THE SHPIGLER GROUP
STRATEGY MANAGEMENT CONSULTING SERVICES

Water Rate Study

Project Findings



Prepared for:

WALTON COUNTY GEORGIA
ESTABLISHED 1818

August 31, 2026

The rate study conducted for the Walton County Water Department is crucial for ensuring that the water utility can adequately cover its operating costs like maintenance, capital improvements, and debt service

- Rising capital and debt obligations are outpacing current revenue growth, requiring rate adjustments to close the funding gap
  - Operating revenue has grown from $11.9M in 2020 to $16.2M in 2025, but the margin is projected to narrow through 2028 before recovering by 2034 as revenue grows by $2.9M
  - $42M in capital projects is identified through 2034, funded through cash, debt, and SPLOST — including a new $45M transmission infrastructure bond beginning in 2027
  - Legacy debt service will be joined by new debt as capital spending peaks in 2028
- Cost of service was allocated by customer class and meter size based on demand and usage
  - Costs are split 54% variable / 46% fixed and allocated across customer classes by consumption and equivalent residential units
  - Wholesale customers carry the highest total cost per account, at roughly $140,000, reflecting the scale of wholesale purchase volumes
  - Minimum bill amounts exceed the fixed cost of service across every meter size by an average of 42%
- Four rate scenarios were developed to meet the same revenue target while distributing cost recovery differently across customer classes
  - Scenario 1 applies a uniform 2.8% increase to minimum bills and volumetric rates, preserving the current rate approach
  - Scenario 2 holds minimum bills flat and raises volumetric rates by 7.3%, shifting more recovery to usage-based billing
  - Scenario 3 introduces a steeper inclining block structure — residential tiers up 4.5% / 9% / 18% and commercial tiers up 6.8% / 13.5% — concentrating increases among higher-volume users
  - Scenario 4 applies an increase to minimum bills and introduces a steeper inclining block structure
- While residential rates rank highly compared to regional peers, wholesale rates are below market
  - Residential monthly bills are on the higher range of neighboring utilities, and will remain elevated under all three proposed rate scenarios
  - Current wholesale rates are low compared to neighboring utilities, but the proposed rate change brings wholesale rates to the middle range
  - Commercial rates and fee benchmarking places Walton County in the middle of the regional range

Walton County Water Department has undertaken a rigorous analysis to ensure that it meets its financial obligations, ensures levels of service, customers are charged at fair and equitable rates, and stakeholder interests are in full alignment

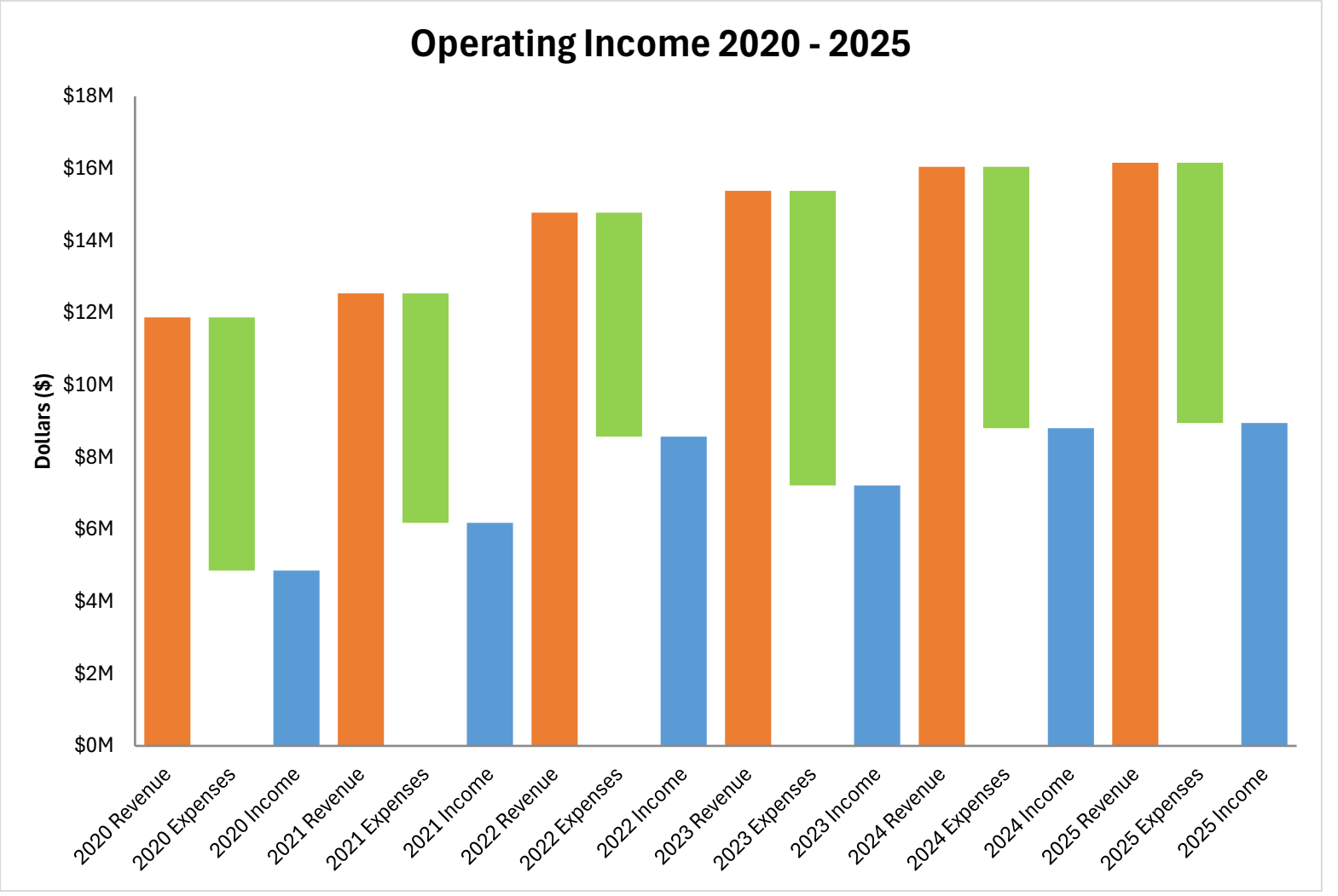


Initial inventory of capital, expenses, and demand	*Comparison of revenues and costs*	*Allocating costs by customer class*	*Develop optimal rate design*

Today's discussion

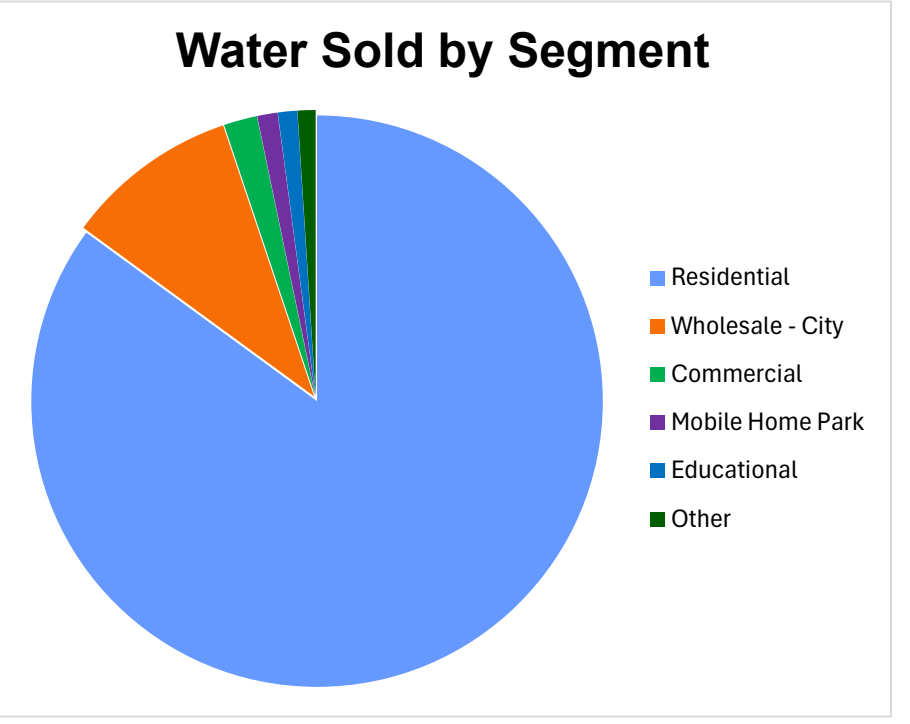
- Revenue Requirements
- Cost Allocation
- Rate Design
- Benchmarking
- Billing System
- Next Steps

The Walton County Water Department has seen increases in its operating revenue, expenses, depreciation expense, and operating income



Residential customers are responsible for 85% of water sold

	Water	
	Water Sold (gal)	**Sales Volume**
Residential	1,093,975,000	$14,438,515
Wholesale - City	126,111,000	$372,850
Commercial	24,350,000	$305,731
Mobile Home Park	14,855,000	$144,952
Educational	14,036,000	$142,903
Church	4,249,000	$74,121
Irrigation	4,835,000	$64,985
Agricultural	2,554,000	$29,065
Government - County	783,000	$10,641
Mobile Home	415,000	$4,875
Government - State/Federal	85,000	$3,487
Government - City	65,000	$2,145
Industrial	95,000	$1,094
Total	**1,286,408,000**	**$15,595,363**



The water rate structure as of 2021 uses increasing tiered rates for both residential and commercial customers, with a set volumetric rate for wholesale customers

Residential

Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000		
2,000	$39.00	$7.12	$8.95	$14.05
4,000	$51.11	$7.12	$8.95	$14.05
8,000	$75.40	$8.95	$9.15	$14.60
16,000	$136.55	$8.95	$9.95	$14.60

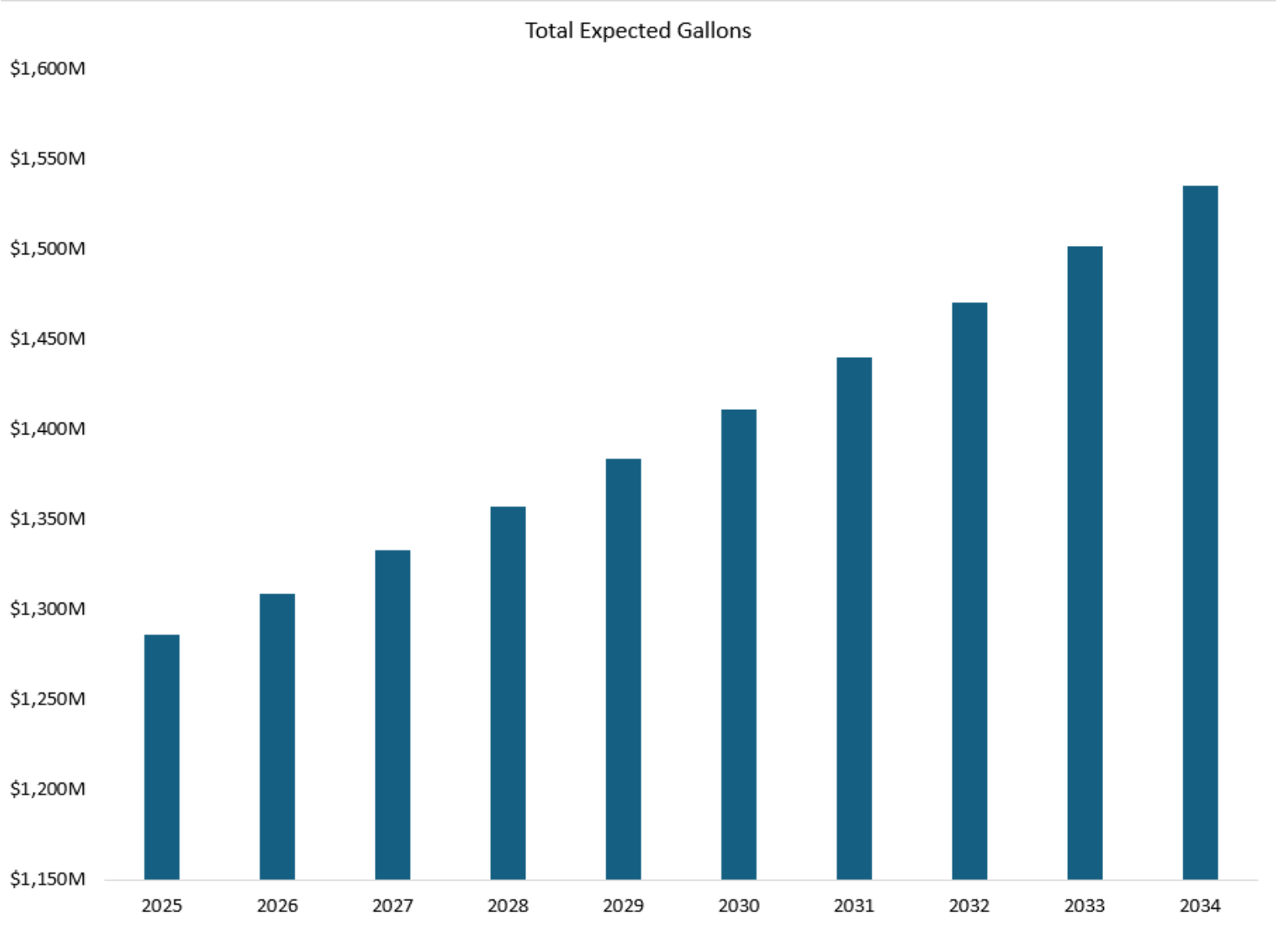
Commercial

Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000	
2,000	$39.00	$7.95	$9.54
4,000	$55.75	$7.95	$9.54
8,000	$88.75	$7.95	$9.65
16,000	$154.75	$7.95	$9.70
50,000	$437.25	$7.95	$9.75
75,000	$643.25	$7.95	$9.80
155,000	$1,305.25	$7.95	$9.85

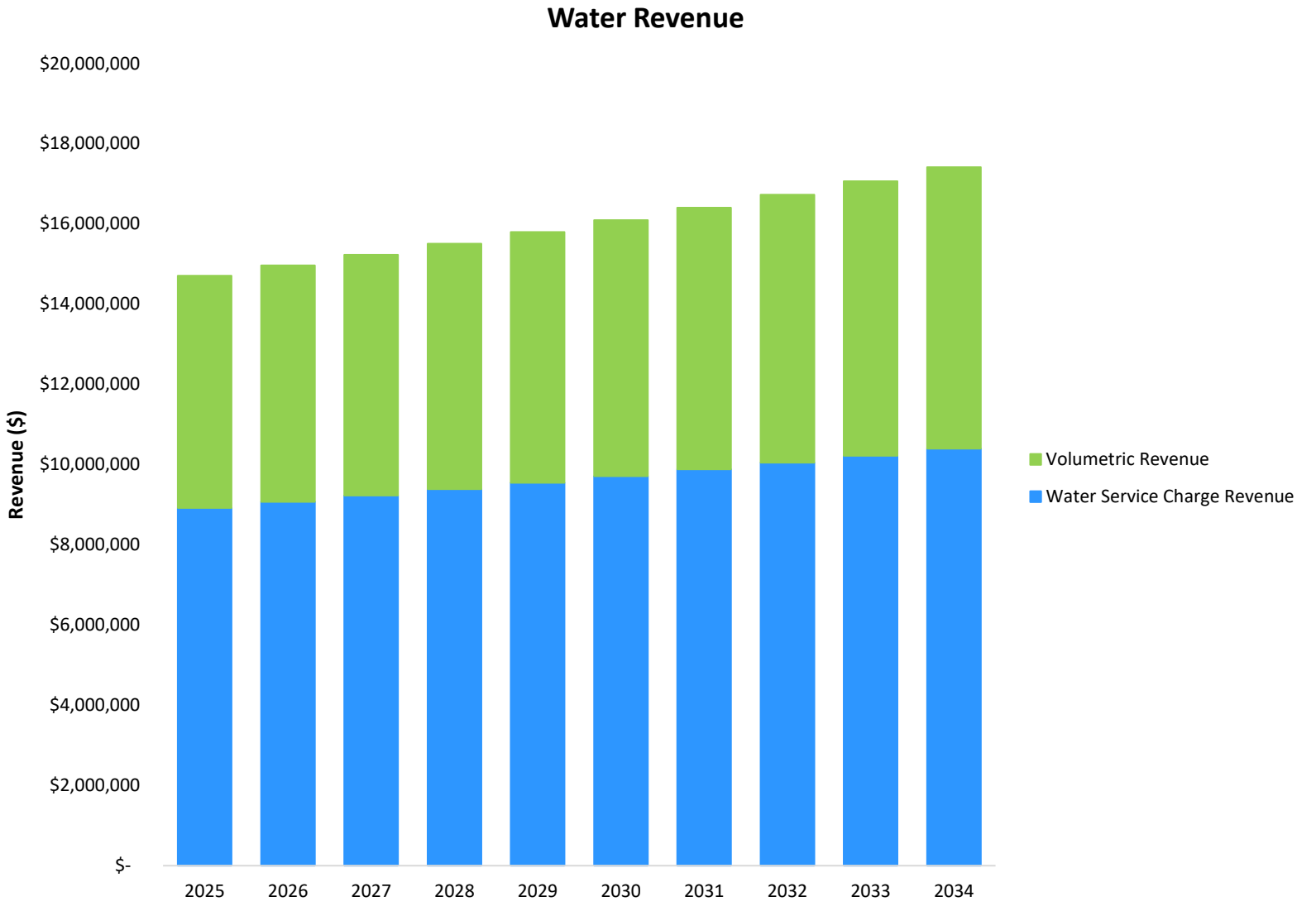
Wholesale

Minimum Bill Quantity (gallons)	Minimum Water	Cost / 1000
0	$ -	$2.97

Based on current trends, an annual growth of 1.7% is expected for water during the forecast period



