

RESOLUTION 18-196

A RESOLUTION TO AUTHORIZE THE MAYOR TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH JACKSON THORNTON FOR UTILITY COST OF SERVICE AND RATE STUDY

WHEREAS, the City of Spring Hill's most recent independent review of its water and wastewater system cost of service was completed in 2014 that recommended adjustments in utility rates for both water and wastewater service; and

WHEREAS, since 2014 the City of Spring Hill has experienced significant expansion of its water distribution and sewer collection systems and corresponding growth demands upon water production and sewer processing resulting from the continued expansion of the system throughout the City; and

WHEREAS, a detailed utility cost of service study will provide justifiable and equitable methodologies for appropriate rates for water and sewer services that are sufficient to fully fund the expense associated with the water and wastewater utility systems, equipment repair and replacement, and necessary future capital investments in the water and wastewater systems to meet future growth and development needs; and

WHEREAS, the City of Spring Hill utilizing a qualifications-based selection approach has selected Jackson Thornton as a qualified consultant based upon qualifications, experience, approach, and work plan and schedule to perform a utility cost of service and rate study for the City of Spring Hill; and

WHEREAS, Jackson Thornton submitted for consideration a proposal for professional services to perform the utility cost of service and rate study to be completed within approximately 5 months with work to begin in the first quarter of 2019 once 12 consecutive months of utility financial data is available at a cost of \$48,000 plus \$2,000 in estimated reimbursable expenses; and

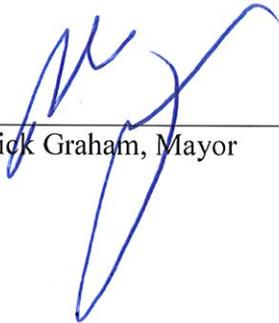
WHEREAS, City staff has prepared a Professional Services Agreement ("Agreement") to be utilized between the City and Jackson Thornton to perform the utility cost of service and rate study that includes Exhibit A and B referencing the cost proposal and schedule to be made a part therein of the Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the City of Spring Hill Board of Mayor and Alderman authorizes the following:

1. The Mayor of the City of Spring Hill, TN to execute the Professional Services Agreement with Jackson Thornton to perform a Water and Wastewater Utility Cost of Service and Rate Study for the City of Spring Hill to be completed within approximately 5 months with work to begin in the first quarter of 2019 once 12 consecutive months of utility financial data is available. The study will be performed at a cost of \$48,000 plus an estimated \$2,000 in reimbursable expenses.

Be it further resolved that the Budget & Finance Committee favorably recommended approval of Resolution 18-196.

Passed and adopted by the Board of Mayor and Aldermen of the City of Spring Hill Tennessee on this 15th day of October, 2018.



Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick Carter, City Attorney



REQUEST: *Approval of Resolution 18-196*

SUBMITTED BY: Victor Lay, City Administrator, Chuck Downham, Assistant City Administrator, and Patti Amorello, Finance Director

DATE: October 1, 2018

RE: Professional Services Agreement with Jackson Thornton for Utility Cost of Service and Rate Study

ATTACHMENTS: Resolution 18-196 and Professional Services Agreement and related exhibits; Jackson Thornton qualifications submittal

PURPOSE:

To approve Resolution 18-196 to authorize the Mayor to execute a Professional Services Agreement with Jackson Thornton to perform a water and wastewater utility cost of service and rate study for the City of Spring Hill.

BACKGROUND:

The City contracted with Jackson Thornton to perform a water and wastewater cost of service study that analyzed data from 2013. The study was completed in 2014 and presented to the Board of Mayor Aldermen. Utility rates were not adjusted as a result of the completed utility cost of service study. Since 2014 the City has experienced significant growth and expansion of its water distribution and sewer collection system. Corresponding growth demands upon water production and sewer processing capacity have occurred as a result of continued growth and development throughout the community.

During the recent annual budget process, the Board of Mayor and Aldermen identified the need to perform a water and wastewater cost of service and rate study. The purpose of the study will be to determine the sufficiency of existing rates and fees to fully fund the expense associated with operation of the water and sewer systems. In addition, the study will determine the adequacy of funding for equipment repair and replacement as well as most critically the development of a capital funding strategy to address future short and long-term capital investments in the systems including water and sewer plant expansions to meet future growth and development needs throughout the community.

City staff published a Request for Qualifications to solicit the submittal of qualification packages from qualified consultants to perform a water and sewer utility cost of service and rate study. The City received qualification packages from four different consultants. A qualifications-based selection process was utilized by City staff that resulted in the selection of Jackson Thornton.

Jackson Thornton provided the City with a cost proposal and schedule for completion of the scope of services to perform a water and wastewater cost of service and rate study. Jackson Thornton proposes to complete the scope of work within 5 months at a cost of \$48,000. Staff has included an additional not to exceed amount of \$2,000 to cover reasonable reimbursable expenses to be invoiced at cost to the City. In order to properly complete the cost of service and rate study, it will be necessary for the consultant to have 12 consecutive months of reliable data from which to evaluate. Due to the cyber attack this past year that resulted in the loss of data involving the last two fiscal years, the study will need to begin after January 1, 2019 in order to have access to 12 consecutive months of recent utility customer data and accounting information that will be provided from the past calendar year.

Staff has prepared for consideration by the Board of Mayor and Aldermen a Professional Services Agreement (“Agreement”) along with corresponding Exhibits that are a part of the Agreement. The Agreement will require final review by the City Attorney and the consultant prior to approval by the Board the review of which will be completed in advance of the Regular Meeting of the Board.

FINANCIAL IMPACT:

Jackson Thornton will undertake a water and wastewater utility cost of service and rate study. The objective of the study will be to provide a justifiable and equitable methodology for appropriate rates for water and sewer service that are sufficient to fully fund the expense associated with the utility system including equipment repair and replacement and necessary future capital investments in the systems including expansion of the water and wastewater treatment plants. Once the study has been completed by Jackson Thornton, Staff with assistance from Jackson Thornton will present the results of the study along with corresponding recommendations on adjustments in utility rates and fees that may be necessary.

The cost to perform the water and wastewater cost of service and rate study is being divided 50/50 between the water and sewer departments. The City has initially budgeted \$50,000 for the completion of a water/wastewater cost of service and rate study. Based upon the proposal presented by Jackson Thornton, the study will be completed at a cost of \$48,000 plus an additional estimated cost of \$2,000 for reasonable reimbursable expenses.

STAFF RECOMMENDATION:

Staff recommends approval of Resolution 18-196 to authorize the Mayor the execute a Professional Services Agreement with Jackson Thornton to perform a water and wastewater utility cost of service and rate study for the City of Spring Hill to be completed within 5 months based upon having access to 12 consecutive months of utility financial data at a cost of \$48,000 plus \$2,000 for reasonable reimbursable expenses.



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JACKSONTHORNTON.COM

Alabama
Montgomery
Dothan
Prattville
Wetumpka
Tennessee
Nashville

September 13, 2018

Mr. Victor Lay
City Administrator
City of Spring Hill
199 Town Center Parkway
Spring Hill, TN 37174

Re: Request for Qualifications – Water and Wastewater Cost of Service Analysis

Dear Mr. Lay:

Thank you for the opportunity to discuss our qualifications to provide comprehensive utility cost of service, rate study and consulting services for the water and wastewater systems for the City of Spring Hill. We are pleased to offer our proposal for these services.

We believe that you will find Jackson Thornton Utilities Consultants ("JTUC") to be uniquely qualified to assist Spring Hill with this project because of the extensive knowledge and experience that we have in all phases of the utilities served by The City.

We currently provide more than 100 municipal, cooperative, and county public authorities with Cost of Service/Rate Study work. In the past two years, we have completed more than ninety cost of service studies. More than forty of these studies were in the state of Tennessee and more than thirty of these studies were for municipalities.

Our objective is to provide quality and timely services that exceed your expectations. Let us put our expertise to work for you.

Our proposal outlines our qualifications to provide these services, as well as our experience.

Please do not hesitate to call me at (334) 261-6483 if you have any questions or would like additional information. I would also be happy to meet with you to discuss this proposal and our qualifications in detail.

Sincerely,

James B. Marshall, III
Principal

Enclosures

A PROPOSAL FOR
City of Spring Hill, TN

Water and Wastewater Cost of Service Analysis RFQ

PREPARED BY
Jim Marshall
09/13/18





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Section One | Firm Information

Mission Statement

We at Jackson Thornton provide assurance, advisory, consulting, and tax services to a wide range of individuals, business, and industry. Our service is an integration of people, experience, processes, and technologies which are constantly evolving with the needs of our clients. Our foundation is integrity and our standard is accountability. We commit our resources, our intelligence, and strength believing our work makes a difference.

