



**FINANCE & INFORMATION TECHNOLOGY  
BOARD OF DIRECTORS' MEETING  
MOULTON NIGUEL WATER DISTRICT  
27500 La Paz Road, Laguna Niguel  
March 19, 2014  
9:00 AM  
Approximate Meeting Time: Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE FEBRUARY 19, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS  
*Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.*

*Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.*

**PRESENTATION ITEMS**

**DISCUSSION ITEMS**

4. Agreement for Consulting Services to Perform a Cost of Service and Rate Design Study
5. Agreement for Independent Audit Services

**INFORMATION ITEMS**

6. Budget Status Update
7. Monthly Financial Report
  - a. Summary of Financial Results
  - b. Budget Comparison Report

- c. Financial Statements
  - d. Restricted Cash and Investments with Fiscal Agent
  - e. Unrestricted and Restricted Fund Balances
  - f. Summary of Disbursements February 2014
8. Quarterly Joint Powers Authority Report
9. Late Items (Appropriate Findings to be Made)
- a. Need to take immediate action; and
  - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

### **ADJOURNMENT**

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at [www.mnwd.com](http://www.mnwd.com).



**DRAFT**  
**MINUTES OF THE REGULAR MEETING OF THE**  
**FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE**  
**MOULTON NIGUEL WATER DISTRICT**

**February 19, 2014**

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on February 19, 2014. There were present and participating:

**DIRECTORS**

Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Gary Kurtz	Director
Larry Lizotte	Director
Larry McKenney	President
Brian Probolsky	Vice President/Chair (arrived at 9:05 a.m.)

Also present and participating were:

**STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC**

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Kelly Winsor	Assistant to the General Manager
Ruby Yuen	MNWD
Karen Maddox	MNWD
Eva Plajzer	MNWD
Doug Zytkevicz	MNWD
Todd Novacek	MNWD
Gregg Hooper	MNWD
Nancy Palmer	City of Laguna Niguel
Michael Bell	Public Financial Management
Paige Gulck	Board Secretary

## #2.

### 1. CALL MEETING TO ORDER

*The meeting was called to order by Larry McKenney at 9:00 a.m.*

### 2. APPROVE THE MINUTES OF THE JANUARY 15, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

*MOTION DULY MADE BY GARY KURTZ AND SECONDED BY LARRY LIZOTTE, THE MINUTES OF THE FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS MEETING DATED JANUARY 15, 2014 WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, LARRY LIZOTTE, AND LARRY MCKENNEY ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.*

### 3. PUBLIC COMMENTS

*None.*

## PRESENTATION ITEMS

### 4. Metropolitan Water District Rates and Charges Update

*Michael Bell presented Metropolitan Water District's proposed water rates for fiscal years 2014/15 and 2015/16. Discussion ensued regarding assumptions, reserves, treated water costs, and long term trends. Preliminary impacts to MNWD were reviewed.*

## DISCUSSION ITEMS

### 5. Updated Meter Package Pricing

*Matt Collings presented the updated meter package pricing and reviewed changes to the District's Rule and Regulations. Discussion ensued regarding future approaches to updating the package pricing.*

### 6. Agreement for Participation and Co-Funding in Municipal Water District of Orange County Rebate Program

*Joone Lopez discussed history of the participation agreement with the Municipal Water District of Orange County (MWDOC) Rebate Program.*

*Matt Collings explained the details of the program and the benefits of using MWDOC and MNWD for administration of the program. Discussion ensued over funding, time-savings, and customer service. The matter was continued to allow staff to bring back more detailed information about the administration of the program.*

7. City of Laguna Niguel Crown Valley Parkway Medians Project

*This item was discussed first as Nancy Palmer, Water Quality Manager from the City of Laguna Niguel was present.*

*Matt Collings gave an overview of the project. In light of the drought emergency, the City of Laguna Niguel and MNWD collaborated to maximize water use efficiency via efficient landscape irrigation and expanded recycled water use on the Crown Valley Parkway Medians Project. These efforts will be funded from the District's Water Use Efficiency fund. The total cost of MNWD's contribution is estimated to be \$418,000.*

**INFORMATION ITEMS**

8. 2014 Consolidated Bonds Refinancing Update

*Joone Lopez stated that the District's customers in Improvement District 6 and 7 (Aliso Viejo, Laguna Niguel, and Dana Point) saved more than estimated during the recent bond refinancing, for a total savings of \$1.74 million dollars. A press release was sent to local media.*

9. Budget Comparison Report

*Michael Bell reviewed the formatting changes to the Budget Comparison Report.*

10. Unaudited Financial Statements

*Michael Bell reviewed the formatting changes to the Unaudited Financial Statements and went over the highlights.*

11. Summary of Disbursements January 31, 2014

*Michael Bell reviewed the formatting changes to the Summary of Disbursements.*

12. Late Items (Appropriate Findings to be Made)

*Staff has none.*

**ADJOURNMENT**

*The meeting was adjourned at 12:18 p.m.*

Respectfully submitted,

**#2.**

Paige Gulck  
Board Secretary

DRAFT



# Moulton Niguel Water District

## STAFF REPORT

**TO:** Board of Directors **MEETING DATE:** March 19, 2014

**FROM:** Matt Collings, Assistant General Manager

**SUBJECT:** Agreement for Consulting Services to Perform a Cost of Service and Rate Design Study

### **SUMMARY:**

Issue: Consideration of the engagement of a consultant to provide a Water, Recycled Water, and Wastewater Cost of Service and Rate Design Study.

Recommendation: It is recommended that the Board of Directors approve a Professional Services Agreement in an amount not-to-exceed \$146,000 with MWH Americas, Inc. (MWH) for the provision of a Water, Recycled Water, and Wastewater Cost of Service and Rate Design Study; and authorize the General Manager to execute change orders up to 10% of the contract value.

Fiscal Impact: Funds are budgeted in Consulting Services for the provision of these services.

### **DISCUSSION:**

On January 9, 2014, the District issued a Request for Proposals (RFP) to twelve firms for a Water, Recycled Water, and Wastewater Cost of Service and Rate Design Study for the District. The last Cost of Service Study was performed in 2009 and the Rate Design was reviewed and updated in both 2009 and 2011. It is prudent to revisit the cost of service and rate design periodically in order to ensure that costs are allocated appropriately to the customer classes receiving benefit of the services, and to ensure that the rate design is constructed to produce the revenues needed to cover the costs of providing services to the District's customers, and is consistent with industry accepted cost of service principals, and State law requirements (including Propositions 218 and 26).

MWH, Raftelis Financial Consultants, Inc., and Red Oak Consulting were the three consultants that submitted proposals for the District's consideration. Written proposals were evaluated by the District's Assistant General Manager, Public Financial

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Management (PFM), Best Best & Krieger, and Michael Bell. The proposals were evaluated based upon the following criteria:

- Experience, expertise, qualifications, and references with similar projects.
- Qualifications of the firm and individuals assigned to perform the work.
- Familiarity and experience with cost of service and rate design in California, particularly all elements of Propositions 218 and 26. Understanding and expertise with budget based and other allocation rate structures.
- Understanding of project scope, approach to accomplish the work, and project timeline.
- Project cost.

Based upon the evaluation, MWH, and Raftelis Financial Consultants, Inc. were selected for interviews. On March 3, 2014, both firms were interviewed by the General Manager, Assistant General Manager, PFM, and Michael Bell. MWH is recommended because of their understanding of the District's objectives, expressed through a comprehensive approach and work plan.

The scope of work for the selected consultant includes, but is not limited to, the following tasks:

1. Developing revenue requirements for the water, recycled water, and wastewater enterprises, based on the District's long range financial plan.
2. Completing a cost of service analysis to allocate the necessary revenue requirements to the appropriate customer classes.
3. Developing a rate structure to recover the revenue requirements from the various customer classes through fixed and variable components. The proposed rate design will incorporate and comply with all Board policies and legislative requirements.
4. Train District personnel to utilize and update the financial and rate models developed for the project.
5. The consultant will also provide the necessary documentation to support the recommendations and will present the information to the District's Board of Directors, as well as any other potential public workshops as desired by the District.

It is recommended to the Board of Directors that MWH be hired at a cost not-to-exceed \$146,000 to perform the Water, Recycled Water, and Wastewater Cost of Service and Rate Design Study for the District, and authorize the General Manager to approve contract change orders up to 10% of the contract value. It is anticipated that work will commence immediately upon the completion of the Agreement. The timetable for the completion of the work is as follows:



<b>Event</b>	<b>Date</b>
Revenue Requirement/Rate Model	April-May
Cost of Service	May-June
Rate Design	July
Board Workshop	August
Final Draft	September
Board Consideration of Recommendations	November

Attachments:

1. Agreement for Consulting Services between Moulton Niguel Water District and MWH Americas, Inc. MNWD Project: Water / Recycled Water / Wastewater Cost Of Service and Rate Design Study; Contract No. OM13-14.019
2. MWH Americas, Inc. Proposal



**AGREEMENT FOR CONSULTING SERVICES BETWEEN  
MOULTON NIGUEL WATER DISTRICT AND MWH AMERICAS, INC.  
MNWD PROJECT: WATER / RECYCLED WATER / WASTEWATER COST OF  
SERVICE AND RATE DESIGN STUDY; CONTRACT NO. OM13-14.019**

THIS AGREEMENT (the "Agreement") is dated as of March \_\_\_\_, 2014, by and between MWH Americas, Inc., hereinafter referred to as the "CONSULTANT" and Moulton Niguel Water District hereinafter referred to as "MNWD," and provides for the furnishing of CONSULTING services to MNWD by CONSULTANT. MNWD and CONSULTANT may sometimes be referred to in this Agreement individually as "party" and together as "parties."

**RECITALS**

CONSULTANT proposes to provide services to MNWD in connection with the consulting services to conduct water, recycled water, and wastewater cost of service and rate design studies for the District (the "Project"). The scope of work to be performed by CONSULTANT under this Agreement is described in **Exhibit A** hereto, which is incorporated herein (the "Scope of Work").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

**AGREEMENT**

**SECTION I - CONSULTING SERVICES, AUTHORIZATION**

**Section 1.1** CONSULTANT proposes to perform those services which are described in the Scope of Work. MNWD may request or CONSULTANT may recommend, that CONSULTANT perform work in addition to or different from that delineated in the original Scope of Work, or delete services from the Scope of Work. Upon MNWD's request for additional or changed work, CONSULTANT shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Work, MNWD and CONSULTANT shall negotiate an adjustment of the compensation and time for completion and shall execute a written addendum to this Agreement. Upon execution of each addendum, (i) the Scope of Work shall thereafter be as described in **Exhibit A**, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the work shall be as set forth in the addendum. Following execution of any addendum, all terms and provisions of the Agreement, except as expressly modified by such addendum, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an addendum covering the additional or changed work.

**Section 1.2** CONSULTANT agrees to complete the work described in the Scope of Work no later than **March 31, 2015**. CONSULTANT further agrees to complete all other work within the time periods set forth in the Scope of Work. Time is of the essence in this Agreement.

CONSULTANT agrees to coordinate the work to ensure its timely completion and shall promptly notify MNWD of any anticipated delays or causes or casualties beyond CONSULTANT'S control which may affect the work schedule. In the event the time for completing the Scope of Work is projected to be exceeded due to circumstances beyond the control of CONSULTANT, CONSULTANT shall have an additional amount of time to be agreed upon in writing between the parties pursuant to Section 1.1 and an executed addendum, in which to complete the work. CONSULTANT shall not begin work on any services pursuant to this Agreement until receipt of

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MNWD'S written direction to proceed. Upon receipt of such notice, CONSULTANT shall immediately commence the work described in Exhibit A.

Section 1.3 CONSULTANT, who shall be the Principal in Charge of work, is Mark Hildebrand.

As part of the Project, CONSULTANT intends to subcontract certain services for the Project. Separate subcontracts may be entered into between CONSULTANT and the subconsultants listed in Exhibit B hereto. Any additional subconsultants CONSULTANT proposes to use are subject to prior written approval by MNWD.

Without prior written approval of MNWD, CONSULTANT will not make any changes in CONSULTANT'S Principal in Charge, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Work. CONSULTANT is responsible to MNWD for the acts and omissions of its subcontractors as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subconsultant/subcontractor and MNWD. CONSULTANT shall not allow any subconsultant/subcontractor to commence work or services under any subcontract until all insurance required of CONSULTANT has been obtained for the subconsultant/subcontractor.

Section 1.4 MNWD shall make available to CONSULTANT at no cost all technical data in MNWD's possession, including maps, past reports, prior studies, and other information reasonably required by CONSULTANT and relating to the work to be performed under this Agreement. CONSULTANT shall be entitled to reasonably rely upon the information and data provided by MNWD or obtained from generally acceptable sources within the industry without independent verification except to the extent such verification is expressly included in the Services.

CONSULTANT will furnish to MNWD the agreed upon number of reports and supporting documents. These instruments of service are furnished for MNWD's use in connection with the project or work provided for in this Agreement and shall become MNWD's property upon receipt. All documents and information generated by CONSULTANT and any of CONSULTANT'S subcontractors pursuant to this Agreement shall remain confidential and shall not be copied, distributed, or otherwise provided or referenced by CONSULTANT or CONSULTANT'S subcontractors to any third parties other than with MNWD's written consent, or as compelled by order of court.

All original documents, including detailed calculations developed for the Project shall, upon payment in full for the services described in this Agreement or as otherwise provided in Section V herein, be furnished to and become the property of MNWD.

CONSULTANT may retain a copy of all reports and documents for their files.

## **SECTION II - CONSULTING FEES**

Section 2.1 In consideration for providing the CONSULTING services referred to in Section I herein, MNWD agrees to compensate CONSULTANT on an hourly rate basis, with a not-to-exceed maximum amount of **One Hundred Forty-Six Thousand Dollars (\$146,000)** (which maximum amount is inclusive of 'labor costs' and 'direct costs', as further discussed below). The breakdown of the fees, costs and billing rates for the Project is attached hereto as Exhibit C which is incorporated herein. Compensation shall be on an hourly rate basis for labor costs as defined herein below in Section 2.2 plus 100% of the reasonable direct costs a defined herein below in Section 2.3.

Section 2.2 Labor costs shall be the total number of hours worked on the job by each employee multiplied by the applicable hourly billing rate.

Section 2.3 Reasonable direct costs shall include those costs as described in the Scope of Work and listed in **Exhibit C**.

Section 2.4 Monthly progress payments will be made based on submittal of invoices by CONSULTANT. Invoices will include the number of hours worked by various labor categories, the hourly billing rate per individual, and the total amount due. Only one bill per month shall be submitted by CONSULTANT, showing invoices for CONSULTANT and each subconsultant utilized during the monthly billing period.

**SECTION III - WARRANTY/DISCLAIMER**

Section 3.1 CONSULTANT is employed to render CONSULTING services pursuant to this Agreement only, and any payments made to CONSULTANT are compensation solely for such services as it may render and recommendations it may make in carrying out the work. CONSULTANT makes no warranty, either expressed or implied, as to its services furnished under this Agreement, including any findings, opinions, recommendations, factual presentations, or professional advice, other than that such services will be performed in accordance with generally accepted professional CONSULTING practices and principles.

