



May 2, 2023

Aaron Brooks, General Manager
Groton Utilities
295 Meridian Street
Groton, CT 06340

Utility Financial Solutions, LLC (UFS) is pleased to submit a proposal to provide water and wastewater cost of service studies for Ledyard WPCA on behalf of Groton Utilities. Our proposal is based on years of experience navigating complex financial challenges for municipal utilities around the United States.

We approach challenges strategically, partnering with your team to understand your goals before using innovative processes and in-depth research to determine the best solution to suit your needs. We stay on top of industry trends and anticipate challenges to help you solve existing problems and prepare your utility for long-term success. Our methodology and educational components have earned us a reputation as the preferred provider of rate studies in the United States.

Our project team members are experts in their respective fields and instruct for leading utility groups including the American Public Power Association, Southern Gas Association, and the National Association of Regulatory Utility Commissioners. Our specialized team of accountants, engineers, and economists have years of industry-specific experience to help ensure that you reach your goals. Your team lead will be Mark Beauchamp. A recognized industry leader in utility finance, Mark started UFS in 2001 and brings decades of experience to the team, having conducted thousands of cost of service studies.

For your project, UFS will complete a cost of service and rate design study, as well as develop educational materials to communicate with members of your governing body and community. The goal of these efforts is to:

- Earn positive engagement from members of government
- Obtain rate approval
- Ultimately create long-term financial stability for your utility

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,

A handwritten signature in black ink, appearing to read "Mark Beauchamp", is written over a horizontal line.

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

Detailed Breakout of Scope of Services

Completion of Cost of Service and Financial Projection– Summary of deliverables for each utility

- Cost of Service Analysis
 - a. Cost of service identifying cost to serve each class of customers
 - b. Minimum system analysis to identify cost to recover in customer charges
 - c. Development of component costs to determine how customers use water/wastewater
 - i. Base Costs
 - ii. Extra-capacity
 - d. Distribution/collection breakdown of costs
 - i. Customer charge
 - ii. Distribution/collection charges
- Financial Projection and long term rate track
 - a. Development of five-year financial projection
 - b. Identification of long term rate adjustments
 - c. Identification of projected debt coverage ratios
 - d. Minimum cash reserve for the utility to maintain
 - e. Identification of target operating income
- Rate Design for one year
 - a. Impact of rate designs at various usage levels within each class
 - b. Movement of rate toward cost of service
- Detailed report for Management in PDF format
 - a. Identifying process and result of study
- Presentation
 - a. Present the findings and recommendations to Management and governing body via WebEx – one presentation included

Financial Projection Summary of Deliverables

- Assessment of Key Financial Targets:
 - a. Days Cash on Hand
 - b. Rate of Return
 - c. Debt Coverage Ratio
 - d. Age of System
 - e. General adequacy of infrastructure re-investment
 - f. General Rate Design observations
 - g. General observations on debt vs NBV
 - h. Other general financial observations
 - i. Separated enterprise funds
 - ii. Where applicable, observations about transfer to the City
 - iii. Cash VS Utility Basis observations



Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from this proposal date of May 2, 2023.

Payment will be made through submission of invoice which itemizes the work performed.

Fees for Services Provided:

Water Financial Projection, Cost of Service, Rate Design **\$13,000**

(*Onsite meetings will be separately charged at \$3,000)

Anticipated Meetings (Online platform):

- Project kickoff
- Data collection summary
- Financial review summary
- Draft report to management
- Final report to management

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
Joan Bakenhus	\$ 155.00
Jillian Jurczyk	\$ 175.00
Robert Blank	\$ 120.00

Deliverables in pdf:

- 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) One-year rate design & revenue proof

Onsite Meetings

Any requested and approved onsite presentation will be billed at hourly rates with a 50% discount on related travel time. Out of pocket travel expenses are billed at cost. All costs incurred from schedule changes initiated by client after booking will be considered out of pocket.

Out of Scope Pricing

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

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:

Groton Utilities



Proposed Professional Services Agreement

Prices, terms, and conditions are good for a period of 90 days from this proposal date of April 12, 2023. Payment will be made through submission of invoice which itemizes the work performed.

Fees for Services Provided:

Water and Wastewater Financial Projection, Cost of Service, Rate Design

\$26,000

(*Onsite meetings will be separately charged at \$3,000)

Anticipated Meetings (Online platform):

- Project kickoff
- Data collection summary
- Financial review summary
- Draft report to management
- Final report to management

Deliverables in pdf for each utility:

- 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) One-year rate design & revenue proof

Hourly Rates (travel is discounted at 50%)

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Out of Scope Pricing

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

Sincerely,

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

Date:

Accepted By:

Groton Utilities

Ledyard WPCA Cost of Service Study General Request for Information

Item	Responsible Party
· Electronic trial balance (2020, 2021, 2022)	CUSI / Ledyard Finance
· Audited balance sheet, income statement, cash flow (2020, 2021, 2022)	CUSI / Ledyard Finance
· Fixed asset detail for FYE 6/2022	Ledyard Finance
· Copy of O&M and Capital Budget FY2023 and FY2024	Ledyard Finance
· Anticipated Capital Projects FY2024 - FY2029 (or longer if available)	Ledyard Finance
· Copies of all Outstanding Debt Amortization Schedules	Ledyard Finance
· Anticipated debt issuances (debt issues "in the works")	Ledyard Finance
· Current rate schedule and rate schedules applicable to FY2022 billings	CUSI
· Contribution to City/PILOT basis if any	Ledyard Finance
· FY 2022 Revenues by Class (spreadsheet provided at kickoff)	CUSI
· Monthly Billing data for FY 2022 by Class (spreadsheet provided at kickoff)	CUSI
· Water Plant Information (spreadsheet provided at kickoff)	Groton Utilities
· Minimum System Information (spreadsheet provided at kickoff)	Groton Utilities
· Meter Cost Information (spreadsheet provided at kickoff)	CUSI / Groton Utilities