

April 18, 2022

The Water Works Board of the City of Calera met on April 18, 2022, at 5:00 p.m. at Calera City Hall with the following present:

Chairman: Jon Graham
Members: Calvin Morgan, Bill Davis, Fred Hoskins
Absent: Chris Bunn
Department Heads: Chris Pappas, James Fuller, Bill Hilyer
Guests:

Chairman Graham called the meeting to order. Water Board Member Fred Hoskins made a motion to approve the following minutes:

Regular Meeting – March 21, 2022

Water Board Member Morgan seconded said motion and upon vote, the results were as follows:

AYES: Graham, Morgan, Hoskins

NAYS: None

ABSTAIN: Davis

Motion Passed

WATER SUPERINTENDENT REPORT:

No reports given

PUBLIC WORKS DIRECTOR REPORT:

Bill Hilyer, Public Works Director updated the Board on the following items:

31 new meters installed
131 Non-Payments for Turn Offs
55 Meters Replaced

REPORTS OF WATER BOARD MEMBERS:

Reports only no action taken

ENGINEER REPORT:

Chris Pappas, City Engineer updated the Water Board Members on the property located on Bird Song Drive / Smokey Road.

FINANCE DIRECTOR REPORT :

No report given

CHAIRMAN REPORT:

Chairman Graham presented on behalf of Kelly Ellison, Finance Director the following reports for discussion: (Documents Attached)

Department Head Report as of March 31, 2022

Chairman Graham requested authorization to sign the Proposal from Jackson Thornton to Provide Professional Services for a Water Rate Study. Cost of proposal is \$15,000.00.

Water Board Member Bill Davis made a motion to authorize Chairman Graham to sign the proposal from Jackson Thornton as requested. Water Board Member Calvin Morgan seconded said motion and upon vote, the results were as follows:

AYES: Graham, Morgan, Hoskins, Davis

NAYS: None

Motion Passed

GUESTS:

Wendy Jackson and Tina Jackson were not in attendance.

There being no further business, Fred Hoskins made a motion to adjourn at 5:12 p.m.

Approved this 16th of May 2022.

Jon G. Graham, Chairman

ATTEST:

Connie B. Payton, City Clerk

April 14, 2022

Mr. Jon Graham, Mayor
Water Works Board of the City of Calera
7901 Highway 31
Calera, Alabama 35040

Re: Proposal to Provide Professional Services Related to a Revenue Requirements Analysis and a Cost of Service/Rate Study for the Water Works Board of the City of Calera

Dear Mr. Graham,

We appreciate the opportunity to submit to you and the Water Works Board of the City of Calera ("the Board") our proposal to assist you with the Revenue Requirements Analysis and Cost of Service Study detailed herein. We believe that you will find Jackson Thornton ("JT") to be especially qualified to assist the Board with this project because of the extensive knowledge and experience that we have in the water industry.

JT has performed similar cost of service and rate design projects for many other utilities in the Southeast. We will be glad to provide a list of references upon request. We currently provide more than 100 municipal, cooperative, and county public authorities with Cost of Service Study work.

PROJECT STAFFING

We anticipate that the staff involved in the Cost of Service Study project will primarily be Jim Marshall, Sarah Chandler, and Ryan Shubird. Jim will be the principal-in-charge and Sarah will serve as the senior manager on this project. We have additional professional staff dedicated to utility accounting and consulting that we can call upon if needed.

James B. Marshall, III, the principal responsible for electric, natural gas, water and sewer utility Cost of Service/Rate Study work has worked with utilities for more than 15 years. During that time, he has provided financial forecasting, cost of service, and rate design consulting projects for utilities throughout the southeast. Jim has also worked with manufacturing and commercial companies across the country on tax issues and utility negotiations. He is certified by the Association of Energy Engineers as an Energy Procurement Professional. Jim currently serves on AWWA's Rates and Charges Committee as well as the Co-Chair of the Utility Finance Management Committee for the Kentucky/Tennessee section of AWWA.

Sarah V. Chandler has more than 20 years of experience in the utilities industry in the areas of cost of service, rate design, and regulation. Sarah worked for eight years at the Alabama Public Service Commission as an Advisory Staff Analyst where she reviewed and evaluated rates and other filings for utilities. She also has rate design and cost of service experience with a large interstate natural gas pipeline. She has completed training classes for financial planning, rates, fees, and charges sponsored by AWWA. Sarah serves on AWWA's Finance, Accounting, and Management Controls Committee.

PROJECT OBJECTIVE

We understand from previous discussions with you and your management team that the objective of our work is to develop an analysis to determine the appropriate rates and costs of water service supplied and distributed to the customers of the Board. In order to provide this analysis, meet the objectives of this engagement and provide the results desired from this project, we propose that this project be completed for as a multi-phased process.

