

Utility Advisory Committee (UAC)
January 21, 2013 - Report to Council

**Providing evaluation, comparison and contrast of the three proposals
received in response to the Sept 12, 2012 Water Utility Management, RFP.**

BACKGROUND (2010-2012)

City Council discussions regarding the management, operation and ownership of the City's water and sewer utilities have been ongoing on since 2010. Most recently, City Council discussions in August 2012 centered on contracting out management of the water utility. The Council passed a motion on August 15, 2012 directing City Staff to issue an RFP for management of the water utility. The culmination of that directive was the September 12, 2012 Water Utility Management RFP.

On or before the required submission date of October 12, 2012 the City received three responses to that solicitation. The City's internal evaluation of the responses was scheduled for October 2012, with a presentation to the Public, City Council and City Staff in November 2012. The November 14, 2012 Council Agenda allocated time for Staff's Response to the RFP for Management of Water Utility. Staff's associated presentation was limited to comment that the City had received 3 responses and that "The administration will assess each proposal, develop an estimate of net budget impact, identify and quantify other impacts and then provide a briefing for City Council". On November 19, 2012 Council passed a second motion, directing the Utility Advisory Committee (UAC) to independently evaluate, compare and contrast the three water system management proposals.

UAC PROCESS OVERVIEW

The UAC initiated discussion of this subject in early December and started our analysis by reviewing the RFP and the various aspects of the individual responses and later formulating a set of questions for items requiring further clarification. We also found one of the three proposals to be nonresponsive to the RFP concurrent to that initial review, details of the basis of that determination are contained within this report. We submitted questions drafted for clarification to the remaining individual RFP respondents on December 14th, received individual responses on December 21st, and forwarded those responses to the City Manager and Deputy City Manager for their further information that same day. We resumed discussions at regular and supplemental meetings on January 2nd, 10th, and held a joint meeting of the UAC and City Staff to share our individual assumptions and conclusions regarding the RFP, the RFP responses, associated Scope of Services and rankings on January 14, 2013. The information included herein is the culmination of those activities. We have also attached many of the reference documents and resources used to draw our conclusions which were instrumental to our analysis and the comments contained herein.

RFP responses were received from the following three parties:

- Kitsap Public Utility District (KPUD), a nonprofit municipal corporation providing water utility service, satellite system management, and designated lead agency for countywide technical,

managerial, financial, operational, and support services for Kitsap's regional water resource planning. KPUD's operations headquarters are located in Poulsbo, WA.

- Northwest Water Systems (NWS), a private for profit management consulting company. NWS's operations headquarters are located in Port Orchard, WA.
- Washington Water Service Company (WWSC), a private for profit investor owned water utility, and subsidiary of California Water Service Group, that owns and operates their own utilities as well as providing satellite system management services. WWSC's operation headquarters are located in Gig Harbor, WA.

Of the three we dismissed the Northwest Water Systems (NWS) proposal for the following reasons:

- The proposal is not responsive to the Scope of Services as identified in the RFP.
- The proposal does not assume the operations and management responsibilities of the utility but adds another layer of supervision/overhead to the City Water Utility.
- The activities included in the NWS proposal are redundant to those efforts and conclusions provided in the 2011 Utility Business Advisers Report.
- The proposal is a cost-plus contract which is not conducive to analysis of comparative costs.

ANALYSIS OF THE KPUD & WWSC PROPOSALS

The KPUD and WWSC proposals have distinctively different approaches. The WWSC proposal offers to perform limited services under a Satellite System Management (SSM) contract designed to provide the outsourced management and operational duties, while leaving the balance of requested functions in the RFP to be performed on a cost plus basis. The KPUD proposal on the other hand seeks to be an all-inclusive approach under a fixed price Satellite System Management contract with limited exceptions.

Our investigation resulted in the following conclusions:

We prefer KPUD for the following reasons:

- KPUD provided the most responsive, complete and competitive proposal to perform the Water Utility Management Services for the City's three separate water utilities.
- The KPUD proposal assumed responsibility for Sewer Utility billing, which is based on the consumption shown on the water utility service meter and has traditionally been included in a single Water and Sewer Service bimonthly billing. This will result in savings to the sewer utility as well.
- The KPUD proposal included water resource planning services not directly available thru WWSC and welcomes future discussions with the City over utility management and other water related issues where greater organizational collaborative opportunities might exist.

