Gridley City Council – Regular Meeting Agenda

Monday, July 18, 2022; 6:00 pm
Gridley City Hall, 685 Kentucky Street, Gridley, CA 95948

"Our purpose is to continuously enhance our community's vitality and overall quality of life. We are committed to providing high quality, cost-effective municipal services and forming productive partnerships with our residents and regional organizations. We collectively develop, share, and are guided by a clear vision, values, and meaningful objectives."

The Public is encouraged to attend and participate in person. Comments from the public on agenda items will be accepted until 4 pm on July 18th, 2022, via email to csantana@gridley.ca.us or via the payment/document drop box at Gridley City Hall and will be conveyed to the Council for consideration.

You may view using the following link, ID, and passcode:
Webinar ID:
https://us06web.zoom.us/j/84403791635?pwd=YXNaV3NMRkU3dlE1cFBveFZXZEV3UT09
Passcode: 718069
OR
Call-in using one of the following numbers, and the above ID and passcode:
1-(253) 215-8782
1-(720) 707-2699

To make a public comment during the Community Participation Forum or during the public portion of any agenda item, use the 'raise hand' feature and you will be called on when it's your turn to speak.

CALL TO ORDER - Mayor Johnson

ROLL CALL

PLEDGE OF ALLEGIANCE – Councilmember Sanchez

INVOCATION – None

PROCLAMATION - None

INTRODUCTION OF NEW OR PROMOTED EMPLOYEES - None

COMMUNITY PARTICIPATION FORUM - *Members of the public may address the City Council on matters not listed on the agenda. The City Council may not discuss nor take action on any community participation item brought forward by a member of the community. Comments are requested to be limited to three (3) minutes.*

CONSENT AGENDA

1. City Council Minutes Dated June 20th, 2022

2. Resolution No. 2022-R-026: A Resolution of The City Council of The City of Gridley, Requesting the Board of Supervisors of The County of Butte to Consolidate a General Municipal Election to Be Held on Tuesday, November 8TH, 2022, With the Statewide General Election to Be Held on the Date Pursuant To §10403 of the Elections Code.

3. First Reading of Ordinance 837-2022 by Title Only: An Ordinance of The City of Gridley, California, Adopting A Military Equipment Use Policy and Amending Title 2 Administration and Personnel, Chapter 2, of The Gridley Municipal Code by Adding Section 2.25 "Military Equipment Use Policy" in Compliance with Assembly Bill 481

ITEMS FOR CONSIDERATION

4. Gridley Chamber of Commerce Donation Request 2022

5. Request for Council designation of Voting Delegate and Alternate(s) for League of Ca Cities Annual Conference and Expo (Annual Business Meeting) September 7-9, 2022

6. Informational Update – Cal Trans "State Route 99 Roadway Rehabilitation in Gridley" Discussion

7. Butte County Grand Jury Report – Verbal Report and Discussion

8. Requesting Council Review and Approval of Water, Sewer, and Electric Cost of Service Studies

CITY STAFF AND COUNCIL COMMITTEE REPORTS - *Brief updates from City staff and brief reports on conferences, seminars, and meetings attended by the Mayor and City Council members, if any.*

CITY ADMINISTRATOR REPORTS - *Brief updates and reports on conferences, seminars, and meetings attended by the City Administrator, if any.*

POTENTIAL FUTURE CITY COUNCIL ITEMS - (*Appearing on the Agenda within 30-90 days*):

Edler Estates	8/15/2022

CLOSED SESSION

9. Conference With Legal Counsel Pursuant to Government Code 54956.95 – Liability Claims Against the City of Gridley: Claim of Lori Zufelt

10. Closed Session Pursuant to Government Code 54956.9 - Conference with Legal Counsel to Discuss Existing Litigation: Worker's Compensation Case of Ruth Hennessy, Case No. WCBA ADJ13952257

ADJOURNMENT – adjourning to a Regular meeting on August 1st, 2022.

NOTE 1: **POSTING OF AGENDA-** This agenda was posted on the public bulletin board at City Hall at or before 6:00 p.m., July 15th, 2022. This agenda along with all attachments is available for public

viewing online at www.gridley.ca.us and at the Administration Counter in City Hall, 685 Kentucky Street, Gridley, CA.

NOTE 2: REGARDING UNSCHEDULED MATTERS – In accordance with state law, it shall be the policy of this Council that no action shall be taken on any item presented during the public forum or on unscheduled matters unless the Council, by majority vote, determines that an emergency situation exists, or, unless the Council by a two-thirds vote finds that the need to take action arose subsequent to the posting of this agenda.

Gridley City Council – Regular Meeting Minutes

Monday, June 20, 2022; 6:00 pm
Gridley City Hall, 685 Kentucky Street, Gridley, CA 95948

"Our purpose is to continuously enhance our community's vitality and overall quality of life. We are committed to providing high quality, cost-effective municipal services and forming productive partnerships with our residents and regional organizations. We collectively develop, share, and are guided by a clear vision, values, and meaningful objectives."

CALL TO ORDER
Mayor Johnson called the meeting to order at 6:00 pm.

ROLL CALL

Councilmembers

Present:	Johnson, Farr, Torres, Calderon, Sanchez
Absent:	None
Arriving after roll call:	None

Staff Present:	Cliff Wagner, City Administrator
	Rodney Harr, Chief of Police
	Tony Galyean, City Attorney
	Danny Howard, Electric Utility Director
	Elisa Arteaga, Financial Director
	Sean Norman, Fire Chief

PLEDGE OF ALLEGIANCE
Vice Mayor Farr led the pledge of allegiance.

INVOCATION – None

PROCLAMATION - None

INTRODUCTION OF NEW OR PROMOTED EMPLOYEES
Recreation Director, Trina Leishman, introduced the new Recreational Aides, Valerie Schneider, and Sandra Sanford.

COMMUNITY PARTICIPATION FORUM
The forum was opened and seeing no one was present to speak, was closed.

CONSENT AGENDA

1. City Council Minutes Dated May 25th, May 26th, May 27th, June 6th, and June 9th, 2022

2. Resolution No. 2022-R-017, 2022-R-018 and 2022-R-019: Resolutions adopting the Construction and Long-Term Monitoring Policies and Procedures, Environmental Policies and Procedures and the Underwriting Policies and Procedures for the CDBG-Disaster Recovery Multi Housing Program to complete the due diligence process

3. Resolution No. 2022-R-20: A resolution to allow City Staff to submit the SB1 Project List to State California Transportation Commission (CTC) and authorizing the City Administrator to include in Fiscal Year 2022-2023 CIP Budget, the projects to be funded with SB1 - Road Maintenance and Rehabilitation Account revenues

4. Resolution No. 2022-R-021: A Resolution of the City Council of the City of Gridley approving the Memorandum of Understanding between the Gridley Police Officers Association and the Gridley City Council

5. Resolution No. 2022-R-022: A Resolution of the City Council of the City of Gridley approving the Memorandum of Understanding between the International Brotherhood of Electric Workers Local 1245 Employees and the Gridley City Council

6. Resolution No. 2022-R-023: A Resolution of the City Council of the City of Gridley adjusting compensation for Management, Mid-Management, Confidential and Unrepresented Employees

Motion to approve the consent agenda was made by Councilmember Torres, seconded by Vice Mayor Farr.

ROLL CALL VOTE
Ayes: Johnson, Farr, Calderon, Torres, Sanchez
Motion passed, 5-0

ITEMS FOR CONSIDERATION

7. Budget FY 22-23 Adoption

- Resolution No. 2022-R-024: A Resolution of the City of Gridley City Council Establishing the FY 2022-2023 Appropriations Limit for the City of Gridley

Motion to approve Resolution No. 2022-R-024 made by Councilmember Calderon, seconded by Mayor Johnson.

ROLL CALL VOTE
Ayes: Johnson, Farr, Calderon, Torres, Sanchez
Motion passed, 5-0

- Resolution No. 2022-R-025: A Resolution of the City of Gridley Adopting a Budget for Fiscal Year 2022-2023.

Motion to approve Resolution No. 2022-R-025 made by Councilmember Torres, seconded by Vice Mayor Farr.

ROLL CALL VOTE
Ayes: Johnson, Farr, Calderon, Torres, Sanchez
Motion passed, 5-0

CITY STAFF AND COUNCIL COMMITTEE REPORTS

Councilmember Calderon reported that he met with Norma Servin with Catholic Social Services, about the possibility of opening a resource center for Gridley.

Mayor Johnson reported on his attendance at the Butte County Mosquito Vector Control and Sutter Butte Flood Control Agency meetings.

CITY ADMINISTRATOR REPORTS - None

POTENTIAL FUTURE CITY COUNCIL ITEMS - (*Appearing on the Agenda within 30-90 days*):

Edler Estates	7/19/2022

CLOSED SESSION

8. Closed session discussion with legal counsel pursuant to Government Code 54957 to discuss a liability claim presented by Cruz Elena Santillan against the City of Gridley

9. Closed session discussion with legal counsel pursuant to Government Code 54956.9 – Existing Litigation: Michael Libby vs. City of Gridley, Federal District Court for the Eastern District of California, Case No. 2:21-CV-00017 – JAM

10. Closed session discussion with legal counsel pursuant to Government Code 54956.9 – Existing Litigation: McMillan, et al vs. City of Gridley, Butte County Superior Court, Case No. 21 CV 00451.

Council went into closed session at 6:38 pm and came out at 7:40 pm with no reportable action.

ADJOURNMENT

With no further items to discuss, Mayor Johnson adjourned to the next regular meeting on July 18th, 2022.

_____
Cliff Wagner, City Administrator

City Council Agenda Item #2
Staff Report

X	Regular
	Special
	Closed
	Emergency

Date: July 18, 2022

To: Mayor and City Council

From: Cliff Wagner, City Administrator

Subject: City Council approval of Resolution 2022-R-026, requesting the Butte County Board of Supervisors to consolidate a General Municipal Election to be held Tuesday, November 8, 2022.

Recommendation
City staff respectfully recommends that the City Council adopt the attached resolution, Resolution 2022-R-026, requesting the Board of Supervisors of the County of Butte to consolidate a General Municipal Election to be held Tuesday, November 8, 2022, with the Statewide General Elections to be held pursuant §10403 of the Elections Code.

Background
This Election Consolidation process is standard for cities throughout the State every two years. Two Councilmember seats are open this year, including the seats held by Councilmembers Bruce Johnson, and Zach Torres. With this action the County Election Department is authorized to canvass the returns of the General Municipal Election.

Compliance with City Council Strategic Plan or Budget Goals
This action is consistent with the City Council's commitment to effective democratic processes and the Council's focus on excellence in community leadership.

Financial Impact
The City of Gridley recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for any costs.

Attachments
Resolution 2022-R-026

RESOLUTION NO.
2022-R-026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GRIDLEY, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF BUTTE TO CONSOLIDATE A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 8, 2022, WITH THE STATEWIDE GENERAL ELECTION TO BE HELD ON THE DATE PURSUANT TO §10403 OF THE ELECTIONS CODE

WHEREAS, the City Council of the City of Gridley hereby calls a General Municipal Election to be held on November 8, 2022, for the purpose of the election of two members of the City Council for the full term of four years, and;

WHEREAS, it is desirable that the General Municipal Election be consolidated with the Statewide General election to be held on the same date and that within the city the precincts, polling places and election officers of the two elections be the same, and that the county election department of the County of Butte canvass the returns of the General Municipal Election and that the election be held in all respects as if there were only one election.

WHEREAS, pursuant to Elections Code section 1300 and Gridley Municipal Code section 1.16.010, the City of Gridley General Election is to be held at the same time as the statewide General Election and said date for both is set forth in Elections Code section 1200, and for this year, 2022, is November 8.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GRIDLEY DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. That pursuant to the requirements of §10403 of the Elections Code, the Board of Supervisors of the County of Butte is hereby requested to consent and agree to the consolidation of a General Municipal Election with the Statewide General election on Tuesday, November 8, 2022, for the purpose of the election of two members of the City Council for the full term of four years.

SECTION 2. That the County Election department is authorized to canvass the returns of the General Municipal Election. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used.

SECTION 3. That the Board of Supervisors is requested to issue instructions to the County Election department to take any and all steps necessary for the holding of the consolidated election.

SECTION 4. That the City of Gridley recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for

any costs.

SECTION 5. That the City Clerk is hereby directed to file a certified copy of this resolution with the Board of Supervisors and the County Election department of the County of Butte.

SECTION 6. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

I HEREBY CERTIFY that the foregoing resolution was duly introduced, passed, and adopted by the City Council of the City of Gridley at a regular meeting held on the 18th day of July 2022, by the following vote:

AYES: COUNCILMEMBERS

NOES: COUNCILMEMBERS

ABSENT: COUNCILMEMBERS

ABSTAIN: COUNCILMEMBERS

ATTEST:

_____
Cliff Wagner, City Administrator

APPROVE:

_____
Bruce Johnson, Mayor

City Council Agenda Item #3
Staff Report

X	Regular
	Special
	Closed
	Emergency

Date: July 18, 2022

To: Mayor and City Council

From: Rodney Harr, Chief of Police

Subject: First Reading by Title Only of An Ordinance of The City of Gridley, California, Adopting A Military Equipment Use Policy And Amending Title 2 Administration And Personnel, Chapter 2, of The Gridley Municipal Code By Adding Section 2.25 "Military Equipment Use Policy" in Compliance With Assembly Bill 481

Recommendation
Introduce for 1st Reading by title only, Title 2, Administration and Personnel, Chapter 2, adding section 2.25 “Military Equipment Use Policy” and approving the use, acquisition, collaboration, and seeking of funding for military equipment, as required by California Government Code § 7071 (a)(1) per Assembly Bill (AB) 481.

Background
AB 481 creates a new statutory mandate for the Police Department. Specifically, the law concerns the funding, acquisition, and use of military equipment by law enforcement agencies. The language of the new Military Equipment Policy provides a non-exhaustive list of examples and definitions for such equipment. Agencies may also consult Government Code § 7070, 7071, and 7072 for the source of these definitions, as well as comprehensive information about state law requirements and processes for military equipment. AB 481 requires agencies to obtain policy approval through adoption of an Ordinance. Following approval, agencies are further required to submit an annual military equipment report to the governing body for as long as the equipment is available for use. Agencies must also publish their Military Equipment Policy on their website 30 days prior to hearing. This Military Equipment Use Policy has been posted on the City of Gridley and Gridley Police Department websites since May 16, 2022

Fiscal Impact
None, there is no fiscal impact for the approval of this Resolution

Compliance with City Council Strategic Plan or Budget Goals
This recommendation is consistent with our ongoing effort to be responsive and transparent regarding all business transactions and financial matters, as well as its ongoing efforts to support the community in such ominous financial times.

Attachments
Military Equipment Use Lexipol Policy 706 and GPD Inventory
Military Use Ordinance Policy with Amendment

Military Equipment

706.1 PURPOSE AND SCOPE

The purpose of this policy is to provide guidelines for the approval, acquisition, and reporting requirements of military equipment (Government Code § 7070; Government Code § 7071; Government Code § 7072).

706.1.1 DEFINITIONS

Definitions related to this policy include (Government Code § 7070):

Governing body – The elected or appointed body that oversees the Department.

Military equipment – Includes but is not limited to the following:

- Unmanned, remotely piloted, powered aerial or ground vehicles.
- Mine-resistant ambush-protected (MRAP) vehicles or armored personnel carriers.
- High mobility multipurpose wheeled vehicles (HMMWV), two-and-one-half-ton trucks, five-ton trucks, or wheeled vehicles that have a breaching or entry apparatus attached.
- Tracked armored vehicles that provide ballistic protection to their occupants.
- Command and control vehicles that are either built or modified to facilitate the operational control and direction of public safety units.
- Weaponized aircraft, vessels, or vehicles of any kind.
- Battering rams, slugs, and breaching apparatuses that are explosive in nature. This does not include a handheld, one-person ram.
- Firearms and ammunition of .50 caliber or greater, excluding standard-issue shotguns and standard-issue shotgun ammunition.
- Specialized firearms and ammunition of less than .50 caliber, including firearms and accessories identified as assault weapons in Penal Code § 30510 and Penal Code § 30515, with the exception of standard-issue firearms.
- Any firearm or firearm accessory that is designed to launch explosive projectiles.
- Noise-flash diversionary devices and explosive breaching tools.
- Munitions containing tear gas or OC, excluding standard, service-issued handheld pepper spray.
- TASER® Shockwave, microwave weapons, water cannons, and long-range acoustic devices (LRADs).
- Any other equipment as determined by a governing body or a state agency to require additional oversight.

706.2 POLICY

It is the policy of the Gridley Police Department that members of this department comply with the provisions of Government Code § 7071 with respect to military equipment.

706.3 MILITARY EQUIPMENT COORDINATOR

The Chief of Police should designate a member of this department to act as the military equipment coordinator. The responsibilities of the military equipment coordinator include but are not limited to:

(a) Acting as liaison to the governing body for matters related to the requirements of this policy.

(b) Identifying department equipment that qualifies as military equipment in the current possession of the Department, or the equipment the Department intends to acquire that requires approval by the governing body.

(c) Conducting an inventory of all military equipment at least annually.

(d) Collaborating with any allied agency that may use military equipment within the jurisdiction of Gridley Police Department (Government Code § 7071).

(e) Preparing for, scheduling, and coordinating the annual community engagement meeting to include:

1. Publicizing the details of the meeting.
2. Preparing for public questions regarding the department's funding, acquisition, and use of equipment.

(f) Preparing the annual military equipment report for submission to the Chief of Police and ensuring that the report is made available on the department website (Government Code § 7072).

(g) Establishing the procedure for a person to register a complaint or concern, or how that person may submit a question about the use of a type of military equipment, and how the Department will respond in a timely manner.

706.4 MILITARY EQUIPMENT INVENTORY

The following constitutes a list of qualifying equipment for the Department:

[Insert attachment here]

706.5 APPROVAL

The Chief of Police or the authorized designee shall obtain approval from the governing body by way of an ordinance adopting the military equipment policy. As part of the approval process, the Chief of Police or the authorized designee shall ensure the proposed military equipment policy is submitted to the governing body and is available on the department website at least 30 days prior to any public hearing concerning the military equipment at issue (Government Code § 7071). The military equipment policy must be approved by the governing body prior to engaging in any of the following (Government Code § 7071):

(a) Requesting military equipment made available pursuant to 10 USC § 2576a.

(b) Seeking funds for military equipment, including but not limited to applying for a grant, soliciting or accepting private, local, state, or federal funds, in-kind donations, or other donations or transfers.

(c) Acquiring military equipment either permanently or temporarily, including by borrowing or leasing.

(d) Collaborating with another law enforcement agency in the deployment or other use of military equipment within the jurisdiction of this department.

(e) Using any new or existing military equipment for a purpose, in a manner, or by a person not previously approved by the governing body.

(f) Soliciting or responding to a proposal for, or entering into an agreement with, any other person or entity to seek funds for, apply to receive, acquire, use, or collaborate in the use of military equipment.

(g) Acquiring military equipment through any means not provided above.

706.6 COORDINATION WITH OTHER JURISDICTIONS

Military equipment used by any member of this department shall be approved for use and in accordance with this Department policy, Military equipment used by other jurisdictions that are providing mutual aid to this Department, or otherwise engaged in law enforcement operations in this jurisdiction, shall comply with their respective military use polices in rendering mutual aid or operating in this jurisdiction.

706.7 ANNUAL REPORT

Upon approval of a military equipment policy, the Chief of Police or the authorized designee should submit a military equipment report to the governing body for each type of military equipment approved within one year of approval, and annually thereafter for as long as the military equipment is available for use (Government Code § 7072).

The Chief of Police or the authorized designee should also make each annual military equipment report publicly available on the department website for as long as the military equipment is available for use. The report shall include all information required by Government Code § 7072 for the preceding calendar year for each type of military equipment in department inventory.

706.8 COMMUNITY ENGAGEMENT

Within 30 days of submitting and publicly releasing the annual report, the Department shall hold at least one well-publicized and conveniently located community engagement meeting, at which the Department should discuss the report and respond to public questions regarding the funding, acquisition, or use of military equipment.

Gridley Police Department
Rodney Harr
Chief of Police

Attachment A

Military Equipment Inventory
Gridley Police Department

1. **Unmanned Aerial Systems**

   a. **Description, Quantity, Capabilities, and Purchase Cost:**

   DJI Mavic Air 2 drone, Quantity 1, Cost none (Donated to GPD)

   • The Mavic Air 2 was built to serve industries and applications in a general use fashion.
   This Unmanned Aerial System (UAS) is a battery powered, remote operated device with
   a mounted camera, and light. This UAS has proven to be useful to public safety agencies
   in firefighting, search and rescue, pre-operational surveillance, and other tactical situations where aerial views enhance the safety and efficiency of public safety personnel. This UAS has a flight time of 30 minutes.

   b. **Purpose:** May be deployed when an arial view would enhance situational. awareness and assist officers or incident commanders during, but not limited to, the following occurrences:

   • Arrest/Search Warrant
   • CBRNE (Chemical, Biological, Radiological, Nuclear, Explosives)
   • Crowd Control/Special Events
   • Dignitary Protection Detail
   • Disaster Management
   • Ongoing Criminal Investigation
   • Forensic/Crime Scene
   • Missing Persons Investigations
   • Perimeter Search and Security
   • Search and Rescue
   • SWAT Operation
   • Traffic Collision
   • Training
   • Public Relations/Multimedia Productions
   • Assisting outside agencies in any of the above situations
   • Assisting other City of Gridley departments with carrying out their mission of better serving Gridley residents and visitors.

c. **Authorized Use:** UAS may be utilized to enhance the department's mission of protecting lives and property when other means and resources are not available or are less effective. Any use of a UAS will be in strict accordance with constitutional and privacy rights and Federal Aviation Administration (FAA) regulations. The use of UAS shall not be used in the following circumstance:

- To conduct random surveillance.
- To target a person based solely on actual or perceived characteristics, such as race, ethnicity, national origin, religion, sex, sexual orientation, gender identity or expression, economic status, age, cultural group, or disability.
- To harass, intimidate, or discriminate against any individual or group.
- To conduct personal business of any type.
- UAS shall never be weaponized.

d. **Expected Lifespan:** 5 - 10 years

e. **Fiscal Impact:** $500 - $1000 battery replacement

2. **Specialized Firearms**

a. **Description, Quantity, Capabilities, and Purchase Cost:** Rifles are firearms that are fired from shoulder level, having a long spirally grooved barrel intended to make bullets spin and thereby have greater accuracy over a long distance. Rifles are magazine fed and either bolt··action or semi-automatic, Rifles can be configured for different purposes such as patrol, or traffic motorcycle. The cost of the weapon greatly depends on the configuration. The below costs are averages. Submachine guns are magazine fed automatic carbines designed to fire handguns cartridges.

1. Colt HBAR Sporter .223 AR15, Quantity 9, Cost $1,300.00 / rifle
2. Ruger Mini-14 Ranch Rifle .223, Quantity 6, Cost $950.00 / rifle
3. Windham Weaponry Mod: WW-15 .223/5.56 AR15, Quantity 2, Cost $800.00 / rifle
4. Bushmaster Mod: XM15-E26 .223/5.56 AR15, Quantity 1, Cost $650.00 / rifle
5. PWA 5.56 AR15, Quantity 1, Cost $800.00 / rifle
6. Colt Match Target HBAR 5.56 AR15, Quantity 1, Cost $1,300.00 / rifle
7. Colt Super Match HBAR 5.56 AR15, Quantity 2, Cost $1,300.00 / rifle
8. Arsenal Mod: SLR-95 7.62X39, Quantity 1, Cost $1,300.00 / rifle
9. HK 91 .308, Quantity 1, Cost $2,200.00
10. Grease Gun, M3. .9mm, Quantity 1, Cost $1,500.00 / rifle
11. J.R. Eng. Mod: M68 .9 mm, Quantity 1, Cost $500.00 / rifle
12. Ruger Mod: 10/22 .22 Carbine, Quality 2, Cost $250.00 / rifle

13. Thompson Submachine Gun Mod: M1A1 .45, Quantity 2, Cost $3,500.00 / rifle
14. Sears Mod: 53 30-06, Quantity 1, Cost $400.00 / rifle
15. Bushmaster Mod: XM15-E26 .223/.556, Quantity 1 (SIMS), Cost $800.00 / rifle
16. E.A. CO. Mod: J-15 .223/.556, Quantity 1 (SIMS), Cost $1,000.00 / rifle

Ammunition:

Hornady Tap Rem 55 Grain .223 FMJ, Quantity 2,175, Cost $1.00 / round
Fiocchi 45 Grain .223 WTP, Quantity 100, Cost $1.00 / round
Wolf Gold 55 Grain copper .223 FMJ, Quantity 400, Cost $1.00 / round
Hornady Tap Duty NATO 75 Grain BTHP T2 5.56 FMJ, Quantity 560, Cost $1.00 / round
Hornady Critical Duty Luger +P 135 Grain Flex Lock .9mm, Quantity 375, Cost $1.00 / round
Sellier & Belliot SB9A 115 Grain .9mm \FMJ, Quantity 200, Cost $.70 / round
Smith and Wesson training 125 Grain .9MM FMJ, Quantity 3,000, Cost $.70 / round
Gold Dot Speer LE 230 Grain HP .45, Quantity 950, Cost $1.50 / round
Winchester Ranger 230 Grain SXT .45, Quantity 300, Cost $1.50 / round
Hornady Critical Duty 220 Grain Flex lock, Quantity 560, Cost $1.50 / round
ACP 230 Grain .45 FMJ, Quantity 3,000, Cost $1.50 / round

Ammunition:

(Simunition)

Zero in inventory. Cost $1.00 per round

- **FX® Marking Cartridges**
  The FX® marking cartridges, which come in six colors are non-lethal cartridges leave a detergent-based, water-soluble color-marking compound. The visible impacts allow accurate assessment of simulated lethality. The 5.56mm is tactically accurate with ball cartridges to 100 feet (30 meters). No special ballistic facilities are required. They meet the need for a force-on-force and man-to-man training system that is realistic, effective, inexpensive, adaptable and fully portable

SHOTGUN LESS LEATHAL

b. **Purpose:** To be used as precision weapons to address a threat with more precision and/or greater distances than a handgun, if present and desirable.

c. **Authorized Use:** Only POST certified and department trained officers may use rifles. Only POST certified and department trained SWAT officers may use submachine guns. All personnel who are authorized to use a rifle must demonstrate proficiency annually. All personnel who are authorized to use a rifle must demonstrate proficiency annually.

d. Expected **Lifespan:** Lifespans vary, and some have none as parts can be changed.

e. **Fiscal Impact:** Annual maintenance is approximately $50 for each weapon

3. Less Lethal Impact Weapons

a. **Description, Quantity, Capabilities, and Purchase Cost:**

1. Remington Arms Mod: 870 .12 Gauge Pump, Quantity 1, Cost $800.00 / shotgun
2. Smith & Wesson Eastfield Mod: 916-A .12 Gauge Pump, Quantity 1, Cost $800.00 / shotgun

• The Remington 870 and Smith and Wesson Model 916-A Less Lethal Shotguns are used to deploy the less lethal 12-gauge Super-Sock Beanbag Round up to 75 feet. The range of the weapon system helps to maintain space between officers and a suspect reducing the immediacy of the threat which is a principle of de-escalation.

Ammunition:

Fiocchi FR Drag Stabilized .12-Gauge Super-Sock Beanbag Round, Quantity 8, Cost $6.00 / round
Fiocchi MK Ballistic Systems .12-Gauge Flexible Baton Standard Training Rounds, Quantity 53, Cost $6.00 / round

• A less lethal 2.4 inch 12-gauge shotgun round firing a ballistic fiber bag filled with 40 grams or lead shot at a velocity of 270-290 feet per second. These rounds are discharged from a Remington 870 12-guage shotgun that is distinguishable by a white butt stock and fore grip. This round provides accurate and effective performance when fired from the approved distance of not fewer than 5 feet. The maximum effective range of this munition is up to 75 feet.

b. **Purpose:** Less Lethal munitions can be used to de-escalate a potentially deadly situation, with a reduced potential for death or serious physical injury.

c. **Authorized Use:** Less lethal munitions may be used by those officers trained in their use in the following type of situations, but are not limited to these situations:

- Persons armed with a weapon and the tactical circumstances allow for the safe application of the approved munitions
- Persons making credible threats to harm themselves or others.
- Persons engaged in riotous behavior such as throwing rocks, bottles, or other dangerous projectiles at people or officers.

d. **Expected Lifespan:**

- All less lethal shotguns- 10 years
- All munitions 5 years

f. **Fiscal Impact:** Replace stock as needed (varying cost) and maintenance cost of shotguns ($100 annual)

ORDINANCE 838-2022

AN ORDINANCE OF THE CITY OF GRIDLEY, CALIFORNIA, ADOPTING A MILITARY EQUIPMENT USE POLICY AND AMENDING TITLE 2 ADMINISTRATION AND PERSONNEL, CHAPTER 2, OF THE GRIDLEY MUNICIPAL CODE BY ADDING SECTION 2.25 "MILITARY EQUIPMENT USE POLICY" IN COMPLIANCE WITH ASSEMBLY BILL 481

WHEREAS, on September 30, 2021, Governor Gavin Newsom signed into law Assembly Bill 481 ("AB 481" creating Government Code Section 7070, et seq.), relating to the use of military equipment by California law enforcement agencies: and

WHEREAS, AB 481 seeks to provide transparency, oversight. and an opportunity for meaningful public input on decisions regarding whether and how military equipment is funded. acquired. or used; and

WHEREAS, the Gridley Police Department is in possession of certain items of equipment that qualify as "military equipment" under AB 481 and

WHEREAS, AB 481 requires that a law enforcement agency possessing and using such qualifying equipment must prepare a publicly released, written, military equipment use policy document (“Policy') covering the inventory, description, purpose, use, acquisition, maintenance. fiscal impacts, procedures, training, oversight, and complaint process, applicable to the Department's use of such equipment; and

WHEREAS, the Policy and supporting information must be approved by the governing body by ordinance. and reviewed annually and

WHEREAS, the City Council of the City of Gridley, having received the information required under AB 481 regarding the Gridley Police Department's use of military equipment as defined in said law, deems it to be in the best interest of the City to approve the Military Equipment Policy as set forth herein.

NOW, THEREFORE., BE IT ORDAINED by the Council of the City of Gridley does hereby adopt the following ordinance Amending Title 2 of the City of Gridley Municipal Code:

SECTION 1: The City Council of the City of Gridley hereby determines and finds that the facts set forth in the recitals are true and correct and are hereby incorporated as substantive findings.

SECTION 2: That a new Chapter, 2.25 is added to TITLE 2 (entitled "ADMINISTRATION AND PERSONNEL") “Gridley, California Code of Ordinances" to read as follows:

TITLE 2 ADMINISTRATION AND PERSONNEL

CHAPTER 2.25 Military Equipment Use Policy

2.25 Military Equipment Policy.

(a) The City Council has made the following determinations:

(1) The military equipment identified in the Gridley Military Equipment Use Policy ('Policy") is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safely.

(2) The Gridley Military Equipment Use Policy will safeguard the public's welfare, Safety, civil rights, and civil liberties.

(3) The military equipment identified in tile Policy is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety:

(4) Prior military equipment use complied with the applicable equipment use policy (which included equipment now defined as military equipment) that was in effect at the time, or if prior uses did not comply with the accompanying military equipment use policy, corrective action has been taken to remedy nonconforming uses and ensure future compliance.

(b) The Police Department has submitted a proposed Policy to the City Council and has made those documents available on the Police Department's website for at least 30 days prior to the public hearing concerning the military equipment at issue.

(c) The Policy was considered by the City Council as an agenda item in an open session of a regular meeting, noticed in accordance with the Ralph M. Brown Act at which public comment was permitted.

(d) The Policy shall be made publicly available on the Police Department's website for as long as the military equipment is available for use.

(e) The Police Department shall submit an annual military equipment report to the City Council, containing the information required in Government Code Section 7072, and the City Council shall determine whether each type of military equipment identified in that report has complied with the standards for approval set forth in (a) (1) - (4) above.

(f) The City Council shall review this ordinance and vote on whether to renew it, on an annual basis at a regular meeting, in accordance with Government Code Section 7071(e)(2).

(g) The City Council approves the use of Gridley Police Department Policy 706, and finds that it satisfies the requirements of Government Code Section 7070.

SECTION 3: Severability. If any section. subsection, sentence. clause, portion, phrase or word of this ordinance is for any reason held to be illegal. invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this Chapter and each section, subsection. sentence, clause, portion, phrase. or word hereof, irrespective of the fact that any one or more sections, subsections. sentences, clauses, or phrases be declared illegal. invalid or unconstitutional.

SECTION 4: Effective date. This ordinance shall take effect thirty (30) days after its final adoption.

SECTION 5: Certification. The City Clerk shall certify to the passage and adoption of' this ordinance and shall cause the same to be published or posted in the manner required by law.

THE FOREGOING ORDINANCE was adopted at a meeting of the City Council of the City of Gridley on, _____ by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DISQUALIFIED:

ATTEST:

_____
Cliff Wagner, City Administrator/Clerk

APPROVED AS TO FORM:

_____
Anthony Galyean, City Attorney

City Council Agenda Item #4
Staff Report

X	Regular
	Special
	Closed
	Emergency

Date: July 18, 2022

To: Mayor and City Council

From: Cliff Wagner, Administrator

Subject: Gridley Chamber of Commerce Donation Request 2022

Recommendation
Staff requests Gridley City Council direction relative to the request from the Gridley Chamber of commerce for financial support for 2022.

Background
Over the course of the past several years, the City of Gridley has financially supported the Gridley Chamber of Commerce. In 2021 the city donated $10,000 to the Chamber of Commerce and made donations to other organizations and causes in varying amounts. This year, the Chamber of Commerce has again requested a contribution in the amount of $10,000.

Fiscal Impact
In this year's budget, the City of Gridley has established a line item of $10,000 for contributions and this request can be supported within that appropriation limit.

Compliance with City Council Strategic Plan or Budget Goals
The City Council and City staff are committed to supporting the activities of important community service and business organizations and promoting a growing local economy.

Attachment
Letter from the Gridley Chamber of Commerce and supporting documents

Gridley
area
Chamber of
Commerce

Gridley City Council
685 Kentucky Street
Gridley, Ca 95948

May 22, 2022

Dear Council members,

The past year has been a vast improvement over last year's request as far as people getting out, going back to work and trying to find a new normal.
Since last year at this time we were able to host the 61st Annual Red Suspenders Day with no doubt the largest crowd we have seen in many years, maybe ever. With no way to know exact attendance we can say that all of our food vendors were very happy and many ran out of food because of such a large crowd the past couple of years. Our theme Saluting the Armed Forces was portrayed with a helicopter on our t-shirts which were a big hit at $20 each.
In August we hosted the annual National Night Out at Vierra Park and again saw a huge crowd there for music, give-aways, food and socialization. We handed out 34 bicycles to children with gracious donations from organizations and businesses. We also had an informational display at the Butte County Fair handing out goodie bags containing our annual newsletter, hand sanitizer and member's contributions to hand out to fair-goers.
October was our 14 Mile Yard Sale which brings many shoppers to town to support not only our yard sales but also the stores and restaurants, gas stations, etc.
Our Winter Wonderland Parade and Festival was held December 1 with another record crowd out for a good time with vendors reporting excellent support once again. This was especially colorful with the lights and decorations up on Hazel thanks to our board, volunteers and the electric department.
We continue to receive questions and interest in businesses wanting to come to town and are very excited about so many new businesses downtown now. There seems to be just one available location at this time with another downtown building sold just this week.
In April we held our Spring 14 Mile Yard Sale with over 1000 people viewing our online map besides the 200 we handed out at our office in advance.
Our rental agreement with the Hazel Hotel was increased to $482 per month and we would of course really appreciate if the Council could help with our expenses by covering our rent for the year as this would really help our bottom line.
Our memberships are slowly trickling in but our businesses have been impacted by the past couple of years and we aren't seeing as many come in as usual as they have other expenses they must cover first.
We would like to request $10,000 in your up-coming budget considerations.
Thank you,

Lynne Spencer
Gridley Area Chamber of Commerce President

GRIDLEY AREA CHAMBER OF COMMERCE
2021 Receivables

Memberships	**$ 7,210.00**
Certificates of Origin	**$ 270.00**
Red Suspenders Day	**$10,441.00**
Winter Wonderland	**$ 2,576.00**
National Night Out	**$ 575.00**
Farmers Market	**$ 80.00**
Yard Sales	**$ 1,265.00**
Reimbursements/Lights	**$ 150.00**
City of Gridley	**$10,000.00**
Total Receivables	**$32,568.00**

GRIDLEY AREA CHAMBER OF COMMERCE

2021 EXPENSES

Office Rent	**$5652.00**
Gridley Utilities	**$ 825.80**
AT&T (phone,Wifi)	**$ 691.55**
Insurance	**$ 661.00**
Flag Placement (Girl Scouts)	**$ 300.00**
Covid Supplies	**$1094.53**
Equipment	**$3230.02**
Computer, folding tables, Office Chairs, Pop-ups, new phone system, printed presentation folders ($1800)	
Post Office/Bulk Mail	**$ 890.08**
Red Suspenders Day	**$ 4474.00**
National Night Out	**$ 1665.70**
Farmers Market	**$ 312.00**
Winter Wonderland	**$ 1278.47**
Holiday Decor	**$ 2201.28**
Butte County Fair booth	**$ 443.20**
Office Supplies	**$ 1533.49**
General Supplies	**$ 1782.57**
Bank Fees	**$ 36.00**
TOTAL EXPENSES	**$27,371.69**

Average $2281 a month

City Council Agenda Item #5
Staff Report

Date: July 18, 2022

To: Mayor and City Council

From: Cliff Wagner, Administrator

X	Regular
	Special
	Closed
	Emergency

Subject: Request for Council designation of Voting Delegate and Alternate(s) for League of Ca Cities Annual Conference and Expo (Annual Business Meeting) September 7-9, 2022

Recommendation
Staff respectfully recommends the City Council designate voting delegate and alternate(s) for League of Ca Cities Annual Conference and Expo (Annual Business Meeting) September 7-9, 2022.

