

Project Overview

Saint Paul Regional Water Services (SPRWS) is the public drinking water utility for Saint Paul and surrounding suburbs. Utility financing is self-supporting with the majority of revenues obtained through the sale of water. The result of the study is to provide a cost-of-service study in accordance with American Water Works Association (AWWA) M1 Manual: Principles of Water Rates, Fees and Charges. The purpose of this study is to support the financial sustainability of the utility while maintaining affordability and compliance with water industries best practices.

Project Goals

The study is to produce a rate schedule for retail and wholesale customers that ensures financial stability of the utility while supporting the utilizes goals of affordability, revenue predictability, rate stability and equity.

The Water Utility Rate study utilizing industry recognized water rate setting principles and methodologies as outlined by AWWA M1 Manual: Principles of Water Rates, Fees and Charges which will provide the basis for adopting and implementing water rates that are cost-based, proportional, and defensible. The study will be designed to evaluate the adequacy of the existing water rates to fund current and projected operating and capital expenses, review the distribution of costs between retail and wholesale customers and develop proposed rates for consideration and adoption.

The following goals and objectives will be met with the Water Utility Rate Study.

1. Examine the water utility rates utilizing generally accepted rate-making methodologies as outlined in the AWWA M1 Manual.
2. Review customer consumption data and characteristics to determine characteristics for revenue projection and evaluate alternative rate structures.
3. Review existing financial/rate policies and provide recommendations for SPRWS to consider.
4. Develop a capital funding plan to reflect the capital improvements needs identified by SPRWS for the Study that balances the need for long-term debt, use of reserves and pay as you go capital funding.
5. Develop a baseline revenue requirement which provides sufficient funding for annual operating and capital expenses to provide water services.
6. Develop up to two alternative revenue requirement analyses to evaluate alternative funding approaches and impacts to rates while consider affordability impacts.
7. Develop a cost allocation methodology (cost of service) to proportionally distribute the cost of providing water service to identified customer classes.
8. Review current water rate structure and develop up to two alternative rate structures for consideration.
9. Develop final proposed water rates for a seven (7) year period based on the findings of the revenue requirement, cost of service, and rate design goals and objectives
10. Provide written documentation of the Study approach, results and recommendations of the Water Utility Rate Study.
11. Provide public presentations to summarize the findings and recommendations of the Water Utility Rate Study.

Scope of Work

The scope of services will be developed in two phases. Phase 1 is the initial Study development to determine the preliminary Study results and recommendations and begin to discuss the impacts of transitioning to cost of service-based rates, as developed in the Study. Phase 2 will further discuss the cost of service and alternative rate structures to reflect the results of the cost of service, along with additional analyses related to billing frequency and rate structure alternatives and including the presentation and documentation of the recommendations resulting from Phase 2. The services outlined in this Statement of Work will occur within a period of performance beginning August 1st 2025 to December 31st 2026.

Provided below is the scope of services to provide the services being requested by SPRWS.

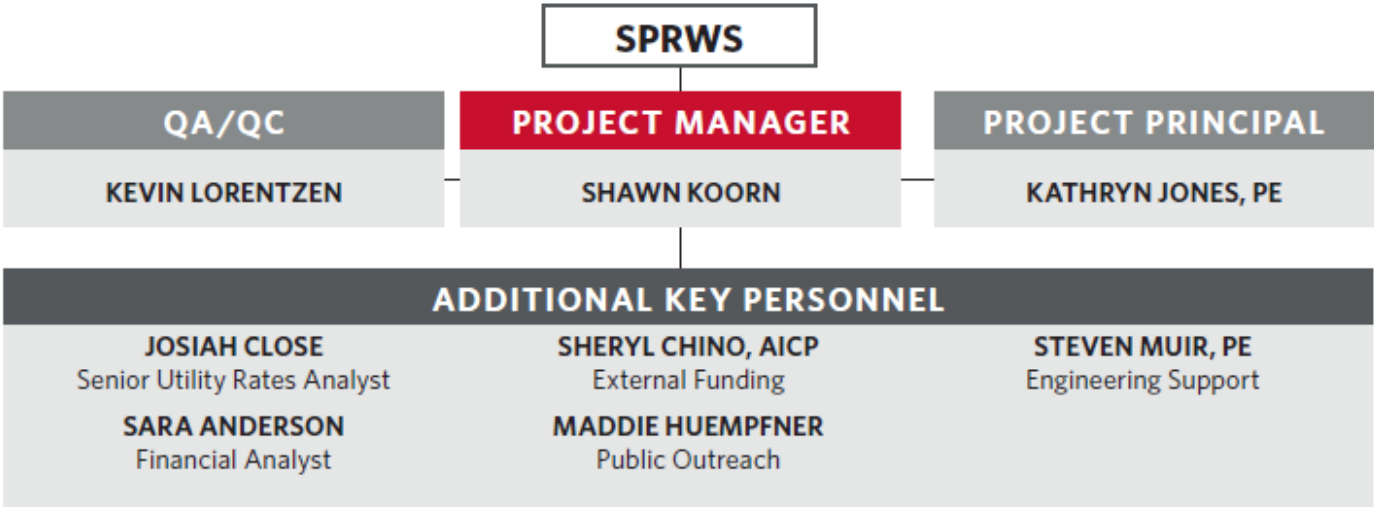
Task 1 - Project Management and Quality Control