The KPUD response is best described as an all inclusive proposal whereby they would assume all typical responsibilities of the owner/certified system operator, providing for:

- All managerial and operational responsibilities while providing monthly and quarterly reports of such activity to the City.
- Coordinating their activities with the City and UAC where necessary and appropriate.
- All necessary reporting and coordination DOH requires under a Certified Operator/SMA Contract.

- Operation of the City’s water utilities consistent with the same high level of service and quality standards provided their existing customers, owned and managed. [This would be accomplished we believe through an Interlocal Service Agreement for Satellite System Management.]

While WWSC certainly has the expertise to run the water utility, their proposal would be best described as a cost-plus contract wherein they:

- Identify a base monthly fee for minimum basic water utility management services and include additional costs based on a published schedule for additional materials and services that are in fact required for the performance of the water utility management function. These additional costs are expected to be substantial. A review of WWSC’s current operating costs per connection demonstrates they are more than twice the proposed monthly fee, which supports to this claim. See EXHIBIT C.

In our efforts to compare the two proposals it was necessary for the UAC to add to WWSC’s “Total Management Services Contract” many costs already included in the KPUD proposal, such as materials, supplies, labor, and outside professional services. The UAC queried WWSC about these additional cost items in our request for clarification. Exhibit WWSC includes their response and shows the associated explanation of the anticipated payment method. These additional costs combined with the elevated WWSC rates supports our conclusion that WWSC was not competitive with the KPUD proposal. See EXHIBIT D.

The following comments from the previously commissioned Utility Business Advisers Report appear relevant to the management decision:

- “KPUD is the consultant team’s recommended choice over WWSC as they have a history of long-term financial performance, proven staff capabilities, a track record of providing services to a significant number of customers on Bainbridge Island.”
- “Consider outsourcing certain functions that are contracted out by other purveyors to avoid varying levels of demand; such as developer review, construction management and inspection, water system mapping, and annual maintenance agreements.”

Attached are documents used during UAC discussions to identify which proposal provided the most viable and complete alternative for management of the City Water Utility.

CONCLUSION

In closing we believe that the utility customers/rate payers will be best served by the KPUD Management option. The KPUD proposal provides the most comprehensive, price competitive option, with minimal oversight required of the City. The KPUD proposal also invites considerable opportunities for collaboration and cooperation with the City, and will in the end provide the best-possible service at the lowest possible cost to the rate payers. KPUD as owners and operators of multiple water systems throughout Kitsap County and as lead agency for regional water resource management throughout Kitsap have the designated responsibility to protect water resources on behalf of all the residents of Kitsap County including Bainbridge Island and we have every confidence that this management activity will only strengthen those efforts made on our behalf.

We believe that if the City considers the best interest of the rate payers that they too will come to the conclusion that the customers will be best served by outsourcing the water utility management at this time.

Submitted this day January 21, 2013.

By: Arlene Buetow/UAC Chair on behalf of the Utility Advisory Committee.

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EXHIBIT A

DEFINITIONS / REFERENCE MATERIAL / INTERLOCAL AGREEMENTS

Interlocal Agreements

RCW 39.34 permits a local government to enter into interlocal agreements with other public agencies in the interest of cooperatively sharing resources for their mutual benefit. In accordance with RCW 39.34, the City of Bainbridge Island has executed interlocal agreements with other public agencies for various purposes over the years.

Effective June 7, 2006, RCW 39.34.040 was amended to permit a public agency to list interlocal agreements on its website in lieu of having the agreement filed with the county auditor's office.

EXHIBIT B

DEFINITIONS / REFERENCE MATERIAL / SMA AGREEMENTS

Definitions.

Abbreviations:

"**IOU**" - Investor owned utility;

"**SMA**" - Satellite management agency;

"**UTC**" - Utilities and transportation commission; and

"**WSP**" - Water system plan.

"**Certified operator**" means a person certified in accordance with chapter [246-292](#) WAC.

"**Contract**" means a written agreement between a SMA and a public water system identifying the responsibilities of system operation and management.

"**Department**" means the Washington state department of health.

"**Investor owned utility**" means a corporation, company, association, joint stock association, partnership and person, their lessees, trustees or receivers appointed by any court whatsoever, owning, controlling, operating or managing any public water system for hire.

