

Appendix B

Water Utility Rate Study

Scope of Service

Client has requested that Ehlers prepare a user rate study for its water utility. ("Project"). Ehlers proposes and agrees to provide the following scope of services:

Phase I – Information Request, Review, and Long-Range Cash Flow Analysis

- Under this phase we will assess the need for a Conventional Rate Case with the PSC using a long-range cash flow analysis. This analysis will make projections on future operation expenses, future capital funding, and identify future rate increases.
- Prepare a cash flow analysis for the next 10 years including the test year and beyond. The analysis will include:
 - Calculation of the return on net investment rate base (ROI) adequate to finance the appropriate share of debt service, equipment replacement and capital outlay expenses.
 - Benchmarking of key financial metrics that the PSC, rating agencies, and prospective lenders analyze.
 - Capital planning and debt schedules with corresponding coverage requirements.
- This phase includes a meeting at the Board or other designated meeting to present the outcome of the Long-Range Cash Flow Analysis before starting the Application.
- In order to complete this phase Ehlers will need to request and review the following:
 - Capital planning documents identifying estimated costs for future water projects through 2032
 - Annual audits for the past three years (we currently have this information).
 - 2022 Year to date Water Fund actual expenses and revenues.
 - 2023 Water Fund line-item budget.

Phase II – Information Request, Review, and Test Year 2023 PSC Conventional Application (as necessary)

- Under this phase we will complete the Test Year 2023 PSC Conventional Rate Case Application including all attachments of the application and supplementary information.
- To complete this phase Ehlers will need to request and review the following:

- PSC annual reports for the last three years (available on the PSC website).
- Current annual debt service schedules for existing utility debt (we currently have this information).
- For calendar years 2020, 2021, and 2022 detailed water billing records showing billed water consumption by customer class and rate block and number of customers by class and meter size.
 - Based on the time of filing the Application, we may request a similar report for the previous twelve months to the time of filing.
- Water billing records which list the 4 largest users in each customer class (i.e. residential, commercial, industrial, public authority) including the name of the customer, meter size, and total billed consumption for the largest quarter over the last 12-month period.
- A water tower repainting schedule showing when the last time the tower(s) were repainted, the cost for repainting and whether the utility is on a 15 or 20-year repainting schedule.
- Current number of un-metered customers within the utility, if any.
- Most current depreciation schedule for all water utility assets, showing current year depreciation expense, depreciation rates, and accumulated depreciation for all water utility financed assets.
- List of 4 largest users in each customer class (i.e. residential, commercial, industrial, public authority) including the name of the customer, meter size, and total billed consumption for the largest quarter over the last 12-month period.
- The current number of private fire protections by the size of connection, if any.
- For municipal financed utility plant in service and contributed plant in service, the estimated 2022 and 2023 asset additions, retirements and adjustments.
- The current percentage allocated to the sewer utility's portion of meter costs and assets. (Usually the depreciation of the meters is split 50/50 between water and sewer).
- Estimated materials and supplies inventory for 2022 and 2023, if any.
- For 2022 and 2023 (estimated) the number of feet of main and hydrants added and retired. Please classify additions and retirements as routine or major.
- If employees perform work for more than one function, please explain how costs are assigned to the water utility. For example, when an employee performs work for municipal parks, sewer, water, and private lead service lines, describe how the salary and wages dollars are assigned to the regulated water utility.

- Water utility credit card billing offering information (details to follow)
- This phase includes a meeting with the Board or other designated meeting to present the outcome of the Application before filing the Application.
- Ehlers will file the Application upon receiving desired recommendation to do so from the Client's desired governing body or staff.

Phase III –Test Year 2023 PSC Conventional Proceedings (as necessary)

- Assist utility with Data Request Portion of proceedings
- Review Revenue Requirement to check for PSC errors or omissions based on Application and Data Request(s) period. Provide disagreement correspondence as necessary
- Review PSC Cost of Service Study & Rate Design
- Represent the Utility at required PSC public hearing
 - Be present at the required telephonic public hearing and provide testimony in support of the proposed water rates for the test year on behalf of the Village.
- File Rate Implementation Letter

Phase IV – Final Report and Presentation (as necessary)

- Prepare and provide (via PDF or paper copy) a report containing a written summary of results of the PSC Rate Case and cash flow analysis along with all supporting worksheets.
- (Optional) If requested, this phase includes a meeting with the Board or other designated meeting to present the PSC final water rate structure for the test year and answer questions This should be requested on or before filing the PSC Rate Implementation Letter.

Compensation

In return for the services set forth in the "Scope of Service," Client agrees to compensate Ehlers as follows based on the following Scope of Service Events:

Phase	Scope of Service Event	Fee
I	LRCFA Delivered to Client	\$ 3,000
II	CRC Application Filed with PSC*	\$ 4,500
III	Completion of PSC Rate Implementation Letter*	\$ 3,000
IV	Final Report Delivered to Client*	\$ 500
IV	Final Report Presentation^	\$ 500
	Total	\$ 11,500

*As necessary. Phase I may indicate the remainder of the Study is not needed.