



Environmental Financial Group

San Francisco • Palm Beach

March 17, 2017

Ms. Shannon R. LaRocque
Utility Director
Village of Wellington
12300 Forest Hill Boulevard
Wellington, FL 33414

2017 Utility Rate Study

Dear Ms. Larocque:

Environmental Financial Group, Inc. (“EFG”), in association with Public Resources Management Group, Inc. (“PRMG”) is pleased to submit to the Village of Wellington (“Village”) this letter proposal for services related to a 2017 Utility Rate Study (“Study”).

Goals and Objectives

The Village conducted a comprehensive utility rate study in 2009, including guidance as to revenue adequacy, capital funding and cost of service adjustments to potable water and wastewater rates. Since that time, economic conditions deteriorated in the Great Recession, growth slowed, and capital investment was deferred. With the improved economy, the Village is seeking to revisit its utility rates, fees and charges and planning a 7-year capital program. In response, EFG has submitted this proposal for professional services to assess its online potable water and wastewater rates and connection fees, reclaimed water rates, and the various miscellaneous service fees that support its utilities operations.

The goals of this Study are as follows.

1. Assess the cost of service of water, wastewater and reclaimed water rates and rate revenue requirements over a 7-year forecast period with fiscal year 2017-18 defined as the target year.
2. Assess the rate structure, including minimum charges and volume charge tiers.
3. Review and update all miscellaneous fees using both cost of service techniques and regional peer surveys.
4. Develop potable water and wastewater connection fees that comport with current and planned capital investment in system capacity. Assess the viability of connection fees for reclaimed water service.

5. Collect and statistically analyze raw historical customer billing data to support the Study and various demands placed on the utility systems by each customer class.
6. Document all analyses and recommendations in a bound report and support Village staff in outreach to decision-makers and other stakeholders.

Team and Qualifications

For this project, we propose assemble a team comprised of EFG and PRMG utility business consulting professionals. Scott Harder, President of EFG, will serve as project manager. Robert Ori, President of PRMG, conducted the Village's 2009 rate study and will serve as co-lead with Scott Harder on all technical tasks. PRMG is assisting EFG in the ongoing Utility Financial Performance Review that is a precursor to the proposed Study.

Our qualifications offer the Village the following benefits:

- Over seventy years of combined principal experience working with South Florida water and wastewater utilities to develop and implement on all aspects of utility business management.
- Continuous business activity in South Florida and Palm Beach County since 1988.
- Experience with many South Florida municipalities and utilities, including:
 - Palm Beach County Water Utilities Department
 - City of West Palm Beach
 - East Central Regional Water Reclamation Facility Operations Board
 - Seacoast Utilities Authority
 - Town of Jupiter
 - City of Tamarac
 - Town of Lantana
 - Glades Utility Authority

We have outlined our understanding of your goals and objectives and included proposed work tasks, a schedule and a not-to-exceed budget. We have also attached qualifications information.

Scope of Services

EFG proposes to complete the following tasks for this Study.

Task 1 :: Data Analytics The EFG team shall define raw data needs, work with Village staff to access CIS, and collect and analyze customer account and billing information. EFG shall conduct consumption trends, apparent losses, customer billing, and meter equivalency analyses. These analyses shall define the demands placed on the water and wastewater systems by each class of customers which form the basis for cost of service ratemaking methods. Outputs from these analyses shall serve as inputs into the cost of service analysis. Tabular and graphical presentations of the data shall be developed and incorporated into the Study report.

Task 2 :: Cost of Service Rate Analysis EFG shall conduct a comprehensive cost of service analysis using American Water Works Association (AWWA) methods, which shall include development of schedules of annual revenue requirements, operating cost allocations, utility service and peaking requirements, functional cost allocations to customer classes, development of unit costs of service, and derivation of rate designs.

Task 3 :: Connection Fee Analysis Using the information developed in tasks 1 and 2 and incorporating fixed asset records and capital improvements plans, EFG shall develop potable water and wastewater connection fees. EFG shall consider several generally accepted utility management methodologies in developing these fees. Recommended fee schedules shall be developed for each customer class and meter size. EFG shall also evaluate the efficacy of reclaimed water connection fees.

Task 4 :: Miscellaneous Fee Analysis EFG shall develop recommended miscellaneous fees currently in use by the Village. Using both detailed cost of service and peer survey information, schedules demonstrating their derivation shall be developed for each fee. It is expected that this analysis will require interviews with Village staff to develop fee cost of service profiles.

Task 5 :: Reporting and Outreach EFG shall develop draft and final bound reports that document all analyses, conclusions and recommendations. EFG shall participate in up to three (3) teleconference or face-to-face briefings with Village staff, two (2) presentations to decision-makers and stakeholders, as requested, and one (1) public hearing.