Contact Information

James B. Marshall, III (Jim) | Principal
Jackson Thornton Utilities Consultants
200 Commerce Street
Montgomery, AL 36104
P 334.834.7660
F 334.956.5090
E jim.marshall@jacksonthornton.com

Firm History

Jackson Thornton was founded in 1919. We have 35 principals and employ more than 200 professional staff and support personnel in seven offices within Alabama, Tennessee and Kansas. Our professionals work with clients in accounting, auditing, taxation, utilities consulting, information technology, employee benefit plans, wealth management, and other consulting services. We have specialized departments that offer a variety of industry-specific professional business consulting services.

For more than 70 years, Jackson Thornton Utilities, a division of Jackson Thornton, has provided services to utilities across the Southeast. We have 22 people in the Jackson Thornton Utilities work group who work solely with our utility clients. More than a decade ago, Jackson Thornton Utilities Consultants (JTUC) was created to provide our clients with cost of service studies, rate design, financial modeling and forecasting, strategic planning and internal control evaluation. Our professionals have years of real-world, utility-specific financial and economic development experience at the state and national levels.

Our objective is to provide each client the highest quality of professional service at a reasonable price and on a timely basis. In order to achieve this objective, each client is assigned to a team of professionals that matches the needs of that client. This team approach also provides continuity for the ongoing needs of that client by providing more than one professional who is familiar with each client.

We will staff the City of Spring Hill engagement from our Montgomery, Alabama office. There are no sub-consultants involved in this engagement.

Financial Strength

Jackson Thornton is a growing and financially-sound company. We serve multiple industries including utilities, government/municipalities, healthcare and construction. More than 18% of the firm revenues are from our utilities niche clients. Corporate revenue has increased every year for the last five years and was over \$28 million in 2016. Jackson Thornton is the 3rd largest accounting firm in Alabama and the 113th largest in the US.

Peer Review

Our firm has participated in the peer review program since 1987. As a member of the American Institute of Certified Public Accountants (AICPA), the firm is subject to independent peer review of its audit and accounting practice every three years. Included in this proposal (Exhibit 1) is a copy of our May 2015 Peer Review Report which states that the firm's system of quality control for our accounting and auditing practice has been designed to meet the requirements of quality control standards for an accounting and auditing practice established by the AICPA and was complied with for the period under review.



Section Two | Firm Experience

In addition to traditional accounting firm services, Jackson Thornton consults with utilities and municipalities to design rates, create business strategy, enhance technology, and provide training.

Our utility group professionals include six principals with combined utilities experience that exceeds 135 years. We provide professional services to utility clients in Alabama, Arizona, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Tennessee, Texas, Virginia, West Virginia, and Wyoming. As one of the largest firms in Alabama, we have the breadth of experience and depth of knowledge to deliver the proactive industry-specific service that you deserve.

JTUC's team of rate consultants are recognized experts in the utilities industry. We provide cost of service and rate consulting to more than 150 utilities across the country. In addition, we have team members who serve on the National Rates and Charges Committee and the Strategic Management Practices Committee for the American Water Works Association (AWWA).

JTUC works with utilities that range in size from \$300,000 to \$500,000,000 in annual revenues. The same procedures and methodologies apply regardless of the size of the utility. The procedures and cost of service model used by JTUC follow generally accepted cost of services principles. As a guideline, our model follows the functionalization, classification and allocation processes detailed in the M-I Manual (*Principles of Water Rates, Fees and Charges*) as prescribed by the American Water Works Association, and the Water Environment Foundations' *Financing and Charges for Wastewater Systems*.

The expertise and experience of the utility group makes us uniquely qualified to meet the needs of our clients. We understand the nature of the utility industry and know that the business model is very different than the for-profit sector. Some examples of our utility consulting engagements are as follows:

- Cost of Service and Rate Design - We have completed more than 90 water, wastewater, electric and gas cost of service studies in the past two years. This includes more than 30 studies for municipalities.
- Financial Planning – We assist in establishing financial goals with both short-range and long range financial forecasts. We currently provide this service, through our TrailBlaze® financial planning model, for more than 15 utilities on an ongoing basis, with quarterly reports and monitoring.
- System Development Charge Analysis – We have provided analysis of system development charges and system development charges for numerous utilities. We have completed 20 system development charge analyses in the past two years.
- Other utility consulting engagements include: Capital financing consulting, strategic planning, business plans, mergers and acquisitions, expert testimony, rate review, and ancillary fee analysis.



Section Three | The Engagement Team

As noted above, we will staff the Spring Hill engagement from the Montgomery office. Our ambition is to give our clients, including the City of Spring Hill, multiple contacts within Jackson Thornton. Our team combines individuals with experience in providing services to utilities and municipalities. The team's experience and expertise, along with Jackson Thornton's commitment to quality and timely delivery of services, will ensure that the engagement objectives are attained.

The professionals who will be responsible for services to Spring Hill are listed below and their biographies and curricula vitae are attached (Exhibit 2). For a listing of relevant project experience, please see the attached client/project list (Exhibit 3).

We anticipate that the staff involved in the COS/Rate 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 manager on this project. In addition, Heidi Lee and Woody Trimble are professionals dedicated to utility accounting and consulting and will be called upon as needed.

James B. Marshall, III, CEP | Principal

Jim will be involved in all aspects of the project and serve as the principal in charge.

Sarah V. Chandler | Senior Manager

Sarah will be involved in all aspects of the project and will serve as the manager on the project.

Heidi H. Lee, CPA | Principal

Heidi will be involved in the project as needed for her expertise in utility accounting and consulting.

Woody Trimble, CPA | Principal

Woody will be involved in the project as needed for his expertise in utility accounting and consulting.

Ryan Shubird, CPA | Associate

Ryan will be involved in all aspects of the project.



Section Four | Approach

A PARTNERSHIP APPROACH

We will work with you and your management team to provide you with our opinion as to the adequacy and most appropriate structure for applicable user rates assessed by Spring Hill for its services. No one likes surprises during a professional engagement. We will work proactively to identify issues early in the planning stages, and we'll discuss the issues with you and your management team promptly. We are happy to present the results and findings at the conclusion of our engagement.

PROJECT OBJECTIVE

The overall objective of this project is to provide a comprehensive cost of service, rate study, and system development charge analysis for the water and wastewater systems. This independent analysis will provide objective information to allow Spring Hill to determine if its current water and wastewater rates and fees need to be changed and, if so, where the changes are needed. For Spring Hill, we propose this engagement as a multi-phased project.

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, reserves, etc.) and loan covenant requirements in order to determine the projected revenue requirements of each utility service and for the systems. After performing this RRA, we will know if the current water and wastewater rates will meet the needed revenue requirements for each service provided.

Phase II – PART 1 - Prepare Embedded Water and Wastewater Cost of Service Study “COSS” – This phase of the project includes working with your management team to perform a detailed functionalization, classification and allocation of the distribution plant, operating expenses, debt service, reserves and capital improvement projects to each rate class. From this phase, we can determine if rate equity exists between rate classes. The results of each COSS will provide the support for any changes in your water and wastewater 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.

Phase III – PART 1 – Cost of Service Scenarios – This phase includes using the results of the first two phases to collaborate with management and evaluate scenarios with regard to capital improvement plans, water purchases, water production, increased capacity, debt service, reserve levels, etc.



PART 2 – Revenue Requirement Projections – This phase will involve an assessment of Revenue Requirements Analysis for the twenty year planning period (2018-2037). We will work closely with management to establish projections for operations and maintenance, repair and replacement, capital projects, and debt service as well as projections related to customer and usage growth for the twenty-year period.

Phase IV – PART 1 – System Development Charge Analysis – This phase will involve an analysis of existing and future capital investment of the water and wastewater systems to calculate an appropriate system development charge for each system. The procedures that will be employed by us for this phase will be based on the M-1 Manual (*Principles of Water Rates, Fees and Charges*) as prescribed by the American Water Works Association.

PART 2 – Rates/Fees and Charges Review – This phase will involve a comprehensive review of rates, fees and charges that the City has in effect. After collaborating with management, make recommendations will be made as warranted.