Background
League of California Cities Annual Conference and Expo is scheduled for September 7-9, 2022, in Long Beach, CA. The Annual Business Meeting will take place during the General Assembly on Friday, September 9, 2022. At this meeting Cal Cities membership considers and acts on resolutions that establish League of California Cities policy.

As a League member organization, in order for the City of Gridley to send a voting delegate and, up to two alternates, Council is asked to appoint one delegate and up to two alternates by way of majority vote.

Fiscal Impact
None

Compliance with City Council Strategic Plan or Budget Goals
The City Council and City staff are committed to provide the best practices; this action will ensure the City of Gridley is represented and able to influence the policy priories and direction of one of our most influential state-wide municipal government partner organizations.

Attachments
Cal Cities Designation of Voting Delegate and Alternate(s) memorandum
Annual Conference Voting Procedures
2022 Annual Conference Voting Delegate/Alternate Appointment Form

LEAGUE OF
CALIFORNIA
CITIES

Council Action Advised by August 31, 2022

DATE: June 1, 2022

TO: City Managers and City Clerks

RE: DESIGNATION OF VOTING DELEGATES AND ALTERNATES
League of California Cities Annual Conference & Expo – September 7-9, 2022

Cal Cities 2022 Annual Conference & Expo is scheduled for September 7-9, 2022 in Long Beach. An important part of the Annual Conference is the Annual Business Meeting (during General Assembly) on Friday, September 9. At this meeting, Cal Cities membership considers and acts on resolutions that establish Cal Cities policy.

In order to vote at the Annual Business Meeting, your city council must designate a voting delegate. Your city may also appoint up to two alternate voting delegates, one of whom may vote if the designated voting delegate is unable to serve in that capacity.

Please complete the attached Voting Delegate form and return it to Cal Cities office no later than Friday, September 2. This will allow us time to establish voting delegate/alternate records prior to the conference.

Please view Cal Cities' event and meeting policy in advance of the conference.

- **Action by Council Required.** Consistent with Cal Cities bylaws, a city's voting delegate and up to two alternates must be designated by the city council. When completing the attached Voting Delegate form, please attach either a copy of the council resolution that reflects the council action taken, or have your city clerk or mayor sign the form affirming that the names provided are those selected by the city council. Please note that designating the voting delegate and alternates **must** be done by city council action and cannot be accomplished by individual action of the mayor or city manager alone.

- **Conference Registration Required.** The voting delegate and alternates must be registered to attend the conference. They need not register for the entire conference; they may register for Friday only. Conference registration will open by June 1 on the Cal Cities website. In order to cast a vote, at least one voter must be present at the Business Meeting and in possession of the voting delegate card. Voting delegates and alternates need to pick up their conference badges before signing in and picking up the voting delegate card at the Voting Delegate Desk. This will enable them to receive the special sticker on their name badges that will admit them into the voting area during the Business Meeting.

LEAGUE OF
CALIFORNIA
CITIES

Annual Conference Voting Procedures

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to Cal Cities policy.

2. **Designating a City Voting Representative.** Prior to the Annual Conference, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the Voting Delegate Form provided to the Cal Cities Credentials Committee.

3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the Voting Delegate Desk in the conference registration area. Voting delegates and alternates must sign in at the Voting Delegate Desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the Business Meeting.

4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the Credentials Committee at the Voting Delegate Desk, may sign petitions to initiate a resolution.

5. **Voting.** To cast the city's vote, a city official must have in their possession the city's voting card and be registered with the Credentials Committee. The voting card may be transferred freely between the voting delegate and alternates, but may not be transferred to another city official who is neither a voting delegate or alternate.

6. **Voting Area at Business Meeting.** At the Business Meeting, individuals with a voting card will sit in a designated area. Admission will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate.

7. **Resolving Disputes.** In case of dispute, the Credentials Committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the Business Meeting.

LEAGUE OF CALIFORNIA CITIES

CITY: _____

2022 ANNUAL CONFERENCE
VOTING DELEGATE/ALTERNATE FORM

Please complete this form and return it to Cal Cities office by Friday, September 2, 2022. Forms not sent by this deadline may be submitted to the Voting Delegate Desk located in the Annual Conference Registration Area. Your city council may designate one voting delegate and up to two alternates.

To vote at the Annual Business Meeting (General Assembly), voting delegates and alternates must be designated by your city council. Please attach the council resolution as proof of designation. As an alternative, the Mayor or City Clerk may sign this form, affirming that the designation reflects the action taken by the council.

Please note: Voting delegates and alternates will be seated in a separate area at the Annual Business Meeting. Admission to this designated area will be limited to individuals (voting delegates and alternates) who are identified with a special sticker on their conference badge. This sticker can be obtained only at the Voting Delegate Desk.

1. VOTING DELEGATE

Name: _____

Title: _____

2. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

3. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

ATTACH COUNCIL RESOLUTION DESIGNATING VOTING DELEGATE AND ALTERNATES OR

ATTEST: I affirm that the information provided reflects action by the city council to designate the voting delegate and alternate(s).

Name: _____ Email_____

Mayor or City Clerk_____ Date_____ Phone_____
(circle one) (signature)

Please complete and return by Friday, September 2, 2022 to:
Darla Yacub, Assistant to the Administrative Services Director
E-mail: dyacub@calcities.org; Phone: (916) 658-8254

Item #6

Informational Item

Cal Trans “State Route 99 Roadway Rehabilitation in Gridley”

Discussion

Item #7

Butte County Grand Jury Discussion

Attachment: Butte County Grand Jury Report

SUPERIOR COURT OF CALIFORNIA
COUNTY OF BUTTE

☒ Butte County Courthouse
One Court Street
Oroville, CA 95965
(530) 532-7002

☐ North Butte County Courthouse
1775 Concord Avenue
Chico, CA 95928
(530) 532-7002

June 20, 2022

Cliff Wagner
Gridley City Administrator
685 Kentucky Street
Gridley, CA 95948

Dear Cliff Wagner:

The Final Report of the 2019-2020 Butte County Grand Jury was filed on June 20, 2022 and will be released to the public at the on June 24, 2022.

Per Penal Code §933.05(f): "A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report."

As an affected person or entity named in the Final Report, please find enclosed a copy of the relevant sections of the report. **This information remains confidential until the public release of the report in its entirety on Friday, June 24, 2022.**

The complete report will be posted to the Butte County website for viewing after it is released to the public.

Please note that all agencies listed as *Required Respondents* must adhere to the requirements of Penal Code §933/933.05.

Please direct responses to:

Hon. Corie J. Caraway, Judge of the Superior Court
c/o Court Services
Superior Court of California, County of Butte
One Court Street, Oroville, CA 95965

Sincerely,

Kim Dionne

Kim Dionne
Court Services Specialist
Superior Court of California, County of Butte

Enc.

CITY OF GRIDLEY ELECTRIC UTILITY TURNS A PROFIT

SUMMARY

The City of Gridley has been furnishing residents with electricity since 1910. As a Publicly Owned Utility (POU), the Gridley Electric Utility (GEU) is not-for-profit and operates under different rules than other electric utilities in the state. The GEU rates are governed by the California Constitution and California law and must reflect cost-of-service[1]. In addition to oversight by local officials, POUs coordinate with the California Public Utilities Commission (CPUC) on energy planning issues and report to the California Air Resources Board (CARB) and the California Energy Commission (CEC). The rates are set by the Gridley City Council at public meetings. Local officials and staff have been unable to provide requested documentation on how the current rates were computed. There is a lack of transparency over the computation and justification for the electric rates.

Every year over one million dollars is transferred from the GEU Enterprise Fund into the City of Gridley General Fund. These transfers have over time contributed to an accumulation of cash and cash equivalents on the balance sheet of over 17 million dollars as reflected in the 2019 Audited Financial Statement.

The Butte County Grand Jury (BCGJ) investigation found that the audits the city had posted were not current. The audit posted on their website at the beginning of the investigation was for the fiscal year (FY) ended 6-30-18. When the BCGJ notified the City Administrator's office that the website did not have the most current financial statement posted, the website was quickly updated, with a posting of the FY 2019 financials. However, the FY 20 and FY 21 financials are still being audited by the city's CPA firm. The city staff has indicated that the audited financials for FY 20 and FY 21 are still pending; a situation that is not in compliance with good governance or established financial protocols. California State Code 25250 and 25253 requires Comprehensive Annual Financial Report (CAFR) be completed within 6 months of the close of the fiscal year.

GLOSSARY

BCGJ Butte County Grand Jury

CAFR Comprehensive Annual Financial Report

CARB California Air Resources Board

CEC California Energy Commission

[1] "Publicly Owned Electric Utilities: Frequently Asked Questions (FAQs)" California Municipal Utilities Association (CMUA)-February 2019

CPUC California Public Utilities Commission

EEF Electric Enterprise Fund

FY Fiscal Year

GEU Gridley Electric Utility

kWh Kilowatt-hour

NCPA Northern California Power Agency

PG&E Pacific Gas and Electric

POU Publicly Owned Utility

BACKGROUND

In exploring the justification for setting electric rates for the City of Gridley, minimal data is available to provide clarity around rates and their establishment. There is a lack of transparency around rate design and price.

End-of-fiscal-year transfers from the Electric Enterprise Fund (EEF) to the city general fund raise questions about the use of funds generated by the GEU through its electric service rates. City officials have stated that funds are earmarked but did not provide records as to what account(s) the earmarks are and where the earmarked funds are spent.

A lawsuit claiming the City of Gridley is violating the California State Constitution was filed in District Court on March 1, 2021. The lawsuit, which has a court date in June 2022, was brought by residents of the City of Gridley who are customers of the GEU. The lawsuit and issue of the electric charges in excess of costs were brought to the attention of the BCGJ by a Gridley resident.

METHODOLOGY

Interviews:

- Gridley City Staff
- Gridley City Elected Officials

Documents:

- City of Gridley Audits for Fiscal Years (FY) ended 6-30-16, 6-30-17, 6-30-18 & 6-30-19
- Selected pages from Peer City Most Recent Published Audited Financial Statements:
  1) Statement of Net Positions (Combined Balance Sheets) and
  2) Statements of Revenues, Expenditures and Changes in Net Position (Deficit)
  Proprietary Funds. Peer cities Include Biggs, CA, Healdsburg, CA, Lodi, CA, Lompoc, CA, Redding, CA, Shasta Lake, CA and Ukiah CA
- Gridley Electric Enterprise rates for 2010-2020
- City Council minutes for 2019, 2020 and 2021
- Gridley Herald Article "City of Gridley Sued" dated March 12, 2021, by Seti Long
- "Publicly Owned Electric Utilities: Frequently Asked Questions (FAQs)" California Municipal Utilities Association (CMUA)-February 2019

WEBSITES:

https://www.gridley.ca.us

https://www.biggs-ca.gov

https://www.healdsburg.gov

https://www.cityoflompoc.com

https://www.cityofshastalake.org

http://www.cityofukiah.com

http://www.lodi.gov

https://www.cityofredding.org

https://www.sierracounty.ca.gov

https://www.townoftruckee.com

https://www.utilitieslocal.com

DEFINITIONS

Current Assets- Liquid assets, cash, investments, receivables which are easily converted to cash within one year
Current Liabilities-Liabilities including accounts payables, current portion long term debt, all other debts due within a year
Current Ratio-An accounting measurement of an organization's ability to pay its short-term obligations or current liabilities within one year. (Current Ratio = Current Assets/Current Liabilities)
Enterprise Fund -An enterprise fund is a separate accounting and financial reporting mechanism by which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities
Operating Income-Income realized after subtracting operating expenses from operating revenues

DISCUSSION

Since 2011 City of Gridley electric rates, meter charges and rate structure have been adjusted six times. The last rate change took effect November 1, 2020, which changed electric charge per kWh and reduced the rate structure from 5 Tiers to 3 Tiers. In November of 2020, the city council approved a rebate to Gridley electric customers of 3% and eliminated the top two tiers of the rate structure. Since 2011 Tier 1 electric rates have increased by 22.66%, Tier 2 by 26.16%, and Tier 3 by 26.55%. The monthly charge for electric meters has increased from $10.50 per month to $17.70 currently, resulting in an increase of 68.57% between 2011 and 2020. According to city staff, rates are driven by cost of delivery, including fuel, transmission, and infrastructure. There are also costs associated with securing infrastructure. The BCGJ interviewed the City Administrator, the City Finance Director, the City Utilities Director, the Mayor and two City Councilmembers. All were asked to furnish rate computation data. Most interviewees agreed to provide the rate computation data. The Finance Director sent the BCGJ the cost schedule for the direct cost of power furnished by the Northern California Power Agency (NCPA); however, no rate computation numbers were ever made available to the BCGJ. Electric rates among peer members of NCPA shows Gridley's rate is comparable. Electric rate transparency would support electric costs and ensure reasonable pricing for consumers.

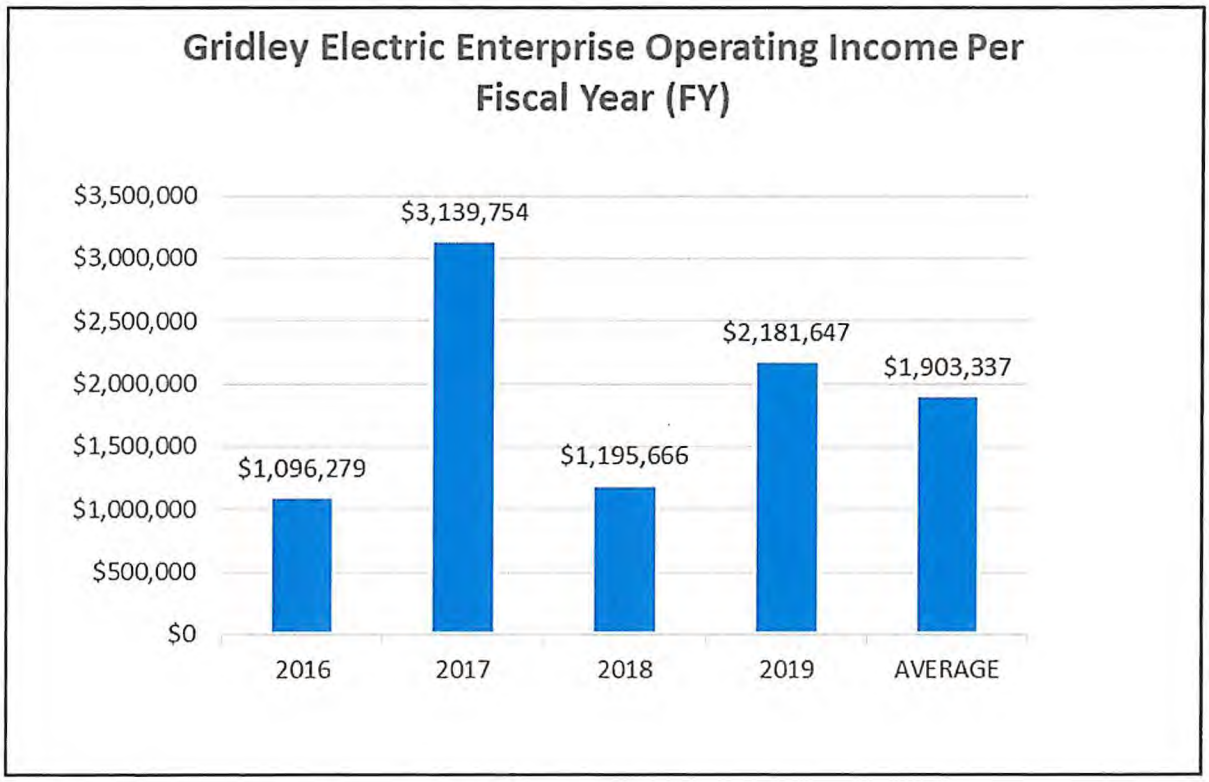
City of Gridley Residential Electric Rates 2011 -2021

	Meter Charge	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
kWh		**475**	**575**	**1800**	**2000**	**2001+**
As of December 1, 2009	10.50	0.128	0.172	0.226	0.238	0.261
kWh		**475**	**575**	**975**	**2000**	**2001+**
As of July 1, 2014	11.30	0.132	0.180	0.240	0.260	0.277
kWh		**475**	**575**	**975**	**2000**	**2001+**
As of January 1, 2015	12.00	0.137	0.190	0.250	0.270	0.293
kWh		**475**	**575**	**975**	**2000**	**2001+**
As of January 1, 2018	15.00	0.162	0.224	0.295	0.319	0.346
kWh		**475**	**575**	**1800**	**2000**	**2001+**
As of July 1, 2020	17.70	0.162	0.224	0.295	0.319	0.346
kWh	17.70	**475**	**575**	**576+**	**Eliminated**	**Eliminated**
As of November 1, 2020		0.157	0.217	0.286	**N/A**	**N/A**

Electric Rates Among Peer Members of NCPA

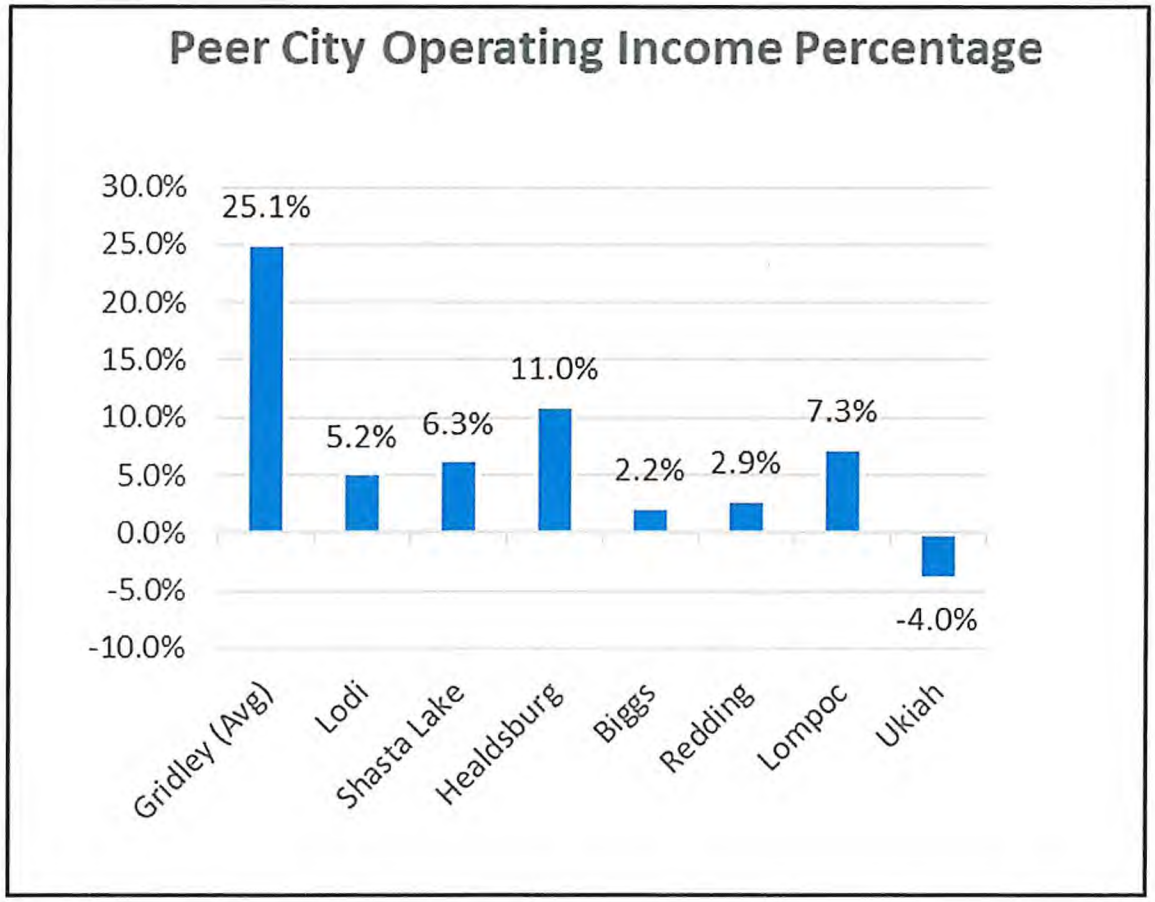
City	Cost KWH	Population	Average Income	Reference	Date
Gridley	$23.44	7,039	$56,977	Utilitieslocal.com/state/California/Gridley Gridley Utilities	21-Sep-22
Biggs	$23.44	1,964	$54,188	Utilitieslocal.com/state/California/Biggs	21-Sep-22
Healdsburg	$23.35	12,104	$96,016	Utilitieslocal.com/state/California/Healdsburg	21-Aug-22
Lompoc	$16.33	42,760	$54,855	Utilitieslocal.com/state/California/Lompoc	21-Sep-22
Shasta Lake	$23.44	10,413	$54,438	Utilitieslocal.com/state/California/Lompoc	21-Sep-22
Ukiah	$23.44	16,177	$66,666	Utilitieslocal.com/state/California/Ukiah	
Lodi	$23.44	67,586	$58,763	Utilitieslocal.com/state/California/Lodi	
Redding	$23.44	94,855	$73,429	Utilitieslocal.com/state/California/Redding	
Sierra-Plumas	$19.45	18,660	$55,359	Utilitieslocal.com/state/California/Sierra-Plumas	
Truckee	$23.44	16,561	$97,092	Utilitieslocal.com/state/California/Truckee	21-Sep-22
California	$15.34			Utilitieslocal.com/state/California	21-Sep-22
National	$14.19				21-Sep-22

A review of the City of Gridley Electric Enterprise income statements for Fiscal Years 2016-2019 shows the Electric Enterprise reported operating income. Operating income is income realized after collecting all revenues and subtracting operating costs for running the Electric Enterprise.



The average operating income percentage for the City of Gridley, Fiscal Years 2016-2019 is 25.07%.

A review of 7 peer cities who own electric utilities and purchase electric power from the same supplier reveal operating income percentages in the chart below. The average operating income percentage for the 7 peer communities is 4.41%. Gridley, on average, is realizing more than 5 times the operating income of its 7 peer communities.



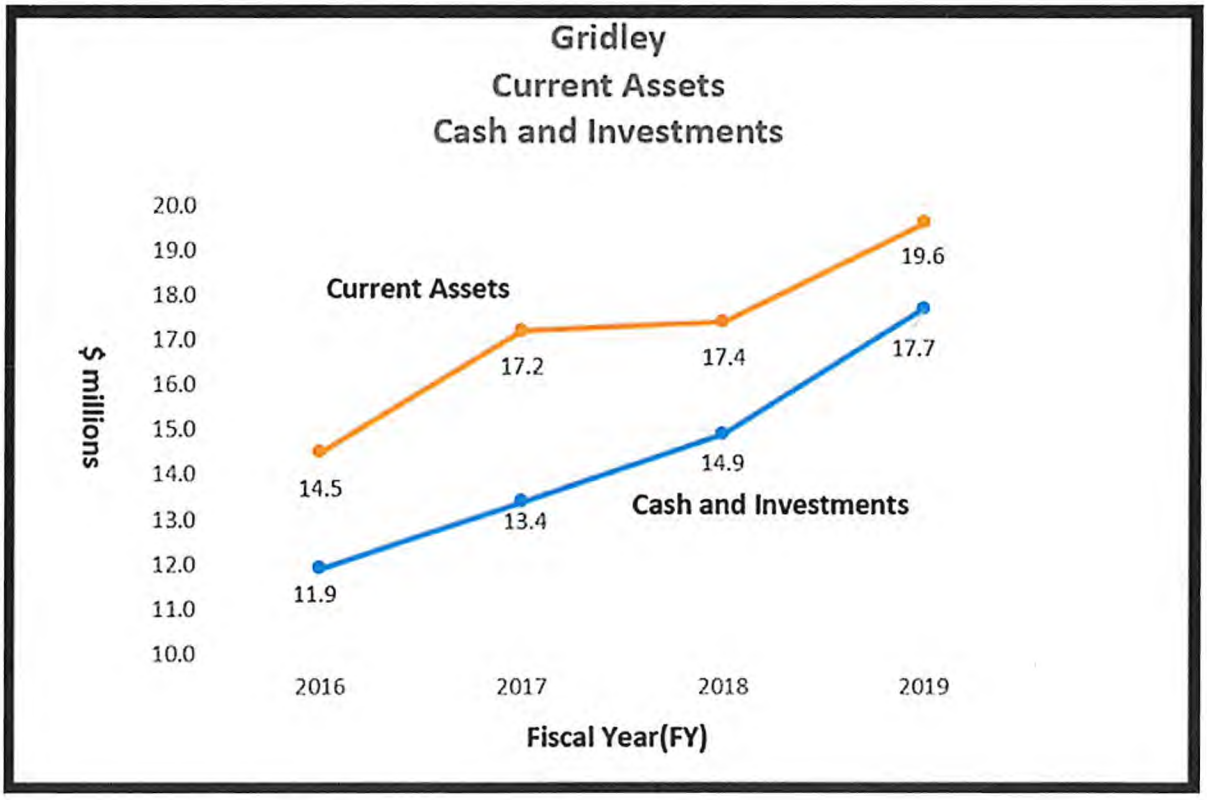
The annual transfers from the net earnings of the GEU to the general fund are entrenched in the city's financial operations. In September of 2020, the City Manager stated, in an Electric Utility Overview presentation to city council, that during the recent past a "growing deficit (in the GEU operations) represented a significant and growing imminent threat to the City as a whole due to the General Fund's significant reliance on the electric fund transfers". These annual transfers in the range of $1.4 to $1.765 million are documented in the annual audited reports.

The City of Gridley financial audits reflect the end-of-fiscal-year transfers from the Electric Enterprise Fund (EEF) into the City of Gridley General Fund. Transferred funds reflect net income from the EEF operating budget. The Fiscal Year 2018-2019 Audited Financial Report page 44 categorizes the annual transfers as "Unfunded City Operations". City staff indicated the funds are earmarked for the EEF but have not clarified why they are held in the general fund. The BCGJ requested the City Administrator and the City Finance Director furnish disbursement reports for the transferred funds showing how the funds were used, but no reports were furnished.

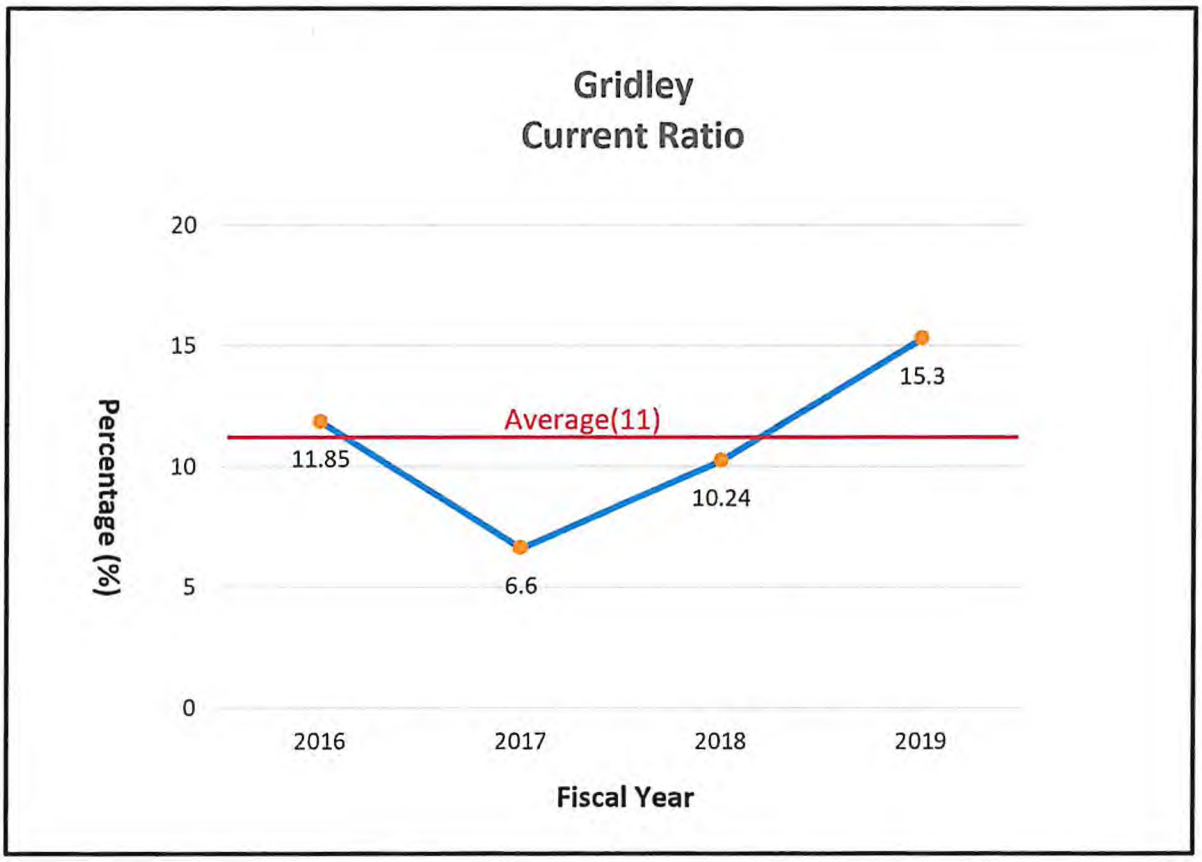
The BCGJ was told that city staff forecast 10 years out for capital projects when they are developing the budget. City staff did say California requires Enterprise Funds to have a "healthy" reserve. The City Administrator commented that there are limitations on the use of the excess EEF funds but was unable to explain due to the pending court case.

The BCGJ review of the City of Gridley financial audits for Fiscal Years 2016-2019 reveal that the City is rapidly accumulating Cash and Investments. This reflects an increasing Cash and Investments position as reported in their published audited financial statements. Cash and Investments increased from $11.9 million in 2016, to $13.4 million in 2017, $14.9 million in 2018 and $17.7 million in 2019. As of June 30, 2019, the cash portion in bank balances was $10,875, 686 while investments totaled $6,863,288.

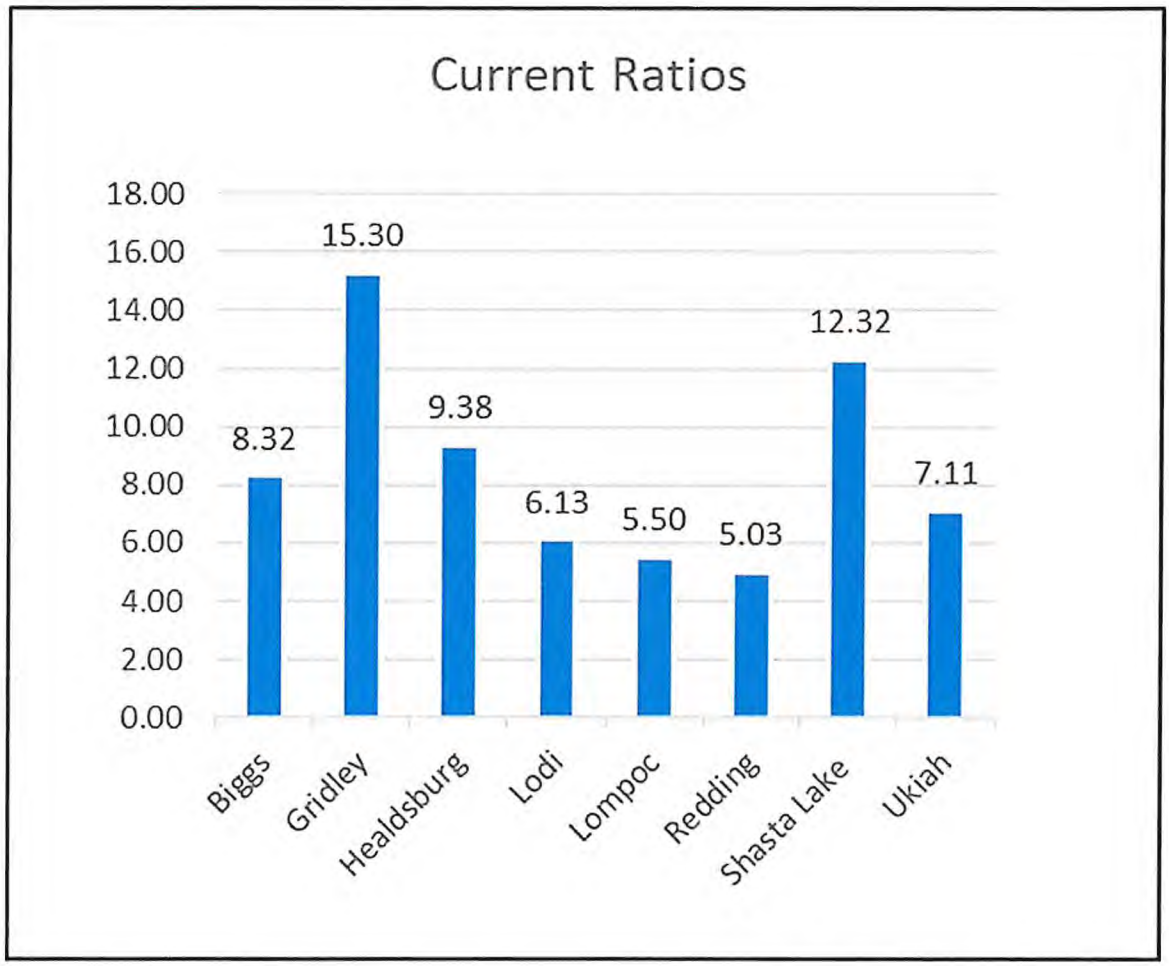
As the Cash and Investments positions have increased, so have Current Assets, as Cash and Investments are a large part of Current Assets. Current Assets for Gridley were $14.5 million in 2016, $17.2 million in 2017, $17.4 million in 2018, and $19.6 million in 2019.



The accumulation of Current Assets has led to increasing Current Ratio measurements, a common accounting measurement of financial liquidity, over this same time. Current Ratio Calculations (Current Assets divided by Current Liabilities) for 2016, 2017, 2018 and 2019 were 11.85, 6.6, 10.24 and 15.3 times respectively. The most recent Current Ratio calculation for 2019 reflects a liquidity position where the City had the cash available to pay its liabilities due within a year more than 15 times. This is a large amount of liquidity relative to their current liability positions.