Section 3.2 In performing services under this Agreement, CONSULTANT shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or agency including but not limited to MNWD.

Section 3.3 The services to be performed by CONSULTANT are intended solely for the benefit of MNWD. Nothing contained herein shall confer any rights upon or create any duties on the part of CONSULTANT toward any person or persons not a party to this Agreement including, but not limited to any contractor, subcontractor, supplier, or the agents, officers, employees, insurers, or sureties of any of them. Any reuse of documents or data for other than the intended use shall be at the sole risk of MNWD.

Section 3.4 It is agreed between the parties that there is no intention for CONSULTANT to act under this Agreement as a municipal advisor as that term is defined in the Securities Exchange Act of 1934.

**SECTION IV - INSURANCE AND INDEMNIFICATION**

Section 4.1 Professional Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a professional liability (errors and omissions) policy of insurance having coverage of not less than One Million Dollars (\$1,000,000) for each claim and in annual aggregate. The following provisions shall apply if the professional liability coverage is written on a claims-made basis:

- (a) The retroactive date of the policy must be shown and must be before the dated date of this Agreement.
- (b) Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of this Agreement or the services hereunder.

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(c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this Agreement, CONSULTANT must provide extended reporting coverage for a minimum of three (3) years after completion of the services. MNWD shall have the right to exercise at the CONSULTANT'S cost any extended reporting provisions of the policy should the CONSULTANT cancel or not renew the coverage.

(d) A copy of the claims reporting requirements must be submitted to MNWD prior to the commencement of any work under this Agreement.

Section 4.2 General/ Automobile Liability Insurance. CONSULTANT and each of its sub-consultants/subcontractors shall maintain throughout the term of this Agreement a general liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by CONSULTANT and its sub-consultants/subcontractors, and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents from the use or operation of any automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a minimum amount at least twice the per occurrence limit specified in this section.

All insurance provided under this Section 4.2 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in form acceptable to MNWD.

Section 4.3 Worker's Compensation. By its signature hereunder, CONSULTANT certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that CONSULTANT will comply with such provisions before commencing the performance of work under this Agreement. CONSULTANT and subconsultants/subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000 ) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.

Section 4.4 Requirements of All Policies. All policies of insurance required under this Section IV shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class XIII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. CONSULTANT shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance

maintained by the additional insureds shall be excess of the CONSULTANT'S (and its subconsultant's/subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the CONSULTANT shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

#### Section 4.5 Indemnity.

CONSULTANT shall indemnify, defend and hold harmless, including the cost to defend, MNWD and its' directors, officers, employees and representatives ("indemnitees") from and against all liability, claims, suits, causes of action, damages, demands, actions, losses, attorney's fees, costs and expenses (collectively referred to as "claims") (i) for personal injury, bodily injury or property damage that arise out of, pertain to, or relate to the operations and work of the CONSULTANT and its sub-consultants/subcontractors under this Agreement, (ii) to the extent caused by CONSULTANT'S or its sub-consultant's/ subcontractor's: (a) negligent acts, errors or omissions, recklessness, or willful misconduct in the performance (or actual or alleged non-performance) of the services under this Agreement, or (b) breach or violation of any laws, statutes, ordinances, codes, regulations and requirements of any applicable federal, state or local government authorities or agencies; or (c) breach of any of its obligations under this Agreement.

The foregoing obligations include CONSULTANT'S obligation to defend, at its cost and expense, the indemnitees with respect to the claims, which defense shall be conducted by qualified and appropriately experienced legal counsel, and at no cost to MNWD or other indemnitees.

CONSULTANT'S obligations pursuant to this Section shall survive the expiration or termination of this Agreement and/or the performance or completion of any or all services and work provided under this Agreement. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by CONSULTANT hereunder.

Regardless of whether the CONSULTANT or any sub-consultant may have any licensed design professional on its staff, the parties intend that this Agreement shall not be construed as an agreement for the CONSULTANT to provide "design professional services" that are within the scope of Civil Code Section 2782.8. However, to the extent a court of competent jurisdiction nonetheless holds that this Agreement is within the scope of Civil Code Section 2782.8, and such holding becomes final and unappealable, this Sections 4.5 shall be interpreted consistent with Civil Code Section 2782.8 as it exists as of the Effective Date.

#### **SECTION V - TERMINATION OR ABANDONMENT**

This Agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar day's written notice (deliver by certified mail, return receipt requested) of intent to terminate. Additionally, MNWD may suspend performance by CONSULTANT of any or all services listed in the Scope of Work under this Agreement by providing written notice to CONSULTANT at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of

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such notice, CONSULTANT shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

CONSULTANT shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and CONSULTANT agree that in the event MNWD suspends or terminates performance by CONSULTANT for any cause other than the intentional or negligent error or omission of CONSULTANT, CONSULTANT shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under Section II of this Agreement.

In the event of any suspension or termination herein, MNWD shall have the right to take possession and shall immediately own all original drawings and other documents developed for that portion of the work completed and/or being suspended or abandoned.

### **SECTION VI - GENERAL**

Section 6.1 CONSULTANT represents that it is aware of no facts or circumstances which would impair its ability to provide fair and unbiased advice to MNWD in the course of performing the CONSULTING services hereunder, or which would impact its objectivity in performing such services hereunder.

Section 6.2 This Agreement represents the entire understanding of MNWD and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it.

Section 6.3 Any notice required or permitted to be given hereunder if not otherwise specified herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD -                      Attn: Matt Collings, Assistant General Manager  
   Moulton Niguel Water District  
   27500 La Paz Road  
   Laguna Niguel, CA 92677-3489

To CONSULTANT -              Attn: Jason Mumm, Vice President  
   380 Interlocken Crescent, Suite 200  
   Broomfield, CO 80021

Section 6.4 California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

Section 6.5 In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

Section 6.6 If any section of this Agreement or provision of this Agreement as applied to either



party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 6.7 It is expressly understood and agreed that CONSULTANT is retained as an independent contractor for the sole purpose of rendering the professional and/or special Services, and is not an employee of MNWD. CONSULTANT warrants that it will not represent, at any time or in any manner, that CONSULTANT is an employee or agent of MNWD. CONSULTANT shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD. CONSULTANT shall be solely responsible for the payment of all federal, state and local income tax, social security tax, Workers' Compensation insurance, state disability insurance, and any other taxes or insurance CONSULTANT, as an independent contractor, is responsible for paying under federal, state or local law.

The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or CONSULTANT.

Section 6.8 This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by CONSULTANT without prior written consent of MNWD.

Section 6.9 This Agreement may be executed in counterparts, each of which shall be deemed an original.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Moulton Niguel Water District

By: \_\_\_\_\_  
Joone Lopez  
General Manager

CONSULTANT – MWH Americas, Inc.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

**Scope of Work and Work Plan**

Unless indicated otherwise, all work relates to Water, Recycled Water, and Wastewater enterprises (referred to collectively hereafter as the **three “Enterprises”**).

**Project Management Task**

Consultant considers project management to be a critical task for all projects. In addition to regular contact between our Project Manager and District staff, we propose to develop two scheduled lines of communication; monthly progress reports and a monthly progress conference call (or in-person when conveniently coupled with a project meeting). MWH uses an on-line project management system that ensures that variances from the project plan will be detected early and corrective action effectively applied.

**Meetings**  Monthly meetings with District staff to discuss project progress and schedule

**Deliverables:**

- Monthly meetings with District staff to discuss project progress and schedule
- Monthly invoices accompanied by progress summary

**Task 1A - Initial Meetings and Data Collection**

Consultant will collect and review data to be provided by the District, primarily historical and current financial information. When possible, financial data will be collected in electronic form.

Activities will include:

**Data Request.** Consultant will furnish an initial data request list, which will include customer information, financial and operating data, customer billing records, reports, projected operating and capital budgets, fixed asset records, relevant ordinances, and rate study models.

**Project Planning.** Consultant will hold a Project Kick-off meeting to discuss rate making policies, goals, and scheduling to align our work with the District’s objectives. Topic may include issues of concern to the District, data summary efforts, communication protocols, and project scheduling.

**Review of Initial Data.** Consultant will review all data received to confirm its completeness. This will include a review of the quality of the District’s existing rate models. As the study progresses and after initial data is evaluated, Consultant may submit requests for additional data and clarifications of initial data received.

**Meetings**  Kick-off Meeting

**Deliverables:**  Data request memorandum, meeting agenda and minutes

**Task 1B – Review and Propose Modifications to the Revenue Requirements**

Consultant will analyze District data to develop projections for both revenues and expenses for a five-year study period covering fiscal years 2015 through 2019. Specific activities will include:

**Rate Revenue Projections.** Consultant will project the number of customers for each respective Enterprise and billable volumes by considering historical population and customer growth trends, growth projections provided by the District, expected changes in customer behavior over time, and other knowledge provided by District staff. The

analysis will examine five years of historical data, as available. Projections of revenue under existing rates will be developed, recognizing projected accounts, billed volumes, and other billable units applied to the existing rate structure.

**Other Income Projections.** Interest income and revenue from other domestic water sources will be reviewed and projections made.

**Operation and Maintenance Expense Projections.** Consultant will project operation and maintenance expense based on a review of historical financial records and trends, and available budget estimates of future domestic water operation and maintenance expense. Projections will recognize estimated of population growth, inflation, changes in services, and other factors.

**Debt Service Expense Schedule.** Projections of principal and interest payments on any projected future bonds for major capital improvements will be developed for the forecast study period.

Consultant will also work with District staff to develop the following:

**Routine Capital Expenditures.** Consultant will work with District staff to develop the anticipated annual spending levels for repair and replacement over a ten (10) year period. Such expenditures consist of the normal and ongoing replacement of worn out or obsolete equipment.

**Major Capital Improvement Program Financing Plan.** Consultant will work with District staff to develop up to three (3) potential capital spending programs plans for each Enterprise's capital improvement program. Ultimately a financing strategy for such capital expenses will be recommended based on consideration of available funding, existing revenue bond ordinance covenants and other requirements, impact on rate levels and District policy. The capital spending program will inform the work conducted in subsequent

**Reserve Funding.** Existing reserve fund requirements and balances will be reviewed for adequacy. Applicable bond ordinance requirements will be reviewed along with any relevant District policies. Consultant will recommend adequate reserve levels based on our review of both reserve funding requirements and industry standards.

By modeling both the revenue and expense projections, a cash flow analysis of Enterprise operating and capital financing needs will be developed. Detailed analyses will provide an indication of the magnitude of overall adjustments in respective annual revenue levels needed to meet the projected revenue requirements.

Using the District's existing financial planning model, Consultant will prepare cash flow analyses summarizing the above projections of revenues and revenue requirements to determine the adequacy of revenues under existing rate levels to meet operating and capital needs for the study period. As part of this effort, MWH will work with District Staff to develop up to three (3) capital spending scenarios to test the sensitivity of various capital programs on future rates. These alternative scenarios will recognize major capital program and the other revenue requirements established above. MWH will conduct Model Validation Workshops to review the models and discuss the preliminary findings. Modifications to the models will be made, as appropriate, based on discussions during the workshop. The findings from the model results and the workshop discussion will be captured in a draft 5-Year Financial Plan for the District's review and comment.

## #4.

**Meetings** □ Model Validation workshop (one day with sessions for each Enterprise)

**Deliverables:** □ Draft and Final 5-Year Finance Plan Memorandum (for each Enterprise)

### Task 2 –Cost-of-Service Analysis

Consultant will conduct a cost-of-service analysis that meets the legal requirements of Prop. 218. Using an industry-standard approach, and being mindful of recent court rulings in California regarding water rates, Enterprise costs will be allocated to groups of customers that have similar service requirements. Consultant will:

**Review Customer Classes.** Review the existing customer class designations to determine appropriateness and equitability and recommend to the District any revised and/or new customer class designations, as needed.

**Determine Customer Class Characteristics.** Determine appropriate usage and billing characteristics for each customer class, based on available information. Estimates of customer class characteristics will be based on billing data, system operating statistics, availability of service, other available information, and Consultant judgment and experience.

Test year costs of service or revenue requirements to be met from Enterprise service rates will be first allocated to functional cost components to provide a basis for subsequent allocations to customer classes, which will recognize estimates of each class' service requirements.

Allocations will reflect cost-causative concepts in accordance with generally accepted utility practices. For domestic water, these concepts are generally consistent with the widely accepted methodology outlined in the American Water Works Association Manual of Practice M1, titled *Principles of Water Rates, Fees, and Charges*. For the wastewater utility, these concepts are generally consistent with accepted procedures described in the Water Environment Federation's manual on *Financing and Charges for Wastewater Systems*. **MWH will also be mindful of recent court decisions in California related to water rates. We will document a transparent cost-of-service methodology that isn't just legally defensible, but also unlikely to attract a legal challenge.**

**Capital Cost Allocations.** For capital cost allocation purposes, Consultant will establish estimates of projected test year depreciation expense and plant asset values for rate base. These analyses will be based on schedules of depreciation rates and suitably detailed asset value information.

**Functional Cost Allocations.** Consultant will allocate test year costs of service to various cost components which constitute functional classifications of the types of Enterprise services provided.

**Development of Customer Class Units of Service.** Consultant will estimate customer class service characteristics associated with each of the functional cost elements recognizing the historic usage patterns, applicable data available, engineering judgment regarding customer class service characteristics, and experience with other utility operations possessing similar usage characteristics and patterns. The relative service characteristics of customer class groups, and other large groups if any, will be recognized, as applicable.

**Allocation of Costs to Customer Classes.** Consultant will distribute costs by functional

component to customer classes using applicable unit costs of service and class units of service to determine each class' proportional responsibility for total system costs. Consultant will use the District's existing cost-of-service models to develop a recommended cost allocation methodology for each Enterprise, and present our recommendations in a Methodology Validation Workshop.

Upon completion of the cost-of-service analysis, Consultant will prepare a cost-of-service Findings Report that clearly explains the project methodology and policy decisions. The report will summarize the final cost allocation to each respective customer class and compare class revenues under existing rates and indicate any needed revenue adjustments by customer class.

**Meetings** □ Cost-of-service Methodology Validation Workshop (one day with sessions for each Enterprise)

**Deliverables:** □ Draft and Final Cost-of-Service Findings Report

### **Task 3A – Review and Propose Changes to Current Rates**

The District's existing rate structures for each respective Enterprise will be evaluated for their:

- 1) Effectiveness in equitably recovering appropriate revenues from customers, consistent with the findings of the cost-of-service analysis,
- 2) Legally defensible and mindful of recent court decisions regarding the application of Proposition 218 and Proposition 26.
- 3) Consistency with the District's policy regarding subjects such as promoting conservation,
- 4) Ease of understanding and administration, and
- 5) Financial viability for considerations such as revenue stability.