Schedule

The EFG team will make reasonable efforts to complete tasks 1 through 5 within ten weeks of receiving written notice to proceed.

Budget

A detailed budget is attached to this letter proposal. We propose to conduct these services for not-to-exceed \$108,540 in accordance with the hourly rates provided in the detailed budget schedule. EFG will manage the project on a task basis and invoices shall be submitted monthly with level of effort itemized by task. In no case shall EFG exceed the budget unless approved in advance by the Village.

We look forward to working with the Village on this important project. Thank you.

Best regards,



Scott E. Harder, President and CEO
Environmental Financial Group, Inc.

Attachment

Cc: Robert Ori, PRMG

VILLAGE OF WELLINGTON
2017 Cost of Service Study

Proposed Budget

	Scott Harder	Ida Ronnlund	Robert Ori	Ryan Smith	Stephanie Long	Donna Cox	TOTALS
Hourly Rate, USD	225.00	135.00	180.00	135.00	100.00	55.00	
TASK 1 - DATA ANALYTICS							
<i>Task 1A</i> Consumptions Trends Analysis	1.00	16.00	-	8.00	-	-	\$ 3,465.00
<i>Task 1B</i> Apparent Losses Analysis	1.00	16.00	-	-	-	-	\$ 2,385.00
<i>Task 1C</i> Customer Billing Analysis	2.00	64.00	2.00	8.00	-	-	\$ 10,530.00
<i>Task 1D</i> ERC Equivalency Analysis	-	16.00	-	-	-	-	\$ 2,160.00
SUBTOTAL LABOR	4.00	112.00	2.00	16.00	-	-	\$ 18,540.00
Data acquisition and analysis							\$ 500.00
SUBTOTAL OTHER DIRECT COSTS							\$ 500.00
							SUBTOTAL, USD \$ 19,040.00
TASK 2 - COST OF SERVICE RATE ANALYSIS							
<i>Task 2A</i> Revenue Requirements Analysis	4.00	-	4.00	16.00	-	-	\$ 3,780.00
<i>Task 2B</i> Cost of Service Analyses	4.00	-	4.00	32.00	8.0	-	\$ 6,740.00
<i>Task 2C</i> Rate Derivation	4.00	-	4.00	32.00	8.0	-	\$ 6,740.00
<i>Task 2D</i> Reclaimed Water Rate Analysis	16.00	-	4.00	24.00	-	-	\$ 7,560.00
SUBTOTAL LABOR	28.00	-	16.00	104.00	16.00	-	\$ 24,820.00
Other							\$ -
SUBTOTAL OTHER DIRECT COSTS							\$ -
							SUBTOTAL, USD \$ 24,820.00
TASK 3 - CONNECTION FEE ANALYSIS							
<i>Task 3A</i> Capital Project Analysis	40.00	4.00	4.00	-	-	-	\$ 10,260.00
<i>Task 3B</i> Connection Fee Derivation	40.00	12.00	8.00	-	-	-	\$ 12,060.00
SUBTOTAL LABOR	80.00	16.00	12.00	-	-	-	\$ 22,320.00
Intrastate Travel							\$ -
Other							\$ -
SUBTOTAL OTHER DIRECT COSTS							\$ -
							SUBTOTAL, USD \$ 22,320.00
TASK 4 - MISCELLANEOUS FEES ANALYSIS							
<i>Task 3A</i> Cost of Service Analysis	4.00	-	16.00	40.00	-	-	\$ 9,180.00
<i>Task 3B</i> Regional Fee Surveys	-	-	-	4.00	12.0	-	\$ 1,740.00
<i>Task 3C</i> Fee Derivation	4.00	-	4.00	16.00	-	-	\$ 3,780.00
SUBTOTAL LABOR	8.00	-	20.00	60.00	12.0	-	\$ 14,700.00
Intrastate Travel							\$ 500.00
Other							\$ -
SUBTOTAL OTHER DIRECT COSTS							\$ 500.00
							SUBTOTAL, USD \$ 15,200.00
TASK 5 - REPORTING AND OUTREACH							
<i>Task 4A</i> Study Report Preparation	4.00	16.00	4.00	24.00	24.0	24.0	\$ 10,740.00
<i>Task 4B</i> VM Staff Briefings	20.00	-	20.00	-	-	-	\$ 8,100.00
<i>Task 4C</i> Stakeholder Presentations	12.00	8.00	12.00	8.00	8.0	-	\$ 7,820.00
SUBTOTAL LABOR	36.00	24.00	36.00	32.00	32.0	24.0	\$ 26,660.00
Intrastate Travel							\$ 500.00
Other							\$ -
SUBTOTAL OTHER DIRECT COSTS							\$ 500.00
							SUBTOTAL, USD \$ 27,160.00
							GRAND TOTAL, USD \$ 108,540.00