Phase V – Reporting – The final phase of the project will provide reporting as outlined in items 1 (b) and 2(e) of the Scope section of the City's RFQ. The final report shall include:

- A comprehensive final report presenting the findings, conclusions and resulting recommendations for each phase of the proposed engagement
- Summary Presentation to BOMA, including response to public comments and inquiries when requested by the City and/or BOMA.
- A schedule for timely implementation and execution of the report recommendations

PROJECT PROCEDURES STANDARDS

The procedures employed follow generally accepted cost of service and system development charge principles. Our models are flexible to compensate for individual accounting practices. As a guideline, our model follows the allocation processes detailed in the M-1 Manual (*Principles of Water Rates, Fees and Charges*) as prescribed by the American Water Works Association, and the Water Environment Foundations' *Financing and Charges for Wastewater Systems*. Revenue requirements will be calculated using the Cash Method, unless otherwise desired. We have developed a comprehensive Cost of Service model that allows management to explore all study variations desired.

The assistance to be supplied by the personnel of the City will be discussed and coordinated with the representatives of the City. We will provide an information request form prior to the first on-site meeting. The timely and accurate completion of this work 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 City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

Section Five | Work Plan and Project Schedule

WORK PLAN

Our approach is tailored toward continual collaboration with the client with the goal of achieving the objectives of the City. Our team's expertise along with our commitment to quality and timely delivery of services, will ensure that the goals of the engagement are attained.

Once engaged, we will schedule a "kick-off" meeting with management to discuss goals and objectives, timeline, meeting schedules, and expectations. It is anticipated that there will be regular status meetings with management to ensure sufficient opportunity to discuss and disseminate information, issues, and concerns as the process progresses. We anticipate the project can be completed in three to four months so that findings and recommendations can be adopted by April 1, 2019.

Below is an outline of the anticipated process:

- Initial Water and Wastewater data request to the City*
- Kick-off Meeting
- Review of financial/engineering data for adequacy
- Input of financial data into a JTUC COS model for each system
- Second data request to the City *
- Preliminary meeting with the City to review input of data and collaborate with management to make the COS model fit Spring Hill's individual systems
- Development of preliminary COSS results after meeting with Spring Hill
- Development of rates from COSS results
- Development of scenarios and pro forma adjustments as identified in Phase III
- Preliminary meeting to review system development charge analysis and other fees and charges. Collaborate with management to make sure the analysis fits Spring Hill's individual systems
- Development of System Development Charges
- Meeting with management team to review results and begin developing final report
- Participate in public engagement as desired by the City
- Issue final comprehensive report
- Presentation to the Board of Mayor and Aldermen
- Available for meetings and/or presentations as requested by City management and BOMA



* Data requirements

- Monthly billing statistics (number of bills, usage and revenue) for each customer class for each system for the test period
- Financial Audit
- Trial Balance
- Capital work plan
- Depreciation Schedules
- Current schedule of long-term debt showing balances, rates and terms
- Water purchase and water treatment and production data
- Current Rate and Fee Schedules
- Forecasting and growth projections

The above requests constitute the bulk of the financial information needed to complete the studies and provide the basic framework for the studies. In addition to the financial items listed above, we will also need the following engineering-related information:

- The average service cost for each rate class. This is the cost of pipe from the meter to customer.
- The average meter cost for each rate class.
- Development of the "minimum system" approach for the plant.
 - By size, the number of feet of pipe.
 - By size, the cost per foot of pipe.
- Flow Requirement and Duration information for Fire Protection.
 - Gallons per minute required for Residential and Commercial Fire Protection (e.g., 1,000 gallons per minute for Residential and 2,000 gallons per minute for Commercial).
 - Duration of required flow (e.g., 60 minutes of continuous flow for Residential and 120 minutes for Commercial).
- The maximum day water demand on the system during test year.
- Water Plant capacity
- Wastewater Plant capacity
- If available, strength considerations – BOD/TSS Loadings for each rate class. Weighted BOD/TSS Ratio/Percentage

JTUC can provide examples of this information used in other previous work for the City for further clarification.

PROJECT SCHEDULE

The preliminary project schedule is attached (Exhibit 4).



Section Six | References

Consolidated Utility District

Mr. William F. Dunnill

General Manager

615.867.7302

wdunnill@cuudrc.com

Engagements Performed: Cost of Service and Rate Design

City of Franklin

Mr. Mark Hilty

Assistant City Administrator for Public Works

615.791.3217

mark.hilty@franklintn.gov

Engagements Performed: Cost of Service and Rate Design; Water Supply Economic Analysis; System development charge Analysis; and Integrated Water Resource Plan

Milcrofton Utility District

Mr. Mike Jones

General Manager

615.794.5947

mike@milcrofton.com

Engagements Performed: Cost of Service and Rate Design; System development charge Analysis

Jackson Energy Authority

Mrs. Nancy Nanney

Sr. Vice President and CFO

731.422.7500

nnanney@jaxenergy.com

Engagements Performed: Cost of Service and Rate Design; Financial Forecasting; and System development charge Analysis

City of Murfreesboro

Mr. Darren Gore

Assistant City Manager of Utility Enterprises

615.890.0862

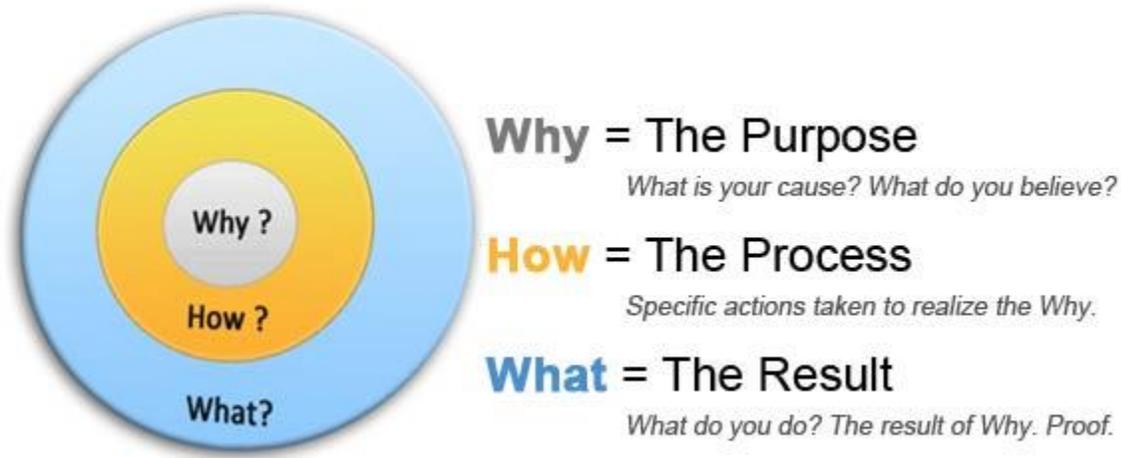
dgore@murfreesborotn.gov

Engagements Performed: Cost of Service and Rate Design; Financial Forecasting; and System development charge Analysis

A sample cost of service/rate study is attached separately (Exhibit 5).



Section Seven | The Difference



We feel Jackson Thornton Utilities Consultants is different than other firms being considered because of our “why.” In accounting, the “how” we do things is often similar from firm to firm. But it’s the “why” we do what we do, that we feel really sets JTUC apart.

What: We solve complex problems for organizations and the people who run them.

How: By using our large and diverse group of consultants and accountants to tap into the resources necessary to help our clients succeed.

Why: To give our utility clients confidence. The confidence that the lessons we've learned through our history of service become a tool for client success. The confidence that our relationships with their team foster honest communication. And the confidence that our deep knowledge of their industry positively positions them now and in the future.

Like other firms, we are in business to be successful. But more than that, Jackson Thornton wants to leave a legacy. Great Clients + Great Team = Great Legacy.

We have a desire to dig deeper and create true relationships with our clients. It's our goal to serve as your partner and advisor - we want to be the first call you make when you need help or guidance.

Thank you for allowing us to submit this proposal to the City of Spring Hill. We would be happy to meet with you at any time to discuss the proposed services.

Please call Jim Marshall at 334.261.6483 if you have any questions or need additional information. We look forward to hearing from you.

Statement of Confidentiality

Jackson Thornton's proposal of services is designed as a response to the request of the City. We respectfully request that information in this proposal not be disclosed outside of the City and not be duplicated, used, or disclosed in whole or in part, for any purpose other than for the City to evaluate our proposal.





SYSTEM REVIEW REPORT

To the Shareholders
Jackson Thornton & Co., P. C.
and The National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Jackson Thornton & Co., P. C. (the firm) in effect for the year ended February 28, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans and examinations of service organizations (Service Organization Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Jackson Thornton & Co., P. C. for the year ended February 28, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *Pass*, *Pass with Deficiency(ies)* or *Fail*. Jackson Thornton & Co., P. C. has received a peer review rating of *Pass*.