By comparison, 7 peer Northern California cities who also own their own electric utilities and purchase power from the same power source, reported current ratios as follows: Biggs, CA 8.32 (6/30/2021 Audit), Healdsburg, CA 9.38 (6/30/2020 Audit), Lodi, CA 6.13 (6/30/2021 Audit), Lompoc, CA 5.5 (6/30/2021 Audit), Redding, CA 5.03 (6/30/2021 Audit), Shasta Lake, CA 12.32 (6/30/2020 Audit), and Ukiah, CA 7.11 (6/30/2021 Audit). The range of current ratios was a low of 5.03 increasing to a high of 12.32. The average current ratios of all the seven peer communities was 7.6. When Gridley's most recent current ratio of 15.3 as reflected in their 2019 Audit, is compared to the peer communities, Gridley's liquidity or relative current position far exceeds the peer communities' average of 7.6 and the Gridley's average of 11 for Fiscal Years 2016-2019.



The BCGJ questioned the mayor and two city council members about the city's goal for cash reserves and did not get a definitive answer. The mayor talked about the necessity for making long-term plans and the large costs of capital improvements. When asked about plans for use of the funds, city council members mentioned road repair, sewer pipe replacement, unfunded state mandates and increasing their bond rating. City officials reported that a portion of the funds were used for operations and emergencies. None of the questioned officials offered to show the BCGJ how the approved budget or capital improvement plans reflect the use of the cash reserves.

FINDINGS

F1. The City of Gridley has not posted its audited financial reports dated 6-30-20 and 6-30-21.

F2. A portion of the funds in excess of the Electric Enterprise Operating Expenses are transferred annually into the City of Gridley General Fund .

F3. The City of Gridley audits show an accumulation of cash over the Fiscal Years 2016-2019.

F4. City officials have not identified the goal number of accumulated cash/investments.

F5. The City of Gridley has not provided the method or basis for the computation of the GEU rates.

F6. The GEU rates per kWh are comparable to other northern California cities.

RECOMMENDATIONS

R1. City of Gridley to produce audited and approved financial reports for FYs ending 6/30/20 and 6/30/21 by 9/30/22.

R2. City of Gridley to produce audited and approved financial reports no later than 6 months after the close of each fiscal year starting with the audit dated 6/30/22.

R3. City of Gridley to provide a detailed plan for the allocation of unrestricted cash/investment accumulations in the cash and investment fund accounts. The plan shall itemize to which category(ies) the accumulation is allocated by 12/31/22.

R4. City of Gridley City Council and Gridley City Administrators to make public the basis and methodology for calculating the electric rates in a clear, understandable manner by 12/31/22.

REQUIRED RESPONSES

The following responses are required pursuant to Penal Code sections 933 and 933.05:
From the following governing body of a public agency within 90 days:

- **Gridley City Council**: F1, F2, F3, F4, F5, F6, R1, R2, R3 and R4

INVITED RESPONSES

The Grand Jury invites the following responses:
From the following governmental official within 60 days:

- **Gridley City Administrator:** F1, F2, F3, F4, F5, F6, R1, R2, R3 and R4
- **Gridley Finance Director**: F1, F2, F3, F4, F5, F6, R1, R2, R3 and R4

The governing bodies indicated above should be aware that comment or response must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the BCGJ do not identify individuals interviewed. Penal Code section 929 requires that reports of the BCGJ not contain the name of any person or facts leading to the identity of any person who provides information to the BCGJ.

City Council Agenda Item #8
Staff Report

X	Regular
	Special
	Closed
	Emergency

Date: July 18, 2022

To: Mayor and City Council

From: Cliff Wagner, Administrator

Subject: Requesting Council Review and Approval of Water, Sewer, and Electric Cost of Service Studies

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Recommendation
Staff respectfully requests the City Council review and approve the proposal from Utility Financial Solutions LLC, and authorize the City Administrator to sign the contact for a Cost-of-Service Study for Sewer, Water and Electric Utilities.

Background
For several years, the budget summary of the City of Gridley has highlighted long-standing structural concerns in the city's water and sewer enterprise funds. The last review of the city's electric rate structure was conducted in 2017 and no longer reflects the conditions present in the current electric market. Moreover, each enterprise fund condition should be monitored and evaluated from time to time by an independent third party to ensure the near and long-term viability of the enterprise fund. This process should be independent, transparent and data driven. A comprehensive analysis and recommendations from the agencies conducting the studies will guide important policy making decisions as the City navigates dramatically changing economic and regulatory demands.

In February 2022, The City of Gridley joined the Northern California Power Agency's (NCPA) Support Services Program. This program allowed the City of Gridley access to a range of affiliated NCPA service providers who had already been through NCPA's RFP process. At the request of city staff, NCPA provided the City of Gridley and the City of Biggs a listing of vetted contractors who have provided highly specialized Cost-of-Service Studies for NCPA member agencies. Proposals were requested from each contractor and the results are as follows:

Name	Estimate
EES Consulting	$45,000 – $65,000
Utility Financial Solutions LLC	$45,700
NewGen Strategies & Solutions, LLC	$50,000

Fiscal Impact
The FY 21-22 Budget has reserved $50,000 for utility rate studies. In the event the RFPs for rate studies exceed the reserved amount, a supplemental appropriation may be authorized at the time of contract award and the expense will be reflected in the FY 22-23 Budget at mid year.

Compliance with City Council Strategic Plan or Budget Goals

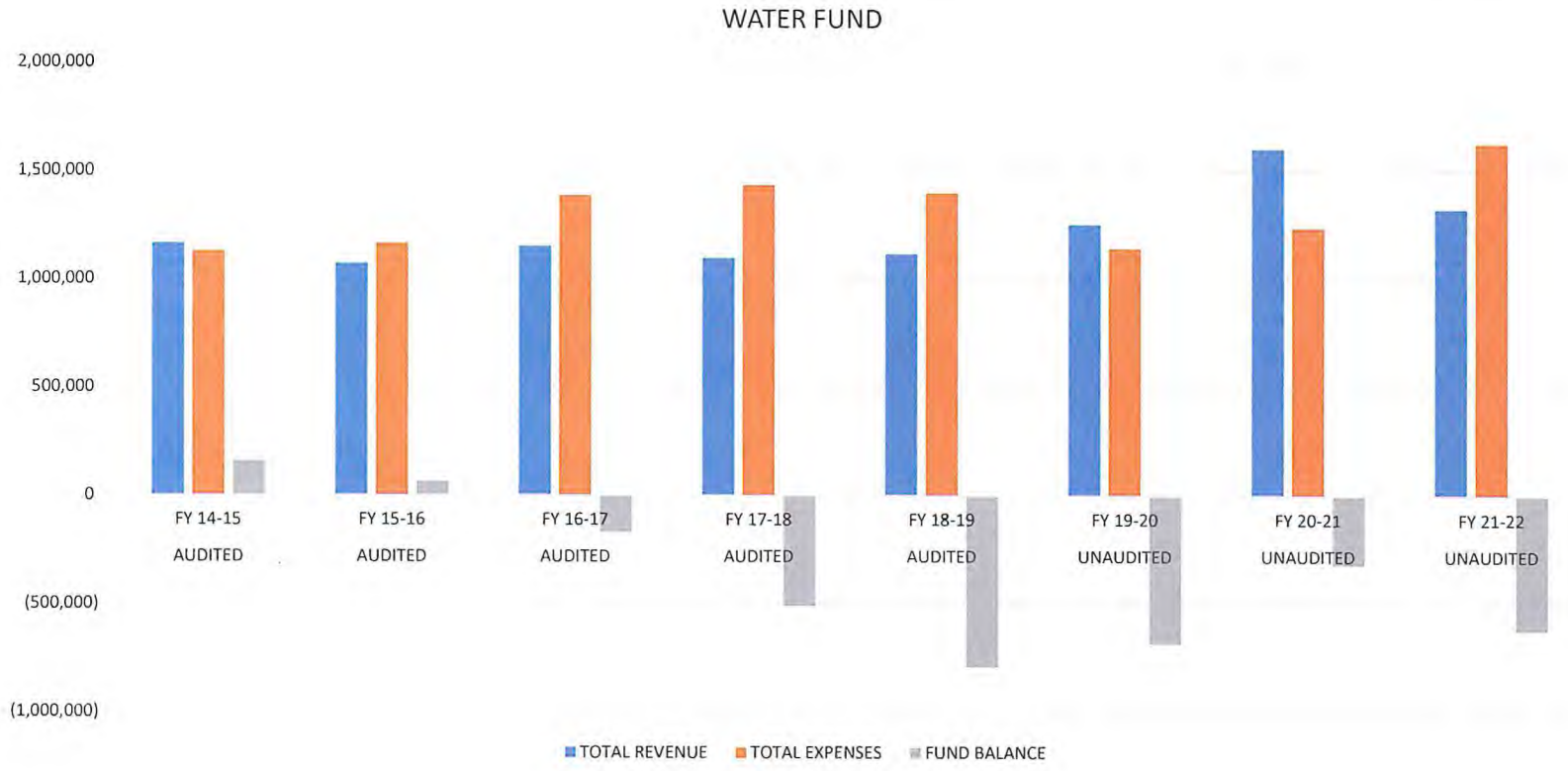
This course of action is consistent with the City of Gridley's commitment to achieve maximum efficiency and sustainability for all operations and essential services.

Attachments

1. Enterprise Fund Balances (3)
2. Proposal from EES Consulting
3. Proposal from Utility Financial Solutions, LLC
4. Proposal from NewGen Strategies & Solutions, LLC

WATER FUND

	AUDITED FY 14-15	AUDITED FY 15-16	AUDITED FY 16-17	AUDITED FY 17-18	AUDITED FY 18-19	UNAUDITED FY 19-20	UNAUDITED FY 20-21	UNAUDITED FY 21-22
REVENUE								
UTILITY BILLING FEES	1,173,499	1,041,962	1,137,303	1,063,868	1,066,354	1,220,371	1,258,298	1,181,674
MISC. REVENUE	(10,690)	26,695	12,612	31,548	48,517	30,888	340,136	139,847
TOTAL REVENUE	**1,162,809**	**1,068,657**	**1,149,915**	**1,095,416**	**1,114,871**	**1,251,259**	**1,598,434**	**1,321,521**
EXPENSES								
PERSONNEL COSTS								
SALARIES	312,006	318,324	317,566	332,204	324,316	335,015	298,032	279,653
BENEFITS	98,659	204,742	357,388	373,969	264,757	126,655	172,690	164,638
TOTAL PERSONNEL COSTS	**410,665**	**523,066**	**674,954**	**706,173**	**589,073**	**461,670**	**470,722**	**444,291**
OPERATING COSTS								
INSURANCE	16,177	10,320	10,642	9,619	10,216	9,729	9,854	9,933
MATERIALS & SUPPLIES	26,166	18,495	28,000	85,144	20,175	15,567	38,754	27,700
OFFICE	88,299	86,261	19,473	78,848	61,416	92,766	97,125	97,653
UTILITIES	95,221	85,101	87,357	117,299	134,528	113,061	121,629	44,906
PROFESSIONAL	68,286	47,281	86,000	8,755	70,236	22,134	40,729	44,366
TOTAL OPERATING COSTS	**294,149**	**247,458**	**231,472**	**299,665**	**296,571**	**253,257**	**308,091**	**224,558**
DEBT SERVICE	**15,743**	**12,858**	**76,892**	**5,766**	**2,444**	**28,367**	**12,192**	**815**
CAPITAL	**103**	**(57,722)**	**12,500**	**2,481**	**19,321**	**121,898**	**99,000**	**670,129**
COST ALLOCATION								
INDIRECT COSTS	139,777	170,872	140,105	163,873	205,940	14,042	73,519	93,597
INFRASTRUCTURE PROTECTION	67,207	63,071	44,456	58,245	80,163	60,955	66,454	54,310
TOTAL COST ALLOCATION	**206,984**	**233,943**	**184,561**	**222,118**	**286,103**	**74,997**	**139,973**	**147,907**
RESERVES	**201,139**	**204,403**	**203,752**	**197,809**	**203,034**	**201,532**	**206,863**	**136,632**
TOTAL EXPENSES	**1,128,783**	**1,164,006**	**1,384,131**	**1,434,012**	**1,396,546**	**1,141,721**	**1,236,842**	**1,624,332**
SURPLUS/OVERAGE	**34,026**	**(95,349)**	**(234,216)**	**(338,596)**	**(281,675)**	**109,538**	**361,592**	**(302,811)**
FUND BALANCE	**158,734**	**63,385**	**(170,831)**	**(509,427)**	**(791,102)**	**(681,564)**	**(319,972)**	**(622,783)**


WATER FUND
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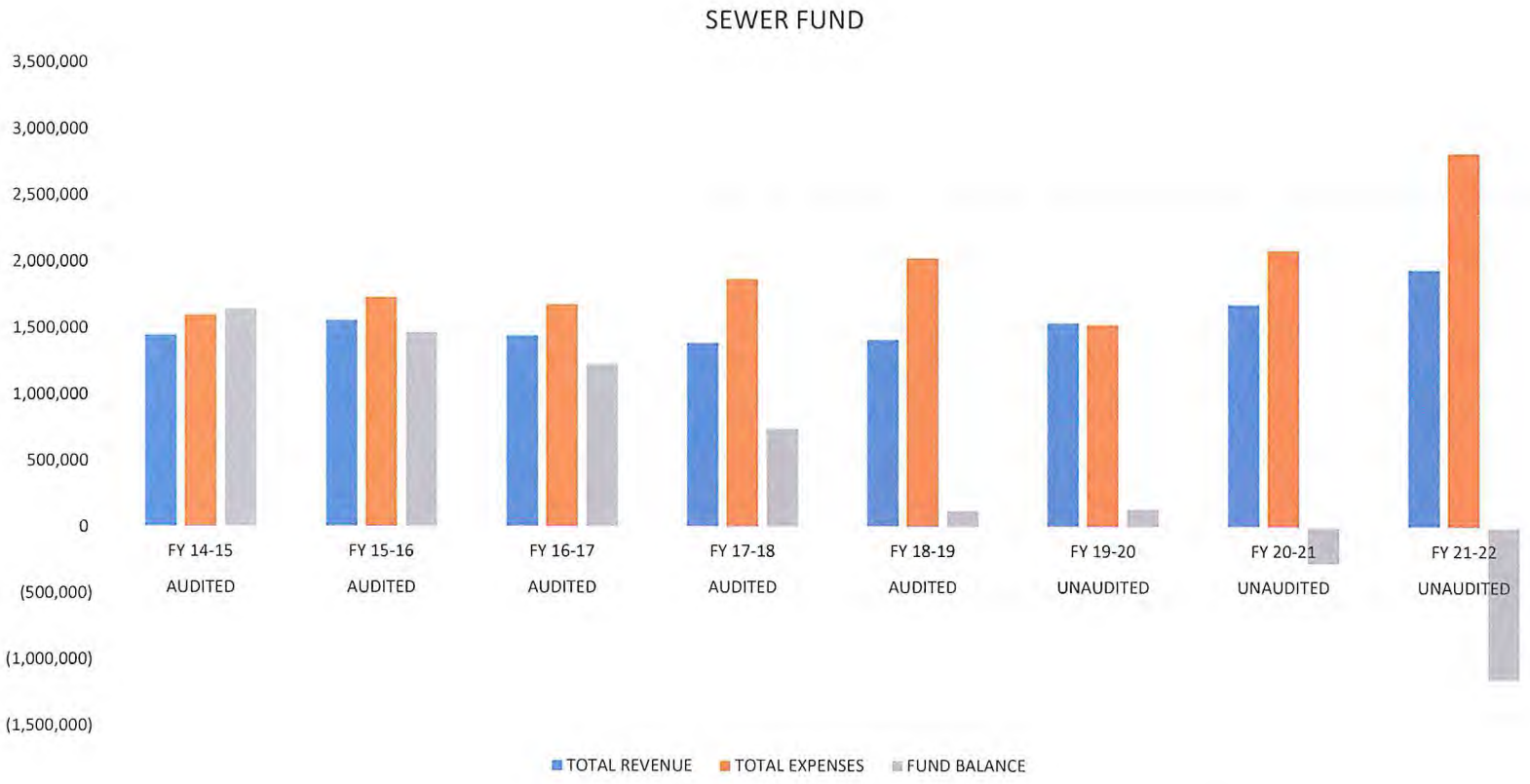
FY 17-18 AUDITED
FY 18-19 AUDITED
FY 19-20 UNAUDITED
FY 20-21 UNAUDITED
FY 21-22 UNAUDITED
TOTAL REVENUE
TOTAL EXPENSES
FUND BALANCE

SEWER FUND

	AUDITED FY 14-15	AUDITED FY 15-16	AUDITED FY 16-17	AUDITED FY 17-18	AUDITED FY 18-19	UNAUDITED FY 19-20	UNAUDITED FY 20-21	UNAUDITED FY 21-22
REVENUE								
UTILITY BILLING FEES	1,409,974	1,505,917	1,409,784	1,353,694	1,359,955	1,475,625	1,495,950	1,443,843
MISC. REVENUE	34,741	48,357	30,090	32,043	49,041	61,099	180,287	495,809
TOTAL REVENUE	**1,444,715**	**1,554,274**	**1,439,874**	**1,385,736**	**1,408,996**	**1,536,724**	**1,676,237**	**1,939,652**
EXPENSES								
PERSONNEL COSTS								
SALARIES	312,231	257,584	294,579	312,938	303,866	331,283	305,141	307,960
BENEFITS	186,886	175,559	168,668	178,362	199,576	138,384	157,591	155,966
TOTAL PERSONNEL COSTS	**499,117**	**433,143**	**463,247**	**491,300**	**503,443**	**469,667**	**462,732**	**463,926**
OPERATING COSTS								
INSURANCE	28,872	20,775	23,058	26,599	26,980	28,575	25,500	27,018
MATERIALS & SUPPLIES	267,122	92,081	99,565	110,690	180,912	85,751	147,860	136,606
OFFICE	10,873	11,290	10,872	8,676	9,327	8,056	8,450	11,905
UTILITIES	156,433	163,245	140,611	127,685	58,891	95,330	168,000	138,190
PROFESSIONAL	21,370	17,584	24,839	43,980	98,580	124,996	74,000	99,192
TOTAL OPERATING COSTS	**484,670**	**304,975**	**298,945**	**317,629**	**374,689**	**342,707**	**423,810**	**412,911**
DEBT SERVICE	**102,727**	**120,205**	**98,568**	**95,759**	**46,157**	**175,846**	**45,000**	**104,780**
CAPITAL	**31,444**	**93,751**	**26,975**	**74,753**	**116,964**	**164,981**	**243,165**	**1,202,455**
COST ALLOCATION								
INDIRECT COSTS	154,500	149,792	136,623	176,821	176,929	145,560	210,260	130,842
INFRASTRUCTURE PROTECTION	57,633	54,087	54,729	59,192	151,773	88,565	156,703	102,825
TOTAL COST ALLOCATION	**212,133**	**203,879**	**191,352**	**236,013**	**328,702**	**234,125**	**366,964**	**233,668**
RESERVES	**268,792**	**576,109**	**600,088**	**654,462**	**656,184**	**138,130**	**543,468**	**399,688**
TOTAL EXPENSES	**1,598,883**	**1,732,062**	**1,679,175**	**1,869,917**	**2,026,139**	**1,525,456**	**2,085,139**	**2,817,428**
SURPLUS/OVERAGE	**(154,168)**	**(177,788)**	**(239,301)**	**(484,180)**	**(617,143)**	**11,267**	**(408,902)**	**(877,776)**
FUND BALANCE	**1,643,295**	**1,465,507**	**1,226,206**	**742,025**	**124,882**	**136,150**	**(272,752)**	**(1,150,528)**


SEWER FUND
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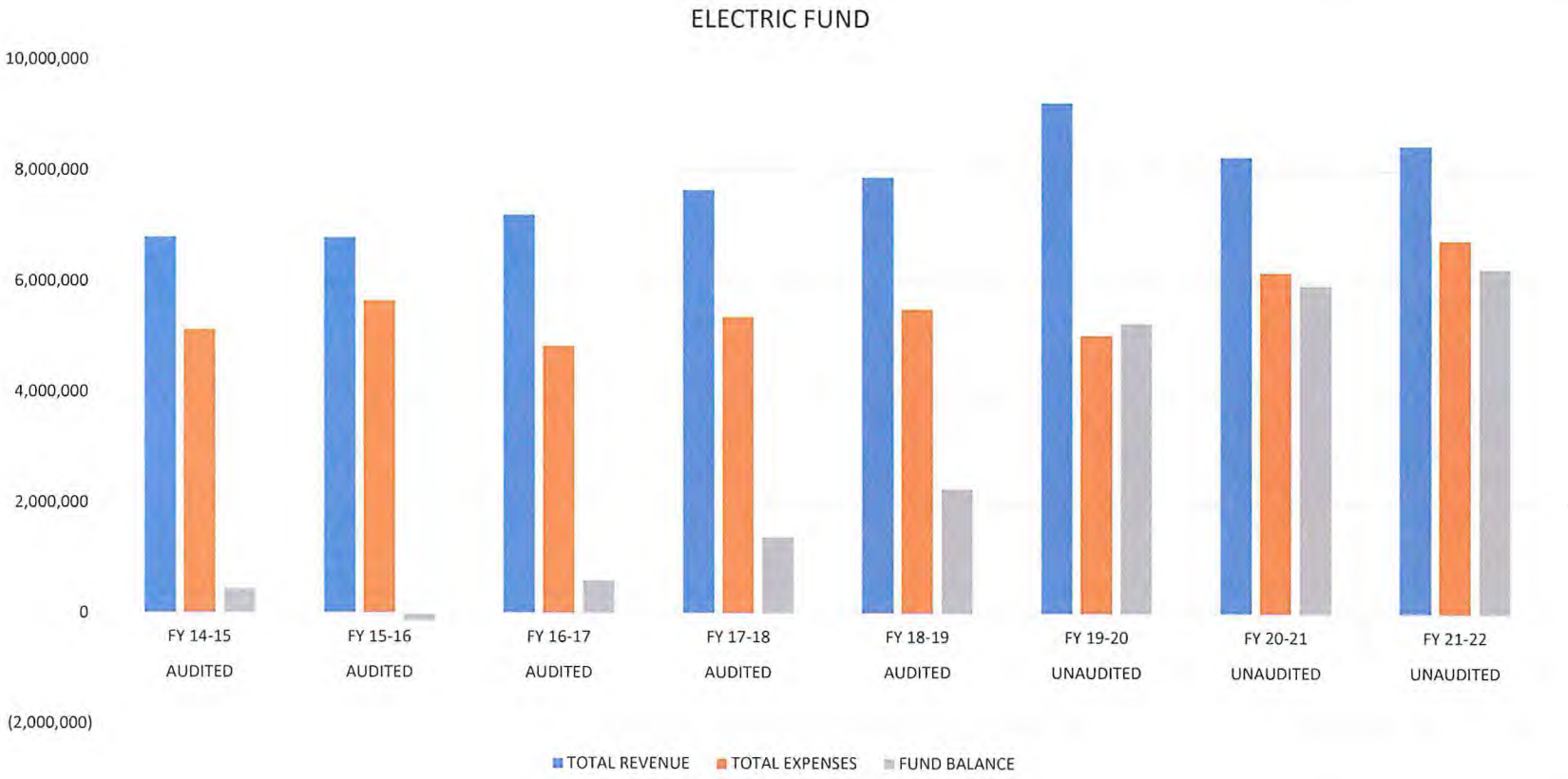
FY 18-19 AUDITED
FY 19-20 UNAUDITED
FY 20-21 UNAUDITED
FY 21-22 UNAUDITED
TOTAL REVENUE
TOTAL EXPENSES
FUND BALANCE

ELECTRIC FUND

	AUDITED FY 14-15	AUDITED FY 15-16	AUDITED FY 16-17	AUDITED FY 17-18	AUDITED FY 18-19	UNAUDITED FY 19-20	UNAUDITED FY 20-21	UNAUDITED FY 21-22
REVENUE								
UTILITY BILLING FEES	6,422,910	6,327,361	6,371,945	7,132,844	7,301,069	8,647,969	7,610,646	7,853,228
MISC. REVENUE	371,541	458,473	824,423	514,255	575,018	578,100	638,157	597,350
TOTAL REVENUE	**6,794,451**	**6,785,834**	**7,196,368**	**7,647,099**	**7,876,087**	**9,226,069**	**8,248,803**	**8,450,578**
EXPENSES								
PERSONNEL COSTS								
SALARIES	776,440	767,179	836,963	765,903	818,149	1,039,484	1,015,368	1,085,159
BENEFITS	283,976	501,992	235,616	503,947	401,784	284,618	590,941	531,858
TOTAL PERSONNEL COSTS	**1,060,416**	**1,269,171**	**1,072,579**	**1,269,850**	**1,219,933**	**1,324,102**	**1,606,309**	**1,617,017**
OPERATING COSTS								
INSURANCE	52,153	35,072	35,684	37,447	41,419	43,825	38,183	41,143
MATERIALS & SUPPLIES	2,596,199	3,606,533	3,288,610	3,273,584	3,384,861	3,386,232	3,589,678	4,269,393
OFFICE	739,617	16,072	30,022	14,793	24,700	46,749	20,090	30,609
UTILITIES	39,042	14,070	10,962	14,956	15,221	9,707	13,713	12,880
PROFESSIONAL	60,006	137,054	27,236	90,056	23,495	21,671	56,500	50,000
TOTAL OPERATING COSTS	**3,487,017**	**3,808,801**	**3,392,514**	**3,430,836**	**3,489,696**	**3,508,184**	**3,718,164**	**4,404,025**
DEBT SERVICE	**3,935**	**3,214**	**1,429**	**(235)**	**611**	**0**	**0**	**404**
CAPITAL	**31,518**	**(25,655)**	**(176,728)**	**71,931**	**249,028**	**(152,480)**	**321,389**	**368,016**
COST ALLOCATION								
INDIRECT COSTS	177,823	175,537	217,701	209,924	214,100	213,908	367,973	135,554
INFRASTRUCTURE PROTECTION	238,555	223,876	226,535	245,006	146,078	205,873	150,823	99,353
TOTAL COST ALLOCATION	**416,378**	**399,413**	**444,236**	**454,930**	**360,178**	**419,781**	**518,796**	**234,907**
RESERVES	**130,869**	**199,558**	**96,437**	**126,625**	**181,751**	**(60,660)**	**0**	**121,773**
TOTAL EXPENSES	**5,130,133**	**5,654,502**	**4,830,466**	**5,353,937**	**5,501,197**	**5,038,927**	**6,164,658**	**6,746,142**
TRANSFERS OUT	**1,955,665**	**1,706,500**	**1,641,144**	**1,500,000**	**1,500,000**	**1,200,000**	**1,400,000**	**1,400,000**
SURPLUS/OVERAGE	**(291,346)**	**(575,168)**	**724,758**	**793,163**	**874,890**	**2,987,142**	**684,145**	**304,436**
FUND BALANCE	**442,294**	**(132,874)**	**591,884**	**1,385,047**	**2,259,936**	**5,247,078**	**5,931,223**	**6,235,659**


ELECTRIC FUND
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FY 15-16 AUDITED
FY 16-17 AUDITED
FY 17-18 AUDITED
FY 18-19 AUDITED
FY 19-20 UNAUDITED
FY 20-21 UNAUDITED
FY 21-22 UNAUDITED
TOTAL REVENUE
TOTAL EXPENSES
FUND BALANCE

PREPARED BY EES CONSULTING

City of Gridley

Proposal for Utility Cost of Service Study

July 2022

EES Consulting
a GDS Associates Company

EES Consulting
a GDS Associates Company

Amber Gschwend, Managing Director
amber.gschwend@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

July 11, 2022

Mr. Cliff Wagner, City Administrator
City of Gridley
685 Kentucky Street
Gridley, CA 95948

SUBJECT: Proposal for Utility Cost of Service Study

Dear Mr. Wagner:

EES Consulting (EES), a GDS Associates Company, is an established and professional consulting and engineering firm, helping utilities excel for many years across the United States and Canada.

Please accept this proposal for the City of Gridley (City) to provide a Utility Cost of Service Study. EES is ready to help the City achieve its strategic rate design goals for resilience in a rapidly changing market environment. This proposal includes scope and budget for 3 utility studies: Electric, Water, and Wastewater. EES will provide a presentation of rate recommendations from the results of the finalized models to City Council/management. Please let me know if there are specific items of importance and we can adjust.

We look forward to working with the City on this interesting project and hope to hear back from you in the near future.

Very truly yours,

Amber Gschwend
Managing Director EES Consulting
570 Kirkland Way, Suite 100 Kirkland WA 98033
425.655.1042
amber.gschwend@gdsassociates.com

TABLE OF CONTENTS

1 Firm Experience

EES Consulting (EES), a GDS Associates company, is pleased to offer this proposal to the City of Gridley (City) to provide a Utility Cost of Service Study.

1.1 QUALIFICATION HIGHLIGHTS

Our client base ranges from small public utilities to large cities, private industrial companies and regulatory boards. EES has assisted clients in meeting the challenges of evolving competitive, regulatory and technical environments. We have a proven track record of success in areas where the results of a particular project may have far reaching effects on the viability of an organization and the local community.

EES staff are regularly involved in California energy markets and regulations including CAISO, resource adequacy, renewable energy, and interconnection issues. EES staff regularly complete cost of service studies for California public utilities and are well versed in the applicable regulations such as NEM and Proposition 26.

Our broad base of clients includes utilities and industrial companies located throughout North America. EES has a track record of success in arenas where the results of a particular evaluation or analysis may have far reaching effects on the viability of an organization and the local community. EES offers a broad array of services including:

- Cost of Service, Financial Analysis and Rate Design
- Energy Efficiency and Demand Side Management Strategies
- Strategic Planning
- Mergers and Acquisitions
- Engineering Design Services/Construction Management
- Expert Witness and Regulatory Policy Support Services
- Educational Seminars
- Net Metering Experience
- Distributed Generation Impact
- On-Call Services
- Capital Plan Experience
- Solar and battery storage project evaluations

2 Scope of Work

2.1 PROJECT MANAGEMENT

EES understands the City is requesting a comprehensive cost of service study. Our approach is summarized in the bullet points below.

- Develop Financial Forecast Revenue Requirement including power costs, operation and maintenance, programs, capital improvement projects, debt service coverage requirements, and appropriate working capital and rate stabilization reserve balances.
- Develop customer class data and forecast over planning period including service accounts by type and billing determinants. Identify appropriate distribution and transmission losses.
- Allocate revenue requirement to customer classes based on industry-accepted best practices.
- Evaluate cost of service results, uncertainties, and indicative interclass subsidies.
- Develop rate design recommendations based on cost of service. Rate recommendations will meet the goals of the City including revenue stability, cost-basis, incorporation of industry trends, and competitiveness with comparable utilities.
- Develop bill comparisons for each recommendation.
- Provide draft and final reports for the Cost of Service and Rate Design Study and prepare presentations for the City Council.

2.2 PROJECT KICK-OFF

Objective: To determine the scope of work, and the City's policy goals and objectives.

- Key issues and changes identified by the City from the most recent COSA work, and the project goals and objectives will be determined during an initial project kickoff meeting.
- Data request items will be provided to the City and a process to obtain the information necessary to complete the study will be developed.
- EES will review the City's background documents including most recent COSA studies, existing long-range capital improvement plan, financial and plant data.

2.3 ELECTRIC COST OF SERVICE

2.3.1 Electric Revenue Requirement Study

Objective: Identify the current and projected revenues and expenses for the City's electric system.

- The appropriate basis (cash vs. accrual) for determining the annual revenue will be identified.
- A 5-year test period for the study will be analyzed based on the financial information provided by the City including a historical year and forecast period data. The allocation and test period will be CY or FY depending on the City's fiscal year.
- A load and customer forecast will be updated based on the most recent information available.
- The City's financial records will be analyzed to evaluate the current and budgeted system revenues from current rates and resources available to finance the forecast revenue requirement for the test period.

- Projected wholesale power costs will be calculated based on the City's power contracts and agreements, and EES's knowledge of likely wholesale rate levels during the 5-year test period. Projected wholesale transmission charges will also be determined for each year of the study period.
- Contributions to Operating Reserve funds will be included based on financial planning or input from City staff.
- The cost of power supply and transmission expenses, other operation and maintenance expenses, taxes, debt service expenses, capital improvements funded from revenues, margins, reserve fund requirements and all other necessary costs associated with the operation of the City's system will be analyzed to determine the annual revenue requirement for each year of the study period.
- Projected revenues will be compared to the annual revenue requirement (total expenses) to identify the need for a rate adjustment to existing monthly rates and charges. If necessary, a plan can be developed to phase-in rate changes over time.

2.3.2 Electric Cost of Service Analysis (COSA)

Objective: Develop a comprehensive, flexible, user-friendly model for preparing the COSA. Determine an equitable allocation of the annual revenue requirement to the various customer classes using generally accepted cost allocation methods. A key concept in this process is the "cost causation" nature of each expense incurred by the City.

- EES will customize an existing Excel-based COSA model to meet the City's needs. The model will be easy to update annually or between COSA studies. The model maintains functionalization and classification of costs throughout and each formula can be traced (no black box).
- The City's most recent COSA assumptions and methodology will be reviewed, and possible modifications will be suggested as appropriate.
- Customer load factors, coincident factors and demand data will be reviewed and used on the cost allocation methodology of the COSA.
- Costs will be functionalized by itemizing plant investments and related expenses by the following functions: production, transmission, distribution, customer services, and administrative and general (A&G).
- Costs will be classified to determine whether each individual plant investment or cost was incurred to meet a customer's demand, energy, or customer related need.
- A review of the appropriate number of rate classes, based on the character of service provided, will be completed to ensure the proper rate classes are being considered.
- Costs will be allocated to rate classes by developing allocation factors based on customer information, historic load data and projected usage by rate class. Where data is not available, industry standard data will be applied. A review of the planning, design, and operational data for the system will be used to determine the facilities in place and how each rate class benefits from and uses these facilities. Some costs may be directly assigned to a specific rate class where appropriate. Rationale for fixed and variable costs will be documented.
- Average unit costs by functional category will be provided based on the allocated costs and billing determinants developed for each rate class. Unit costs will be presented for energy (¢/kWh), demand ($/kW), and customer related ($/customer/month) charges for each customer class. The average unit costs represent cost of service rates and can be used as an input in the rate setting process.

- Cost reductions for high voltage customers will be documented, as applicable.
- Any subsidies that may exist among rate classes will be identified in this task and addressed before starting any rate design.

The EES COSA model is an embedded cost model. It provides the basis of cost allocation based on current and forecast embedded costs. In some cases, allocation factors may consider marginal cost, or marginal cost may be an appropriate method for rate design. EES will discuss with the City where a marginal cost approach may make sense in the COSA.

2.3.3 Electric Rate Design Options

Objective: Develop rate options using a variety of approaches, ranging from the current rate design to strict COSA based rates. While average unit costs provide the cost basis for setting rates, other criteria will also be considered in designing rate options.

- Discuss and develop rate options based upon the goals and objectives identified by the City. Rate options can include both bundled and unbundled pricing to provide transparency and to develop the basis for wheeling rates, idle service rates and any other special rate schedules the City may need in the future.
- Proposed rates for energy (¢/kWh), demand ($/kW), and customer related ($/customer/month) charges will be provided for each customer class for each year of the study period. Recommended retail rates will be cost-based, provide adequate revenue, be easy to administer as well as fair and non-discriminatory.
- Alternative rate schedules may be developed, if desired. For example, many utilities have recently developed separate rate schedules for industry-specific loads.
- Customer bill comparisons will be developed to determine the rate impacts on different customer classes of different rate design alternatives. New rate proposals will also be compared to other neighboring electric utilities to compare the relative rate competitiveness of the City to other local utilities. A minimum of 3 bill impacts will be calculated for each rate design (varying by consumption pattern or level).

EES will prepare rate design recommendations for each of the City's rate classes based on applicable rate trends, COSA, and analysis completed in previous task. Proposed changes will address the following:

- Utility revenue stability. Revenues from fixed and variable charges will be determined and associated level of risk for the rate design option identified.
- Current rates, nature and cost of service, policies and City objectives.
- Projected revenues will be adequate to cover projected costs as defined in the revenue requirement study.
- Bill impacts and any phase-in approaches to minimize rate shocks within and across customer classes.