Specifically, as it applies to each individual Enterprise:

**Water** - Existing water budget-based tiered-rate structure will be reviewed and evaluated against criteria such as meeting the District's pricing objectives, cost-of-service recovery by customer class, compliance with laws such as California Assembly Bill 2882, and practical administrative considerations (such as the policies of the variance program). This work will require the update/development of the water budget rate design model, which will require 2 – 3 years of complete billing data from all water customers. This task requires effort to manage and format the data and then populate the water budget model.

**Wastewater** - Alternative rates structures will be considered for the wastewater rate, including a flat monthly charge as an alternative to the current basic and volumetric charges. Consultant will provide the pros and cons of alternative rate designs and include a recommendation to the District.

**Recycled Water** - Consultant will review the cost-of-service for providing both wholesale and retail recycled water to customers and evaluate whether the District should continue its existing policy for retail service, including the risks and benefits of any change to that policy. Based on the evaluation of existing rate structures for all three Enterprises, Consultant will develop and propose schedules of proposed rates for a 5-year period (as limited per California law). The legal defensibility of the proposed rates will be the single most important consideration. Specific consideration will also be given to establishing charges that meet the District's policies and practical objectives regarding Enterprise services.

## #4.

Upon development of the rate design tools, MWH will meet with District staff to review the preliminary results and discuss modifications if needed. The water rates workshop will include a discussion of the District's variance program and customer service levels.

**Meetings** ☐ Rate Design Review Workshop (up to 4-hours meets for each Enterprise)

### Task 3B – Model Training

Consultant will finalize and provide the District with all project rate models developed over the course of the project. Consultant will spend one day at the District, training staff in the use of the financial planning models for the three Enterprises. It is assumed that the training session will be grouped with one of the Task 4 meetings.

**Meetings** ☐ One-day training session for District staff

**Deliverables:** ☐ Final models for all three Enterprises

### Task 4 – Reports and Presentations

Consultant will prepare a draft and final report for each Enterprise. The reports will comprehensively summarize the findings for the respective financial plans, cost-of-service analyses, and rate designs. Consistent with California law, the methodologies for the financial planning and cost-of-service analyses will be particularly transparent and easy to understand. The reports will include additional elements, such as a comparison of typical bills under existing versus proposed rates. The reports will also address programmatic recommendations, such as the rules of the water budget variance program and the service levels for customer service. MWH will hold a conference call with staff to discuss comments and revisions to the draft report. This will be followed by an on-line presentation of the findings to staff, followed by two in-person presentations to the Board of Directors (anticipated in August and November).

**Meetings** ☐ Draft report review meeting via phone (up to 1 hour for each Enterprise)

☐ On-line staff presentation (up to 2 hours for each Enterprise)

☐ Two (2) Board presentations

**Deliverables:**

☐ Draft and final reports

☐ Presentation handout materials, as needed

### Task 5 – Public Outreach

If required, Consultant will prepare presentation material and participate with District Staff in three (3) workshops with stakeholders to present and explain the recommended rate changes and proposals.

**Meetings** ☐ Three (3) outreach meetings

**Deliverables:** ☐ Outreach materials (PowerPoint presentations and handouts)



# Timeline

The proposed schedule for the project is shown below.

	April	May	June	July	August	September	October	November	December
<b>Task 1A - Initial Meeting and Data Collection</b>									
Data Collection and Analysis	█								
Kickoff Meeting	★								
<b>Task 1B – Modifications to the Revenue Requirements</b>									
Develop Financial Planning Models	█	█							
Model Validation Workshop		★							
Capital Spending Scenario Workshop		★							
Submit Financial Plan Memorandums			★						
<b>Task 2 – Cost-of-Service Analysis</b>									
Develop Cost of Service Models		█	█	█					
Cost of Service Validation Workshop			★						
Submit Cost of Service Methodology Memorandums				★					
<b>Task 3A – Review and Propose Changes to Current Rates</b>									
Develop Rate Design Models			█	█	█				
Rate Design Review Workshop				★					
<b>Task 3B – Model Training</b>									
Training Session & Final Model Delivery						★			
<b>Task 4 - Reports &amp; Presentations</b>									
Develop Draft and Final Report				█	█	█			
Deliver Draft Report					★				
Draft Report Review Meeting					★				
Board of Directors Presentation #1						★			
Deliver Final Report							★		
Final Report Presentation to Staff								★	
Board of Directors Presentation #2									★

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SECTION 7

## Breakdown of Costs and Fees

MWH shall provide the requested scope of services for a not-to-exceed amount of \$133,983 inclusive of all direct and indirect costs associated with the mandatory project tasks. The fee for the optional outreach task is \$11,618. The table below provides a breakdown of labor hours by task and position, including a listing of billing rates by classification.

Task	Classification	Hourly Rate	Estimated Hours	Labor Cost	Direct Costs	Total
Task 1A Initial Meetings & Data	Principal	\$280	0	\$0	\$1,342	\$8,047
	Managing Consultant	\$215	11	\$2,365		
	Consultant	\$150	19	\$2,850		
	Analyst	\$130	10	\$1,300		
	Admin	\$95	2	\$190		
Task 1B Review and Propose Modifications to the Revenue Requirements	Principal	\$280	1	\$280	\$1,342	\$32,042
	Managing Consultant	\$215	32	\$6,880		
	Consultant	\$150	56	\$8,400		
	Analyst	\$130	115	\$14,950		
	Admin	\$95	2	\$190		
Task 2 Cost-of-Service Analysis	Principal	\$280	1	\$280	\$1,342	\$26,727
	Managing Consultant	\$215	33	\$7,095		
	Consultant	\$150	46	\$6,900		
	Analyst	\$130	84	\$10,920		
	Admin	\$95	2	\$190		
Task 3A Review and Propose Rates	Principal	\$280	2	\$560	\$1,903	\$38,148
	Managing Consultant	\$215	41	\$8,815		
	Consultant	\$150	60	\$9,000		
	Analyst	\$130	136	\$17,680		
	Admin	\$95	2	\$190		
Task 3B Model Training	Principal	\$280	0	\$0	\$0	\$2,275
	Managing Consultant	\$215	1	\$215		
	Consultant	\$150	12	\$1,800		
	Analyst	\$130	2	\$260		
	Admin	\$95	0	\$0		
Task 4 Reports & Presentation	Principal	\$280	5	\$1,400	\$2,574	\$26,744
	Managing Consultant	\$215	42	\$9,030		
	Consultant	\$150	44	\$6,600		
	Analyst	\$130	52	\$6,760		
	Admin	\$95	4	\$380		
<b>Total</b>			<b>817</b>			<b>\$133,983</b>

Task 5 Public Outreach (optional)	Principal	\$280	0	\$0	\$1,848	\$11,618
	Managing Consultant	\$215	26	\$5,590		
	Consultant	\$150	8	\$1,200		
	Analyst	\$130	20	\$2,600		
	Admin	\$95	4	\$380		

<b>Total (with optional task)</b>			<b>875</b>			<b>\$145,601</b>
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# Water/Recycled Water/Wastewater Cost of Service and Rate Design Study

FEBRUARY 2014



PROPOSAL



**MWH**<sup>®</sup>

BUILDING A BETTER WORLD

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## SECTION 1

## Cover Letter



MWH®

BUILDING A BETTER WORLD

February 7, 2014  
 Mr. Matt Collings  
 Director of Engineering and Operations  
 Moulton Niguel Water District

Subject: Water/Recycled Water/Wastewater Cost-of-Service and Rate Design Study

Dear Mr. Matt Collings,

MWH is pleased to submit our proposal for your Water, Recycled Water, and Wastewater Cost-of-Service and Rate Design Study. MWH is a full service wet infrastructure utility firm—offering everything from water resource planning, facility design, construction, O&M optimization, asset management, and capital planning—to rate making and financial planning, to provide sustainability, reliability, and affordability to your customers. We understand the needs of water and sewer utilities in dry coastal climates and are leaders in integrated planning and financial analysis.

We have assembled a financial team that includes experts in Proposition 218 and water utility rate-setting in California. The MWH Team represents leaders in the US water and government finance industry including AWWA, WEF, APWA, GFOA, and CSMFO. We understand, and can comprehensively address, your project objectives as outlined in your RFP. MWH will deliver a financial planning process which can be used as a rolling five-year plan that ensures no revenue surprises in the future. This will be very important in establishing rates that account for new and changing funding needs from aging infrastructure to the cost of imported water.

Our MWH Team Project Manager Mark Hildebrand has 12 years of utility rate consulting experience in Southern California, including dozens of rate studies and a handful of water-budget rate projects. He is an expert in the legal landscape for utility rate-setting in California and has had articles published on the implications of Proposition 218 on conservation-based water rates. Our team also includes Greg Baird, a former utility CFO who has successfully managed water, sewer, and storm drain enterprises and has hands-on experience with Proposition 218 water and sewer rate processes in California. He has been the liaison to water districts and boards on financial matters.

Our Team is prepared to update the District's existing financial models to balance short-term and long-term revenue requirements, while maintaining the district's reserve requirements and monitoring and tracking credit agency financial metrics, debt coverage levels, CIP PAYGO, and debt issuance considerations. We will work interactively with District Staff to examine cash flows, scenario testing, and test risk sensitivity. The MWH approach provides a framework for stakeholders to understand the complex financial decision making that goes into a decision to increase rates and fees. Our rate-setting approach dove-tails with our public outreach approach - focusing on transparency, legal defensibility, concise messaging, and active communication. We will also work with District Staff to examine customer service practices, particularly with respect to the water budget rates which are most effective when supported by active involvement by customer service.

This MWH Team is well qualified to evaluate existing policies and procedures affecting utility rates and review the capital plans for Water, Wastewater, and Recycled Water systems, while developing solid financial plans. Our proposed Team was recently selected by the Coachella Valley Water District for a similar engagement, including water budgets and cost-of-service analysis. MWH is ready to partner with MNWD to support your all of your financial efforts.

Sincerely,

Jason Mumm  
 Vice President, MWH Americas, Inc.  
 (303) 907- 8719 [Jason.mumm@mwhglobal.com](mailto:Jason.mumm@mwhglobal.com)



## SECTION 2

## Executive Summary

**To understand Water, Wastewater, and Recycled Water, one must understand the infrastructure, its uses, the operations, the processes, the capital planning needs, and the accumulative costs. The MWH Team encapsulates that critical body of knowledge because we understand that a schedule of rates forms the relationship of trust between the utility and its customers.**

Customers expect the utility to comprehensively understand the full range of available options to meet the sustainability, reliability, and affordability interests of utility service delivery. As such, a cost-of-service study is an opportunity to understand the value of utility services by deeply analyzing the costs of what it really takes to provide quality service. Crunching data in a financial model can address the desired scope; however, uncovering subtle cost relationships can provide a store-house of intelligence for improved decision-making and customer outreach.

## The MWH Benefits

### The MWH Team Brings MNWD Numerous Financial Advantages

MWH's collaborative approach and robust financial modelling empowers the District Staff to confidently advise the General Manager and Board of Directors on what lies ahead when MWD rates increase for the Delta fix, new environmental requirements, and rising energy costs associated with global warming regulations.

*Our motto is "no surprises" when it comes to utility financial planning and analysis.*

### We Value Every Account

The MWH Team values the data collected for analysis. In fact, we ask for all of the customer accounts because when we calculate bills under different rates or rate structures, we want to know what happens to each of your valued customers. MNWD shares this same value and has a great water bill as an important communication tool to each individual connection and water budget.

### A Quality Team with a Low Average Hourly Cost Gives More Hours for the Project

The MWH Team proposes allocating 875 hours towards all three enterprises - creating an average hourly cost of less than \$154, where the industry average is over \$175. The MWH Team is not made of certified financial advisors charging high rates when this is not a bond deal from which their wages would be paid as part of the cost of issuance when the debt is finally issued. Nor are we offering a minimal sized team of only one or two consultants - which may understaff the project, placing a greater burden of stress on your staff. This MWH Team is tailored to meet your needs, your deadlines, and to advise you on a level of model customization and training to stay within your budget.

*The MWH Team draws from a great deal of experience from the vantage point of both consultants and as utility management working with staff, stakeholders, peers, and boards. We look forward to partnering with MNWD.*

### Experts in the Legal Requirements for Rate-Setting in California

The MWH Team is made up of seasoned consultants who are experts in the requirements of Proposition 218, Proposition 26, and related laws in California. Our team is intimately familiar with the most recent court interpretations of Proposition 218. While some recent judicial decisions may appear to be changing the rules of the game, we understand that the courts have been consistently reinforcing the importance of a fair and clear cost-of-service methodology. These findings are consistent with the MWH approach. We also recognize that being experts in the law isn't a panacea to successful rate-setting in California. Successful customer outreach—and thus acceptance of rates—depends on active communication, transparency, and quality documentation.



SECTION 3

# Experience

MWH regularly performs the services listed in the District’s scope of services. Our expert consultants have performed over 200 rate studies including cost-of-service, rate design, and water budgets. Introductions to our Team, including their experience and success, are demonstrated on the following page. Full resumes are provided in Appendix A (Resumes).

### Firm History, Size, and Organization

With a rich legacy that dates back to 1844 and more than 7,500 employees on six continents, MWH offers a multidiscipline global team of program managers, business consultants, engineers, geologists, operators, scientists, technologists, and regulatory experts who provide solutions to the world’s most challenging wet infrastructure projects. We provide a full range of water related projects and programs, including the delivery of exceptional utility rate design and related services for the last 30 years. MWH recently expanded and enhanced its service offerings in cost-of-service and rate design with the 2012 acquisition of StepWise Utility Advisors, a recognized leader in water and sewer financial issues and rates in the areas of conservation pricing, wholesale rates, and complex pricing for regional cost sharing arrangements.

Our Financial, Commercial, and Risk Services practice provides utility rate design, cost-of-service allocations, and financial planning services consistent with our global leadership in the industry. Our consultants have an impressive track record of success identifying key issues and solving difficult problems for utilities. For example, our consultants have been instrumental in planning and designing water rates that anticipate risks rather than creating them. Our extended management consulting team provides you with access to experts in public communications, stakeholder involvement, billing system implementation, statistical analysis, and access to former utility executives from some of the largest water agencies in the US.