PBMares, LLP

Harrisonburg, Virginia
June 3, 2015



James B.
Marshall, III
CEP
Principal

P. 334.834.7660
JIM.MARSHALL@
JACKSONTHORNTON.COM

For more than 10 years, Jim Marshall has provided financial forecasting, cost of service and rate design consulting projects for the firm's utility clients. During that time, Marshall has worked with electric, gas, water and sewer utilities throughout the Southeast. Additionally, he's assisted manufacturing and commercial companies across the country with tax issues and utility negotiations.

CERTIFICATIONS

Certified Energy Procurement Professional (CEP)

PROFESSIONAL AFFILIATIONS & CREDENTIALS

Association of Energy Engineers (AEE)
American Water Works Association (AWWA)

EDUCATION

B.A., History, Hampden-Sydney College

40+ hours of continuing professional education annually

James B. Marshall III
Jackson Thornton Utilities Consultants
(334) 261-6483
Jim.Marshall@JacksonThornton.com

- Education:** BA in History
Hampden-Sydney College, 1997
Hampden-Sydney, VA
- Member:** Rates and Charges Committee, American Water Works Association
Co-Chair of Utility Finance Management Committee, KY-TN section of American Water Works Association
Association of Energy Engineers
American Water Works Association
Tennessee Association of Utility Districts
- Work Experience:** Jackson Thornton Utilities Consultants- Primary responsibilities include cost of service and rate design studies and financial forecasting
- American Energy Solutions, Inc. Analyst- Primary responsibilities included evaluation of electric and natural gas procurement options, financial analysis of supply side and demand side projects and management of demand side initiatives, tax management issues, and utility negotiations.
- Presentations:** Alabama Water Environment Association – Convergence of Asset Management, Rates, and Affordability
- Georgia Association of Water Professionals – Cost of Service and Rate Design
- Kentucky/Tennessee Section American Water Works Association – Cost of Service and Rate Design
- Government Finance Officers Association of Alabama - Cost of Service and Rate Design
- Alabama Rural Water Association – System Development Charges
- Alabama Rural Electric Association of Cooperatives – Financial Forecasting and Modeling
- American Public Power Association – Innovative Rate Design for Revenue Stability
- Electric Cities of Alabama – Potential Financial Impact of LED Lighting



Alabama Rural Electric Association of Cooperatives – Cost of Service and Rate Design

Central District Power Accountants Association – Cost of Service and Rate Design

Alabama's Water Environment Association – Cost of Service and Rate Design

North Mississippi Power Accountants Association – Cost of Service and Rate Design; Financial Forecasting and Modeling

Alaska Power Association – Cost of Service and Rate Design

Electric Power Associations of Mississippi – Financial Forecasting and Modeling

Alabama Natural Gas Association – Cost of Service and Rate Design

Alabama Rural Water Association – Cost of Service and Rate Design

Tennessee Association of Utility Districts – Cost of Service and Rate Design

Publications: *Electric Energy*, Spring 2012, The Art of Residential Ratemaking

Certification: Association of Energy Engineers
Certified Energy Procurement Professional





**Sarah V.
Chandler**
Senior Manager

P. 334.834.7660
SARAH.CHANDLER@
JACKSONTHORNTON.COM

For more than 10 years, Sarah Chandler has focused on cost of service and rate design studies along with financial forecasting. She was previously with the Alabama Public Service Commission as an advisory rate analyst, which require her to address issues in the natural gas industry. Sarah has strong skills in ratemaking methodologies, municipal acquisitions, contracts and accounting.

PROFESSIONAL AFFILIATIONS & CREDENTIALS

American Water Works Association (AWWA)
AWWA Strategic Management Practices Committee
Tennessee Association of Utility Districts

EDUCATION

B.S., Business Administration, Corporate
Finance/Investment Management, University of Alabama

40+ hours of continuing professional education annually



Sarah V. Chandler
Jackson Thornton Utilities Consultants
(334) 532-0474
Sarah.Chandler@JacksonThornton.com

- Education:** BS in Business Administration
Major: Corporate Finance/ Investment Management
University of Alabama, 1987
- Member:** American Water Works Association
AWWA Finance, Accounting, and Management Controls
Committee
Tennessee Association of Utility Districts
- Work Experience:** Jackson Thornton Utilities Consultants- Manager, primary responsibilities include cost of service and rate design studies and financial forecasting.
- William R. Chandler, Attorney at Law, Firm Administrator
Primary responsibilities included bookkeeping, payroll, billing, tax filings, personnel, office space, insurance, IT, supplies, scheduling and office organization.
- Alabama Public Service Commission, Advisory Division Rate Analyst
This position works independently of the other divisions of the Public Service Commission to analyze natural gas rates and issues in the natural gas industry. Primary responsibilities included reviewing and making recommendations to the Commissioners on filings that concerned natural gas issues. These filings included, but were not limited to ratemaking methodologies, operational issues, municipal acquisitions, gas supply contracts, and accounting issues.
- Southern Natural Gas Company, Rate Analyst
Primary responsibilities included assisting in preparation of filings with the Federal Energy Regulatory Commission, as well as analysis of gas usage and rates.
- Presentations:** Alabama Rural Electric Association of Cooperatives – Financial Forecasting and Modeling
- Alabama Rural Electric Association of Cooperatives – Cost of Service and Rate Design
- TAUD Administrative Professionals Conference – Cost of Service and Rate Design
- Minnesota Rural Electric Association – Cost of Service, Rate Design and Financial Forecasting





Heidi H.
Lee
CPA
Principal

P. 334.834.7660
HEIDI.LEE@
JACKSONTHORNTON.COM

Heidi Lee has over 30 years of experience working with utilities. She performs audit and internal control services for electric, gas, and water distribution clients. Heidi's work includes recommendations related to a utility's internal control over financial reporting and recommendations for system integration of diversified businesses into the utility environment. Heidi has led work order training for accounting and management personnel and worked with distributors in establishing more accurate work order systems. She has also led training related to understanding utility finance and accounting for operations personnel from various utilities. Heidi has served as a speaker for the Rural Utilities Service (RUS), NRUCFC, and NSAC.

CERTIFICATIONS

Certified Public Accountant (CPA)

PROFESSIONAL AFFILIATIONS & CREDENTIALS

American Institute of Certified Public Accountants (AICPA)
Alabama Society of Certified Public Accountants (ASCPA)

EDUCATION

B.S., Business Administration/Accounting, Auburn University
40+ hours of continuing professional education annually

Heidi H. Lee
Certified Public Accountant
(334-240-3669)
heidi.lee@jacksonthornton.com

Education: B.S. in Business Administration, Accounting
Auburn University, 1982

Work Experience: Received Alabama CPA certificate in 1984

Jackson Thornton has its home office in Montgomery, Alabama with other Alabama offices in Dothan, Opelika, Prattville, and Wetumpka, and a Tennessee office in Nashville. The firm has 33 principals and over 180 employees.

Since 1990, Heidi has worked solely with utility clients. She specializes in the practice areas of audit and internal control design for utility industry clients. She works with electric, natural gas, water, and wastewater clients in the southeastern United States.

Heidi is a recognized speaker at national conferences for the National Society of Accountants for Cooperatives and the Rural Utilities Service.

Presentations: National Society of Accountants for Cooperatives
Annual Tax, Finance, and Accounting Conference
Lessons Learned from a Fraud Risk Assessment
Salt Lake City, Utah

National Society of Accountants for Cooperatives
Annual Tax, Finance, and Accounting Conference
Financial Statement Communications
Las Vegas, Nevada

National Society of Accountants for Cooperatives
Annual Tax, Finance, and Accounting Conference
Audit Risks
Travers City, Michigan

National Society of Accountants for Cooperatives
Annual Tax, Finance, and Accounting Conference
Reducing Fraud Risk in an Increasingly Paperless Environment
San Diego, California

Texas Electric Cooperatives
Fundamentals of Electric Utility Accounting
Advanced Topics in Utility Accounting
Plant Accounting for Electric Utilities
The Non-Financial Manager's Guide to Utility Accounting
Austin, Texas

National Rural Utilities Cooperative Finance Corporation
Independent Borrowers' Summit
Unbilled Revenue
New Orleans, Louisiana

Alabama Rural Electric Association for Cooperatives
The Non-Financial Manager's Guide to Utility Accounting
Financial Audits: What They Are and What They Are Not
Montgomery, Alabama

Alabama Natural Gas Association
Fraud Risk Areas in an Electronic World
Birmingham, Alabama

Central Power District of Tennessee
GASB and FASB Update
Rogersville, Alabama

North Alabama Public Power Association
GASB 68: Accounting & Financial Reporting for Pensions
Florence, Alabama