2.4 WATER COST OF SERVICE

The first step in the rate study process is the development of the City's water utility revenue requirement. The revenue requirement generally includes operational costs, taxes and transfer payments. Debt service and capital expenditures financed with cash or rate revenues are also included. While a 1-year test period

will be used, EES will also compare the revenues from various sources of funds with the revenue requirement over a 5-year period. From this analysis, a determination can be made as to the overall level of adjustment required for the near-term and its impact on cash flow over time.

2.4.1 Water Forecast Revenue Requirements

- A test period for the study will be selected. For the study, a revenue requirement test period will be determined at the kickoff meeting. At this time, the appropriate budgeting horizon and cycle to support rate structures will be discussed.
- The City's historic and forecast usage, peak and customer data for the water utility will be reviewed and incorporated into the COSA models. Current customer classification will be reviewed and proposed adjustments will be discussed with City staff. Future conservation program impacts and anticipated community growth will be reviewed and incorporated if applicable.
- The City's historic and forecast financial records will be analyzed to evaluate the current and budgeted system revenues from current rates and resources available to finance the forecast revenue requirement for the desired test period. Fixed and variable costs will be identified.
- Revenues will be calculated based on current rate schedules and billing determinants. Future revenues will be based on projected consumption and demand.
- A financing plan for major capital improvements will be developed, including additional debt and cash requirements.
- Appropriate operating reserve fund balancing targets will be suggested based on utility industry standards. In addition, appropriate contingency fund balances and level of liquidity will be discussed. An analysis of the impact of different reserve levels on rates will be provided.
- The impact of projected revenues and expenses on the City's debt-related financial ratios will be determined and examined for consistency with loan/bond covenants.
- All costs associated with the operation of the City's water system will be analyzed to determine the annual revenue requirement for each year of the study period.
- Projected revenues will be compared to the annual revenue requirement (total expenses) to identify the need for a rate adjustment to existing monthly rates and charges. Should large adjustments be required a plan can be developed to phase-in rate changes over time.

Once the revenue requirement has been developed, EES will present the 5-year projection to the City.

2.4.2 Water Cost of Service Study

EES will perform a cost of service study that will equitably allocate the City's revenue requirement to various customer classes in its water utility. EES will use commonly accepted cost allocation methods in the City's cost of service study. There are three primary steps in conducting the cost of service study: Functionalization; Classification; and Allocation.

- Costs will be functionalized by itemizing plant investments and related expenses.
- Costs will be classified to determine whether each individual cost or account item was incurred to meet a consumer's demand, due to the use of commodity, treatment strength requirements, contribution to utility revenues, or due to the customer's existence on the system. Other costs may also be directly assigned.

- Costs will be allocated to the City's rate classes by developing allocation factors based on customer information, historic usage data and projected usage by rate class. Where data is not available, industry standard data will be applied. A review of the planning, design, and operational data (benchmarking) for the system will be used to determine the facilities in place and how each rate class benefits from and uses these facilities. Some costs may be directly assigned to a specific rate class where appropriate.
- Average unit costs by functional category will be calculated based on the allocated costs and billing determinants developed for each rate class. The average unit costs represent cost of service rates and can be used as an input in the rate setting process.
- Any subsidies that may exist between rate classes will be identified in this task and addressed before beginning rate design.

2.4.3 Water Utility Rate Design Options

While average unit costs provide the cost basis for setting rates, several other criteria need to be considered in designing rates. EES will develop rate options using a variety of approaches, ranging between the current rate design, rate structures that encourage conservation and a strict cost basis rate structure. Development of these options will depend upon the goals and objectives identified by the City.

Revenues for each of the rate options will be compared to revenue requirements on a class-by-class basis. In addition, customer bill comparisons will be used to assess various rate options in terms of impacts on different types of customers and at different usage levels.

Different rate design options will be evaluated including fixed monthly charge, variable consumption charges, block rates, and/or other rates options that are considered appropriate for recovering the cost of water service in the City. In addition, a current fee schedule will be reviewed and tested for consistency with proposed rate design.

- Review of existing rate structure, fee schedule and charges. Recommend changes, refinements and alternatives. Consideration of rate structures include inflationary adjustments, blocks, seasonal, etc. Water rate structures will be based on "base plus consumption."
- Different rate options based upon the goals and objectives identified by the City will be developed and analyzed. The performance of each rate structure will be examined and recommendations will be provided to City staff.
- Proposed rates will be provided for each customer class for the study period. Revenues for each of the rate options will be compared to the system-wide and individual customer class revenue requirements.
- Customer bill comparisons for different levels of consumption will be developed to determine the rate impacts on different customers. Monthly data from a minimum of three customers per classification will be used to develop the bill comparison.
- New rate proposals will also be compared to neighboring utilities to compare the relative rate competitiveness of the City with other utilities.
- Sensitivity analysis can be performed to explore the impact of changes in water consumption, purchase water and conservation costs and efforts.

- Other service fees, including aid to construction payments, will be reviewed. The current fee structure will be assessed and changes will be recommended as needed.
- Provide a review of the utility bill and customer education materials. Provide recommended methodologies for communicating utility cost structures and resulting rate design to customers.

2.5 WASTEWATER COST OF SERVICE

Similar to the other utility cost of service studies, the wastewater study includes revenue requirement, cost of service analysis, and rate design components. The resulting excel models will be made available to City staff for future updates as needed.

2.5.1 Wastewater Forecast Revenue Requirements

- A test period for the study will be defined as 10 years.
- The City's historic and forecast usage, peak and customer data for the water and wastewater utilities will be reviewed and incorporated into the COSA models. Future conservation program and price elasticity impacts will be reviewed and incorporated.
- The City's historic and forecast financial records will be analyzed to evaluate the current and budgeted system revenues from current rates and resources available to finance the forecast revenue requirement for the test period.
- Revenues will be calculated based on current rate schedules and billing determinants. Future revenues will be based on projected consumption and demand.
- A financing plan for major capital improvements will be developed, including additional debt and cash requirements.
- Appropriate operating reserve fund balancing targets will be suggested based on utility industry standards. In addition, appropriate contingency fund balances and level of liquidity will be discussed. An analysis of the impact of different reserve levels on rates will be provided.
- The impact of projected revenues and expenses on the City's debt-related financial ratios will be determined and examined for consistency with loan/bond covenants.
- All costs associated with the operation of the City's systems will be analyzed to determine the annual revenue requirement for each year of the study period.
- Projected revenues will be compared to the annual revenue requirement (total expenses) to identify the need for a rate adjustment to existing monthly rates and charges. Should large adjustments be required a plan can be developed to phase-in rate changes over time.
- Benchmark the City's expenses against other similarly situated municipal utilities.

2.5.2 Wastewater Cost of Service Study

EES will perform a cost of service study that will equitably allocate the City's revenue requirement to various customer classes in its wastewater utilities. EES will use commonly accepted cost allocation methods in the City's cost of service study. There are three primary steps in conducting the cost of service study: functionalization, classification and allocation.

- Costs will be functionalized by itemizing plant investments and related expenses.
- Costs will be classified to determine whether each individual cost or account item was incurred to meet a consumer's demand, due to the use of commodity, treatment strength requirements,

contribution to utility revenues, or due to the customer's existence on the system. Other costs may also be directly assigned.

- Costs will be allocated to the City's rate classes by developing allocation factors based on customer information, historic usage data and projected usage by rate class. Where data is not available, industry standard data will be applied. A review of the planning, design, and operational data (benchmarking) for the system will be used to determine the facilities in place and how each rate class benefits from and uses these facilities. Some costs may be directly assigned to a specific rate class where appropriate.
- Average unit costs by functional category will be calculated based on the allocated costs and billing determinants developed for each rate class. The average unit costs represent cost of service rates and can be used as an input in the rate setting process.
- Any subsidies that may exist between rate classes will be identified in this task and addressed before beginning rate design.

2.5.3 Wastewater Rate Design Options

While average unit costs provide the cost basis for setting rates, several other criteria need to be considered in designing rates. EES will develop rate options using a variety of approaches, ranging between the current rate design and a strict cost basis. Development of these options will depend upon the goals and objectives identified by the City.

Revenues for each of the rate options will be compared to revenue requirements on a class-by-class basis. In addition, customer bill comparisons will be used to assess various rate options in terms of impacts on different types of customers and at different usage levels.

Different rate design options may be evaluated including fixed monthly charge, variable consumption charges, in-city/out-city rates, block rates, and/or other rates options that are considered appropriate for recovering the cost of water and wastewater service in the City. In addition, various "hook-up fees" for each class will be calculated. A comparison of the City's rates to other similarly situated municipal utilities will be undertaken.

- Review of existing rate structure, fee schedule and charges. Recommend changes and alternatives. Consideration of rate structures include inside/outside city rates, inflationary adjustments, blocks, seasonal, etc. Water rate structures will be based on "base plus consumption," while wastewater rate structures will be based on EDU or similar metrics.
- Different rate options based upon the goals and objectives identified by the City will be developed and analyzed. Proposed rate structures will be consistent with industry practice in Idaho. The performance of each rate structure will be examined and recommendations will be provided to City staff.
- Proposed rates will be provided for each customer class for the study period. Revenues for each of the rate options will be compared to the system-wide and individual customer class revenue requirements.
- Customer bill comparisons for different levels of consumption will be developed to determine the rate impacts on different customers.
- New rate proposals will also be compared to neighboring utilities to compare the relative rate competitiveness of the City with other utilities
- Sensitivity analysis will be performed to assess the impact of a change in consumptions.

- Other service charges and hook-up fees will be reviewed. The current fee structure will be assessed and changes will be recommended as needed.
- Provide a review of the utility bill and customer education materials. Provide recommended methodologies for communicating utility cost structures and resulting rate design to customers.
- Conversion from CCF to 1,000 gallons will be undertaken in rate design.
- Compatibility of new rate structures to the City's billing system will be analyzed.
- A method for indexing all changes will be recommended.

2.6 DELIVERABLES

Prior to designing rates and drafting a report, EES will provide initial results of the cost of service analyses to the City for review. This is useful in confirming information and pointing out any areas that need additional discussion and policy direction before finalization. Once City staff have reviewed the draft results, EES will incorporate any comments or suggestions into a final report or presentation. EES will provide the City with an electronic copy of the final report or presentation and the final COSA model (in Excel). The COSA model includes a guide to the key input sections of the model to enable City staff to update or run scenarios. EES can provide staff a webinar and walkthrough of the materials as needed.

Specific Deliverables:

1. Excel based COSA model inclusive of the revenue requirement and usage data for each utility
2. Report or presentations for each utility. Draft and Final versions after feedback is received.

2.7 PRESENTATIONS

As noted above, EES will provide training on cost of service and rate design models. EES will also present progress reports and results and make recommendations to the City's management staff and policymakers. One virtual presentation is included in the budget, though our staff members are available for in-person meetings as desired. EES is always available for conference calls and attendance at additional meetings/presentations can be arranged.

3 Project Personnel

Gary Saleba, *Executive Consultant* • Gary has over 35 years of experience in providing consultant services to electric power utilities. Gary started EES in 1978 and has worked for our electric power utility clients ever since. Gary's areas of specialty include overall quality control for EES's projects as well as development of corporate management, financial and strategic planning models primarily for electric, natural gas and water utilities. He has extensive experience in the areas of utility rate design, revenue requirement analysis, cost of service, financial planning, management audits, professional development educational seminars, marketing, consumer research, forecasting, integrated resource planning, cost-benefit analyses, overall strategic planning, and mergers and acquisitions. Having worked as a utility employee, Gary combines an extensive background as both a utility industry expert and a management consultant. Gary has participated in numerous generic utility proceedings, testified before over 200 regulatory bodies and courts of law and coordinated over 500 financial planning, rate study, resource acquisition, and strategic planning studies.

Jacob Thomas, P.E., *Principal* • Jacob is a Principal of GDS and specializes in statistics, economic analysis, and quantitative research, including retail and wholesale rates, cost of service, demand-side management evaluation and impact analysis, load forecasting, load research, market research, economic impact analysis and various data mining and analysis applications. Over his 24 years of experience with GDS, Mr. Thomas has worked on rate and cost of service studies for municipal and cooperative clients throughout the country. He has expertise and experience designing different rate design concepts including dynamic pricing, residential demand, special contracts, and other non-traditional rate concepts. He has worked with utilities to develop financial forecasts, to establish appropriate cash and reserve levels, and in support of debt restructuring and loan applications. Jacob was a co-author of the *AMP Focus Forward Member Toolkit*, the AMP Rate Design Guide portion, which summarized industry methods for compensation of distributed energy resources. He was also a co-author of NRECA's *Distributed Energy Resources Compensation and Cost Recovery Guide* and led a team of writers who developed ASHRAE's *Smart Grid Application Guide: Integrating Facilities with the Smart Grid*.

Amber Gschwend, *Managing Director* • Amber Gschwend provides analytical expertise for EES in support of economic and financial studies. She offers experience and knowledge to a wide range of topics related to regulated utilities. Her background includes cost of service analysis, electric rate design, wholesale rate setting, and other power supply costs or related information. In addition to resource planning, Amber uses her background in econometrics and data analysis to develop load forecasts, normalize electric loads according to weather, and to develop market price forecasts. She also conducts conservation program evaluations and provides utilities with statistically significant results, which assist in utility program planning, data collection, and presentations. Amber has performed over 70 conservation potential assessment studies for electric utilities on the west coast. Finally, Amber has assisted in the start-up of several Community Choice Aggregators in California. Amber has completed proforma modeling, IOU load analysis, regulatory filings, and rate setting services.

Russ Schneider, *Senior Project Manager* • Russ Schneider has expertise in financial planning, power supply, transmission, strategic planning, resource development, forecasting, risk analysis, smart grid, meter data management, and rate design. Russ brings over 15 years of experience and a strong economic, engineering, and technology background. He has utility experience completing load research, rate design, cost of service, automated meter reading cost-benefit, power requirement, load forecast,

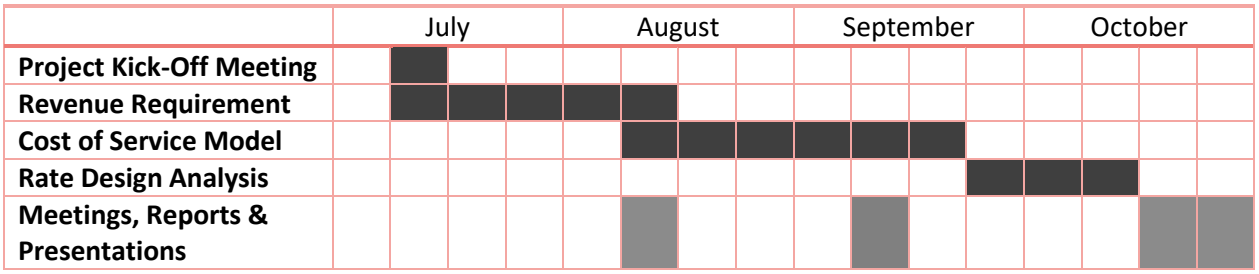
conservation potential, and other financial studies. Russ regularly presented at trustee meetings on forecasting, risk, reliability, power supply and transmission issues for many years. Russ has also been actively involved in the areas of Bonneville Power Administration rates, smart grid, demand response, energy efficiency, Columbia River power system environmental mitigation, hydropower advocacy, and state-level legislative issues. In addition, Russ has experience assisting utilities across the Pacific Northwest, including working on many Oregon, Washington, California, Idaho, Montana, and British Columbia projects. His direct utility experience includes 10 years with Flathead Electric Cooperative as a Regulatory and Senior Data Analyst. He also regularly presents at trade group meetings of the Western Public Agencies Group and led training on cost of service and rate design for the Northwest Public Power Association.

Jordan Janflone, *Analyst* • Jordan began working with GDS in 2017 after graduating from the Georgia Institute of Technology. He has experience in financial, statistical, and big data analysis, including load forecasting, demand response analysis, cost of service studies, and customer survey design and analysis. Some of his project work has included the following: design of customer surveys and survey sample size for residential, commercial, and industrial customers; data analysis and software programming on multiple energy efficiency projects; Processed interval data for multiple Texas G&T's for billing purposes; analyzed interval data for an industrial customer NCP reduction; supported the development of long and short-term load forecasts for various electric utilities, including weather normalization analysis. Forecasts included the use of end-use, statistically adjusted engineering (SAE) and econometric models; and developed an SAE model for long-term commercial load forecasts for various electric utilities.

4 Schedule and Fees

4.1 SCHEDULE

The proposed schedule assumes the study will begin in January following the City's notice to proceed. EES can modify the schedule to meet the City's goals, as necessary. A preliminary schedule to complete the work is provided below. The proposed schedules allows for multiple iterations within each task to ensure staff involvement and training in the process and model as needed.



We have had success in performing utility cost of service studies concurrently to achieve efficiencies. The studies could also be spread out if desired by the City.

4.2 FEES

EES's standard hourly billing rates are noted below. The fee estimates for this project are developed from the following billing rates:

Principal/Executive Consultant	$265
Managing Director/Senior Project Manager	230
Senior Analyst/Senior Engineer	200
Analyst/Engineer	170
Senior Administrative Assistant	120

The schedule where the projects are completed concurrently result in a total fee estimate of $45,000. If the studies are completed sequentially, the total fees are estimated at $65,000.

COST TABLE BY TASK

	Labor Cost
Electric Cost of Service and Rate Design	$25,000
Water Cost of Service and Rate Design	$10,000
Wastewater Cost of Service and Rate Design	$10,000
Total	**$45,000**

Additional tasks can be added at the request of the City including low income rate programs, electric vehicle rates, NEM or DER, microgrid rates, or others.

EES bills only for actual time spent on a project. If the studies are completed with less effort than anticipated, the total billed cost will be less than the above quoted fees. If the proposed scope of services is modified at the City's request, EES will discuss any change to this proposed budget prior to proceeding with the requested work. The above hourly rates are effective through December 31, 2022 and escalate at 3% per year after.

Electric COSA Data Request

For purposes of organizing the material that you gather for us, it would be helpful if you labeled each item in accordance with the number on this data request. If the information is publicly available a link will suffice. **Electronic copies of all materials are preferred.** Files as large as 20MB can be received via email. For larger files, please feel free to use the File Sender.

PLANT DATA

1. Plant account balances, by FERC account number, as of end of calendar year 2021 or most recent fiscal year.
2. List dedicated facilities for a major customer(s).
3. Accumulated depreciation, by account number, as of the end of CY 2021 or most recent fiscal year.

FINANCIAL DATA

4. Actual CY2021 Expenses by FERC account, or most recent fiscal year.
5. A copy of 2022 and 2023 budgets. If possible, please provide expenses by FERC account.
6. Copies of projected expense estimates for 2023 through 2025 or, escalation factors.
7. Power and transmission bills or bill summaries (in Excel), for 2021.
8. Power supply cost projections for 2022 - 2025.
9. Detail of actual monthly retail rate revenues, by class of service, for most recent historic year: 2021.
10. 2021 retail revenues and detail. If available, projected retail revenue for 2022-2025.
11. Detail of miscellaneous revenue sources for budget year 2022
12. Actual or projected rate funded capital expenditures, by plant function (e.g. transmission, distribution, general, other) for 2021 through 2025. Provide multiple scenarios if desired.
13. Copies of any capital improvement/financing plans the utility has prepared for 2021 - 2025.
14. Copies of bond covenants and other financial requirements.
15. Copy of balance sheet and income statement as of most recent fiscal year ending.

CONSUMPTION DATA

16. For January 2021 through December 2021, provide actual monthly kWh sales by customer class.
17. For Jan 2021-Dec 2021, monthly metered demand (kW) for customers demand metered customers.
18. For Jan 2021-Dec 2021, provide the actual number of customers by month for each customer class.
19. Load forecast by customer class, if available.
20. Please indicate which customers are served at primary voltage.
21. Projected customer growth by customer class for 2022 through 2025
22. Estimated line losses on primary and secondary distribution systems
23. 12-months of AMI data (if available)

Water COSA Data Request

This data request addresses the major areas of data needed for a cost of service study. As the study progresses, we will let you know if further data is necessary. If you have difficulty gathering the information, or it will require an unusually large amount of time to collect, please call and we can discuss the significance of the information. For purposes of organizing the material that you gather for us, it would be helpful if you labeled each item in accordance with the number on this data request.

PLANT DATA

1. Current plant account balances, by account number, for the period CY 2021. Detail of any "dedicated facilities" for a major customer(s). Dedicated facilities are those, which serve only a single customer or customer class of service (e.g., a transmission line for a large industrial customer).
2. Accumulated depreciation, by account number for the same period ended as "1" above.
3. Provide a listing of the current reservoirs/storage tanks on the system and their storage capacity.
4. Provide your ISO fire flow requirements, by class of service, and their duration.

FINANCIAL DATA

5. A copy of the fiscal year 2022 budget for the water system, and a copy of any budget or expense estimates for fiscal year 2023 to 2025. Budget items should be provided by account if possible.
6. Annual operating expenses, by account number, for the 12-month period of CY 2021 for the water system.
7. Detail of rate revenues, by class of service, for the 12-month period of CY 2021.
8. Detail of miscellaneous revenue sources, for the same 12-month period.
9. Detail of current and future debt service obligations (P&I and reserves).
10. Current debt service coverage (DSC) ratio requirements (from the current or planned future bond covenants) and any target DSC required by ordinance or resolution.
11. Current level of "cash financed" capital expenditures, by plant function (e.g., source of supply, transmission, distribution, general, other) and by water system. Please provide a copy of your capital improvement plan (CIP) that details the year and cost of capital improvements, and the anticipated funding sources.
12. Any need for a contingency fund, and the amount, along with any need to increase cash working capital from its present level.
13. Copy of a current balance sheet for the 12 months ending CY 2021.
14. Copy of the income statement for the 12 months ending CY 2021.

CONSUMPTION DATA

15. For the 12 months period of CY 2021 provide the monthly sales (in cf or gpd) by rate schedule (e.g., residential, commercial, etc.).
16. If available, please provide a copy of your water forecast of future sales. If no forecast exists, what do your utility expect as a reasonable level of growth in sales (e.g., 1% per year)?
17. Provide the number of customers, by class of service, and by meter size for a recent period. If possible, provide a forecast of the projected customer growth.
18. Provide any information on peak day flows, in MGD, and if possible, which classes of service contribute to the peak day event.

MISCELLANEOUS DATA

19. Provide a copy of your current water rate schedules.
20. Provide a copy of the most recent Water Comprehensive Plan

Wastewater COSA Data Request

PLANT DATA

1. Current plant account balances, by account number, for the period CY 2021. Detail of any "dedicated facilities" for a major customer(s). Dedicated facilities are those, which serve only a single customer or customer class of service (e.g., a transmission line for a large industrial customer).
2. Accumulated depreciation, by account number for the same period ended as "1" above.

FINANCIAL DATA

3. A copy of the fiscal year 2022 budget for the wastewater system, and a copy of any budget or expense estimates for fiscal year 2023 to 2025. Budget items should be provided by account if possible.
4. Annual operating expenses, by account number, for the 12-month period of CY 2021 for the water system.
5. Detail of rate revenues, by class of service, for the 12-month period of CY 2021.
6. Detail of miscellaneous revenue sources, for the same 12-month period.
7. Detail of current and future debt service obligations (P&I and reserves).
8. Current debt service coverage (DSC) ratio requirements (from the current or planned future bond covenants) and any target DSC required by ordinance or resolution.
9. Current level of "cash financed" capital expenditures, by plant function (e.g., source of supply, transmission, distribution, general, other) and by water system. Please provide a copy of your capital improvement plan (CIP) that details the year and cost of capital improvements, and the anticipated funding sources.
10. Any need for a contingency fund, and the amount, along with any need to increase cash working capital from its present level.
11. Copy of a current balance sheet for the 12 months ending CY 2021.
12. Copy of the income statement for the 12 months ending CY 2021.

CONSUMPTION DATA

13. For the 12 months period of CY 2021 provide the monthly sales by rate schedule (e.g., residential, commercial, etc.).
14. If available, please provide a copy of your water forecast of future sales. If no forecast exists, what do your utility expect as a reasonable level of growth in sales (e.g., 1% per year)?
15. Provide the number of customers, by class of service, and by water meter size for a recent period. If possible, provide a forecast of the projected customer growth.

MISCELLANEOUS DATA

16. Provide a copy of your current wastewater rate schedules.
17. Provide a copy of the most recent Wastewater Comprehensive Plan

5 References

Company Name	**Moreno Valley Utility**		
Contact Name & Title	Jeannette Olko, Electric Utility Division Manager		
Phone	(951) 413-3502	**Email**	jeannetteo@moval.org
Description: The City of Moreno Valley (MVU) retained EES to perform a retail, cost of service analysis (COSA) and rate design study as part of its ongoing efforts to maintain fiscally prudent and fair rates for its customers. The analysis resulted in recommendations to move away from rate parity with Southern California Edison. EES also assisted with NEM rate design and billing questions as MVU works toward updating its system to mitigate the cost shifting challenges associated with NEM rates while balancing customer expectations for solar installations.			
Names of Key Personnel/Responsibilities Participating in Project:			
Gary Saleba: QC	**Amber Gschwend:** Project Manager and Analytics		
Completion Date: January 2022			
Total Fees Received (or Projected): COSA Budget $44,000			
Total Cost of Completed Project: $33,000			

Company Name	**Truckee-Donner PUD**		
Contact Name & Title	Joe Horvath, Assistant General Manager		
Phone	(530) 582-3969	**Email**	joehorvath@tdpud.org
Description: Truckee-Donner Public Utility District (District) retained EES to perform a retail financial planning, cost of service analysis (COSA) and rate design study as part of its ongoing efforts to maintain fiscally prudent and fair rates for its customers. The purpose of this report is to discuss the data inputs, assumptions and results that were part of developing the rate study. EES also performed a Renewable Rate Retail Study for the District to consider establishing retail rate products that were 50% and 100% renewable energy. The District's renewable rate options would be available to all customers and the energy purchased to serve customers on the renewable rate will be in addition to California's Renewable Portfolio Standards (RPS). This study presented rate options based on generally accepted rate principles and industry best practices. EES is currently working on a full financial planning, COSA and rate design study for Truckee-Donner PUD. All services are provided under a not-to-exceed amount.			
Names of Key Personnel/Responsibilities Participating in Project:			
Gary Saleba: QC	**Amber Gschwend:** Project Manager and Analytics		
Completion Date: 2020 –December 2021			
Total Fees Received (or Projected): COSA Budget $37,000 / Green Rate Budget $18,000			
Total Cost of Completed Project: $40,000			

Company Name	City of Lodi		
Contact Name & Title	Melissa Price, Rates & Resources Manager		
Phone	(209) 333-6811	Email	mprice@lodi.gov

Description: EES has provided ongoing rate support to the City of Lodi Electric Utility (LEU). As part of rate support, EES prepared a financial forecast model, developed rate design and bill impact analysis, and assisted in LEU's NEM 2.0 policy and credit rate calculation. EES assisted LEU in simplifying its rate tiers while minimizing bill impacts and impacts on revenue stability.

Names of Key Personnel/Responsibilities Participating in Project:

Gail Tabone: Project Manager **Amber Gschwend:** Financial Support and Rate Design

Completion Date: 2016 – Current

Total Fees Received (or Projected):COSA Budget $39,000 / Ongoing Assistance $16,000 To Date

Total Cost of Completed Project: (see above)

Company Name	City of Palo Alto		
Contact Name & Title	Eric Keniston, Senior Resource Planner		
Phone	(650) 329-2386	Email	Eric.keniston@cityofpaloalto.org

Description: EES completed several cost of service and rate design tasks for the City of Palo Alto (CPA) including an electric cost of service and natural gas cost of service. These studies included revenue requirement studies, functionalization and classification of costs, and allocation to customer classes. Finally rate design options were provided. Proposition 26 requirements are always considered in EES California cost of service studies. In addition, CPA asked EES for assistance in several rate-design/program analyses including electric vehicle charging, microgrids, all electric rate schedules, and review of net metering rates. The projects were completed on time and at or under budget.

Names of Key Personnel/Responsibilities Participating in Project:

Gail Tabone: Project Manager **Amber Gschwend:** Financial Support and Rate Design **Russ Schneider**: Financial

Completion Date: 2016 – Current

Total Fees Received (or Projected): COSA and Rate Design Budget $50,000

Total Cost of Completed Project: (see above) New work to begin 2022

City of Gridley

Electric, Water, and Sewer

Cost of Service Study

July 5, 2022

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

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

mbeauchamp@ufsweb.com
O: 616.393.9722
C: 616-403-5450
F: 888.566.4430

Utility Financial Solutions, LLC
185 Sun Meadow Ct
Holland MI, 49424

July 5, 2022

Cliff Wagner, City Administrator
City of Gridley
685 Kentucky Street
Gridley, CA 95948

Utility Financial Solutions, LLC (UFS) is pleased to submit a proposal to provide a cost of service, financial projection, and rate design study for City of Gridley (City). Electric, Water and Sewer Departments. Our proposal is based on our prior experience with completing cost of service studies for municipal utilities around the United States. UFS is an internationally known firm with a long-standing relationship and history of assisting municipalities with financial analysis and are recognized experts in the utility field. UFS personnel are instructors for the American Public Power Association, Southern Gas Association, and the National Association of Regulatory Utility Commissioners. Courses UFS instruct include financial planning, cost of service, rate design, and a series of training programs for governing bodies.

Proposed Project Manager, Mr. Mark Beauchamp: Mark will oversee project management and contractual agreements. Mr. Beauchamp began Utility Financial Solutions, LLC in 2001 and is the current President of UFS. With industry experience since 1981, Mark has worked with utilities to complete over one thousand cost of service studies. His degrees include Water Purification Technology, Accounting and MBA. His background provides unique experience and knowledge to share with utilities and includes a Class A license in wastewater treatment, water treatment license, Certified Public Accountant and Certified Management Accountant. This unique background has identified Mark as an industry leader in utility cost of service and rate design.

Prior Experience: UFS is comprised of experienced staff including economists, engineers, and finance professionals. Our reputation has allowed us to be the recommended rate consulting firm for numerous associations and agencies around the country. Our extensive experience provides utilities with studies that can be relied upon. Please feel free to contact the references included in this proposal.

Project Approach: UFS has obtained rate approval for many utilities. Our unique approach includes development of key targets to keep the utility financially stable, development of minimum and maximum levels of rate adjustments, and identification of a long-term rate track for the utility. The key targets and development of the rate track is used as part of an educational presentation for the governing body to obtain guidance and input in the rate making process. Our methodology and the education provided is why we have grown to be the preferred provider of rate study services in the United States.

We appreciate the opportunity to submit this proposal and look forward to discussing it with you. If you have questions or need additional information, please contact me at 616.403.5450.

Sincerely,

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

Table of Contents

Understanding of Project Requirements

Summary of Services for Electric, Water, and Sewer Utilities

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

2. Development of Cost of Service Study that identifies the following:
    a. Comparison of cost to provide service to each class with projected revenues
    b. Identification of potential new rate classes based on load characteristics
    c. Monthly customer charges for each class of customers
    d. Transmission delivery charges (Electric)
    e. Distribution delivery charges (Electric)
    f. Power supply charges (Electric)
    g. Seasonality of costs
    h. Identification of fixed and variable costs including the following broken out by season:
        i. Total demand related costs (Electric)
        ii. Total energy related costs (Electric)
        iii. Monthly customer related costs
    i. Identification of costs based on voltage level of customers (Electric)
        i. Transmission level customer
        ii. Primary metered customer
        iii. Secondary metered customer

3. Rate Design (Three Year for each utility)
    a. Development of rates to move classes closer to cost of service
    b. Development of rates to move components of rates closer to cost of service
    c. Identification of Impacts of rate changes by classes considering the following:
        i. Percentage impacts at various usage levels
        ii. Dollar impacts at various usage levels
        iii. Percentage impacts for demand rate classes based on load factors
    d. Identification of overall rate impacts on customers
        i. Proposed rate design for each rate class
        ii. Rate impacts on each customer class
        iii. Rate impacts at various levels of usage for each rate class

4. Presentation to Staff and governing body
    a. Review results and assumptions
    b. Development of appropriate financial targets
    c. Obtain input and feedback on rate track and rate designs including:
        i. Overall rate change for each year
        ii. Customer charges
        iii. Review of seasonality of rates
    d. Discussion of overall goals and objectives of management and Council including:
        i. Energy conservation
        ii. Economic development
        iii. Distributed generation customers
        iv. Other considerations in rate design

5. Reports
    a. Executive summary report discussing the following:
        i. Financial projection results and rate adjustment to achieve financial targets
        ii. Cost of service results for each rate class
        iii. Cost based rate structures
        iv. Assumptions used in development of study
        v. Recommendations on rate track, movement toward cost of service, financial targets, others as identified

Proposed Work Plan and Project Approach

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

Preliminary Tasks

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

1. **Review of Relevant Reports**
   Review of certain reports is necessary to ensure the analysis is established to fit the specific requirements of the City. Listed below are examples of reports to obtain and review.

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

2. **Collect and Verify Data**
   Conference call with utility management is critical to ensuring the final reports will meet the objectives of the City and the information request prepared by Utility Financial Solutions, LLC is understood. The specific objectives of the discussion will be to:

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

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

Electric

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

Water & Sewer

- Detailed trial balance for water and sewer departments for latest fiscal years
- Audited financial statements for past three years (CAFR)
- Fixed assets of system and include historical investments, accumulated depreciation, and annual depreciation expense
- Water and sewer budgets for current and next fiscal year
- Outstanding bond amortizations schedules for water and sewer departments
- Capital improvement plans
- Water system plan
-
- sewer system plan
- System usage statistics
    - Water purchases/treatment by month from the City
    - Sewer discharged to the City by month
- Billing statistics
    - Number of water and sewer customers
    - Monthly (Quarterly) billed usage by customer class
    - Fire protection accounts
    - Number of hydrants
    - GPM fire protection requirements of the City

Development of Five-Year Financial Projection and Financial Targets

Development of Sales Projection

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

1. Future energy sales
2. Future water sales
3. Number of customers
4. Billing demands
5. Miscellaneous revenues
6. If a power cost adjustment mechanism is approved, this will be incorporated into the financial projection

Development of Utility Revenue Requirements

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

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

- **Transmission Cost Projection**
  Transmission costs are often included as part of the power supply bill or may be in a separate invoice. As part of the power supply projection, we will include changes in demand rates for transmission and review the transmission cost projection with utility staff.
- **Debt Service**
  The amortization schedules for outstanding debt service will be incorporated into the financial projection. The corresponding principal and interest expense are appropriately classified into the income statement and cash flow sections of the long-term financial projection. Any potential future bonding requirements will be identified and incorporated into the projection with the debt coverage ratios compared with the bond ordinance requirements adjusted for certain safety factors to adjust for changes in weather and the subsequent sales of electricity.
- **Capital Improvement Plan**
  A critical part of the financial projection is the capital improvement plan received from the utility. Often the capital improvement plan UFS receives is reviewed with utility staff for reasonableness and capabilities of the utility to complete the projects as stated. The financial projection analysis can easily incorporate sensitivity analysis for changes in capital, but it is preferred that the report includes a reasonable approximation of the annual expense. The financial model will incorporate the capital plan and identify the sources of funding either from existing cash reserves, the annual rate funded capital or through the issuance of bonds.

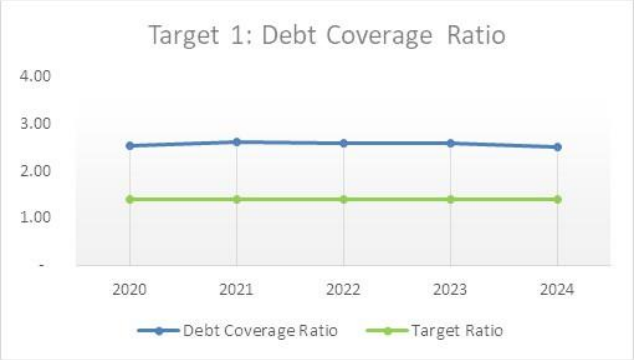
Financial Projection

UFS financial analysis and the subsequent cost of service studies are unique in their ability to easily change from cash basis revenue requirements to Utility Basis revenue requirements. The financial analysis includes both cash basis targets such as cash reserves and debt coverage; and accrual basis targets such as rate of return. UFS studies also include a review of secondary financial matrices such as debt to equity ratios, age of system, days cash on hand and working capital requirements as part of the overall assessment of the financial health of the utility. The financial projection will incorporate assumptions such as inflation, anticipated changes in expenses, debt issuances, and capital improvements. The financial projection incorporates targets to help ensure the long-term financial stability of the Utility is maintained or improved and develop a plan for rate adjustments.