Project management is a continuous task and will occur over the entire Study, both Phase 1 and Phase 2, which is estimated to be through spring of 2026. The HDR project manager will provide monthly progress reports, which will be included with the monthly invoices. The progress report will summarize the work completed during the invoicing period, the overall status of the project, issues identified during the invoicing period, and HDR’s assessment of the overall project in relation to deliverables, time schedule, and budget.

Additionally, HDR has a very specific quality control (QC) process for our projects. The QC processes and reviews are internally documented. HDR’s QC process focuses on prevention rather than detection and being proactive rather than reactive. QA/QC will be provided by Kevin Lorentzen. Kevin has nearly 20-years of experience in financial planning and rate studies.

As part of the project management plan developed by HDR, monthly recurring meetings will be set up to review the Study progress and activities with the SPRWS project manager.

Any deviation to the project Management Plan and quality control mechanism including the proposed project team must be approved by SPRWS. The project team assigned to the Water Utility Rate Study is shown below.



Activities of Task 1:

Overall project management to provide adequate resources and leadership to complete the Study on time and within budget

Adhere to HDR's quality control approach and meeting standards

Monthly one-hour meeting to review the project status and progress

Results / Deliverables from Task 1:

Monthly progress reports and invoices

Task 2 – Data Collection and Review

A data request will be provided to SPRWS prior to the Task 3 activities to allow for data collection and review. The initial written data request will detail the data and information required to conduct the Study. HDR will review the provided data and provide a summary to SPRWS on data clarifications or additional data needs. As the Study progresses HDR may require additional data needs to develop the detailed technical analysis required to complete the services being requested by HDR. Should SPRWS determine that the data is not available, or will be time consuming or costly to provide, HDR will work with SPRWS to determine the sensitivity of the data and alternative replacement data options.

Activities of Task 2:

An initial written data request provided electronically

A review of the data to develop the technical analysis

Identification of data constraints or additional data needs

Expected SPRWS Support for Task 2:

Gather the requested data to complete the Study

As needed provide additional data or data clarifications during the course of the Study

Results / Deliverables from Task 2:

Review of the data provided by SPRWS

Identification of outstanding or additional data needs

Task 3 — Initial Project (Kick-Off) Meeting

We plan to bring the HDR project team and SPRWS team together at the start of the project to discuss the Study. The initial project (kick-off) meeting provides the opportunity for both parties to discuss the overall goals and

objectives, schedule, approach, and issues or concerns that either party may have for the Study. It is proposed that this meeting be held at the SPRWS office and be approximately two hours in length.

Activities of Task 3:

Identification of objectives, issues, and concerns

Review and confirm scope of work, general approach, and project schedule

Expected SPRWS Support for Task 3:

Have key management/project team members attend a two-hour in person kick-off meeting attended by up to two HDR staff

Results / Deliverables from Task 3:

Meeting agenda

Summary memo of meeting outcomes and Study objectives

Task 4-Review of Rate/Financial Policies

This task will review and evaluate existing SPRWS financial and rate policies. This review is critical to the Study as it provides the policy basis for financial planning targets (e.g., minimum reserves, debt service coverage). HDR emphasizes written financial/rate setting policies for two reasons. First, HDR believes that utilities should be run in a business-like manner, and therefore, should be managed in a financially prudent manner. The other reason for emphasizing this aspect of the process is that by developing written financial (rate-setting) policies, SPRWS is taking a step towards stability in the decision-making process. That is, the policies are adopted based on prudent financial management of the water utility (industry best practices), and decisions should not necessarily be driven by politics or timing of the process. The development of written financial policies to establish rates is an industry best management practice. Given that, HDR will review the existing financial and rate setting policies and practices in order to comply with those policies during the Study. HDR will recommend, as appropriate, additional financial/rate policies for consideration by SPRWS.