- Phase I – Revenue Requirements Analysis “RRA” – This phase of the project includes working with the management team to review historical accounting and cost records for plant investment and expenditures. We will also review budgets (financial, capital requirements, cash flow, etc.) and bond indenture requirements in order to determine the projected revenue requirements of the system. After performing this RRA, we will know if the current rates will generate the needed revenue requirements for the system.
- Phase II – PART 1 - Prepare Embedded Water Cost of Service Study “COSS” – This phase of the project includes working with your management team to perform a detailed allocation of the distribution plant, operating expenses, debt service and capital improvement projects. From this phase we can determine if rate equity exists between rate classes. The results of this COSS will provide the support for any changes in the Board’s rates, if any are needed.
PART 2 - Prepare Preliminary Rate Designs for Each Rate Class – The second part of this phase includes using the COSS results to determine what changes in current rates are needed to generate the revenues desired from each rate class. After preliminary rates have been determined for each rate class, analysis can be prepared reflecting existing rates versus proposed rates and total revenues generated by each different rate class.

PROJECT PROCEDURES STANDARDS

The procedures employed by JT follow generally accepted cost of service principles. Our model is flexible to compensate for individual accounting practices. As a guideline, our water model follows the allocation processes detailed in the M-1 Manual (“Principles of Water Rates, Fees and Charges prescribed by the American Water Works Association”). Revenue requirements will be calculated using the Cash Method, unless otherwise desired. JT has developed a comprehensive Cost of Service model that allows Management and the Board to explore any study variations desired.

We will provide an information request form prior to the first on-site meeting. The timely and accurate completion of this request is essential to our completion of the services described above.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Board’s books and records. The Board will determine that all such data, if necessary, will be so reflected. Accordingly, the Board will not expect us to maintain copies of such records in our possession.

CONFIRMATION OF MANAGEMENT RESPONSIBILITY

Professional rules concerning independence require that we confirm your overall responsibility for evaluating our nonattest services, and a failure to confirm your management responsibility could affect our independence. Thus, the Board agrees to assume all management responsibilities for subject matter and scope of the services under this arrangement letter. Mayor Jon Graham, a senior member of management, will oversee our services, and the Board has indicated that he possesses suitable skill, knowledge, and experience to understand the services to be performed sufficiently to oversee them. The Board also agrees to accept responsibility for evaluating the adequacy and results of the services performed and to accept responsibility for the results of such services.

PROJECT FEES

Our projected time and effort for an embedded COS/Rate Study as described above is \$15,000 for a single- year engagement.

Our price includes the development of cost curves by rate class and the comparison of current to proposed rates. The above fee does not include any meetings with staff or council. All meeting time will be billed at our standard hourly rates.

All fees are based on the understanding that the Board will provide JT the data needed on a timely basis. JT will furnish the staff of the Board with an "information request" form prior to the first on-site meeting. All reasonable travel and out-of-pocket expenses will be billed at cost. The above fees do not include travel time, which will be billed at one-half our standard billing rates and capped to two and one-half (2.5) hours per person, per round trip.

Any changes to the project (change of test year, financial projections, rate classes, billing data, etc.) after initial criteria are set will require a change order. JT will provide an estimate as to the cost of any of these changes, and will receive approval by your management before proceeding.

Our fees for these services will be billed periodically as the work progresses. Such bills are payable on presentation and a late charge of 1½ % per month will be imposed for any portion of the billed amount not paid within 30 days of the bill date. We reserve the right to suspend our work and/or to terminate our engagement if any bill is not paid in full within 30 days of the bill date. In the event of suspension of our work or termination of our engagement, such work shall not be resumed and such engagement shall not be reinstated, as the case may be, until the account balance and all late charges are paid in full.

CLAIM RESOLUTION

It is agreed by the Board and JT or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Board shall be asserted more than two years after the date of the last report issued by JT.

JT and the Board each acknowledge that there are risks involved with communicating and storing data via electronic means. Accordingly, to the fullest extent permitted by law, JT and the Board each waive and acknowledge that neither party shall have any claim against the other based upon, relating to, or arising from the use of electronic systems (including, but not limited to, email and cloud computing systems). Without limiting the generality of the foregoing, neither party shall be liable for any damages arising from any and all data breaches, the delivery of communications, data, or documents to unintended recipients, or the interception or viewing of communications, data, or documents by unintended or unauthorized individuals or entities.

ELECTRONIC SIGNATURES AND COUNTERPARTS

Each party hereto agrees that any electronic signature of a party to this Agreement or any electronic signature to a document contemplated thereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy ((as a "pdf" (portable document format) or other replicating image)) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated

into a document utilizing touchscreen capabilities, or (iv) a digital signature. This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule, statute of frauds, or any other evidentiary objection or theory premised upon the execution and/or delivery of the document by electronic means.

Any and all documents executed by electronic signatures shall be retained in a readily accessible format in accordance with the respective party's document retention policy. In the event that either party shall lose or otherwise be unable to produce its original document, such party may request the other party to produce the original document in whatever format it is currently stored, and reimburse the producing party for its cost and expense incurred in providing such documents.

CONFIRMATION OF AGREEMENT

This letter constitutes the complete and exclusive statement of agreement between Jackson Thornton & Co., P.C. and the Water Works Board of the City of Calera, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our services.

JACKSON THORNTON & CO.,

A handwritten signature in black ink, appearing to read "James B. Marshall, III", written over a horizontal line.

James B. Marshall, III Sarah V. Chandler
Principal Senior Manager

A handwritten signature in black ink, appearing to read "Sarah V. Chandler", written over a horizontal line.

Confirmed on behalf of the addressee:

Signature