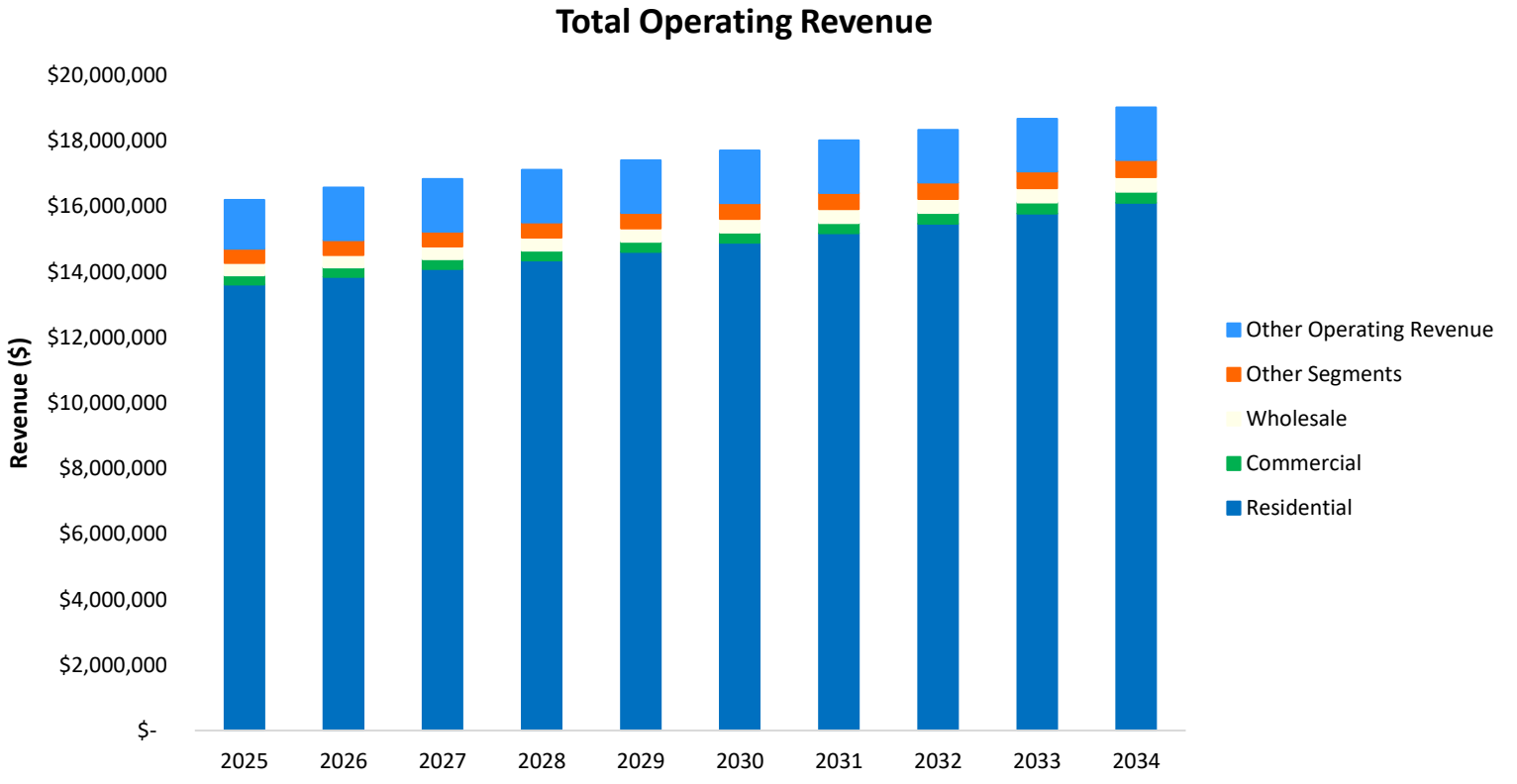
Fixed service charges account for 60% of the revenue, while volumetric rates are responsible for 40% of water sales



Based on current rates and trends, overall revenue is expected to increase by $2.9 million by 2034

Total Revenue

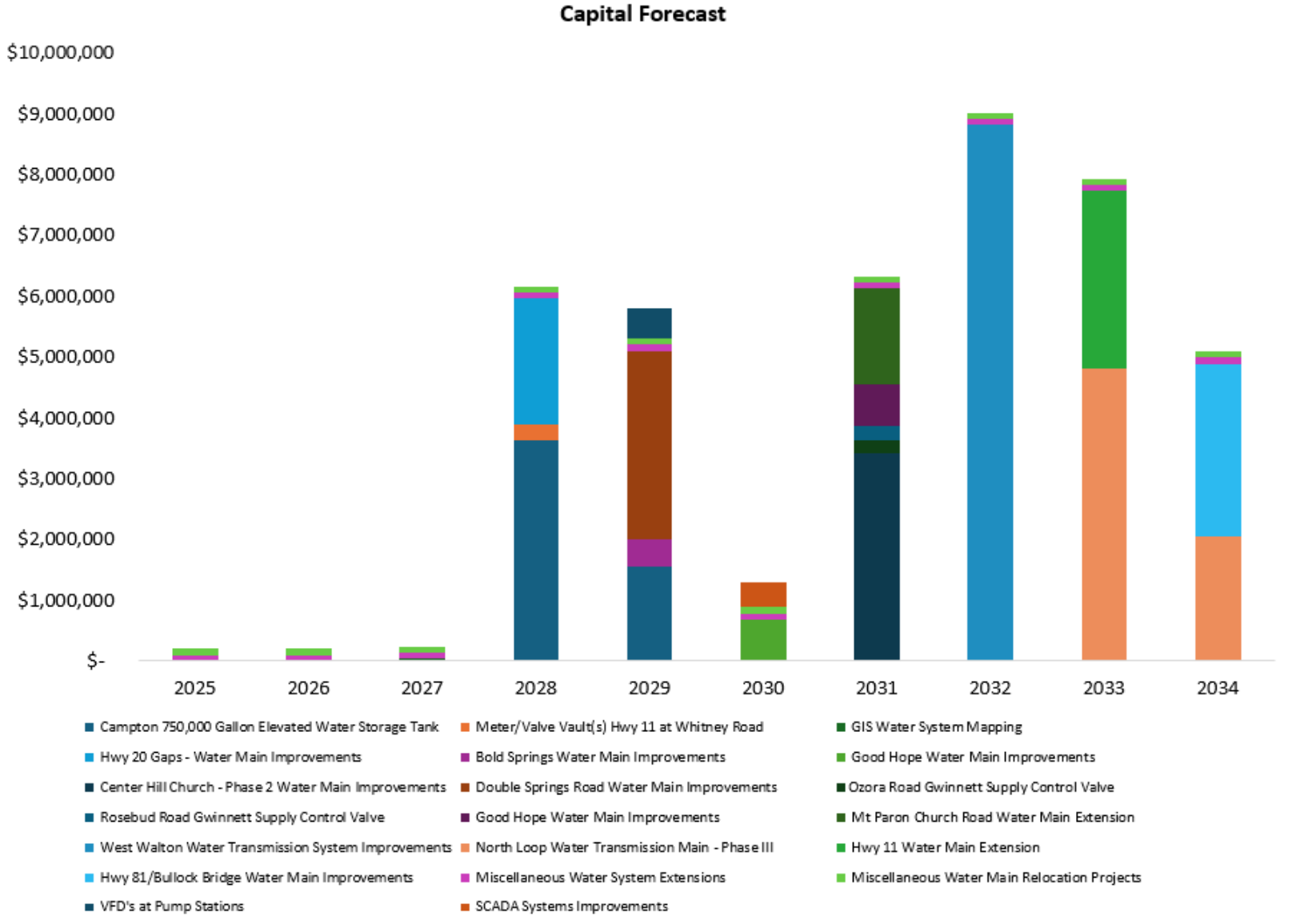
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Residential	$ 13,609,772	$ 13,846,434	$ 14,092,435	$ 14,348,119	$ 14,613,842	$ 14,889,973	$ 15,176,892	$ 15,474,996	$ 15,784,693	$ 16,106,406
Commercial	$ 283,814	$ 288,751	$ 293,885	$ 299,223	$ 304,774	$ 310,545	$ 316,543	$ 322,779	$ 329,259	$ 335,994
Wholesale	$ 374,550	$ 381,103	$ 387,996	$ 395,243	$ 402,858	$ 410,857	$ 419,253	$ 428,063	$ 437,304	$ 446,992
Other	$ 440,950	$ 448,652	$ 456,728	$ 465,193	$ 474,061	$ 483,349	$ 493,074	$ 503,252	$ 513,901	$ 525,040
Total Revenue from Water Sales	$ 14,677,289	$ 14,964,940	$ 15,231,044	$ 15,507,778	$ 15,795,536	$ 16,094,723	$ 16,405,763	$ 16,729,090	$ 17,065,157	$ 17,414,433
Total Operating Revenue	$ 16,162,726	$ 16,569,692	$ 16,835,796	$ 17,112,530	$ 17,400,288	$ 17,699,476	$ 18,010,515	$ 18,333,842	$ 18,669,909	$ 19,019,185



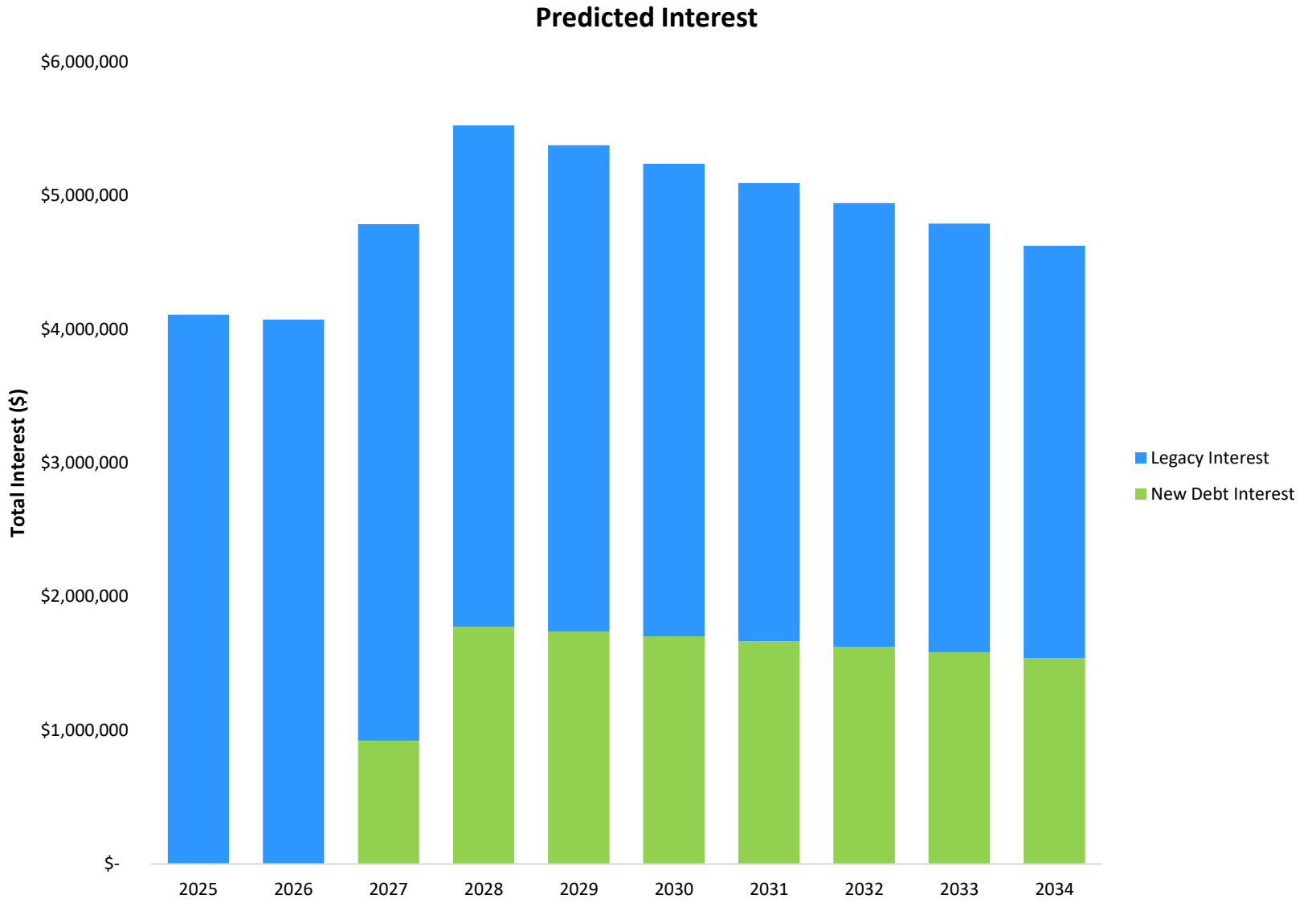
Walton County will also need to service the debt that it currently has and will add in the future in support of capital improvement efforts

- Legacy debt service is ≈ $7M a year through 2037
- All legacy debt is scheduled to be paid off by 2039
- The legacy debt is split into 3 issues
  - Series 2013
  - Series 2021/2026
  - Series 2022
- $42M in capital projects identified through 2034, funded via cash, debt, and SPLOST
  - Debt-financed projects total $5.5M
  - Debt-funded project spending peaks in 2028
  - A transmission infrastructure bond of $45M will take effect in 2027

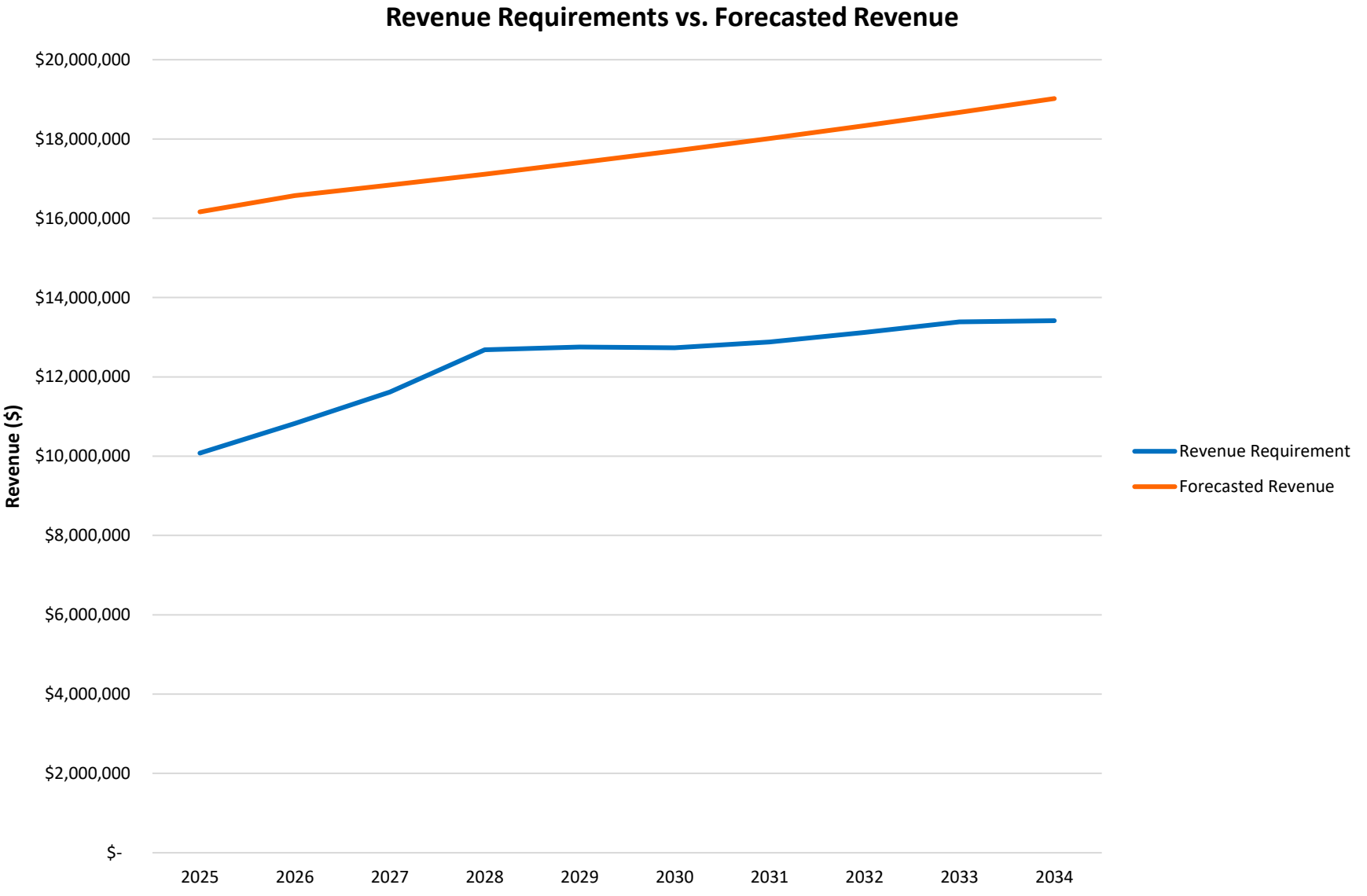
The budget is based on an expected expenditure of $42 million in capital projects between now and 2034



Total interest expense peaks in 2028 as new debt is issued, then declines gradually through 2034 as both legacy and new debt are paid down



The margin will continue to narrow until 2028 based on current rates, with potential of recovering by 2034



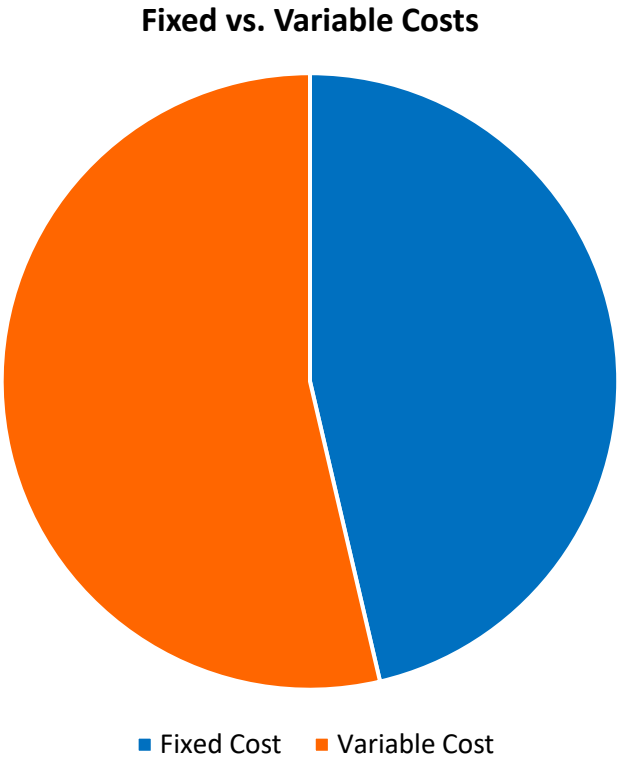
Today's discussion

- Revenue Requirements
- **Cost Allocation**
- Rate Design
- Benchmarking
- Billing System
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54% of operating expenses are due to variable costs