Activities of Task 4:

Review the existing written financial/rate setting policies

Expected SPRWS Support for Task 4:

Provide current financial policies and needed clarification of current practices

Review and discuss additional financial/rate setting policies recommended as a result of this task

Results / Deliverables from Task 4:

Review of the existing written financial/rate setting policies

As appropriate, recommend changes/additions to the existing financial/rate setting policies

Task 5 –Customer Billing Data and Revenue Calculation

A key element of the data review will be the customer billing characteristics necessary to develop the revenue projection, distribution factors, and rate structure alternatives. This is critical to the development of the Study, and HDR will collaborate with SPRWS to determine the final customer classes of service and characteristics. As part of this task, it is proposed that a two-hour project meeting be held to review and discuss the review of the customer data. At the conclusion of the meeting, HDR and SPRWS will collaborate to develop a final set of customer data and customer classes of service to support the cost of service and rate design analyses.

Activities of Task 5:

Identification of the customer billing characteristics

Two-hour workshop to review rate classifications with up to two HDR staff attending

Final customer billing data and analysis to support the cost of service and rate design analyses

Expected SPRWS Support for Task 5:

Provide data clarification and input in the review and identification of customer classes of service

Participate in a two-hour virtual project meeting to review and discuss the data review

Collaborate with HDR in the development of the final customer billing characteristics

Results / Deliverables from Task 5:

Electronic review of the customer billing data

Electronic summary of the proposed customer billing data for use in the Study.

Task 6 – Capital Funding Analysis

To begin the evaluation of the cost-basis of the water utility rates, the water utility capital funding analysis is developed. This allows for the evaluation of alternative funding approaches and provides the input in for the development of the capital component of the revenue requirement analysis, which is needed for determining rate adjustment alternatives. The starting point for projecting capital costs (expenditures) will be the water utility capital improvement plan (CIP), along with other SPRWS planning documents (e.g., master plan, conservation plan). In the capital funding process, consideration must be given to maximizing the capital improvements (expenditures) for the system, while minimizing rates to its customers. This is accomplished in a variety of ways. However, the important aspect of this discussion is that there are multiple methods of financing capital expenditures, and it is through this process that rates can be minimized. 

The basic framework is developed on a year-by-year basis for each year of the Study time period. In summary form, the general approach is to list capital projects in each year and then determine the outside funding sources for each of the projects. These outside funding sources may include capital reserves, grants, low interest loans, revenue bonds, capital contributions, etc. The balance of projects not funded by these other sources must be financed from a combination of long-term debt and rates. It is the balancing of the use of long-term debt to the impact upon rates, which is critical to the analysis.

In balancing the use of debt¹ to equity (rate) financing of capital projects, several financial policy aspects are taken into consideration. Initially, the utility's debt service coverage ratio is an important financial measure or indication of the utility's ability to repay debt, and a key component of the overall financial health of the water utility. The strength of the debt service coverage ratio is a direct function of the amount of capital projects that are financed from rate revenues. A simple financial test that HDR utilizes is that a utility should fund, at a minimum, an amount equal to or greater than the utility's annual depreciation expense for renewal and replacement capital projects. By following this simple financial rule, the utility is not only establishing a potentially strong debt service coverage ratio, but also helping to provide consistent funding to maintain existing infrastructure at acceptable service levels, with minimal or no long-term debt financing. Given the use of reserves and long-term borrowing, policies related to minimum reserve levels and debt management are also important considerations in the development of the capital funding analysis.

Two one-hour virtual project meetings will be held with SPRWS staff during the development of the capital funding analysis. As part of this task, HDR will collaborate with SPRWS staff to evaluate feasible alternative funding approaches and develop up to two alternative capital funding plans.

Activities of Task 6:

Develop a capital funding analysis to reflect the water utility CIP

Review alternative funding approaches for the water utility CIP

Develop up to two alternative capital funding analyses

Expected SPRWS Support for Task 6:

Provide feedback and input on the CIP

Review and comment on the alternative funding approaches

Participate in two one-hour virtual project meetings to review the task analyses

Results / Deliverables from Task 6:

Capital funding analysis based on the water utility CIP

Up to two alternative capital funding analyses with alternative funding approaches

Summary of the virtual meeting capital funding analyses review

¹ Within this study, HDR is not acting as a municipal (financial) advisor regarding the issuance of long-term debt. HDR will work with the SPRWS financial advisor to provide this information. The SPRWS financial advisor will fulfill the municipal advisory role as it relates to the size, timing and structuring of any proposed debt issues.

Task 7—Revenue Requirement Analysis (Financial Plan)

Using industry standard (e.g., AWWA) methodologies, HDR will develop the water utility revenue requirement analysis (financial plan) for a projected time period. The revenue requirement analysis will establish the cost-based level of revenue to be collected from customers to prudently fund the water utility operating and capital expenses. As necessary, HDR will develop a rate transition plan to move toward cost-based levels.