"**Public water system**" means any system, excluding a system serving only one single-family residence and a system with four or fewer connections all of which serve residences on the same farm, providing piped water for human consumption, including any:

Collection, treatment, storage, or distribution facilities under control of the purveyor and used primarily in connection with such system; and

Collection or pretreatment storage facilities not under control of the purveyor primarily used in connection with such system.

"**Purveyor**" means an agency, subdivision of the state, municipal corporation, firm, company, mutual or cooperative association, institution, partnership, or person or other entity owning or operating a public water system. Purveyor also means the authorized agents of such entities.

"**Satellite management agency (SMA)**" means an individual, purveyor, or entity that is approved by the secretary to own or operate more than one public water system on a regional or county-wide basis, without the necessity for a physical connection between such systems.

"Satellite management and operation services" means all day-to-day responsibilities of a water system. Management responsibilities shall include planning and policy decision making. Operational responsibilities shall include normal day-to-day operations, preventative maintenance, water quality monitoring, troubleshooting, emergency response, response to complaints, public/press contact, and recordkeeping.

"Secretary" means the secretary of the department of health or their designee.

"Service area" means a specific area for which satellite management and operation services may be provided by a SMA.

"Service area policies" means pertinent policies that impact the provision of water and water system growth.

[Statutory Authority: RCW [70.116.134](#), 94-18-108, § 246-295-010, filed 9/6/94, effective 10/7/94.]

From: Christensen, David L (DOH)
Sent: Monday, January 14, 2013 2:38 PM
To: Bob Hunter
Subject: liability question

Hi Bob,

I've looked through our rules, statutory authority, and talked with a couple of people here. In the end, I am a bit surprised in that our SMA rules do not clearly delineate the boundaries between "owner" and "operator" or between "owner" and "SMA" with respect to responsibilities and liabilities. In fact, we are purposefully vague in referring to obligations and liabilities of the "purveyor" which includes both owners and operators/SMAs.

In the end, the liability of the city can be reduced with how they write the contract. They need to make their prosecutor happy that they won't need the kind of staffing oversight to protect their interests, from a liability standpoint. From our standpoint, we enforce the rules, and if monitoring is not completed as required, then we look to the certified operator or SMA. If a water system plan isn't updated on time, then we'd probably have issue with both the owner and the SMA, although, again, the owner of a water system could protect themselves from liability through the contract. However, in the end, if the water system is out of compliance (for example with a planning requirement), then the city will end up feeling the impact, if they cannot expand, serve new connections, and provide an adequate proof for potable water for new buildings. Same issue for poor management—if there is a history of non-compliance, then the system has a red operating permit and cannot meet its obligations for servicing new development.

Not really the answer I expected, but it makes sense in the end. And, I'm not a lawyer. I can tell you how our staff would approach compliance, and can give you a feel for our interpretation of how responsibility is shared by system owners and SMAs. What this means for your situation is not clear... whether Bainbridge would have to hire staff to ensure an SMA is doing what it needs to do, or whether they would be comfortable in relying on our oversight of the SMA is really about their legal advisors.

Hope this helps.

Dave

David Christensen Policy & Constituent Services
Dept. of Health, Office of Drinking Water
P O Box 47822 Olympia, WA 98504-7822
Voice: (360) 236-3153 Fax: (360) 236-2252
Email: david.christensen@doh.wa.gov
Public Health - Always working for a safer and healthier Washington

EXHIBIT C

Cost of Service Comparison - KPUD, COBI and WWC

KPUD -Based on Management Proposal

Water Operations	\$ 814,105	Service Connections	11,422
Adjustments:		Cost per Service Connection	\$ 265.85
Utilities	325,000	Cost per Month	\$ 22.15
Labor	1,760,415		
Fluoridation*	137,064		
Total Adjusted Cost	\$ 3,036,584		

COBI - Based on 2013 Adopted Budget
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Water Utility Budget	\$ 1,157,270	Service Connections	2,471
Adjustments:		Cost per Service Connection	\$ 377.51
Remove Intergovt. Serv.	(229,550)	Cost per Month	\$ 31.46
Add back Testing	5,100		
Total Adjusted Cost	\$ 932,820		

Washington Water Service Company - 2011 Reported Operating Results

Utility Operating Expense	\$ 6,570,422	Service Connections	15,870
Adjustments:		Cost per Service Connection	\$ 376.22
Attached adj. schedule	(790,242)	Cost per Month	\$ 31.35
Fluoridation*	190,440		
Total Adjusted Cost	\$ 5,970,620		

COBI's expenses are \$9.31 more per service connection than KPUD. What services are provided for the additional expense?