PowerSouth Electric Cooperative
Power Cost Recovery Options
Andalusia, Alabama

Georgia Electric Membership Corporation
Financial Audits and Responsibilities
Smarr, Georgia

Greystone Power Corporation
The Non-Financial Managers' Guide to Utility Accounting
Uniform System of Accounts
Douglasville, Georgia

NiSource Gas
The Non-Financial Managers' Guide to Utility Accounting
Merrillville, Indiana
Columbus, Ohio

Rural Utilities Service
Evaluating and Managing Risk Associated with Diversification
Charlotte, North Carolina

Association of Large Distribution Cooperatives
Internal Controls and the Electric Cooperative:
The Role of Risk Assessment
Key Largo, Florida

Certifications: State of Alabama, Certified Public Accountant,
Number 3196

State of Florida, Certified Public Accountant,
Number AC0023676

Affiliations: American Institute of Certified Public Accountants

Alabama Society of Certified Public Accountants

Associate Member:

Alabama Rural Electric Association of Cooperatives

National Society of Accountants for Cooperatives



Woody
Trimble
CPA
Principal

P. 334.834.7660
WOODY.TRIMBLE@
JACKSONTHORNTON.COM

Woody Trimble performs audit and accounting services for the firm's utility clients. He has 17 years of experience working with electric, water, telephone, and gas utilities. Woody has also worked on consulting projects such as election management, ballot control and counting, and internal control systems reviews. He has participated in numerous utility related training courses.

CERTIFICATIONS

Certified Public Accountant (CPA)

PROFESSIONAL AFFILIATIONS & CREDENTIALS

American Institute of Certified Public Accountants (AICPA)
Alabama Society of Certified Public Accountants (ASCPA)

EDUCATION

B.S., Business Administration/Accounting, Troy University

MBA with concentration in accounting, Troy University

40+ hours of continuing professional education annually

Woody Trimble
Certified Public Accountant
(334-261-6451)
Woody.Trimble@JacksonThornton.com

Education: B.S. in Accounting
Troy State University, 1999

M.B.A. with an accounting concentration
Troy State University, 2000

Work Experience: Entered public accounting in 2000 upon graduation from
Troy State University began as a staff accountant with
Jackson Thornton in Montgomery, Alabama

Received Alabama CPA certificate in 2002

Jackson Thornton has its home office in Montgomery, Alabama
with other Alabama offices in Dothan, Prattville and Wetumpka
and a Tennessee office
in Nashville. The firm has over 180 employees.

Since he joined the firm more than 15 years ago, Woody's work
has been concentrated in the electric, water and gas
distribution industries.

He performs audit and accounting services for the firm's
utility clients.

He has participated in numerous utility-related training courses
and participates in all levels of management consulting to the
utility industry.

Certifications: State of Alabama, Certified Public Accountant,
Number 9244

Affiliations: American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
National Rural Electric Cooperative Association
National Society of Accountants for Cooperatives
Telergree Alliance Audit and Accounting Committee



K. Ryan Shubird
Certified Public Accountant
(334) 261-2116
Ryan.Shubird@JacksonThornton.com

Education: MS in Accountancy
BS in Business Administration
Major: Accounting
Auburn University, Montgomery, 2015

Member: Alabama Society of Certified Public Accountants

Work Experience: Jackson Thornton Utilities Consultants- Associate, Ryan joined the Jackson Thornton Utility Group in 2015. He has worked on consulting projects and audits for a variety of utility companies across the southeast. Ryan also works on governmental audits, alongside his work in the utility field.

Aldridge, Borden, & Co., Certified Public Accountants- Intern
Primary responsibilities included the preparation of individual and small business tax returns.

Alabama Association of Realtors- Associate
Primary responsibilities included assisting Governmental Affairs with legislative research and campaign support. Additionally, Ryan assisted with the collection of membership dues and the coordination of membership conferences.



Jackson Thornton Utilities
Partial List of Water, Wastewater and Gas Utility Clients
As of July 2018

Client Name Address	Contact Person	Position	Engagements Performed
Bedford County Utility District Shelbyville, TN	Martin Davis	Manager	Cost of Service and Rate Design
Big Creek Utilities District Altamont, TN	Allen Joslyn	Manager	Cost of Service and Rate Design
BlackBelt Gas District Jackson, AL	CJ Arnold	General Manager	Annual Financial Audit
Carroll County Water Authority Carrollton, GA	Matt Windom Greg Akins	Manager CFO	Cost of Service and Rate Design Financial Forecasting Compensation Analysis
Central Elmore Water & Sewer Authority Wetumpka, AL	Bobby Prince Chad Shaw	Manager Engineer	Cost of Service and Rate Design Impact Fee Analysis
Chattahoochee Valley Water Supply District Valley, AL	Tony Segrest	General Manager	Annual Financial Audit
City of Childersburg, AL Water, Sewer and Gas Board	Michael Maddox	Manager	Cost of Service and Rate Design Impact Fee Analysis
City of Franklin, TN Water Management Department	Mark Hilty	Director	Cost of Service and Rate Design Water Supply Economic Analysis Impact Fee Analysis Integrated Water Resource Plan
City of Helena Water Board Helena, AL	Mark Hall	Chairman	Cost of Service and Rate Design
City of Hoover Hoover, AL	Phil McGraw	Manager	Cost of Service and Rate Design
City of Montgomery, AL Water Works & Sanitary Sewer Board	Buddy Morgan Charlene Wachs	Manager CFO	Annual Financial Audit
City of Mount Pleasant Mount Pleasant, TN	Kate Collier Loretta Garner	City Manager Finance Director	Cost of Service and Rate Design Impact Fee Analysis
City of Murfreesboro, TN Water & Sewer Department	Darren Gore Doug Swann	Manager CFO	Cost of Service and Rate Design Financial Forecasting Impact Fee Analysis
City of Opp, AL Utilities Board	Stacy Parker	General Manager	Cost of Service and Rate Design
City of Prattville, AL Wastewater System	Daniel Oakley	Finance Director	Cost of Service and Rate Design Impact Fee Analysis
City of Prattville, AL Water Works Board	Buddy Buckner	Manager	Annual Financial Audit Cost of Service and Rate Design

Jackson Thornton Utilities
Partial List of Water, Wastewater and Gas Utility Clients
As of July 2018

Client Name Address	Contact Person	Position	Engagements Performed
City of Sevierville Water Department Sevierville, TN	Steve Flynn	Water & Sewer Director	Cost of Service and Rate Design
City of Sulligent Sulligent, AL	J. Scott Boman	Mayor	Cost of Service and Rate Design
City of Tallassee Tallassee, AL	John Hammock	Mayor	Cost of Service and Rate Design
City of Thomasville Thomasville, AL	Sheldon Day Deborah Ballard	Mayor City Manager	Accounting/Finance Consulting Annual Financial Audit
City of Troy Troy, AL	Brian Chandler	Manager	Cost of Service and Rate Design
Clarke-Mobile Counties Gas District Jackson, AL	CJ Arnold	General Manager	Annual Financial Audit
Cleveland Utilities Cleveland, TN	Philip Luce	Manager	Cost of Service and Rate Design
Consolidated Utility District of Rutherford County Murfreesboro, TN	Bill Dunnill Paul Long	General Manager CFO	Cost of Service and Rate Design
Coweta County Water and Sewer Newnan, GA	Jay Boren	Manager	Cost of Service and Rate Design
Cullman-Jefferson Gas Cullman, AL	Brian Dove Cindy Vaughan	CEO Accountant	Cost of Service and Rate Design
Decatur Utilities Decatur, AL	Ray Hardin Steve Pirkle	CEO CFO	Cost of Service and Rate Design
DeKalb-Cherokee Gas Fort Payne, AL	Jayson Higdon	Manager	Cost of Service and Rate Design
DeKalb Utility District Smithville, TN	Jon Foutch	General Manager	Cost of Service and Rate Design
Water Authority of Dickson County Dickson, TN	Michael Adams	Executive Director	Cost of Service and Rate Design
East Alabama Water, Sewer and Fire Protection District Valley, AL	Tony Segrest	General Manager	Financial Forecasting Annual Financial Audit
Eufaula Water Works & Sewer Board Eufaula, AL	Daryl Baker	General Manager	Cost of Service and Rate Design Impact Fee Analysis
First Utilities District Knoxville, TN	Bruce Giles Wayne Watson	Manager CFO	Cost of Service and Rate Design
Five Star Water Supply District Millbrook, AL	Buddy Buckner	Manager	Annual Financial Audit