The development of the revenue requirement analysis is the first major analytical portion of the water rate study process. This portion of the Study entails reviewing the various sources of funds (revenues) and comparing them to the applications of funds (expenses) for the utility. This task considers the prudent and proper funding for operation and maintenance (O&M) and capital expenditures and determines the need for rate adjustments over the time period selected. A more detailed discussion of the various steps involved in developing the revenue requirements is provided below.

STEP 1 – SELECTION OF A TEST PERIOD: The first step in the development of the revenue requirements is the selection of a “test period.” In this case, a multi-year time period (e.g., ten-year) is proposed. By reviewing costs over this extended time frame, SPRWS can determine when rate adjustments may be required and potentially take steps today to help limit future impacts (e.g., rate adjustment transition, accumulation of capital reserves). However, generally the focus of the Study will be the next five-year period for rate setting purposes.

STEP 2 – METHOD OF ACCUMULATING COSTS: A cash basis methodology is proposed, which is the typical methodology used to establish rates for municipal utilities. Using this methodology, the water utility revenue requirement includes annual O&M expenses, taxes/transfers, annual debt service, and capital projects funded from rates. A review of the industry standard methodologies will be included in the project kick-off meeting and an approach determined for this Study.

STEP 3 – ACCUMULATION OF REVENUES AND EXPENSES: Once the test period and method of accumulating costs has been determined, HDR, in conjunction with SPRWS staff, will develop the test period revenue requirement for the water utility. The revenue requirement is composed of two major types of costs: operational and capital expenses. The operational costs are generally projected from historical or budgeted costs, using assumed escalation factors, and adjusted for known changes in operations (e.g., additional personnel, growth/expansion, regulatory). This is key to the development of the projected costs and key assumptions such as inflationary (escalation) factors, customer account growth, changes in projected consumption, etc. over the Study time period.

While the projection of the operational costs is fairly straightforward, the capital cost projections are generally the focus of the analysis and require more thought and planning. This will be accomplished through Task 6. However, as the capital funding analysis is developed it may be refined as part of this task as the impacts to rates is incorporated into the analysis. Given this, up to two alternative analyses will be developed to evaluate the impacts to rates from alternative funding approaches.

In summary, given a better understanding of the overall magnitude of the needed capital projects, a final financing plan can be developed that meets the Study goals and objectives, while attempting to smooth identified rate increases over time.

Activities for Task 7:

A baseline water revenue requirement analysis that evaluates funding options and considers the necessary operating and capital needs of the water utility (i.e., long-range financial plan)

A final capital funding plan within the revenue requirement analysis, utilizing the water utility CIP

A transition plan to “phase in” rate adjustments as needed

Up to two alternative revenue requirement analyses to reflect alternative funding and assumption approaches

Expected SPRWS Support for Task 7:

Provide data refinements or additional data needs as determined during the process of developing the revenue requirement

Attend a half-day in-person project meeting attended by up to two HDR staff to review the draft revenue requirement analysis and review the overall methodology and confirm model assumptions and key inputs

Results / Deliverables from Task 7:

Development of the revenue requirement analysis in the rate model

Meeting agenda for a half-day project meeting at SPRWS offices to discuss the development of the revenue requirement and recommendations

Task 8 – Preliminary Cost of Service Analysis

Using generally accepted methodologies and the SPRWS system and customer characteristics, HDR will develop a cost of service analysis to proportionally distribute the previously developed revenue requirement to the identified customer classes of service. Average unit costs (cost-based rate designs) will be developed to provide the basis for rate structure alternatives strictly based on the cost of service results. This task is designed to specifically address the differences between serving retail and wholesale customers, and different customers within each service level. A brief discussion of the major steps associated with the cost of service analysis is provided below.

STEP 1 – SELECTION OF TEST PERIOD: A cost of service analysis typically reviews a one-year period to establish cost-based water rates. For cost of service purposes, distributing revenue requirement for the rate setting period is typically assumed. HDR will discuss the timing and test period with SPRWS staff at the kick-off meeting.

STEP 2 – SELECTION OF THE METHOD TO ACCUMULATE COSTS: The cash basis revenue requirement developed in Task 7 will be distributed within the cost of service analysis. However, given water service to wholesale customers, a utility basis approach could be used to develop the cost of service analysis, even with the cash basis revenue requirement. During the kick-off meeting HDR and SPRWS will discuss the approach to establishing the cost of service methodology.

STEP 3 – FUNCTIONALIZATION AND ALLOCATION OF EXPENSES: Functionalization refers to the arrangement of cost data into its basic cost categories. For a water utility, these categories are generally source of supply, treatment, transmission, and distribution. Given functionalized costs, the costs are then allocated to the appropriate cost component(s) based on the reason why the cost was incurred. For example, allocation determines whether a specific water cost is incurred as a result of an average day, peak day, customer, or fire-protection-related need. The allocation of the water utility revenue requirement will be based on generally accepted cost of service techniques (i.e., AWWA methodology) and the specific system characteristics of the water system.

