



TRISTAR
ENERGY SOLUTIONS

Mount Pleasant, Tennessee Rate Study Proposal

TriStar Energy Solutions, LLC ("Tristar") provides Rate Studies and related natural gas consulting services to Tennessee utilities. Tri Star Energy Solutions was founded by Robert H. Ellis III and provides energy consulting services for natural gas and electric utilities throughout the Southeast. The following factors highlight Tristar's unique expertise:

Technical Expertise

Tristar has provided natural gas supply accounting and consulting services to utilities in the state of Tennessee for over 35 years.

Rob Ellis has provided gas supply and supply management services to 70% of the natural gas utilities in Tennessee over the past 35 years. He has unique experience dealing with the changing landscape of natural gas supply and pipeline capacity constraints. In addition, he has provided gas supply and supply management to the largest industrial customers in each of the Tennessee Regions. Most recently, Rob represented Brownsville Energy Authority in negotiations to become the exclusive natural gas distributor for Ford's Blue Oval City assembly plant under construction near Brownsville, Tennessee.

Capacity and Appetite

Through a collaborative process, Tristar is organically growing its consulting practice and utility practice within the region. We believe our approach and focus on customer service are well aligned with the unique focus of public utilities, LDC's and governmental entities' commitment to serve their customers and citizens.

References

Tristar has experience working with most of the utilities and large manufacturing companies in Tennessee. Professional references can be provided upon request.

Deliverables

As part of our commitment to providing the highest level of service to our clients, we are committed to providing the necessary deliverables, including written reports and in-person presentations, to ensure the client receives the information needed to make the most informed decisions.

Don't hesitate to contact us if you have any questions about engaging in a rate study. We look forward to collaborating with you as an approved resource with uncommon experience to provide a reliable and timely product.

Sincerely,

A handwritten signature in black ink, appearing to read "R. H. Ellis III".

Robert H. Ellis III

***Mount Pleasant, Tennessee
Rate Study Proposal***

President
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Project Workflow and Initial Data Requests

By utilizing the findings and analysis from the previous rate study commissioned in 2017, Tristar can update changes in Customer counts, Operating Costs, Capital Investment and Depreciation to provide Revenue Requirements by Customer Classification without necessitating a full Cost of Service Study. In addition, Tristar will review and verify Mount Pleasant's monthly Purchased Gas Adjustment (PGA) mechanism. Below is an anticipated list of data requests that may be necessary:

Financial Requests (normally obtained from the Finance Department)

- Monthly billing registers including billing statistics, and Frequency Analysis. Minimum monthly billing data needed will include the number of bills, usage, and billing revenues.
- Monthly costs including usage related to monthly billings
- Audited Annual Financial Statements
- Detailed depreciation schedules
- Capital improvement plan
- Prior rate study conducted in 2017
- Long-term debt payment schedules and copies of existing debt agreements
- Current rate and fee schedules for all customer classes
- Future budgets and projections
- Previous 12 month's Gas Supply Invoices
- EIA 176 Annual Report
- DOT PHMSA 7100 Annual Report
- Based on the information received, other requests may be necessary

Phase I - Initial Technical Analysis

Revenue Requirement Analysis

This analysis examines the utility's operating and capital costs to determine the total revenue requirements and the adequacy of the utility's existing rates. The objective is to compare the revenues of the utility to its operating and capital costs to determine the adequacy of the existing rates to recover the utility's costs and provide a reasonable utility rate of return.

Phase I - Initial Technical Analysis - continued

Cost-of-service analysis

This analysis is used to functionalize, allocate, and equitably distribute the revenue requirements to the various customer classes of service (e.g., residential, commercial, industrial) served by the utility. The objective is to allocate the revenue requirements to the various customer classes of service in a fair and equitable manner.

Rate-design analysis

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This analysis uses the results from the revenue requirement and cost-of-service analyses to establish cost-based natural gas rates that meet the overall rate-design goals and objectives of the utility. The objective is to consider both the level and structure of the rate design to collect the distributed revenue requirements from each class of service.

Phase II – Scenarios, Projections, and Analysis

Based on the results of Phase I, we will work through the following scenarios and projections.

Cost of Service scenarios

Using data collected in Phase I, we will work with management to evaluate scenarios regarding capital improvement plans, natural gas capacity, and debt service reserve levels.

Revenue Requirement Projections

An assessment of revenue requirements for up to a 5-year planning period will be performed. Through a collaborative approach with management, projections for operations and maintenance, repairs, replacement, capital projects, and debt service will be computed. Additionally, potential growth in customers and volumes to be treated will be projected. This will include analysis of District rates and their ability to fully recover and allocate gas commodity, demand, storage, transportation, operations, maintenance, depreciation, administration and other costs appropriately among all customer classes. The District's monthly Purchased Gas Adjustment (PGA) will also be analyzed to ensure it recovers all applicable natural gas supply and associated costs.

System Capacity and Development charges

An assessment of projected new customer demands will be conducted.

Phase III – Review and Reporting

Review

A review of existing rates will be discussed with management along with potential recommendations.

Reporting

A final report will be prepared noting findings, recommendations, and conclusions will be presented.

Natural Gas Distribution System Valuation and Potential Franchise Fee Revenue

Utility System Valuation

Provide a valuation of the Mount Pleasant Natural Gas Distribution system based on customer count, revenue stream, plant assets, and market comparables.

Franchise Fee Revenue Projection

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Provide an estimate of potential future Mount Pleasant revenue derived from third party utility provider Franchise Fees.

Projected Timeline

Assuming the project begins around May 15, 2025, the estimated timeline for completion is approximately three months with preliminary deliverables provided by July 15, 2025. This is contingent on the start date of the engagement, timely responses to our requests, and unplanned circumstances. The timeline can also be adjusted to meet any reasonable internal deadlines prescribed by the City of Mount Pleasant.

Project Cost

The Rate Study Cost based on the Scope described herein is \$15,000.00 payable upon completion of the project and delivery of the reporting as outlined in this proposal. The Cost for the Utility Valuation study is \$3,750.

Please do not hesitate to contact me if you have any questions regarding the Rate Study Proposal or would like to further discuss the project scope.

Thank you,



Robert H Ellis III
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President
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