### Specialized Financial Management and Water Rate Analysis Competence

The experts at MWH are fully engaged in providing utility owners with financial services focused on determining the cost of utility services provided, and the prices the utility can and should charge to recover those costs. Virtually everything a utility does affects its cost-of-services and, therefore, the rates charged to customers. Our firm offers the expertise necessary to explain these often difficult cost relationships to our clients, their customers, and their governing bodies. We offer superior services in financial planning; cost-of-service allocations; rate analysis, including price elasticity of demand; and management consulting. **Examples of similar project experience are represented in Table 1. Full project descriptions for three (3) similar engagements are provided in Section 6 (References).**

Table 1 - Similar Project Experience
Comprehensive Water, Sewer, and Recycled Water Rate Study – City of Pomona, CA
Water Budget Rate Study – City of San Diego, CA
Water Utility Cost of Service Allocation and Water Rate Design – City of Aurora, CO
Cost of Service Rate Design and Joint Pipeline Project Venture (W.I.S.E.) – Cities of Denver and Aurora, CO
Water/Sewer Financial Plan and Rate Analysis – City of New York, NY
Comprehensive Financial Plans for Divisions of Water and Water Pollution Control – City of Cleveland, OH
Water Budget Rate Study – Indio Water Authority, Indio, CA*
Water and Wastewater Utility Cost-of-Service Allocation and Water Budget Rate Design – Castle Pines North Metro District, Castle Pines, CO*
Utility Financial Planning and Conservation Rate Design – City of Santa Fe, NM*

\* Full project descriptions provided in Section 6



## Capacity and Capability

To complete the Scope of Services in the District's time frame, we will need to be engaged in more than one of the scope items concurrently. Our team of experts is more than capable of handling the work requested within the allotted time. Thanks to our years of close work with many water agencies and utilities, we understand the internal processes and the timing for completing the financial work you have requested in the RFP. Completing multiple tasks simultaneously has been a normal part of our work for years.

## Experience of Individuals

### Mark Hildebrand - Project Manager

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Mark is a Managing Consultant with MWH in the San Francisco Bay Area. He is a finance and utility management consultant who bridges the disciplines of financial analysis and organizational effectiveness. He has performed dozens of water, wastewater, and recycled water rate studies in California; and specifically has been involved in over a half dozen **water budget rate studies**. Mark is an expert in **Proposition 218** and all of California's legal requirements regarding utility rate-setting.

### Greg Baird – Senior QA/QC

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Greg has served as a municipal finance officer in California with **Proposition 218** rate design and implementation experience, and as the CFO of Colorado's third largest utility - overseeing all financial aspects of a \$150M water, wastewater, and storm drain operation and \$2B capital program. Greg has issued over \$B in municipal debt and has had county treasury oversight responsibilities of over \$900M.

### Jason Mumm – Project Director

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Jason is the Director of Financial Commercial and Risk Services for MWH. He is an experienced financial and management consultant and focuses exclusively on financial and economic issues faced by water, wastewater, electric, and gas utilities. His expertise includes development of financial, ratemaking, and policy solutions for clients ranging from large multifaceted organizations to small rural utilities throughout the United States.

### Fernando Aranda - Consultant

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Fernando specializes in financial modeling and planning, statistical research and forecasting, simulation analysis, and providing financial and related management consulting services to water and wastewater utilities. Fernando assisted in the implementation and development of **water budget rate structures** for the Cities of Boulder, Greeley, and Castle Rock, Colorado.

### Fletcher Davis - Consultant

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Fletcher is a financial and management consultant with expertise including development of financial, ratemaking, and policy solutions for a wide array of clients. Fletcher focuses his services on interpreting historical and projected financial information and their impacts on a utility's capital and operating plans, including the impact on ratepayers and other stakeholders.

### Jonathan Albertsen - Analyst

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As a Water Sector Analyst, Jon provides support and expertise for the management consultants working in the Water Sector. He is regularly involved with the financial modeling and planning, ratemaking, and finding solutions to complex financial challenges presented by clients.

### Dick Howell - Technical Advisor

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Dick has over 37 years of experience with respect to the economics, finance, and rates of large regional water and wastewater service providers. He has participated in public works financings totaling nearly \$7B.



## SECTION 4

## Qualifications

**Virtually everything a utility does affects its cost-of-services and, therefore, the rates charged to customers. Our Team is focused on determining the cost of utility services provided, and the prices the utility should charge to recover those costs. The MWH Team has the Proposition 218 and rate-setting expertise in California necessary to explain and, if necessary, defend these cost relationships to our clients and their customers. Our Team's individual qualifications are provided in Appendix A (Resumes).**

One of the most unique, value-adding attributes of MWH is our Team of financial consultants with expertise in rate studies, cost-of-service analyses, asset management, financial modeling/analysis, and strategic planning. On our cost-of-service engagements, our financial experts work closely with engineers to translate engineering and system needs into a sound financial plan. Synergy between our financial and engineering consultants provides our clients the highest quality financial and engineering expertise and project deliverables.

### Financial Services and Rate Setting

MWH has provided its clients with utility rate design and related services for over 30 years. MWH recently expanded and enhanced its service offerings in cost-of-service and rate design with the acquisition of StepWise Utility Advisors in 2012. StepWise has been a recognized leader in water and sewer financial issues and rates, especially in the areas of conservation pricing, wholesale rates, and complex pricing for regional cost sharing arrangements.

In completing financial analyses, MWH provides clients with clear vision regarding the potential financial outcomes of current management decisions by utilizing innovative, interactive financial modeling tools. The development and use of real-time financial models is an integral part of our rate and financial planning approach.

### Experts in California Trends and Legal Landscape

MWH has extensive institutional, political, and practical knowledge of water and wastewater utilities in California. Our team members are experts in Proposition 218, Proposition 26, AB 2882, and related law. We have helped our clients implement dozens of rate modifications, beginning with foundational financial planning, all the way through Proposition 218 noticing and public outreach. Our Team members have written articles regarding the Proposition 218 implications for implementing conservation-based rates and we are intimately familiar with the recent court interpretation of Proposition 218, including recent cases such as San Juan Capistrano, Palmdale, City of Davis, and Griffin v. Pajaro. Our team members have been involved in the development and implementation of several water-budget rate structures in California. Our proposed team was recently selected by the Coachella Valley Water District for a similar engagement, including water budgets and cost-of-service analysis.

### Financial Planning

We work with our clients to align long-term needs with financial resources and policies. By striking the right balance between borrowed capital and accumulation of cash reserves, we help our clients find ways to minimize impacts on ratepayers while achieving the utility's goals to increase or maintain its levels of service.

Our 20-year financial planning tools include the total operating and capital costs that the Water utility requires based on sustaining existing operations, plus any expected changes to those operations as a result of any proposed new capital facilities. Our financial planning tools are comprehensive in that they are a complete cash-flow analysis that incorporates financial goals like setting, maintaining, and growing required reserve levels; meeting debt service coverage goals; funding normal renewal and replacement of assets; and/or meeting other financial benchmarks. The tool also allows us to analyze different financing scenarios including debt financing, pay as you go cash financing, or other innovative means of meeting operating and capital needs. MWH financial planning tool stand from the rest in that is user friendly and easy to use while achieving the optimal combination of rate increases and debt funding.



MWH's standard financial plan includes a financial benchmarking module. The module benchmarks the Water utility financial ratios to those of A, AA, and AAA-rated credits as rated by Fitch Ratings and S&P. We can return a benchmark report for every planning scenario, allowing you to compare the results of one scenario to another. Some scenarios will show an improved benchmark score, some less so. The point is that you can evaluate the relative strengths and weaknesses easily with these tools

### **Cost-of-Service**

Usually performed as part of a ratemaking process, a cost-of-service allocation gives utility owners information about how much it costs to serve each of its various classes of customers. This information lets you know how much to charge and provides solid justification for any differences in the rates between different types of customers. In California's increasingly challenging rate-setting environment, MWH is a firm believer that employing industry best practices and documenting the cost-of-service methodology in a clear and transparent manner is the single most important element of a rate study. The common theme that one will find with water utilities that have had their rate challenged (regardless of the outcome) is insufficient clarity in the communication of the study's methodology. MWH works with our clients to identify a defensible methodology that meets our client's needs. We then develop first class deliverables that clearly and concisely justify the recommended allocation of costs to each respective customer class.

MWH's cost-of-service tool will provide robust allocation of costs based on MNWD's system characteristics. Very often other cost-of-service models tend to lack the flexibility and capability to allocate complex system characteristics like the one MNWD possess. More importantly, our integration with MWH engineers will give us an advantage in understanding the characteristics of the system and how properly allocate the costs.

### **Rate Design**

MWH understands that the District has a water-budget rate structure that meets most of the District's needs but may need to be "fine-tuned." We also understand that the District's recycled water and wastewater rate structures may need a more fundamental evaluation. MWH is experienced in the careful design of rates that result in fair and legally-defensible recovery of revenue requirements from each customer class; as required by Proposition 218 and consistent with industry best practices. Specifically, our water budget model allows for the evaluation of various tier allocations such that District policies can be met while staying safely within the requirements of applicable law.

*Our Rate Design Model stands from the rest in that we incorporate the effect price elasticity of demand has on usage due to changes in rates.* Having conservation oriented rate structures and not incorporating the effect of elasticity in the determination of rates will cause revenue losses.

As a final validation of customer model, we will test the recommended options by calculating monthly bills for 100% of the customers in your system instead of using averages that might not explain the full extent of the impact to customers. This is the only way that you can know for sure the bill impact for every customer. In this political environment, this knowledge is essential before you move any further with rate implementation. It's a daunting task, but one the MWH Team is ready to provide.

### **Public Outreach**

Public communication often determines the perception of a project's success or failure. MWH has an excellent track record of planning and implementing all aspects of public involvement programs, including gaining stakeholder buy-in and public acceptance. These programs proactively provide information to stakeholders, thus opening portals for communication, and enable for quick responses to inquiries and complaints.

The success of an outreach program also depends on the effectiveness of the District's customer service program. MWH will work with the District to identify service levels that are appropriate for supporting the District's utility programs, particularly the water budget rates.

While we have not proposed a specific outreach sub-consultant for this this engagement, MWH has worked with many such firms in California and are willing to team with a specialty firm if requested by the District.



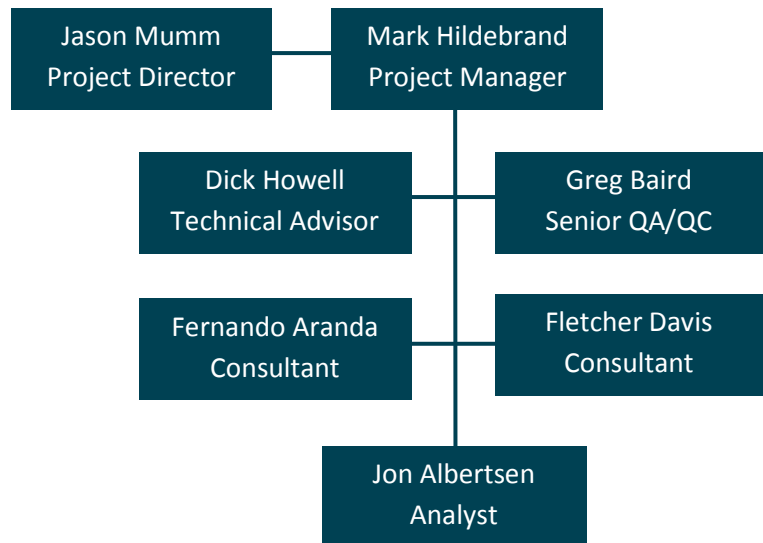


## SECTION 5

## Project Organization, Approach, Scope, and Timeline

## Organization

We have selected an excellent team of nationally-renowned experts who are well-versed in delivering the specific scope that has been requested. The adjacent organization chart demonstrates the key Team members we are proposing to the District and their role. Pending final approval, we would propose Mark Hildebrand as the **primary point of contact** for this engagement. Mark will work closely with the District's project manager, while maintaining project oversight, and having a primary role in developing project deliverables. Project Director, Jason Mumm, has the authority to provide our **corporate commitment** to the project and will ensure that the project has the resources



needed to meet or exceed District expectations. Greg Baird will have a hands-on role in providing both technical leadership and ensuring the quality of our deliverable. Fernando Aranda, Fletcher Davis, and Jon Albertsen will team to efficiently and effectively manage the project data and develop the project models and reports. Engineer, Dick Howell, will assist as needed for engineering questions related to the cost-of-service analysis.

## Approach

MWH uses a proven and effective approach to conducting rate studies. We have learned that the way we approach such studies has a material impact on the effectiveness of our project team, and ultimately affects the quality of the project deliverables. Our approach enables MWH to work in close coordination with the District and the study's stakeholders - working together from the beginning on identifying and defining the study's objectives. From that understanding, we select a diagnostic methodology that will allow us to meet each element in your objectives. We conclude the study with exceptional reporting and documentation that is easily explainable to general public.

We understand the project objectives as outline by the District in its Request for Proposal (RFP):

- Determine the revenue increases needed to provide funds necessary to meet the District's current/future requirements.
- Forecast the effects of the District's estimates of growth and conservation on its revenues, as well as any impact that the proposed rates may have on sales.
- Calculate and document the functionalization, classification, and allocation of costs among appropriate customer classes consistent with industry standards and State law requirements.
- Design rates that are appropriate and produce the desired revenues.
- Assess the ability and need to unbundle the rate structure based on available cost information, including appropriate ways to differentiate purchased water costs from the District's distribution and other operating costs.
- Evaluate and recommend appropriate retail and wholesale charges for recycled water.



We would like to build on the third bullet by pointing to the evolving legal landscape regarding water utility rate-setting in California. While Proposition 218 (Prop. 218) has been in place for some time, related court interpretations of the law continue to impact how water utilities charge their customers. Our team members are experts in Prop. 218 and are firm believers in the importance of a robust and transparent cost-of-service methodology in order to stay clearly within the bounds of legal requirements. We have collaborated in the past with the legal team retained by the District.

Through our direct work with the District and our regional experience, we understand what needs to be accomplished to meet the written objectives of the RFP. The first three tasks requested by the District could also be framed as “Milestones” as follows:

**Milestone 1 – Revenue Requirements** - Development of cash flow projection and long-range financial planning for the Water, Recycled Water, and Wastewater enterprises (*referred to collectively hereafter as the three “Enterprises”*). The financial plan will determine the long-range revenue requirements for the respective Enterprises. The financial plan projects revenue and expenditures based on the existing rate structure, anticipated growth, and expenditures in the categories of operation & maintenance, debt service, and capital.

**Milestone 2 - Cost-of-Service Analyses** - Cost-of-service is the process of allocating the revenue requirements to functional cost components which are then assigned to specific customer classes. The cost-of-service is designed to assign costs associated with each customer class based on the demands they place on the system. A test year (representative of future conditions during the study period) will be selected as a basis for the cost-of-service analysis, as well as subsequent rate design tasks. As previously described, the cost-of-service methodology will follow best practices and will be clearly documented in order to unmistakably meet the requirements of applicable law.

**Milestone 3 – Rate Design Review** - Rate design consists of developing a rate structure that adequately recovers the revenue requirements through fixed and variable components, yet remains equitable among the specific customer classes. Rate design must incorporate local policy, state guidelines, legislative requirements, and above all - the impact that price elasticity of demand has on water usage without this any rate design would not recover the appropriate amount of revenues needed. When discussing water budget rates, it is important to look beyond the rate design to see the customers that pay those rates. For that reason, we recommend a critical evaluation of the District’s **variance program and customer service levels**. We understand that the District’s recycled water rates are equal to 80% of the rates charged for potable water rates. We have found that the cost of providing recycled water service typically exceeds the cost of providing potable water service. While the District may choose to charge a lower rate for recycled water for policy reasons, the practice is acceptable only so long as the stranded costs aren’t unjustly funded by another enterprise (such as water). MWH can help the District establish clear and defensible methodologies that support an affordable rate for recycled water.