Target One: Debt Coverage Ratio

Based on review of bond issues and debt service schedules, the principal and interest expense will be identified and incorporated into the analysis. We will provide a table as shown below to compare projected Debt Service Ratios with requirements in the Bond Ordinance.

Sample Report Table: Debt Coverage Ratio graph and calculation:



Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Net Income	$ 996,826	$ 997,462	$ 945,213	$ 826,113	$ 758,497
Add Depreciation/Amortization Expense	2,565,601	2,609,101	2,732,859	2,921,523	3,057,531
Add Interest Expense	764,408	726,408	688,408	648,408	606,408
Cash Generated from Operations	$ 4,326,835	$ 4,332,972	$ 4,366,480	$ 4,396,044	$ 4,422,435
Debt Principal and Interest	$ 1,714,408	$ 1,676,408	$ 1,688,408	$ 1,698,408	$ 1,706,408
Projected Debt Coverage Ratio (Covenants)	**2.52**	**2.58**	**2.59**	**2.59**	**2.59**
Minimum Debt Coverage Ratio	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**

Target Two: Minimum Cash Reserve Calculation

To help ensure timely completion of capital improvements and enable the utility to meet requirements for large, unexpected expenditures and risk factors, the recommended minimum level of cash reserves will be identified. Development of the minimum cash reserves considers several factors. A sample list is below:

- Working capital
- Variations in expenses
- Capital improvement programs
- Annual bond payments
- Exposure to catastrophic events such as extreme weather

Sample Report Table: Minimum Cash Reserves

Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Minimum Cash Reserve Allocation					
Operation & Maintenance Less Depreciation Expense	25.0%	25.0%	25.0%	25.0%	25.0%
Purchase Power Expense	25.0%	25.0%	25.0%	25.0%	25.0%
Historical Rate Base	2.0%	2.0%	2.0%	2.0%	2.0%
Current Portion of Debt Service Payment	83%	83%	83%	83%	83%
Five Year Capital Improvements - Net of bond proceeds	20%	20%	20%	20%	20%
% Plant Depreciated	56%	54%	55%	55%	59%
Calculated Minimum Cash Level					
Operation & Maintenance Less Depreciation Expense	$ 6,589,952	$ 6,762,400	$ 6,941,318	$ 7,153,036	$ 7,281,393
Purchase Power Expense	8,381,482	9,722,132	9,982,984	10,548,544	9,731,911
Historical Rate Base	1,527,454	1,689,254	1,769,511	1,877,918	1,877,918
Current Portion of Debt Service Reserve	1,391,419	1,401,379	1,409,679	1,416,319	1,462,799
Five Year Capital Improvements - Net of bond proceeds	3,939,646	3,939,646	3,939,646	3,939,646	3,939,646
Minimum Cash Reserve Levels	**$21,829,952**	**$23,514,810**	**$24,043,138**	**$24,935,462**	**$24,293,667**
Projected Cash Reserves	**$24,692,803**	**$19,224,903**	**$17,829,253**	**$15,047,239**	**$17,559,446**

Target Three: Operating Income

The optimal target for setting rates is the establishment of a target operating income to consistently fund capital improvements and replacements. Development of this target considers the following:

- Interest expense on the outstanding debt
- Inflationary increase on asset replacement costs
- Assets contributed by customers to the Utility

Sample Report Table: Target Operating Income

Description	Projected Y1	Projected Y2	Projected Y3	Projected Y4	Projected Y5
Target Operating Income Determinants					
Net Book Value/Working Capital	$33,525,928	$38,888,526	$39,931,938	$42,194,174	$38,927,644
Outstanding Principal on Debt	18,160,200	17,210,200	16,210,200	15,160,200	14,060,200
System Equity	$15,365,728	$21,678,326	$23,721,738	$27,033,974	$24,867,444
Target Operating Income Allocation					
Interest on Debt	4.21%	4.22%	4.25%	4.28%	4.31%
System Equity	7.06%	6.73%	6.87%	6.90%	7.48%
Target Operating Income					
System Equity	$ 1,085,106	$ 1,459,590	$ 1,629,338	$ 1,864,944	$ 1,859,437
Target Operating Income	**$ 1,849,514**	**$ 2,185,998**	**$ 2,317,746**	**$ 2,513,352**	**$ 2,465,845**
Projected Operating Income	**$ 2,728,770**	**$ 2,599,641**	**$ 2,394,956**	**$ 2,247,337**	**$ 2,037,669**
Rate of Return in %	**5.5%**	**5.6%**	**5.8%**	**6.0%**	**6.3%**

Five-Year Projection Summary

The projections will be summarized, and development of alternative rate tracks will be reviewed and compared to each financial target to help ensure the future financial stability of the utility. We will work with Management and the Governing body in review and development of five-year strategies and rate track. All adjustments are tied to the cost of service study for the test year, so results can easily be updated, and sensitivities run within the same model.

Projected Summary Financial before Rate Adjustments

Fiscal Year	Projected Rate Adjustments	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash	Capital Improvements Plan	Debt Coverage Ratio
Year 1	0.0%	$ 2,728,770	$ 3,038,480	$ 16,392,621	$ 18,099,160	$ 6,065,000	1.10
Year 2	0.0%	2,711,845	3,019,772	14,592,541	19,169,551	2,175,000	1.11
Year 3	0.0%	2,622,411	3,061,319	10,964,992	19,674,886	4,012,870	1.11
Year 4	0.0%	2,473,225	3,149,568	5,938,354	20,516,844	5,420,360	1.12
Year 5	0.0%	2,380,491	3,098,229	4,959,247	20,862,261	1,380,000	1.12

Projected Summary Financials with Rate Adjustment and $5.0 million bond issuance

Fiscal Year	Projected Rate Adjustments	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash	Capital Improvements Plan	Debt Coverage Ratio
Year 1	2.0%	$ 3,350,054	$ 3,038,480	$ 17,013,904	$ 18,099,160	$ 6,065,000	1.26
Year 2	2.0%	3,972,613	3,019,772	22,477,689	19,169,551	2,175,000	1.44
Year 3	1.0%	4,216,200	3,061,319	21,453,355	19,674,886	4,012,870	1.53
Year 4	1.0%	4,407,444	3,149,568	21,578,377	20,516,844	5,420,360	1.62
Year 5	1.0%	4,662,614	3,098,229	21,908,593	20,862,261	1,380,000	1.71

Electric Cost of Service Study

The development of the cost of service study incorporates the revenue requirement identified as part of the financial projection. This section describes the additional procedures used in development of the cost of service study and sample outputs from previous studies.

Load Profile Information

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

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

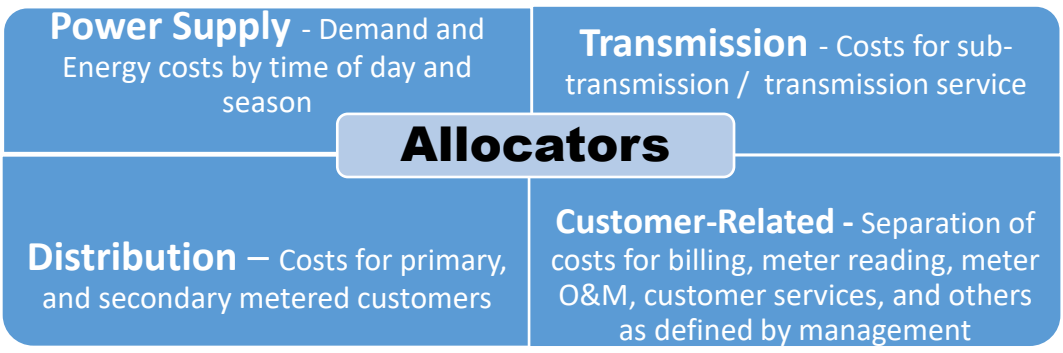
The load research information identifies the monthly load factors for each class, how much is being used by the class at the peak time of the day when power supply demand or transmission demand charges are determined. The load research information is compared with the hourly system hourly load data to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

System Losses

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

Development of Allocators

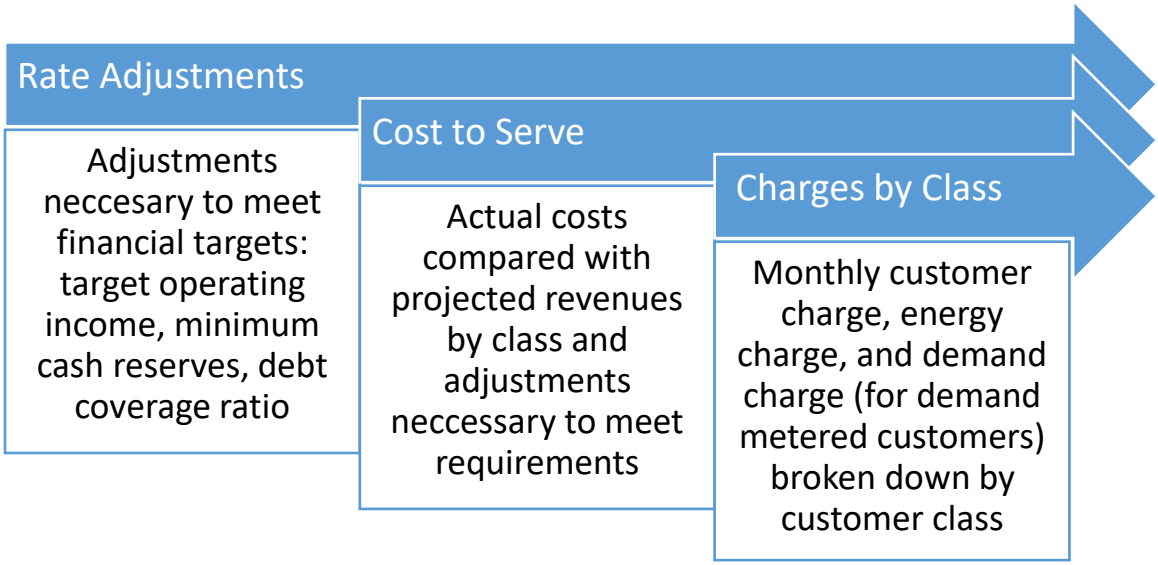
The load profile information for each class is used to determine the allocation factors used to allocate expenses based on cost-causation. Examples of cost causation include the identification of the date and time power supply demand charges are determined and each class usage at the time of the peak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



Prepare Cost of Service Analysis

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

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



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

Customer Class	Cost of Service	Projected Revenues	% Change
Residential A	$ 4,672,077	$ 4,183,897	11.7%
General Secondary B	3,032,446	2,974,374	2.0%
Street Light Service S	144,370	133,504	8.1%
Secondary Energy & Demand C	3,144,714	3,072,174	2.4%
Primary Energy & Demand D	20,191,294	20,700,210	-2.5%
Total	$ 31,184,902	$ 31,064,158	0.4%

The cost of service column from the table above identifies the cost to provide service to each class of customers and is compared with the projected revenues from each class. The percent change is the rate adjustment necessary for each class to achieve cost of service. We typically do not recommend rates move fully to cost of service, but as part of the discussions with staff and Council we develop a plan to move classes toward cost of service to minimize rate impacts on any specific customer class.

Development of new rate classes

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

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

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

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

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

			Power Supply			
			Summer		Winter	
Customer Class	Monthly Customer Charge	Distribution Rate	Demand	Energy	Demand	Energy
Residential A	$ 13.65	$ 0.0249	$ 0.0181	$ 0.0479	$0.0101	$ 0.0353
General Secondary B	26.60	0.0288	0.0311	0.0550	0.0136	0.0319
Street Light Service S	-	0.1752	-	0.0689	-	0.0300
Secondary Energy & Demand C	120.60	8.52	12.09	0.0577	4.88	0.0313
Primary Energy & Demand D	223.90	7.24	12.38	0.0573	4.85	0.0296

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

Rate Breakdown	kWh Residential A	kWh General Secondary B	KW Secondary Energy & Demand C	KW Primary Energy & Demand D
Demand Breakdown				
Distribution	$ 0.0110	$ 0.0117	$ 3.44	$ 2.95
Transmission	0.0059	0.0084	2.91	2.91
Transformer	0.0027	0.0029	0.73	-
Substation	0.0052	0.0057	1.43	1.39
Direct	-	-	-	-
Subtotal - kWh, kW, HP Charge	$ 0.0249	$ 0.0288	$ 8.52	$ 7.24
Customer Breakdown				
Distribution Customer Costs	$ 6.07	$ 12.13	$ 54.59	$ 109.18
Transformer Customer Costs	2.07	4.14	18.62	-
Meter O&M	0.57	0.57	2.87	39.11
Meter Reading	0.13	0.13	1.15	2.30
Billing	0.08	0.15	0.70	1.39
Services	1.20	2.41	10.83	8.23
Customer Service	3.54	7.08	31.84	63.68
Customer Charge $/Meter	$ 13.65	$ 26.60	$ 120.60	$ 223.90

Water Cost of Service

Water Allocation Factors

A critical part of the cost of service study is the development of allocators from customer classes' usage patterns. The allocators are used to allocate the fixed capacity costs, semi-variable operating costs, variable chemicals and power, and customer-related costs. The characteristics modeled will include total water used, peak day, peak hour and customer billing, metering, and services requirements. To obtain peak use ratios by meter size we will perform the following:

- Review internal usage patterns available and supplement with peak ratio information on customer classes developed from generic sources
- Review peak loadings on water production readings
- Review peak month loadings from billing statistics

Identification of Peak Day/Peak Hour Allocation Factors

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

- Review of pumping statistics of the wells over the past five years
- Review of peak loadings on water production wells for each month
- Review of monthly usage for each customer class and meter size (billing statistics)

The peak day and peak hour usage factors will be estimated based on average monthly usage compared to peak monthly usage with adjustments made for the monthly billing cycles. The calculated peak is compared with the actual peaks from the production statistics and adjusted to balance. Listed below is an example table that will be developed for the City.

Determination of Peak to Average Ratio using Two Year Average

	Year 1 Peak Factor			Year 2 Peak Factor			Two Year Average		
	CCF Usage during peak Month	Average Monthly Usage per year - CCF	Peak to Average Ratio	CCF Usage during peak Month	Average Monthly Usage per year - CCF	Peak to Average Ratio	CCF Usage during peak Month	Average Monthly Usage per year - CCF	Peak to Average Ratio
5/8" Meter	4,277	2,350	1.82	3,210	2,177	1.47	3,744	2,264	1.65
3/4" Meter	268	162	1.66	200	120	1.67	234	141	1.66
1" Meter	2,897	1,422	2.04	2,411	1,191	2.02	2,654	1,307	2.03
1-1/2" Meter	1,149	525	2.19	1,059	521	2.03	1,104	523	2.11
2" Meter	3,348	1,704	1.96	2,780	1,661	1.67	3,064	1,682	1.82
3" Meter	873	510	1.71	654	370	1.77	763	440	1.74
4" Meter	839	602	1.39	636	516	1.23	737	559	1.31
6" Meter	1,786	622	2.87	1,918	1,203	1.59	1,852	912	2.23

Application of Peak to Average Ratio to Customer Classes

	Base		Maximum Day			Maximum Hour		
Customer Class	Annual Use	Average Rate	Capacity Factor	Total Capacity	Extra Capacity	Capacity Factor	Total Capacity	Extra Capacity
5/8" Meter	794,576	1.6	1.47	2.4	0.8	1.47	2.4	0.77
3/4" Meter	43,620	0.1	1.67	0.1	0.1	1.67	0.1	0.06
1" Meter	434,796	0.9	2.02	1.8	0.9	2.02	1.8	0.91
1-1/2" Meter	190,019	0.4	2.03	0.8	0.4	2.03	0.8	0.40
2" Meter	606,089	1.2	1.67	2.1	0.8	1.67	2.1	0.84
3" Meter	135,166	0.3	1.77	0.5	0.2	1.77	0.5	0.21
4" Meter	188,509	0.4	1.23	0.5	0.1	1.23	0.5	0.09
6" Meter	439,040	0.9	1.59	1.4	0.5	1.59	1.4	0.54
Total System	**2,831,815**	**5.80**		**9.63**	**3.82**		**9.63**	**3.82**

Expense Projection

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

Water Rate Design and Revenue Proof

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

Sewer Cost of Service

Sewer Allocation Factors

Expense categories will be analyzed and reviewed to determine an appropriate allocation factor. The allocation factor will be developed based on cost causation and allocated to each billing parameter. The allocation factors developed include peaking factors, flow characteristics, and customer related costs. Industrial pre-treatment costs will be reviewed, and allocation factors developed to determine the charges for Industrial Waste Discharge Fees. A sample list of allocators is listed below:

Account Name	Volume	BOD	TSS	Phos	G&O	Cust	Total
Generation							
Salary & Benefits	53%	29%	14%	4%	0%	0%	100%
Production Electricity	58%	25%	13%	4%	0%	0%	100%
Production Water	53%	28%	12%	7%	0%	0%	100%
Gas Heating	53%	28%	12%	7%	0%	0%	100%
Oper Permits & Fees	53%	28%	12%	7%	0%	0%	100%
Other Expenses	53%	28%	12%	7%	0%	0%	100%
Operations							
Salary & Benefits	53%	29%	14%	4%	0%	0%	100%
Production/Treatment Chemicals	27%	32%	15%	27%	0%	0%	100%
Sludge Disposal	0%	75%	25%	1%	0%	0%	100%
Other Expenses	53%	28%	12%	7%	0%	0%	100%
Pollution Control	27%	32%	15%	27%	0%	0%	100%
Plant Maintenance	40%	40%	19%	0%	0%	0%	100%
Operations Allocation	40%	40%	19%	0%	0%	0%	100%
Technology Director Allocation	53%	29%	14%	4%	0%	0%	100%
Administration & General							
Insurance	54%	16%	12%	2%	0%	16%	100%
W/WW Engineering Allocation	0%	0%	0%	0%	0%	100%	100%
IT Allocation	0%	0%	0%	0%	0%	100%	100%
Other	54%	16%	12%	2%	0%	16%	100%
Facilities & Warehouse	0%	0%	0%	0%	0%	100%	100%
Accounting & Collecting							
Finance Allocation	54%	16%	12%	2%	0%	16%	100%
Accounting Allocation	54%	16%	12%	2%	0%	16%	100%
Corporate Allocation	54%	16%	12%	2%	0%	16%	100%
Personnel Allocation	54%	16%	12%	2%	0%	16%	100%
Other	54%	16%	12%	2%	0%	16%	100%
Collection							
Services / Maintenance	0%	0%	0%	0%	0%	100%	100%
Lift Station Maintenance	0%	0%	0%	0%	0%	100%	100%
Customer Service Allocation	0%	0%	0%	0%	0%	100%	100%
Meter Reading Allocation	0%	0%	0%	0%	0%	100%	100%
Billing Allocation	0%	0%	0%	0%	0%	100%	100%
Other	0%	0%	0%	0%	0%	100%	100%

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

Example COS Summary Table

Customer Type	Cost of Service Rates	Projected Revenues	Percentage Adjustment
5/8"	$ 3,543,212	$3,045,073	16%
3/4"	100,929	93,713	8%
1"	813,759	770,611	6%
1-1/2"	432,333	371,866	16%
2"	1,457,418	1,265,868	15%
3"	270,158	245,673	10%
4"	412,630	370,115	11%
6"	303,145	300,426	1%
Flat Rate	190,341	171,035	11%
Total	**$ 7,523,925**	**$6,634,380**	**13.4%**

Example Monthly Customer Charge Cost of Service Results

	Current Monthly Charge	Current Unit Charge 1st and 2nd Block	Current Chrg 3rd Block	COS Monthly Customer Charge	COS Unit Charge
In-City					
5/8"	$ 9.45	$ 2.18	$ 2.05	**$ 10.53**	**$ 2.08**
1"	16.00	2.18	2.05	**22.34**	**2.08**
2"	52.25	2.18	2.05	**72.16**	**2.08**
3"	106.00	2.18	2.05	**150.68**	**2.08**
4"	168.00	2.18	2.05	**270.92**	**2.08**
6"	240.00	2.18	2.05	**586.42**	**2.08**
Outside City					
5/8"	$ 14.50	$ 3.68	$ 2.89	**$ 17.15**	**$ 2.93**
1"	26.00	3.68	2.89	**34.77**	**2.93**
2"	78.25	3.68	2.89	**105.06**	**2.93**
4"	158.00	3.68	2.89	**385.31**	**2.93**
6"	248.00	3.68	2.89	**821.48**	**2.93**

Rate Design

Design of utility rates uses input from the cost of service study as guidance on changes to rate classes and the rate components for each rate class. Cost of service results are one factor in design of rates for customers. Other factors must be considered such as impact on customers, social and environmental issues, and philosophy of the utility's governing body.

UFS will develop and recommend a schedule of electric, water, and sewer rates designed to generate adequate revenues, and reflect or move toward the recommended rate adjustment. A five-year rate track will be provided with the financial projection. Rate designs for the existing rate structure will consist of:

- Three Year Water Rate Design
- Three Year Sewer Rate Design
- Three Year Electric Rate Design

Additional years' rate design may be added at additional cost. The rate design model identifies the impacts on customers at various usage levels similar to the tables below and is listed by rate class, meter size and usage level.

Please note that all rate designs outside of the current rate structure will be charged hourly.

Summary of overall rate adjustments for each class – Water/Sewer

	Water Utility			Wastewater Utility		
Charged per thousand gallons	Current Charge	Proposed Charge Year 1	COS Rates	Current Charge	Proposed Charge Year 1	COS Rates
Commodity Charge - Inside City	$ 4.57	$ 4.66	$ 5.01	$ 7.87	$ 8.00	$ 7.88
Commodity Charge - Outside City	9.14	9.09	6.85	15.74	15.60	11.39
3/4" Meter Inside	12.00	13.00	13.95	14.00	14.50	11.39
1" Meter Inside	12.00	13.00	22.36	14.00	15.00	15.18
2" Meter Inside	48.00	53.00	61.10	56.00	56.50	40.83
4" Meter Inside	192.00	202.00	138.97	224.00	224.00	116.28
6" Meter Inside	432.00	432.00	213.53	504.00	504.00	187.33
3/4" Meter Outside	24.00	25.35	15.12	28.00	28.28	17.48
1" Meter Outside	24.00	25.35	24.20	28.00	29.25	26.30
2" Meter Outside	96.00	96.00	92.66	102.00	110.18	136.44
4" Meter Outside	384.00	384.00	230.61	425.70	436.80	297.85
6" Meter Outside	864.00	842.40	463.12	956.70	982.80	520.40
Total Revenue	$ 1,772,678	$ 1,861,311		$ 2,418,218	$ 2,514,946	
Proposed Rate Change		5.0%			4.0%	

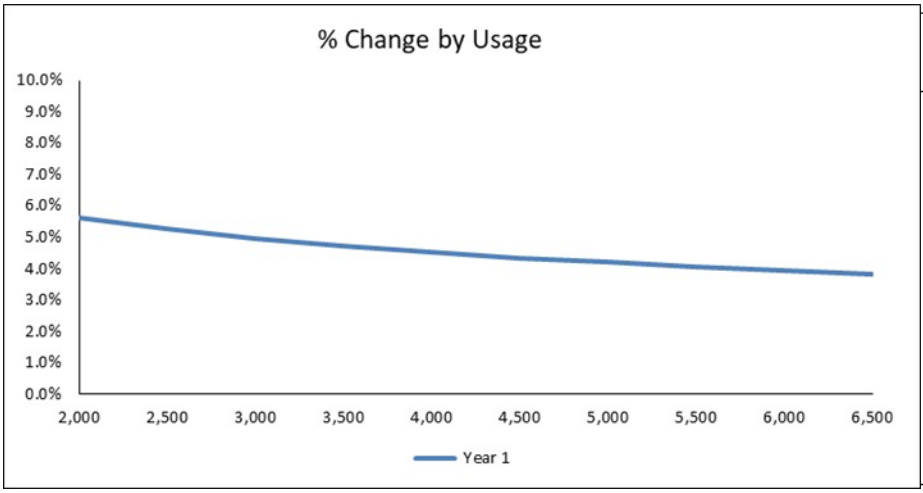
Summary of overall rate adjustments for each class - Electric

Customer Class	Projected Revenues Under Current Rates	Projected Revenues Under Proposed Rates Year 1	Projected Percentage Change Year 1
Residential A	$ 4,183,897	$ 4,272,065	2.11%
General Secondary B	2,974,374	3,019,822	1.53%
Street Light Service S	133,504	135,687	1.64%
Secondary Energy & Demand C	3,072,174	3,125,649	1.74%
Primary Energy & Demand D	20,700,210	20,956,423	1.24%
Totals	$ 31,064,158	$ 31,509,647	1.43%

Sample Rate Design Single Year – Water / Sewer

3/4" Inside

Rates	Current	Year 1
Monthly Facilities Charge	$ 12.00	$ 13.00
Usage Charge per 1,000 Gallons		
Inside City	$ 4.57	$ 4.66

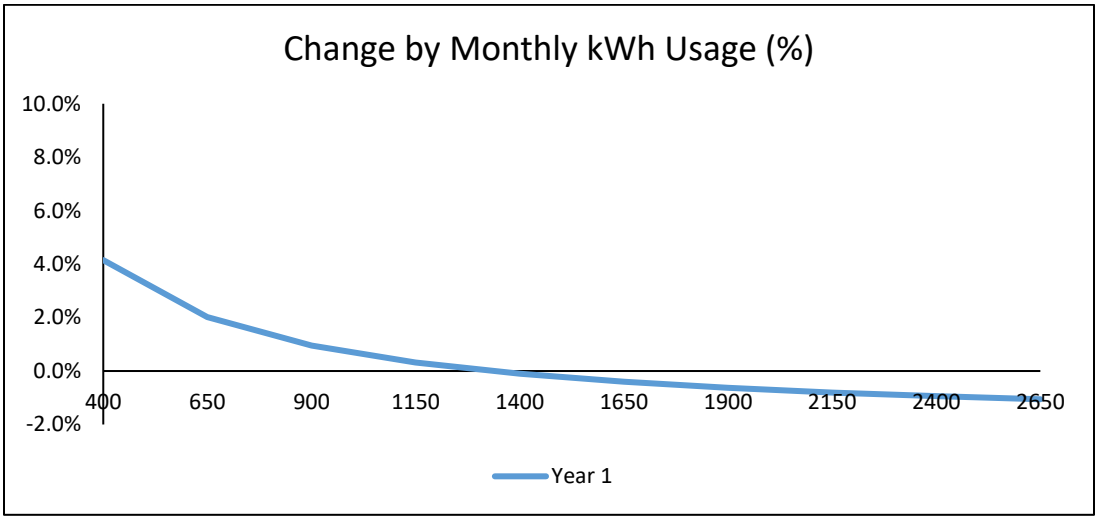


Monthly $ Change by Usage	
Usage	Year 1
2,000	$ 1.19
2,500	$ 1.23
3,000	$ 1.28
3,500	$ 1.32
4,000	$ 1.37
4,500	$ 1.42
5,000	$ 1.46
5,500	$ 1.51
6,000	$ 1.56
6,500	$ 1.60

Electric Sample Rate Design, Single Year

Projected Residential Rates

Rates	Current	Year 1	COS
Monthly Facilities Charge:			
All Customers	$ 6.50	$ 8.50	$ 14.47
Energy Charge:			
All Energy	$ 0.0681	$ 0.0666	$ 0.08093
Revenue from Rate	$ 3,584,465	$ 3,648,247	$ 4,709,219
Change from Previous		1.8%	



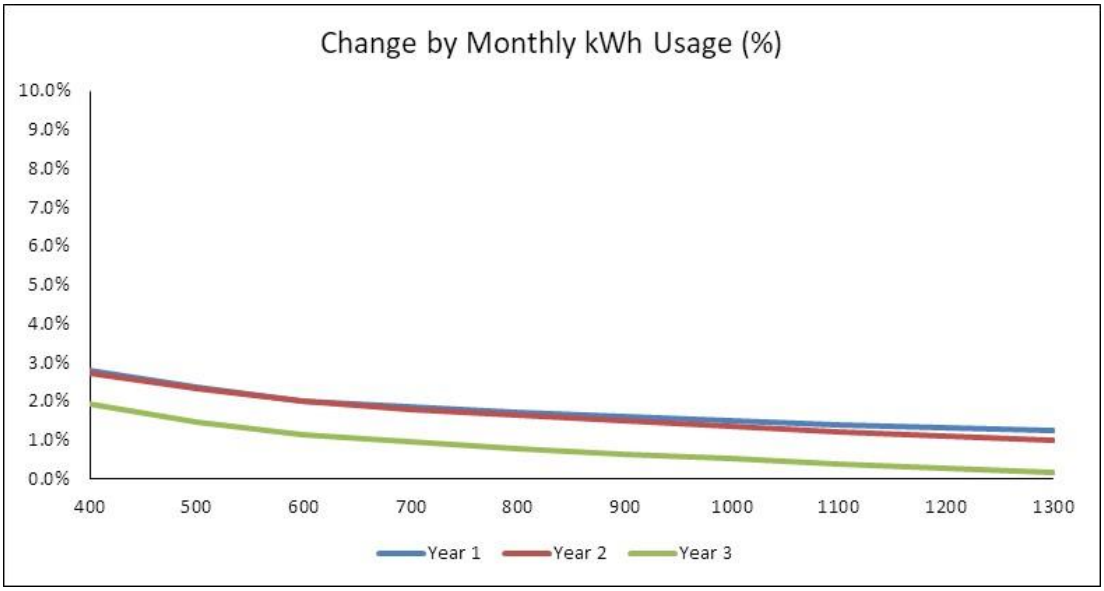
Average Monthly Bill Increase by Usage

All Energy	Year 1 $	Year 1 %
400	$1.40	4.1%
650	$1.03	2.0%
900	$0.65	1.0%
1150	$0.28	0.3%
1400	($0.10)	-0.1%
1650	($0.47)	-0.4%
1900	($0.85)	-0.6%
2150	($1.22)	-0.8%
2400	($1.60)	-0.9%
2650	($1.97)	-1.1%

Electric Sample Rate Design, Multi Year

Projected Residential Rates

Rates	Current	Year 1	Year 2	Year 3	COS Rates
Monthly Facilities Charge:					
All Customers	$ 11.75	$ 13.25	$ 14.75	$ 16.25	$ 18.86
Energy Charge:					
Winter All Energy	$ 0.1018	$ 0.1019	$ 0.1020	$ 0.1020	$ 0.10383
Summer Block 1 (First 20 kWhs per day)	$ 0.1100	$ 0.1100	$ 0.1100	$ 0.1070	$ 0.10383
Summer Block 2 (Excess)	$ 0.1249	$ 0.1240	$ 0.1220	$ 0.1190	$ 0.10383
Revenue from Rate	$ 10,337,868	$ 10,553,155	$ 10,762,483	$ 10,879,557	$ 11,175,415
Change from Previous		2.1%	2.0%	1.1%	



Average Monthly Bill Increase by Usage

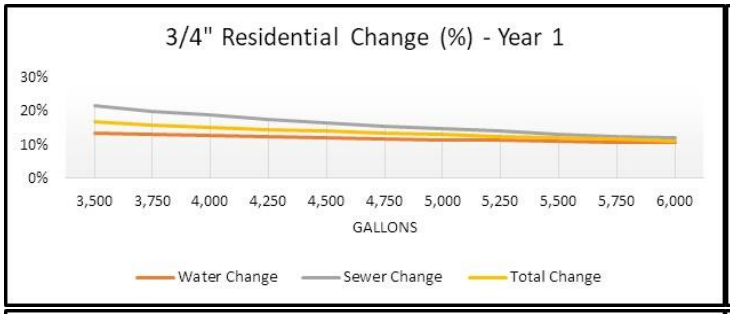
All Energy	Year 1 $	Year 1 $ %	Year 2 $	Year 2 $ %	Year 3 $	Year 3 $ %
400	$1.52	2.8%	$1.53	2.8%	$1.10	1.9%
500	$1.52	2.4%	$1.53	2.3%	$1.00	1.5%
600	$1.53	2.0%	$1.54	2.0%	$0.90	1.2%
700	$1.50	1.9%	$1.49	1.8%	$0.80	1.0%
800	$1.47	1.7%	$1.42	1.6%	$0.70	0.8%
900	$1.44	1.6%	$1.35	1.5%	$0.60	0.7%
1000	$1.41	1.5%	$1.29	1.4%	$0.50	0.5%
1100	$1.38	1.4%	$1.22	1.2%	$0.40	0.4%
1200	$1.35	1.3%	$1.15	1.1%	$0.30	0.3%
1300	$1.32	1.2%	$1.09	1.0%	$0.20	0.2%

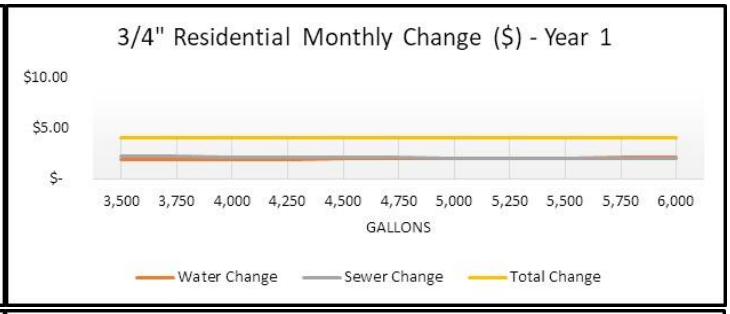
Water / Sewer Sample Rate Design Multi-Year

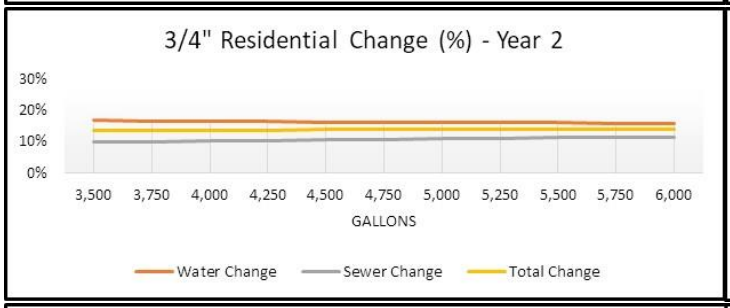
Water									
	Customer Charge								
Meter Size	Current	Year 1	Prior	Year 2	Prior	Year 3	Prior		
3/4"	$ 5.75	$ 7.25	26%	$ 8.75	21%	$ 9.00	3%		
1"	$ 7.65	$ 9.50	24%	$ 9.50	0%	$ 9.75	3%		
1 1/2"	$ 11.35	$ 14.00	23%	$ 15.50	11%	$ 16.00	3%		
2"	$ 23.50	$ 24.50	4%	$ 24.50	0%	$ 24.50	0%		
3"	$ 70.50	$ 76.00	8%	$ 76.00	0%	$ 80.00	5%		
4"	$ 93.00	$ 135.00	45%	$ 135.00	0%	$ 140.00	4%		
6"	$ 132.00	$ 210.00	59%	$ 210.00	0%	$ 210.00	0%		
8"	$ 208.00	$ 350.00	68%	$ 500.00	43%	$ 750.00	50%		
	Volume Charge								
Usage	Current	Year 1	Prior	Year 2	Prior	Year 3	Prior		
Usage Block 1	$ 2.35	$ 2.45	4%	$ 2.78	13%	$ 3.29	18%		
Usage Block 2	$ 1.60	$ 2.00	25%	$ 2.10	5%	$ 2.25	7%		
Total Water			11.9%		12.0%		12.0%		