Fixed vs. Variable Costs

Cost Category	Operating Expenses	Fixed Allocation	Variable Allocation	Fixed Cost	Variable Cost
Personnel costs	$1,848,086	21%	79%	$388,098	$1,459,988
Purchased services	$1,440,999	95%	5%	$1,368,949	$72,050
Supplies	$1,136,720	2%	98%	$22,734	$1,113,986
Water purchases	$2,788,460	0%	100%	$0	$2,788,460
Existing-System CapEx	$2,915,178	100%	0%	$2,915,178	$0
Total	**$10,129,443**			**$4,694,959**	**$5,434,483**



The cost allocation for residential customers is $505 per account

- ERUs were calculated for each customer segment

Residental ERUs

Meter Size	ERU Equivalence		Meters		ERUs
3/4"	1	x	17,303	=	17,303
1"	1.67	x	582	=	971
1-1/2"	3.33	x	37	=	122
2"	5.33	x	18	=	96
Total			**17,940**		**18,492**

1 Fixed Cost Allocation

Residential Fixed Cost = Total Fixed Costs × Residential ERU Share

$4,694,959

× 18,492 residential ERUs

÷ 19,551 total ERUs

Residential fixed cost **$4,440,514**

2 Variable Cost Allocation

Residential Variable Cost = Total Variable Costs × Residential Gallon Share

$5,434,483

× 1,093,975,000 residential gallons

÷ 1,286,408,000 total gallons

Residential variable cost **$4,621,542**

3 Cost per Residential Account

Cost per account = Total Residential Cost ÷ Residential Accounts

$4,440,514 fixed cost + $4,621,542 variable cost = **$9,062,056 total residential cost**

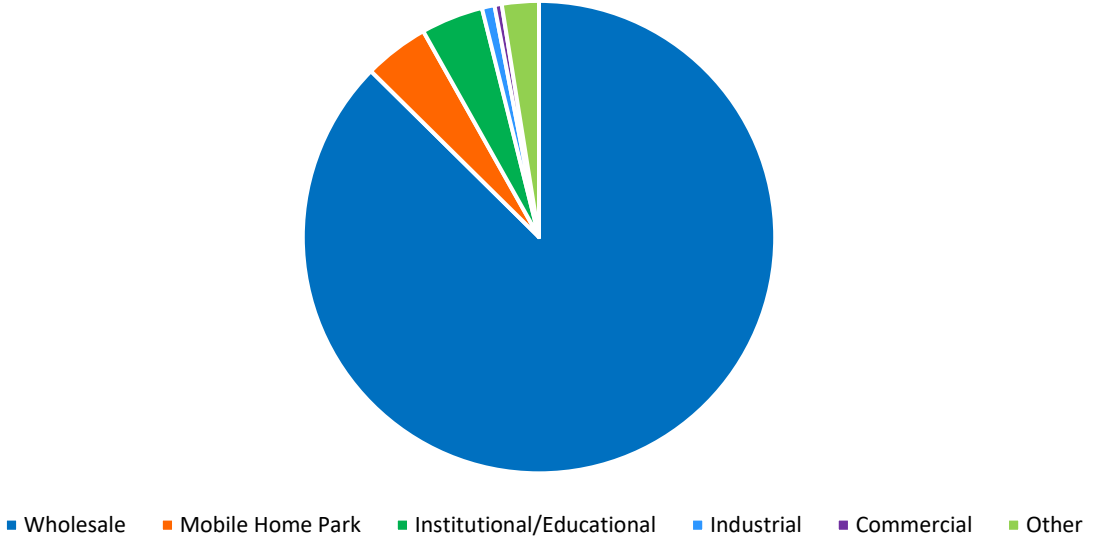
$9,062,056 ÷ 17,940 residential accounts **= $505**

Wholesale customers face the highest total cost per account

Cost Allocation by Segment

Segment	Fixed Cost	Variable Cost	Total Cost	Total Cost per Account
Residential	$4,440,514	$4,621,542	$9,062,056	$505
Commercial	$131,584	$102,868	$234,451	$964
Wholesale	$25,294	$532,761	$558,055	$139,514
Agricultural	$4,803	$10,789	$15,592	$780
Government - City	$1,809	$275	$2,084	$521
Government - County	$4,522	$3,308	$7,830	$783
Government - State/Fe	$1,357	$359	$1,716	$572
Church	$17,309	$17,950	$35,259	$489
Industrial	$1,281	$401	$1,682	$1,682
Institutional/Education	$40,342	$59,296	$99,638	$8,303
Irrigation	$14,060	$20,426	$34,485	$681
Mobile Home	$1,201	$1,753	$2,954	$591
Mobile Home Park	$10,885	$62,756	$73,641	$8,664

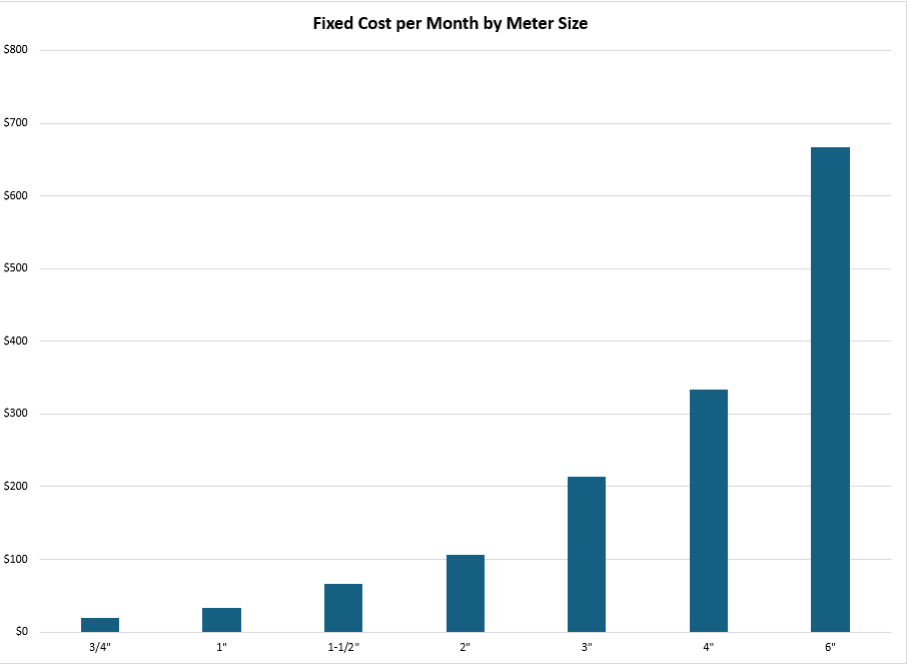
Total Cost Allocation per Account, per Segment



Fixed costs to serve accounts with zero consumption increase with meter size

Fixed Cost by Meter Size

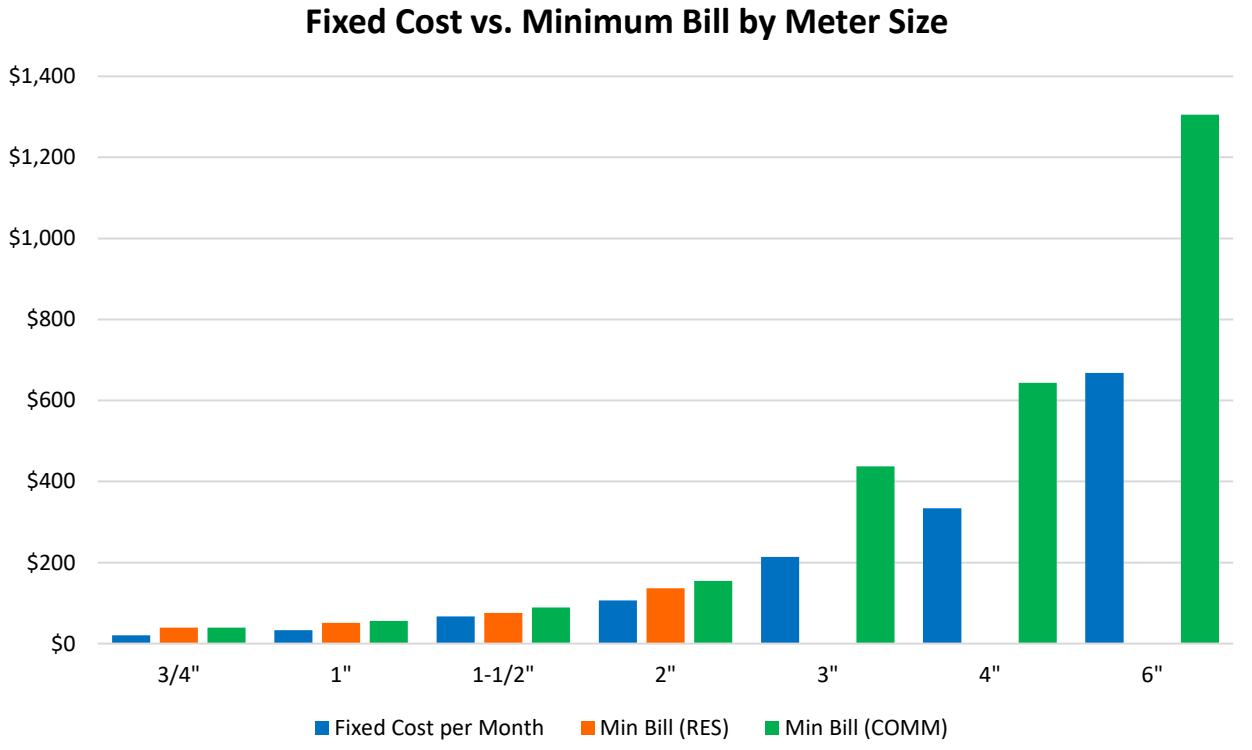
Meter Size	Fixed Cost per Year	Fixed Cost per Month
3/4"	$240.13	$20.01
1"	$400.30	$33.36
1-1/2"	$800.36	$66.70
2"	$1,280.63	$106.72
3"	$2,561.50	$213.46
4"	$4,002.30	$333.52
6"	$8,004.36	$667.03



Minimum bill amounts are, on average, 42% higher than fixed costs per month

Fixed Cost vs. Minimum Bill

Meter Size	Fixed Cost per Month	Min Bill (RES)	Min Bill (COMM)
3/4"	$20.01	$39.00	$39.00
1"	$33.36	$51.11	$55.75
1-1/2"	$66.70	$75.40	$88.75
2"	$106.72	$136.55	$154.75
3"	$213.46	-	$437.25
4"	$333.52	-	$643.25
6"	$667.03	-	$1,305.25



According to the Capital Improvement Plan, $440,000 will be allocated annually to water growth operations

Project	Total Cost	Growth Allocation	Cost Allocation	Reasoning
Campton 750,000 Gallon Elevated Water Storage Tank	$ 5,200,000	25%	$ 1,300,000	Primarily existing system reliability and pressure stabilization; limited growth capacity benefit.
Meter/Valve Vault(s) Hwy 11 at Whitney Road	$ 250,000	75%	$ 187,500	Expands supply capacity to support growth in Eastern Walton.
GIS Water System Mapping	$ 40,000	0%	$ -	Administrative system improvement benefiting all customers equally.
Hwy 20 Gaps - Water Main Improvements	$ 2,070,000	25%	$ 517,500	Improves existing service and pressure; minor growth capacity benefit.
Bold Springs Water Main Improvements	$ 437,000	25%	$ 109,250	Corrects existing pressure issues with some added growth capacity.
Good Hope Water Main Improvements	$ 684,000	10%	$ 68,400	Addresses existing pressure loss; minimal capacity increase.
Center Hill Church - Phase 2 Water Main Improvements	$ 3,410,000	25%	$ 852,500	Existing system pressure improvement with modest growth capacity benefit.
Double Springs Road Water Main Improvements	$ 3,105,000	0%	$ -	Improves tank operations and system reliability; not growth-driven.
Ozora Road Gwinnett Supply Control Valve	$ 225,000	0%	$ -	Operational improvement for existing system.
Rosebud Road Gwinnett Supply Control Valve	$ 225,000	0%	$ -	Operational improvement for existing system.
Good Hope Water Main Improvements	$ 684,000	10%	$ 68,400	Addresses existing pressure loss; minimal capacity increase.
Mt Paron Church Road Water Main Extension	$ 1,577,000	90%	$ 1,419,300	Primarily serves new growth with some reliability benefit.
West Walton Water Transmission System Improvements	$ 8,815,000	50%	$ 4,407,500	Addresses existing pressure needs and future growth demand.
North Loop Water Transmission Main - Phase III	$ 6,867,500	10%	$ 686,750	Corrects low pressure in existing developed areas.
Hwy 11 Water Main Extension	$ 2,925,000	75%	$ 2,193,750	Expands supply capability for the existing distribution system.
Hwy 81/Bullock Bridge Water Main Improvements	$ 2,831,250	10%	$ 283,125	Improves system reliability with minimal growth benefit.
Miscellaneous Water System Extensions	$ 1,000,000	100%	$ 1,000,000	Fully growth-driven service expansion.
Miscellaneous Water Main Relocation Projects	$ 1,000,000	0%	$ -	Road project related; unrelated to water system growth.
VFD's at Pump Stations	$ 500,000	0%	$ -	Improves operational flexibility of the existing system.
SCADA Systems Improvements	$ 400,000	0%	$ -	Enhances reliability and redundancy of the existing system.
	$ 42,245,750	**31%**	**$ 13,093,975**	

Annual Water Set Meters	298
CIP Allocated to Capacity Fees	$13,093,975
Depreciation Period (years)	30
Annual CIP Allocation	$436,466

The following connection fees were calculated to account for future growth of the water systems

Connection Fees

Meter Size	Connection Fee - Short Side	Connection Fee - Long Side
3/4"	$ 3,150	$ 3,846
1"	$ 4,695	$ 6,078
1-1/2"	$ 9,369	$ 11,506
2"	$ 14,988	$ 17,380
3"	$ 24,432	$ 24,432
4"	$ 38,047	$ 38,047
6"	$ 76,889	$ 76,889

** Meter sizes 3" and above are installed by the customer/contractor working for the customer. We purchase meter and ship it to vault manufacturer.*

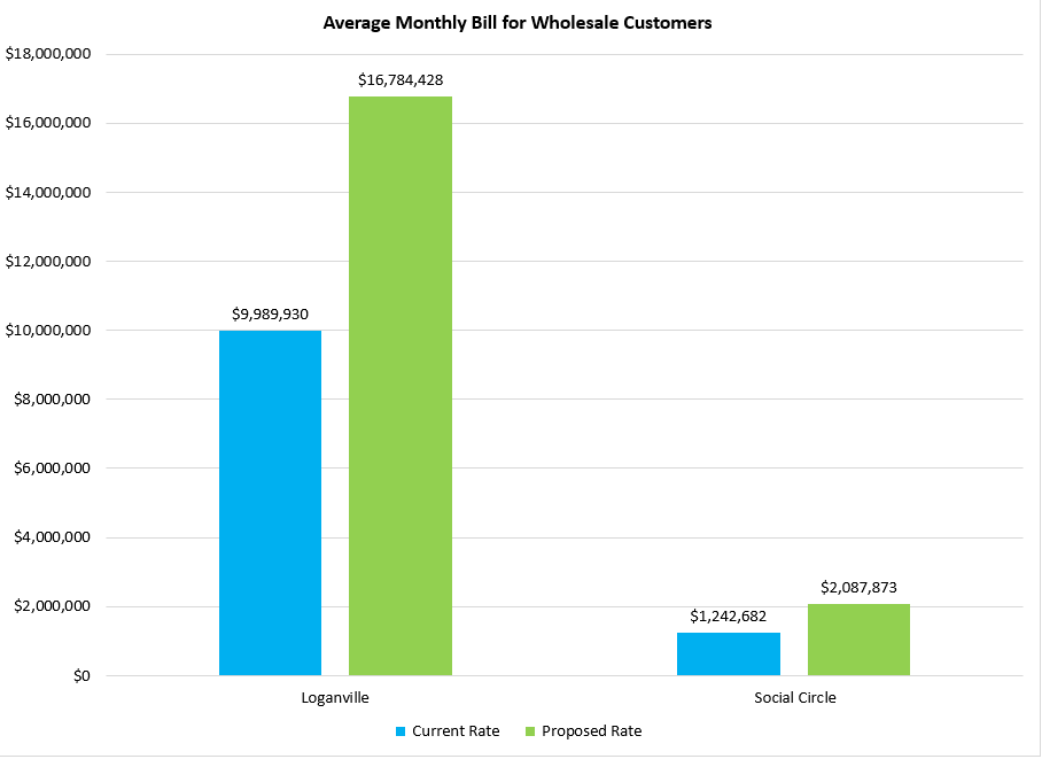
The cost of water has increased over the last year, with Oconee's prices almost doubling from last year

– Weighted average cost of wholesale water per 1,000 gallons is $4.80

Wholesale Water Source	Cost of Water per 1,000 gallons	Annual Water Sold (gallons)
Oconee	$5.00	88,857,000
Gwinnett	$5.78	23,968,000
Newton	$1.59	12,961,000
Monroe	$4.40	325,000

To account for rising water costs and the high cost allocation of wholesale customers, Walton County should raise its wholesale water rates