## Financial Models

The scope of work will require the use of three distinct, but ultimately integrated, financial models for each Enterprise: a financial planning model (to establish overall revenue requirements), a cost-of-service model (to allocate costs to customer classes), and a rate design model (to develop a rate structure that collects revenue in a manner that is consistent with revenue requirements and cost-of-service). The District has offered to provide the financial models used in the previous rate study. MWH proposes to review those existing model for quality then update and/or modify for purpose of this study. We believe that this approach will be more cost effective for the District. One exception, however, applies to the District’s existing water budget rate design model (perhaps called a “Conservation Impact Model” or CIM). Based on our understanding of that model, MWH is confident that our water budget model will be more robust in managing the large volume of data required for the study.



While our scope and budget is predicated on the assumption that we will be able to update the District's existing models, in the event that those models don't meet our quality standards, MWH's financial models are user-friendly and include the following features:

- Easily calculate annual rate adjustments, conduct "what-if" analyses on dozen of variables such as customer growth projections, revised budgeted expenditures, or changes to the capital improvement program schedule.
- Tailored to recognize the utilities' unique needs, characteristics, and information base, including compatibility with the District's budgetary and accounting systems;
- Flexible capital improvement program scheduling allowing for changes in costs and sources of funds;
- Ability to develop financial plan cash flow alternatives for changes in customer, volume, and revenue projections; budgetary revisions; variations in timing and amounts of revenue increases; debt service structuring; and different capital improvement program scenarios;
- MWH's water budget model and projection of the conservation effect is accurate because we use the full billing data of the utility and we are able to predict the impact and projected reduction for every single bill;
- Measurement of revenue generation by class and bill impact analysis;
- Automated ability to change study periods for ease of annual updated by District staff;
- Incorporation of user friendly features, including fully automated pre-programmed print and navigation menus, customized icons for specific model functions and other features.

## Scope of Work and Work Plan

The following Work Plan, as well as Task numbering, has been developed consistent with the tasks described in the District's RFP. **Unless indicated otherwise, all work relates to all three Enterprises.**

### Project Management Task

Consultant considers project management to be a critical task for all projects. In addition to regular contact between our Project Manager and District staff, we propose to develop two scheduled lines of communication; monthly progress reports and a monthly progress conference call (or in-person when conveniently coupled with a project meeting). MWH uses an on-line project management system that ensures that variances from the project plan will be detected early and corrective action effectively applied.

- |                      |   |
|----------------------|---|
| <b>Meetings</b>      | ▪ Monthly meetings with District staff to discuss project progress and schedule |
| <b>Deliverables:</b> | ▪ Monthly meetings with District staff to discuss project progress and schedule |
|                      | ▪ Monthly invoices accompanied by progress summary                              |



### Task 1A - Initial Meetings and Data Collection

Consultant will collect and review data to be provided by the District, primarily historical and current financial information. When possible, financial data will be collected in electronic form. Activities will include:

**Data Request.** Consultant will furnish an initial data request list, which will include customer information, financial and operating data, customer billing records, reports, projected operating and capital budgets, fixed asset records, relevant ordinances, and rate study models.

**Project Planning.** Consultant will hold a Project Kick-off meeting to discuss rate making policies, goals, and scheduling to align our work with the District's objectives. Topic may include issues of concern to the District, data summary efforts, communication protocols, and project scheduling.

**Review of Initial Data.** Consultant will review all data received to confirm its completeness. This will include a review of the quality of the District's existing rate models. As the study progresses and after initial data is evaluated, Consultant may submit requests for additional data and clarifications of initial data received.

**Meetings**                      ■ Kick-off Meeting

**Deliverables:**                ■ Data request memorandum, meeting agenda and minutes

### Task 1B – Review and Propose Modifications to the Revenue Requirements

Consultant will analyze District data to develop projections for both revenues and expenses for a five-year study period covering fiscal years 2015 through 2019. Specific activities will include:

**Rate Revenue Projections.** Consultant will project the number of customers for each respective Enterprise and billable volumes by considering historical population and customer growth trends, growth projections provided by the District, expected changes in customer behavior over time, and other knowledge provided by District staff. The analysis will examine five years of historical data, as available. Projections of revenue under existing rates will be developed, recognizing projected accounts, billed volumes, and other billable units applied to the existing rate structure.

**Other Income Projections.** Interest income and revenue from other domestic water sources will be reviewed and projections made.

**Operation and Maintenance Expense Projections.** Consultant will project operation and maintenance expense based on a review of historical financial records and trends, and available budget estimates of future domestic water operation and maintenance expense. Projections will recognize estimated of population growth, inflation, changes in services, and other factors.

**Debt Service Expense Schedule.** Projections of principal and interest payments on any projected future bonds for major capital improvements will be developed for the forecast study period.

Consultant will also work with District staff to develop the following:

**Routine Capital Expenditures.** Consultant will work with District staff to develop the anticipated annual spending levels for repair and replacement over a ten (10) year period. Such expenditures consist of the normal and ongoing replacement of worn out or obsolete equipment.

**Major Capital Improvement Program Financing Plan.** Consultant will work with District staff to develop up to three (3) potential capital spending programs plans for each Enterprise's capital improvement program. Ultimately a financing strategy for such capital expenses will be recommended based on consideration of available funding, existing revenue bond ordinance covenants and other requirements, impact on rate levels and District policy. The capital spending program will inform the work conducted in subsequent tasks.



**Reserve Funding.** Existing reserve fund requirements and balances will be reviewed for adequacy. Applicable bond ordinance requirements will be reviewed along with any relevant District policies. Consultant will recommend adequate reserve levels based on our review of both reserve funding requirements and industry standards.

By modeling both the revenue and expense projections, a cash flow analysis of Enterprise operating and capital financing needs will be developed. Detailed analyses will provide an indication of the magnitude of overall adjustments in respective annual revenue levels needed to meet the projected revenue requirements.

Using the District's existing financial planning model, Consultant will prepare cash flow analyses summarizing the above projections of revenues and revenue requirements to determine the adequacy of revenues under existing rate levels to meet operating and capital needs for the study period. As part of this effort, MWH will work with District Staff to develop up to three (3) capital spending scenarios to test the sensitivity of various capital programs on future rates. These alternative scenarios will recognize major capital program and the other revenue requirements established above. MWH will conduct Model Validation Workshops to review the models and discuss the preliminary findings. Modifications to the models will be made, as appropriate, based on discussions during the workshop. The findings from the model results and the workshop discussion will be captured in a draft 5-Year Financial Plan for the District's review and comment.

- |                      |   |
|----------------------|---|
| <b>Meetings</b>      | ▪ Model Validation workshop (one day with sessions for each Enterprise) |
| <b>Deliverables:</b> | ▪ Draft and Final 5-Year Finance Plan Memorandum (for each Enterprise)  |

## Task 2 –Cost-of-Service Analysis

Consultant will conduct a cost-of-service analysis that meets the legal requirements of Prop. 218. Using an industry-standard approach, and being mindful of recent court rulings in California regarding water rates, Enterprise costs will be allocated to groups of customers that have similar service requirements. Consultant will:

**Review Customer Classes.** Review the existing customer class designations to determine appropriateness and equitability and recommend to the District any revised and/or new customer class designations, as needed.

**Determine Customer Class Characteristics.** Determine appropriate usage and billing characteristics for each customer class, based on available information. Estimates of customer class characteristics will be based on billing data, system operating statistics, availability of service, other available information, and Consultant judgment and experience.

Test year costs of service or revenue requirements to be met from Enterprise service rates will be first allocated to functional cost components to provide a basis for subsequent allocations to customer classes, which will recognize estimates of each class' service requirements. Allocations will reflect cost-causative concepts in accordance with generally accepted utility practices. For domestic water, these concepts are generally consistent with the widely accepted methodology outlined in the American Water Works Association Manual of Practice M1, titled *Principles of Water Rates, Fees, and Charges*. For the wastewater utility, these concepts are generally consistent with accepted procedures described in the Water Environment Federation's manual on *Financing and Charges for Wastewater Systems*. **MWH will also be mindful of recent court decisions in California related to water rates. We will document a transparent cost-of-service methodology that isn't just legally defensible, but also unlikely to attract a legal challenge.**

**Capital Cost Allocations.** For capital cost allocation purposes, Consultant will establish estimates of projected test year depreciation expense and plant asset values for rate base. These analyses will be based on schedules of depreciation rates and suitably detailed asset value information.



**Functional Cost Allocations.** Consultant will allocate test year costs of service to various cost components which constitute functional classifications of the types of Enterprise services provided.

**Development of Customer Class Units of Service.** Consultant will estimate customer class service characteristics associated with each of the functional cost elements recognizing the historic usage patterns, applicable data available, engineering judgment regarding customer class service characteristics, and experience with other utility operations possessing similar usage characteristics and patterns. The relative service characteristics of customer class groups, and other large groups if any, will be recognized, as applicable.

**Allocation of Costs to Customer Classes.** Consultant will distribute costs by functional component to customer classes using applicable unit costs of service and class units of service to determine each class' proportional responsibility for total system costs.

Consultant will use the District's existing cost-of-service models to develop a recommended cost allocation methodology for each Enterprise, and present our recommendations in a Methodology Validation Workshop.

Upon completion of the cost-of-service analysis, Consultant will prepare a cost-of-service Findings Report that clearly explains the project methodology and policy decisions. The report will summarize the final cost allocation to each respective customer class and compare class revenues under existing rates and indicate any needed revenue adjustments by customer class.

- |                      |   |
|----------------------|---|
| <b>Meetings</b>      | <ul style="list-style-type: none"> <li>▪ Cost-of-service Methodology Validation Workshop (one day with sessions for each Enterprise)</li> </ul> |
| <b>Deliverables:</b> | <ul style="list-style-type: none"> <li>▪ Draft and Final Cost-of-Service Findings Report</li> </ul>   |

### Task 3A – Review and Propose Changes to Current Rates

The District's existing rate structures for each respective Enterprise will be evaluated for their:

- 1) Effectiveness in equitably recovering appropriate revenues from customers, consistent with the findings of the cost-of-service analysis,
- 2) Legally defensible and mindful of recent court decisions regarding the application of Proposition 218 and Proposition 26.
- 3) Consistency with the District's policy regarding subjects such as promoting conservation,
- 4) Ease of understanding and administration, and
- 5) Financial viability for considerations such as revenue stability.

Specifically, as it applies to each individual Enterprise:

**Water** - Existing water budget-based tiered-rate structure will be reviewed and evaluated against criteria such as meeting the District's pricing objectives, cost-of-service recovery by customer class, compliance with laws such as California Assembly Bill 2882, and practical administrative considerations (such as the policies of the variance program). This work will require the update/development of the water budget rate design model, which will require 2 – 3 years of complete billing data from all water customers. This task requires effort to manage and format the data and then populate the water budget model.

**Wastewater** - Alternative rates structures will be considered for the wastewater rate, including a flat monthly charge as an alternative to the current basic and volumetric charges. Consultant will provide the pros and cons of alternative rate designs and include a recommendation to the District.

**Recycled Water** - Consultant will review the cost-of-service for providing both wholesale and retail recycled water to customers and evaluate whether the District should continue its existing policy for retail service, including the risks and benefits of any change to that policy.



Based on the evaluation of existing rate structures for all three Enterprises, Consultant will develop and propose schedules of proposed rates for a 5-year period (as limited per California law). The legal defensibility of the proposed rates will be the single most important consideration. Specific consideration will also be given to establishing charges that meet the District's policies and practical objectives regarding Enterprise services.

Upon development of the rate design tools, MWH will meet with District staff to review the preliminary results and discuss modifications if needed. The water rates workshop will include a discussion of the District's variance program and customer service levels.

- Meetings**
- Rate Design Review Workshop (up to 4-hours meets for each Enterprise)

### Task 3B – Model Training

Consultant will finalize and provide the District with all project rate models developed over the course of the project. Consultant will spend one day at the District, training staff in the use of the financial planning models for the three Enterprises. It is assumed that the training session will be grouped with one of the Task 4 meetings.

- Meetings**
- One-day training session for District staff

- Deliverables:**
- Final models for all three Enterprises

### Task 4 – Reports and Presentations

Consultant will prepare a draft and final report for each Enterprise. The reports will comprehensively summarize the findings for the respective financial plans, cost-of-service analyses, and rate designs. Consistent with California law, the methodologies for the financial planning and cost-of-service analyses will be particularly transparent and easy to understand. The reports will include additional elements, such as a comparison of typical bills under existing versus proposed rates. The reports will also address programmatic recommendations, such as the rules of the water budget variance program and the service levels for customer service.

MWH will hold a conference call with staff to discuss comments and revisions to the draft report. This will be followed by an on-line presentation of the findings to staff, followed by two in-person presentations to the Board of Directors (anticipated in August and November).

- Meetings**
- Draft report review meeting via phone (up to 1 hour for each Enterprise)
  - On-line staff presentation (up to 2 hours for each Enterprise)
  - Two (2) Board presentations

- Deliverables:**
- Draft and final reports
  - Presentation handout materials, as needed

### Task 5 – Public Outreach

If required, Consultant will prepare presentation material and participate with District Staff in three (3) workshops with stakeholders to present and explain the recommended rate changes and proposals.

- Meetings**
- Three (3) outreach meetings

- Deliverables:**
- Outreach materials (PowerPoint presentations and handouts)

Per RFP requirements, the responsibilities of the individuals who will be working on the project and their extent of involvement (hours) are provided in Section 7 (Cost Proposal).



# Timeline

The Team's proposed schedule for the project is shown below.

	April	May	June	July	August	September	October	November	December
<b>Task 1A - Initial Meeting and Data Collection</b>									
Data Collection and Analysis	█								
Kickoff Meeting	★								
<b>Task 1B – Modifications to the Revenue Requirements</b>									
Develop Financial Planning Models	█	█							
Model Validation Workshop		★							
Capital Spending Scenario Workshop		★							
Submit Financial Plan Memorandums			★						
<b>Task 2 – Cost-of-Service Analysis</b>									
Develop Cost of Service Models		█	█	█					
Cost of Service Validation Workshop			★						
Submit Cost of Service Methodology Memorandums				★					
<b>Task 3A – Review and Propose Changes to Current Rates</b>									
Develop Rate Design Models			█	█	█				
Rate Design Review Workshop				★					
<b>Task 3B – Model Training</b>									
Training Session & Final Model Delivery						★			
<b>Task 4 - Reports &amp; Presentations</b>									
Develop Draft and Final Report				█	█	█	█		
Deliver Draft Report					★				
Draft Report Review Meeting					★				
Board of Directors Presentation #1					★				
Deliver Final Report						★			
Final Report Presentation to Staff							★		
Board of Directors Presentation #2								★	





SECTION 6

References

Water and Wastewater Utility Cost-of-Service Allocation and Water Budget Rate Design, Castle Pines North Metro District

Services Provided

Water financial plan, water cost-of-service, water budget rate design, system development fee review, wastewater financial plan, wastewater cost-of-service

Role of Team Members

Jason Mumm – Project Manager
Fernando Aranda – Water Financial Planning/ COS/ Rate Design
Fletcher Davis – Sewer Financial Planning/ COS/ Rate Design

Reference

Steven Labossiere
President, Board of Directors
(303) 710 - 6925
slabossirere@cpnmd.org

Project Summary

Castle Pines North Metro District’s capital plan represents a \$100M investment over the next 20 years. For a utility of less than 3,500 customers, this presented a considerable challenge. MWH prepared a 20-year finance plan to adequately cash and debt fund of the District’s capital plan, but also ensure projected rates were still affordable according to EPA guidelines. MWH helped the District plan their capital projects and rate increases to mitigate rate shock while staying on schedule to provide a 100% renewable water supply to their customers.