STEP 4 – DETERMINATION OF CLASSES OF SERVICE: As a part of Task 5, HDR will review and identify the different customer classes of service. For cost of service purposes HDR and SPRWS will review the customer classes to develop the analysis given the proposed rate structure alternatives and whether modifications or changes to the existing customer classes are suggested or required.

STEP 5 – REVIEW OF CUSTOMER CONSUMPTIVE USE: Task 5 will also have reviewed consumption data for each identified customer class of service. This is an important objective of the analysis both for the development of the rate revenues and the basis for cost distribution for each of the customer classes of service. This data will need to be reviewed to determine if it reflects a “typical” year of consumption for each customer class of service. In addition, growth in customer consumption will need to be considered for the projection of future revenues, and proposed rate design alternatives. A cornerstone principle of a cost of service analysis is “those who create the cost should pay for the cost.” That implies, for example, that the customer group that creates a peak demand on the system should pay their proportional share of the cost to meet that peak demand.

STEP 6 – DISTRIBUTION OF EXPENSES: The next step is to distribute the allocated costs to the identified customer classes of service using distribution factors. HDR will develop distribution factors that reflect the proportional share of each customer class of service and are based on the water utility specific data. In particular, the development of the capacity distribution factor(s) will require a significant level of care and effort. Based on the prior tasks, HDR will have reviewed the individual customer billing data to sort and analyze consumptive and peak capacity use by customer class of service.

STEP 7 – SUMMARY OF THE COST OF SERVICE: From the above process, a summary page of the cost of service analysis is developed. The summary page compares the difference between the current level of rate revenues received from each class of service, and the proportionally distributed cost of service for each class. This provides an understanding of the relationship between the costs each customer class of service places on the system and the revenues received from the customers. From this summary, a determination can be made as to the revenue/rate adjustments, by class of service, which are reflective of cost responsibility. This will provide SPRWS with the ability to determine if alternative rate structures and/or customer classes should be evaluated further to reflect the results of the cost of service analysis.

STEP 8 – DEVELOPMENT OF AVERAGE UNIT COSTS: The cost of service analysis provides the allocation of total costs to each class of service, but it also provides average unit costs, or cost-based rates. These cost-based water rates provide the basis for proposed water rates and alternative structures. Average unit costs also provide an understanding of the cost/rate relationship between fixed and variable costs.

Activities for Task 8:

Review of the customer classes of service and determine revisions for cost allocation or rate design alternative purposes

Review of the consumption characteristics of the customer classes of service to provide a rational for developing alternative rate structures and/or customer classes of service

Proportional distribution of the test period revenue requirement to the identified customer classes

Expected SPRWS Support for Task 8:

Provide as-needed assistance to explain the data and information as it relates to developing the cost of service analysis

Attend a half-day meeting to review the draft results of the cost of service analysis

Results / Deliverables from Task 8:

A summary of the average unit costs (cost-based rates)

A half-day in person meeting attended by up to two HDR staff to review the cost of service analysis

Electronic copy of the cost of service analysis

Task 9—Rate Design Analysis

An important starting point for the rate design process is understanding the rate design goals and objectives for the water utility. These objectives may include conservation, revenue sufficiency, revenue stability, ease of administration, and simplicity. The current water utility rates will be reviewed to determine how well they conform to contemporary rate-setting goals and objectives.

For the initial phase of the Study a “baseline” scenario for the proposed rates will be developed. HDR interprets that to imply cost-based rate designs using the existing rate structure (i.e., fixed charges and consumption charges) for each class of service. A bill comparison and graph will be provided that shows a comparison between the present bill and the proposed bill at various levels of usage. Bill comparisons are useful in assessing the potential impacts to a wide variety of customers. Further rate structure alternatives will be reviewed and evaluated in later tasks of the Study.

Activities for Task 9:

A “baseline” proposed water rates based on the existing water rate structure for each customer class of service

Development of bill comparisons for the proposed water rates

Expected SPRWS Support for Task 9:

Discuss with HDR the water utility rate design goals and objectives

Assist, as necessary, in the development of the proposed water rates

Attend a one-hour virtual project meeting to review and discuss the proposed water rate structure

Results / Deliverables from Task 9:

Electronic copy of the proposed rates based on the current rate structure for each customer class of service

A one-hour virtual project meeting to review and discuss the proposed water rate structure

Task 10 – Financial Model Calibration

The results of the prior tasks will provide the information necessary for SPRWS to update the current financial model. HDR will provide support to SPRWS staff as the financial model is updated to provide specific data, key assumptions, and recommendations to the approach.

Activities of Task 10:

Utilize the development of the analysis to support SPRWS in the update of the SPRWS financial model

Provide summary of key model outputs and inputs to the SPRWS financial model

Two-hour virtual project meeting to review and discuss the SPRWS model update

Expected SPRWS Support for Task 10:

Coordinate with HDR on the data input needs from the Water Utility Rate Study technical analysis

Update the SPRWS financial model

Results / Deliverables from Task 10:

Electronic copy of the data inputs for the SPRWS financial model

Task 11—Study Documentation

At the conclusion of the technical analysis, HDR will develop a draft written report. The report is intended to summarize the activities undertaken as a part of this project, along with findings, conclusions, and recommendations. The report will provide a discussion of the methodology used to develop the recommended rates. A technical appendix of the analyses undertaken by HDR is included as part of the report. This provides a clear administrative record documenting the Study and the analyses undertaken to establish the cost-basis for the proposed water rates.

HDR will provide an electronic copy of the draft report to SPRWS for its review and comment. Comments, suggestions, or corrections concerning the draft report will be incorporated into the final report. HDR will provide the final report in a PDF file format.

Activities of Task 11:

Develop a written report to document the development of the proposed rates for the initial study phase

Hold a one-hour virtual project meeting to review and discuss the draft report

Expected SPRWS Support for Task 11:

Review and comment on the draft final written report

Participate in a one-hour virtual project meeting to review and discuss the draft report

Results / Deliverables from Task 11:

Electronic copy of the draft written report

Electronic copy of the final written report

Task 12 – Rate Model

As a part of the Study, HDR will develop Microsoft Excel-based models for the Water Utility Rate Study. The model will be developed specifically for SPRWS and be provided to the city at the conclusion of the Study. The model is designed to be easy to use and update. Cell entries are highlighted, and the models use SPRWS specific data and information for ease of future use and update. No user training or user manuals have been assumed within this scope of services. However, if SPRWS requests training or a user manual, they can be provided as an amendment or separate scope of services.

Activities of Task 12:

Provide the model to SPRWS at the completion of the Study

Expected SPRWS Support for Task 12:

Collaborate during prior tasks for future ease of use and updating

Results / Deliverables from Task 12:

Model developed specifically for the SPRWS Water Utility Rate Study

Task 13—Public Meeting/Presentation

For the initial study phase, HDR is proposing one presentation of the Study results to SPRWS. This will provide a summary of the Study methodology, key policy issues, recommendations, and proposed rates. HDR will develop the presentation materials related to the Water Utility Rate Study initial phase. This will also provide the opportunity for management to provide feedback on the current study approach and alternatives for further consideration given the Study results. Additional presentations are anticipated in the following phase given alternative rate structures and funding alternatives.

Activities of Task 13:

Development of presentation materials to summarize the water utility rate study

Presentation of the water utility rate study initial phase

Expected SPRWS Staff Support for Task 13:

Coordinate with HDR on the time and date of the presentations

Review and comment on proposed presentation materials

Results / Deliverables from Task 13:

Attend and present at one presentation to SPRWS

Prepare handout materials related the rate study

Task 14—Public Outreach

Given that this is the initial phase of work, and that it is assumed and proposed to maintain the existing rate structure and begin to evaluate alternatives, minimal public outreach assistance is anticipated. For this task, HDR will provide assistance in messaging and presentation materials as needed.

Activities of Task 14:

Provide assistance in developing key messaging and presentation materials

Expected SPRWS Staff Support for Task 14:

Collaborate with HDR and review information and materials

Deliverables as a Result of Task 14:

Assistance in developing messaging and presentation materials

Task 15 – Revenue Requirement Alternatives

Given the development of the capital funding plans and revenue requirement (financial plan) in the initial phase, this task will provide additional financing/funding alternatives and recommendations to evaluate the long-term rate transition plan. For this task, HDR is proposing an additional two alternatives for SPRWS to review and evaluate and develop additional rate transition plans as necessary. These alternatives may also be used in the development of the final cost of service (Task 16) and rate design analyses for future rate setting periods.

Activities of Task 15:

Update the baseline financial and capital plans to develop up to two additional alternatives for consideration

One-hour virtual project meeting for each alternative developed to review with SPRWS

Expected SPRWS Support for Task 15:

Provide key assumptions to develop the alternative financing approaches

Results / Deliverables from Task 15:

Electronic copy of up to two alternative financial/funding analyses

Task 16 – Updated Cost of Service Analysis

Task 8 will have developed the cost of service analysis based on the discussion of the customer classes of service and rate setting goals and objectives while maintaining the current rate structure. This task will further evaluate and analyze the results of the initial cost of service, update to reflect alternative financial plans, review alternative customer classes of service, and provide the basis for alternative rate structures. HDR will collaborate with SPRWS staff to develop the updated cost of service analysis given SPRWS goals and objectives. Up to two alternative cost of service analyses will be developed.

Activities of Task 16:

Review of initial cost of service analysis and cost of service revisions to reflect goals and objectives

One-hour virtual project meeting to review each alternative cost of service analysis completed

Develop alternative cost of service analyses to support customer class and rate structure alternatives

Expected SPRWS Support for Task 16:

Provide input and direction on alternative cost of service analyses

Review alternative cost of service analyses results

Results / Deliverables from Task 16:

Electronic copy of the revised cost of service analyses

Up to two alternative cost of service analyses

Task 17 – Rate Structure Alternatives

As noted, Task 9 will have provided the status quo rate structure based on the results of the water utility rate study. This task will provide up to three alternative rate structures and an alternative billing frequency analysis based on SPRWS rate structure goals and objectives. At this time, SPRWS has requested a tiered rate structure will be evaluated for the water utility customers. It is important to note that consumption patterns vary by customer type (e.g., residential, multi-family, non-residential). Given this HDR and SPRWS will collaborate and review the customer characteristics developed as part of Task 5 to develop a feasible rate structure for the different customer classes of service. SPRWS is also interested in reviewing a lifeline rate structure. These alternative will be compared to the current rate structure and bill impacts identified through the use of bill comparisons. As part of this task, a review of the billing frequency will also be evaluated. SPRWS currently bills on a quarterly basis and is interested in evaluating the move to monthly billing. As a result, each rate structure alternative developed will need to be developed to reflect both quarterly and monthly billing frequency. As part of the alternative rate structure the relationship between the fixed and consumption charge will be evaluated. The cost of service analysis will provide a basis for the fixed charge, which can be reviewed during the development of each rate structure alternative.

Activities of Task 17:

Development of rate structure alternatives for review

Evaluation of billing frequency from quarterly to monthly

Development of customer bill impacts for each alternative rate structure

In person project meeting to review and discuss the alternative rate structures

Expected SPRWS Support for Task 17:

Provide input on the development of the rate structure alternatives

Provide input on the billing frequency and approach

Participate in an in person meeting to review the alternative rate structures.

Results / Deliverables from Task 17:

Up to three alternative rate structures for each customer class of service

Review of the feasibility of transitioning to monthly billing

Task 18 – Public Presentations

Given the rate structure alternatives, should SPRWS determine a rate structure change will be made, additional presentations are anticipated. Typically, HDR recommends an initial presentation of the viable alternatives to gain feedback and input. Then given the input, a final presentation is provided to outline the proposed rate structure for implementation. HDR will provide up to two presentations for this task to support the implementation of the proposed rate structure.

Activities of Task 18:

Development of presentation materials to summarize the alternative rate structures and final proposed rate structure

Up to two presentations to present the alternative rate structures and final proposed rate structure

Expected SPRWS Support for Task 18:

Coordinate with HDR on the time and date of the presentations

Review and comment on proposed presentation materials

Results / Deliverables from Task 18:

Attend and present at two presentations to SPRWS

Prepare handout materials related the alternative rate structures and recommendations

Task 19 – Public Outreach

Should SPRWS determine alternative rate structures are recommended. Additional public outreach assistance is anticipated. This includes outlining the key messages, providing assistance in developing outreach materials, and assisting in the development of the two presentations in Task 18.

Activities of Task 19:

Coordination with SPRWS in the development of outreach materials

Up to two one-hour virtual project meetings

Expected SPRWS Support for Task 19:

Coordinate with HDR in the development of the outreach materials

Mailing/delivering all outreach related materials

Participate in up to two one-hour virtual project meetings

Results / Deliverables from Task 19:

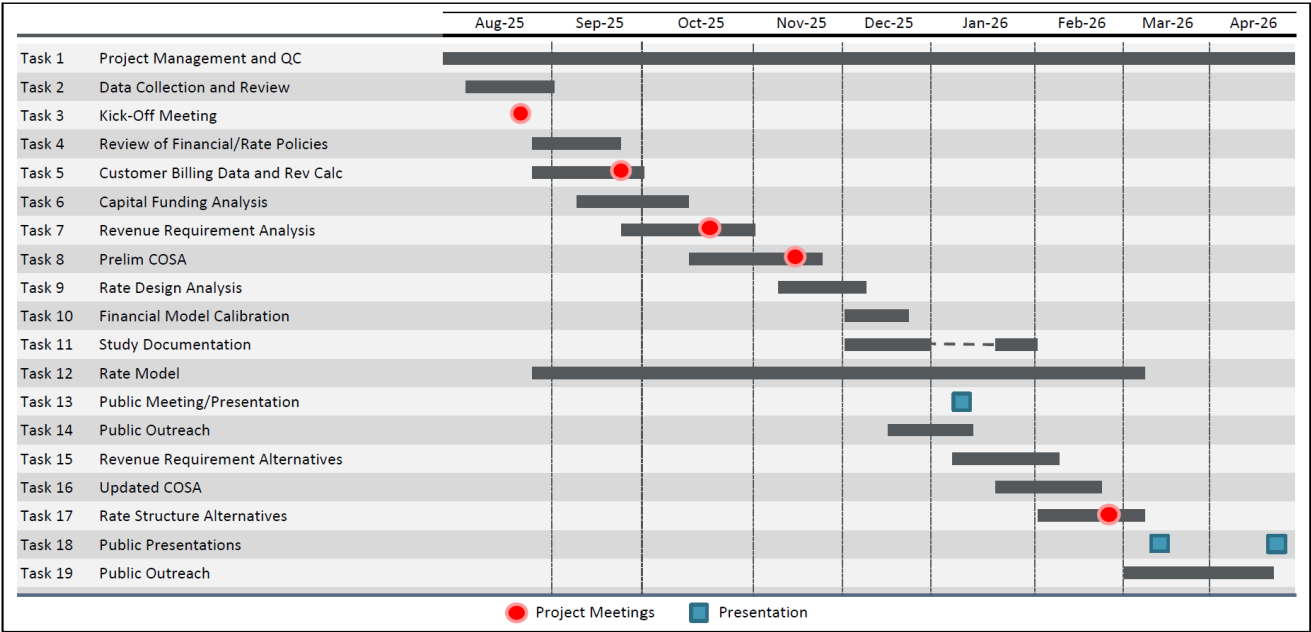
Electronic delivery of outreach related materials and key messages



Deliverable Schedule

The project schedule reflects the sequence and duration of tasks identified in the RFP. The project schedule can be modified as needed upon agreement between SPRWS and HDR.

Project Schedule



Compensation Terms

Compensation terms will adhere to SPRWS Master Contract 4613. SPRWS agrees to pay HDR for the services and deliverables in this exhibit below. If the deliverable does not conform with the description that is described within the statement of work, SPRWS shall notify HDR written notice specifying the deficiencies in detail. HDR shall resubmit the deliverable for review within a new acceptance period as agreed upon by HDR and SPRWS. In the event the resubmitted deliverable is rejected and remains uncorrected to SPRWS reasonable satisfaction, SPRWS reserves the right to suspend HDR's work on any subsequent or future deliverable under this Agreement until such time as the non-confirming deliverable has been corrected and accepted. Any such suspension shall not constitute a breach of this Agreement, nor shall it relieve HDR of its obligations with respect to delivery schedules, unless otherwise agreed to in writing by SPRWS.

The fee estimate is based on the hourly billing rates as agreed upon SPRWS Master Contract 4613 in accordance with the tasks as described in the scope of work. Should SPRWS request additional out of scope services under this contract, the services will be agreed to in writing where an additional Statement of Work shall be crafted in accordance to SPRWS Master Contract 4613.

Notwithstanding anything to the contrary in this agreement, total costs for the work must not exceed the total amount referenced below.

SPRWS WATER UTILITY RATE STUDY FEE ESTIMATE		
TASK	DESCRIPTION	COST
Task 1	Project Management / QC	\$16,040
Task 2	Data Collection and Review	\$2,130
Task 3	Kick-Off Meeting	\$6,090
Task 4	Review of Financial/Rate Policies	\$4,110
Task 5	Customer Billing Data and Revenue Calculation	\$10,340
Task 6	Capital Funding Analysis	\$8,890
Task 7	Revenue Requirement Analysis	\$11,700
Task 8	Preliminary Cost of Service Analysis	\$16,600
Task 9	Rate Design Analysis	\$6,010
Task 10	Financial Model Calibration	\$4,890
Task 11	Study Documentation	\$7,340
Task 12	Rate Model	\$1,740
Task 13	Public Meeting/Presentation	\$4,290
Task 14	Public Outreach	\$3,380
	PHASE 1 LABOR TOTAL	\$103,550
	PHASE 1 EXPENSES	\$9,720
	PHASE 1 TOTAL	\$113,270
Task 15	Revenue Requirement Alternatives	\$10,190
Task 16	Updated Cost of Service Analysis	\$13,410
Task 17	Rate Structure Alternatives	\$15,400
Task 18	Public Presentations	\$9,970
Task 19	Public Outreach	\$ 12,240
	PHASE 2 LABOR TOTAL	\$61,210
	PHASE 2 EXPENSES	\$4,305
	PHASE 2 TOTAL	\$65,515
Total Labor		\$164,760
Expenses		\$14,025
Grand Total Fees		\$178,785