Rate Approach	Cost of Water per 1,000 gallons
Current	$2.97
Proposed	$4.99



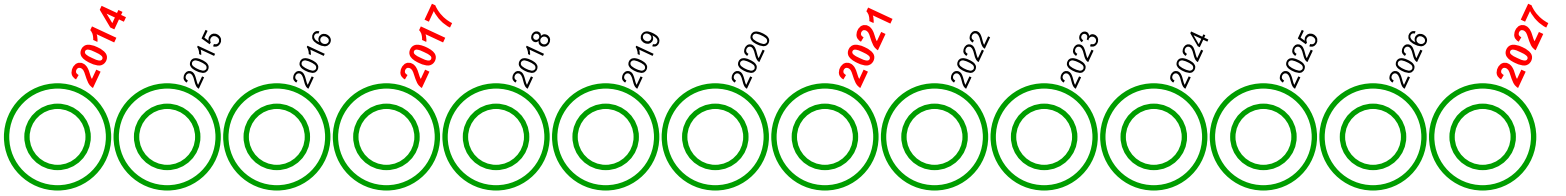
Today's discussion

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- **Rate Design**
- Benchmarking
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To assess the potential to support capital improvement projects, a thorough modeling exercise was conducted to evaluate options

- Define Goals and Objectives
  - The Shpigler Group worked with utility staff to identity the goals and objectives of the rate study
  - The rate design follows the AWWA three-step process in selection
- Evaluate Alternatives in Meeting Objectives
  - The Shpigler Group developed four (4) rate design scenarios for water
- Understand and Communicate the Potential Effects on Customers

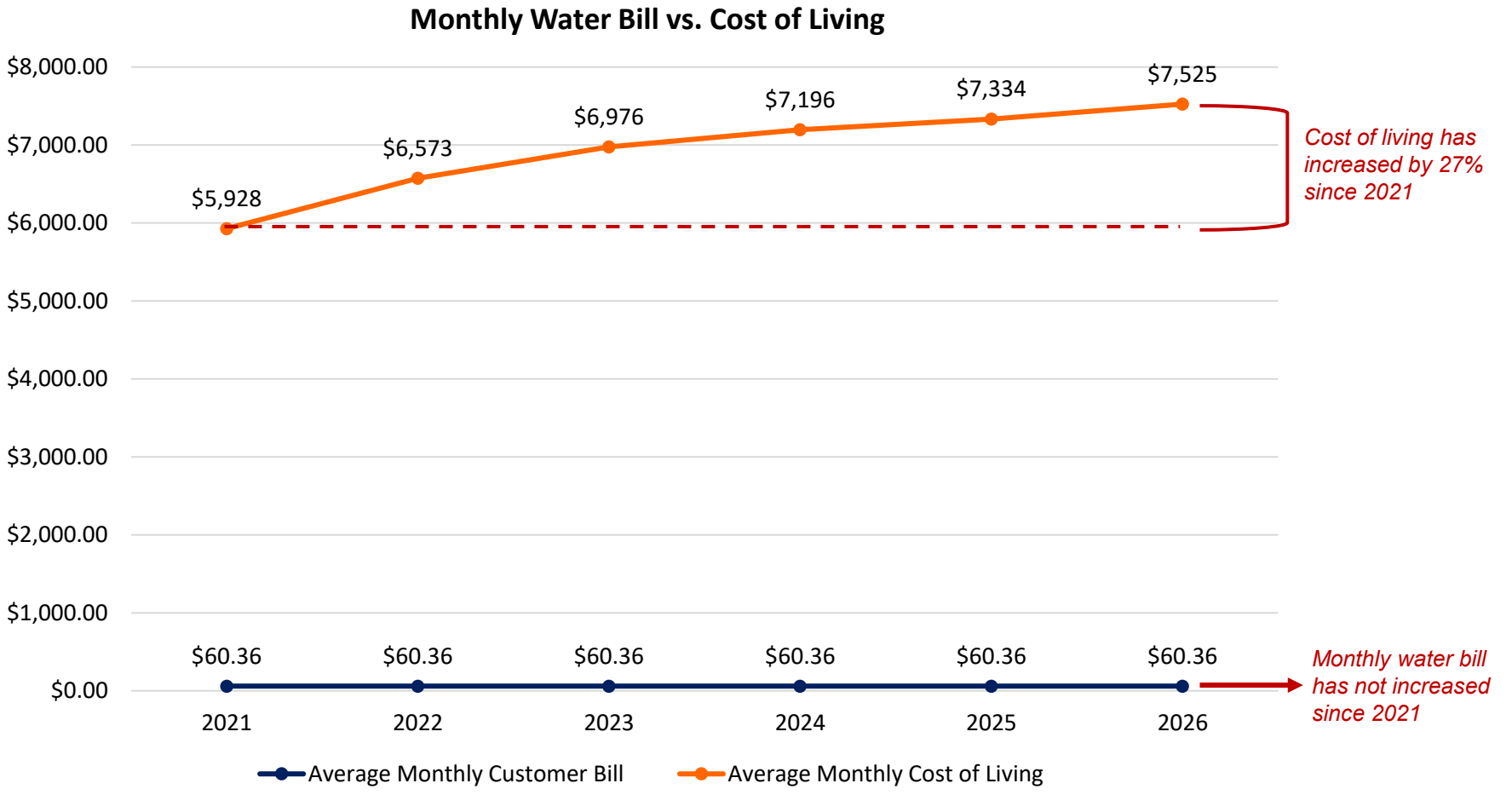
Walton County has historically relied on infrequent, larger rate adjustments following extended periods of flat rates, but it has been 5 years since the last change



Most Recent Rate Changes				
Time of change	2014	2017	2021	2027 (proposed)
Time since last change	-	3 years	4 years	6 years
Increase	-	~2–5% effective increase	$15.25 monthly base rate increase	Scenarios proposed

The cost of living has increased by 27% over the last 5 years, but the average monthly water bill has not increased

- The water department has been absorbing rising costs due to inflation and market shifts
- A rate change must be enacted to account for rising costs



Four water rate scenarios were developed

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Rate Approach	Increase minimum bill and volumetric rates by 2.8%	Increase volumetric rates by 7.3%	Introduce steeper inclining block rate *(Tiers increase 4.5% / 9% / 18%)*	Increase minimum bills and introduce steeper inclining block rate
Structured Impact on Rate Level	Increase across all customers	Higher increase for large customers	Higher increase for large customers	Small increase for all customers, with higher increase for large customers
Rationale	Maintains existing rate approach	Balances rate structure	Limits impact on smaller accounts	Increases all rates, but limits impact on smaller accounts
	Increase min bill + volumetric rates	***Increase volumetric rates only***	***Increase volumetric rates only***	***Increase min bill + volumetric rates***

Scenario 1: Maintain current minimum consumption level of 2,000 gallons, but increase minimum bill charge and volumetric rates by 2.8%

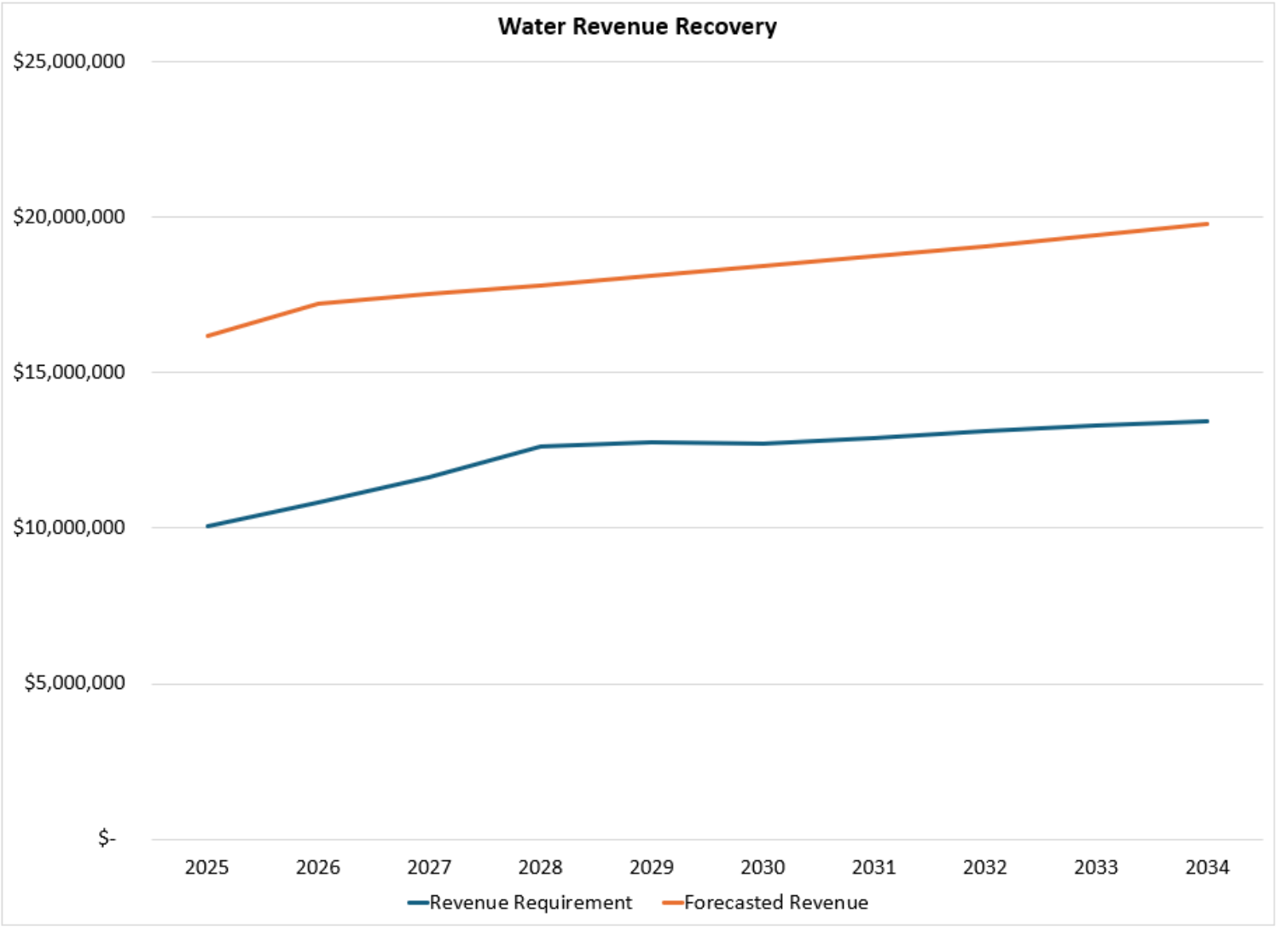
- Reasoning: Since all customer classes receive the same percentage adjustment, this scenario maintains the existing rate approach while providing a predictable and stable increase in revenue

Scenario 1 Rates

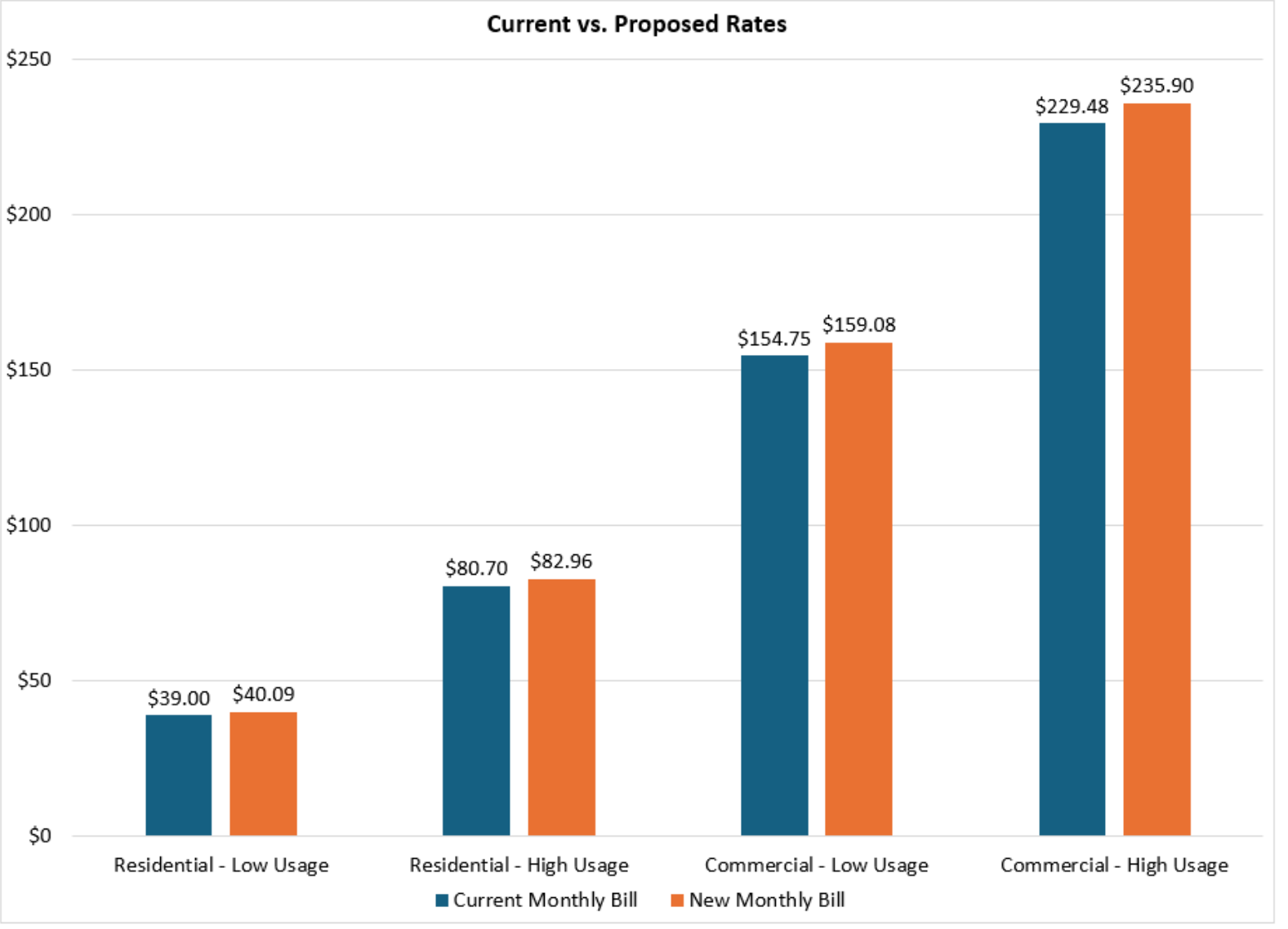
	Residential					Commercial			
Meter Size	Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000			Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000	
3/4"	2,000	$40.09	$7.32	$9.20	$14.44	2,000	$40.09	$8.17	$9.81
1"	4,000	$52.54	$7.32	$9.20	$14.44	4,000	$57.31	$8.17	$9.81
1-1/2"	8,000	$77.51	$9.20	$9.41	$15.01	8,000	$91.24	$8.17	$9.92
2"	16,000	$140.37	$9.20	$10.23	$15.01	16,000	$159.08	$8.17	$9.97
3"						50,000	$449.49	$8.17	$10.02
4"						75,000	$661.26	$8.17	$10.07
6"						155,000	$1,341.80	$8.17	$10.13

Scenario 1 - Uniform Rate Increase		
Year		Net Income
2025	$	6,084,661
2026	$	6,411,861
2027	$	5,899,832
2028	$	5,172,971
2029	$	5,354,678
2030	$	5,684,269
2031	$	5,860,066
2032	$	5,961,028
2033	$	6,113,514
2034	**$**	**6,380,952**

A uniform 2.8% increase across every rate component lifts forecasted revenue without changing the current rate approach



Residential and commercial customers would be impacted equally by this rate change, regardless of usage



Scenario 2: Maintain current minimum bill charge, but increase volumetric rates by 7.3%

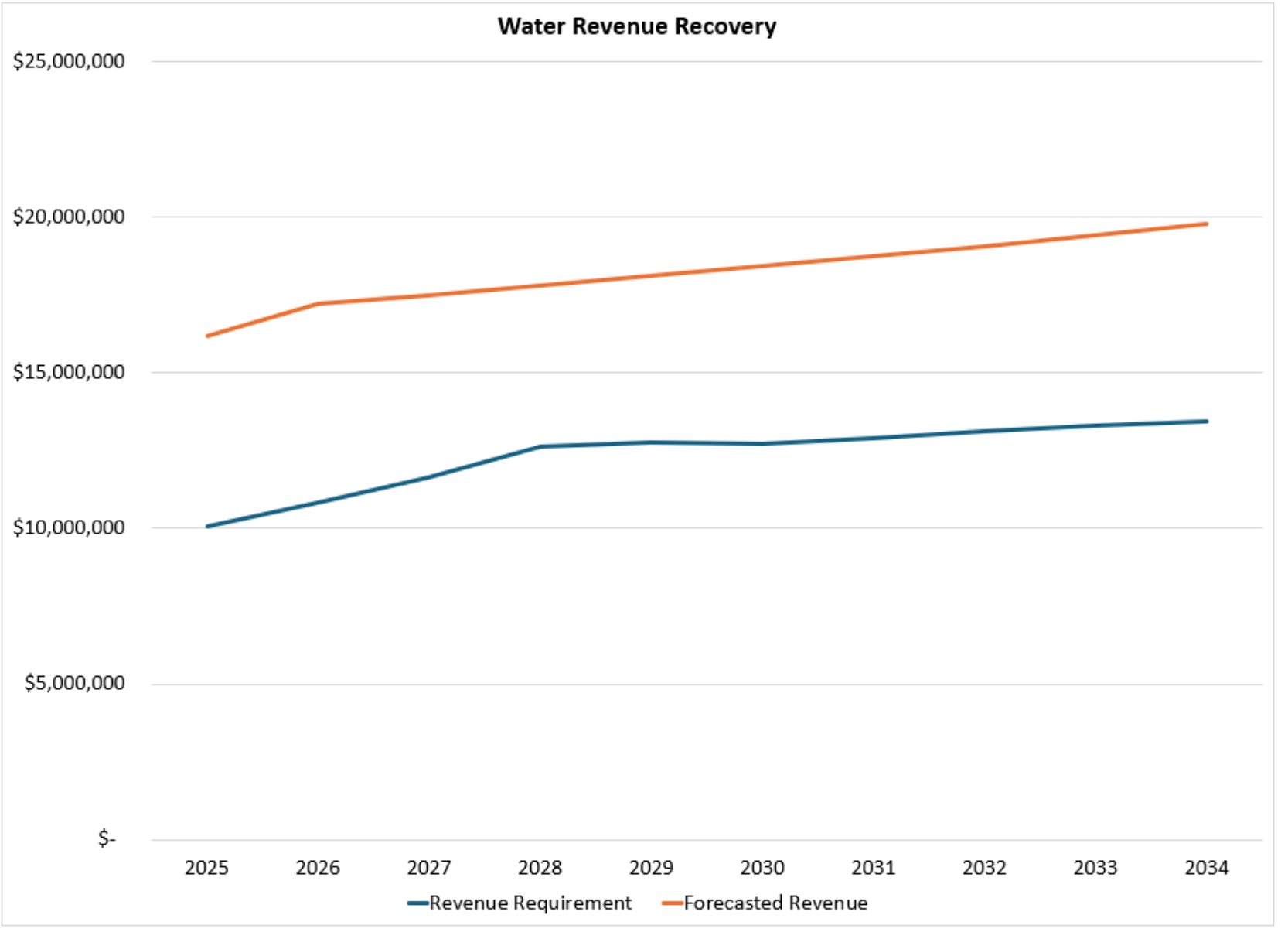
- Reasoning: Because the minimum bill already recovers a substantial portion of revenue, increasing volumetric charges would balance the rate structure and limit impacts on smaller accounts