Through our cost-of-service study, we were able to consolidate water and wastewater classes, while also ensuring that each customer class was paying their fair share for services provided. Through the development of a rate design model for the District individualized rate structure, we were able to identify weaknesses in their existing water rate structure. By aligning water rate tiers with actual customer usage characteristics, MWH was able to propose water rates that best accomplished the Districts goals for conservation and affordability. We led the District Board to approve a 10% increase of water rate revenue and a 5% increase of wastewater rate revenue. Additionally, MWH modified “indoor allowance” first water tier to more accurately reflect District consumption patterns and increase stability and provided the District 5 years of water and wastewater rates to phase in cost-of-service based rates for all customer classes. Working with a public relations expert, MWH and Castle Pines North Metro District implemented a successful communication plan that ensured all stakeholders were aware of proposed rate increases and structural changes and the reasoning behind those changes.

Water Budget Rate Study, Indio Water Authority

Services Provided

Water budget rate study, financial planning, and user fees, including public outreach.

Role of Team Members

Mark Hildebrand – Project Manager

Reference

Kelly Smith
(760) 625-1859
ksmith@indio.org

Project Summary

The Indio Water Authority is located in the California southern deserts, and is dependent on limited groundwater and imported water supplies. Proposed team members worked with the Indio Water Authority to developed water-budget based rates that were supported by a long-range financial plan. The long-range financial plan model was integrated with a water budget model, which was developed based on years of actual billing data and included the ability to conduct sensitivity analysis on elements such as elasticity of demand. A comprehensive variance program was developed in accordance with the Authority’s policies and in compliance with applicable law.



The scope of work included rate design, cost-of-service analysis, Proposition 218 notification materials, and the development of web-based outreach tools. We worked directly with an outreach consultant to develop materials for presentation during outreach events.

Team members also completed a Comprehensive Service Fee Study for the Authority, developing a comprehensive list of service fees that were set at levels to reflect the true cost of providing the services and in compliance with AB 1600 and Proposition 218. The scope included a review of the Authority’s existing Service Fees, identification of new service fees, and calculation of the maximum-justifiable rates for all fees.

## Utility Financial Planning and Conservation Rate Design, City of Santa Fe, NM

### Services Provided

Water, wastewater, and solid waste, long-term financial planning, cost-of-service allocation, wholesale rates, rate design and impact fees, conservation rates with elasticity of demand

### Role of Team Members

**Jason Mumm** – Project Manager  
**Fletcher Davis** – Financial Planning/  
COS/ Rate Design

### Reference

Nicholas Schiavo  
Public Utilities Director  
(505) 955 – 4267  
[naschiavo@ci.santa-fe.nm.us](mailto:naschiavo@ci.santa-fe.nm.us)

### Project Summary

The City of Santa Fe is located in a semi-arid resort area with very little access to new clean water supplies, so water conservation is extremely important. Since 2001, the City has been directing policies toward an overall reduction in per capita water usage. The city achieved a 25% reduction in the per-capita water usage from 139 gallons in 2001 to 103 gallons in 2009.

MWH developed the City’s water rates in 2001, at the beginning of their demand management program, and obtained stakeholder input of the City’s staff, a citizen’s advisory committee, and elected officials. Our pricing approach in Santa Fe was to anticipate and encourage reductions in demand while providing increased revenue performance in the short term and revenue stability in the long term. We used a comprehensive “Conservation-Impact” model to create a statistical simulation of the City’s customer billing patterns in reaction to changes in user rates. Our model results ended up projecting both revenue and water demand to within 5% of the actual level attained by the City one year after implementing our recommended rates.

The conservation rates we recommended became the City’s permanent rate structure. Since then, the City has been commended by many environmental groups for having the best example of conservation pricing in the Western US. As demand continued to decline in the City, our model has remained accurate. *The City has not only improved and stabilized its revenue, but has also turned its bond rating from “junk” status in 1999 to a quality credit level. The City obtained an AAA rating from Fitch Ratings in 2009 and maintains a positive outlook today.*

Due to the success of the water pricing and conservation efforts, the City was able to delay the design and construction of its Buckman Direct Diversion project by approximately 7 years, *saving the City about \$100M in the process.*



## SECTION 7

## Cost Proposal

MWH proposes to provide the requested scope of services for a not-to-exceed amount of **\$133,983** inclusive of all direct and indirect costs associated with the mandatory project tasks. The proposed fee for the optional outreach task is \$11,618. As requested in the RFP, the table below provides a breakdown of labor hours by task and position, including a listing of billing rates by classification.

Task	Classification	Hourly Rate	Estimated Hours	Labor Cost	Direct Costs	Total
Task 1A Initial Meetings & Data	Principal	\$280	0	\$0	\$1,342	\$8,047
	Managing Consultant	\$215	11	\$2,365		
	Consultant	\$150	19	\$2,850		
	Analyst	\$130	10	\$1,300		
	Admin	\$95	2	\$190		
Task 1B Review and Propose Modifications to the Revenue Requirements	Principal	\$280	1	\$280	\$1,342	\$32,042
	Managing Consultant	\$215	32	\$6,880		
	Consultant	\$150	56	\$8,400		
	Analyst	\$130	115	\$14,950		
	Admin	\$95	2	\$190		
Task 2 Cost-of-Service Analysis	Principal	\$280	1	\$280	\$1,342	\$26,727
	Managing Consultant	\$215	33	\$7,095		
	Consultant	\$150	46	\$6,900		
	Analyst	\$130	84	\$10,920		
	Admin	\$95	2	\$190		
Task 3A Review and Propose Rates	Principal	\$280	2	\$560	\$1,903	\$38,148
	Managing Consultant	\$215	41	\$8,815		
	Consultant	\$150	60	\$9,000		
	Analyst	\$130	136	\$17,680		
	Admin	\$95	2	\$190		
Task 3B Model Training	Principal	\$280	0	\$0	\$0	\$2,275
	Managing Consultant	\$215	1	\$215		
	Consultant	\$150	12	\$1,800		
	Analyst	\$130	2	\$260		
	Admin	\$95	0	\$0		
Task 4 Reports & Presentation	Principal	\$280	5	\$1,400	\$2,574	\$26,744
	Managing Consultant	\$215	42	\$9,030		
	Consultant	\$150	44	\$6,600		
	Analyst	\$130	52	\$6,760		
	Admin	\$95	4	\$380		
		<b>Total</b>	<b>817</b>			<b>\$133,983</b>

Task 5 Public Outreach (optional)	Principal	\$280	0	\$0	\$1,848	\$11,618
	Managing Consultant	\$215	26	\$5,590		
	Consultant	\$150	8	\$1,200		
	Analyst	\$130	20	\$2,600		
	Admin	\$95	4	\$380		

		<b>Total (with optional task)</b>	<b>875</b>			<b>\$145,601</b>
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## Appendix A – Resumes





## Mark Hildebrand



*Project Manager*

Mark is a Managing Consultant with MWH in its Walnut Creek office (San Francisco Bay Area). Mark is a finance and utility management consultant who bridges the disciplines of financial analysis and organizational effectiveness. He has performed dozens of water, wastewater, and recycled water rate studies; and specifically has been involved in over a half dozen water budget rate studies. Mark is an expert in Proposition 218 and California's legal requirements regarding utility rate-setting. He has been published by the AWWA Journal for articles addressing the challenges of conservation pricing in California. Mark's publications include:

### EDUCATION

MESM, University of California Santa Barbara

BS, University of California Berkeley

### LICENSES/ REGISTRATIONS

N/A

### MEMBERSHIPS/ AFFILIATIONS

American Water Works Association (AWWA)

Water Environment Federation (WEF)

Cal-Nevada Section of the AWWA and WEF

### SPECIALIZATIONS

Financial Planning and Related Financial Analyses

Utility Ratemaking

Cost-of-Service Studies

Rate Design

Change Management

Strategic Business Planning

Organizational Effectiveness

Alternative Capital Project Delivery

"Conservation Rates Made Legal: Water Budgets and California Law," *Journal of the American Water Works Association*, Vol. 101, No. 4, April 2009 (lead author).

"Water Rates, Fees, and the Legal Environment," American Water Works Association, 2nd Edition, 2010. ISBN 978-1-58321-796-2 (contributing editor).

"Affording Conservation Revenue Challenges Facing Utilities," *Proceedings*, International City Management Association, October 17-20, 2010. (co-presenter).

"California Finance Law: Water Budgets and California Law," *Proceedings*, Utility Management Conference, February 17-21, 2009 (Presenter).

"Defining Latest Trends in Conservation Rate Design: Creating a Nexus Between Cost of Service Principles and Rate Structure," Utility Management Conference, February 17-20, 2009 (Co-presenter).

"Stormwater Program Funding Options and Restrictions," *Proceedings*, California Stormwater Quality Association (CASQA), November 1-3, 2010.

### Relevant Project Experience

#### Project Manager, Water Budget Based Rates, City of San Diego, CA

Project Manager to develop a budget-based rate structure for the City's irrigation customers based on a model that was tailored to account for historical water use, historical weather, and projected elasticity of demand behaviors.

#### Project Manager, Water Budget Rate Study, Indio Water Authority, CA

Project Manager in delivering a complete water budget rate design study. Work included conducting a feasibility analysis, conforming large volumes of billing data, developing a Water Budget model, assistance in development of a variance program, and public outreach. In addition, Red Oak developed a Water Budget Calculator which will be posted to the agency's website for purposes of outreach and transparency. The water budget rate design was developed in collaboration with a citizen's interest group.

#### Project Manager, Water Rate Approval Best Practices, Portland Water Bureau, OR

Mark was project manager for this project which included a North American telephone survey of water, wastewater and stormwater utilities to identify best



practices for the development and approval of annual operational budgets and rate adjustments. The ensuing report, designed to be used as a metric against the Portland Water Bureau's current practices, identified best practices and recommendations with respect to public involvement, transparency, and documentation. The report also addressed issues such as the appropriate span of control for staff and elected officials (as individuals and as a group).

#### **Lead Analyst, Water Budget Rates, City of Corona, CA**

Gave interactive seminar regarding water budget-based rate structures to the City of Corona. Topics included an introduction to water budget rate structure, how to develop such rates, rate design options, variance program development, the legal implications of conservation rates, equity concerns, data needs, and some implementation details.

#### **Lead Analyst, Proposition 218 and Water Budget Feasibility, Western Municipal Water District, CA**

Conducted a workshop with Western MWD staff to discuss the feasible application of Water Budget-based water rates for the District. Topics included case studies from other water districts, political feasibility, data management, legal considerations such as Prop. 218 and customer equity.

#### **Primary Editor, M1 Manual, American Water Works Association, DC**

Primary editor for a new chapter in AWWA's M1 Manual (Principals of Water Rates, Fee and Charges) regarding water budget-based rate structures. Topics included an introduction to water budget rate structure, rate design options, variance program options, equity concerns, data needs, and some implementation details.

#### **Reno Sewer and Stormwater Enterprise Finance Consulting, Reno, NV**

Services included a cost of service and rate study, including a revenue sufficiency evaluation, cost-of-service analysis, connection fee evaluation, rate design assistance, debt and bond issuance evaluation, long term financial forecasting and training in (Malcolm Pirnie's proprietary) eForecast model. Also wrote feasibility paper for the implementation of a stormwater utility within the City of Reno. The effort has included research on similar programs within local and regional utilities, review of applicable Nevada and City laws, assessment of existing funding, and anticipation of potential hurdles for implementation.

#### **Lead Author, Newport Beach Water Rates, City of Newport Beach, CA**

Mark wrote a white paper for the Utility Department of Newport Beach addressing the legal implications of water rates that promote conservation. Specifically, this White Paper discussed the evolution of legislation and case law with respect to the equity issues raised by Proposition 218 (Prop 218), Government Code Section 54999 and CA Constitution Article X.

#### **Project Manager, Cost Allocation Study, City of Huntington Beach, CA**

Assisted the City of Huntington Beach in determining appropriate amount of funds to transfer from City's Sewer and Water Enterprise Fund to City's General Fund. Particular emphasis was placed on requirements of Proposition 218. Tasks included identifying opportunities not currently captured by the then-current cost allocation plan, developing a user-friendly Excel model that mapped out transfer amounts, and preparing a final report.

#### **Project Manager, Sewer Rate Study, Alameda City, CA**

Mark was Project Manager for this study which included a cost estimate of the Sanitary Sewer Improvement Plan and a Sewer Service rate study. Mark managed a subconsultant, which was tasked with estimating the cost of the future sewer capital program. Based on these projections, Red Oak calculated legally defensible and financially sustainable sewer fees. A financing plan was designed to optimize the use of available revenues while meeting, but not exceeding, reserve targets. After deliberate preparation of Council members through informational presentations, Mark recommended substantial sewer fee adjustments which were unanimously approved.



## Jason Mumm



*Project Director*

Jason is the Director of Financial Commercial and Risk Services for MWH. He is an experienced financial and management consultant and focuses exclusively on financial and economic issues faced by water, wastewater, electric, and gas utilities. His expertise includes development of financial, ratemaking, and policy solutions for clients ranging from large multifaceted organizations to small rural utilities throughout the United States. Working directly with city and district managers, finance directors, utility managers, and elected officials, Jason focuses his services on describing the financial impacts of a utility's capital and operating plans, including the impact on ratepayers and other stakeholders.

### EDUCATION

MBA, University of Colorado

BS, Colorado State University

CVA, National Association of Certified Valuation Analysts

### LICENSES/REGISTRATIONS

National Association of Certified Valuation Analysts (NACVA)

### MEMBERSHIPS/AFFILIATIONS

American Water Works Association (AWWA)

Water Environment Federation (WEF)

Rocky Mountain Sections of the AWWA and WEF

### SPECIALIZATIONS

Financial Planning and Related Financial Analyses

Bond Due Diligence Support

Utility Ratemaking

Cost-of-Service Studies

Valuations and Opinions of Value

Rate Design

Impact/ Development Fee Studies and Other Related Services

Jason's accomplishments throughout his 17 years in water and wastewater consulting include:

- Performed over a hundred individual studies for water/wastewater utilities primarily for local governments in the United States.
- Prepared expert witness testimony in regulatory proceedings in Canada and the United States. Testimony also provided in numerous other court, administrative, and alternative dispute resolution cases.
- Admitted as an expert witness in Colorado, Nova Scotia, Texas, Oregon, and Hawaii in matters involving utility finances, rates, and/or cost sharing.
- Developed utility business model training for local elected officials.
- Held elected office on a water/sewer board in his local community.
- Author of over 100 published articles in the water/wastewater industry press

## Relevant Project Experience

### Project Manager, City of Santa Fe, NM

**Northwest Quadrant Water System Design Evaluation** - Performed a Business Case Evaluation (BCE) to select the best alternative for supplying potable water to the northwest portion of the City's service area. Options studied and compared included a storage tank and a closed-loop pump station. The evaluation considered operation, maintenance, site selection, and overall project costs, including construction costs, social costs, and risk costs. The evaluation resulted in a triple bottom line comparison that helped City leaders reach a decision to install a closed-loop pump system instead of the initially planned steel storage tank.

