – Present
Scope of Work	<ul style="list-style-type: none"> Long-term financial projections, review of financial targets, and long term rate track Cost of service study, and multi-year rate designs, updated annually Reports and presentations to governing body 		
	<ul style="list-style-type: none"> Large customer rate for high load factor Green Rate Alternatives Line Extension Policy 	<ul style="list-style-type: none"> High use analysis Review rates for contract customers 	
Additional Information	<p>Many components of the water and wastewater utility financials are combined, and professional judgment was needed to separate into two utilities. The financial objectives of all studies were to adequately fund utility operations, capital costs, bonded debt, and develop a strategy to ensure the current and future financial stability of the utility while minimizing rate impacts on customers. All studies included a presentation to the governing body.</p> <p>UFS is currently engaged to update the electric financial projection, perform a cost allocation study for shared administrative functions between the BPW, and review the repair and replacement fund contribution for each utility.</p>		

City of Bay City – Bay City, MI

Client Contact: Adam Webster, Director
 Phone: 989-894-8309
 Email: awebster@baycitymi.org



Utility	Electric	Water	Wastewater
Services Provided	2010 – Present	2010 – Present	2010 – Present
Scope of Work	<ul style="list-style-type: none"> Long-term financial projections, review of financial targets, and long term rate track Cost of service study and multi-year rate design Financial projection and cost of service updates between 2014 and present Reports and presentations to City Commission 		
	<ul style="list-style-type: none"> Time of use rate analysis Large industrial customer rate alternatives Pole attachment analysis LED lighting analysis Solar study Rate tariff review 		
Additional Information	Currently providing a community benefit study		

Lansing Board of Water and Light – Lansing, MI

Client Contact: Dick Peffley, General Manager

Phone: 517-702-6312

Email: dick.peffley@lbwl.com



Utility	Electric	Water	Chilled Water	Steam
Services Provided	2017 – Present	2022 – Present	2022 – Present	2022 – Present
Scope of Work	<ul style="list-style-type: none"> • Long-term financial projections, review of financial targets, and long term rate track • Cost of service study and multi-year rate design • Reports and presentations to governing body • Training services for electric, chilled water, water and steam utilities 			
	<ul style="list-style-type: none"> • Time of use rate analysis • Large industrial customer rate alternatives • Pole attachment analysis • LED lighting analysis • Solar study • Rate tariff review • Review energy cost adjustment 	<ul style="list-style-type: none"> • Wholesale review 		
Additional Information	Develop a cost of service methodology and rate design plan consistent with LBWL’s Strategic Plan and industry best practices. As a publicly owned utility, provide competitive and affordable rates integral to the economic well-being of the Lansing region. Currently providing a community benefit study.			

Project Schedule

Our experience with cost of service and rate design studies allows us to conduct a cost effective and efficient study. The following is the tentative project schedule for completion of the cost of service and rate design. This schedule will be finalized during the initial project kick-off meeting with management.

<i>Task</i>	<i>Expected Completion – Twelve Weeks</i>
Initial Meeting – Preparation of Information Request	Week One
Completion of Information Request by Client	Week Two
Planning/Set-up Study	Week Three – Five
Development of Revenue Requirements	Week Six – Seven
Cost of Service Analysis Component/Functional Costs	Week Eight - Nine
Review Rate Design and Alternatives	Week Ten
Report, Recommendations & Presentation of Draft	Week Eleven
Final Report	Week Twelve

The completion of the project on the proposed schedule is dependent on the cooperation of various departments within the Utility to prepare the information request in a timely manner.

Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from this proposal date of December 6, 2024. Payment will be made through submission of invoice which itemizes the work performed.

Water Cost of Service and One-Year Rate Design	\$18,500
Wastewater Cost of Service and One-Year Rate Design.....	\$18,500

**Total above does not include onsite meetings, out of pocket travel expenses, or travel time.*

Anticipated Meetings (Virtual, unless noted):

- Project kickoff
- Data collection summary
- Financial review summary
- Draft report with management
- Final report with management

Deliverables (for all utilities):

- Final Report (PDF), detailing:
 - Long-term Financial Projection and Rate Track
 - Minimum cash reserve determination
 - Debt service ratio
 - Target operating income (rate of return)
 - Cost of Service Analysis
 - One-Year Rate Design (additional years upon request at out of scope pricing)
 - Review/development of wholesale contracts or non-retail rates are not included

Hourly Rates (travel is discounted at 50%)

Mark Beauchamp	\$ 360.00
Dawn Lund	\$ 325.00
Dan Kasbohm	\$ 290.00
Mike Johnson	\$ 290.00
Chris Lund	\$ 290.00
Jillian Jurczyk	\$ 250.00
Joan Bakenhus	\$ 175.00
Support Staff	\$ 65.00 – \$ 165.00

Out of Scope Pricing:

Out of scope items and work hours will be billed at the hourly rates listed on this page.

Onsite meetings, if requested and agreed upon, will be billed as out of scope.

All rate designs outside of the current rate structure or additional years of rate design will be charged hourly.

We look forward to exceeding your expectations. Please sign, date, and return to clund@ufswest.com at your earliest convenience.

Sincerely,



Dawn Lund
Vice-President, Utility Financial Solutions, LLC

Date: _____

Accepted By: _____

City of Scottville