Scenario 2 Rates

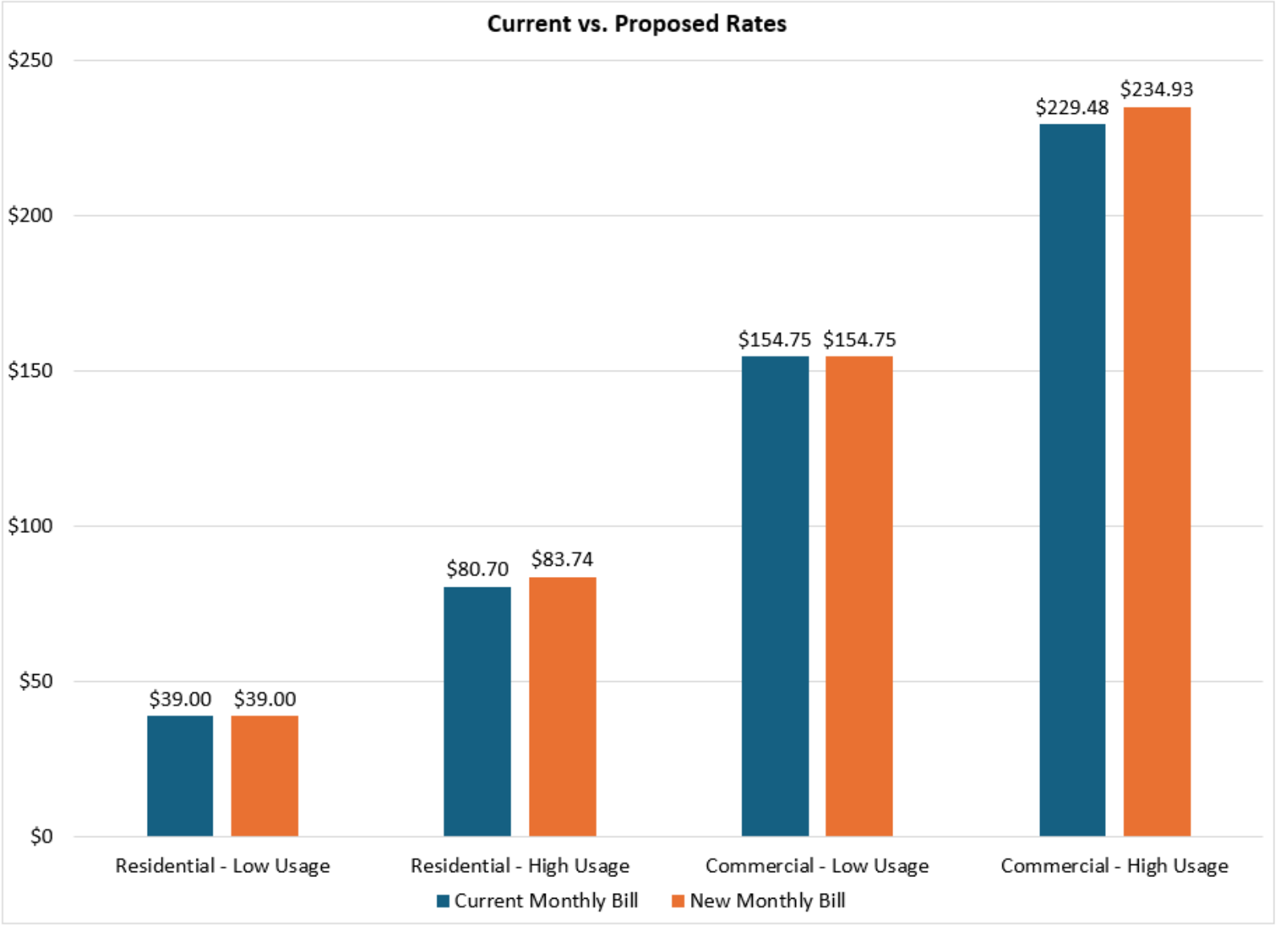
	Residential					Commercial			
Meter Size	Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000			Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000	
3/4"	2,000	$39.00	$7.64	$9.60	$15.08	2,000	$39.00	$8.53	$10.24
1"	4,000	$51.11	$7.64	$9.60	$15.08	4,000	$55.75	$8.53	$10.24
1-1/2"	8,000	$75.40	$9.60	$9.82	$15.67	8,000	$88.75	$8.53	$10.35
2"	16,000	$136.55	$9.60	$10.68	$15.67	16,000	$154.75	$8.53	$10.41
3"						50,000	$437.25	$8.53	$10.46
4"						75,000	$643.25	$8.53	$10.52
6"						155,000	$1,305.25	$8.53	$10.57

Scenario 2 - Volumetric Rate Increase		
Year		Net Income
2025	$	6,084,661
2026	$	6,405,919
2027	$	5,894,163
2028	$	5,167,843
2029	$	5,350,371
2030	$	5,681,078
2031	$	5,858,299
2032	$	5,961,010
2033	$	6,115,586
2034	$	**6,385,470**

Raising volumetric rates by 7.3% recovers revenue from usage, not connection



Residential and commercial customers with more usage would be most impacted by this rate change



Scenario 3: Maintain current minimum bill charge, but implement a steeper inclining block rate structure

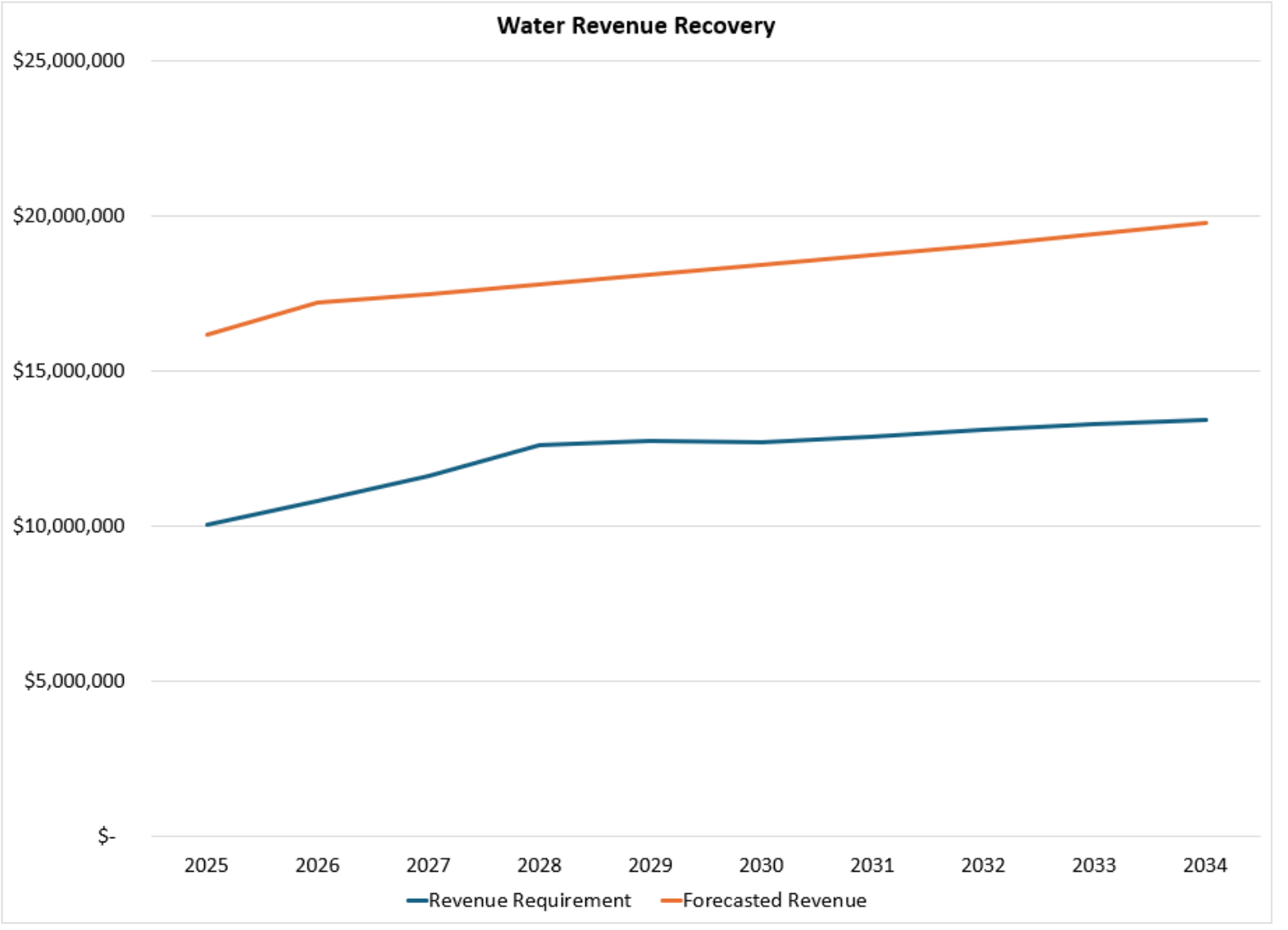
- Introduce the following graduated rate increases:
  - Residential tiers: 4.5% / 9% / 18%
  - Commercial tiers: 6.8% / 13.5%
- Reasoning: Concentrating rate increases in the upper usage tiers promotes efficient water use and reduces the impact of the adjustment on customers with lower consumption levels

Scenario 3 Rates

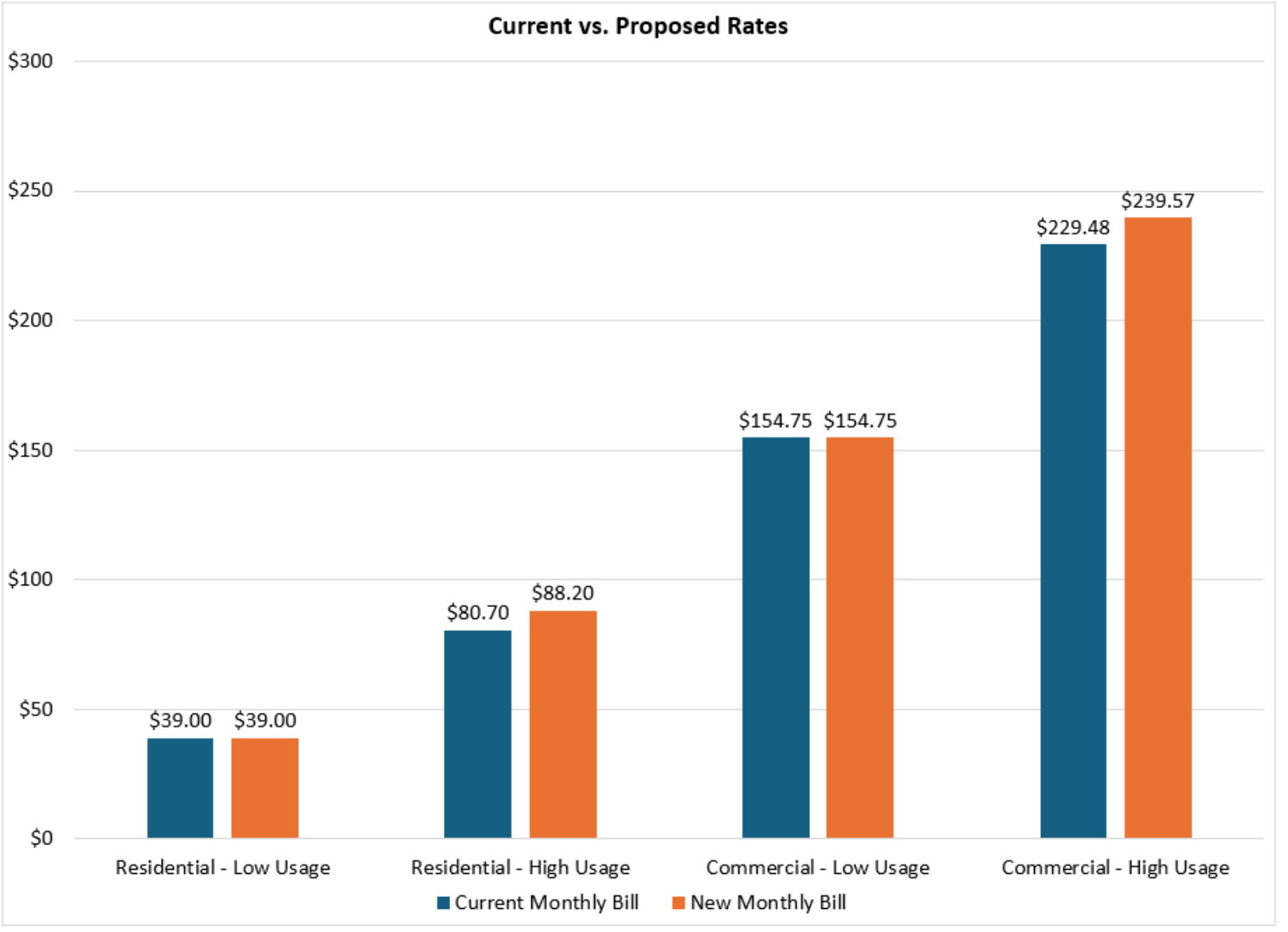
	Residential					Commercial			
Meter Size	Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000			Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000	
3/4"	2,000	$39.00	$7.44	$9.76	$16.58	2,000	$39.00	$8.49	$10.83
1"	4,000	$51.11	$7.44	$9.76	$16.58	4,000	$55.75	$8.49	$10.83
1-1/2"	8,000	$75.40	$9.35	$9.97	$17.23	8,000	$88.75	$8.49	$10.95
2"	16,000	$136.55	$9.35	$10.85	$17.23	16,000	$154.75	$8.49	$11.01
3"						50,000	$437.25	$8.49	$11.07
4"						75,000	$643.25	$8.49	$11.12
6"						155,000	$1,305.25	$8.49	$11.18

Scenario 3 - Steeper Inclining Block Rate		
Year		Net Income
2025	$	6,084,661
2026	$	6,402,532
2027	$	5,890,718
2028	$	5,164,337
2029	$	5,346,802
2030	$	5,677,444
2031	$	5,854,599
2032	$	5,957,243
2033	$	6,111,748
2034	**$**	**6,381,560**

A steeper inclining block rate reaches the same revenue target without raising bills for low-volume customers



Residential and commercial customers within the highest usage tiers would be most impacted by this rate change



Scenario 4: Increase current minimum bill charge and implement a steeper inclining block rate structure

- Introduce a 2.6% minimum bill increase
  - Residential ¾" minimum bill increases by $1.00
  - Commercial 2" minimum bill increases by $4.25
- Introduce the following graduated rate increases:
  - Residential tiers: $0.14 / $0.34 / $1.08
    - 1.9% / 3.9% / 7.7%
  - Commercial tiers: $0.23 / $0.55
    - 2.9% / 5.8%

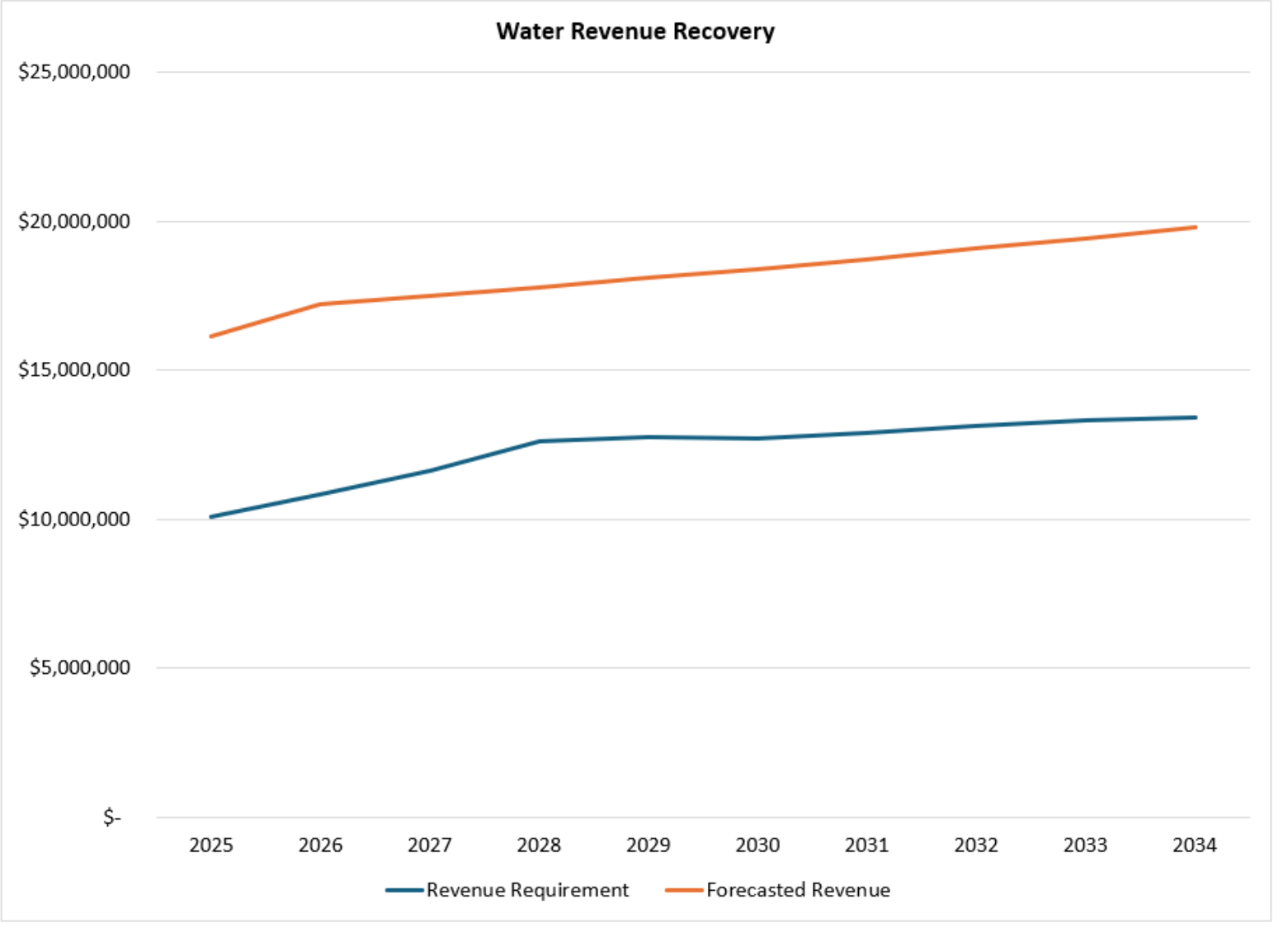
Scenario 4 - Min Increase + Steeper Block Rate		
Year		Net Income
2025	$	6,084,661
2026	$	6,412,493
2027	$	5,900,501
2028	$	5,173,697
2029	$	5,355,480
2030	$	5,685,170
2031	$	5,861,087
2032	$	5,962,192
2033	$	6,114,846
2034	$	**6,382,477**