**Water Transmission and Storage System Master Plan** - Led the BCE, financial analyses, and public participation as part of the hydraulic modeling and master planning project for the City's water distribution system. The project included complete construction of a calibrated hydraulic model in MWHSoft H2O Map Water using GIS information and evaluation of the existing system and system operation at subsequent planning horizons based criteria established as



part of the project. Performed BCEs on alternatives for major improvements to determine optimum solutions, verified financial position of the water department, developed a phased capital improvements program, and prepared master planning documents, and presentations to the Public Utilities Commission and City Council.

**Utility Financial Planning, Cost-of-Service Studies, and Rate Designs** - Led efforts that averted a bondholder class-action lawsuit. Continued to assist this community in establishing its water and wastewater utilities' financial plans, rates, and tap fees (utility expansion charges). Assisted the City in a number of additional projects related to expansion of water supplies, negotiations with wholesale customers, and revision of various policies and guidelines. For the City's rate restructuring efforts, developed the stochastic modeling approach, furthering the analytical framework for water utility ratemaking for the City.

#### **Project Manager, City of Aurora, CO**

**Water Utility Cost-of-Service Allocation and Water Rate Design** - Managed a team of financial consultants to develop a comprehensive water utility cost-of-service allocation and multi-tiered water rate design resulting in a major change in the existing rate structure. The City had never conducted a cost-of-service allocation and the work results provided definitive justification for higher rates for residential customers who had historically been charged less than the class' cost to serve. The project was completed on an urgent basis due to political pressures, and the team delivered the 200-page draft report in approximately 60 days and under the anticipated budget.

**Water Development Fees** - Analyzed the City's capital improvements project list of over \$2B and matched the growth-related capital investments to the capacity needs of new customers to develop a development fee schedule on an equivalent residential unit basis. The development fee includes the planned capital investment in the system and the value of the water system's remaining capacity in its source of supply, transmission and distribution, treatment, pumping, and general plant categories.

**Raw Water Rates** - Developed asset allocation and cost-of-service update to calculate unit costs of raw water service applicable to new raw water customers and existing wholesale customers.

**Sewer Rate Study** - Created the City's first wastewater cost-of-service analysis, identifying cost-based rates for all retail and wholesale customers. Recommended development of a surcharge class which when implemented, will save City residents an estimated \$2M per year in rates.

#### **Project Manager, Financial Feasibility and Wholesale Pricing Analysis, Denver Water, CO**

Assisted Denver Water in analyzing pricing scenarios for a joint venture between Denver Water and Aurora Water combining water supply resources with \$650M of delivery and treatment infrastructure. This project involved development of regional pricing model using cost-of-service principles as applied to a multi-owner, multi-facility situation. The pricing objectives create a firm and separate interruptible rate for the project's users, while ensuring appropriate return on investment for the facility's owners. Because the project is not yet complete, the details are confidential.

#### **Project Manager, Utility Financial Plan and Rate Study, City of Sheridan, WY**

Developed financial planning models for both of the City's public utilities. These models were used to help the City evaluate the potential impact of renewal and replacement needs on the utilities' finances and customer rates. Prepared a cost-of-service allocation with the information gained from the financial planning models. The allocation specifically addressed the cost burden shared by the City's wholesale customer and demonstrated how that customer's contractual payments were less than that customer's allocated costs.





## Gregory Baird



Senior QA/QC

Greg is a principal consultant in MWH's Financial, Commercial, and Risk Services team. Greg has served as a municipal finance officer in California with Proposition 218 rate design and implementation experience and as the CFO of Colorado's third largest utility - over seeing all financial aspects of a \$150M water, wastewater, and storm drain operation and \$2B capital program. Greg has issued over \$1B in municipal debt and has had county treasury oversight responsibilities of over \$900M. He is widely published and presents on utility infrastructure asset management and financial issues for the US and Canadian water and wastewater industry.

### EDUCATION

MPA, Public Administration, Brigham Young University

BA, Brigham Young University

### LICENSES/REGISTRATIONS

Certified Public Finance Officer Candidate, Government Finance Officers Association (GFOA)

Rate Making – National Association of Regulatory Utility Commissioners (NARUC)

Certificate of Training in Asset Management (CTAM)

### MEMBERSHIPS/AFFILIATIONS

President, Water Finance Research Foundation (WFRF)

Advisor, Economic Development and Capital Planning Committee for the US and Canada (GFOA); Founder/Leader, Utility Finance Forum UFF

Member, Rates and Charges Committee, M1 Manual Task Force, Reuse and Affordability sub-committees, Sustainable Infrastructure Committee.

Member, APWA, WEF, CSMFO, AWWA

### SPECIALIZATIONS

Capital Planning/Prioritization Asset Management/CMMS

Rate Making, Design, Implementation

Forecasting/Revenue Analysis

### Relevant Project Experience

#### Water Enterprise Fund Financial Analysis and Reviews

Miami Dade, WSSC, Toronto, PRASA, Baltimore, DC Water, Louisville, San Francisco, New York, Philadelphia, Montreal, Dallas, Houston, Fort Collins, Fort Worth, Boston, Knoxville, Jacksonville, Detroit, Chicago, Seattle, LADWP, SAWS, Denver, Detroit, Calgary, Raleigh, Santa Clara, Portland, San Diego, Atlanta

#### Water and Sewer Cost of Service and Financial Planning for Proposition 218 Rate Increases and Developer Fee Increases, City of Modesto, CA

Greg transitioned 10 water systems and 3 water rate zones into a single water rate district through legal challenges under the California Proposition 218 process including applying price elasticity of demand converting unmetered flat rates to a metered lot size rate design utilizing new city codes, financial policies, master plans, engineering reports, cost of service and rate studies. Greg also developed a low income assistance program and successfully negotiated new developer fees after conducting impact and connection fee studies.

#### Municipal Financial Liaison for Surface Water Development, Ag to Urban Water Transfers with Modesto Irrigation District (MID) and the Turlock Irrigation District (TID)

Greg was assigned as the financial liaison to MID and TID to develop financial plans supporting the regional development of surface water treatment plants for municipal use in Stanislaus County, CA.

#### Water, Sewer, Storm Drain Rate Design and Implementation, Drought Surcharges and System Development Charges, Aurora Water, City of Aurora, CO

Greg directed the Aurora Water transition between water budgets and 5 tiered conservation rates to new community and politically acceptable rates.



### **Financial Planning and Oversight, Aurora Water Prairie Waters Project (PWP), City of Aurora, CO**

Greg had financial oversight of the \$754.8M PWP project, and was able to help delivery the project \$100M under budget through phased funding and delivery, passing on cost and contingency savings to rate payers in the form of lower than expected rate increases for several years in a row. Restructure rate tiers to better accommodate use and conservation goals. Issued over \$421M in revenue bonds and avoid entering the municipal debt market for another \$159M during the economic downturn by utilizing project prioritization and reviewing water drought hardening projects. The project leveraged existing water rights cost effectively.

### **Financial Planning and Rate Modeling for Regionalization, W.I.S.E Partnership, Denver Water, Aurora Water and South Douglas County Water Utilities, CO**

Greg directed regionalization planning and financial rate modeling and cost allocations for the Prairie Waters Project involving various water rights, pipeline and storage infrastructure assets.

### **Reuse Master Planning, Funding Plan, City of Aurora, CO**

Greg developed a transition rate schedule model for customers to convert from potable water to reuse water.

### **Wastewater Utility Infrastructure Asset Management and Financial Assets Review, Union Sanitation District, CA**

Greg performed asset management, hierarchy, condition assessment, business process review, financial asset capitalization, and fixed asset database correlation for the Union Sanitary District which provides wastewater collection, treatment and disposal services to the residents and businesses of the cities of Fremont, Newark and Union City, in Southern Alameda County, California.

### **Technology and Systems, Evaluation and Implementation**

GIS Computerized Maintenance Management Systems, Financial Systems, Billing Systems, Budget Systems

### **Recent Publications/Presentations**

“Capital Budgeting, Planning and Asset Management” Government Finance Officers Association GFOA - Webinar Training Course (Sept 2013)

“The Future of Water Infrastructure Asset Management, Part 3: Breaking Down Organizational Silos as Barriers to Cost Savings” American Water Works Association AWWA Journal (August 2013)

“Developing a Finance-Focused Asset Management Strategy for Cost Savings” Water Utility Infrastructure Management UIM Conference (July 2013- Orange County, CA)

“Asset Management and GIS for Finance Directors” Government Finance Officers Association GFOA Annual Conference for US and Canada (June 2013, San Francisco, CA)

“Asset Management: Using Alternative Materials to Address Replacement Cost and Maintenance Concerns” Water World (March 2013)

“Municipal Procurement: Procurement Process Improvements Yield Cost-Effective Public Benefits” Collaboration with The United States Conference of Mayors: Mayors Water Council (March 2013)

“The Future of Water Infrastructure Asset Management, Part 2: Protect Your Funding- All Roads Lead To Finance” American Water Works Association AWWA Journal (March 2013)

“The Future of Water Infrastructure Asset Management, Part 1: Organizing a Centralized Cost Database” American Water Works Association AWWA Journal (January 2013)



## Dick Howell



*Technical Advisor*

Dick has over 37 years of extensive experience with respect to the economics, finance, and rates of large regional water and wastewater service providers. He has participated in public works financings totaling nearly \$7B.

### EDUCATION

MBA, Economics and Finance, Claremont Graduate School

MS, Environmental Engineering, Stanford University

BS, Civil Engineering, Stanford University

BA, Management Engineering and Economics, Claremont McKenna College

### LICENSES/REGISTRATIONS

Professional Engineer – WA, NV, CA, AZ, MT

Project Management Professional (PMP)

### MEMBERSHIPS/AFFILIATIONS

GFOA; WEF; AAEE; AWWA; ASCE

### SPECIALIZATIONS

Economic and Financing Modeling

Financial Feasibility Studies

Wastewater System Financing

Rate Design Analysis

Price Elasticity of Demand

Cost-of-Service

Long-Range Financial Planning

Customer Billing Analysis

Development of Revenue Requirements

Retail/Wholesale Utility Contract Development

In addition to financial feasibility and implementation, he is a recognized expert in utility rates and charges and has performed more than 100 of such studies. For two years, he had a role as financial liaison between the City of Los Angeles and its 29 City and district wholesale customers with the implementation of the \$4.5B Los Angeles wastewater program. He prepared the financial feasibility study for the \$550M regional wastewater system financing, and for the \$55 and \$413M regional water system bond sales for the Sacramento California region. Sacramento County Water Agency and County Sanitation District No. 1 had never sold bonds before and both received favorable ratings and low costs attributable in part to the clarity and thoroughness of the MWH feasibility reports. Dick has recently prepared the long term economics and finance models for the Lake Powell Pipeline Project in Utah (\$1.2B) and the Susitna-Watana project in Alaska (\$4.4B).

### Relevant Project Experience

#### Financial Consultant, Wastewater System Revenue Bond Sale, Sacramento County Sanitation District, CA

Provided financial and rate consulting and modeling, and completed the engineer's feasibility report for the \$550M wastewater system revenue bond sale for construction of a wastewater treatment plant expansion and major interceptors for the Sacramento Regional County Sanitation District.

#### Project Financial Manager, Central Coast Aqueduct for the State Water Project, Central Coast Water Authority, CA

The Central Coast Water Authority serves over 30 retail agencies and one military base located in two counties. Dick developed in-depth, long-term capital planning models, including sources of funds analysis, reserves utilization and rate, fee and tax payer impact analysis. Prepared the feasibility studies for three bond sales (two serial and one refi) totaling over \$500M. Led the rating agency presentations and received excellent reviews for the clarity and comprehensive nature of the feasibility reports.



#### **Financial and Rate Consulting/Modeling, San Diego Wastewater Program, San Diego Metropolitan Wastewater Department, CA**

Provided financial and rate consulting and modeling, and completed the engineer's feasibility report for the \$400M wastewater system revenue bond sale for construction of a wastewater treatment plant expansion for the San Diego Metropolitan Wastewater Department. The purpose of the project was to achieve compliance with federal and state regulatory mandates that required the City to reclaim 45-mgd of water by constructing two new treatment plants and 60 miles of large-diameter pipeline.

#### **Feasibility Consultant, Freeport Project, Sacramento County Water Authority (SCWA), CA**

The Freeport Project involved a large regional river turnout, water treatment plant and pipeline that takes water from the Sacramento River in Sacramento and delivers it to customers served by SCWA and East Bay Municipal Utility District. The \$1.1B project included turnout facilities at the river, pipeline, pumping plants, and a 60 mgd surface water treatment plant. MWH was feasibility consultant for the SCWA share, which amounted to nearly \$500M. The feasibility study included in-depth analysis of credit worthiness including impact fee revenue that might decrease in the event of economic downturn, and of a 3,000 home development that was subject to state Supreme Court decision having to do with environmental permission and compliance. The bonds were highly rated.

#### **Financial Liaison, City of Los Angeles Clean Water Program, City of Los Angeles, CA**

Served as liaison for financial and cost-sharing/allocation matters between the City of Los Angeles and 29 wholesale wastewater agencies in the development of new wastewater service contracts to comply with state and federal grant/loan regulations. Project duties included an economic evaluation of institutional arrangements and utility management structures and procedures.

#### **Financial Consultant, Combined Sewer Overflow Program, Northeast Ohio Regional Sewer District, OH**

Completed a financial capability assessment and long-term financial plan for the \$3B combined sewer overflow (CSO) and wastewater facility investment program of the Northeast Ohio Regional Sewer District, which provides regional wastewater treatment and disposal services to 2 million people greater Cleveland. The USEPA required the District to prepare a long-term CSO control plan and implement improvements for the entire district to conform to CSO guidelines. Helped the District win acceptance of the 20-year CSO plan from the US and Ohio EPA and secure low-interest state revolving loan fund money. The plan saved the District \$302M and served as the blueprint for detailed study, design and construction of four major projects.