* Fluoridation charges added per KPUD proposal at \$1/month per service to KPUD and WWSC.

WWSC 2011 Operating Expenses as included in the 2012 Annual Report

	\$2,723,691	
Salaries and Wages – Employees		
Employee Pensions and Benefits	1,639,135	
Purchased Power	441,147	(2)
Chemicals	66,678	(3)
Materials and Supplies	162,316	(3)
Contractual Engineering	1,295	(5)
Contractual Management/SMA	76,396	(5)
Testing	113,116	
Rental of Building/Real Property	51,984	(4)
Transportation Expenses	313,715	
Insurance Expenses	141,333	(2)
WUTC Regulatory Fees	15,878	
Bad Debt Expense	53,205	(1)
Travel/Education/Bank/CCR	48,467	
Office/Postage/Phone	651,585	
Repairs & Maintenance	70,481	(1)
TOTAL WWSC Operating Expenses	\$6,570,422.00	

Gross Operating Cost based on 15,870 meters = \$34.50 per connection /month

Adjustments for Management Cost activities:

- (1) Items Not applicable to Mgmt Contract
- (2) Items assumed to be provided by COBI
- (3) Items included in Mgmt Contract at cost plus 20%

<i>TOTAL Operating Expenses</i>		<i>\$6,570,422</i>
<i>Less (1) above</i>	<i>\$(123,686)</i>	
<i>Less (2) above</i>	<i>(582,480)</i>	
<i>Plus 20% mark up of (3) above</i>	<i>45,799</i>	
<i>(4) Less rental of building/property</i>	<i>(51,984)</i>	
<i>(5) Less Contractual Engr/Legal/Mgmt</i>	<i>(77,691)</i>	<i>(790,042)</i>
<i>TOTAL Operating Expenses less (1) – (4)</i>		<i>\$5,780,380</i>

Adjusted Operating Cost based on 15,870 meters = \$30.35 per connection /month

The above table demonstrates that WWSC’s proposal does not include significant additional expenses expected to meet the requirements of the RFP. The proposed fee of \$12.92 is 46% of the actual operating costs experienced by WWSC as adjusted to perform similar services.

EXHIBIT D

City of Bainbridge Island

-Comparison of Water Management Proposals

<u>Respondent bid</u>	<u>WWSC</u>	<u>KPUD</u>	<u>Variance</u>
Number of Connections	<u>2,776</u>	<u>2,471</u>	
Monthly Fee	\$34,984	\$48,876	
X 12 months	<u>x 12</u>	<u>x 12</u>	
= Annual Fee	\$419,808	\$586,512	
To remove liability insurance on fixed assets from bid		(\$10,344)	
Connection Adjustment –			
to adjust WWSC to 2,471 connections	<u>(\$46,124)</u>	_____	
Equivalent bid prices	<u>\$373,684</u>	<u>\$576,168</u>	<u>\$202,484</u>

Note:

Page 3 of 6 of the RFP specified the Scope of Services sought for the Water Utility Manager. Many of those services have been excluded or omitted from the WWSC Total Management Services Contract with the explanation that WWSC will bill City on a monthly basis for “Management” services provided in the preceding month, AND give a detailed accounting of any additional billable work. So effectively WWSC is proposing a cost plus contract. In order to compare the KPUD all inclusive proposal to the WWSC cost plus proposal we are required to provide estimate of cost of those items included in one proposal and excluded from the other proposal to develop a ranking of costs.

City of Bainbridge Island

-Comparison of Water Management Proposals

Activities excluded from fixed fee bid		WWSC (1)	KPUD (2)
14.	Sewer billing Set up fee	Yes	
17.	Engineering Services	Yes	
18	GIS/IT services ... water system specific	Yes	
	Meter changes out every 15 – 20 years	Yes	
19.	Overseeing developer extensions	Yes	
20.	Installing new services	Yes	
21.	Recommending system capital improvements & managing projects	Yes	
23.	Notice to Title or Liens for non-payment	Yes	
	Chemical and Fuel	Yes	
	Sales Tax	Yes	
	Repairs over \$500 & under \$3,500	Yes	
	Repairs over \$3,500	Yes	Yes
	Water Utility Specific Utility Costs	Yes	Yes
	Liability Insurance – Assets Only	Yes	Yes
	Unplanned Capital (\$8 per hook up per year) Add 25% mark-up for WWSC	Yes	Yes

Notes:

(1) See WWSC 12/21/2012 Response to UAC Questions request for clarification provided to WWSC on 12/14/2012.