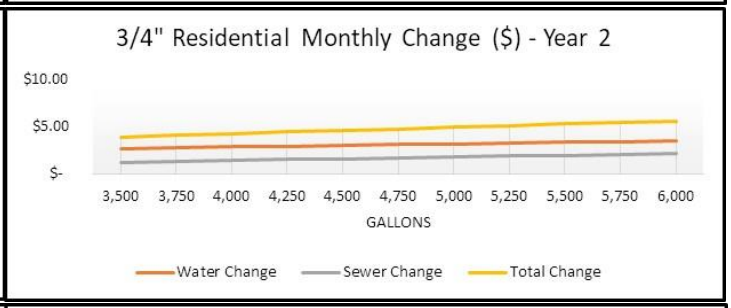
Wastewater									
	Customer Charge								
Meter Size	Current	Year 1	Prior	Year 2	Prior	Year 3	Prior		
3/4"	$ 4.15	$ 4.25	2%	$ 4.25	0%	$ 4.25	0%		
1"	$ 4.15	$ 4.25	2%	$ 4.25	0%	$ 4.25	0%		
1 1/2"	$ 4.15	$ 8.00	93%	$ 8.00	0%	$ 8.00	0%		
2"	$ 4.15	$ 13.00	213%	$ 13.00	0%	$ 13.00	0%		
3"	$ 4.15	$ 25.00	502%	$ 50.00	100%	$ 55.00	10%		
4"	$ 4.15	$ 50.00	1105%	$ 100.00	100%	$ 100.00	0%		
6"	$ -	$ 100.00	0%	$ 200.00	100%	$ 250.00	25%		
8"	$ -	$ 200.00	0%	$ 300.00	50%	$ 375.00	25%		
	Volume Charge								
Usage	Current	Year 1	Prior	Year 2	Prior	Year 3	Prior		
First 1,000 Gallons	Included above	$ 2.35	N/A	$ 2.70	15%	$ 3.12	16%		
Over 1,000 Gallons	$ 2.45	$ 2.35	-4%	$ 2.70	15%	$ 3.12	16%		
Total Wastewater			12.0%		12.0%		12.1%		

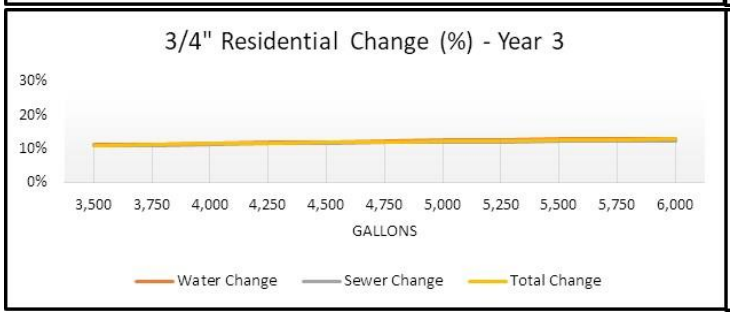
Sample ¾ inch Multi-Year Rate Design Graphs:

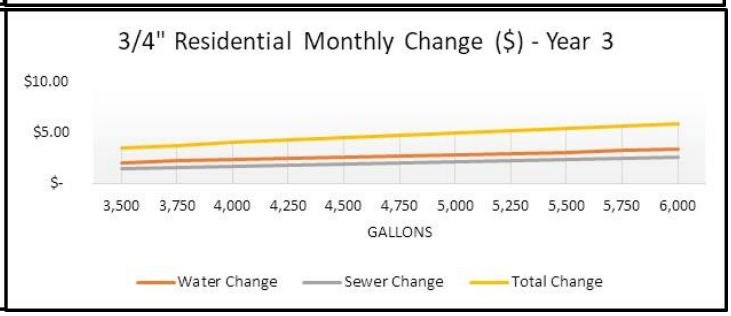










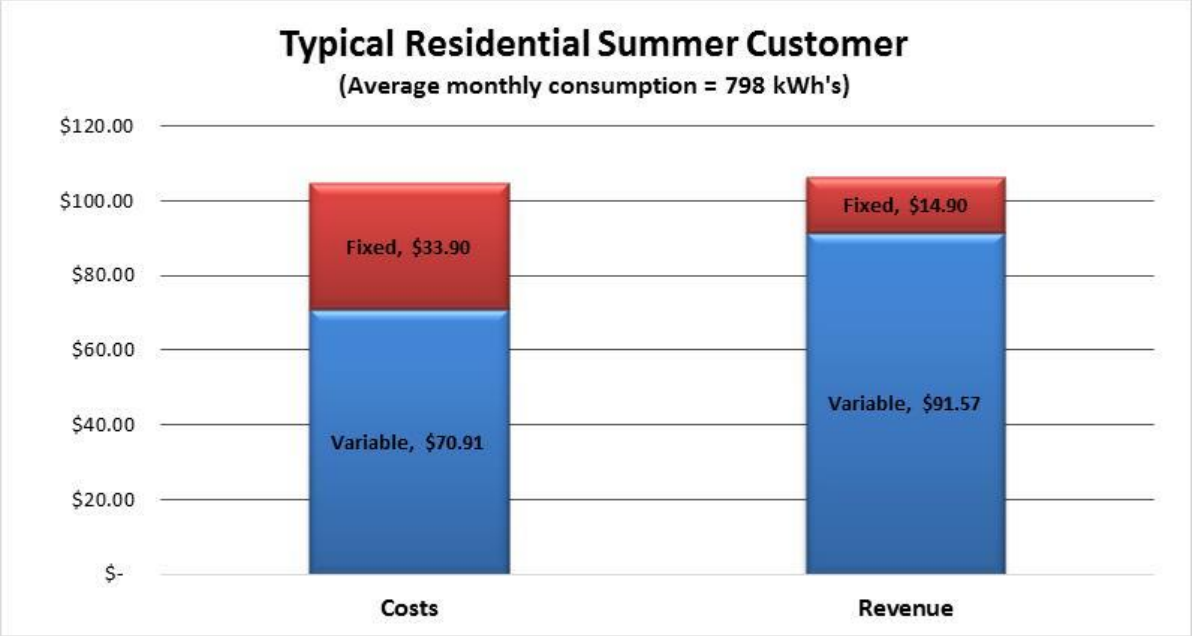


Renewable Energy – Net Metering and Avoided Cost

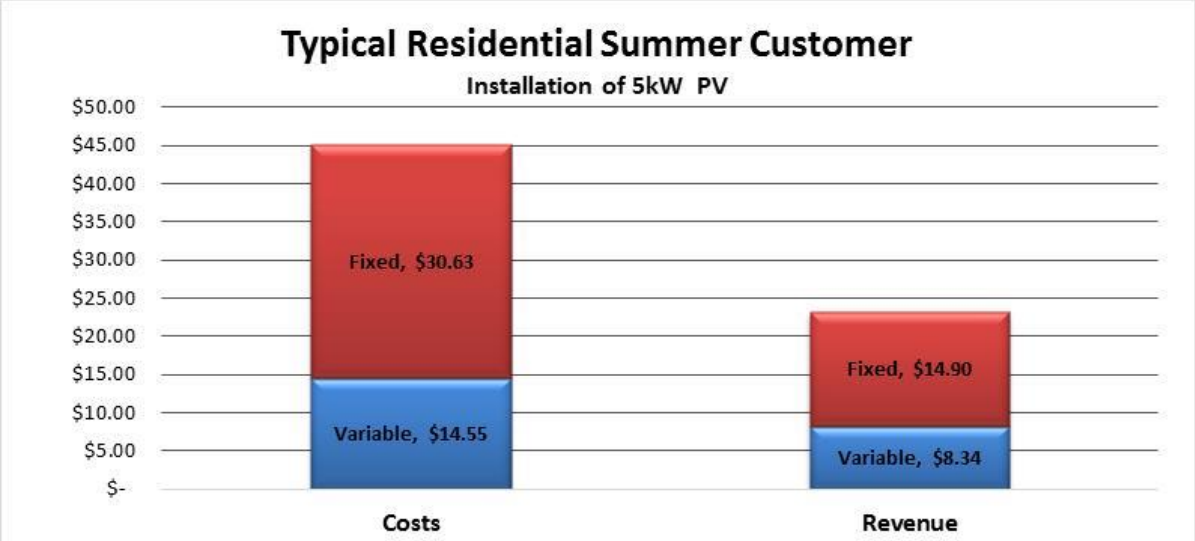
The growth of customer installed Photovoltaic (PV) may result in under-recovering the utilities' fixed costs due to inappropriately structured residential rates. Many utilities face the following residential rate structure issues:

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

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



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



For this utility, the under-recovery occurs because distribution costs should be recovered through a demand charge and customer charges rather than through the energy (kWh) charge.

A variety of difficulties and limitations exist to correct the rate structure, although some can be easily corrected. They include:

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

Meetings, Reports and Deliverables

Meetings

The following meetings are anticipated by conference call for electric, water, and sewer:

- Kick-off meeting – Clarify scope of services and expectations of management
- Fieldwork – Verify data collected
- Review draft reports with management
- Presentation as requested by management such as review report with Governing body

Format of Reports

UFS reports are typically separated into two reports listed below. Separate reports will be issued for each utility.

- **Executive Summary Report** – An overview that identifies the objectives, process, and results of the rate study in a clear and concise format, the report includes graphs, charts, tables, and recommendations.
- **Rate Design Recommendation Report** – The rate design report includes the following:
    - Comparison of the current and proposed rates
    - Expected revenues generated from proposed rates
    - Impact on customer classes at various usage levels or load factors within each rate class

Presentation of Cost of Service and Rate Design Study

A critical aspect of the study is the clear and concise presentation to the governing body of the utility. UFS professionals are skilled at explaining and working with advisory and governing bodies to ensure decisions are based on information they can understand and apply to their community.

Firm Qualifications

Qualifications Introduction

UFS has a long-standing relationship and history, since 2001, in assisting municipalities with cost of service and financial analysis for Electric utilities and are recognized experts in the utility field. Our group and the project team assigned to this engagement is composed of highly qualified, experienced, and knowledgeable professionals who remain current on all issues facing utilities. UFS' reputation has resulted in an industry leading status shown by our frequent request to instruct classes and speak at conferences around the nation, the number of rate studies we have completed.

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

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

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

1. A summary of our experience and qualifications
2. Electric Projects completed in past 36 months
3. Name of Contact Person for UFS
4. Proposed Team Members and Locations
5. Resumes of UFS personnel

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

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

Summary of Qualifications and Experience

Industry Leading Status

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

Training for Utility Management and Governing Bodies

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

Training for Utility Staff

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

- Basic Cost of Service
- Intermediate Cost of Service
- Advanced Cost of Service
- Financial Planning
- Utility Financial Check-up
- Cost of Service and Rate Design for Distributed Generation
- Development of Line Extension Policies
- Rate Structures to promote Energy Conservation
- Rate Structures to create Revenue Stability
- Advanced issues in Rate Design
- Advanced issues in Cost Allocations

Conference Presentations

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

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

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

Quality Control

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

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

Timeliness of Studies

Part of the quality control includes the timely completion of the rate studies. UFS experience in completing studies provides us the ability to complete the studies as requested and discussed in the initial kick-off conference call.

Experience:

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

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

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

Financial Strength
UFS commenced business in 2001 and has the highest financial rating by Dunn and Bradstreet.

Independence
UFS maintains its independence throughout its engagements to help ensure unbiased recommendations to the governing bodies. We do not provide services that could impair our independence such as engineering, accounting, or auditing services. UFS only provides financial services related to Financial Planning, Cost of Service and Rate Designs for Utilities.

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

Similar Past Studies
UFS has completed electric, water, and sewer cost of service studies for utilities around the nation of similar scope of services. UFS client lists are proprietary and cannot be shared.

Name and title of primary contact person
Mark Beauchamp, MBA, CPA, CMA
President, Utility Financial Solutions, LLC
E-mail - mbeauchamp@ufsweb.com
Cell - (616) 403-5450
Date firm established - UFS was established in September 2001

Proposed service team including titles and responsibilities
Mark Beauchamp - President
Dawn Lund – Vice President
Dan Kasbohm – Manager
Mike Johnson – Manager
Chris Lund – Business and Technology Manager
Joan Bakenhus – Senior Financial Analyst
Jillian Jurczyk – Financial Analyst
Robert Blank – Financial Analyst
Carolyn Ragusett – Administrative Assistant

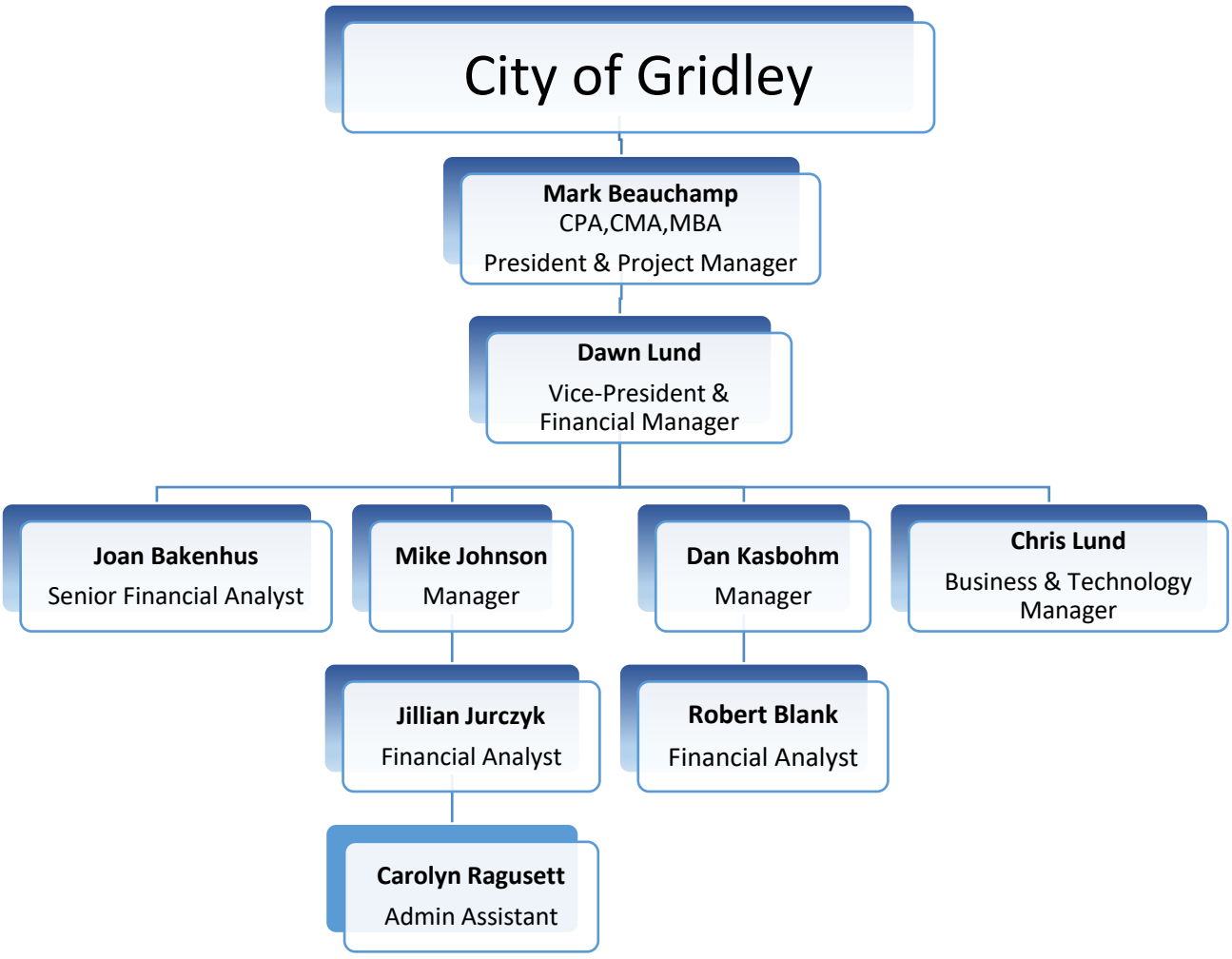
Project Team Qualifications

Proposed team members

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

The personnel assigned to this engagement are listed below:

Full Time Staff and Office Locations	
Main Office and Contact, authorized to negotiate and bind contract:	Authorized to negotiate and bind contract:
Title: President **Mark Beauchamp** 185 Sun Meadow Ct Holland MI 49424 UFS since 2001 Industry Experience since 1981 Phone 616-393-9722 Fax 888-501-0998 Cell 616-403-5450 mbeauchamp@ufsweb.com	**Title: Vice President** **Dawn Lund** P. O. Box 582 Leland MI 49654 UFS since 2006 Industry Experience since 1996 Cell 231-218-9664 Fax 888-566-4430 dlund@ufsweb.com
Title: Senior Analyst **Dan Kasbohm** 14986 Sandstone Road Grand Haven MI 49417 UFS since 2008 Industry Experience since 2008 Cell 616-402-7045 Fax 888-499-6609 dkasbohm@ufsweb.com	**Title: Senior Analyst** **Mike Johnson** 4901 Hermsmeier Road Madison WI 53714 UFS since 2011 Industry Experience since 1995 Phone 608-230-5849 Fax 888-809-9640 Cell 608-609-6279 mjohnson@ufsweb.com



Staff Availability

UFS has adequate staff available to complete the tasks in the timeline requested by the City.

Resumes

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

Mark Beauchamp, CPA, CMA, MBA

President, Utility Financial Solutions, LLC

Email: mbeauchamp@ufsweb.com
Cellular: 616-403-5450
Location: Holland, MI

Education

- AAS Water Purification Technology
- ABA Business Administration
- BBA Major – Accounting
- MBA Master's Degree in Business

Course Instructor

American Public Power Association (APPA)

- Advanced Cost of Service Course (Cash Basis & Utility Basis of Ratemaking)
- Intermediate Cost of Service (Cash Basis & Utility Basis of Ratemaking)
- Basic Cost of Service (Cash Basis and Utility Basis of Ratemaking)
- Financial Planning for Municipal Utilities
- Financial Planning for Board & Councils
- Financial Planning and Rate Setting for Managers (Part of Managers Certificate Program)

American Municipal Power (AMP)

- Financial Planning and Rate Designs for Electric Utilities

Expert Witness Service

- Detroit Edison vs. Ameritech – Provided expert witness services for Detroit Edison on development of Pole Attachment Rates for Ameritech
- Nebraska State Unicameral – Served as an expert witness before the state of Nebraska Unicameral on Proper rate setting and credits to provide customer installed renewable generation
- Dayton Power & Light – Provided expert witness services on pole attachment rates. Case was resolved prior to Court appearance
- Coldwater Board of Public Works – Provide expert witness services on rate challenge by large industrial customer. Case was dropped after deposition was provided
- Smethport PA – Provided deposition and responses to Pennsylvania Public Service Commission on Rate Filing for Smethport

License and Qualifications

- Class "A" license in wastewater treatment from the State of Michigan
- (CPA) Certified Public Accountant – Wisconsin
- (CMA) Certified Management Accountant – Institute Certified Management Accountants

Course Instructor

Michigan State University

- Advanced Issues in Cost Allocation (Utility Basis of Rate Making)
- Retail Costing and Pricing of Electricity
- Wholesale Costing and Pricing of Electricity

Southwest American Water Works Association
Michigan Rural Water Association

- Cost of Service & Rate Making for Water Utilities

Michigan Finance Government Officers Association

- Cost of Service & Rate Making for Water & Wastewater Utilities

Industry Involvement

- Member of the American Public Power Association
- Member of the American Water Works Association
- Member of the Institute of Management Accountants
- Speaker at national conferences on Financial Planning for Municipal Utilities, Pricing for Water Utilities, Pricing Fiber Optic backbone systems, Unbundling Electric Rates, and Ways to Attract and Retain Customers
- Author of articles appearing in national magazines and newsletters regarding pricing fiber optics, training electric rates, and designing water rates

Dawn Lund Vice-President, Utility Financial Solutions, LLC	
	Dawn has utility energy experience pricing and marketing utility services for electric, water and wastewater beginning in 1996. Dawn has worked with UFS since 2006 and previously worked with a large utility and held positions as Cost and Rate Specialist and Marketing and Communications Specialist. Dawn works with utilities across the country teaching financial concepts and is also the instructor for Financial Planning courses for the American Public Power Association. She is also a regularly requested speaker for various regional and national organizations. *Email:* dlund@ufsweb.com *Cellular:* 231-218-9664 *Location:* Traverse City, MI

Cost of Service (COS)

- Completed electric water and wastewater cost of service and rate design studies for utilities across the country, Guam, and the Caribbean
- Determining appropriate allocations of overhead costs between utility services

Long-term financial analysis

- Development of long-term sales and expense projections for electric, water, and wastewater utilities
- Development of long-term financial plan and rate track for electric, water, and wastewater

Presentation/Training

- Presentations to City Councils and Boards for approval of utility rates and proposed rate tracks
- Instructor for APPA's Financial Planning courses
- Monthly presentations to various organizations on topics such as: financial planning, key financial targets, cash policies and how to explain rate increases to the end user, cost of services challenges/solutions, and Introduction to allocation studies

Rate Design

- Development of electric rate designs to meet financial and social objectives of utility
- Development of special rates for electric utilities including Net Metering, Economic Development and Time of Use

Other Utility Tools

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

Mike Johnson

Manager, Utility Financial Solutions, LLC

Mike joined Utility Financial Solutions, LLC in 2011 and has experience assisting utilities since 1995. He has a Higher National Diploma in Mechatronics (Combined Electrical/Mechanical Engineering). Mike is experienced in cost of service, rate making, financial/operational modeling, automation, electric utility operations, and power supply.

Email: mjohnson@ufsweb.com
Cellular: 608-230-5849
Location: Madison, WI

Cost of Service

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

Rate Design

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

Expert Witness Services

- Prepared and testified on filings to Public Utility Commission

Long Term Financial Analysis

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

Other Utility Tools

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

Dan Kasbohm

Manager, Utility Financial Solutions, LLC

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

Email: dkasbohm@ufsweb.com
Cellular: 616-402-7045
Location: Grand Haven, MI

Cost of Service (COS)

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

Long-term financial analysis & identification of:

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

Presentation/Training

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

Rate Design

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

Other Utility Tools

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

Joan Bakenhus

Senior Financial Analyst, Utility Financial Solutions, LLC

Joan has experience working with municipal utilities from 1986-1996 and came back to industry in 2006. Joan has a degree in Business Administration. Joan has worked as a Rate Analyst for one of the largest public power systems in the nation (Lincoln Electric System) and for Utility Financial Solutions, LLC since 2006. Joan is experienced in development of long-term financial plans, rate design models and cost of service studies for electric, water, and wastewater utilities.

Email: jbakenhus@ufsweb.com
Cellular: 402-483-2542
Location: Nebraska

Cost of Service (COS)

- Working with Utilities to identify information requirements to complete cost of service and financial plans
- Set up and develop utility revenue requirements, cost of service program and utility revenue proof
- Balancing and set up of models for development of cost of service for water, wastewater, and electric utilities to determine commodity and customer charges
- Responsible for analysis, preparation and updating cost of service models for several electric, water utilities

Long Term Financial Analysis

- Development of long-term financial forecasts for water, wastewater, and electric utilities to determine the amount and timing of rate adjustments

Rate Design

- Balancing and set up of models for development rate design for water, wastewater, and electric utilities to determine commodity and customer charges
- Development of rate design models for electric, Water utilities
- Development of rate surveys

Other Utility Tools

- Balancing of sales with revenue to help ensure proper billing statistics are used in cost of service models

Chris Lund

Business & Technology Manager, Utility Financial Solutions, LLC

Chris has a bachelor's degree in Business Administration with concentration in Computer Science and Speech Communications. He has been a technology and management consultant since 1992 and has utility experience since 2005. Chris is an employee of UFS since 2012 and has also sub-consulted on a variety of technology projects for UFS since 2003.

Email: clund@ufsweb.com
Cellular: 231-342-9798
Location: Traverse City, MI

Financial Consulting

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

Data Analytics

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

Technology Experience

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

Jillian Jurczyk, MEc.

Financial Analyst, Utility Financial Solutions, LLC

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

E-mail: jjurczyk@ufsweb.com
Cellular: 616-283-8502
Location: Holland, MI

Jill's experience includes:

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

Robert Blank

Financial Analyst, Utility Financial Solutions, LLC

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

E-mail: bblank@ufsweb.com
Cellular: 616-403-9926
Location: Holland, MI

Robert's experience includes:

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

Carolyn Ragusett Administrative Assistant, Utility Financial Solutions, LLC	
	Carolyn has been working for Utility Financial Solutions, LLC since May 2018 and has 47 years of office industry experience. For 27 years Carolyn was the Office Administrator for a large accounting firm in Wisconsin where she supervised office support staff. She additionally served 9 years as the tax department administrative officer and maintained the tax library. *E-mail:* cragusett@ufsweb.com *Cellular:* 920-450-0577 *Location:* Neenah, WI

Carolyn is skilled in the following:

- Managing and organizing workflow scheduling
- Performance reviews
- Office support and coordinating office activities
- Client correspondence
- Billing, Invoicing, and Collections
- Communication Review of office correspondence and materials
- Valuation Reports

References

Sacramento Municipal Utility District

Client Contact: Alcides Hernandez
Pricing Supervisor, Planning, Pricing & Enterprise Performance
Phone 916-732-6397
Email: alcides.hernandez@smud.org

Study Overview

UFS was contracted by SMUD in 2019 for training on cost of service, emerging trends in rate designs, development of time of use, and how to modify net metering rates for solar customers. UFS provided training to the Board of Directors on NEM changes and avoided cost value of solar. UFS assistance included guidance on modifications and phasing in changes to small general service, medium general service, and large general service rate structures and identification of rate impacts on customers.

Consulting Specifics

- Providing comment and input on modifications to the General Service rates
- Review and comment on "playbook" for future rate designs and rate design processes
- Review current utility models used to identify marginal costs and time of use rate development
- Training staff on fixed and variable cost components and appropriate cost recovery
- Assisted and provided input on solar valuations including valuations considering the following:
    - Short term and long run marginal costs
    - Feed in rate tariffs
    - Social and environmental cost considerations
- Provided input and training on multiple billing methods for charging customers with solar installation and movement from NEM 1.0 to a NEM 2.0 program
- Discussion and training for Board of Directors on industry rate trends, gaps between current rates and long-term objectives:
    - Utility financial stability
    - Equitable cost recovery
    - Stable rates for customers
    - Low income customers
    - Economic development
    - Bond ratings
    - Customer understanding of rates
    - Energy conservation
    - Providing customers greater control over electric charges
    - Promoting carbon free resources & electric vehicles
- Discussion and input with staff on development of long-term transition plan to achieve community objectives

Roseville Electric Utility, Roseville, California

Client Contact: Emily Isaacs, Electric Business Analyst
Phone 916-797-6937
Email: eisaacs@rosevilleca.us

Study Overview

Since 2013, UFS has assisted Roseville Electric Utility with the following services:

- Electric backbone fee analysis and updated review in 2019
- Long-term electric financial projection and rate design
- Identification of financial targets including minimum cash reserves, debt coverage ratio and target operating income
- Net Zero Homes Analysis
- Electric, water, and wastewater cost of service studies
- Time of Use study
- Siemens Energy review

Shasta Lake, California

Client Contact: James Takehara, Electric Utility Director
Phone 530-275-7400
Email: jtakehara@cityofshastalake.org

Study Overview

Since 2012, UFS has assisted the City of Shasta Lake with the following services:

- Electric cost of service
- Long-term financial projection and rate design
- Line extension study
- PCA study
- Solar distributed generation rate program review

The City had several important objectives and considerations apart from traditional cost of service considerations, such as: promotion of economic development, impacts on low income users, and environmental objectives such as carbon free resources, utility scale renewable projects, rooftop solar, energy conservation, electric vehicles. The study included analysis of a special contract customer that considered a pass-through power supply and margin distribution charge, with a customer owned substation accounted for in the cost of service allocations. UFS also conducted bill comparisons for each rate class to ensure customers did not receive an increase outside of the projected bandwidth.

Project Schedule

Our experience with municipal cost of service and rate design studies, allows us to conduct a cost effective and efficient study. The following is the tentative project schedule for completion of the cost of service and rate design. This schedule will be finalized during the initial project kick-off meeting with management.

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

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

Project Fees

Prices, terms, and conditions are good for a period of 90 days from this proposal date of July 5, 2022.
Payment will be made through submission of invoice which itemizes the work performed.

Individual Pricing

Electric Cost of Service, Financial Projection and Rate Design	**$18,900**
Water Cost of Service, Financial Projection and Rate Design	**$13,900**
Sewer Financial Projection and Rate Design	**$ 9,900**
Total	**$42,700**

Optional Pricing: Onsite presentations - $3,000 per presentation split between Gridley and Briggs
(Out of pocket travel charged at 50% actual)

Optional Pricing

Time of Use (TOU) Analysis for Contract Customer	**$3,000**

Out of Scope Services

Out of Scope services will be billed at the hourly rates listed below.
Any out of pocket expenses will be billed at cost.
All rate designs outside of the current rate structure will be charged hourly.

Name	Title	Hourly Rate
Mark Beauchamp	President	$330.00
Dawn Lund	Vice President	$290.00
Dan Kasbohm	Manager	$255.00
Mike Johnson	Manager	$255.00
Chris Lund	Business and Technology Manager	$255.00
Jillian Jurczyk	Financial Analyst	$175.00
Joan Bakenhus	Senior Financial Analyst	$155.00
Robert Blank	Financial Analyst	$120.00

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

Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from this proposal date of July 5, 2022.
Payment will be made through submission of invoice which itemizes the work performed.

Electric Cost of Service, Financial Projection and Rate Design	**$18,900**
Water Cost of Service, Financial Projection and Rate Design	**$13,900**
Sewer Financial Projection and Rate Design	**$ 9,900**
Total	**$42,700**
Time of Use (TOU) Analysis for Contract Customer	**$3,000**

Optional Pricing: Onsite presentations - $3,000 per presentation split between Gridley and Briggs
(Out of pocket travel charged at 50% actual)

Anticipated Meetings:

Initial meeting – Conference call to clarify scope of services, expectations of management and preliminary information request
Fieldwork – Conference call to verify data provided
Draft Report with management - Conference call
Final Report with management – Conference call

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

Mark Beauchamp	$ 330.00
Dawn Lund	$ 290.00
Dan Kasbohm	$ 255.00
Mike Johnson	$ 255.00
Chris Lund	$ 255.00
Jillian Jurczyk	$ 175.00
Joan Bakenhus	$ 155.00
Support Staff	$ 65.00 – 120.00

Deliverables (for all utilities):

1) Long-term financial projection and rate track
2) Cost of Service Analysis
3) Minimum cash reserve determination
4) Debt Service Ratio
5) Target operating income (rate of return)
6) Three Year Water Rate Design
7) Three Year Sewer Rate Design
8) Three Year Electric Rate Design
9) Optional: Time of Use Analysis

Out of Scope Pricing

Out of scope items and work hours will be billed at the hourly rates listed on this page.

All rate designs outside of the current rate structure will be charged hourly.

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

Sincerely,

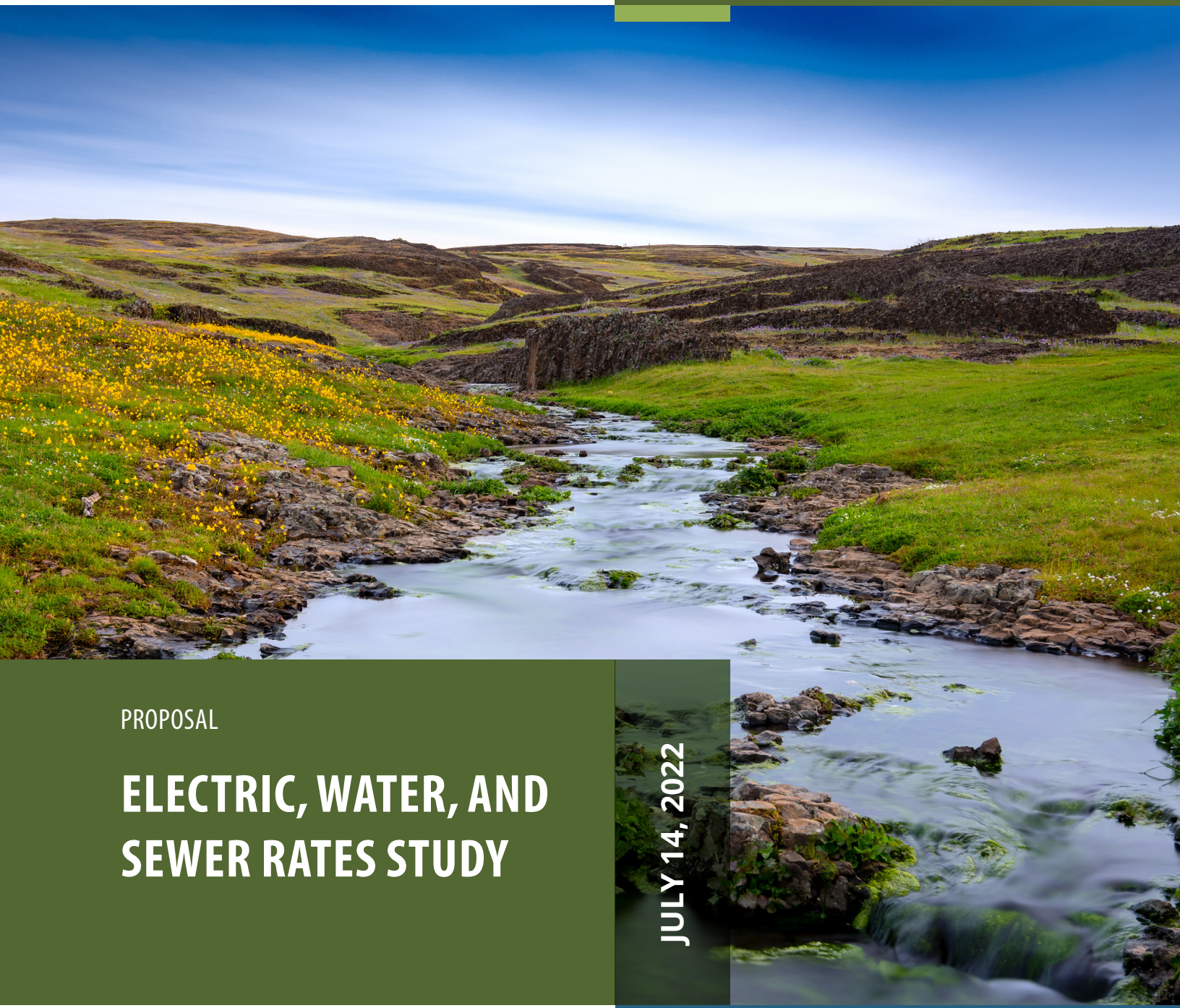
Mark Beauchamp, CPA, MBA, CMA
President, Utility Financial Solutions, LLC

Date: _____

Accepted By: _____
City of Gridley

NewGen Strategies & Solutions

www.newgenstrategies.net



PROPOSAL

ELECTRIC, WATER, AND SEWER RATES STUDY

JULY 14, 2022

GRIDLEY CALIFORNIA

Prepared for:
City of Gridley
685 Kentucky Street,
Gridley, CA 95948

NewGen Strategies & Solutions

225 Union Boulevard,
Suite 450
Lakewood, CO 80228
Phone: (720) 633-9514
Fax: (720) 633-9535

July 14, 2022

Mr. Cliff Wagner
City Administrator
City of Gridley, CA
685 Kentucky Street,
Gridley, CA 95948

Subject: Electric, Water, and Sewer Rates Study

Dear Mr. Wagner:

The City of Gridley (Gridley) is seeking expert advice regarding an electric, water, and sewer rates study (Study) to ensure utility rates recover the full costs to provide services while also addressing changing demands on the systems. Our team has a long history of working with municipal entities across the country on a variety of critical financial and economic issues. As a company, we routinely provide insight and analysis for electric, water, wastewater, solid waste, and natural gas utilities. In this effort, we will leverage our nationally recognized electric, water, and sewer utility cost of service and rate design experience, deliver insights from our unique experience with emerging technologies at utilities, and deliver the Study utilizing our superior modeling abilities.

Leveraging nationally recognized rate expertise ensures the Study's defensibility. Our nationally recognized rate expertise produces a comprehensive analysis and helps to ensure and defend our recommendations. Our team includes nationally recognized experts in cost of service (COS) and rate making in the water and public power markets. We routinely lead and teach national COS training programs for electric and water regulatory, commission, and utility staff. As these markets evolve, our experience has followed to include the development of conservation water rates, as well as standby, reservation, and Net Energy Metering (NEM) electric rates to help utilities respond to growing customer needs around water conservation and electrification of homes.