- Reasoning: All customers receive a rate increase for a stable bump in revenue, but higher rate increases are concentrated in upper usage tiers, limiting the impact of the increase for smaller customers

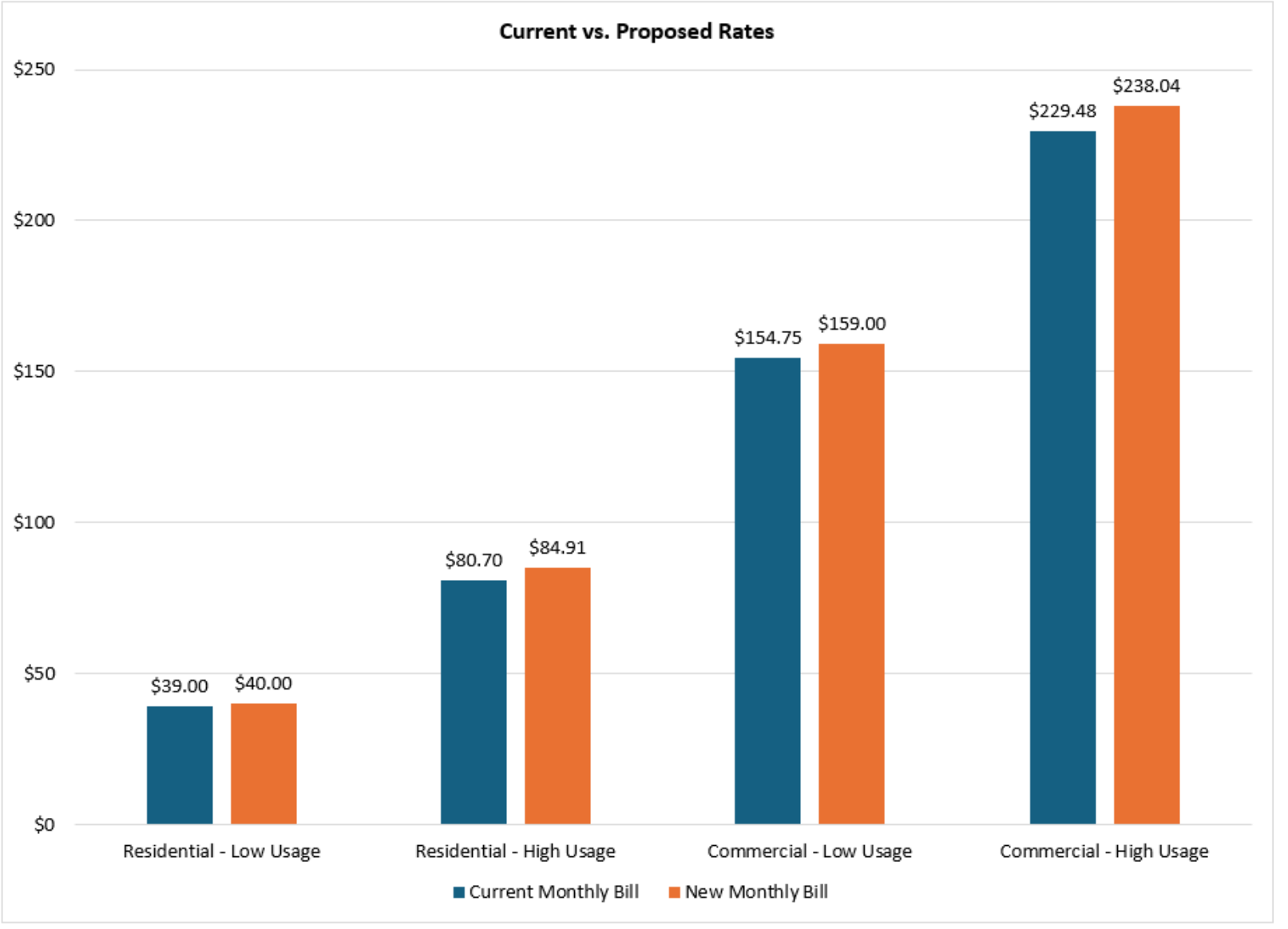
Scenario 4 Rates

	Residential					Commercial			
Meter Size	Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000			Minimum Bill Quantity (gallons)	Minimum Water	Additional Cost / 1000	
3/4"	2,000	$40.00	$7.26	$9.29	$15.13	2,000	$40.00	$8.18	$10.09
1"	4,000	$53.00	$7.26	$9.29	$15.13	4,000	$58.00	$8.18	$10.09
1-1/2"	8,000	$78.00	$9.12	$9.50	$15.72	8,000	$92.00	$8.18	$10.21
2"	16,000	$141.00	$9.12	$10.33	$15.72	16,000	$159.00	$8.18	$10.26
3"						50,000	$449.00	$8.18	$10.31
4"						75,000	$660.00	$8.18	$10.37
6"						155,000	$1,339.00	$8.18	$10.42

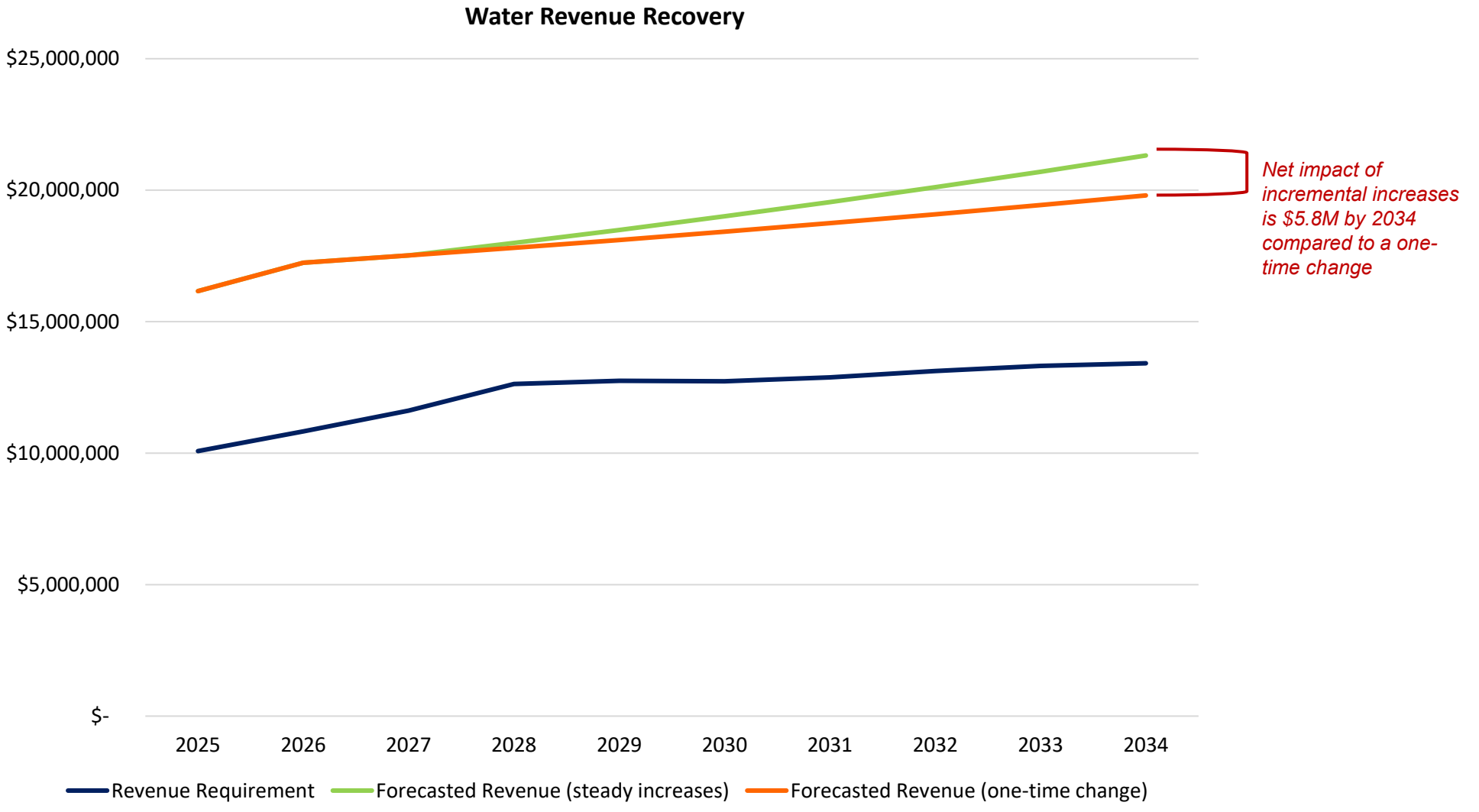
Increasing the minimum bill and a steeper inclining block rate reaches a higher revenue target while limiting impacts on low-volume customers



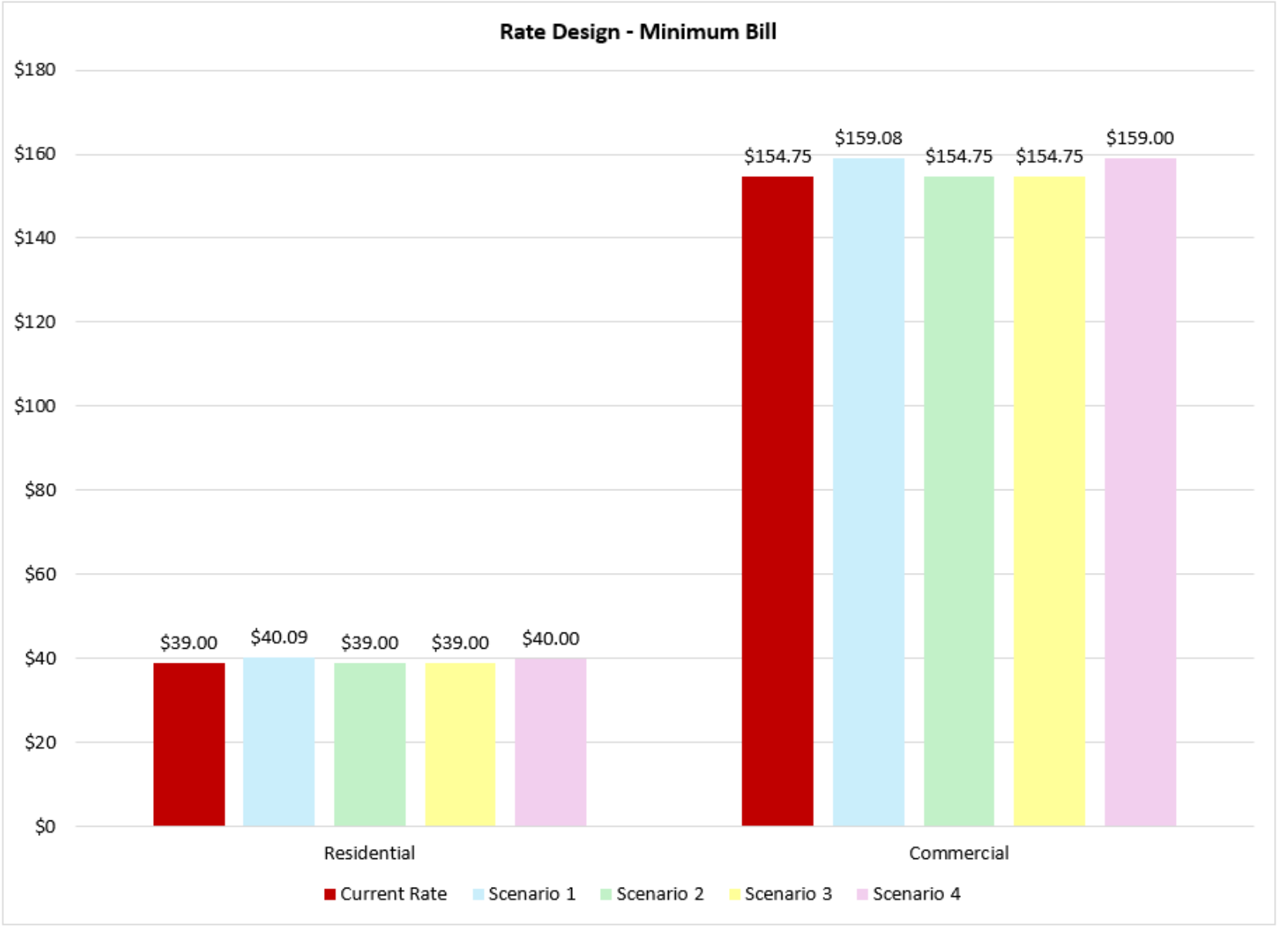
All customers are impacted by this rate change, but customers within the highest usage tiers would be most impacted



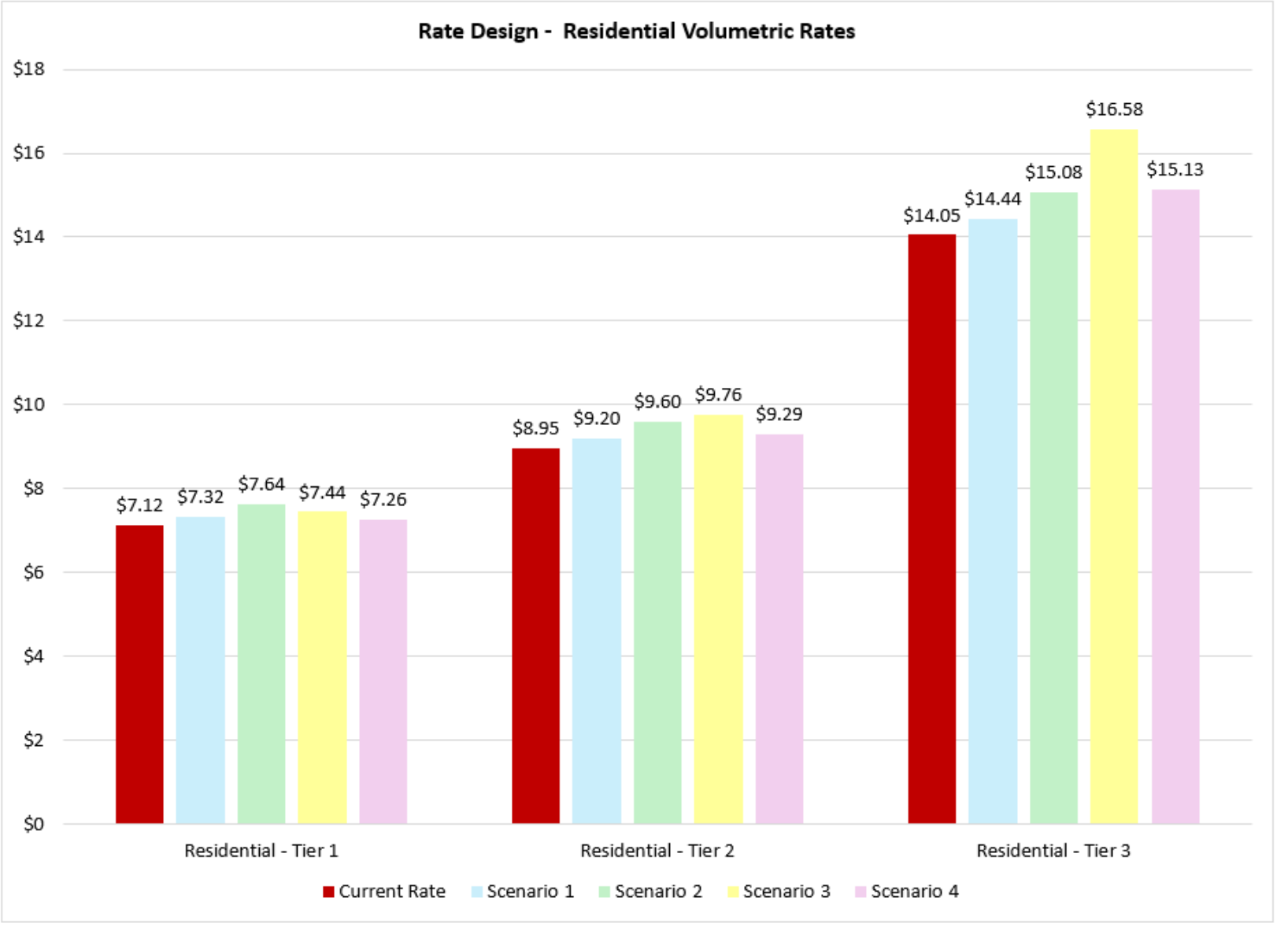
If Walton County chooses to increase rates by 1.2% each year ahead of inflation and rising costs, it would increase forecasted revenue, but margins are healthy enough that a one-time change would be sufficient



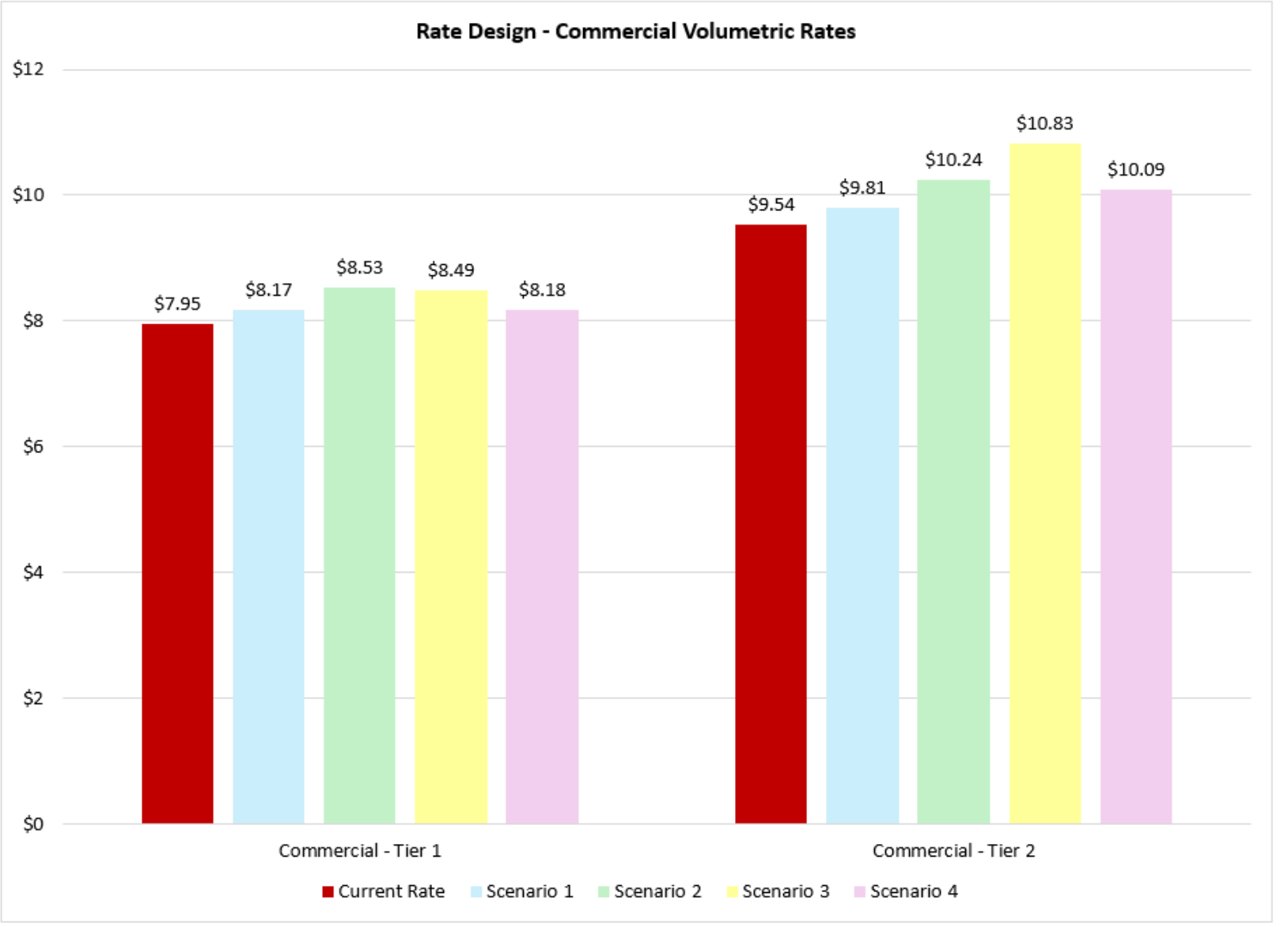
The minimum bill increases the most in Scenario 1



Scenarios 3 and 4 shift costs toward higher-volume users while minimizing impacts on lower-volume customers



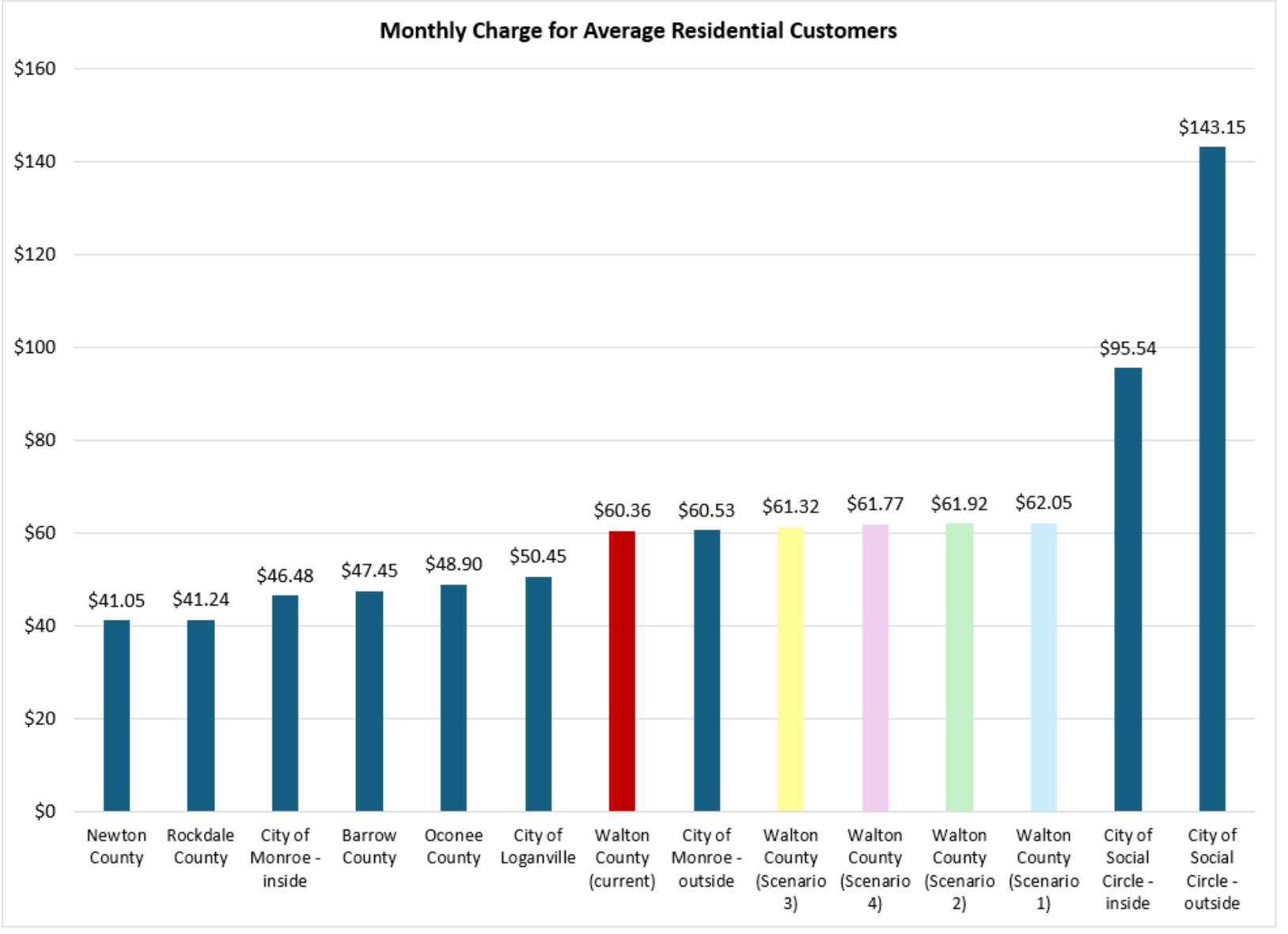
Commercial rate adjustments remain moderate in Tier 1, while larger increases are concentrated in Tier 2 across scenarios



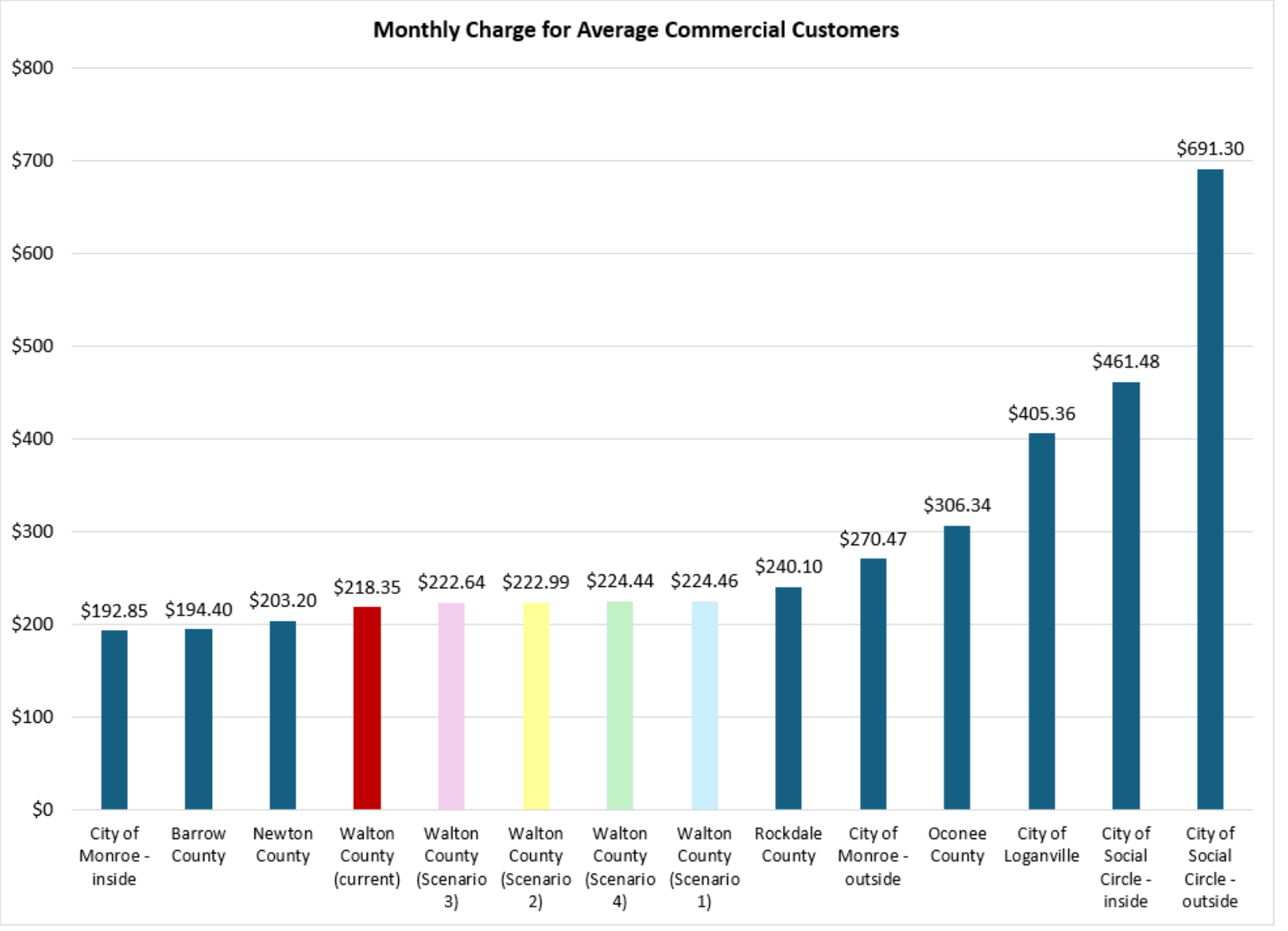
Today's discussion

- Revenue Requirements
- Cost Allocation
- Rate Design
- Benchmarking
- Billing System
- Next Steps

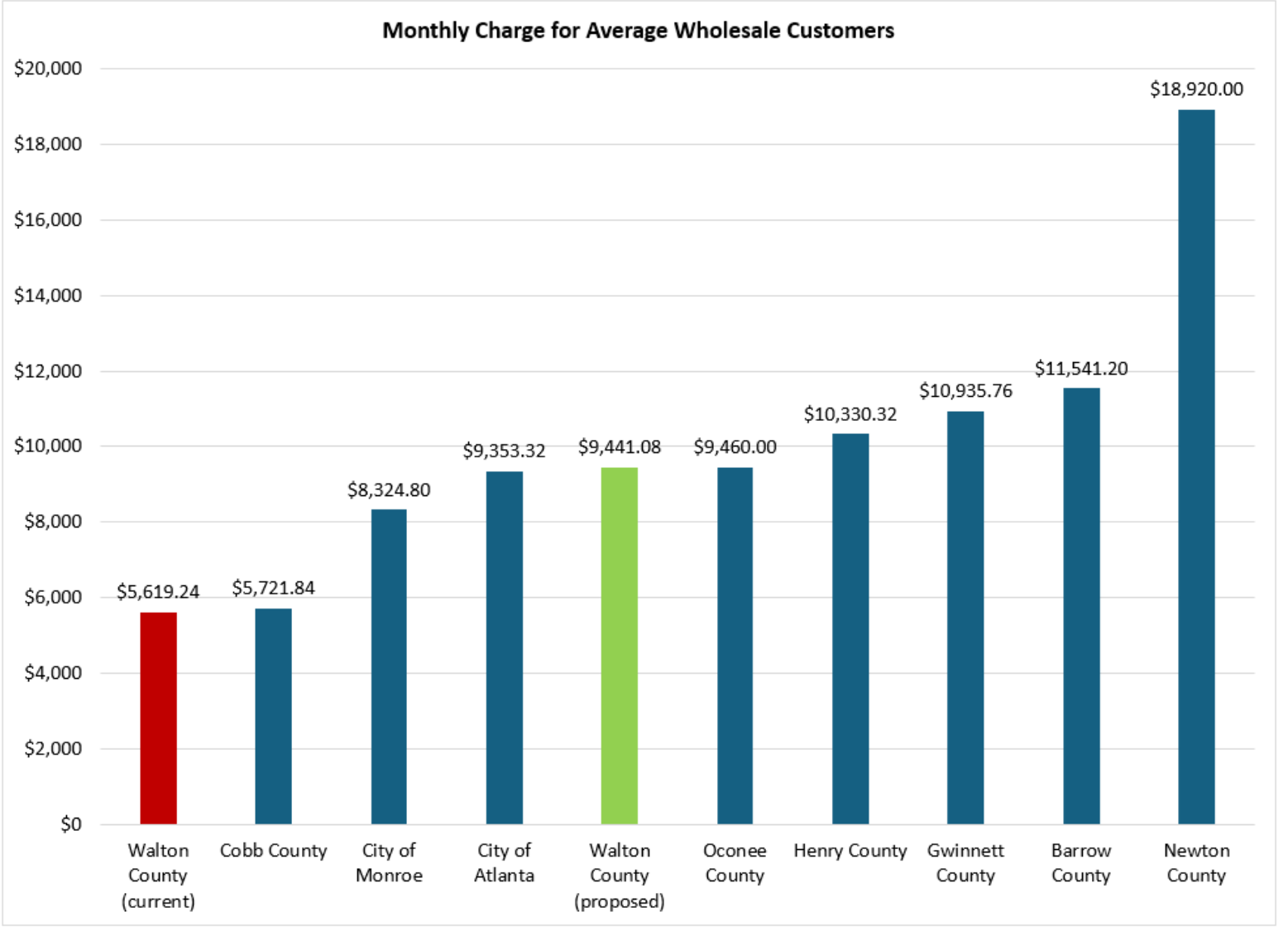
Walton County water residential costs are on the higher range of neighboring water systems



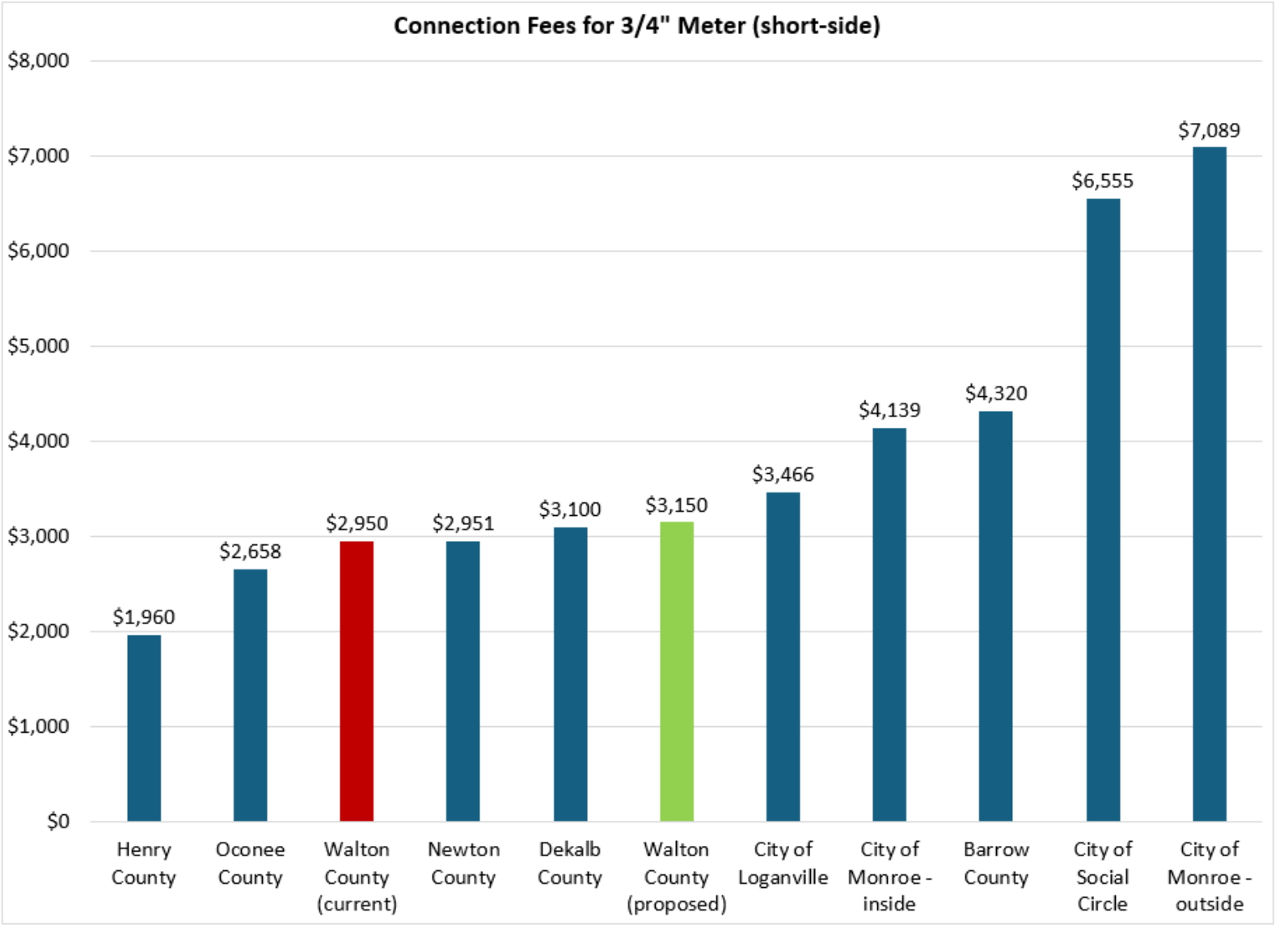
Compared with nearby water systems, Walton County's commercial water costs are in the middle range



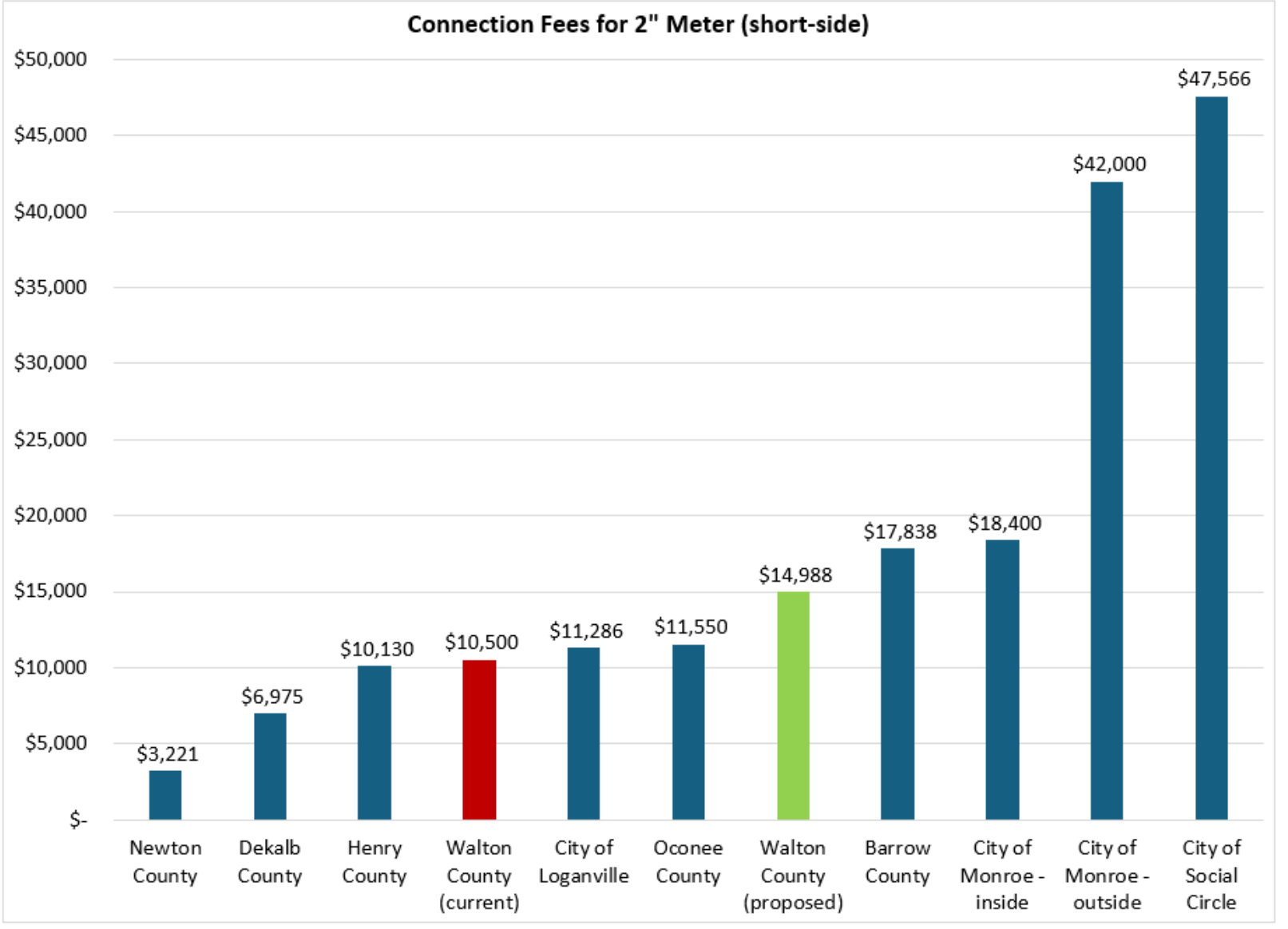
Walton County's wholesale water rates are currently the lowest in comparison with neighboring water systems, but the proposed rate increase would bring it into the middle range



Walton County's connection fees for residential meters are on the lower range compared to neighboring utilities



Walton County's connection fees for commercial meters are in the middle range of neighboring water systems

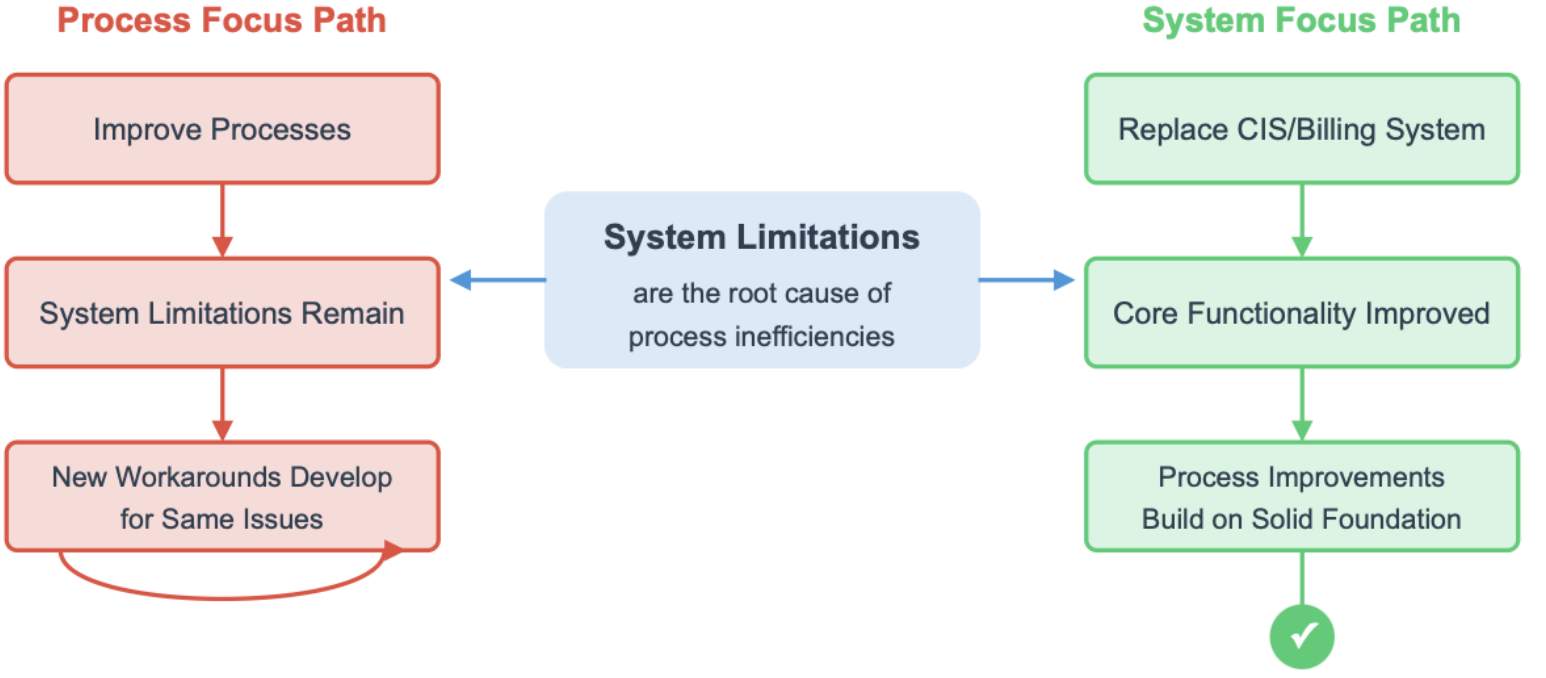


Today's discussion

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Current billing software limitations create systemic challenges that process improvements alone cannot address

- Findings revealed that manual workarounds stem primarily from CIS functionality gaps rather than inefficient processes, making process review efforts premature
- Process reviews would yield minimal benefits while the underlying system constraints remain, creating a cycle of temporary fixes to the same fundamental problems
- Prioritizing system replacement offers a more direct path to automation, integration, and reliability improvements across all utility functions



CIS/Billing solution requirements stage defines system architecture specifications, integration protocols, and security standards necessary for seamless enterprise deployment

- The requirements stage establishes core functionality, integration capabilities, and security controls needed for an effective CIS/Billing solution while ensuring alignment with utility business processes
- Key evaluation components include customer management, billing accuracy, payment processing, reporting capabilities, and system security to support both operational efficiency and regulatory compliance
- Technical specifications must address data migration requirements, integration with existing utility systems (including AMI), and scalability to accommodate future growth and regulatory changes

Requirement Category	Critical Component	Evaluation Considerations
Core Functionality	Customer management, billing engine, payment processing, service orders	Business process alignment, configurability
Integration Capabilities	AMI, Financial systems, field operations, customer portal	API capabilities, data exchange standards
Security & Compliance	Data protection, access controls, audit trail	Control effectiveness, documentation
Performance & Scalability	Data Transaction volumes, response times, growth accommodations	Load testing parameters
Implementation & Support	Data migration, training, ongoing maintenance	Resource requirements, timeline factors

CIS/Billing RFP process structured evaluation approach ensuring transparent vendor assessment through balanced criteria and defined requirements

- The RFP process establishes a transparent, objective methodology for soliciting and evaluating CIS/Billing solutions while ensuring vendors clearly understand evaluation criteria and compliance requirements
- Key process components include comprehensive requirements documentation, clear evaluation scoring methods, demonstration scenarios, and reference validation to support informed decision-making
- The evaluation framework ensures balanced consideration of functional capabilities, technical architecture, security controls, and implementation approach rather than relying on single-factor assessments

RFP Phase	Key Activities	Evaluation Focus
Internal Evaluation	Requirements gathering, market research, evaluation team formation	Internal alignment on needs and priorities
RFP Development	Documentation of requirements, evaluation criteria, submission guidelines	Clarifying of needs, comprehensive scoring framework
Vendor Response	Q&A session, requirement clarifications, proposal submissions	Transparent communication, equal vendor opportunity
Initial Evaluation	Scoring of written responses, compliance verification, shortlisting	Objective assessment against documented criteria
Demonstration Phase	Demos, technical deep dive, security assessment	Verification of claimed capabilities, fit assessment
Final Selection	Reference checks, detailed security review, contract negotiations	Due diligence, risk mitigation, value confirmation

Functionality capabilities defined by departments to guide vendor review

- Requirements address customer types, record management, and service features based on current utility operations
- Standardized response format allows for direct comparison of vendor solutions

Table of Contents	
Functional Area	**Number of Requirements**
General and Technical	75
Billing	49
Customer Information System (CIS)	70
Customer Portal	40
Cashiering	29
Payment Processing	15
Prepay	86
Meter Data Management (MDM)	47
Automated Workflow Management	33
Work & Asset Management (WAM)	33
General Ledger and Financial Reporting	78
Chart of Accounts	25
Payroll	38
Purchasing	50
Accounts Receivable	30
Capital Asset Accounting	35
Budget Management	30

Sample requirements to consider within key capability categories

General & Technical

- User Interface & Experience
- Workflow & Approval Processes
- Reporting & Analytics

Billing

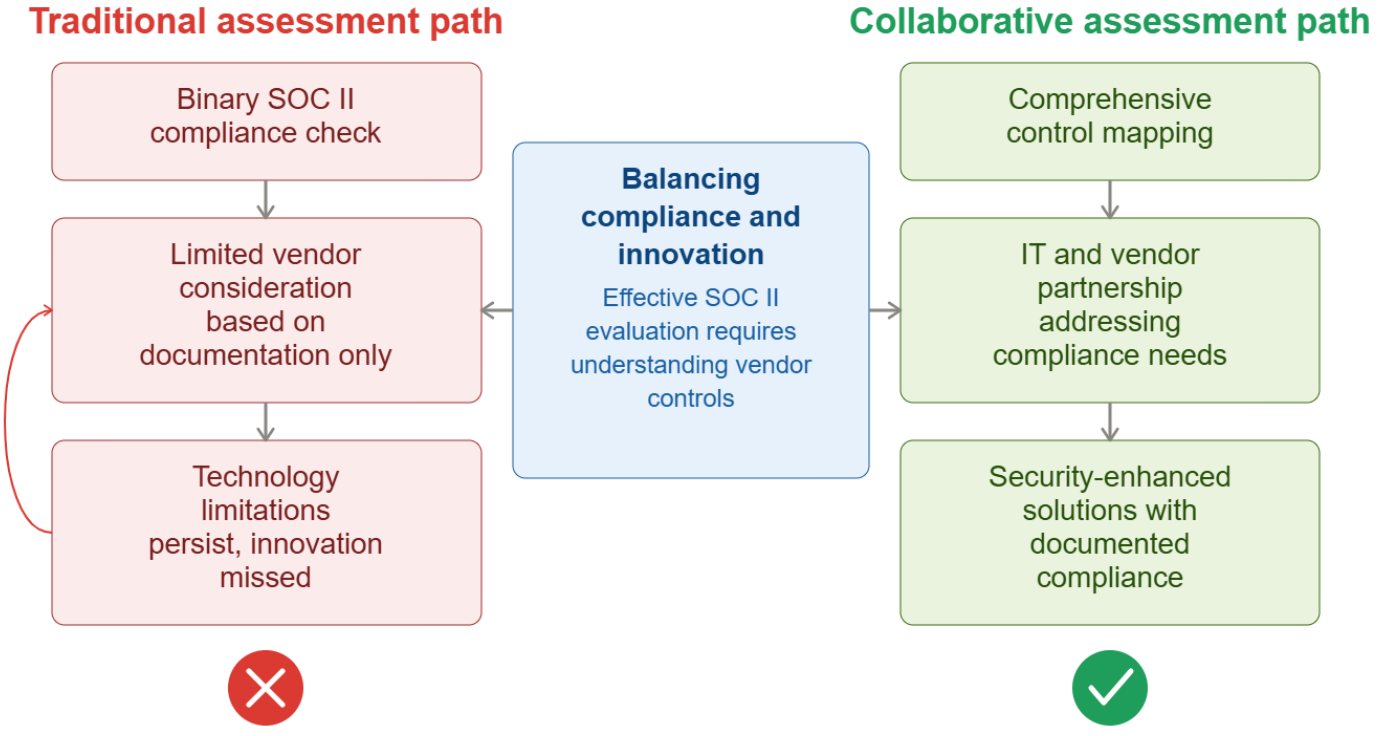
- Integration & Multi-Service Support
- Billing Types & Structures
- Consumption & Metering

Customer Portal

- Usage Analytics & Monitoring
- Billing & Payment Services
- Customer Service & Support

How utilities and IT teams navigate SOC II considerations when evaluating cloud-based solutions

- Many IT and utility organizations work diligently to balance security requirements with innovation, with SOC II compliance being one important factor among several evaluation criteria
- Conversations with successful implementation teams highlight collaborative approaches where IT security professionals and cloud vendors partner to map vendor controls to specific compliance requirements
- Developing a shared evaluation framework that respects compliance obligations while enabling technology advancement creates opportunities for improved functionality without compromising security standards



Effective SOC II evaluation approach includes specific control analysis while maintaining compliance requirements

- The evaluation approach has been refined based on workshop findings which identified the need to move beyond binary SOC II compliance checks toward comprehensive control assessment
- Key evaluation questions now align with proper compliance objectives, ensuring efficient mapping between vendor security controls and SOC II requirements
- The updated framework maintains all compliance requirements while enabling more effective technology assessment through detailed control analysis

Controls	Key Assessment Questions
Data Protection	• How does the solution protect sensitive information? • What encryption standards are permitted? • How are privileged access rights managed?
Access Controls	• What mechanisms ensure appropriate separation of duties? • How are privileged access rights managed and monitored?
Audit Trails	• How comprehensively are system activities logged? How long are logs retained and how are they protected from tampering?
Change Management	• What processes ensure changes are properly authorized, tested, and documented? • How is version control maintained?
Availability & Recovery	• What redundancies exist to prevent data loss? • What is your recovery time objective and recovery point objective?
Third Party Validation	• What independent assessments (SOC 1/2, ISO 27001) verify your control environment? • How frequently are they conducted?
Evidence Collection	• How can we extract necessary audit evidence? • What reports and documentation are available to support our compliance needs?

Billing vendors…



















































Today's discussion

- Revenue Requirements
- Cost Allocation
- Rate Design
- Benchmarking
- Billing System
- Next Steps

The next steps involve finalizing and implementing the new rate structures

- Development of final rate design
- Presentation to Walton County board
- Develop and issue an RFP for a modern utility management software
- Explore potential implementation of Advanced Metering Infrastructure (AMI)