(2) See KPUD 12/21/2012 Response to UAC Questions request for clarification provided to WWSC on 12/14/2012.

City of Bainbridge Island

-Comparison of Water Management Proposals

Normalization of the Bids		WWSC	KPUD	Variance
Equivalent bid prices		\$373,684	\$576,168	\$202,484
17.	Engineering Services Note A	88,920 B		88,920
18.	GIS/IT services ... water system specific	55,944 C		55,944
	Meter changes out every 15 – 20 years	27,566 E		27,566
	Repairs over \$500 & under \$3,500	23,000 F		23,000
	Repairs over \$3,500	7,000 G	7,000	0
	Chemical and Fuel	51,862 H		51,862
14.	Sewer billing Set up fee	Note B		
19.	Overseeing developer extensions	“		
20.	Installing new services	“		
21.	Recommending system capital improvements & managing projects	“		
23.	Notice to Title or Liens for non-payment	“		
	20% markup on all materials	“		
	Sales Tax			
	Water Utility Specific Utility Costs	73,440 I	73,440	0
	Liability Insurance – Assets Only	15,000 J	15,000	0
	Unplanned Capital (\$8 per hook up per year)	<u>24,710 K</u>	<u>19,768</u>	<u>4,942</u>
	Add 25% mark-up for WWSC			
	Ongoing Gross Operating Costs	741,125	691,376	49,749

Notes:

Note A : One member of the UAC suggests this number is too low and should be 47k higher.

Note B: The ongoing gross operating cost of WWSC exceeds KPUD, therefore we ceased costing further activities.

City of Bainbridge Island
 -Comparison of Water Management Proposal

Comparison of KPUD Operating cost to the City of Bainbridge island 2013 Budget

		<u>KPUD</u>	
Ongoing Gross Operating Cost		691,376	
Allocation to sewer for billing	A	(22,440)	
City Management	<u>L</u>	<u>21,242</u>	
		690,178	
State Utility tax @ 5.029%		59,789	
City Utility tax @6%		71,333	
Set Up Fee / Non-recurring		7,000	
		<u>828,300</u>	
		<u>COBI</u>	
2013 Budget		1,157,270	Note A
Unplanned capital		<u>19,768</u>	
City of Bainbridge Island total cost		<u>1,177,038</u>	
Savings Total \$	<u>Year 1</u>	(\$1,177,038 - \$828,300)	
%		348,738	Note A
\$ / hookup		29.6%	
		141.13	
Savings Total \$	<u>Year 2</u>	(\$1,177,038 - \$828,300 + \$7000)	
%		355,738	Note A
\$ / hookup		30.2%	
		143.97	

Note A:

Included in the Intergovernmental Services account is taxes paid to the State & City of Bainbridge Island. These taxes are a percentage of sales. In 2011 the City Council reduced water rates by approximately 45%. The City Staff revised the budget and reduced revenues for 2012 and 2013. However they failed to reduce the tax expense. As a result the budget expense for 2012 and 2013 are significantly overstated. On December 21, 2012 a member of the UAC was doing a budget to actual variance analysis. They noticed the \$75,000 variance and communicated such to the City Manager. The response from the City Manager stated; gross revenues have been reduced, but apparently the budget for 2013 taxes did not get adjusted to reflect the reduced revenues. An error of this nature, cause one to question the budgeting process and the financial controls. On January 8th, 2013 staff provided the UAC with an update of their analysis of the water utility management proposals. That update included a reduction to Intergovernmental Services by approximately \$76,000 or 33%. This error is 21% of the savings the UAC identified and if that value were to be incorporate in to this analysis the Year 1 savings would be 25% rather than the 29.6% identified herein.

EXHIBIT E

City of Bainbridge Island

-Comparison of Water Management Proposals

<u>Comparison of Select Hourly rates</u>	<u>WWSC</u>	<u>KPUD</u>	<u>Variance</u>
	Rates per Hour		
Non Routine Engineering – