



Gainesville Regional Utilities

PROPOSAL FOR

Cost of Service and Utility Rates Study

RFP #2017-059

June 1, 2017 @ 2:00 P.M



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

Submitted Respectfully by:
Mark Beauchamp, CPA, CMA, MBA
President, Utility Financial Solutions
mbeauchamp@ufsweb.com
(616) 393-9722



mbeauchamp@ufsweb.com

O: 616.393.9722

C: 616.403.5450

F: 888.566.4430

Utility Financial Solutions, LLC

185 Sun Meadow Ct

Holland MI, 49424

June 1, 2017

Gainesville Regional Utilities
301 S.E. 4th Avenue
3rd Floor
Gainesville, FL 32601

Utility Financial Solutions (UFS) is pleased to submit a proposal to provide an electric cost of service and rate design study for Gainesville Regional Utilities (GRU). Our proposal is based on our prior experience with completing electric cost of service studies for municipal utilities and cooperatives around the nation including Florida.

UFS understands that GRU requires a consultant who is seasoned in the development of Cost of Service and Rate Design. We will provide you with the highest quality service within an agreed-upon timeframe. The study will take approximately 12 weeks to complete after receipt of requested information.

UFS is an internationally known firm with a long standing relationship and history of assisting municipalities with financial analysis and are recognized experts in the utility field. Acting as project manager for GRU, I will oversee project management and contractual agreements. I began Utility Financial Solutions in 2001 after working 15 years in the utility industry. I currently act as President of UFS and teach numerous national courses for the American Public Power Association.

UFS has extensive quality control procedures including a three level review of the study prior to any formal presentation. This provides assurance the study is accurate and defensible to governing bodies and rate payers. Our project team assigned to this engagement is composed of highly qualified, experienced, and knowledgeable professionals who remain current on all issues facing municipal utilities. Our reputation has allowed us to be the recommended rate consulting firm for numerous utilities and agencies around the country and the American Public Power Association (APPA). We are also the preferred vendor for cost of service and financial analysis through APPA's Hometown Connections. Included in our proposal are sample listings of presentations and courses taught by UFS staff.

UFS would like to be a resource to you for many years in the future. Our success is dependent on the quality and timeliness of our services provided to utilities like GRU and we are committed to your complete satisfaction.

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 616.403.5450.

Sincerely,

A handwritten signature in black ink that reads "Mark Beauchamp". The signature is written in a cursive style and is positioned above a horizontal line.

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



Table of Contents

Understanding and Approach	1
Proposed Work Plan and Project Approach	3
Preliminary Tasks.....	3
Development of Five Year Financial Projection and Financial Targets.....	4
Development of Cost of Service Studies	8
Service Charges for Electric, Water, Wastewater, and Gas.....	19
Rate Design.....	20
Executive Report and Deliverables.....	28
Format of Reports.....	28
Presentation of Cost of Service and Rate Design Study	28
Clarifications and Exceptions.....	29
Company Qualifications and Experience.....	30
Qualifications Introduction.....	30
Summary of Qualifications and Experience.....	31
Proposed Method.....	35
Fees and Expenses.....	36
Out of Scope Services – on-site and travel expenses	36
References	37
Designated Consultant / Project Manager	39
Proposed team members	40
Resumes	40
Resources	48
Additional Information	48
Proposed Professional Services Agreement.....	49
Required Forms	50

Understanding and Approach

Understanding and Approach

Gainesville Regional Utilities (GRU) provides electric, water, wastewater and natural gas service to approximately 95,000, 72,000, 64,000, and 35,000 customers, respectively. The following services are requested as part of the Request for Proposal and will be provided as part of the study by Utility Financial Solutions:

This section of the RFP will detail the conceptual approach in the analysis, design and development of rate structures that address future system capital improvement requirements, debt service, general fund transfer to the City, adequate levels of reserves, long-term maintenance and operations of the respective utilities, and compliance with various regulatory requirements. UFS recommendations are compatible with current SAP billing system software.

Summary of Services – Applicable to all utilities, unless otherwise noted

1. Five Year Financial Projection that includes the following:
 - a. Determination of Revenue Requirements for each year
 - b. Development and identification of financial targets related to the following:
 - i. Debt Coverage Ratio
 - ii. Minimum Cash Reserves
 - iii. Operating Income
 - c. Identification of long-term rate track to maintain financial stability of utility and minimize the potential rate impacts on customers

2. Development of Cost of Service Study that identifies the following:
 - a. Comparison of cost to provide service to each class with projected revenues
 - b. Identification of potential new rate classes based on load characteristics
 - c. Monthly customer charges for each class of customers
 - d. Transmission and Distribution delivery charges (Electric)
 - e. Power supply charges (Electric)
 - f. Transportation and supply charges - Gas
 - g. Base and commodity charges (Water/Wastewater)
 - h. Pumping Costs (Wastewater)
 - i. Seasonality of costs
 - j. Identification of fixed and variable costs including the following broken out by season:
 - i. Total demand related costs - Electric
 - ii. Total energy related costs - Electric
 - iii. Monthly customer related costs
 - k. Identification of costs based on voltage level of customers - Electric
 - i. Transmission level customer
 - ii. Primary metered customer
 - iii. Secondary metered customer
 - l. Wholesale Water for On and Off Campus accounts of University of Florida

Understanding and Approach

3. Rate Design (One year included, additional years if requested at additional cost)
 - a. Development of rates to move classes closer to cost of service
 - b. Development of rates to move components of rates closer to cost of service
 - c. Identification of Impacts of rate changes by classes considering the following:
 - i. Percentage impacts at various usage levels
 - ii. Dollar impacts at various usage levels
 - iii. Percentage impacts for demand rate classes based on load factors
 - d. Identification of overall rate impacts on customers
4. Review of Fuel Adjustment and Purchase Gas Adjustment
 - a. Discuss with staff and Council the positives and negatives of power cost adjustments
 - b. Discuss a recommended approach to each adjustment that achieves two objectives:
 - i. Minimizes month to month or year to year changes in FA/PGA to reduce potential complaints from customers
 - ii. Maintains the long term financial strength of electric utility
5. Presentation to Staff, Council and Citizens Group
 - a. Review results and assumptions
 - b. Development of appropriate financial targets
 - c. Obtain input and feedback on rate track and rate designs including:
 - i. Overall rate change for each year
 - ii. Customer charges
 - iii. Review of seasonality of rates
 - d. Discussion of overall goals and objectives of management and Council including:
 - i. Energy conservation
 - ii. Economic development
 - iii. Distributed generation customers - Electric
 - iv. Other considerations in rate design
6. Reports
 - a. Executive summary report discussing the following:
 - i. Financial projection results and rate adjustment to achieve financial targets
 - ii. Cost of service results for each rate class
 - iii. Cost based rate structures
 - iv. Assumptions used in development of study
 - v. Recommendations on rate track, movement toward cost of service, financial targets, others as identified
 - b. Second report on rate design after input from staff and Council
 - i. Proposed rate design for each rate class
 - ii. Rate impacts on each customer class
 - iii. Rate impacts at various levels of usage for each rate class

Proposed Work Plan and Project Approach

Our approach to this project was developed to meet the objectives of GRU and is based on the scope of services and UFS prior experience in completing electric cost of service studies around the nation including Florida. Listed below are more detailed descriptions of the services provided, our process and sample outputs from our studies. Our proposed work plan is designed to meet the requirements and methodologies established in the industry.

Preliminary Tasks

Listed below are tasks to develop the financial projection and cost of service portion of the study.

1. Review of Relevant Reports

Review of certain reports is necessary to ensure the models are established to fit the specific requirements of GRU. Listed below are examples of reports to obtain and review.

- Yearly financial, operating and maintenance reports including fixed assets reports
- Outstanding bond issues and specific bond covenants
- Rate schedules and any special contracts

2. Collect and Verify Data

Meeting with utility management is critical to ensuring the final reports will meet the objectives of GRU and the information request prepared by Utility Financial Solutions is understood. The specific objectives of the meeting will be to:

- Identify and clarify the scope of services and specific expectations of management
- Review billing system capabilities for providing the information necessary for the cost of service analysis. ***We will complete one revenue proof to reconcile revenues received compared with calculated revenues from billing system.***
- Review chart of accounts and determine strengths and weaknesses and its consistency with utility accounting practices
- Availability of load research data and develop a plan to obtain information needed by cost of service study
- Discuss with management the strengths and weaknesses of determining utility revenue requirements using a utility basis vs. cash basis
- Discuss power supply and recent or anticipated changes in rates or operations
- Review of transmission charges
- Additions or losses of major customers

Proposed Work Plan and Project Approach

3. Preparation of Data Request

After completion of the preliminary tasks UFS will prepare an information request that will include the necessary information to complete the study. Listed below are specific reports that will be requested:

- Customer billing and usage statistics by month for latest fiscal year
- Monthly production statistics or power supply purchases
- Power supply rates for upcoming years
- System hourly load information
- Trial balances for latest two years
- Audited financial statements for the latest three years
- Debt service schedules
- Current work-in-process
- Future capital improvement plan
- Power Supply costs
- System load data (if available for example through a SCADA system)

Development of Five Year Financial Projection and Financial Targets

Development of Sales Projection

Through review of historical sales and discussion with utility staff we will develop a projection of the following:

1. Future energy sales
2. Number of customers
3. Billing demands
4. Miscellaneous revenues
5. The FA and PGA will be incorporated into the projection

Development of Utility Revenue Requirements

Revenue requirements are developed through review of historical expenses and discussions with the utility on changes in costs and the utilities budget. Completion of this tasks is summarized below:

- **Operating Expense Projection**
Operating expenses often include expenses related to operation, maintenance and administration of the utility and the distribution system. Operating expense projections are often based on historical expenses adjusted for changes in costs and includes adjustments for changes that management anticipates will occur in the future.
- **Power Supply Projection**
Power supply costs typically represent over 70% of an electric utilities total revenue requirement. The magnitude of this expenditure requires this projection to be based on reasonable assumptions that are documented and reviewed with management. To project power supply expenses we often review the latest twelve months of detail power supply invoices and develop a power supply projection model where we can include growth of the system and changes in power supply costs. We will work with utility staff to estimate power supply costs based on the projected monthly loads.

Proposed Work Plan and Project Approach

- **Electric Transmission Cost Projection**

Transmission costs are often included as part of the power supply bill or may be in a separate invoice. As part of the power supply projection we will include changes in demand rates for transmission and review the transmission cost projection with utility staff.
- **Gas Sales Growth Projection**

The number of customers and billing units will be projected based on historical growth rates adjusted for high or low usages on a yearly basis. We will discuss with management any significant changes in the number or amount of usage for large industrial customers. Sales will be projected for the test year and future years in the projection model.
- **Gas Supply Projection**

Gas supply costs typically represent over 70% of a gas department's total revenue requirement. To project gas supply we often review the latest twelve months of detail gas supply invoices and develop a gas supply projection model where we can include growth of the system and changes in gas supply costs. We will work with department staff to estimate gas supply costs based on the projected monthly requirements.
- **Gas Transportation Cost Projection**

Transportation costs are often included as part of the gas supply bill or may be in a separate invoice. As part of the transportation supply projection we will include changes in rates for transportation and review the transportation cost projection with department staff.
- **Water & Wastewater Sales Growth Projection**

Customer usages will be projected based on historical growth rates adjusted for high or low usages on a yearly basis. Water sales can fluctuate substantially based on weather and has varying effects on each customer classes' usage. Customer growth rates and usage patterns will be normalized and projected for future years. We will discuss with GRU internal growth projections used and compare to determine appropriate growth rates. As an optional service, UFS will develop an econometric modeling forecast using multiple regression analysis, based on external factors such as demographic data and weather information for use as independent variables. We will statistically correlate water and wastewater sales with the independent variables. The projections will identify:

 - Sales projections over the planning horizon.
 - Revenues and expenses attributable to new connections
 - Incorporate sensitivity analysis into the model that considers weather and other variables identified in the model as having a statistically significant impact on the results.
- **Debt Service**

The amortization schedules for outstanding debt service will be incorporated into the financial projection. The corresponding principal and interest expense are appropriately classified into the income statement and cash flow sections of the long term financial projection. Any potential future bonding requirements will be identified and incorporated into the projection with the debt coverage ratios compared with the bond ordinance requirements adjusted for certain safety factors to adjust for changes in weather and the subsequent sales of electricity.

Proposed Work Plan and Project Approach

- **Capital Improvement Plan**

A critical part of the financial projection is the capital improvement plan received from the utility. Often the capital improvement plan UFS receives is reviewed with utility staff for reasonableness and capabilities of the utility to complete the projects as stated. The financial projection models can easily incorporate sensitivity analysis for changes in capital but it is preferred that the report includes a reasonable approximation of the annual expense. The financial model will incorporate the capital plan and identify the sources of funding either from existing cash reserves, the annual rate funded capital or through the issuance of bonds.

UFS financial models and the subsequent cost of service studies are unique in their ability to easily change from cash basis revenue requirements to accrual basis (Utility Basis) revenue requirements. The financial models include both cash basis targets such as cash reserves and debt coverage; and accrual basis targets such as rate of return. Listed below are discussion of the development of the three main financial targets for utilities. UFS studies also include a review of secondary financial matrices such as debt/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.

- **Rate of Return (Electric/Gas) /Revenue Financed Capital (Water/Wastewater)**

Rate of return is often associated with investor-owned utilities. Public power systems need to have a rate of return to breakeven and ensure customers are appropriately paying for their use of the infrastructure. The breakeven rate of return recovers two types of costs:

1. Interest expense on outstanding debt
2. Assets contributed by customers to the Utility (Water/Wastewater)
3. Risks can be assigned to each customer class in the cost of service study (Water/Wastewater)
4. Inflationary increases in an assets eventual replacement

An appropriately developed rate of return identifies the annual funding requirements for capital replacement of existing facilities and prevents current customers from being overcharged or undercharged at any point in time. This helps prevent large rate increases often resulting when only the cash basis targets are reviewed. The rate of return typically results in a more financially stable utility requiring only modest rate adjustments once the rate of return target is achieved. Development of the rate of return target will include a review of interest expense on debt and the age of existing infrastructure to identify the breakeven rate of return requirements.

Proposed Work Plan and Project Approach

- **Minimum Cash Reserves**

A critical question for utilities is the amount of cash reserves required to be held in reserve to help ensure funds exist to pay bills in a timely manner, to fund catastrophic events, future capital improvements and rapid changes in power supply or transmission costs. Each utility has various needs for cash and is dependent on the risks associated with the operations of a utility. As part of our studies we assist utilities with identifying the minimum level of cash a utility should maintain in reserves and include a review of the following:

1. Historical investment in assets and age of infrastructure
2. Exposure to catastrophic event
3. Working capital requirements
4. Debt service payments
5. Risks related to changes in power supply or transmission costs
6. Stability of rate structures and its ability to recover fixed costs
7. External reserve requirements related to items such as OPEB or Pension cost liabilities
8. Fuel Adjustment and Purchase Gas Adjustment

Review of the minimum cash reserves will be included as part of the study and will be discussed in the executive summary report and presentation to utility staff and Council.

- **Debt Coverage Ratio**

Electric utilities are often required to issue revenue bonds that include requirements related to debt coverage. It is critical electric utilities meet or exceed these bonding requirements to help ensure the utility maintains appropriate bond ratings to keep future interest rates low. As part of our studies we review the existing bond ordinances and identify the debt coverage requirements. These are included in the study with an appropriate safety factor to help ensure coverage requirements are met during periods of low sales due to weather or dramatic changes in expenses such as power supply costs.

Dashboard and Summary Financial Projections

The financial projection and financial targets are included in a dashboard summary and a rate track is developed to meet the financial targets. Development of the rate track attempts to minimize the impact of rate adjustments on customers while keeping the utility financially stable. A sample output from one of our studies is included below:

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
FY2015	3.5%	\$149,519,397	\$143,807,934	\$ 5,711,462	\$ 46,265,038	\$26,035,000	\$12,000,000	1.94
FY2016	1.5%	155,912,851	148,093,497	7,819,354	43,833,529	11,075,000	-	1.90
FY2017	1.5%	159,907,970	150,213,655	9,694,315	47,204,731	7,335,000	-	2.08
FY2018	0.0%	164,729,829	154,827,000	9,902,830	50,647,797	7,067,000	-	2.07
FY2019	0.0%	167,004,050	157,457,241	9,546,809	53,772,143	7,067,000	-	2.03
Recommended Target in FY15				\$ 9,209,655				1.40
Recommended Target in FY19				\$ 9,648,534				1.40
Recommended MINIMUM Target in FY15					\$ 46,004,821			
Recommended MINIMUM Target in FY19					\$ 49,087,209			

Proposed Work Plan and Project Approach

For the utility summarized in the table on the previous page, a rate track was developed to exceed debt coverage ratio targets, move toward target operating income (Rate of Return) and meet the minimum cash reserve needs of the utility. The study identified the need for a \$12 million dollar bond issuance in 2015 to fund capital improvements.

The rate track is reviewed with utility staff and Council prior to inclusion on the executive summary report of UFS.

Development of Cost of Service Studies

The development of the cost of service study incorporates the revenue requirement identified as part of the financial projection. The cost of service studies for the water and wastewater utilities will be developed using methods consistent with the American Water Works Association, American Public Works Association and EPA User Charge System Requirements along with method UFS teaches for the National Association of Regulatory Utility Commissioners and the Electric cost of service methods taught through the American Public Power Association. This section describes the additional procedures used in development of the cost of service study and sample outputs from previous studies.

Electric and Gas Cost of Service

Development of customer class demands and allocation factors used to allocate revenue requirements

Electric Load Profile Information

Load profile information identifies how customers use electricity at various times of the day and is critical to ensure the cost of service study is accurate and defensible. UFS works with utility staff in identification of the appropriate sources of load research information. We will analyze information from the following sources:

- Electronic meters installed on time of use and other customers
- Load research information available from other sources
- Analysis of substation feeders
- Utilize our data base of existing load research obtained from other utilities

The load research information identifies the monthly load factors for each class, how much is being used by the class at the peak time of the day when power supply demand or transmission demand charges are determined. The load research information is compared with the hourly system hourly load data to determine the class contributions. The information is then used to determine the class share of transmission and power supply costs.

Electric System Losses

Losses can vary substantially depending on system loading and temperature. We will identify the system loss at the various voltage levels of service to customers. To determine the overall system losses we typically use a three year average of losses to reduce the impact of changing weather patterns between the last and first month of each year. The losses are then allocated between voltage level such as transmission, substations, primary service and secondary voltage levels.

Proposed Work Plan and Project Approach

Development of Allocators

The load profile information for each class is used to determine the allocation factors used to allocate expenses based on cost-causation. Examples of cost causation include the identification of the date and time power supply demand charges are determined and each class usage at the time of the peak demands. There are over 40 allocation factors often developed as part of a UFS cost of service study. Allocation factors are developed for each season and developed for specific expenses. A summary of the costs where specific allocation factors need to be developed are listed below.

- Power supply demand cost by time of day and season
- Power supply energy cost by time of day and season
- Distribution related costs for sub-transmission or transmission service
- Distribution related costs for primary metered customers
- Distribution related costs for secondary metered customers
- Customer related costs for each class of customers

Prepare Cost of Service Analysis

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

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

- Rate adjustment necessary to meet rate of return requirements of the utility
- Cost to serve each class compared with projected revenues
- Rate adjustment necessary for class to meet cost of service requirements
- Monthly customer charge by class
- Energy charge for each customer class
- Demand charge for demand metered customers

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

Customer Class	Cost of Service	Projected Revenues	% Change
Residential	\$ 47,326,833	\$ 43,615,239	9%
Residential Dual Fuel	21,403	10,081	112%
Residential High Efficiency HVAC	176,818	128,097	38%
Small General Service	17,795,064	16,519,937	8%
SGS - High Efficiency HVAC	59,308	50,427	18%
City Street Lighting	1,639,666	1,194,127	37%
Traffic Signals	127,158	105,392	21%
Security Lighting	198,138	209,386	-5%
Civil Defense Sirens	8,357	8,834	-5%
Medium General Service	30,370,455	30,157,753	1%
MGS - High Efficiency HVAC	194,666	171,438	14%
MGS - Time-of-Use	1,879,529	1,904,024	-1%
Large General Service	10,445,537	10,669,838	-2%
Large Industrial Service	22,575,880	20,755,543	9%
Interruptible Service	5,467,792	4,683,595	17%
Cogen and Small Power Prod	12,203	10,183	20%
Interdepartmental	929,722	946,527	-2%
Total	\$ 139,228,527	\$ 131,140,420	6.2%

Proposed Work Plan and Project Approach

The cost of service column from the table on the previous page 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 Council we develop a plan to move classes toward cost of service to minimize rate impacts on any specific customer class.

Development of new rate classes

As part of the initial discussions with management and review of the existing rate tariffs, we will discuss with utility staff if new rate classes should be considered or if existing rate classes should be combined. Rate classes are created based on similarity in usage patterns, but often utilities will develop new rate classes to create incentives for customers to shift usage to periods of time where power supply costs are lower such as on and off peak time periods for time of use rates. Examples of new rate class developments are listed below.

- **Standby charges** – Cost isolated by investment in facilities to serve customers on a standby basis.
- **Interruptible Loads** – Rates to promote interruptible loads that reflect the savings to GRU. Our study will isolate costs by power supply demand, energy and transmission to identify the potential cost savings of an interruptible customer.
- **Seasonal Rates** – The cost of service study allocates costs to each rate class based on seasonal time period. The time periods will be identified through review of system loads and power supply and transmission costs.
- **Time of Use** – For time of use rates to be effective in sending the proper price signal, the cost of service analysis is supplemented with marginal costs to identify and recommend appropriate charges on a time of use basis.
- **Economic Development Rates**
- Rates can be developed to promote economic development by attracting new customers or expansion of existing customers. It is important economic development rates be developed using a marginal cost approach to ensure existing customers are not unduly subsidizing any reduce rates or fees charged under an economic development program.
- **Other Potential Rates are listed below:**
 1. Public education rates
 2. Green Rates
 3. Net Metering Rates
 4. Aggregation Rates

New rate designs may result in additional charges for the services provided by UFS. As part of the initial kick off meeting, we should discuss if any potential new rate classes are being considered.

Proposed Work Plan and Project Approach

Unbundling costs by type of expense for each class of customers

To obtain information for setting distribution rates the gas unbundling study isolates revenue requirements into various components required to deliver gas to a customer. As part of the study we will unbundle the utility costs in the following manner.

- Power and Gas supply cost by month
- Transportation related costs to the City Gate
- Local Transportation related costs and operation and maintenance costs of the system
- Customer service costs for meter installation, meter reading, billing and collections, customer service and any direct cost for specific customer classes

Identify the proportion of costs associated with usage charges for gas and electric as they apply to the unbundling of prices as defined in the GRU billing system to include:

- **Electric – (1) Generation, (2) Transmission, and (3) Distribution**
- **Natural Gas – (1) Distribution and (2) Transmission**

Allocation of Revenue Requirements - Example

Utility Cost Function	Amount	Allocation Factor	Customer Class									
			Residential	Firm Commercial	Commercial Transportation	Interruptible Commercial	Firm Industrial	Interruptible Industrial	Interruptible Industrial w/ Hedging	Firm Industrial Transportation		
Gas Firm Commodity Purchases	\$ 10,801,079	Firm Sales	6,332,619	3,307,888	-	-	1,160,573	-	-	-	-	-
Gas Interruptible Commodity Purchases	5,488,582	Interruptible Sales	-	-	-	351,395	-	482,060	4,655,128	-	-	-
Distribution Overhead	1,060,154	Distribution Expense	489,931	180,025	1,597	21,253	48,738	30,311	263,003	25,296	-	-
Measuring & Regulating Equipment	4,050	Avg & Excess	1,415	654	8	113	258	134	1,335	134	-	-
Mains MCF Related	218,416	Total Sales	56,875	29,709	479	6,579	10,423	9,026	87,160	18,164	-	-
Mains Demand Related	133,811	Peak Demand	34,844	18,201	293	4,031	6,386	5,530	53,399	11,128	-	-
Services- Customer related	101,227	Weighted Services Distribution	79,366	17,737	234	146	1,345	877	585	936	-	-
Regulators Demand	4,672	Peak Demand	1,216	635	10	141	223	193	1,864	389	-	-
Regulators MCF's	2,862	Sales Distribution	778	406	7	90	143	123	1,192	124	-	-
Meters	193,869	Meter Cost	159,824	29,765	196	20	2,597	339	226	903	-	-
Shop & Field Equipment	4,715	NBV	1,769	704	10	117	203	165	1,530	218	-	-
Customer Service	302,937	Weighted Services	235,338	52,594	694	434	3,990	2,602	1,735	5,551	-	-
Billing	466,458	Billing	365,721	81,733	1,078	674	6,200	4,044	2,696	4,313	-	-
GF Equity Transfers	3,008,330	City Transfer Out	1,212,026	549,632	2,780	71,241	177,076	96,788	862,642	36,144	-	-
Uncollectible	54,662	Revenues	22,023	9,987	51	1,294	3,217	1,759	15,674	657	-	-
Other Revenues/Expenses	2,045,604	Distribution Expense	945,338	347,364	3,081	41,009	94,042	58,486	507,474	48,810	-	-
Debt Service and Revenue Financed Capital	1,952,962	ROR	732,655	291,376	4,197	48,314	84,270	68,424	633,626	90,100	-	-
Total Expenses	\$ 25,844,391		\$ 10,671,737	\$ 4,918,409	\$ 14,714	\$ 546,851	\$ 1,599,684	\$ 760,858	\$ 7,089,270	\$ 242,867		
General Plant	89,464	Avg & Excess	31,251	14,445	176	2,498	5,690	2,950	29,500	2,953	-	-
Measuring & Regulating Equipment	25,895	Sales Distribution	7,036	3,675	59	814	1,289	1,117	10,782	1,123	-	-
Mains	-	Sales Distribution	-	-	-	-	-	-	-	-	-	-
Mains MCF	562,288	Sales Distribution	152,771	79,801	1,286	17,673	27,998	24,244	234,121	24,396	-	-
Mains Demand	344,483	Peak Demand	89,703	46,857	753	10,377	16,440	14,236	137,469	28,649	-	-
Services Customer Related	261,862	Weighted Services Distribution	205,310	45,883	605	378	3,481	2,270	1,513	2,421	-	-
Regulators Demand	15,404	Anytime Peak Average	5,612	2,618	29	401	927	435	4,491	891	-	-
Regulators MCF	9,437	Sales Distribution	2,564	1,339	22	297	470	407	3,929	409	-	-
Meters	46,240	Meter Cost	38,120	7,099	47	5	619	81	54	215	-	-
Other Equipment	448	Distribution Expense	207	76	1	9	21	13	111	11	-	-
Total Depreciation Expense	\$ 1,355,522		\$ 532,572	\$ 201,794	\$ 2,978	\$ 32,451	\$ 56,935	\$ 45,752	\$ 421,971	\$ 61,069		
Revenue Requirements	27,199,912		\$ 11,204,309	\$ 5,120,204	\$ 17,692	\$ 579,302	\$ 1,656,619	\$ 806,610	\$ 7,511,241	\$ 303,936		

Breakdown of cost of service rate structure by type of expense for each class of customers

UFS cost of service studies identify cost in a summary and a detail cost breakdown for each class of customers. For example the summary of costs identifies the class cost breakdown by customer charge, power supply demand, transmission demand, distribution demand and energy costs. An example is listed on the next page:

Proposed Work Plan and Project Approach

Customer Class	Monthly Customer Charge	Distribution Rate	Transmission Rate	Power Supply			
				Summer Rates		Winter Rates	
				Demand Rate	Energy Rate	Demand Rate	Energy Rate
Residential	\$ 21.25	\$ 0.02085	0.0057	\$ 0.0334	\$ 0.0441	\$ 0.0303	\$ 0.04647
Small General Service	43.25	0.0224	0.0057	0.0370	0.0441	0.0300	0.0465
City Street Lighting	-	0.2066	0.0040	0.0197	0.0440	0.0191	0.0465
Traffic Signals	41.02	0.0164	0.0067	0.0293	0.0440	0.0280	0.0465
Security Lighting	7.86	0.0198	0.0125	0.0197	0.0440	0.0191	0.0465
Medium General Service	134.50	2.39	1.13	12.04	0.0440	10.17	0.0465
MGS - High Efficiency HVAC	129.04	2.63	1.26	10.49	0.0425	10.93	0.0451
MGS - Time-of-Use	135.22	3.04	1.44	9.85	0.0428	8.40	0.0451
Large General Service	306.92	2.79	1.30	13.06	0.0428	10.46	0.0451
Large Industrial Service	1,810.78	2.95	1.37	14.50	0.0428	13.76	0.0451
Interruptible Service	176.12	2.59	1.38	10.05	0.0428	9.17	0.0451
Interdepartmental	83.83	2.39	1.19	12.50	0.0428	7.96	0.0451

In addition, further breakdowns are available in the studies depending on the needs of each utility. A sample detailed breakdown of distribution costs are listed below:

Cost Breakdown								
	Residential	Small General Service	Medium General Service	MGS - High Efficiency HVAC	MGS - Time-of- Use	Large General Service	Large Industrial Service	
Distribution	\$ 0.0079	\$ 0.0092	\$ 1.96	\$ 2.15	\$ 2.49	\$ 2.29	\$ 2.41	
Transmission	0.0057	0.0057	1.13	1.26	1.44	1.30	1.37	
Transformer	0.0012	0.0014	0.29	0.32	0.37	0.34	0.36	
Substation	0.0006	0.0007	0.14	0.15	0.18	0.16	0.17	
Direct	-	-	-	-	-	-	-	
Subtotal - kWh or kW Charge	\$ 0.0154	\$ 0.0169	\$ 3.5204	\$ 3.8866	\$ 4.4820	\$ 4.0891	\$ 4.3110	
Contribution to City	\$ 0.0112	\$ 0.0112	\$ 0.0112	\$ 0.0112	\$ 0.0112	\$ 0.0112	\$ 0.0112	
Distribution Customer Costs	\$ 10.56	\$ 21.31	\$ 59.42	\$ 59.42	\$ 61.24	\$ 90.12	\$ 151.94	
Transformer Customer Costs	1.17	2.33	7.00	7.00	7.00	10.49	10.49	
Substation Customer Costs	0.09	0.18	0.55	0.55	0.55	0.83	0.83	
Meter O&M	0.27	0.59	0.48	0.48	1.01	1.01	18.83	
Meter Reading	0.25	0.50	1.49	1.49	1.49	2.24	2.24	
Services	0.34	1.17	14.09	8.63	12.47	125.04	1,549.26	
Customer Service	8.58	17.15	51.46	51.46	51.46	77.18	77.18	
Customer Charge	\$ 21.25	\$ 43.25	\$ 134.50	\$ 129.04	\$ 135.22	\$ 306.92	\$ 1,810.78	

Proposed Work Plan and Project Approach

Gas Distribution Rate Summary and Breakdown

Cost of Service Distribution Charges						
Customer Class	Monthly			Total		Billing Basis
	Customer Charge	General Fund Equity Transfers	Distribution	Distribution Rate		
Residential	\$ 12.58	\$ 0.2133	\$ 0.1180	\$ 0.3313		Therms
Firm Commercial	24.46	0.1851	0.1165	0.3017		Therms
Commercial Transportation	45.40	0.0581	0.1123	0.1704		Therms
Interruptible Commercial	265.25	0.1084	0.1134	0.2218		Therms
Firm Industrial	124.95	0.1700	0.1170	0.2870		Therms
Interruptible Industrial	543.71	0.1073	0.1125	0.2198		Therms
Interruptible Industrial w/ Hedj	543.71	0.0990	0.1126	0.2116		Therms
Firm Industrial Transportation	275.92	0.0199	0.0803	0.1002		Therms

Gas Supply Cost by Class and Breakdown

Customer Class	Commodity Charge	Administrative Fee	PG&E Local Transportation	Total Commodity	
				Rate	Billing Basis
G1 - Residential	0.794	0.028	0.023	0.846	therm
G2 - Commercial	0.794	0.028	0.023	0.846	therm
G3 - Large Comm	0.684	0.028	0.023	0.736	therm
G6 - Municipal	0.794	0.028	0.023	0.846	therm
G-8 - Cobug	0.684	0.028	0.023	0.736	therm
G10 - Compressed	0.684	0.028	0.023	0.736	therm

Review of Power Cost Adjustment and Fuel Cost Adjustment

Power cost adjustments (PCA) and fuel cost adjustments (FCA) are used by many municipal electric utilities to help ensure power and fuel costs are recovered from customers in a timely fashion and the electric utility remains financially stable. These adjustments reduce the utility’s risk and exposure to changes in power supply costs, fuel costs, or changes in transmission charges and helps ensure retail customers are not over or undercharged for electricity in any given year. A PCA and FCA has to be implemented properly to ensure dramatic changes in the adjustments do not occur on a month to month basis leading to customer complaints. UFS has implemented and reviewed both PCAs and FCAs for electric utilities around the nation and internationally, and has extensive experience in identifying the most appropriate method that balances customer impacts while maintaining the financial health of the utility. UFS will review the risks and monthly power cost to identify the most appropriate method. Listed below are general methods used by utilities. (A number of variations of each method also exists)

Monthly (Quarterly, Semi Annual) - Typically calculated each month or period of time such as quarterly. This methodology tends to result in dramatic changes in the PCA at the time of the true up and may result in increased complaints from customers.

Annual - The power costs are trued-up each year and significant changes can occur at the beginning of each year. Also the Utility has to maintain significant reserves to provide funds to cover the fluctuations in the power costs.

Rolling average - Tends to smooth out the fluctuations while maintaining the financial integrity of the utility. Costs are reviewed each month with small changes occurring with the goal of balancing power costs at the end of specific period of time such as 12 months.

Forecasted Monthly Review - Based on the annual budget then adjusted monthly to reflect actual power supply costs

Water Cost of Service

Water Development of Cost of Service Analysis

Consistent with AWWA’s “Manual of Water Supply Practices” we will conduct an analysis to isolate cost by customer class. We will evaluate the current customer classes and discuss with management potential new classes. The cost of service analysis will be based on the methodology identified below.

Component Costs - The cost to provide service using the Base-Extra Capacity Method as described by AWWA’s Manual of Water Supply Practices. This method divides the cost of water purchases into two main cost categories:

- **Base Costs** are costs that tend to vary with the quantity of water used, and include costs associated with supplying, treating, pumping and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs are allocated to customer classifications by their average daily usage.
- **Extra Capacity Costs** are costs associated with meeting usage requirements in excess of the base. They include operating and capital costs for plant and system capacity installed beyond that required to meet average use consumption. The extra capacity costs are subdivided into two categories; costs necessary to meet “maximum day extra demand” and costs to meet “maximum hour extra demand”. The extra capacity costs are allocated to customer classifications based on each class’s contribution to the systems maximum- day and-maximum hour usage. The table below is developed using previous year’s usage statistics from the production wells.

Under this method, costs are further allocated between customer classes and public fire protection.

- Functional Costs - Identification of the cost to provide water to customers separated by service component:
- Production – Includes cost to purchase water under wholesale contracts
- Transmission - Identification of costs related to capacity, maintenance and operation of the transmission system
- Distribution - Cost to deliver water from transmission system to customer
- Customer-related costs: Separation of costs for billing, meter reading, meter O&M, customer services, and others as defined by management

Identify the proportion of costs associated with usage charges for water as they apply to the unbundling of prices as defined in the GRU billing system to include:

- ***Water – (1) Supply and Treatment, (2) Transmission and (3) Distribution***

Water Allocation Factors

A critical part of the cost of service study is the development of allocator’s from customer classes’ usage patterns. The allocators are used to allocate the fixed capacity costs, semi-variable operating costs, variable chemicals and power, and customer-related costs. The characteristics modeled will include total water used, peak day, peak hour and customer billing, metering, and services requirements.

Proposed Work Plan and Project Approach

Identification of Peak Day/Peak Hour Allocation Factors

Peak usage ratios will be established for each customer class using the following information:

- Review of pumping statistics of the wells over the past five years
- Review of peak loadings on water production wells for each month
- 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. Listed below is an example table that will be developed for GRU.

The study uses the “Base & Extra Capacity Method” for allocating costs to customer classifications. The method is described in the 2007 and prior editions of the Water Rates Manual, published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer and fire protection costs. The following discussions present a brief description of these costs and the manner in which they were allocated.

Classification Percentages between Base and Extra Capacity Costs:

	Average Day	Max Day	Max Hour
CCF's	15,803	26,205	29,718
Average Day to Max Day Percent	60%	40%	
Average Day to Max Hour Percent	53%	35%	12%

Costs related to investment in assets and a portion of the distribution costs were allocated 53 percent on usage (base costs); 35 percent on maximum day and 12 percent on maximum hour (extra-capacity) for the sample study. The values were calculated from the peak to average ratios identified in the tables below.

Determination of Peak to Average Ratio using Two Year Average

Customer Class	2011 Peak Factor			2012 Peak Factor			Two Year Average		
	CCF Usage during peak month	Average Monthly Usage per year - CCF	Peak to Average Ratio	CCF Usage during peak month	Average Monthly Usage per year - CCF	Peak to Average Ratio	CCF Usage during peak month	Average Monthly Usage per year - CCF	Peak to Average Ratio
W1 - Residential	343,051	213,906	1.60	329,443	200,822	1.64	672,494	414,727	1.62
W2 - Construction Water Use			1.00			1.00	-	-	1.00
W3 - Private Fire Service			1.00			1.00	-	-	1.00
W4 - Commercial	253,996	187,877	1.35	270,736	174,998	1.55	524,732	362,874	1.45
W7 - Irrigation	101,013	47,196	2.14	118,949	36,719	3.24	219,962	83,915	2.62
Total System	698,060	448,978	1.55	719,128	412,538	1.74	1,417,188	861,517	1.64

Proposed Work Plan and Project Approach

Application of Peak to Average Ratio to Customer Classes

Customer Class	Base		Maximum Day			Maximum Hour		
	Annual Use	Average Rate	Capacity Factor	Total Capacity	Extra Capacity	Capacity Factor	Total Capacity	Extra Capacity
W1 - Residential0.75	2,308,194	6,323.8	1.62	10,254	3,930	1.84	11,640	5,316
W1 - Residential1	447,514	1,226.1	1.62	1,988	762	1.84	2,257	1,031
W1 - Residential1.5	73,178	200.5	1.62	325	125	1.84	369	169
W1 - Residential2	41,011	112.4	1.62	182	70	1.84	207	94
W1 - Residential3	33	0.1	1.62	0	0	1.84	0	0
W3 - Private Fire Service-4	185	0.5	1.00	1		1.00	1	
W3 - Private Fire Service-6	463	1.3	1.00	1		1.00	1	
W3 - Private Fire Service-8	350	1.0	1.00	1		1.00	1	
W3 - Private Fire Service-10	72	0.2	1.00	0		1.00	0	
Public Fire Hydrants	-	-	1.00	-		1.00	-	
W4 - Commercial0.75	247,341	677.6	1.45	980	302	1.66	1,122	444
W4 - Commercial1	205,951	564.3	1.45	816	252	1.66	934	370
W4 - Commercial1.5	265,294	726.8	1.45	1,051	324	1.66	1,203	476
W4 - Commercial2	740,393	2,028.5	1.45	2,933	905	1.66	3,357	1,329
W4 - Commercial3	261,040	715.2	1.45	1,034	319	1.66	1,184	469
W4 - Commercial4	169,826	465.3	1.45	673	208	1.66	770	305
W4 - Commercial6	141,177	386.8	1.45	559	173	1.66	640	253
W4 - Commercial8	252,711	692.4	1.45	1,001	309	1.66	1,146	454
W7 - Irrigation0.75	10,683	29.3	2.62	77	47	2.91	85	56
W7 - Irrigation1	25,342	69.4	2.62	182	113	2.91	202	132
W7 - Irrigation1.5	72,049	197.4	2.62	517	320	2.91	574	377
W7 - Irrigation2	163,129	446.9	2.62	1,172	725	2.91	1,299	853
W7 - Irrigation3	100,716	275.9	2.62	723	447	2.91	802	526
W7 - Irrigation4	59,577	163.2	2.62	428	265	2.91	475	311
W7 - Irrigation6	111,558	305.6	2.62	801	496	2.91	889	583
W7 - Irrigation8	70,322	192.7	2.62	505	312	2.91	560	368
Total	5,768,111	15,803		26,205	10,402		29,718	13,915

Water losses adjustments

Water losses occur due to a variety of factors:

- Meter accuracy and variations due to testing and age
- Real Water losses occurring from system leaks in the transmission, distribution mains, storage facilities and service connections
- Unbilled revenues due to flushing, cleaning of system and theft

UFS will review system water losses and unbilled revenue for each customer classes based on discussions with staff, service levels and AWWA standard modeling practices. The losses will be incorporated into the analysis by customer class.

Maximum Demand based on Meter Size

The size of the meter determines the theoretical maximum demand of a customer and is a primary factor in identifying the monthly meter charge. UFS will incorporate standards established in the industry to determine the allocation to each meter size based on meter costs, maximum demand and billing costs.

Fire Flow

The allocation to fire protection and hydrants are based on the oversizing of the system to meet maximum fire flow requirements of the City. In many communities a portion of the costs are recovered through the standard water rates paid by users of the system and are not fully recovered from the fire flow class. Our models are designed to reallocate the un-recovered portion to customer classes. We will discuss with staff past practices of GRU.

Proposed Work Plan and Project Approach

Separation between Distribution and Transmission Costs

Often a cost of service study requires the separation of transmission and distribution costs when providing service to wholesale or outside city customers. UFS will utilize methods to separate these costs including the inch-foot method and based on discussions with management the size of service connections and pipes used by outside city customers.

Rates of Return

A number of risks are incurred by the City when providing service to outside city and wholesale customers. An inside city customer is charged a breakeven rate of return and outside city customer return reflects the risks and past investments made by the City. Investments made a number of years ago and largely paid by inside city ratepayers are providing current benefits to outside city customers. These benefits will be modeled and appropriate rates of return for inside city, outside city and outside city district one and two will be established.

Expense Projection

Revenue requirements will be projected for future years based on actual data adjusted for anticipated capital improvements and changes in labor, benefits and supplies. We will project the utilities revenue requirements for a five-year period based on certain assumptions such as inflation, anticipated changes in costs, additional debt issuances, capital improvements, and additional costs related to sales growth. A detailed cost projection will be completed balancing water purchases with retail sales and system losses.

Water Rate Design and Revenue Proof

We will work with utility management and the governing Board in design of water rates for customers. We will proof the revenues based on projected billing parameters to help ensure the rates are sufficient to meet utility revenue requirements. We will identify the potential rate impact to utility customers at various usage levels.

Wastewater Cost of Service

Identify the proportion of costs associated with usage charges for water as they apply to the unbundling of prices as defined in the GRU billing system to include:

- ***Wastewater – (1) Collection and (2) Treatment***

Wastewater Allocation Factors

Expense categories will be analyzed and reviewed to determine an appropriate allocation factor. The allocation factor 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. Industrial pre-treatment costs will be reviewed and allocation factors developed to determine the charges for Industrial Waste Discharge Fees. A sample list of allocators is listed on the next page:

Proposed Work Plan and Project Approach

	Volume	BOD	TSS	Ammonia Nitrogen	Cust	Collection and Lift Stations	Interceptor	Billing	ISS	Phosphorus	TOTAL
WWTP	50%	25%	22%	3%	0%	0%	0%	0%	0%	1%	100%
Chemicals	25%	30%	30%	5%						10%	100%
Primary System	50%	20%	20%	0%						10%	100%
Secondary System	50%	24%	22%	3%						1%	100%
Solids Handling	25%	31%	40%	3%						1%	100%
Ammonia	0%	0%	0%	100%						0%	100%
Flow	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Suballocator	25%	8%	9%	2%	0%	50%	4%	0%	0%	1%	100%
Laboratory	39%	11%	13%	1%	0%	0%	0%	0%	33%	3%	100%
Working Capital	37%	13%	14%	1%	0%	9%	1%	14%	8%	3%	100%
Collection	0%	0%	0%	0%	0%	93%	7%	0%	0%	0%	100%
Interceptor	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%

We will review the cost of service results with Management to obtain input and direction prior to development of the water and wastewater rate structures. As part of this we will prepare a power point presentation of the results and have the Excel model to develop other alternative rate tracks if requested.

Example COS Summary Table

Meter Size Description	Total COS Revenues	Current Projected Revenues
5/8 meter	\$ 1,926,031	\$ 1,749,178
1" meter	2,120,562	1,537,386
1.5" meter	594,737	467,559
2" meter	746,305	648,032
3" meter	294,075	317,422
4" meter	315,555	362,171
6" meter	305,912	372,419
Fire Protection Charges		
6" main	34,003	33,586
8" main	65,527	69,471
10" main	6,251	5,966
12" main	7,158	6,894
Totals	\$ 6,416,117	\$ 5,570,085

Revenues at Current Rates **\$ 5,570,085**

Rate adjustment needed	15.19%
-------------------------------	---------------

Example Monthly Customer Charge Cost of Service Results

Meter size	Current Monthly Meter Charge	Service Monthly Meter Charge	Variance to COS Monthly Meter Charge
5/8 meter	\$ 10.07	\$ 8.48	-16%
1" meter	\$ 18.19	\$ 17.50	-4%
1.5" meter	\$ 38.34	\$ 36.57	-5%
2" meter	\$ 62.81	\$ 62.30	-1%
3" meter	\$ 135.45	\$ 134.15	-1%
4" meter	\$ 234.08	\$ 234.64	0%
6" meter	\$ 546.86	\$ 521.18	-5%
Fire Protection Charges			
6" main	\$ 19.14	\$ 19.38	1%
8" main	\$ 35.68	\$ 33.65	-6%
10" main	\$ 49.64	\$ 52.01	5%
12" main	\$ 71.70	\$ 74.45	4%
Commodity Rate (\$ / 1,000 gallons)	\$ 1.47	\$ 1.92	31%

Service Charges for Electric, Water, Wastewater, and Gas

UFS uses excel programs to develop and update service charges. We have programs established to identify the cost of providing each of the services listed under miscellaneous charges. We will review the cost of providing fees based on hours, equipment rental charges, hourly rates, overhead, administration and margins to help ensure GRU is recovering the appropriate costs in the fees charged to customers.

- Service Charges:
 - Installation/turn on service
 - At meter during normal working hours as posted
 - At meter after normal working hours as posted
 - All others during normal working hours as posted
 - All others after normal working hours as posted
 - Meter re-read
 - Field visits
 - Delinquent Disconnection of gas/electric/water
 - Guarantee credits
 - Other fees
- Same day Service, holiday/weekend, after hours fees
- Revenue protection fees – unauthorized service investigation

Proposed Work Plan and Project Approach**Rate Design**

Design of electric 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 electric rates for customers. Other factors must be considered such as impact on customers, social and environmental issues and philosophy of the utilities governing body. The rate design process includes discussion with utility staff and input from Council prior to developing a proposed rate structure. This allows the governing body to have input prior to the actual design of rates. The guidance provided by Council includes input on the overall increase in rates and the increases for each class of customers. Based on UFS experience, this critical step in the process allows for a smooth approval of the proposed rates.

Specific Rate Development Includes:**Electric**

- Residential and Commercial Rates including monthly customer and usage charges including options for tier structures of energy charges.
- Option for rate structure that includes various scenarios for future projects.
- Options for demand billing for all customers.
- Residential and Commercial Time-of-Use Rates and definition of on- and off-peak hours.
- Net Metering Customer Charges/Standby Rate.
- Outdoor Lighting and corresponding pole charges (not pole attachment fees).
- Environmental cost recovery factor applicability and rate.
- Regulatory assets/liabilities rate recoveries.

Water

- Residential and Commercial Rates including monthly customer and usage charges including tier structures.
- Residential and Commercial Irrigation rates.
- Regulatory assets/liabilities rate recoveries.
- Water connection Charges (System Development Charges)
- accordance with methodology as defined in the contract.
- City of Alachua Wholesale rate applicability.
- Regulatory assets/liabilities rate recoveries.

Wastewater

- Residential and Commercial Rates including monthly customer and usage charges. Options for methodologies to establish wastewater billing volumes.
- Regulatory assets/liabilities rate recoveries.
- Wastewater Connection Charges (System Development Charges)

Natural Gas

- Residential and Commercial Rates including monthly customer and usage charges.
- Regulatory assets/liabilities rate recoveries.

Proposed Work Plan and Project Approach

Summary of overall rate adjustments for each class

Customer Class	Class Codes	2015 Revenue less Adjustments	2015 Revenue with Adjustments	Percent Increase
ResidentialRate RES	RES	\$ 43,615,239	\$ 45,197,813	3.6%
Residential Dual FuelRate RES-DF	RES-DF	\$ 10,081	\$ 10,784	7.0%
Residential High Efficiency HVACRate RESELGEO	RESELGEO	\$ 128,097	\$ 137,070	7.0%
Small General ServiceRate GS	GS	\$ 16,519,937	\$ 17,219,208	4.2%
SGS - High Efficiency HVACRate GS-HEF	GS-HEF	\$ 50,427	\$ 52,950	5.0%
Medium General ServiceRate MGS	MGS	\$ 30,157,753	\$ 31,118,228	3.2%
MGS - High Efficiency HVACRate MGS-HEF	MGS-HEF	\$ 171,438	\$ 179,115	4.5%
MGS - Time-of-UseRate MGS-TOU	MGS-TOU	\$ 1,904,024	\$ 1,975,005	3.7%
Large General ServiceRate LGS	LGS	\$ 10,669,838	\$ 10,771,426	1.0%
Large Industrial ServiceRate LIS	LIS	\$ 20,755,543	\$ 21,602,500	4.1%
Interruptible ServiceRate INTR	INTR	\$ 4,683,595	\$ 4,917,673	5.0%
Cogen and Small Power ProdRate COGEN	COGEN	\$ 10,183	\$ 10,602	4.1%
InterdepartmentalRate MUNI	MUNI	\$ 946,527	\$ 984,040	4.0%
Civil Defense Sirens25	CDS	\$ 8,834	\$ 9,049	2.4%
City Street Lighting27	CSL	\$ 1,185,625	\$ 1,209,774	2.0%
Security Lightingvarious	SL	\$ 209,386	\$ 212,364	1.4%
Traffic Signalsvarious	TS	\$ 105,392	\$ 110,373	4.7%
Total		\$ 131,131,917	\$ 135,717,975	3.50%

Proposed rates and percentage impacts at various levels of usage

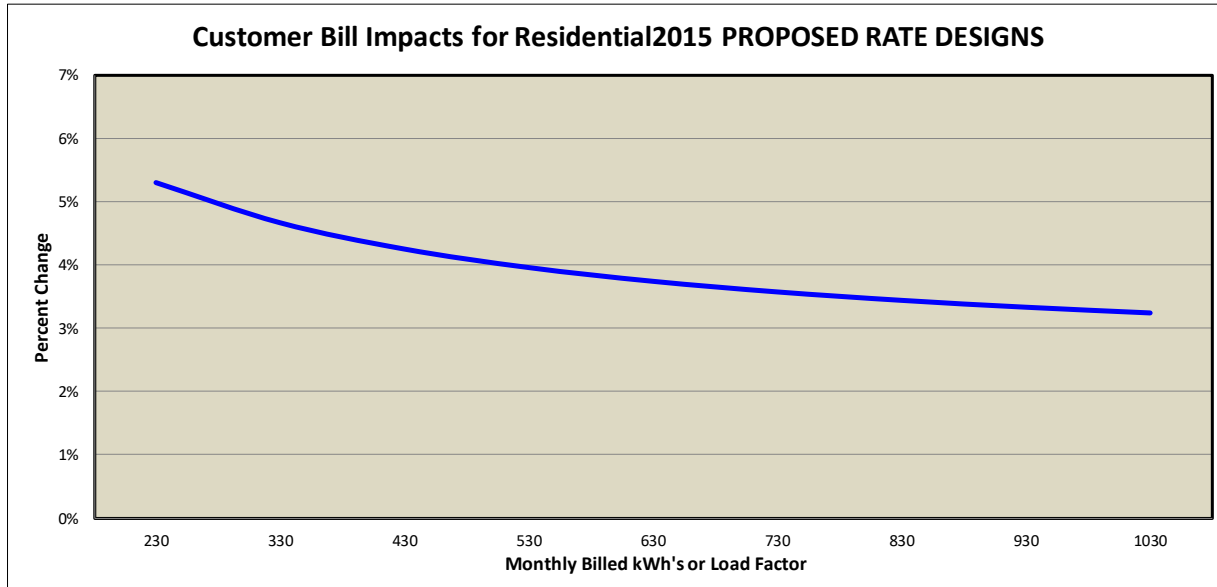
RES Residential Class		2016 Gas Rate Design		Cost of Service Rates	
Current Rates		2016 Gas Rate Design		Cost of Service Rates	
Monthly Customer Charge:	\$ 6.00	Monthly Customer Charge:	\$ 7.75	Customer Charge	\$ 17.70
Commodity Charge:		Commodity Charge:		Commodity Charge	\$ 1.350
Winter Delivery (0 - 20 CCF)	\$ 0.4176	Winter Delivery (0 - 20 CCF)	\$ 0.3899		
Winter Delivery (21 - Excess CCF)	\$ 0.3176	Winter Delivery (21 - Excess CCF)	\$ 0.2899		
Distribution (All CCF)	\$ 0.2871	Distribution (All CCF)	\$ 0.2871		
Winter Gas Supply (All CCF)	\$ 0.6500	Winter Gas Supply (All CCF)	\$ 0.6500		
Summer Delivery (0 - 20 CCF)	\$ 0.3727	Summer Delivery (0 - 20 CCF)	\$ 0.3480		
Summer Delivery (21 - Excess CCF)	\$ 0.2727	Summer Delivery (21 - Excess CCF)	\$ 0.2480		
Distribution (All CCF)	\$ 0.2871	Distribution (All CCF)	\$ 0.2871		
Summer Gas Supply (All CCF)	\$ 0.3530	Summer Gas Supply (All CCF)	\$ 0.3530		
Revenues from Current Rates	\$ 8,472,015	Revenues from Proposed Rates	\$ 8,487,097		
		Percentage Change from Current	0.18%		

The rate design model compares the current rates with proposed changes. The tables on the next page are sample outputs for the residential class.

Proposed Work Plan and Project Approach

Proposed rates and percentage impacts at various levels of usage

Current Rates	2015 PROPOSED RATE DESIGNS		Cost of Service Rates
Monthly Customer Charge:		Monthly Customer Charge:	Monthly Customer Charge:
Customers #1	\$ 14.90	Customers #1	\$ 16.40
Winter Block 1 (0 - All kWh)	\$ 0.09483	Winter Block 1 (0 - All kWh)	\$ 0.09740
Summer Block 1 (0 - All kWh)	\$ 0.11475	Summer Block 1 (0 - All kWh)	\$ 0.11650
Revenues from Current Rates	\$ 43,615,239	Revenues from Proposed Rates	\$ 45,197,813
		Percentage Change from Current	3.63%

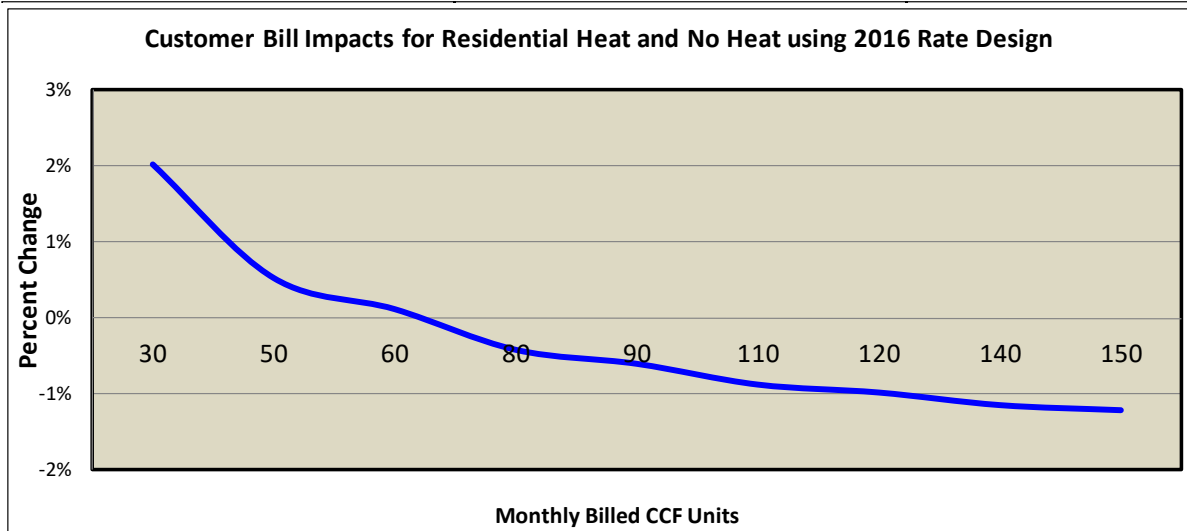


Residential dollar impacts of customers at various usage levels

RES Annual Bill Comparison					
Usage (kWh)	Current Bill (\$)	Proposed Bill (\$)	Dollar Change (\$)	Percent Change (%)	% Customers Ending in Block
230	\$ 39.00	\$ 41.00	\$ 2.00	5.12%	4.01%
330	\$ 49.48	\$ 51.69	\$ 2.21	4.47%	10.50%
430	\$ 59.96	\$ 62.39	\$ 2.43	4.05%	12.13%
530	\$ 70.44	\$ 73.08	\$ 2.64	3.75%	13.04%
630	\$ 80.92	\$ 83.78	\$ 2.86	3.54%	12.98%
730	\$ 91.40	\$ 94.47	\$ 3.08	3.37%	11.38%
830	\$ 101.88	\$ 105.17	\$ 3.29	3.23%	9.56%
930	\$ 112.35	\$ 115.86	\$ 3.51	3.12%	7.57%
1030	\$ 122.83	\$ 126.56	\$ 3.72	3.03%	5.53%

Proposed Work Plan and Project Approach

Residential dollar impacts of customers at various usage levels



Residential Class Annual Bill Comparison					
Usage (CCF)	Current Bill (\$)	Proposed Bill (\$)	Dollar Change (\$)	Percent Change (%)	
30	\$ 29.87	\$ 31.11	\$ 1.24	4.14%	
50	\$ 43.94	\$ 44.86	\$ 0.92	2.10%	
60	\$ 51.73	\$ 52.48	\$ 0.75	1.44%	
80	\$ 65.80	\$ 66.23	\$ 0.43	0.66%	
90	\$ 73.59	\$ 73.85	\$ 0.26	0.35%	
110	\$ 87.51	\$ 87.45	\$ (0.06)	-0.06%	
120	\$ 95.15	\$ 94.92	\$ (0.23)	-0.24%	
140	\$ 109.06	\$ 108.52	\$ (0.55)	-0.50%	
150	\$ 116.71	\$ 115.99	\$ (0.72)	-0.62%	

Time of Use Rates

Off-peak, or Time of use (TOU) rates reflect time or seasonal variability in the cost of power supply and offer time based rate options. For time of use rates to be effective in sending the proper price signal, the cost of service analysis is supplemented with marginal costs to identify and recommend appropriate charges on a time of use basis. We will identify on-peak and off-peak time periods for customers and work with management to develop proper pricing. Revenue stability is of primary concern and we will provide various rate design options that can be considered to help ensure the long term financial stability of the utility while encouraging energy conservation at peak hours. The distribution costs for time of use customers will be provided through the cost of service study.

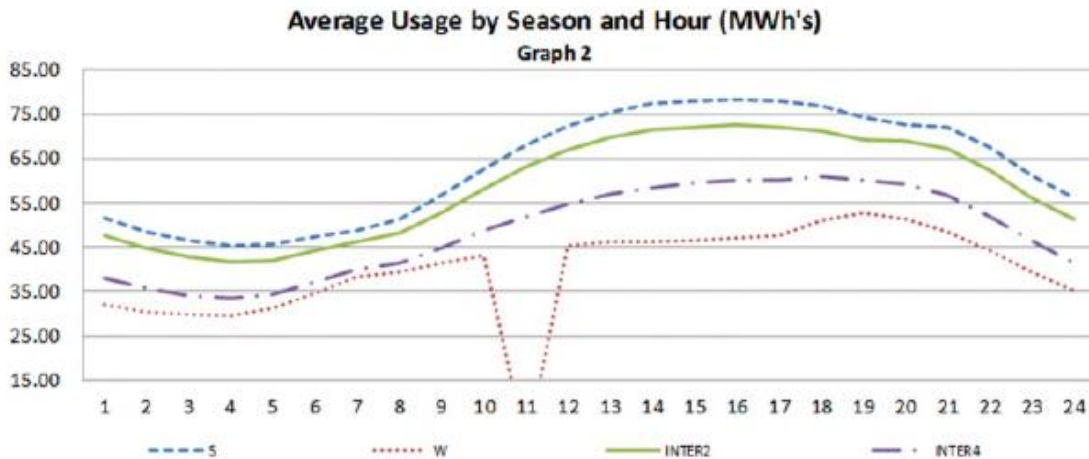
Using the hourly system load data provided by GRU and through analysis of current resources, we will dispatch the proper resources and identify the cost of providing service at each hour. The steps in the work plan are as follows:

- A. Identification of seasons where usage and costs tend to vary. Initially we will classify the information in the following manner.
 - Summer – July and August
 - Winter – December, January, February, and March
 - Inter 2 – June and September
 - Inter 4 – April, May, October, and November

Proposed Work Plan and Project Approach

B. Identification of On-Peak and Off-Peak hours

- We will review the hourly usage for each time period to identify when usage tends to increase and decrease. This will show when on-peak times should begin and end. The graph below is same outputs from the time of use development model:



C. Dispatch resources to each hour

- Using the hourly load information provided we will dispatch the power supply resources of GRU to each time period to identify the power supply costs by time period. The tables below are sample outputs from the time of use development model

<u>SUMMER AVERAGE COST PER MWh</u>		
June to September		
	<u>On-Peak</u>	<u>Off-Peak</u>
Total Hourly Cost	7,917,581	7,640,344
Total MWh's	38,158	139,213
Cost for Power Supply	<u>\$ 207.49</u>	<u>\$ 54.88</u>
System Losses	7.0%	7.0%
Retail Marginal Costs - mWh	222.02	58.72
<u>WINTER AVERAGE COST PER MWh</u>		
October to May		
	<u>On-Peak</u>	<u>Off-Peak</u>
Total Hourly Cost	10,711,515	13,054,264
Total MWh's	45,011	217,913
Cost for Power Supply	<u>\$ 237.97</u>	<u>\$ 59.91</u>
System Losses	7.0%	7.0%
Retail Marginal Costs - mWh	254.63	64.10

- D. Identify the distribution and customer charge component of the rate through review of the cost of service study. The cost of service study identifies the distribution and customer charge component of the rate and is added to the power supply costs. The table on the next page shows the output from the model:

Proposed Work Plan and Project Approach

Summer Rates				
	Customer Charge	On Peak	Off Peak	Demand Charge
Residential	15.98	0.246	0.082	
Commercial General	28.97	0.245	0.082	
Commercial Demand	126.99	0.222	0.059	7.39
Winter Rates				
Residential	15.98	0.278	0.088	
Commercial General	28.97	0.278	0.087	
Commercial Demand	126.99	0.255	0.064	7.39
Summer On Peak Hours		2:00 PM - 7:00 PM		
Winter On Peak Hours		6:00 AM - Noon		

UFS has models established to incorporate hourly load data for each class to identify the following:

- Sum of individual annual demands by rate class/schedule.
- Monthly non-coincident demand peaks by rate class/schedule.
- Monthly coincident demand by rate class/schedule.
- Time-of-use energy by rate class/schedule.
- Critical peak energy by rate class/schedule.

Example outputs from our load research model are below. They identify the monthly load factor for the class, date and time of peaks and usage at the time of the system peaks.

RESIDENTIAL CUSTOMER CLASS									
Month	Assigned Season	MWhs in Month	Peak Demand		Hours in Month	Monthly Load Factor	Class Peak Hour	Class Peak Date	Class Peak Day
			Month (MW)	Days in Month					
January	W	1,990	4.26	31	744	63%	18	1/8/2015	Thursday
February	W	1,896	4.25	28	672	66%	20	2/2/2015	Monday
March	W	1,755	4.05	31	744	58%	20	3/1/2015	Sunday
April	INTER4	1,362	3.24	30	720	58%	7	4/24/2015	Friday
May	INTER4	1,402	3.63	31	744	52%	17	5/25/2015	Monday
June	INTER2	1,561	4.65	30	720	47%	17	6/17/2015	Wednesday
July	S	2,009	4.71	31	744	57%	18	7/3/2015	Friday
August	S	1,737	4.22	31	744	55%	18	8/5/2015	Wednesday
September	INTER2	1,515	4.70	30	720	45%	18	9/1/2015	Tuesday
October	INTER4	1,404	3.06	31	744	62%	19	10/26/2015	Monday
November	INTER4	1,600	3.89	30	720	57%	19	11/26/2015	Thursday
December	W	1,822	3.96	31	744	62%	20	12/8/2015	Tuesday

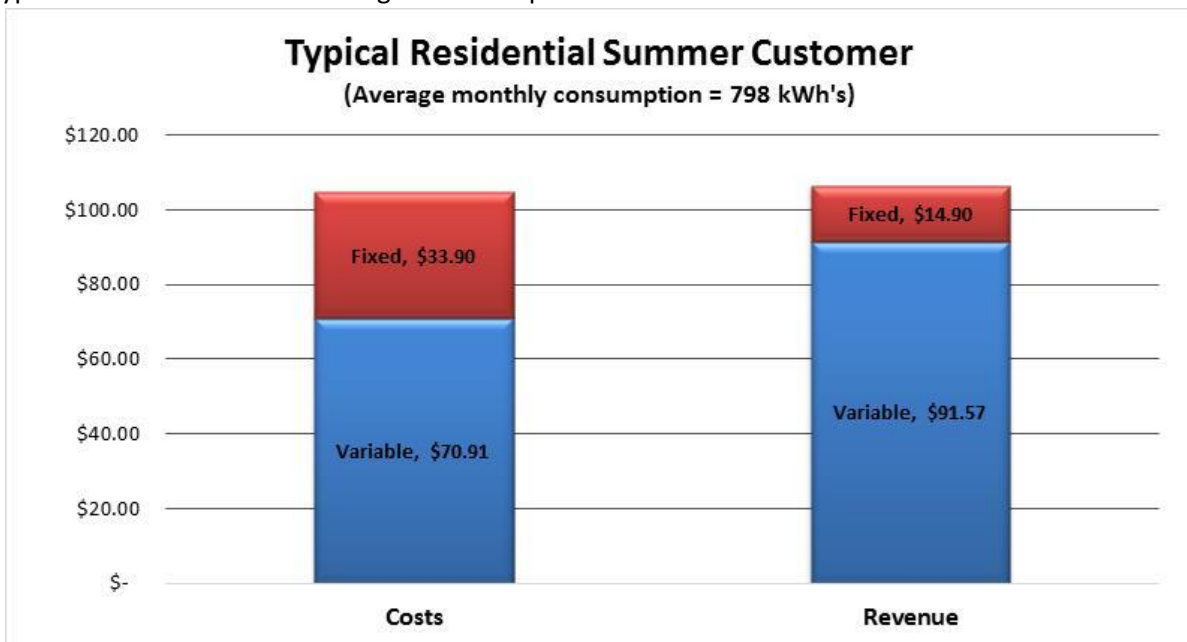
Proposed Work Plan and Project Approach

Renewable Energy – Net Metering and Avoided Cost

The growth of customer installed Photovoltaic (PV) may result in under-recovering the utilities’ fixed costs due to inappropriately structured residential rates. Many utilities face the following residential rate structure issues:

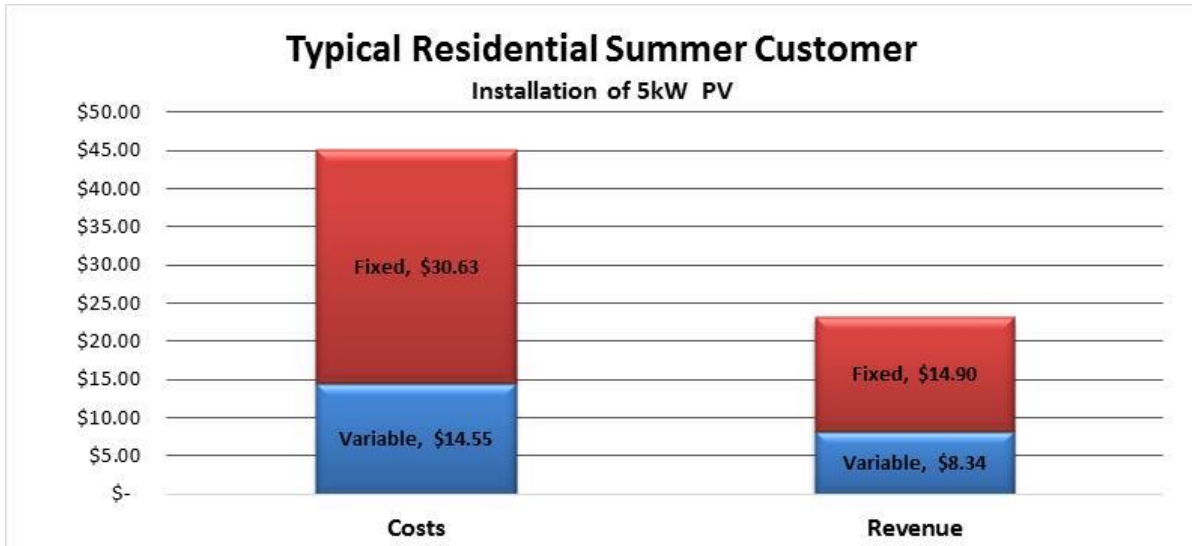
- Customer charges have historically been held low
- Many states require net metering customers with renewables rather than pricing on avoided costs
- Inverted block rate structures that shift fixed cost recovery to outer rate blocks
- Metering and billing limitations
- Historical practices of recovering fixed costs in the energy component of the rate

These issues have resulted in unstable revenue recovery and under-recovery of costs from customers installing distributed generation. This also causes cost shifts and subsidies. The current rate structures may artificially over-value or under-value distributed generation. The graph on the next page shows fixed and variable recovery for a typical residential customer using 798 kWh’s per month.



If the customer installed a 5kW PV generator producing 700 kWh’s (Estimated production from a 5kW PV) the billed energy consumption is reduced to less than 100 kWh’s. When the Utility applies its current rates to the remaining usage the revenues recovered from the customer are approximately \$23.00, however, the cost to provide electricity to the customer is \$45.00. This occurs because residential rate structures do not align with costs.

Proposed Work Plan and Project Approach



For this utility the under-recovery occurs because distribution costs should be recovered through a demand charge and customer charges rather than through the energy (kWh) charge. A variety of difficulties and limitations exist to correct the rate structure, although some can be easily corrected. They include:

- Limitation on metering & billing systems
- Education of the governing body & customers
- Opposition from interveners and special interest groups
- Past practices in rate designs
- Incorrect price signals sent by certain Joint Action Agencies

Executive Report and Deliverables

Format of Reports

UFS reports are typically separated into two reports listed below:

- **Executive Summary Report** – An overview that identifies the objectives, process and results of the rate study in a clear and concise format, the report includes graphs, charts, tables and recommendations.
- **Rate Design Recommendation Report**– The rate design report is a separate module. To ensure efficiency and timeliness of the study the executive summary is provided to management for input into the rate design process. The rate design report 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.

The following meetings are anticipated:

- Initial meeting – Clarify scope of services, expectations of management and preliminary fieldwork (Conference call and/or webex)
- Fieldwork – Fieldwork will be conducted to verify data
- Review draft reports with management (Conference call)
- Final Report review with management (Conference call)
- Three Presentations as requested by management such as review report with Executive staff, UAB, and the City Commission

Proposed Work Plan and Project Approach

Clarifications and Exceptions

Proposed Clarification to section 4.0: Deliverables and Required Timeline

Our experience with municipal utility cost of service and rate design studies, allows us to conduct a cost effective and efficient study. To properly conduct and complete a study, UFS requires 12 weeks from receipt of data to produce a Final Report. UFS respects the time sensitive nature of this project, however adequate time to complete the studies is imperative. UFS proposes the following timeline, applicable to all utility studies:

Action	Date	Comments
Project Kick off Meeting	Prior to September 1 start	Billed after contract execution on September 1st
Official Start Date	September 1, 2017	Information request provided prior
Receipt of Data from GRU	September 15, 2017	Two weeks following September 1 st
Project Work by UFS	9/18/2017 – 11/17/2017	Nine weeks required
Draft Report	November 30, 2017	
Final Report	December 8, 2017	Revisions may be made within one week barring coordination with GRU and any additional information requirements
Presentation – Executive Staff	December 2017	Available following December 8 th Report
Presentation - UAB	January 2017	
Presentation – City Commission	February 2017	

Company Qualifications and Experience

Qualifications Introduction

UFS has a long standing relationship and over 15 years of history in assisting municipalities with cost of service and financial analysis for Electric utilities and are recognized experts in the utility field. Our group and the project team assigned to this engagement is composed of highly qualified, experienced, and knowledgeable professionals who remain current on all issues facing utilities. UFS' reputation has resulted in an industry leading status shown by our frequent request to instruct classes and speak at conferences around the nation, the number of rate studies we have completed.

UFS provides consulting services to assist publicly-owned utilities in meeting their strategic and financial objectives. Services are designed to ensure complete client satisfaction and a commitment that:

- Services will be completed in the agreed upon timeframe
- Services are delivered within budget for services requested
- Services provided will meet or exceed client expectations
- Services will be unbiased and independent recommendations provided to the utility

The Project Manager for GRU will be Mark Beauchamp, CPA, CMA, MBA and staff as listed in this proposal. The resume of each individual is included in the resume section of this proposal.

Our experience and commitment to publicly-owned utilities ensures that we understand the issues they face and can assist in providing a variety of services including:

- Electric cost of service and rate design
- Review of indirect cost allocations
- Fee and ancillary service charges
- Cost reduction strategies and benchmarking analysis for utilities
- Financial analysis and feasibility studies for offering telecommunication services
- Evaluating and developing policies and procedures
- Econometric forecasts of sales and load growth
- Utility valuation services
- Power supply negotiation and financial analysis

Company Qualifications and Experience

Summary of Qualifications and Experience

Industry Leading Status

Utility Financial Solutions, LLC (UFS) are recognized experts in the utility field assisting electric utilities with cost of service and financial analysis. UFS is an industry leader and frequently requested to teach classes and present at electric utility conferences around the nation.

Training for Utility Management and Governing Bodies

UFS teaches a series of cost of service, rate design and financial training courses for utility management and governing bodies through American Public Power (APPA) education institutes, on-site training, and webinars. We are instructors for their training courses to assist with their certification program. Additionally, UFS teaches Water Cost of Service and Rate Design for EUCI who is an industry leader in conferences and courses around the nation.

Training for Utility Staff

UFS personnel are the instructors on cost of service and financial planning courses offered through the American Public Power Association (APPA) and the National Association of Regulatory Utility Commissioners (NARUC). 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

Conference Presentations

UFS staff are frequently requested to present special topics at regional conferences around the nation including the APPA's National Conference, Educational Institutes, E&O Workshop and the Business and Financial Workshop. A sample of recent presentations are listed below:

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

UFS' industry leading status has allowed us to present courses on distributed generation to the US Department of Energy and provide them with proper pricing methods to recover costs and promote renewable generation.

Company Qualifications and Experience

Quality Control

Proper quality control and management includes help ensure the accomplished work is in alignment with the project scope, is completed timely, within budget and the results are accurate and defensible. UFS implements a number of quality controls to achieve these desired goals, including a three level review of the financial projection, cost of service studies and that rate designs achieve the desired revenue requirements. The quality controls developed by UFS are specific to utility rate studies and are based on our prior experience working with electric utilities in the USA, Guam, the Caribbean and Canada. All portions of our studies include the following at a minimum:

1. Development of a detailed work plan based on scope of services and discussion with management
2. Establish work plan with projected milestones and timelines
3. Proof and Balance historical usage, expenses, and revenues with audited financial statements
4. Compare UFS financial projections with utility budgets
5. Review by Project Manager of projections and cost of service study
6. Review by UFS President or Vice-President of study results
7. Presentation of results by UFS with Utility Staff prior to finalizing study

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. GRU requests the term of Contract be one year, commencing on September 1, 2017, with presentations concluding in February 2017.

Experience:

UFS extensive experience includes completion of rate studies in 43 states, including Florida and Guam, the Caribbean and Canada. We have worked with small utilities as well as some of the largest public power systems around the Country. A small sample includes: Nashville TN, Rochester MN, Danville VA, Naperville IL, Cedar Falls Iowa, Palo Alto CA, and Imperial Irrigation District.

UFS works with the utilities governing bodies to obtain rate approvals and develops rates to assist utilities in meeting the community's objectives. We have become the nation's leader in rate development and a sample of some of our services is listed below:

Development of power cost adjustments

- Time of use rates
- Economic Development Rates
- Standby rates
- Distributed Generation Rates
- Line extension policies
- Street lighting rates
- Combining or expanding rate classes

Company Qualifications and Experience

Experience in Florida

UFS has provided services to utilities in Florida including rate studies and training for the City Council. We have given presentations to Keys Energy Services are experienced in working with Lake Worth Electric Department. UFS has worked in a number of states where the Investor-Owned utilities have customer choice and for Public Power systems that have elected customer choice.

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. UFS only provides financial services related to Financial Planning, Cost of Service and Rate Designs for Utilities.

Diversity of UFS Staff

The proper development of rate study requires knowledge in accounting, finance, economics and engineering. Utility staff has diverse backgrounds that include degrees in accounting (CPA), engineering, finance, economics and information technology.

Similar Past Studies

In the past 36 months UFS has completed electric cost of service studies for a number of utilities around the nation of similar scope of services. Utilities listed on the next page vary from small to large public power systems.

Company Qualifications and Experience

Electric Client

Ainsworth NE - KBR Rural PPD	Georgetown Utility Systems TX	Morgan UT	Sitka AK
Algona IA	Grand Electric Cooperative SD	Murfreesboro TN	Smethport PA
APPA	Grand Haven BPW	Muskegon MI	Smithfield NC
Apex NC	Grand River Dam Authority OK	Naperville IL	South Bend Hydro
Arapahoe NE	Groton CT	Nashville TN	South River NJ
Ashland OR	Hamilton NC	New Carlisle IN	South San Joaquin Irrigation District CA
Austin Energy TX	Hannibal MO	New Castle DE	Southern Public Power District NE
Austin MN	Hertford NC	Newberry SC	Stanton NE
Ayden NC	Highland IL	Newton Falls OH	Stillwater OK
Azusa CA	Hillsdale MI	Niles MI	Sturgis MI
Battle River REA - Camrose AB Canada	Holland BPW MI	Niles OH	Tahlequah OK
Bay City MI	Howard Greeley NE	Niobrara Valley NE	Traverse City MI
Bedford VA	Hubbard OH	Norris NE	Turlock CA
Benton County PUD WA	Hudson OH	North Attleborough MA	Twin Valleys NE
Boulder CO	Hurricane UT	North Central Irrigation NE	UAMPS
Brainerd MN	Imperial CA - IID	North Central PPD NE	UPPCO MI
Bryan OH	Independence MO	North Little Rock AR	Wadsworth OH
Burt County PPD NE	Indiana Municipal Power Agency	Northeast Nebraska PPD	Wagoner OK
Butler PPD NE	Jasper IN	Oak Harbor OH	Washington City NC
Cedar Falls IA	Kaysville City UT	Oberlin OH	Washington City UT
Cedar- Knox NE	Kennett MO	Orrville OH	Watertown SD
Charlevoix MI	Kerrville TX	Painesville OH	Waverly IA
Chaska MN	Keys Energy Services FL	Palo Alto CA	West Central CoOp SD
Chelsae MI	Lake Worth FL	Perennial Power District NE	Westerville OH
Clallam County WA	Lebanon IN	Petoskey MI	Westfield MA
CLECO, LLC	Lewes DE	Philippi WV	Winnetka, IL
Cleveland Public Power OH	Lexington NC	Platte River CO	WPPI Energy
CMEEC	Lincoln NE - MEAN - NMPP	Polk County PPD NE	Zeeland BPW MI
Coffeyville KS	Linden IN - Tipmont REMC	Poplar Bluff MO	
Coldwater MI	Lodi OH	Princeton IL	
Colorado Springs CO	Los Alamos NM	Pulaski Electric System TN	
Columbia MO	Louisburg NC	Rancho Cucamonga CA	
Columbia TN	Loup River NE	Rantoul IL	
Conway AR	Loup Valleys NE	Richlands VA	
Cornhusker NE	Loveland CO	Richmond IN	
Custer Public Power District NE	Lowell MI	Riviera Utilities AL	
Cuyahoga Falls OH	Lucas OH	Rochelle IL	
Danville VA	Manassas VA	Rochester MN	
East Norwalk CT	Marquette MI	Rock Falls IL	
Easton MD	Martinsville VA	Rosebud Electric Cooperative SD	
Edmond OK	Mascoutah IL	Roseville CA	
Elkhorn NE	McMinnville OR	Santa Clara UT	
Energy Northwest - Richland WA	Merced Irrigation District CA	Scotland Neck NC	
Ephrata PA	Mesa AZ	Selma NC	
Farmville NC	Milford DE	Seville OH	
Fort Collins CO	Milltown NJ	Seward County NE	
Front Royal VA	Mishawaka IN	Shasta Lake CA	
Fulton County REMC - Rochester IN	Mishawaka IN	Shelby NC	
Gastonia NC	Missouri Public Utility Alliance	Shelby OH	
Geneseo, IL	Missouri River Energy Services SD	Sikeston MO	

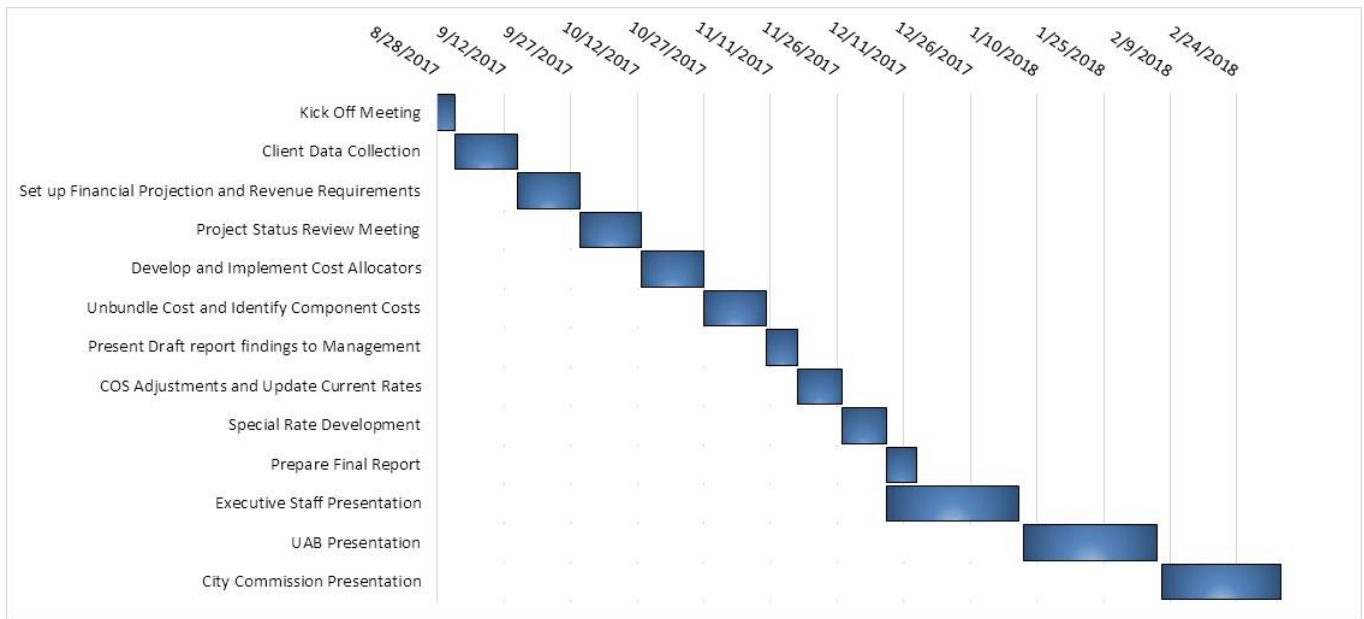
Proposed Method

Proposed Method

The following is the tentative project schedule for completion of the electric cost of service and rate design. This schedule will be finalized during the initial project kick-off meeting with management prior to September, 2017.

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

THE COMPLETION OF THE PROJECT ON THE PROPOSED SCHEDULE IS DEPENDENT ON THE COOPERATION OF VARIOUS DEPARTMENTS WITHIN GRU TO PREPARE THE INFORMATION REQUEST IN A TIMELY MANNER.



Fees and Expenses

Fees and Expenses

Hours and Fees

Electric	
2019 Financial Projection, Cost of Service, Rate Design	\$47,000.00
Time of Use Rate Development	\$12,000.00
Environmental Cost Recovery Factor Rate	\$2,000.00
Gas	
2019 Financial Projection, Cost of Service, Rate Design	\$28,000.00
Water	
2019 Financial Projection, Cost of Service, Rate Design	\$25,500.00
Wholesale Water Rate for University of Florida	\$6,500.00
Alachua Wholesale Rate Applicability	\$6,500.00
Wastewater	
2019 Financial Projection, Cost of Service, Rate Design	\$25,500.00
Connection Charges	\$7,000.00
Presentations and Expenses	
Three Onsite Presentations for All Utilities	\$12,000.00
Estimated Out-of-pocket Expenses	\$8,200.00
Total for all four Utilities	\$180,200.00

Prices, terms, and conditions are good for a period of 90 days from this date.

Payment will be made through submission of invoice which itemizes the work performed. “Total not to exceed amount” does not include on-site or travel expenses.

Out of Scope Services – on-site and travel expenses

Out of Scope services, if deemed necessary and agreed upon by GRU, will be billed at the hourly rates listed below. Any out of pocket expenses will be billed at cost.

Name	Title	Hourly Rate
Mark Beauchamp	President	\$295.00
Dawn Lund	Vice President	\$250.00
Dan Kasbohm	Manager	\$230.00
Mike Johnson	Manager	\$230.00
Chris Lund	Business and Technology Manager	\$195.00
Joan Bakenhus	Senior Financial Analyst	\$135.00
Jillian Beauchamp	Financial Analyst	\$115.00
Robert Blank	Financial Analyst	\$105.00

In addition, travel time will be billed at 50% off of regular rates.

References

References

Keys Energy Services, Florida

Client Contact: Jack Wetzler; Assistant GM & CFO

Phone/Email: 305-295-1013 / jack.wetzler@keysenergy.com

Scope of Work: Keys Energy Services (KEYS) is the public power utility for the Lower Florida Keys. Headquartered in Key West, Florida, KEYS provides electricity from Key West to the Seven-Mile Bridge and serves more than 28,000 customers. UFS completed a financial projection, Cost of Service, Rate Design, Fee Analysis, Line Extension, Street Light analysis, Time of Use rate design and presentation to the Board of Directors.

Rochester Public Utilities, Minnesota

Contact: **Bryan Blom, Manager Finance & Accounting**

Phone/Email: 507.280.1616 / BBlom@RPU.ORG

Scope of Services UFS completed an electric and water cost of service and rate design study in 2011, updated in 2014 and are currently updating the electric cost of service study. Project included completion of the following tasks:

- Developed time of use rate structures for residential, commercial and Industrial rate classes
- Seasonal customer rates
- Review and assistance with Street Lighting rates
- Development of car charging station rates
- Development of time of use rate structures
- Long-term financial plan and rate track
- Review and recommendations for power cost adjustment
- Identification of minimum cash reserves
- Rate design for all rate classes
- Identification of financial goals and targets
- Review of Power Factor Penalty
- Review of Ratchet Clause
- Presentation to Board of Directors

Cedar Falls Utilities, Iowa

Contact: **Lynn Mershon, Finance & Rates Coordinator**

Phone/Email: 319.268.5394 / Lynn.Mershon@cfunet.net

Scope of Services UFS completed an electric, water and gas cost of service and rate design study in 2013 and a detail street lighting analysis in 2014. Project included completion of the following tasks:

- Developed time of use rate structures for residential, commercial and Industrial rate classes
- Review and assistance with Street Lighting rates
- Long-term financial plan and rate track
- Identification of minimum cash reserves
- Rate design for all rate classes
- Identification of financial goals and targets
- Presentation to Board of Directors

References

Holland BPW, Michigan

Client Contact: Dave Koster; General Manager

Phone/Email: 616-355-1500 / dgkoster@hollandbpw.com

Scope of Work: UFS completed an Electric, Water and Wastewater cost of service study in 2009 and updated the Electric Cost of Service in 2016 and are current completing updates of the Water and Wastewater cost of service study. The study included a review of the wholesale water and wastewater rates and a valuation study of the wastewater treatment plant. The electric cost of service study included a time of use rate development.

Kalamazoo Water and Wastewater Regional Authority, Michigan

Contact: **Rich Pierson, Director Regional Authority**

Phone/Email: 269-998-4587 / rp5343@yahoo.com

Scope of Services: UFS completed wholesale contract reviews of water and wastewater cost of service studies and negotiations on new water and wastewater contracts. Services have been provided since 2008. Project included completion of the following tasks:

- Review of current water and wastewater cost of service methodology
- Appropriate use of utility basis of ratemaking in contract
- Completion of cost of service studies
- Negotiations on new contract for services
- Numerous presentations to Regional Authority

Brainerd Public Utilities, Minnesota

Client Contact: Todd Wicklund; Finance Director

Phone/Email: 218.825.3220 / twicklund@bpu.org

Scope of Services: UFS completed electric, water, and wastewater studies from 2012 – 2017. The studies included completion of a cost of service study, long-term financial plan, rate design, time of use rate development, and presentation to board of directors for each utility.

Danville Utilities, Danville, Virginia

Client Contact: Jason Grey; Director of Utilities

Phone/Email: 434.799.5270 / greyjc@danvilleva.gov

Scope of Services: UFS completed electric, water, wastewater, telecommunications and gas studies from 2014 – 2015 Completion of five year financial plan, setting minimum cash reserves, target operating income and review of debt coverage ratios for each utility. Present findings to Board of Directors. The studies included completion of the following for each utility:

- Long-term financial projection & rate track
- Cost of service study for the electric, water and wastewater departments
- Rate Designs to meet projected revenue requirements
- Development of minimum cash reserve policy
- Development of wholesale water rates
- Presentation to the Board of Directors

Designated Consultant / Project Manager

Name and title of primary contact person

Mark Beauchamp, MBA, CPA, CMA
 President, Utility Financial Solutions, LLC
 E-mail - mbeauchamp@ufsweb.com
 Cell - (616) 403-5450

Date firm established - UFS was established in September, 2001

Mark meets required level of experience as specified in section 11.0 of Supplemental Conditions of the RFP document. Please see References section for examples of client work.

Proposed service team including titles and responsibilities

Mark Beauchamp, President
 Dawn Lund – Vice President
 Dan Kasbohm – Manager
 Mike Johnson – Manager
 Chris Lund – Business and Technology Manager
 Joan Bakenhus – Senior Financial Analyst
 Jillian Beauchamp – Financial Analyst
 Robert Blank – Financial Analyst

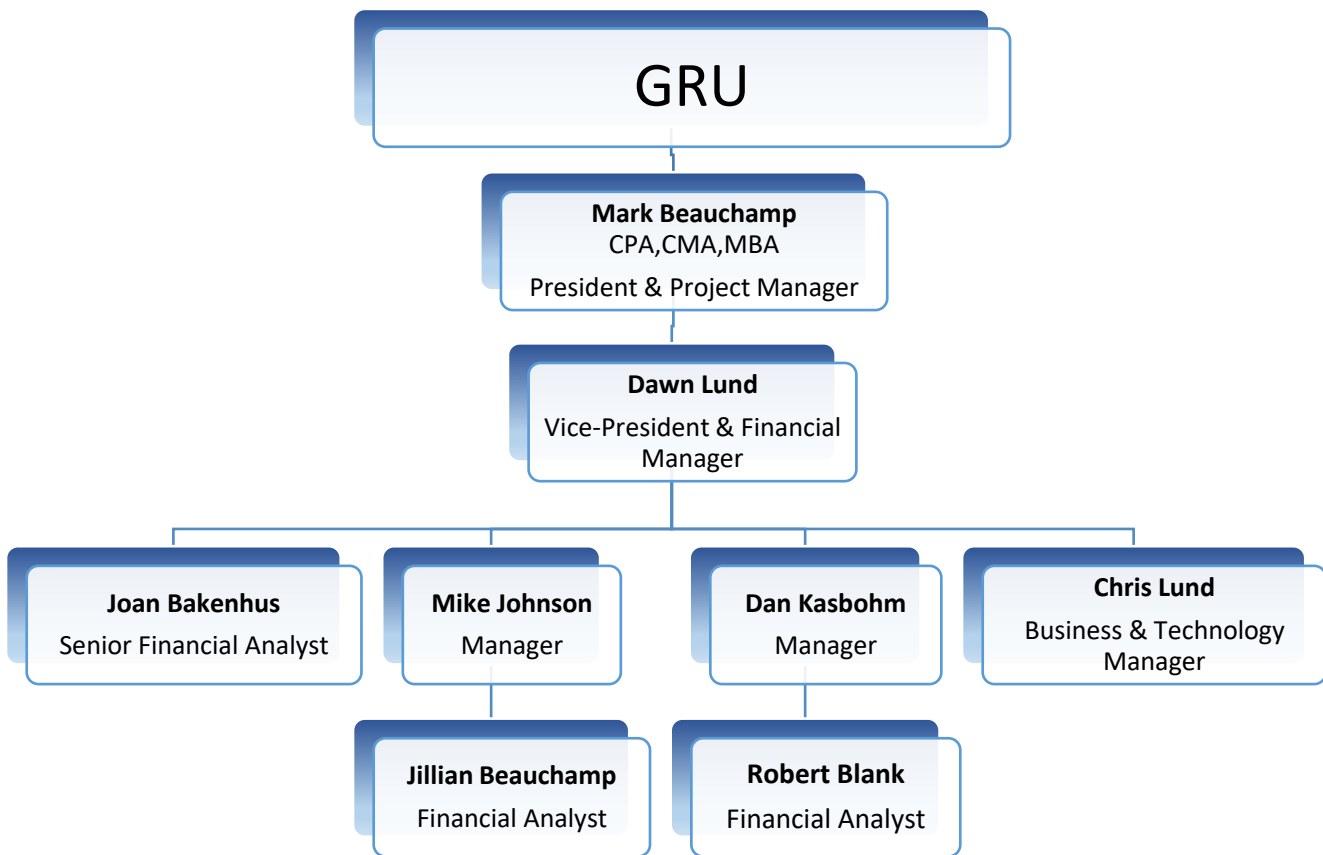
Full Time Staff and Office Locations	
Main Office and Contact, Authorized to negotiate and bind contract: Title: President Mark Beauchamp 185 Sun Meadow Ct Holland MI 49424 UFS – 16 Years Industry Experience – 34 years Phone 616-393-9722 Fax 888-501-0998 Cell 616-403-5450 mbeauchamp@ufsweb.com www.ufsweb.com	Authorized to negotiate and bind contract: Title: Vice President Dawn Lund 604 S Lake St Leland MI 49654 UFS – 13 Years Industry Experience – 21 years Phone 231-256-0092 Fax 888-566-4430 Cell 231-218-9664 dlund@ufsweb.com www.ufsweb.com
Title: Senior Analyst Dan Kasbohm 14986 Sandstone Road Grand Haven MI 49417 UFS – 10 years Industry Experience – 10 years Phone 616-846-6464 Fax 888-499-6609 Cell 616-402-7045 dkasbohm@ufsweb.com www.ufsweb.com	Title: Senior Analyst Mike Johnson 4901 Hermsmeier Road Madison WI 53714 UFS – 6 Years Industry Experience - 21 years Phone 608-230-5849 Fax 888-809-9640 Cell 608-609-6279 mjohnson@ufsweb.com www.ufsweb.com

Project Team Qualifications

Proposed team members

UFS has put together a project team with the knowledge and experience to successfully meet your requirements and to deliver the report by the agreed upon time-frame. The team has over 100 years of combined experience performing similar studies for utilities. This provides GRU with the experience to creatively solve financial and operational issues and help ensure financial stability in future years. The project team assigned has three team members located in Michigan plus support services out of Wisconsin and Nebraska. This team has completed cost of service, financial plans and rate design studies in 43 States, Guam and the Caribbean.

The personnel assigned to this engagement are listed below:



Staff Availability

Utility Financial Solutions has adequate staff available to complete the tasks in the timeline requested in the RFP.

Resumes

The next section consists of resumes of the team members assigned to this engagement.

Project Team Qualifications



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

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 and 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

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

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

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

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

Project Team Qualifications

Dawn Lund

Vice-President, Utility Financial Solutions, LLC



Dawn has 21 years' experience pricing and marketing utility services for electric, water and wastewater. Dawn has worked with UFS for over 10 years 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. Dawn has the following experience:

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 and the Caribbean
- 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 courses
- Monthly presentations to various organizations on topics such as: 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 electric rate designs to meet financial and social objectives of utility
- Development of special rates for electric utilities including Net Metering, Economic Development and Time of Use

Other Utility Tools

- Development of power (fuel) cost adjustments for electric utilities
- Development of connection charges for water and wastewater utilities
- Review and recommend changes to ordinances related to utility operations
- Development of fees for utility services
- Business plan development for telecommunications and pricing of fiber services to customers
- Determining high strength surcharge rates for wastewater treatment plants consistent with EPA requirements
- Development of marketing plans for utilities
- Experienced in pricing electric line extension fees and system development charges

Project Team Qualifications

Mike Johnson

Manager, Utility Financial Solutions, LLC



Mike joined Utility Financial Solutions in 2011 and has over 20 years' experience assisting utilities. He has a Higher National Diploma in Mechatronics (Combined Electrical/Mechanical Engineering). Mike is experienced in cost of service, rate making, financial/operational modeling, automation, electric utility operations, and power supply.

E-mail: mjohnson@ufsweb.com

Cellular: 608.230.5849

Location: Madison, WI

Cost of Service

- Development of cost of service studies for electric, communication, gas, water and Wastewater utilities
- Forecasts utility revenue requirements
- Cost allocation model development

Rate Design

- Provides cost of services class allocations and rate making
- Designs time of use rates
- Identify effects for different usage patterns within the same class
- Development of rates for alternative fuels and vehicles
- Evaluate marginal costs and development of line extension policies and economic development rates

Expert Witness Services

- Prepared and testified on filings to Public Utility Commission

Long Term Financial Analysis

- Develops utility financial analysis models
- Identifies growth and load forecasting
- Models rate and revenue effect for customer change within utilities (loss of customers/additional load)
- Develops target metrics for utilities including cash policies, operating income, debt coverage

Other Utility Tools

- Computes cost functionalization and allocation systems for designing and managing complex changes
- Evaluates data and system integration issues associated with new software implementations
- Provides market analysis, bidding and settlement processes analysis
- Identification and valuation of fixed assets
- Assessment of utility value for sales/purchase
- Development of risk mitigation tools, power/fuel cost adjustment mechanisms

Project Team Qualifications

Dan Kasbohm

Manager, Utility Financial Solutions, LLC



Dan joined Utility Financial Solutions in 2007 and has experience in conducting cost of service and financial analysis for electric, water, wastewater and cable utilities around the nation. He has a Bachelor of Science degree in Engineering and was employed in the automotive industry for 16 years. Dan is a co-instructor for the Basic and Intermediate Cost of Service courses for the American Public Power Association and has the following experience:

E-mail: dkasbohm@mail.ufsweb.com

Cellular: 616.402.7045

Location: Grand Haven, MI

Cost of Service (COS)

- Identification of fixed/variable costs related to:
 - Customer availability to be served
 - Commodity based costs
 - Demand based costs
- Identification of class to class subsidization
- Utility cost breakdown by function
- Detailed cost unbundling

Long-term financial analysis & identification of:

- Utility revenue requirements (utility and cash based methods)
- Debt Coverage conformance
- Minimum cash requirements
- Optimal operating income targets
- Optional rate adjustments in projected years

Presentation/Training

- Presenting study results to management and governing body of utility
- Provide utility training on use of projection & COS models
- Co-Instructor for the American Public Power Association Academy
 - Basic & Intermediate Cost of Service

Rate Design

- Current Utility rate structure updates
 - Utility revenue impact
 - Customer bill impacts at various usage levels
 - Identify revenue stability of rates
 - Rate survey analysis
- Development of new rates including:
 - Time of Use (seasonal, daily, hourly)
 - Power Cost Adjustment (PCA)
 - Coincidental-Peak Rates
 - Economic Development rates
 - Street lighting rates

Other Utility Tools

- Power Cost Adjustment mechanisms based on utility cash position, objectives and dispatch profile
- Street Light Cost of Service by light and pole types
- Load Profile Analysis to identify utility and customer usage patterns
- Power supply forecasting
- Implementation of a justified minimum cash policy
- Calculation of fees for standard utility work
- Development of line extension policies

Project Team Qualifications

Joan Bakenhus

Senior Financial Analyst, Utility Financial Solutions, LLC



Joan has 17 years' experience working with municipal utilities and 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 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. Joan's experience includes:

E-mail: 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 a number of 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 and timing of rate adjustments

Project Team Qualifications

Chris Lund

Business & Technology Manager, Utility Financial Solutions, LLC



Chris has a bachelor’s degree in Business Administration with concentration in Computer Science and Speech Communications. He has been a technology and management consultant for over 20 years. Chris is an employee of UFS and has also sub-consulted on a variety of technology projects for UFS since 2003. A few of the highlights are below:

E-mail: clund@ufsweb.com

Cellular: 231.342.9798

Location: Traverse City, MI

Financial Consulting

- Completed cost of service and rate design studies for electric, water, wastewater, telecommunications and refuse utilities
- Designed, wrote and implemented long term financial projection model including revenue requirements and rate track
- Determined avoided cost for solar (photovoltaic - PV) and wind for renewable energy rates
- Lead consultant for electric vehicle (EV) rates and service study
- Conducted multiple fiber optic cost of service and rate design studies
- Presentations to City Councils and Boards for approval of utility rates and proposed rate tracks

Data Analytics

- Data mining and analysis specialist for electric load data research
- Specialist with data mining, data conversion and custom reporting
- Experienced with various ODBC (database connectivity)
- Implemented job costing solution for manufacturing companies
- Designed, written, implemented, supported multiple, custom bar coding and data collection systems for wholesale distribution and manufacturing organizations
- Data collection systems pushed data to payroll for time and attendance, automated inventory tracking and job costing

Technology Experience

- Experienced in Microsoft Excel automation – including payroll data, job costing and automated billing (office automation)
- Experienced in Microsoft Access custom database, programming and reporting – including electronic data interchange (EDI) mapping using Microsoft VBA
- Lead consultant for multiple mission critical, corporate wide enterprise resource planning (ERP) technology solutions
- Implemented, trained and supported multiple telecommunications projects
- Implemented and supported some of the first voice over internet protocol (VOIP) telecommuting systems
- Guide management with technology related strategy and business integration
- Modification and complete custom program solutions on midrange and PC
- Wrote automated bill of material (BOM) purchasing forecasting system
- Specify, install and maintain mission critical PC network infrastructure, servers, workstation and related software
- Experienced in network security and virtual private network (VPN) technology
- Implemented and supported web storefronts integrated with corporate backend database solution for inventory management, order processing, billing and account status

Project Team Qualifications



Jillian Beauchamp, MEC.

Financial Analyst, Utility Financial Solutions, LLC

E-mail: jbeauchamp@ufsweb.com

Cellular: 616.283.8502

Location: Holland, MI

Jill has been with UFS since 2013. She has a Bachelor's degree in Mathematics and a Master's degree in Applied Economics from Johns Hopkins University. Jill has populated and analyzed cost of service models, developed long-term financial projections, and designed rates for utilities. Jill specializes in econometric modeling and statistical analysis to project sales and usage. She has worked with a variety of econometric software packages and is competent in handling seasonality, trend, heteroscedasticity, and other economic inefficiencies that arise in data analysis. Jill is skilled in the following:

- Forecasting Utility revenue requirements
- Projecting revenues and expenses, asset depreciation, and net book value
- Designing rates based on Cost of Service results
- Analyzing rate payer impacts and sensitivities
- Working with Utility Staff to identify study goals and understand organization
- Keeping up to date on the current economic impacts of renewable energy, the relationship to the Clean Power Plan legislation, and potential effects on the Electric Industry



Robert Blank

Financial Analyst, Utility Financial Solutions, LLC

E-mail: bblank@ufsweb.com

Cellular: 616.403.9926

Location: Holland, MI

Robert has been working for Utility Financial Solutions since May of 2014 and has a Bachelor's of Business Administration with a major in Finance from Davenport University. Over his time at UFS he has conducted Utility rate surveys as well as developed rate designs. Robert has experience with long term financial projections and cost of service studies for Electric, Water, Wastewater, and Gas utilities. Robert's experiences include:

- Developing rate design models for electric utilities
- Conducting Rate Surveys
- Responsible for analysis of financial statements and preparation of cost of service models
- Working with utilities to identify the information needed to conduct an accurate cost of service study
- Calculating Minimum Cash Reserve levels, Target Operating Income, and Debt Coverage Ratios

Resources

Resources

Each study will be performed in accordance with the timeline noted in the Proposed Method section of this proposal. Utility Financial Solutions, LLC proposes the following project teams:

Overall Project Manager – Mark Beauchamp

Electric Utility Studies	
Manager	Mike Johnson
Net Metering and DG Manager	Chris Lund
Financial Analyst	Jillian Beauchamp
Water Utility Studies and Wholesale Rate Development	
Manager	Dawn Lund, Vice-President
Financial Analyst	Joan Bakenhus
Wastewater Utility Studies	
Manager	Dawn Lund, Vice-President
Financial Analyst	Joan Bakenhus
Gas Utility Studies	
Manager	Dan Kasbohm
Financial Analyst	Robert Blank

Additional Information

UFS does not claim Local Preference, SBE/SDVE, Small Business Enterprise, or Service-Disabled Veteran Enterprise.

Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from proposal date of 06/01/2017. Payment will be made through submission of invoice which itemizes the work performed.

Total project fees for Scope of Services are \$180,200.00

Anticipated Meetings:

- Initial meeting – Conference Call to clarify scope of services, expectations of management and preliminary information request
- Fieldwork – Conference Call to verify data provided
- Draft Report with management - Conference call
- Final Report with management – Conference call
- Presentation to each: Executive Staff, UAB, City Commission – On-Site

Hourly Rates *(travel is discounted at 50%)*

Mark Beauchamp	\$ 295.00
Dawn Lund	\$ 250.00
Dan Kasbohm	\$ 230.00
Mike Johnson	\$ 230.00
Chris Lund	\$ 195.00
Joan Bakenhus	\$ 135.00
Support Staff	\$ 105.00 – 130.00

Deliverables (Electric/Gas/Water/Wastewater):

- 1) Long-term financial projection and rate track
- 2) Cost of Service Analysis
- 3) Minimum cash reserve determination
- 4) Debt Service Ratio
- 5) Target operating income (rate of return)
- 6) One-year rate design & revenue proof
- 7) Time of Use Rate (Electric)
- 8) Net Metering/Standby Rate (Electric)
- 9) Demand Billing Options (Electric)
- 10) Wholesale Water Rates
- 11) Water/Wastewater Connection Charges
- 12) Service Charges listed in 3.2.6

Out of Scope Services – on-site and travel expenses

On-site visits if deemed necessary and agreed upon, will be billed at actual out of pocket expenses – plus travel time discounted at 50% of regular rates. All cost incurred by schedule changes initiated by client after booking will be considered out of pocket. In addition, out of scope service work hours are billed at the hourly rates listed on this page.

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

Sincerely,

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

Date:

Accepted By:

Required Forms

Required Forms

CONTRACT SAMPLE

**CONTRACT BETWEEN THE CITY OF GAINESVILLE, d/b/a
GAINESVILLE REGIONAL UTILITIES, AND COMPANY NAME
FOR
COST OF SERVICE AND UTILITY RATES STUDY**

THIS CONTRACT is made and entered into this _____ day of September 2017, by and between the CITY OF GAINESVILLE, a Florida municipal corporation d/b/a GAINESVILLE REGIONAL UTILITIES (“GRU”), with offices located at 301 S.E. 4th Avenue, Gainesville, Florida 32601 and Utility Financial Solutions (“UFS”), a LLC corporation, with its principal place of business at Holland, MI, individually referred to as Party or collectively as Parties, respectively.

WHEREAS, GRU requires a cost of service and utility rates study; and

WHEREAS, GRU issued a Solicitation on May 1, 2017 for a cost of service and utility rates study; and

WHEREAS, Consultant submitted a Response dated June 1, 2017, to provide a cost of service and utility rates study; and

WHEREAS, GRU desires to enter into a Contract for the services described herein.

NOW, THEREFORE, in consideration of the covenants contained herein, the Parties agree to the following:

1. Consultant shall provide a cost of service and utility rates study.
2. GRU shall pay to Consultant for the faithful performance of this Contract a fixed lump sum in the amount of _____.

TERM OF AGREEMENT.

1. The term of this Contract shall be one (1) year, commencing on September 1, 2017 and terminating on September 1, 2018.
2. Beyond the extensions described above. This Contract may be extended for an additional six (6) months to allow for completion of a new agreement between the Parties.

Required Forms

IN WITNESS WHEREOF, the Parties hereto have executed this Contract on the date first above written in two (2) counterparts, each of which shall without proof or accounting for the other counterparts be deemed an original contract.

COMPANY NAME

**CITY OF GAINESVILLE d/b/a
GAINESVILLE REGIONAL UTILITIES**

BY: Mark Beauchamp
Name Mark Beauchamp
Title President

BY: _____
Justin Locke
Chief Financial Officer

Approved as to form and legality:

BY: _____
Keino Young
Utilities Attorney

Utilities Purchasing Representative:

BY: _____
Elizabeth Mattke, C.P.M., CPPO
Senior Buyer

Required Forms



GAINESVILLE REGIONAL UTILITIES / PURCHASING

Solicitation Number 2017-059 For Cost Of Service And Utility Rates Study

RESPONDENT'S CERTIFICATION

NAME OF CORPORATION, PARTNERSHIP, OR INDIVIDUAL: Utility Financial Solutions, LLC

PHYSICAL ADDRESS: 185 Sun Meadow Ct. Holland, MI 49424

FEDERAL IDENTIFICATION #: 20-5160845 STATE OF INCORPORATION: MI (Seal)

I have carefully reviewed this Solicitation including the scope, submission requirements, general information, and the evaluation and award process.

I acknowledge receipt and incorporation of the following addenda, and the cost, if any, of such revisions has been included in the pricing provided.

Addenda 1 through 1 acknowledged (if applicable).

I further acknowledge that: **Response is in full compliance with the specifications**; or Response is in full compliance with the specifications **except** as specifically stated and explained in detail on sheets attached hereto and labeled "Clarifications and Exceptions".

I hereby propose to provide the goods/services requested in this Solicitation. I agree to hold pricing for at least **60** calendar days from the Solicitation due date. I agree that GRU's terms and conditions herein take precedence over any conflicting terms and conditions submitted for GRU's consideration, and agree to abide by all conditions of this Solicitation.

I certify that all information contained in this Response is truthful to the best of my knowledge and belief. I further certify that I am duly authorized to execute and submit this Response on behalf of the organization as its agent and that the organization is ready, willing and able to perform if awarded.

I further certify that this Response is made without prior understanding, agreement, connection, discussion, or collusion with any other person, company or corporation submitting an offer for the same product or service; no officer, employee or agent of GRU owns or will benefit more than 5% from award of this Solicitation; and the undersigned executed this Respondent's Certification with full knowledge and understanding of the matters therein contained.

 05/26/2017
 AUTHORIZED SIGNATURE DATE

Mark Beauchamp President
 PRINT NAME TITLE

616.393.9722 / 616.403.5450 _____
 TELEPHONE NUMBER FAX NUMBER

mbeauchamp@ufsweb.com
 E-MAIL ADDRESS

www.ufsweb.com
 WEBSITE

RESPONDENT'S CONTACT
 (for additional information)

Jillian Beauchamp
 NAME

Financial Analyst / Economist
 TITLE

616.283.8502
 PHONE

jbeauchamp@ufsweb.com
 E-MAIL ADDRESS

If Respondent is not an individual, include authorization for the above individual to sign on behalf of the organization.

Required Forms



GAINESVILLE REGIONAL UTILITIES / PURCHASING

Solicitation Number 2017-059 For Cost Of Service And Utility Rates Study

DRUG-FREE WORKPLACE CERTIFICATION FORM

Preference may be given to a business that certifies that it has implemented a drug-free workplace program. Pursuant to Section 287.087, Florida Statutes, whenever two or more competitive solicitations that are equal with respect to price, quality, and service are received by the State or by any political subdivision for the procurement of commodities or contractual services, a response received from a business that certifies that it has implemented a drug-free workplace program shall be given preference in the award process. Established procedures for processing tie responses will be followed if none of the tied providers has a drug free workplace program. In order to have a drug-free workplace program, a business shall:

1. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.
2. Inform employees about the dangers of drug abuse in the workplace, the business's policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for drug abuse violations.
3. Give each employee engaged in providing the commodities or contractual services that are under proposal a copy of the statement specified in Subsection (1).
4. In the statement specified in Subsection (1), notify the employees that, as a condition of working on the commodities or contractual services that are under proposal, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of Chapter 893, Florida Statutes, or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days after such conviction.
5. Impose a sanction on any employee who is so convicted or require the satisfactory participation in a drug abuse assistance or rehabilitation program as such is available in the employee's community.
6. Make a good faith effort to continue to maintain a drug-free workplace through implementation of applicable laws, rules and regulations.

As the person authorized to sign the statement, I certify that this firm complies fully with the above requirements.

Mark Beauchamp, Utility Financial Solutions, LLC
CORPORATION, PARTNERSHIP, OR INDIVIDUAL

05/24/2017
DATE


AUTHORIZED SIGNATURE

Required Forms

**GAINESVILLE REGIONAL UTILITIES
CITY OF GAINESVILLE, FLORIDA****Solicitation No. 2017-059****ADDENDUM NO. 1****Cost of Service and Utility Rates Study****DATE:** May 18, 2017**DUE DATE:** June 1, 2017
(no change)

NOTE: This addendum has been issued only to all holders of record of the Specifications. The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary.

Questions and Answers

1. For each cost of service study: Electric; Water/Wastewater; and Natural Gas -- To what extent does GRU expect the consultant to develop its own independent Excel-based fully-allocated cost of service study model or to use an existing GRU cost of service study model
 - A. **The consultant will use an independent model, not GRU's existing model.**
2. With regard to the electric system cost of service study, does GRU believe it has sufficiently reliable load research data, or does it expect the consultant to independently evaluate GRU's load data?
 - A. **GRU has limited load research data. The consultant will independently evaluate and provide load research data as necessary. GRU has billing demand data for its general service demand (GSD) and general service large demand (GSLD) customer accounts.**
3. Per Attachment 3 – Technical Specifications/Statement of Work, Section 3.1 of the RFP states that: "The cost-of-service studies will: Utilize audited financial statements for fiscal year 2016 and the results will include recommendation to be incorporated into the proposed budget for fiscal year 2019."
 - A) Is GRU required to use a historical "Test Year" for rate making?
 - B) Can GRU set rates based on a forward looking "Test Year"?
 - C) Will GRU provide the consultant a financial forecast up to or beyond 2019? Or, is the consultant required to prepared their own financial forecast?
 - A. **No, GRU is not required to use a historical "test year" for rate making.**
 - B. **Yes, GRU can set rates based on a forward looking "test year."**
 - C. **Yes, GRU can provide a financial forecast for FY2019 and beyond.**
4. Does GRU require that the models developed by the consultant be "stand alone" or "separate" for each system?
 - A. **GRU expects the models be to separate for each system.**
5. Does GRU have any customers who purchase their gas commodity from a third-party provider?
 - A. **GRU has one transportation service customer that purchases its own gas.**

Required Forms

6. Does GRU have any contract customers who are not receiving service pursuant to a "full service" tariff?
- A. **Yes, please see list below:**
City of Alachua: electricity and water
City of Winter Park: electricity
University of Florida: water
City of Waldo: wastewater
Gainesville Renewable Energy Center: electricity and gas
7. Will GRU's engineering resources be made available to the Project Team specific to completing the water and wastewater system development charge analysis, or should the Project Team include appropriate engineering personnel to assess needed capital improvements and capacity values?
- A. **GRU's engineering staff in Water/Wastewater will be available to work with the project team and provide information.**
8. Does GRU currently have an Automated Metering Infrastructure program?
- A. **Only a small pilot program to date.**
9. Per Section 9.0 Solicitation Response, please specify the number of hardcopy proposals to be delivered.
- A. **See Section 9.3 of Instructions added below.**
10. Referencing Paragraph 5.2(c), please confirm that the desired timeline for completion of the draft work product from notice to proceed is less than 60 days (September 1, 2017 to October 20, 2017).
- A. **That is correct.**
11. Please reconcile the September 1, 2017 start date in Paragraph 5.2(c) with the assumption of full contract execution in mid-September as noted in Paragraph 5.2(F). ?
- A. **See revision to Paragraph 5.2(F) below. Note: this is allowing three weeks to finalize contract, obtain Legal review and all required contract signatures.**
12. Given the timeline in Paragraph 5.2(c), will work be authorized to commence at notice of award or upon full contract execution?
- A. **Upon full execution. Contractor may elect to commence after City Commission approval but prior to full execution at their own discretion and risk.**

Changes (Edits, Deletion, or Additions)

Edits to Instructions Section 5.2 - Evaluation


- 5.2 (F) Resources** – Assume the contract is fully executed ~~in mid-~~ by September 1, 2017, and provide a timeline along with evidence of available resources to perform the work (equipment, staffing, etc.)

Additions to Instructions Section 9.0 - Solicitation Response as follows:

- 9.2 Responses will be publicly opened at the time and place indicated in the Solicitation and will be available for inspection upon notice of award or intended Award, or within thirty (30) calendar days after the opening of Responses, whichever occurs first. Prices may be read at the public Solicitation opening at the sole discretion of Utilities Purchasing.

Required Forms

- 9.3 The Respondent's Certification Form must be submitted with the Response and enclosed in a nontransparent sealed envelope, marked with the project title and Respondent's name and address. **One original, 5 paper copies and one electronic copy** of the Response should be provided. If required, a Bid Bond and other documents must be provided with the Response. If a Bid Bond is required by the Solicitation and not included the response will be deemed non-responsive.
- 9.4 A "Non-Submittal" form has been provided for those who choose not to participate in the Solicitation.



Elizabeth Mattke, C.P.M., CPPO
Senior Buyer

ACKNOWLEDGEMENT:

Each Proposer shall acknowledge receipt of his Addendum No. 1, by his signature below, and shall attach a copy of this Addendum to its Proposal.

CERTIFICATION BY PROPOSER:

The undersigned acknowledges receipt of this Addendum No. 1, the Proposal submitted is in accordance with the information, instructions, and stipulations set forth herein.

Name of Proposer: Mark C. Beauchamp

By: Mark Beauchamp, President, Utility Financial Solutions LLC