Deliver insights from our unique experience with emerging technologies at utilities. NewGen has unique experience integrating emerging customer programs and technologies with COS studies, utility operations, and data analytics. While Gridley's AMI system is not yet fully operational, we can provide unique insights on how to prepare for the valuable data it will provide and integration with electric and water COS studies and rate making as well as customer program insights.

Superior modeling capabilities and functionality. NewGen's deep COS and rate design expertise is reflected in our innovative and easy-to-use models and tools. Our models are often adopted by our clients and updated internally in future efforts. In addition, our models offer an easy graphical way to quickly communicate impacts and outcomes of rate decisions to the key decision makers and stakeholders in the community. This further enhances the defensibility of decisions and support from stakeholders for the outcomes.

Mr. Cliff Wagner
City of Gridley
July 14, 2022

We propose to support your needs with a rate consulting team that has worked extensively with municipal entities in California and across the country on a variety of critical financial and economic issues.

Our objective for this Study is to review Gridley's financial information and to develop cost of service and rate design models to determine rate impacts for Gridley's utility customers. The result will be the development of rates supported by an analysis that is fair, equitable, and consistent with Proposition 26 and 218 mandates. Further, we understand that Gridley has recently implemented its NEM 2.0 rate program, as distributed solar has exceeded the threshold for its previous net metering offering.

NewGen recognizes that a cost of service and rate design study is much more than a number-crunching exercise. Proper pricing of utility service involves balancing competing objectives, and we are committed to ensuring our recommendations reflect the unique challenges facing the City of Gridley.

I will be the primary point of contact for this proposal response and the project manager on this endeavor, as well as the individual authorized to contractually bind the firm.

I will lead the electric rate review, and Eric Callocchia will lead the water and sewer review. We look forward to working with Gridley. If you have questions concerning this proposal or would like additional information, please contact me directly at (720) 259-1762 or sburnham@newgenatrategies.net, or Eric at (443) 951-4207 or ecallocchia@newgenstrategies.net.

Sincerely,

NewGen Strategies and Solutions, LLC

DocuSigned by:
B7FBFC962DA6432...
Scott Burnham
Partner

DocuSigned by:
C11651334F8F462...
Eric Callocchia
Principal

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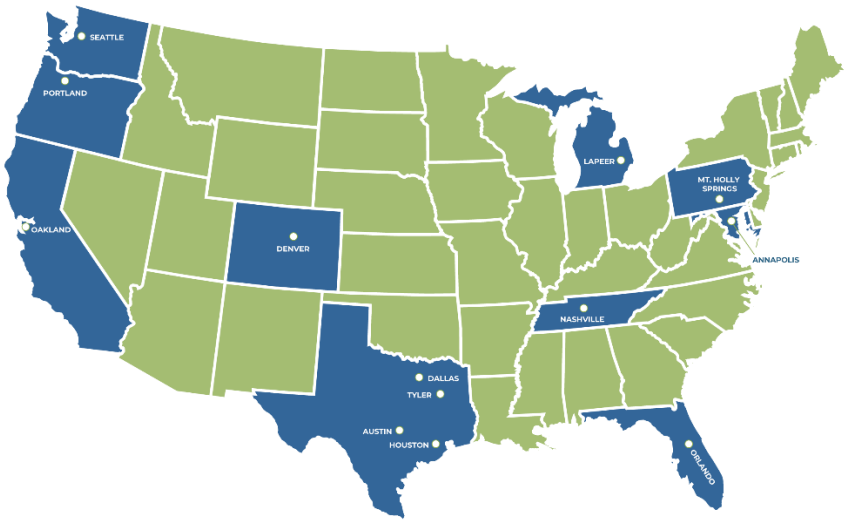
QUALIFICATIONS, CAPABILITIES, AND EXPERIENCE

NewGen Strategies and Solutions, LLC (NewGen) is a management and economic consulting firm specializing in serving the utility industry and market. Established as a Limited Liability Corporation in August 2012, NewGen primarily serves public sector utilities and provides nationally recognized expertise in load forecasting, utility cost of service and rate design studies, financial feasibility studies, municipalization efforts, depreciation and appraisal studies, litigation support for state and federal regulatory proceedings, utility financial planning, and stakeholder engagement for electric, water, wastewater, solid waste, and natural gas utilities.

NewGen was created by consultants who are dedicated to our clients' missions and recognized as experts in our respective fields of service. ***"Thoughtful Decision Making for Uncertain Times"*** succinctly describes our capability to provide our clients solutions and recommendations tempered with our keen insight into the growing role of stakeholders, resource availability (including renewables), environmental concerns, cost of providing utility services, and economic conditions. This ensures an integrated approach to delivering our products and services.

NewGen employs over 50 professional and administrative staff, with 12 ownership members and a Board. Our current staff has the capability to work on simultaneous assignments, and we have the capacity to add staff and/or expand support from a network of teaming partners, if needed. NewGen has 13 offices located nationwide.



California and Data Experience

The Project Team is well qualified to provide the City of Gridley (Gridley) with the services identified in this proposal. Additionally, NewGen has significant national and local California experience and has completed numerous COS and rate studies, appraisals and depreciation studies, and strategic planning projects for electric and water utility clients in California as shown in the following graphic.

Proposed team members have substantial experience navigating the dynamic electric and water markets in the state of California. Our experience includes:

- A wide range of publicly owned power utilities in California such as Community Choice Aggregators (CCAs), cities just beginning to offer service (e.g., Moreno Valley), established public power utilities (e.g., Alameda Municipal Utilities), and communities considering municipalization (e.g., San Francisco).
- Multiple cost of service and rate studies completed for public water and power utilities in California, including City of Riverside, Glendale Power and Water, City of Redding, City of Milpitas, Coachella Valley Water District, San Diego County Water Authority, and others.
- Strategic planning efforts, depreciation studies, and performance benchmarking studies for water and power utilities.
- Evaluating assets for possible acquisition from California investor-owned utilities, which includes the City of San Francisco, the City of San Diego, and South San Joaquin Irrigation District.

NewGen's engagement with California clients often involves understanding the evolution of the California water and energy markets. We also are very aware of the issues surrounding Proposition 26 and Proposition 218. We have developed various strategies and solutions in coordination with internal and external counsel, including representatives from Colantuono, Highsmith & Whatley, P.C.

TECHNICAL APPROACH AND METHODOLOGY

NewGen's General Approach to Electric and Water Cost of Service/Rate Studies

When undertaking a cost of service or rate study, it is important that participants in the study have a shared vision of the objectives and characteristics that must be reflected in the study. Collaboration between Gridley's key stakeholders and our Project Team is important to develop policy guidelines that reflect the needs and desires of Gridley. Our approach to reviewing and evaluating electric and water rates is governed by the view that rates must satisfy seven criteria:

Equity requires that rates and charges result in no undue discrimination among customers or customer classes. Although equity is normally related to the cost of service, it should be realized that customer acceptance will center on preconceived notions of equity and fairness.

Efficiency refers to the ability of the rate schedule to encourage wise use of the resources devoted to the services that the utility provides. Efficiency considerations require that:

- Rates should reflect the cost of providing service.
- Rates should be similar for customers or customer classes served under similar conditions.
- Customers should be able to understand the rate schedules so that they can make rational decisions regarding their purchase of additional service.

Revenue Adequacy is the most fundamental of all considerations. Revenue Adequacy recognizes that it is necessary that rates produce revenues sufficient to operate the system even if there are changes in demand for service.

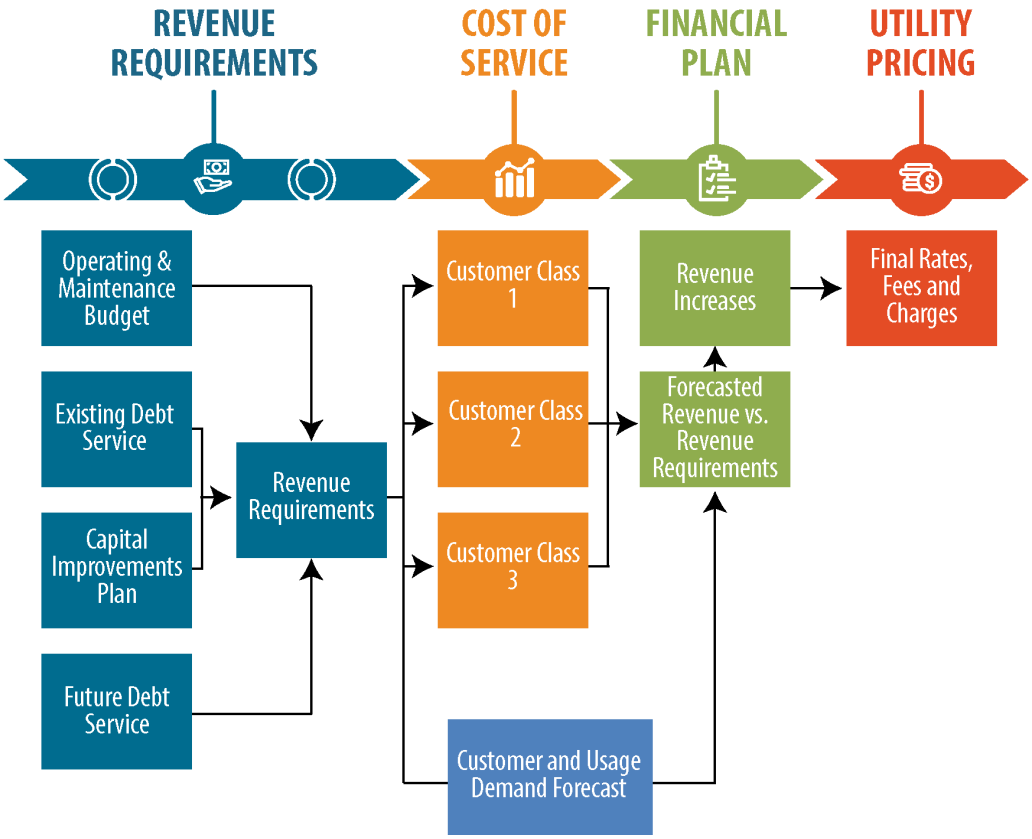
Affordability means that the recommended rates must result in bills that are realistically within the ability of customers to pay.

Sustainability means that the objective of the rate methodology is to keep rates low over time, not to merely keep them low for the short term by omitting or deferring needed expenses such as maintenance and funding of necessary cash reserves.

Administrative Simplicity recognizes that limits must be placed on the complexity of the rate schedules to keep them easy to administer and understandable to the public. The Project Team will work closely with Gridley's staff to understand Gridley's billing system and its capabilities.

Legal and Regulatory Compliance is a prime consideration because rate structures must incorporate applicable local, state, and federal statutes, as well as any interjurisdictional agreements.

The application of these criteria should recognize that a rate schedule is a form of public policy statement, setting forth those values that the utility considers important. Rate structures must be tailored to community perceptions, realities, and values. While each utility's budgeting, financial reporting, and flow of funds is unique, a generalized schematic illustrating our approach to a cost of service/rate study is shown in the following graphic.



Our standard approach to completing a rate study is predicated on a four-step process which includes:

Revenue Requirements – Development of the full cost of providing service including those costs that may not be identified such as the need for repair and replacement (deferred maintenance).

Cost of Service – Allocation of functionalized revenue requirements to customer classes or types of customers based on the cost of providing service.

Financial Plan – Development of a financial plan to fund system revenue requirements considering customer and usage demand forecasts.

Utility Pricing – Review of the current rate design based on revenue needs and pricing objectives with specific rate projections.

NewGen will customize this general approach to achieve the goals of Gridley's Study. NewGen has worked through this process with hundreds of utilities across the country. The detailed tasks below will accomplish the required tasks in conformance with all applicable Federal, State, and City rules, regulations, ordinances, and law.

Scope of Services

NewGen proposes the following scope of services to accomplish the objectives of this Study and the analysis requested by Gridley. We propose to conduct the Study as a series of tasks, with each successive task building on the previous task. The result will include the development of two Cost of Service and Rate models—one for electric, and one for water and sewer. The models will be provided to Gridley for future

use, and a stand-alone summary presentation will serve as the basis for the rate recommendations presented to City Council.

Task 1 – Data Request and Kickoff Meeting

Upon authorization to proceed, NewGen will request detailed information related to Gridley's utility operations and financials to support the Study. NewGen will provide a detailed and specific data request to Gridley to gather the required information. NewGen will then review the data to ensure that we have a complete understanding of Gridley's water, sewer, and electric operations and to identify any potential gaps in information or additional data required. This data typically includes items such as:

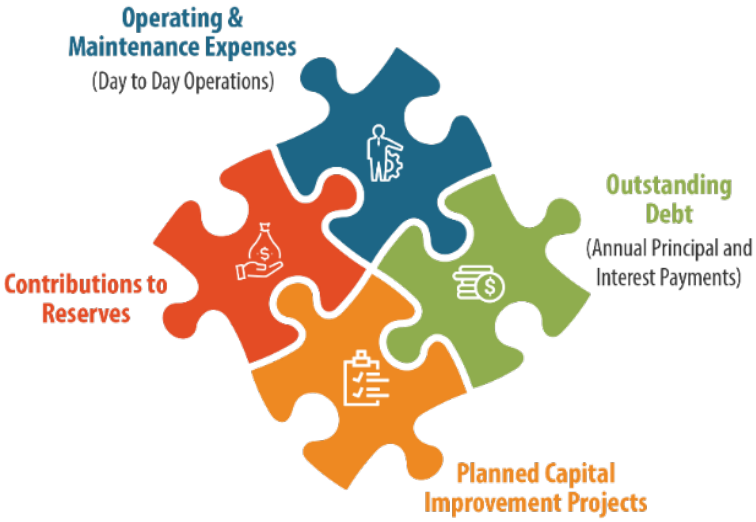
- Gridley's historical financial statements and proposed annual budgets
- Utility operating characteristics (e.g., customers, asset data, load profiles, etc.)
- Customer billing determinants (i.e., monthly billing database summary by class—customer counts, customer demand, and energy use)
- Long-term capital plans
- Gridley's existing rate strategy developed and any additional financial metrics to be included in the Study
- Other financial, asset, and operating data or decisions

After reviewing the initial data for the Study, NewGen will schedule a virtual project kickoff meeting with all key Gridley and consultant personnel. The purpose of the meeting is to discuss the Study; introduce key study personnel; agree to key project dates and milestones; review initial data request, rate strategy, and policy elements; and identify any gaps or issues impacting the financial models. A key point of discussion will be policy issues that may need to be addressed during the Study. Based on our experience in working with municipal governments, ***it is vitally important to identify and evaluate the key policy issues early in the Study to ensure that consensus is developed regarding the principles that will govern the Study.***

Task 1 Deliverables

- Data request
- Virtual kickoff meeting

Task 2 – Develop Financial Plans and Analyze Revenue Requirements



One of the primary tasks for the Study is the identification of the costs of providing electric, water, and sewer service. Our approach includes a detailed review of each of the costs incurred by Gridley to ensure a true cost of service is developed. The cost analysis can be broken down into four main categories of costs: operating and maintenance (O&M) costs, capital improvements, existing debt service, and any contributions to reserves. The following section of our proposal describes our approach to reviewing and identifying each of these costs. The total amount of cash required on an annual basis for all purposes and from all sources constitutes the revenue requirement.

Review O&M Costs

Using Gridley's most recently adopted operating budget as a starting point, we will review the adequacy of budgeted O&M costs. O&M expenses will be forecast based on estimated annual inflation rates at the budgetary account line-item level. The forecast of operating expenditures will be based on:

- Review of historical operating expenditure increases by individual budget account line item.
- Any additional information that would increase the accuracy of the estimates (i.e., staffing increases/decreases, new facilities coming online, old facilities being retired, etc.).

For electric, the model will include a power supply cost forecast using Gridley's current and anticipated wholesale power contracts and will include high-level assumptions based on historical use of market purchases, as appropriate.

Review Capital Improvements Programs (CIP)

NewGen will review Gridley's most recently adopted capital improvement plans for the electric, water, and sewer systems and include them in the Study's forecasts.

Evaluate Potential Financing Sources

While it is presumed that all O&M costs will be funded via user rates, there are various approaches to funding capital expenses. They can be paid from operating revenues ("pay as you go, or PAYGO" funding, the most conservative financial approach), from grants or developer contributions, from long-term debt, or from existing cash reserves. Typically, a utility might use a mix of these financing sources. Based on current Gridley policy and our industry expertise, we will recommend an approach to funding each major capital project or project category within Gridley's multi-year capital plans.

Develop Current and Projected Debt Service

The annual principal and interest payments for existing debt service related to the utility systems will be documented and included in the Study's forecasts. Those projects or categories of projects contained in the CIPs which are anticipated to be debt funded will be identified, and projections of debt service will be developed. Gridley's practices on types of debt will be used to develop projections, as will Gridley's typical debt structure and assumed interest rate.

Develop Revenue Requirements

The sum of the O&M costs, annualized capital costs (debt service plus cash purchases of capital assets), and any contributions to reserves constitutes the revenue requirement—the amount of money that must be raised from all revenue sources over a given year. NewGen will develop a forecast of revenue requirements for all systems; the length of this forecast will be determined in consultation with NewGen and Gridley.

Demand Forecasting

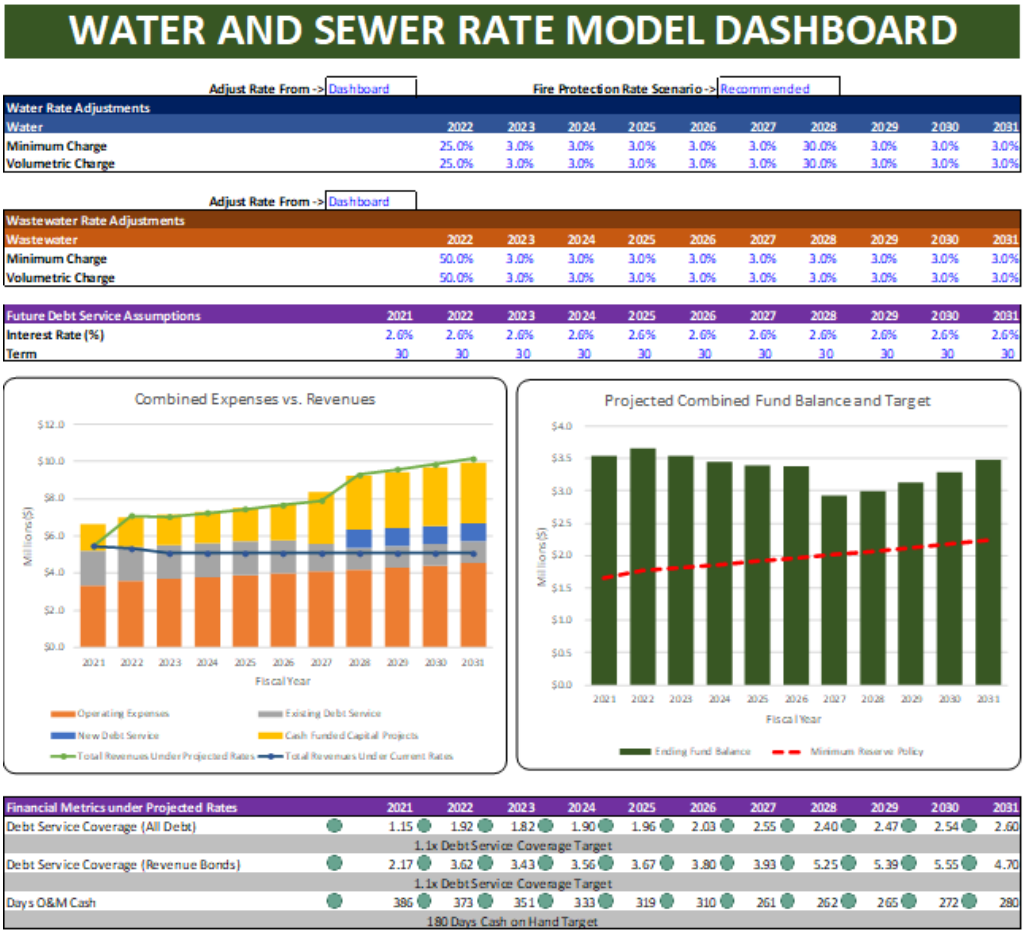
A key step in the Study is to gain an understanding of the makeup of the customers served by Gridley and how and when they use utility service throughout the year. NewGen needs a complete understanding of how Gridley's customers use water and electricity to determine appropriate revenue increases. NewGen will request two years of detailed demand data for all electric, water, and sewer customer accounts. NewGen will develop customer demand projections for an appropriate period. One of the key variables that must be developed is the rate of growth in each utility, including the numbers and types of new customers to be added year-by-year as well as increases (or decreases) in water and electricity usage over time by existing customers.

Based on the revenue requirement, demand forecast, and Gridley's existing rates, NewGen will develop a financial plan for funding the forecasted costs of each system, including revenue adjustments to ensure each fund's financial health and sustainability.

NewGen's Financial Models

The dynamic financial models developed by NewGen during Gridley's Study (which will become the property of Gridley) enable the manipulation of the multiple independent variables that will define the financing plan for each utility.

NewGen's models are comprised of a series of interactive schedules, each of which will address a principal topic such as O&M costs, debt service, demand/usage, and customer bill impacts. Built into the model dashboard is a series of summary-level graphics that provide ***instant feedback on rates, revenues, and performance indicators based on assumptions entered by the user***.



Example Water and Sewer Model Dashboard Features – Dynamic Output Charts

NewGen does not charge any form of licensing fee or royalty for continued use of the models, but we do ask that clients not resell or give away the models developed for client use.

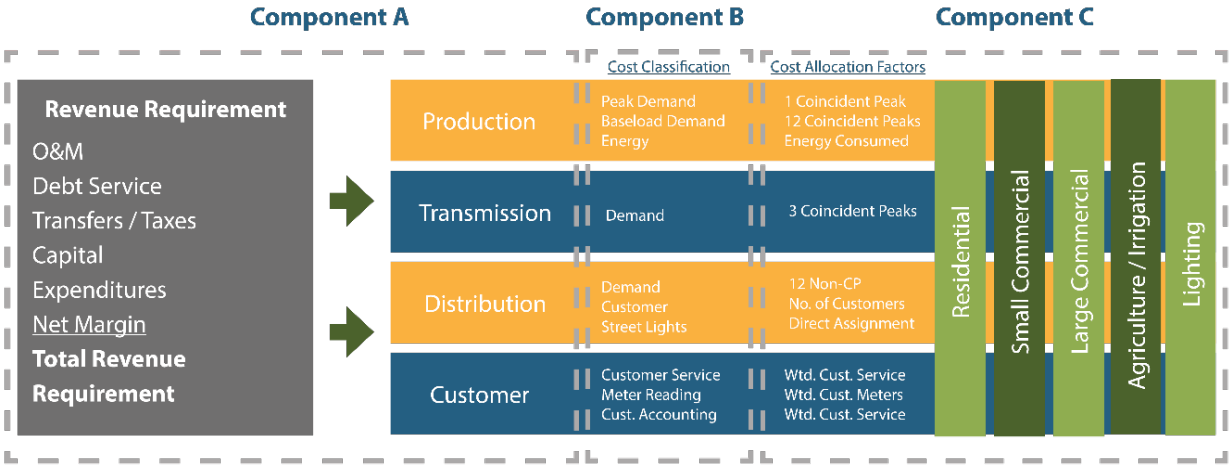
Task 2 Deliverables

- Projection of electric, water, and sewer system Revenue Requirements
- Key financial performance indicators, such as Debt Service Coverage and Operating Ratios
- Recommendations regarding fund balance or debt service coverage ratios to ensure utility fund financial health
- Two interactive Excel-based spreadsheet models to enable review/revision of future rates and fees—one for electric, and one for water and sewer
- Financial forecast with revenue adequacy for all systems

Task 3 – Electric Cost of Service

After developing the revenue requirement in Task 2, there are three key steps to completing the electric system COS: 1) unbundle or functionalize the revenue requirement into utility functions (power supply, distribution, and customer); 2) classify costs (energy, demand, and customer); and 3) allocate the costs to the customer classes. Included throughout the three steps of the COS is the creation of allocation factors to support the allocation of shared costs to different functions or classifications, and the eventual customer class allocation factors to allocate the final costs of service to each customer class. To ensure that revenue is recovering the full COS rendered, all sources of revenue will be reviewed (including non-retail rate revenue).

The COS portion of the model will use basic Microsoft Excel tools such as reference tables, pull-down menus, and lists for inputs and adjusting selections, such as allocation methodologies or specific allocators. The COS process will be composed of three interconnected components; a generalized graphic is depicted below. Our COS methodology would be tailored to Gridley's specific situation, which would combine the "production" and "transmission" functions into "power supply" and would eliminate those customer classes not served (e.g., residential, small commercial, etc.)



Cost of Service Model (Generalized Graphic)

Task 3 Deliverables

- Draft electric COS results review meeting with staff

Task 4 – Rate Forecast

The next step in the Study is developing recommended rates. Task 4 begins with reviewing Gridley's existing rates for each customer class. Our review will include confirming Gridley's ability to fully recover the revenue requirement through such rates, including transfer payments (as appropriate), debt service, and maintenance of all identified financial metrics. Rates will be adjusted to align with the COS results to the extent practical. NewGen will analyze and evaluate existing rate and fee structure with regards to changing patterns of consumption, growth in customer base, and annual revenues from rates and impacts from price elasticity of demand (consumption).

After developing recommended rates, the revenue adequacy of the new rates will be proven by forecasting and calculating the annual rate revenue generated for each customer class. The proposed rate schedules will be structured on the premise that each customer should be classified and served under a schedule that will cover all costs of that customer's service and also provide for a return of a reasonable margin for proper operating reserves, capital improvements, adequate inventories, and bond debt coverage.

NewGen will develop rate schedules consistent with Gridley's current rate structures that produce revenues sufficient to cover the revenue requirements forecasted for each system for the rate period to be determined in consultation with NewGen and Gridley.

Included in NewGen's models are billing database rate impact analyses and modeling to provide a comprehensive and complete view of rate impacts to selected representative customers for each class.

Task 4 Deliverables

- Updated electric, water, and sewer rates using Gridley's existing rate structures that include adjustments to meet the financial needs of each system
- Revenue adequacy calculations
- Online meeting to review recommended rates, revenue adequacy, and training on models
- Customer class and system billing impacts for representative customers

Task 5 – Present Summary Results and Draft/Final Presentations

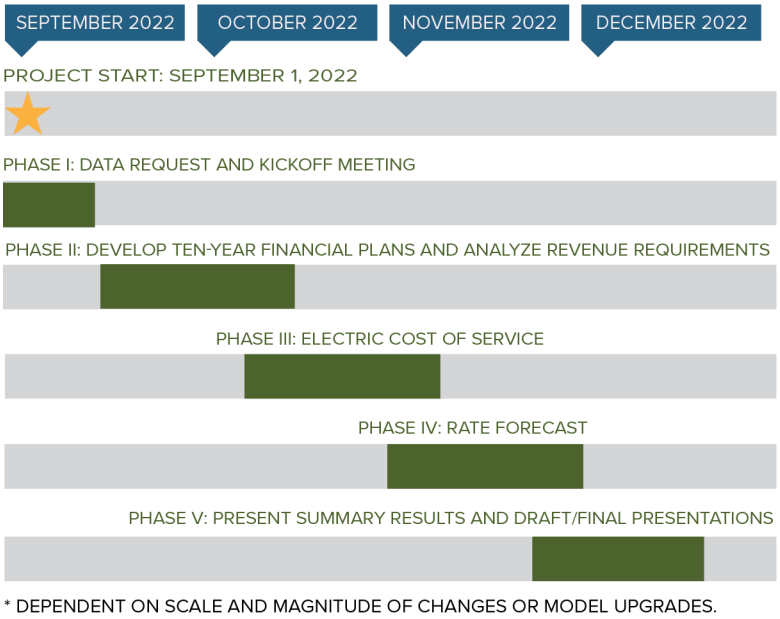
NewGen will prepare separate summary draft presentations—one for electric and one for water and sewer—that will summarize the process, assumptions, and policies that led to the development of the recommended water, sewer, and electric rates. These presentations will describe the Test Year revenue requirement, financial forecast, COS analysis, rate forecast, and customer bill impacts for each utility. The presentations will be developed in a Microsoft PowerPoint suitable for presentation to Gridley staff for review and comment. NewGen will attend one virtual meeting for each presentation (one for electric, one for water/sewer) to communicate to the Council results of the Study.

Task 5 Deliverables

- Presentations of Study results to Gridley management or City Council in a PowerPoint presentation

Project Schedule

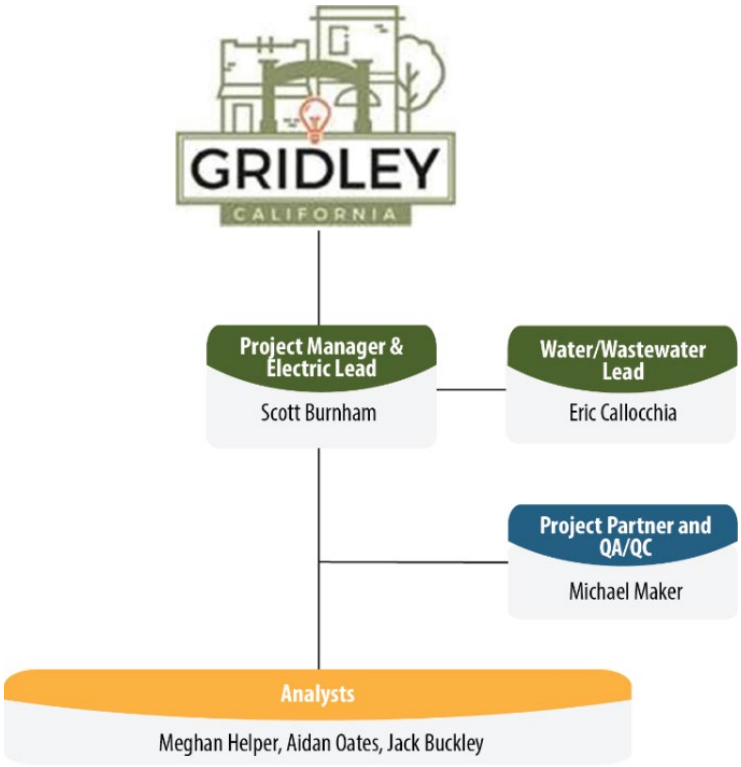
Assuming notice to proceed before September 1, 2022, and the timely provision of the information requested during Task 1, NewGen will deliver a draft report to City Staff in November 2022. A final presentation will follow NewGen's virtual attendance at a Council meeting in December 2022.



KEY PERSONNEL

NewGen evaluates the needs of each project and responds by assembling a Project Team of knowledgeable professionals who are uniquely qualified to provide the services needed. The Project Team includes widely recognized COS, rate-making, and financial forecasting experts that possess unique knowledge of water and electric utility resources. This includes knowledge of industry trends, as well as best practices for water and electric utilities.

The proposed Project Team organizational chart indicates the lines of communication and responsibility.



Brief summaries of the Project Team's experience and qualifications follow, as well as full resumes for each of the proposed team members.

Scott Burnham, Partner | Project Role: Project Manager and Electric Study Lead | Phone Number: (720) 259-1762

Scott Burnham, Partner at NewGen, offers over 20 years of experience in the areas of project management, COSA and rate design, asset valuation, and financial feasibility analysis. Scott leads efforts to create financial models that develop revenue requirements, cost allocation, financing for strategic capital and operating objectives, and rate/rate structure alternatives, ensuring our clients have reliable and defensible results. Additionally, Scott routinely presents study findings and recommendations to utility management, boards, city councils, and other governing bodies. He has developed and reviewed pro forma financial models to determine projected revenue and costs associated with various projects and financing approaches for a variety of power generation facilities. Scott is well-versed in cost allocation theories and methodologies, rate design concepts, and approaches, and providing summary analyses and recommendations to industry clients.

Scott co-leads the semi-annual Cost of Service and Rate Design class through EUCI, an industry conference organization, which is routinely attended by all types of utility stakeholders.

Eric Callocchia, Principal | Project Role: Water/Wastewater Study Lead | Phone Number: (443) 951-4207

Eric Callocchia has over 11 years of utility cost of service and financial consulting experience. His expertise involves a broad range of industry issues, including revenue stability, customer affordability, cost of service rate making, and public engagement and education. His expertise in utility cost of service is rooted in his exceptional analytic skills and broad experience, both of which ensure that the recommendations he develops are understandable and withstand legal scrutiny.

He is involved in water and wastewater industry associations and is a contributing author to the most recent edition of the Water Environment Federation's Manual of Practice 27 – Financing and Charges for Wastewater Systems. He is an active member of the American Water Works Association (AWWA) Rates and Charges Committee, and a contributing author to the upcoming eighth edition of AWWA's Manual M1 – Principles of Water Rates, Fees and Charges. He has been accredited as an expert witness concerning utility rate setting matters by the Maryland Tax Court and has provided expert advice in California related to one of the State's major ongoing rate litigation disputes (SDCWA vs. MWD, et. al.).

Eric has worked with over 100 water, wastewater, and stormwater utilities throughout the United States. Through his efforts, clients have justified revenue increases, adopted cost allocation plans, implemented rate structure changes, enhanced reserve policies, funded capital financing plans, and applied other industry best practices. Eric regularly presents at industry conferences to keep peers informed of the cutting-edge methodologies developed as a part of his projects.

Michael Maker, Partner | Project Role: Project Partner and QA/QC | Phone Number: (443) 951-0355

Bringing 18 years of experience, Mike Maker is Deputy Director of NewGen's Water and Wastewater Practice and a Partner applying management, financial, and technical experience. He has served as either Project Manager or Lead Analyst for over 100 management and financial studies. Day-to-day responsibilities include managing client projects, developing analytical financial models, and compiling comprehensive reports and presentations.

He is a current member of AWWA's Finance, Accounting & Management Controls Committee and Workforce Strategies Committee. He is helping to rewrite the latest editions of AWWA's Manual M29 - Capital Financing and Manual M5 - Water Utility Management. He presented on availability fees at the Virginia WaterJAM 2020 virtual conference and system development charges at the 2021 Chesapeake AWWA Tri-Association Conference in Ocean City.

Meghan Helper, Senior Consultant | Project Role: Energy Analyst | Phone Number: (720) 808-1589

Meghan Helper joined the firm as an Analyst in June 2019 and assists on cost of service and rate design projects, with an emphasis on data driven analytics. Meghan has supported the Project Team members with in-depth analysis of revenue projections by customer class, analysis of rate impacts and rate scenarios, and work on updating COS and Rate Design models for client use. She is adept at Microsoft Excel applications and managing large data sets to develop cost allocations and determine rate revenue. She has a MS in Engineering and Technology Management, as well as a BS in Geophysical Engineering (Minor: Geological Engineering) from the Colorado School of Mines.

Aidan Oates, Consultant | Project Role: Water/Wastewater Data Analysis and Financial Modeling | Phone Number: (443) 951-0332

Aidan Oates joined NewGen in 2021. He provides financial modeling, cost of service and rate design for water, wastewater, solid waste, and energy projects. His experience includes valuation, trading, economics, and investment banking specific to the Energy industry. He earned his BA in English Literature and Finance from William and Mary and a Masters in Energy Management from Tulane University.

Jack Buckley, Consultant | Project Role: Energy Analyst | Phone Number: (303) 557-7700

Jack Buckley joined NewGen as a full-time consultant in December 2021. He assists on cost of service and rate design projects, with an emphasis on data driven analytics. Jack was responsible for the development of the rate trends study for the City of Riverside evaluation (still underway at the time of this proposal). He conducted the rate research, developed an analytical method to apply evaluation criterion to the data, and proposed recommendations to the client, which were incorporated into a draft report.

PRICE PROPOSAL

NewGen proposes to complete this Study on a time and materials basis utilizing our hourly billing rates for 2022 as shown below, with an estimated budget of $50,000, which excludes travel related costs. If requested, NewGen representatives would be available to travel to Gridley for purposes of meeting or presenting results. Estimated travel costs for this purpose are between $2,000–$4,000 per trip.