Jackson Thornton Utilities
Partial List of Water, Wastewater and Gas Utility Clients
As of July 2018

Client Name Address	Contact Person	Position	Engagements Performed
Geneva Waterworks & Sewer Board Geneva, AL	James Dixon	Manager	Cost of Service and Rate Design
Gladeville Utility District Lebanon, TN	Dan Bledsoe	CEO/Manager	Cost of Service and Rate Design Accounting and Management Consulting
Greenville Water Works & Sewer Board Greenville, AL	Velma Briggs	Secretary-Treasurer	Cost of Service and Rate Design
Greenwood Utilities Greenwood, MS	Tony Sinclair Dudley McBee	CEO CFO	Cost of Service and Rate Design Financial Forecasting
HB&TS Utility District Franklin, TN	Tom Puckett	General Manager	Cost of Service and Rate Design Rate Protest Analysis
Huguley Water, Sewer and Fire Protection Protection Authority Lanett, AL	Scott Windsor	Manager	Financial Forecasting
Holtville Water System Holtville, AL	Bob Cramer	Manager	Annual Financial Audit
Huntsville Utilities Huntsville, AL	Wes Kelley	CEO	Annual Financial Audit
Jackson Energy Authority Jackson, TN	Nancy Nanney Steve Raper Braxton Williams	CFO Sr VP, Water Division Sr VP, Gas Division	Cost of Service and Rate Design Financial Forecasting Impact Fee Analysis
Knox Chapman Utility District Knoxville, TN	Scott Prater	General Manager	Cost of Service and Rate Design
LaFollette Utilities Board LaFollette, TN	Kenny Baird	General Manager	Cost of Service and Rate Design Financial Forecasting
LaGuardo Utility District Lebanon, TN	Joey Hardin	Manager	Cost of Service and Rate Design Impact Fee Analysis
Lawrenceburg Utility Systems Lawrenceburg, TN	John Cain Victor Pusser	CFO/Office Manager CEO	Cost of Service and Rate Design
Limestone County Water and Sewer Authority	Daryl Williamson	CEO	Consulting Services
Louisville Utilities Louisville, MS	Wilson Webb	Manager	Cost of Service and Rate Design
Lower Alabama Gas District Evergreen, AL	Mark Burgess	Manager	Annual Financial Audit

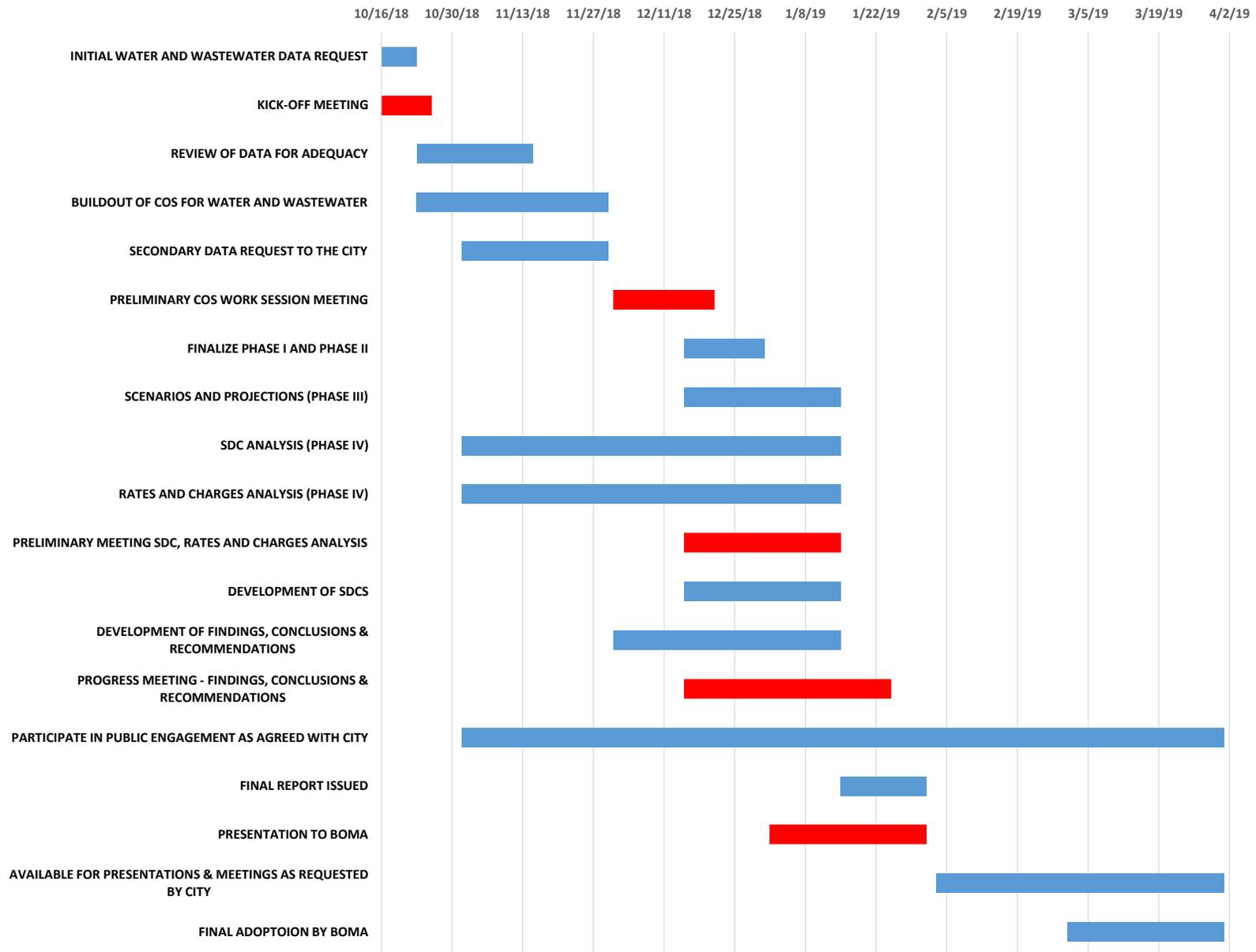
Jackson Thornton Utilities
Partial List of Water, Wastewater and Gas Utility Clients
As of July 2018

Client Name Address	Contact Person	Position	Engagements Performed
Madison County Commission Huntsville, AL	Philip Vandiver	Commissioner	Rate and Fee Survey
Madison County Water Department Huntsville, AL	Chuck Faulkner	Director	Cost of Service and Rate Design
Maury County Water System Columbia, TN	Larry Chunn	Superintendent	Cost of Service and Rate Design
MidSouth Synergy Navasota, TX	Kerry Kelton Daniel Bethapudi	General Manager CFO	Cost of Service and Rate Design
Milcrofton Utilities District Franklin, TN	Mike Jones	Manager	Cost of Service and Rate Design Impact Fee Analysis
Mobile Area Water & Sewer System Mobile, AL	Charles Hyland	Director, Engagements	Annual Financial Audit
Nolensville/College Grove Utility District Nolensville, TN	Mike Polston	General Manager	Cost of Service and Rate Design Impact Fee Analysis Compensation Analysis
Northeast Knox Utility District Corryton, TN	Gregg Morgan	Manager	Cost of Service and Rate Design
Northwest Alabama Gas District Hamilton, AL	Heath Reed	CEO	Cost of Service and Rate Design
Ocoee Utility District Cleveland, TN	Tim Lawson	Manager	Cost of Service and Rate Design
Old Gainesboro Road Utility District Cookeville, TN	Tim Ham	General Manager	Cost of Service and Rate Design
Oneonta Utilities Board Oneonta, AL	Rodney McCain	General Manager	Impact Fee Analysis
Paris-Henry County Public Utility District Paris, TN	Tae Eaton Shannon French	General Manager Office Manager	Rate Review
Plateau Utility District Wartburg, TN	Mike Monroe	General Manager	Cost of Service and Rate Design
Public Energy Authority of Kentucky Carrollton, KY	Gerald Ballinger	General Manager	Annual Financial Audit
Riviera Utilities Foley, AL	Tom DeBell James Wallace	General Manager Engineer	Cost of Service and Rate Design Impact Fee Analysis
Shady Grove Utility District Dandridge, TN	Mike Jones Linda Rippetoe	Manager CFO	Cost of Service and Rate Design
Shelby County Water Services Columbiana, AL	Michael Cain	Manager	Cost of Service and Rate Design
Shelbyville Power System Shelbyville, TN	David Crowell	General Manager	Cost of Service and Rate Design

Jackson Thornton Utilities
Partial List of Water, Wastewater and Gas Utility Clients
As of July 2018