#### **Cost Sharing/Local Financing, Lake Powell Pipeline (LPP), Utah Division of Water Resources, Southern UT**

Engaged in long-term financial planning and assessment of rate impacts for the LPP. The LPP project involves annually pumping and conveying 100,000 acre feet of Lake Powell water for 51 mile, eventually dropping the water through an 87-mile hydropower system before discharging it into Sand Hollow Reservoir near St. George, Utah. Overall, the project includes a 100-mgd intake and pump station, 7 high-head pump stations, several regulating tanks and reservoirs, hydroelectric generating facilities, 139 miles of power transmission line, and two water treatment plants (20-mgd and 10-mgd). Tasks included allocating capital costs among project institutional participants, utilizing inter-agency water capacity, and computing annual debt service and wholesale water rates over a 60-year period. Participated in the socio-economics evaluation of the project for federal approval purposes, and has prepared a comprehensive cost sharing and revenue production computer model to ensure the entities share capital and O&M costs fairly and equitably. Directed the model to contemplate capacity allocation leasing features, which will be incorporated into inter-municipal service agreements and enable differentiable growth rates among the project partner entities.



## Fernando Aranda



*Consultant*

Fernando is highly trained in economics and finance and has worked in water and wastewater consulting for 7 years. He specializes in financial modeling and planning, statistical research and forecasting, simulation analysis, and providing financial and related management consulting services to water and wastewater utilities. He routinely performs comprehensive studies of revenue requirements, cost of service allocations, rate analysis, elasticity of demand, and system development charges.

Fernando assisted in the implementation and development of water budget rate structures for the Cities of Boulder, Greeley, and Castle Rock, Colorado.

### Relevant Project Experience

#### Lead Analyst, Water, Wastewater and Solid Waste Financial Plan, Wholesale Cost-of-Service Study and Rate Design, City of Santa Fe, NM

With some of the most aggressive conservation rates in the United States, the City's challenge has been to keep the conservation price signals in place while maintaining revenue stability. To support these goals, developed rates for the wholesale and extra strength customers. Created a rate design model to evaluate the effect to the residential customers of different wastewater flow calculations. Assisted the City in charting the path that transformed its credit rating from junk status to a recent AAA rating by Fitch Ratings.

#### Project Manager, Water Drought Surcharges Study, City of Aurora, CO

In January 2013 the City of Aurora was facing along with the whole Front Range a possible drought during the summer. The City needed to understand the possible revenue losses of implementing different drought policies. As part of this project, developed a rate design model to calculate the drought surcharges necessary to recover the revenue losses due to the implementation of different drought policies. The models incorporated the elasticity of demand in the development of the drought surcharges.

#### Lead Analyst, Water Cost-of-Service Study and Conservation Rate Design, City of Boulder, CO

With a population of 98,000 people the City of Boulder is one of the nation's leaders in water conservation rate structure. From 2009-2011 Developed and annually updated the City's water budget conservation impact model. The model included in the developing of rates the impact of elasticity to water conservation and revenue losses.

### EDUCATION

MS, Finance, University of Colorado at Denver

MA, Economics, University of Colorado at Denver

BS, Economics, Universidad de Carabobo, Venezuela

### LICENSES/REGISTRATIONS

N/A

### MEMBERSHIPS/AFFILIATIONS

American Water Works Association (AWWA)

Rocky Mountain Section of the AWWA

### SPECIALIZATIONS

Financial Planning

Cost-of-Service

Water Rate Structures

Water Budget Rate Design

Access and Excel based financial modeling



### **Lead Analyst, Water, Water Resources, Wastewater, and Stormwater Long-Term Financial Plan and Cost-of-Service Rate Study Town of Castle Rock, CO**

Lead analyst in charge of updating and developing model enhancements for a system of 14,000 customers. Highlights include a 30-year forecast, \$500M renewable water resources improvement plan, \$160M water, \$123M wastewater budget, and a two-basin stormwater system. Performed annual updates since 2008 and a comprehensive update in 2010. As part of the cost-of-service study, calculated different rates by class; reviewed and proposed meter capacity equivalent ratios based on actual use.

### **Lead Analyst, Individualized Water Rate Structure (Water Budgets), Town of Castle Rock, CO**

Integrally involved in a two-year process to calculate conservation based budget rates for the Town. Proposed two new customer classes based on different characteristics. As the lead analyst, developed the financial model and developed a calculator of individual customers' bill impacts. Assisted the Town in its implementation of the water budget rates. Incorporated elasticity in the development of rates and project total water conservation. The water budget rates were implemented in 2009 and our projection of revenues and conservation were 98% accurate.

### **Lead Analyst, Water and Wastewater Cost-of-Service Study, City of Loveland, CO**

Located in Northern Colorado, The City of Loveland provides water and wastewater services to about 24,000 customers. The City's aging water and wastewater systems needed capacity and rehabilitation improvements, which required a change in overall financial strategy. As a lead analyst, developed water and sewer cost-of-service utility rates. Helped the City prepare its community and elected leaders for a change in overall financial. As part of the study, helped the City evaluate different rate alternatives to reduce the City's dependence on customer flows and usage as a basis for its rate schedule. Our approach helped the City isolate the costs of its small collection system lines and small distribution lines as "customer-related" costs rather than the more traditional "flow-related" cost.

### **Consultant, Consolidation Feasibility Study, Ross Valley Sanitation District, CA**

Consultant for a consolidation feasibility study plan involving three wastewater collection agencies and a large wastewater regional treatment agency. The project consisted of developing long-range financial plans for each agency and developing different consolidations scenarios with the agencies. The consolidation study included analysis of each agency's infrastructure and projection of the required infrastructure investment to equalize each agency.

### **Lead Analyst, Water and Wastewater Long-Term Financial Planning, Puerto Rico Aqueduct and Sewer Authority, Puerto Rico**

The Authority, which services 1.2 million customers island-wide and has \$700M in revenues, is faced with a \$5.6B CIP due to EPA-mandated improvements. To develop a long-term, comprehensive water and wastewater financial plan, developed a model with 5 levels of debt services, which dealt primarily with the mandated improvements. Created a debt service calculator for non-traditional bond issues and several lines of credit and bond anticipation notes. The model complies with bond covenant monthly reporting and debt service coverage calculations.

### **Publications and Presentations**

CIP Scheduling and Financial Planning, How to Unite Engineering and Finance, Presented at AWWA 2013 Annual Conference & Exposition (ACE), (Denver, CO)

Conservation Measures: How the City of Santa Fe achieved water conservation while maintaining sounding financial performance, Presented at Watersmart Innovations 2012 Conference, (Las Vegas, NV).



## Fletcher Davis



*Consultant*

Fletcher is a financial and management consultant with expertise including development of financial, ratemaking, and policy solutions for a wide array of clients. He enjoys working closely with his clients to fully understand the opportunities and challenges they face.

Fletcher focuses his services on interpreting historical and projected financial information and their impacts on a utility's capital and operating plans, including the impact on ratepayers and other stakeholders.

Fletcher is a skilled database analyst and frequently handles billing data analyses. He is an experienced water and wastewater utility consultant with five years of project experience with various utilities in the US. His past experience includes relevant economic and rate setting work with Malcolm Pirnie's Red Oak division. As an avid fly fisherman and skier, Fletcher is well aware of the value and importance of water.

### EDUCATION

MBA, Business, University of Denver

BA, Philosophy, University of Puget Sound

### LICENSES/REGISTRATIONS

N/A

### MEMBERSHIPS/AFFILIATIONS

American Water Works Association (AWWA)

Rocky Mountain Section of the AWWA

### SPECIALIZATIONS

Financial Planning

Cost-of-Service

Water Rate Structures

Water Budget Rate Design

Access and Excel based financial modeling

Financial Forecasting

### Relevant Project Experience

#### Lead Analyst/Consultant, Utility Financial Planning, Cost-of-Service Studies, and Rate Designs, City of Santa Fe, NM

Fletcher assisted in establishing water and wastewater utilities' financial plans, rates, and tap fees (utility expansion charges). He assisted the City in a number of additional projects related to expansion of water supplies, negotiations with wholesale customers, and revision of various policies and guidelines. For the City's rate restructuring efforts, Fletcher assisted in developing a risk analysis model to ensure adequate revenue collection under drought conditions. He analyzed approximately 5 million billing records in order to characterize water usage into distinct probability functions for use in Monte Carlo™ analysis of various water rate alternatives. The analyses allowed MWH to quantify the variability to be expected in each rate structure using statistical methods to define the expected revenues within a 95% confidence interval. As a result, MWH was able to demonstrate the degree of revenue risk associated with each rate structure for a simple side-by-side comparison.

#### Lead Analyst/Consultant/Project Manager, Financial Planning Study, City of Sheridan, WY

Fletcher prepared a financial planning study for the City's water and sewer utilities, including rate recommendations. Evaluation included analysis of declining State grant funds and the impact on water and sewer rates as a result. He ran workshops with City staff to review the budgeting process and prioritize their capital improvement plan in order to mitigate large rate increases. Fletcher developed financial planning models for both of the City's public utilities. He also developed financial policies to assist utility managers and City Council in their decision making



processes. These models were used to help the City evaluate the potential impact of renewal and replacement needs on the utilities' finances and customer rates. Results of this project include multiple years of City Council approved rate increases to both the water and sewer rates, as well as an ordinance mandating an annual review of financial projections.

#### **Lead Analyst/Consultant/Project, Manager Financial Planning Study, Sheridan Area Water Supply Joint Powers Board, Sheridan, WY**

Fletcher was a consultant for a financial planning study for the County's water utility. He proposed and implemented aggressive depreciation reserve funding to ensure minimal future debt to pay for repair and replacement of the water system. Fletcher assisted the County with an analysis of existing outstanding debt and the present value cost savings associated with paying down different loans. Currently, the County is in the process of paying down their loans and has implemented an annual financial planning review process.

#### **Lead Analyst/Consultant, Bond Feasibility Study, Pierce County Utilities, Tacoma, WA**

Fletcher prepared a financing plan and cost-of-service rate study related to a \$250M expansion and upgrade of the County's wastewater treatment facility. The work established a projection of revenue requirements balancing the costs of supporting the capital financing requirements at the least possible cost to ratepayers. The financial planning tools developed during the study allowed the county to evaluate multiple approaches to staging of the wastewater treatment facility improvements and its many other capital improvements projects which were all competing for the same limited dollars. The resulting work provided recommendations for increased development/connection fees as well as restructuring of the existing sewer rates. Multiple year rate increases were approved by County Commissioners and the subsequent bond sale was successful.

#### **Lead Analyst/Consultant Bexar, Utility Business Plan, Cost-of-Service Study, and Rate Consolidation, Metropolitan Water District, San Antonio, TX**

Fletcher conducted a comprehensive update of the District's rates and charges, further consolidating the rate schedule from four schedules to just one. He conducted a cost-of-service study to allocate system costs to residential, commercial, and other customer classes and provided strategic recommendations for meeting financial benchmarks in the future. Fletcher used state-of-the-art statistical analysis to analyze revenue recovery risk of alternative rate structures.

#### **Lead Analyst/Consultant, Financial Planning and Cost-of-Service Study, Montezuma Valley Irrigation Company, Cortez, CO**

Fletcher was a consultant for a financial planning and cost of service study for a private irrigation company in Southwest Colorado. He assisted the Company in overcoming short-term cash shortages while proposing solutions to insufficient revenue. Fletcher allocated costs to different categories of irrigation customers and proposed equitable irrigation rates based on customer's usage of the system. Although new rate structures were not implemented, the irrigation district was able to increase rates to meet existing and projected expenses.

#### **Lead Analyst/Consultant/Project Manager, Financial Planning, Tap Fee and Cost-of-Service Study, Bancroft Clover Water and Sanitation District, Lakewood, CO**

Fletcher was a consultant for a comprehensive financial planning study. He developed specialized tap fee models for both the water and sanitary sewer utilities. Fletcher delivered long-range financial plans. He developed cost-of-service models for water and sanitary sewer user charges to maximize revenue stability. Fletcher also implemented an annual financial planning and cost of service update program, ensuring the District is able to stay on top of their rate setting and finances.





#### EDUCATION

BS, Accounting, University of Kentucky

#### LICENSES/ REGISTRATIONS

N/A

#### MEMBERSHIPS/ AFFILIATIONS

American Water Works Association (AWWA)

#### SPECIALIZATIONS

Data Analysis

Financial Modeling,  
Planning, Forecasting

## Jonathan Albertsen

*Analyst*



Jon provides support and expertise for the management consultants working in the Water Sector of MWH's management consulting practice. He is regularly involved with the financial modeling and planning, ratemaking, and finding solutions to complex financial challenges presented by clients. He has experience in analysis of large data sets, report and model development, and process improvement. His experience relevant to this project includes:

- Organization, interpretation, and analysis on large data sets
- Financial modeling, planning, and forecasting
- Experienced in rate analysis and ratemaking services for water and sewer utilities

### Relevant Project Experience

#### **Analyst, Financial Planning, Tap Fee and Cost-of-Service Study, Bancroft Clover Water and Sanitation District, Lakewood, CO**

Jon served as analyst for a comprehensive financial planning study. He provided support for the development of specialized tap fee models for both the water and sanitary sewer utilities. He also aided in delivering long-range financial plans and assisted in developing cost-of-service models for water and sanitary sewer user charges to maximize revenue stability.

#### **Analyst, Financial Planning, Cost-of-Service Studies, and Rate Designs, City of Santa Fe, NM**

Jon provided support for establishing water and wastewater financial plans, rates, and tap fees (utility expansion charges). Assisted in developing a risk analysis model to ensure adequate revenue collection under drought conditions and analyzed approximately 5 million billing records in order to characterize water usage into distinct probability functions for use in Monte Carlo™ analysis of various water rate alternatives. The analyses allowed MWH to quantify the variability to be expected in each rate structure using statistical methods to define the expected revenues within a 95% confidence interval. As a result, MWH was able to demonstrate the degree of revenue risk associated with each rate structure for a simple side-by-side comparison.

#### **Analyst, Financial Planning, Southgate Water and Sanitation Districts, Centennial, CO**

Jon served as analyst for a comprehensive financial planning study. He provided support for delivering long-range financial plans and assisted in the recommendation of rates for water and sanitary sewer charges to maximize revenue stability.



#### **Analyst, Demand Curve and Financial Analysis, Powdr Corp**

Jon interpreted source data from over 60 meters at Powdr's Park City ski resort to create a demand curve. Complied with the demand data, hourly pricing and cost scenarios were simulated to assist in determining if developing an alternative energy power plant was cost effective.

## Appendix B – Comments on Professional Service Agreement





## APPENDIX B

## Comments on the Professional Services Agreement

The following are our team's proposed revisions to the District's Professional Services Agreement:

- In Section 1.4 add the following language: "Consultant shall be entitled to reasonably rely upon the information and data provided by MNWD or obtained from generally acceptable sources within the industry without independent verification except to the extent such verification is expressly included in the Services."
- In Section 4.5 (ii) replace "that arise out of, pertain to, or relate to CONSULTANT'S or its sub-consultant's/ subcontractor's: (a) performance of the services, including but not limited to" with "to the extent caused by: (a) any"
- Insert a new Section with the following language: "It is agreed between the parties that there is no intention for Consultant to act under this contract as a municipal advisor as that term is defined in the Securities Exchange Act of 1934."

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