NewGen Strategies and Solutions
2022 Billing Rates

Team Member	Hourly Billing Rate
Scott Burnham	$270
Eric Callocchia	$225
Michael Maker	$235
Meghan Helper	$150
Aidan Oates	$145
Jack Buckley	$145
Admin	$110

Note: Billing rates are subject to change based on annual reviews and salary increases.

Optional Task – Water and Sewer Miscellaneous Fee Evaluation

NewGen will evaluate each of the miscellaneous fees charged to Gridley's water and sewer customers to ensure that the basis for each fee is appropriate and up to date. When calculating the various fees, the initial step is to determine the amount of work hours that go into completing the particular tasks associated with the fee to calculate the cost. Relevant material costs are also added to this total to create

the total cost for each fee. In any case in which NewGen identifies an opportunity to modify Gridley's miscellaneous water and sewer fee, the adjustment justification will be documented.

The cost to complete the optional Miscellaneous Fee Evaluation is $5,000.

Optional Task – Water and Sewer Impact Fee Calculation

The calculation methodologies for both water and wastewater Impact Fees are based on system value. Both methodologies are described in the appropriate industry manual, namely the American Water Works Association's (AWWA) Manual M1: Principles of Water Rates, Fees and Charges, and the Water Environment Federation's (WEF) Manual of Practice 27 – Financing and Charges for Wastewater Systems. There are three methods that may be used to calculate cost-based Impact Fees:

- The ***historical buy-in method*** is based on the value of an existing system's capacity. This method is typically used when the existing system has sufficient capacity to serve new development now and into the future. The calculation basis for the system's current value can be original cost less depreciation (OCLD) or replacement cost new less depreciation (RCNLD).
- The ***incremental cost method*** is based on the cost to expand a system's capacity beyond the current level. This method is typically used when a system has limited or no capacity to serve new development and new facilities are needed to serve the next increment of new customers.
- The ***combined approach*** is based on a blended cost of both the existing and expanded system capacity. This method is typically used where some capacity is available in parts of an existing system, but new or incremental capacity will need to be built in other parts of the system to serve new development in the near future.

Using Gridley's latest asset value data, NewGen will calculate Gridley's water and wastewater Impact Fees using Gridley's existing fee structure.

The cost to complete the optional Water and Sewer Impact Fee calculation is $5,000.

NewGen Strategies & Solutions

APPENDIX A: RESUMES

PROPOSAL

ELECTRIC, WATER, AND SEWER RATES STUDY

Scott BURNHAM

PARTNER

CONTACT

225 Union Boulevard, Suite 450
Lakewood, CO 80228

Email: sburnham@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Master of Business Administration in Finance, University of Colorado

Master of Public Affairs and Master of Science, Indiana University

Bachelor of Science, Texas A&M University

KEY EXPERTISE

Retail Rate and Cost of Service

Unbundled Cost Analysis

Rates Negotiation

Economic Evaluation

Feasibility and Financial Analyses

Mr. Scott Burnham joined NewGen Strategies and Solutions, LLC (NewGen) in April 2016. He offers over 22 years of experience in the areas of cost of service (COS) and rate design analysis, financial feasibility, asset valuation, and restructuring for electric utilities.

Mr. Burnham leads the comprehensive and independent review of cost of service and retail rate design practices for various electric utilities, including analyzing the impacts of net metering, feed-in tariffs, and ways to enhance fixed cost recovery in the face of increasing levels of distributed generation on clients' systems. Additionally, he has taught numerous classes on cost of service and rate design methodology, including courses for Electric Utility Consultants, Inc.

Mr. Burnham conducts acquisition, privatization, and competitive assessments, which includes the development and evaluation of financial models that provide clients with an assessment of the impacts associated with several technical and financial feasibility alternatives. These analyses include impacts to projected net operating results from potential financings, investments, and other client actions. His efforts have involved assessing public versus private utility ownership, developing sales and revenue summaries, analyzing utility investment options, and reviewing power price trends.

RELEVANT EXPERIENCE

Cost of Service and Rate Design

Mr. Burnham participates in and leads the review of cost of service and retail rate design practices for numerous electric utilities. Services provided include development of historical and projected revenue requirements and defensible cost allocation methodologies to apply to clients' customer classes. He has utilized COS methodologies unbundling approaches, cost classification techniques, cost allocation methods, and rate design alternatives. He has provided the technical and financial analysis associated with the distribution, transmission, and generation functions of the utility.

Mr. Burnham has led projects requiring re-classification of large energy users within the system from contract rates to tariff rates. Mr. Burnham has determined fixed cost allocation by customer class from detailed feeder analysis, provided testimony support of revenue requirement in a litigated hearing process, and developed testimony to support utility response for Feed-In Tariff programs.

Mr. Burnham has provided the methodology and analysis to determine the value associated with various distributed solar technologies and has explored rate options that are designed to improve fixed cost recovery in the face of increasing levels of distributed generation on clients' systems. This has included working with clients on reforming existing net energy metering rates.

NewGen Strategies & Solutions

Scott BURNHAM

PARTNER

He has also reviewed existing COS analysis associated with the street lighting and traffic lighting retail rate classes. He has developed specific rates and rate programs for the industrial customer base, including the development of interruptible rate offerings that provided a benefit to both the industrial customer and the client.

Mr. Burnham has been responsible for leading the analysis and development of the presentations and reports and for presenting results and recommendations, including proposed rates before city councils and governing boards. Additionally, he has been involved in facilitating citizen's advisory groups and stakeholder processes to solicit input into rate design.

Mr. Burnham's cost of service and rate design clients include:

- Austin Energy, Texas
- American Samoa Electric Utility, American Samoa
- Arizona Public Service Company, Arizona
- Aurora, Colorado
- Colorado Springs Utilities, Colorado
- Dover Electric System, Delaware
- Farmington Electric Utility System, New Mexico
- Fort Collins Utilities, Colorado
- Georgetown Electric Utility, Texas
- Lafayette Consolidated Government, Louisiana
- Platte River Power Authority, Colorado
- Redding Electric Utility, California
- Riverside Public Utilities, California
- San Francisco Public Utility Commission, California
- Silicon Valley Power, California
- South Carolina Public Service Authority (Santee Cooper), South Carolina
- Turlock Irrigation District, California
- Virgin Islands Water and Power Authority, U.S. Virgin Islands
- Vermont Public Service Department, Vermont

Feasibility Studies and Financial Analyses

Mr. Burnham has developed financial models designed to inform clients' decisions regarding the associated impacts of multiple technical and financial feasibility scenarios. Mr. Burnham reviews clients' financial projections and structures and develops pro forma financial models to determine projected revenue and costs associated with various projects and financing approaches for a variety of power generation facilities. These financial models focus on the development of operating results, debt service coverage ratios, and other applicable financial metrics within the terms of a proposed financing effort. His models and associated reports have been relied upon to assess investment decisions within the capital markets.

Mr. Burnham has developed projected operating results for consulting engineering reports and associated financing certifications; provided financial models that included the technical, financial, and economic input parameters to optimize value of multiple generation siting alternatives; and developed a pro forma financial model for portfolio financing of over 7,500 megawatts of generation capacity. Clients include:

- Arizona Public Service, Arizona
- Black Hills Energy, Colorado
- Brownsville Public Utilities Board, Texas
- City of Chicago, Illinois
- CORE Electric Company, Colorado
- Central Electric Cooperative, South Carolina
- City of Decorah, Iowa
- Duke Energy, North Carolina
- El Paso County, Colorado
- Ember Infrastructure LLC, New York
- Escalante H2 Power, Texas

Scott BURNHAM

PARTNER

- Lafayette Consolidated Government, Louisiana
- Lehman Brothers, California
- Fortis Capital Corp., Santiago, Chile
- Wyoming Municipal Power Agency, Wyoming

Asset Appraisals and Valuations

Mr. Burnham has conducted and managed appraisals and valuations for generation assets and transmission and distribution systems. These models have been used to determine the value of assets and asset-related cash flows, including royalties and municipal transfers. He also analyzes market data to determine comparable sales data for appraisal valuations. Additionally, he has assisted with the development of replacement and original cost less depreciation analyses. Mr. Burnham has assisted and conducted several on-site evaluations of asset condition, and observable operations and maintenance procedures. Clients include:

- Christian County Generation LLC, Nebraska
- City of Dallas Sanitation Services Department, Texas
- CPS Energy, Texas
- International Power America, Inc., Texas
- Nuclear Innovation North America, LLC, Texas
- Prisma Energy International, Istanbul, Turkey

WORKSHOPS AND PRESENTATIONS

Mr. Burnham has given numerous presentations and participated in training and workshops. These activities have focused on cost of service, ratemaking, and distributed energy resources. Host organizations and the topics Mr. Burnham presented are displayed below.

Electric Utility Consultants, Inc. (EUCI)

- *Introduction to Cost of Service Concepts and Techniques for Electric Utilities*
- *Distributed Energy – Cost / Benefit Analysis Summary / Methodology*
- *Introduction to Rate Design for Electric Utilities*

Indiana State Bar Association – Utility Law Section

- *Electric Ratemaking Workshop (CLE Credit Course)*

Municipal Electric System of Oklahoma (MESO)

- *Distributed Energy Resources Workshop*
- *Cost of Service / Rate Design Workshop*

American Public Power Association

- *Review of AMI Investment Decision (with LUS)*

RMEL (formerly Rocky Mountain Electrical League)

- *Cost of Service and Utility Rate Design*

Western Load Research Association

- *Integrating Load Analyses into the Cost of Service and Rate Design Process (with Redding Electric Utility)*

Northwest Public Power Association

- *Blue Sky Rates Facilitation Workshop*

Eric CALLOCCHIA

PRINCIPAL

Mr. Callocchia has twelve years of experience in the management of cost of service rate studies for owners of water, sewer, stormwater and solid waste utilities. His expertise includes rate design, dynamic cash flow modeling and benchmarking evaluations. He is a contributing author to the Water Environment Federation's Manual of Practice 27: Financing and Charges for Wastewater Systems. He is certified as an expert witness in rate setting matters by the State of Maryland Tax Court.

CONTACT

911-A Commerce Rd
Annapolis, MD 21401

Email: ecallocchia@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Bachelor of Arts in Economics and Mathematics, Johns Hopkins University

PROFESSIONAL REGISTRATIONS/ CERTIFICATIONS

American Water Works Association

Active member of the AWWA Rates and Charges Committee and Cost of Service Subcommittee

Water Environment Federation

Government Finance Officers Association

KEY EXPERTISE

Financial Modeling

Water and Wastewater Cost of Service Analyses

Utility Rate and Fee Design

Economic Impact Analysis

Utility Management

Econometrics

Cash Flow Sensitivity Analysis

Public Finance

NewGen Strategies & Solutions

RELEVANT EXPERIENCE

Water/Sewer/Stormwater Rate Studies

Mr. Callocchia has provided water, wastewater, and stormwater industry expertise and policy guidance to Clients. His rate study approach involves the development of customized financial models that focus on the policy issues, cash needs, revenue requirements, and key performance indicators of each client. His models have provided clients with the necessary information to make critical capital financing decisions and rate adjustments to fully finance their system's operation and asset maintenance and replacement needs while also maintaining fund balance policies based on industry best practices. The models also have the capability of scenario analysis and can be incorporated with operating and capital expense and revenue projects. Mr. Callocchia has developed and recommended alternative rate structures and assisted in the implementation of a phased-in rate plans that address client issues and maintain the financial health of utility funds. Mr. Callocchia also provides expert guidance on the management of water, sewer, and stormwater utilities including the development of policies and procedures related to customer service, organizational communication, and public outreach.

Clients that Mr. Callocchia has provided these services to include:

- Albemarle County, VA
- Anne Arundel County, MD
- Village of Addison, IL
- City of Annapolis, MD
- Bloomington and Normal Water Reclamation District, IL
- Town of Barnstable, MA
- City of Charlottesville, VA
- City of Concord, CA
- Delaware County Regional Water Quality Control Authority (DELCROA), PA
- City of Prospect Heights, IL
- City of Dover, DE
- Town of Colonial Beach, VA
- Township of East Brunswick, NJ
- City of Falls Church, VA
- Frederick County, MD
- City of Frederick, MD
- City of Fredericksburg, VA

Eric CALLOCCHIA

PRINCIPAL

- City of Hagerstown, MD
- City of Hampton, VA
- Town of Herndon, VA
- Jericho Water District, NY
- Village of Libertyville, IL
- Village of Lindenhurst, IL
- Village of Lombard, IL
- Town of Lovettsville, VA
- City of Naperville, IL
- City of North Kingstown, RI
- Village of Orland Park, IL
- City of Park Ridge, IL
- City of Portsmouth, VA
- Town of Purcellville, VA
- City of Richmond, VA
- Rivanna Water and Sewer Authority, VA
- City of Rockville, MD
- City of Salisbury, MD
- Somerset County Sanitary District, MD
- Town of Fairfield WPCA, CT
- Town of Elkton, MD
- Town of Vienna, VA
- Town of Wallingford, CT
- Wise County Public Service Authority, VA
- Village of Fox Lake, IL
- Town of Pound, VA
- City of Westminster, MD
- Town of Middleburg, VA
- Washington Suburban Sanitary Commission, MD
- Town of Wallingford, CT
- Village of Westchester, IL
- Jurupa Community Services District, CA
- King George County Service Authority, VA
- Loudoun Water, VA
- Town of Lovettsville, VA
- Coachella Valley Water District, CA
- City of Brea, CA

Stormwater Feasibility and Fee Studies

Libertyville, IL

In 2019, the Village engaged NewGen to complete a feasibility study to project the costs of implementing a Master Stormwater Management Plan (MSM) and to determine the appropriate methodology to charge Village citizens the costs of the MSMP planned projects. The Village also tasked NewGen with developing credit policies and manuals, appeal procedures, and an appropriate Stormwater Ordinance. Mr. Callocchia developed a financial model that projected the twenty-year cost of the Village's MSMP and the various impervious are based cost allocation methods the Village could adopt as a funding mechanism. Mr. Callocchia feasibility study allowed Village staff and elected officials to evaluate the various stormwater funding alternatives and implement industry best practices for the administration of its stormwater management program. Mr. Callocchia finalized the impervious area and utility billing databases and coordinated with Village staff to develop interactive an online fee lookup tool that allowed Village citizens to see their potential stormwater fee before it became effective. Mr. Callocchia also worked with Village staff to conduct two Town Hall style public information sessions prior to the fee becoming effective.

Westminster, MD

The City of Westminster serves as the County Seat and is in the center of Carroll County. Westminster is conveniently located near Maryland's largest cities, two state capitals, Annapolis and Harrisburg, and the nation's Capital. The City had historically faced challenges when funding stormwater operating and capital costs. The City in the past had not accounted in a detailed fashion the actual costs of stormwater management, with most of the costs absorbed by the City's streets and roads maintenance accounted for in the General Fund. The City engaged NewGen in 2019 to complete a feasibility study with several tasks: Identify and isolate the true cost of stormwater maintenance, develop and recommend a ten-year stormwater CIP given the City's asset listing and future stormwater needs, recommend policies regarding stormwater fees and credits, engage in a

public information campaign to educate the City's citizens on the need for additional resources for stormwater management, and assist in the implementation of a Stormwater Utility that properly accounts for the City's stormwater costs. Mr. Callocchia developed a financial model detailing the City's stormwater costs and helped the City implement a stormwater fee tied to the account information of City sewer users.

Frederick County, MD

Frederick County, Maryland was anticipating the issuance of a Municipal Separate Storm Sewer System (MS4) Permit from the Maryland Department of the Environment (MDE) that would place a certain cost burden on the County's 48,000 stormwater fee payers. Mr. Callocchia developed a financial model that determined the Maximum Extent Practicable (MEP) level that the county could reasonably fund given current levels of funding, median household income, and the County's procurement limitations. Mr. Callocchia's financial model allowed for a sensitivity analysis to determine the increase in funding that would be possible given several factors. The County used Mr. Callocchia's analysis to appeal the permit requirements and reduce the financial impact on the County's customers by both reducing the mandated spending related to the permit and lengthening the required implementation timeframe.

Water and Sewer Revenue Bond Feasibility Study

Mr. Callocchia developed for the City of Annapolis, Maryland a water and sewer rate model that projected various debt scenarios, including bond coverage calculations and cash on hand target projections. The City was able to generate ratings of AA-, Aa3, and AA- from the three major rating agencies and issue the revenue bonds in the amount of $30,755,000 on schedule thanks to the feasibility report generated by Mr. Callocchia's team.

Litigation Support

Water Rate Litigation

The San Diego County Water Authority (SDCWA) and The Metropolitan Water District of California (MWD) were engaged in litigation regarding the water rates charged to SDCWA by MWD. Mr. Callocchia developed a report on MWD's rate setting methodology and how it relates to the principles and industry standard practices detailed in the American Water Works Association (AWWA) Manual M1 - Principles of Water Rates, Fees, and Charges. Mr. Callocchia's evaluation assisted SDCWA in its efforts to show the illegality of MWD's rates based on their non-conformity to both AWWA standards and California Law (Proposition 26). Mr. Callocchia's work involved both cost-of-service analysis and knowledgeable explanation of industry standards to the Superior Courts of California. Subsequent to Mr. Callocchia's report, SDCWA was awarded about $235 million after a judge ruled in favor of the Water Authority, saying MWD's rates for 2011-2014 were illegal. Upon appeal, the appellate court did rule in favor of MWD on one issue out of twelve. The California Supreme Court denied a petition by SDCWA to review the appellate court ruling. The results of the dispute in which Mr. Callocchia was involved as an expert were:

- MWD must pay the Water Authority approximately $51 million for so-called "Water Stewardship" charges MWD added to the transportation rates it charged the Water Authority from 2011-2014; The decision prevents MWD from imposing more than $20 million in illegal charges annually going forward. Through 2047, those unlawful charges would have amounted to approximately $1.1 billion.
- MWD unlawfully under-calculated the Water Authority's statutory water right to MWD's water supply.
- A contract clause MWD used to disqualify local water supply projects in San Diego County from receiving funding from MWD was unconstitutional.

Eric CALLOCCHIA

PRINCIPAL

Utility Billing Dispute

Silgan Plastics is the leading manufacturer of metal containers in North America and Europe, and the largest manufacturer of metal food containers in North America with a volume of approximately half the market share in the United States of America. They are also a leading worldwide manufacturer of metal, composite and plastic closures for food and beverage products. Mr. Callocchia led a team to evaluate the utility rates charges to a selection of Silgan's manufacturing plants and assist Silgan in settling rate disputes with local utility providers. Mr. Callocchia's detailed evaluations and expert analysis resulted in a settlement agreement for more than $500,000 above the amount previously offered to Silgan before Mr. Callocchia's involvement.

Benefit Assessment Dispute

The City of Westminster, Maryland was sued by a new customer who alleged that the methodology used by the City to calculate its water and sewer benefit assessments, commonly known in the utility industry as a System Development Charges, was unlawful. Mr. Callocchia served as an expert witness detailing the industry standard methodologies used to calculate these fees and provided the Court with the rationale and basis for the City's fees. The Court ultimately found that the City's fees were not illegally calculated based on the City's testimony, which included Mr. Callocchia's expert witness statements.

PRESENTATIONS AND PUBLICATIONS

Mr. Callocchia has given numerous presentations and participated in training and workshops. These presentations are shown below.

- "Setting Water and Sewer Rates in New York State While Addressing the Challenges of 2020" New York State GFOA 2020 Northeast Holiday Seminar
- ***WEF Manual 27, Financing and Charges for Wastewater Systems***, Contributing Author
- "Setting Water and Sewer Rates"; 2017 New York State GFOA 38th Annual Conference
- "A World without Crystal Balls: Attempting to Forecast Operating Expenses"; 2016 Tri-Association Conference
- "Enhanced General Fund Reimbursement by Enterprise Funds"; 2014 Brown Edwards Conference

Michael MAKER

PARTNER

Bringing 18 years of experience, Mr. Maker is Deputy Director of NewGen's Water Practice and Partner applying management, financial and technical experience. He has served as either Project Manager or Lead Analyst for over 100 financial and management studies. Day-to-day responsibilities include managing client projects, developing analytical financial models and compiling comprehensive reports and presentations.

CONTACT

911-A Commerce Road
Annapolis, MD 21401

Email: mmaker@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Master of Business Administration in Finance, Loyola University

Bachelor of Arts in Economics, University of Rochester, Minor: Electrical Engineering

PROFESSIONAL REGISTRATIONS/ CERTIFICATIONS

American Water Works Association

Water Environment Federation

Government Finance Officers Association

KEY EXPERTISE

Rate and Fee Design

Financial Modeling

Cost of Service Analyses

Operational Audits

Management Studies

Efficiency and Effectiveness Studies

Demand/Usage Projections

Benchmarking/Comparative Analyses

Research and Data Analyses

Process/Workflow Mapping

NewGen Strategies & Solutions

RELEVANT EXPERIENCE

Water and Sewer Services Comprehensive Business Process Review: Baltimore City and County

Led a multi-firm project team to provide a comprehensive review of the interconnected water and sewerage systems of the City of Baltimore and Baltimore County. The project team performed the review based upon a comprehensive scope of services grouped into six major tasks: Evaluate City-County Existing Service Agreements for Water/ Sewer Services; Review the City and County Organizational Structure and Governance Models; Review Staffing; Evaluate Water and Sewer System Planning and Management; Assess Meter to Cash Operations; and Review Field Operations. The study focused on improving the intergovernmental coordination of processes and policies to ensure effective delivery of high-quality and sustainable water and sewer services to City and County customers.

Water Rate Study: Bristol County Water Authority, RI

Performed a rate study for the water system, resulting in a financial plan and implementation of meter-based fixed charges, 3-tier inclining residential block consumption charges, unit rate non-residential consumption charge, fire service base charges, and other miscellaneous fees and charges.

Rate Analysis and Design Services Study: Suffolk County Water Authority, NY

Developed a financial plan and provided water rate design analysis, resulting in the following recommendations: consolidation of several rate schedules; development of a two-tier inclining rate design and an infrastructure charge; review and update of fire protection charges, wholesale rates and tapping fees; creation of a manual meter read fee.

Water Rate Study & Water Audit: City of Rochester, NY Water Bureau

Performed a rate study and audit of the water system, resulting in a financial plan and implementation of the following rates and fees: meter-based fixed charges; 5-tier declining block consumption charges; fire service charges; and other miscellaneous fees and charges.

Michael
MAKER

PARTNER

Performance Measurement Analysis: Washington Suburban Sanitary Commission, MD

Assessed and analyzed key performance indicators in specific operational areas within the utility and engaged Commission staff and managers in a continuous effort to improve service delivery and operational effectiveness. Led or participated in the following efforts: review of performance on street and paving restoration, review of water line rehabilitation activity, evaluation of property damage claims processing, review of overtime utilization across the Commission, assessment of customer billing operations, development of new key performance indicators (KPI's) for all of WSSC's major operations, creation of an internal survey of customer service, operational review of the SLMBE (Small, Local and Minority Business Enterprises) Office, development of an economic benefit analysis for the Office of Communications to estimate the direct and indirect economic impact of WSSC's capital construction program on the local economies of Prince George's and Montgomery Counties, assistance to the Fleet Management Division on the development of a cost-benefit analysis for automatic vehicle location (AVL) technology.

Water and Sewer Utility Rate Review Study: Albemarle County Service Authority, VA

Performed a cost of service/rate study and developed a financial model to project water and sewer fees over a five-year period. The study included projecting operating and capital expenses, with the largest coming from the Rivanna Water and Sewer Authority (RWSA) for water and sewer treatment service. As part of the study, system development fees were developed to offset the cost of providing water and sewer infrastructure solely within the ACSA system to serve new customers and capacity fees were developed to offset ACSA's share of annual debt service on capacity in RWSA's facilities.

Water and Wastewater Management Analysis: Maryland Environmental Service (MES)

Provided a comprehensive management study that evaluated the Water and Wastewater Group on six attributes: product quality, customer satisfaction, employee and leadership development, operational optimization, financial viability and operational resiliency.

Stormwater Financial Analysis: Norfolk, VA

Performed a financial analysis of the City's stormwater system. The study included the following: development of a stormwater financial model; identification of the City's stormwater-related costs; review of databases used for allocation and billing of costs and billing mechanisms employed to issue stormwater utility bills; calculation of stormwater rates per equivalent unit, square foot of impervious acre, etc. for residential and non-residential customer classes; review of criteria and methodologies for quantifying on-site and site-specific stormwater management activities that qualify for credits; calculation of bill impacts for each customer class based on the rates developed.

Newport, RI Water Division Review: Rhode Island Public Utilities Commission

Studied the organization and management of the Newport Water Division, as requested by the Rhode Island Public Utilities Commission (RI PUC). The study involved assessing the policies, procedures, and organizational structure of the Division and a benchmarking analysis of PUC-regulated water utilities. Recommendations were made for all sections of the Division, including Management, Finance, Water Quality Treatment, Collection & Distribution and Meter.

Michael MAKER

PARTNER

Cost of Service and Rate Design

Mr. Maker prepares cost of service and rate studies for water, wastewater, stormwater, and solid waste utilities. His responsibilities included the development of cost of service cash flow model, rate design, fee design, and customer impact analysis. Mr. Maker completed cost of service and rate studies for the following clients:

- Branford, CT
- Cheshire, CT
- Manchester, CT
- Montville, CT
- Stratford, CT
- Watertown, CT
- Milton, DE
- Glenview, IL
- Morton Grove, IL
- Orland Park, IL
- Auburn, MA
- Barnstable, MA
- Anne Arundel County, MD
- Baltimore, MD
- Baltimore County, MD
- Calvert County, MD
- Cecil County, MD
- Elkton, MD
- Emmitsburg, MD
- Frederick, MD
- Frederick County, MD
- Frostburg, MD
- Garrett County, MD
- Hagerstown, MD
- Harford County, MD
- Kent County, MD
- Rockville, MD
- Washington Sub. San. Comm., MD
- Westminster, MD
- Cape Fear Public Utilities Auth., NC
- Holly Springs, NC
- Claremont, NH
- Exeter, NH
- Camden, NJ
- Evesham Municipal Utilities Auth., NJ
- Albertson Water District, NY
- Beacon, NY
- Carle Place Water District, NY
- Fishers Island, NY
- Fishkill (Town), NY
- Fishkill (Village), NY
- Hicksville Water District, NY
- Jericho Water District, NY
- Mohawk Valley Water Authority, NY
- Plainview Water District, NY
- Port Washington Water District, NY
- Rochester, NY
- Suffolk County Water Authority, NY
- Tivoli, NY
- Water Auth. of Great Neck North, NY
- Canton, OH
- Clermont County, OH
- Cleveland, OH
- Dublin, OH
- Niles, OH
- Perrysburg, OH
- Summit County, OH
- Tallmadge, OH
- Hazleton City Authority, PA
- North Middleton Township, PA
- Pittsburgh Water/Sewer Auth., PA
- Bristol County Water Authority, RI
- North Kingstown, RI
- Highland Park, TX
- Sharyland Water Supply Corporation, TX
- Tyler, TX
- Westlake, TX
- Albemarle County, VA
- Charlottesville, VA
- Chincoteague, VA
- Fauquier County, VA
- Franklin, VA
- Hampton, VA
- Herndon, VA
- James City Service Authority, VA
- Leesburg, VA
- Lexington, VA
- Lovettsville, VA
- Newport News, VA
- Norfolk, VA
- Portsmouth, VA
- Purcellville, VA
- Richmond, VA
- Rivanna Water & Sewer Authority, VA
- Southampton County, VA
- Stafford County, VA
- Warrenton, VA

Michael MAKER

PARTNER

Presentations and Publications

Mr. Maker has given numerous presentations and participated in training and workshops.

- "Utility Best Management Practices: Strong Adopted Financial Management Policies"; Reviewer, Journal AWWA, April 2022
- "System Development Charges: Funding Growth in Maryland"; 2021 Chesapeake AWWA Tri-Association Conference
- "Setting Water and Sewer Rates in New York State"; New York GFOA Northeast Holiday Seminar (2020)
- "Vision Beyond 2020: Preparing and Paying for Growth in the Commonwealth"; 2020 Virginia AWWA WaterJAM
- "Setting Water Rates: State of the Industry"; Long Island Water Conference (2019)
- "EPA's Definition of Affordability"; 2017 Tri-Association Conference (CSAWWA, CWEA, WWOA)
- "Setting Water and Sewer Rates"; 2017 New York State GFOA 38th Annual Conference
- "Defining Affordability"; 2016 AWWA Annual Conference & Exposition (ACE)
- "A World without Crystal Balls: Attempting to Forecast Operating Expenses"; 2015 Water Asset Management Conference
- "Stormwater Utility Financial Analysis: A Case Study of the City of Hampton"; Virginia Lakes and Watersheds Association 2013 Virginia Water Conference
- "LEED Certified Water Efficient Buildings and Water and Sewer Capacity Fees"; 2012 CSAWWA Tri-Association Conference
- "Stormwater Utilities in Virginia"; 2013 Brown Edwards Conference
- "Creating Sustainable Infrastructure"; Maryland GFOA 2009 Spring Conference

Meghan HELPER

SENIOR CONSULTANT

Ms. Meghan Helper joined the firm as an Intern in April 2019 and transitioned to a full-time analyst in July of that same year. She assists on cost of service and rate design projects, with an emphasis on data driven analytics. Ms. Helper has a B.S. in Geophysical Engineering and an M.S. in Engineering and Technology Management, with areas of interest in Data Analytics and Project Management. Prior to joining NewGen, Ms. Helper managed a tree nursery and worked in contract geophysics.

CONTACT

225 Union Boulevard, Suite 450
Lakewood, CO 80228

Email: mhelper@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Master of Science in Engineering and Technology Management, Colorado School of Mines

Bachelor of Science in Geophysical Engineering, Colorado School of Mines

KEY EXPERTISE

Electric Cost of Service and Rate Design

Litigation Support

RELEVANT EXPERIENCE

Cost of Service and Rate Design – Electric

Ms. Helper assists on cost of service and rate design studies for electric utility clients. She has assisted with load analysis for solar and non-solar data, billing, and distributed generation analysis, as well as proforma development

Ms. Helper's cost of service and rate design projects include:

- City of Aurora
- City of Greenville, North Carolina
- City of Merced, California
- City of Weatherford, Texas
- Glendale Power and Water
- Gonzales Microgrid COS
- Greenville Electric Utility, Texas
- Imperial Irrigation District, California
- Navajo Tribal Utility Authority
- San Francisco Public Utility
- Santee Cooper
- Silicon Valley Power, California
- U.S. Army, Arlington, Virginia
- U.S. Army, Huntsville, Alabama
- U.S. Army, Killen, Texas
- U.S. Army, Monterey, California
- U.S. Army, Vernon Parish, Louisiana
- U.S. Army, Yuma, Arizona

Litigation Support

Ms. Helper has assisted in litigation support and preparation of expert witness testimony in Indiana. Her testimony support is related to revenue requirements, cost of service, and rate design as well as the proper allocation of generation costs given a system's unique characteristics. Ms. Helper's litigation support clients include:

- Indiana Michigan Rate Case
- NIPSCO Rate Case

NewGen Strategies & Solutions

Meghan HELPER

SENIOR CONSULTANT

EXPERIENCE PRIOR TO JOINING NEWGEN

Sunshine Tree Farm (Longmont, CO) – Directing Manager

Managed daily and hire level operations from business development, strategic planning, accounting, marketing, customer relations, scheduling, etc. Oversaw tree transplant projects. Operation of tree spade and skid steer. Health and safety training for new and temporary employees.

Mundell and Associates (Indianapolis, IN) – Field Geophysicist

Designed and executed geophysical survey to define contamination plums and prepare for environmental remediation. Processing, interpreting, and reporting on geophysical data. Equipment maintenance and fabrication. Testing and learning how to use new equipment. Teaching other employees how to use new equipment.

Aidan. OATES

CONSULTANT

Aidan Oates joined NewGen Strategies and Solutions, LLC (NewGen) in 2021. He provides financial modeling, cost of service and rate design. His experience includes valuation, trading, economics and investment banking specific to the Energy industry.

CONTACT

911-A Commerce Road
Annapolis, MD 21401

Email: aoates@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Master of Energy Management, Tulane University

Bachelor of Arts in English Literature and Finance, The College of William and Mary

KEY EXPERTISE

Cost of Service and Rate Design

Financial Planning & Budgeting Model

Renewable Energy Equity

RELEVANT EXPERIENCE

Cost of Service and Rate Design

Mr. Oates works with NewGen project managers to build financial models for utility clients. These models utilize industry standard cost allocation methodologies and allow clients to project the operating, capital, debt service and reserve requirements of their systems on both a short and long-term basis. Mr. Oates provides expert utility billing analysis in order to properly project utility revenues. Clients that Mr. Oates has provided these services to include:

- Albemarle County Service Authority, VA
- Bloomington and Normal Water Reclamation District, IL
- Town of Barnstable, MD
- City of Brea, CA
- Coachella Valley Water District, CA
- City of Frederick, MD
- Township of Hamilton, NJ
- Town of Middleburg, VA
- Village of Orland Park, IL

Prior Experience

Mr. Oates' experience prior to joining NewGen include:

Heikkinen Energy Advisors

Equity Research Associate

- Began the renewable energy equity research division through initiating coverage on a number of renewable companies operating in different subsectors of the industry.
- Built financial models to determine the inherent value behind businesses operating in a wide variety of renewable segments, including biomass production, sustainable utility generation, solar inverter manufacturing, battery distribution, and solar installation.
- Updated the models for mergers, acquisitions, debt and equity offerings, and general industry developments.
- Performed a variety of market research, valuation alterations, and quarterly report updates for publication.
- Created a system of comparing reporting across solar installation companies.

Thompson Finanical Group

Financial Advisory Associate

- Balanced, designed, and reconstructed individual portfolios based on weighted considerations of risk tolerance, market factors, and investment horizon.
- Led a team of new representatives in an effort to analyze modern sales trends and the effect of key word marketing on specific territories within several archetypal Maryland markets.

NewGen Strategies & Solutions

Jack BUCKLEY

CONSULTANT

Mr. Jack Buckley joined NewGen as a full-time consultant in December 2021. He assists on cost of service and rate design projects, with an emphasis on data driven analytics. Mr. Buckley has an M.S. and B.S. in Architectural Engineering. Prior to joining NewGen, Mr. Buckley provided professional design services, mechanical building calculations, and building models to assist project managers.

CONTACT

225 Union Boulevard, Suite 450
Lakewood, CO 80228

Email: jbuckley@newgenstrategies.net
Website: www.newgenstrategies.net

EDUCATION

Master's Degree of Science in Architectural Engineering, University of Nebraska-Lincoln – Omaha, NE

Bachelor's Degree of Science in Architectural Engineering, University of Nebraska-Lincoln – Omaha, NE

Engineering Study Abroad Program, Luleå University of Technology – Luleå, Sweden

KEY EXPERTISE

Data Analysis

RELEVANT EXPERIENCE

Cost of Service and Rate Design – Electric

Mr. Buckley assists on cost of service and rate design studies for electric utility clients. He conducts load analysis for solar and non-solar data; billing, and distributed generation analysis; as well as proforma development

Mr. Buckley's cost of service and rate design clients include:

- City of Austin, TX
- City of Denton, TX
- City of Glendale, CA
- City of Riverside, CA
- City of Vernon, CA
- Clean Power Alliance
- Farmington Electric Utility System
- Fayetteville Public Works Commission
- Imperial Irrigation District
- Southern Minnesota Municipal Power Agency
- Tri-State Generation and Transmission Association, Inc.

Other Analysis

Mr. Buckley is currently conducting a variety of other analyses to assist organizations. These clients include:

- Ewell, Brown, Blanke & Knight, LLP
- Exponential Engineering Company
- HR Green Fiber & Broadband, LLC
- Keyes & Fox, LLP
- Peninsula Clean Energy
- Tri-State Generation and Transmission Association, Inc.

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THANK YOU!

225 Union Boulevard, Suite 450, Lakewood, CO 80228
Phone: (720) 633-9496
E-mail: tgeorgis@newgenstrategies.net
www.newgenstrategies.net