Client Name Address	Contact Person	Position	Engagements Performed
Smiths Water and Sewer Authority Smiths Station, AL	Joanna Franklin	Office Manager	Cost of Service and Rate Design Litigation Support
Spring Hill Public Works Spring Hill, TN	Caryl Ann Giles	Superintendent	Cost of Service and Rate Design
South Alabama Gas District Evergreen, AL	Mark Burgess	Manager	Business Acquisition Business Consulting Cost of Service and Rate Design Gas Procurement
South Blount County Utility District Maryville, TN	Al Scott	Manager	Cost of Service and Rate Design Financial Forecasting Impact Fee Analysis
Starkville Utilities Starkville, MS	Terry Kemp Anne Marie Logan	Manager CFO	Accounting and Finance Consulting
Tuckaleechee Utility District Townsend, TN	Lynn Valentine	General Manager	Cost of Service and Rate Design Wholesale Rate Analysis
Tennessee Association of Utility Districts Murfreesboro, TN	Bob Freudenthal	Executive Director	Cost Allocation/Dues Study
Tennessee Energy Acquisition Corp. Clarksville, TN	Mark McCutchen Rhonda Wall	CEO CFO	Annual Financial Audit
Utilities Board of Tuskegee, AL Tuskegee, AL	Gerald Long	General Manager	Cost of Service and Rate Design Financial Forecasting
Watauga River Regional Water Authority Elizabethton, TN	Bryon Trantham	Director	Financial Projection Review Rate Sufficiency Analysis
West Knox Utility District Knoxville, TN	Drexel Heidel Wayne Hastings	General Manager Assistant Manager	Cost of Service and Rate Design Impact Fee Analysis Wholesale Rate Analysis
West Morgan East Lawrence Water and Sewer Authority Decatur, AL	Don Sims	General Manager	Cost of Service and Rate Design Annual Financial Audit Impact Fee Analysis
West Rankin Utility Authority Richland, MS	Bruce Stephens	General Manager	Accounting and Financial Consulting

PROJECT SCHEDULE - CITY OF SPRING HILL WATER AND WASTEWATER COST OF SERVICE ANALYSIS



Cost of Service Sample

(Separate Enclosure)



T 334 834 7660

F 334 956 5090

P.O. BOX 96
MONTGOMERY,
ALABAMA
36101-0096
200 COMMERCE
STREET
MONTGOMERY,
ALABAMA
36104-2591

September 27, 2018

Mr. Victor Lay, City Administrator
City of Spring Hill
199 Town Center Parkway
Spring Hill, TN 37174

Re: Proposal to Provide Professional Services Related to a Revenue Requirements Analysis and a Cost of Service/Rate Study, System Development Charge Analysis and other consulting services for the Water and Wastewater Systems of the City of Spring Hill, Tennessee

JACKSONTHORNTON.COM

Dear Mr. Lay:

Alabama
Montgomery
Dothan
Prattville
Wetumpka
Tennessee
Nashville

We appreciate the opportunity to submit to you and the City of Spring Hill ("the City") our proposal to assist you with the Revenue Requirements Analysis and Cost of Service/Rate study and other consulting services detailed herein. We believe that you will find Jackson Thornton Utilities Consultants ("JTUC") to be uniquely qualified to assist the City with this project because of the extensive knowledge and experience that we have in the utilities industry.

JTUC 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/Rate Study work.

PROJECT STAFFING

We anticipate that the staff involved in the COS/Rate Study project will primarily be Jim Marshall, Sarah Chandler, and Ryan Shubird. I will be the principal-in-charge and Sarah will serve as the senior manager on this project. In addition, we have a staff of professionals 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, wastewater, and sanitation utility Cost of Service/Rate Study work has worked with utilities for more than twelve 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 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

The overall objective of this project is to provide a comprehensive cost of service, rate study, and system development charge analysis for the water and wastewater systems. This independent analysis will provide objective information to allow the City to determine if its current water and wastewater rates and fees need to be changed and, if so, where the changes are needed. For Spring Hill, we propose this engagement as a multi-phased project.

- 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 each utility service. After performing this RRA, we will know if the current rates will generate the needed revenue requirements for each class of service provided and for the system.
- Phase II – PART 1 - Prepare Embedded Water and Wastewater Cost of Service Study "COSS" – This phase of the project includes working with your management team to perform a detailed functionalization, classification and allocation of the distribution plant, operating expenses, debt service, reserves and capital improvement projects to each rate class. From this phase, we can determine if rate equity exists between rate classes. The results of each COSS will provide the support for any changes in your water and wastewater 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.
- Phase III – PART 1 – Cost of Service Scenarios – This phase includes using the results of the first two phases to collaborate with management and evaluate scenarios with regard to capital improvement plans, water purchases, water production, increased capacity, debt service, reserve levels, etc.
 - PART 2 – Revenue Requirement Projections – This phase will involve an assessment of Revenue Requirements Analysis for the five to ten years. We will work closely with management to establish projections for operations and maintenance, repair and replacement, capital projects, and debt service.
- Phase IV – PART 1 – System Development Charge Analysis – This phase will involve an analysis of existing and future capital investment of the water and wastewater systems to calculate an appropriate system development charge for each system. The procedures that will be employed by us for this phase

will be based on the M-1 Manual (*Principles of Water Rates, Fees and Charges*) as prescribed by the American Water Works Association.

PART 2 – Rates/Fees and Charges Review – This phase will involve a comprehensive review of rates, fees and charges that the City has in effect. After collaborating with management, recommendations will be made as warranted.

- Phase V – Reporting – The final phase of the project will provide reporting as outlined in items 1(b) and 2(e) of the Scope section of the City's RFQ. The final report shall include:
 - A comprehensive final report presenting the findings, conclusions and resulting recommendations for each phase of the proposed engagement
 - Summary Presentation to BOMA, including response to public comments and inquiries when requested by the City and/or BOMA.
 - A schedule for timely implementation and execution of the report recommendations

PROJECT PROCEDURES STANDARDS

The procedures employed by JTUC follow generally accepted cost of service principles. Our model is flexible to compensate for individual accounting practices. As a guideline, our water and wastewater 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. JTUC has developed a comprehensive Cost of Service model that allows Management and the City to explore any study variations desired.

The assistance to be supplied by the personnel of the City has been discussed and coordinated with Victor Lay, City Administrator. 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. Once the initial data is received, we anticipate the project to take four to six months.

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

CONFIRMATION OF MANAGEMENT RESPONSIBILITY

You have informed us that the audit of the City of Spring Hill may be performed in accordance with Government Auditing Standards (GAS) as issued by the Comptroller General of the United States. GAS requires that the auditor remain independent so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a nonaudit service to the City, we must determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other

nonaudit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the nonaudit service to be performed.

1. The City has designated Victor Lay, City Administrator, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the revenue services.
2. The City will assume all management responsibilities for subject matter and scope of the revenue services.
3. The City will evaluate the adequacy and results of the services performed.
4. The City accepts responsibility for the results and ultimate use of the services.

PROJECT FEES AND COSTS

Our projected time and effort for an embedded COS/Rate Study, System Development Charge Analysis and other consulting services as described above is \$48,000 for a single-year engagement. We propose to cap the fees as follows:

- Phase I and II - Revenue Requirements Analysis/COS/Rate Design
 - Water \$12,500
 - Wastewater \$12,500
- Phase III – Scenarios and Projections \$ 5,000
- Phase IV Part 1 – SDC Analysis
 - Water \$ 5,500
 - Wastewater \$ 5,500
- Phase IV Part 2 – Rates/Fees Review \$ 5,000
- Phase V – Reporting \$ 2,000

Our price includes the development of cost curves by rate class and the comparison of current to proposed rates. The above fees include two (2) meetings with management or the board; however, this price does not include time required to meet with potential customers or opposition parties for rate approval. Additional meetings, as necessary, will be coordinated with management and billed at the standard hourly rates as listed below:

- Jim Marshall \$325/hour
- Sarah Chandler \$240/hour
- Ryan Shubird \$134/hour

Our fees are based on the understanding that the City will provide us with the data needed in a timely basis. 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 eight (8) 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. We 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 City of Spring Hill and Jackson Thornton & Co., P.C. or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the City of Spring Hill shall be asserted more than two years after the date of the last report issued by Jackson Thornton & Co., P.C.

This letter constitutes the complete and exclusive statement of agreement between Jackson Thornton & Co., P.C. and the City of Spring Hill, 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., P.C.



James B. Marshall, III
Principal



Sarah V. Chandler
Senior Manager

Confirmed on behalf of the addressee:

Signature

**PROFESSIONAL SERVICES AGREEMENT BETWEEN
CITY OF SPRING HILL, TENNESSEE
AND JACKSON THORNTON UTILITIES CONSULTANTS**

THIS AGREEMENT is made this the 15th day of October, 2018, by and between **CITY OF SPRING HILL, TENNESSEE** (hereinafter “City”), and Jackson Thornton Utilities Consultants located at 200 Commerce Street, Montgomery, Alabama (hereinafter “Consultant”).

WITNESSETH:

WHEREAS, the City has determined to enter into an agreement with a consulting firm that affirms itself to have extensive experience in providing cost of service analysis for water and sewer utility systems; and

WHEREAS, the City submits that it has the authority to contract with Consultant to provide professional services for the work desired by the City; and

WHEREAS, by entering into this Agreement, Consultant affirms that it has extensive experience in developing a defensible, accurate and reliable cost of services water and sewer utility study for the City of Spring Hill providing such services in a professional manner in accordance with the terms and conditions of this Agreement as well as the standard of care practiced by other consultants and professionals performing similar services within the industry.

NOW, THEREFORE, in consideration of the premises and recitals hereinabove set forth, which are incorporated herein by reference, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the mutual covenants contained herein, the City and Consultant agree as follows:

ARTICLE 1 - SCOPE OF SERVICES TO BE RENDERED BY CONSULTANT

1. Consultant shall perform all necessary professional services in a satisfactory and proper manner, consistent with the City’s requirements for the Project and by reference made a part hereof, including, but not be limited to, the following:

a. See Attached Exhibit A (Proposal to Provide Professional Services)

2. All documents prepared by Consultant that form a part of the services rendered hereunder shall, upon completion of the exhibits, calculations, draft reports, presentation material, etc. will become the property of the City. Such documents shall not be used by either party on any other project, except as reference materials.

3. The City will furnish all information, data, reports and maps as are existing and identified by Consultant as necessary for carrying out the work that are available to the City without cost to Consultant.

4. Consultant shall have the authority to request work assignments necessary to obtain additional information to revise the cost of service study if required.

ARTICLE 2 – CITY’S RESPONSIBILITIES

The City will provide to Consultant all criteria and full information as to the Project’s requirements, and shall furnish the following:

1. Provide Consultant with all known available information that is pertinent to the Project.

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Copy to: Patrick M. Carter, Esq.
City Attorney
P.O. Box 1431
Columbia, TN 38402-1431

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1. The City and Consultant shall attempt to resolve conflicts or disputes under this Agreement in a fair and reasonable manner and agree that if an informal resolution cannot be achieved, the parties shall submit the matter to a mutually agreed upon mediator in an attempt to resolve the dispute through the mediation process. Such mediation process shall be initiated by a request in writing by either party.
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3. Governing Law, Venue and Jurisdiction: This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee. The venue and jurisdiction for any dispute arising pursuant to this Agreement shall be in the Circuit Court for Maury County, Tennessee.

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1. The term “breach of agreement” specifically includes, but is not limited to, failure to comply with any applicable federal, state or local laws or regulations.
2. One or more waivers of breach of any provision of this Agreement by any party shall not be construed as a waiver of subsequent breach of the same provision, nor shall it be considered a waiver of any other then existing or subsequent breach of a different provision.

3. The substantially prevailing party in any legal proceeding hereunder by and between the parties shall be entitled to their reasonable attorney's fees and court costs incurred in said legal proceeding.

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1. City shall agree to indemnify and hold Consultant its officers, agents and/or employees, harmless from and against any and all lawsuits, damages and expenses, including court costs and attorneys' fees, by reason of any claim and/or liability imposed, claimed and/or threatened against the City, its officials, agents and/or employees, for damages because of bodily injury, death and/or property damages arising out of or in consequence of the performance of services under this Agreement to the extent that such bodily injuries, death and/or property damages are attributable to the negligence of the City, its agents, employees, or any other entity for which the City may be found to be legally liable. This provision shall survive the completion of all services, obligation and duties provided pursuant to the Project, or the termination of this Agreement for any reason.

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2. Comprehensive (Commercial) General Liability Insurance: Bodily injury and property damage combined single limit in the minimum amount of \$1,000,000.00 for each occurrence.

3. Automobile (Business) Liability Insurance: Bodily injury and property damage combined single limit in the minimum amount of \$1,000,000.00 for each occurrence, \$1,000,000.00 aggregate.

4. Professional Liability Insurance: Professional liability insurance covering claims arising from errors, omissions or negligent acts committed in the performance of professional services under this Agreement with limits of \$1,000,000.00.

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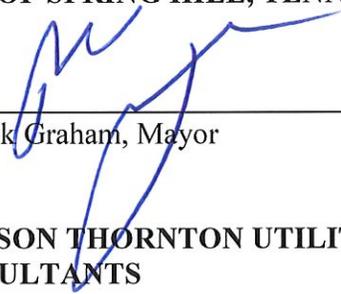
of God or the public enemy, terrorism, significant fires, floods, earthquakes, epidemics, quarantine restrictions, strikes, freight embargoes, or Governmental Authorities approval delays which are not caused by any act or omission by Consultant and unusually severe weather. Consultant agrees to notify City of the existence and nature of any delay.

ARTICLE 17 – ENTIRE AGREEMENT

This Agreement and accompanying documents contain the entire agreement between the parties with respect to the subject matter hereof and all prior or contemporaneous written or oral agreements with respect to the subject matter hereof are superseded hereby.

IN WITNESS WHEREOF, the City has caused this Agreement to be signed by its authorized representative, and Consultant has caused this Agreement to be signed in its corporate name by its authorized representative as of the day and year first written above.

CITY OF SPRING HILL, TENNESSEE

By:  _____
Rick Graham, Mayor

**JACKSON THORNTON UTILITIES
CONSULTANTS**

By: _____

(Print Name)

**PROFESSIONAL SERVICES AGREEMENT BETWEEN
CITY OF SPRING HILL, TENNESSEE
AND JACKSON THORNTON UTILITIES CONSULTANTS**

THIS AGREEMENT is made this the 15th day of October, 2018, by and between **CITY OF SPRING HILL, TENNESSEE** (hereinafter "City"), and Jackson Thornton Utilities Consultants located at 200 Commerce Street, Montgomery, Alabama (hereinafter "Consultant").

WITNESSETH:

WHEREAS, the City has determined to enter into an agreement with a consulting firm that affirms itself to have extensive experience in providing cost of service analysis for water and sewer utility systems; and

WHEREAS, the City submits that it has the authority to contract with Consultant to provide professional services for the work desired by the City; and

WHEREAS, by entering into this Agreement, Consultant affirms that it has extensive experience in developing a defensible, accurate and reliable cost of services water and sewer utility study for the City of Spring Hill providing such services in a professional manner in accordance with the terms and conditions of this Agreement as well as the standard of care practiced by other consultants and professionals performing similar services within the industry.

NOW, THEREFORE, in consideration of the premises and recitals hereinabove set forth, which are incorporated herein by reference, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and the mutual covenants contained herein, the City and Consultant agree as follows:

ARTICLE 1 - SCOPE OF SERVICES TO BE RENDERED BY CONSULTANT

1. Consultant shall perform all necessary professional services in a satisfactory and proper manner, consistent with the City's requirements for the Project and by reference made a part hereof, including, but not be limited to, the following:

a. See Attached Exhibit A (Proposal to Provide Professional Services)

2. All documents prepared by Consultant that form a part of the services rendered hereunder shall, upon completion of the exhibits, calculations, draft reports, presentation material, etc. will become the property of the City. Such documents shall not be used by either party on any other project, except as reference materials.

3. The City will furnish all information, data, reports and maps as are existing and identified by Consultant as necessary for carrying out the work that are available to the City without cost to Consultant.

4. Consultant shall have the authority to request work assignments necessary to obtain additional information to revise the cost of service study if required.

ARTICLE 2 – CITY’S RESPONSIBILITIES

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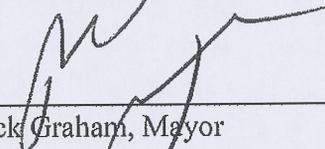
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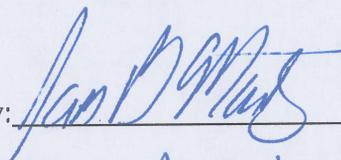
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CITY OF SPRING HILL, TENNESSEE

By: 
Rick Graham, Mayor

**JACKSON THORNTON UTILITIES
CONSULTANTS**

By:  12/7/18
James B Marshall III
(Print Name)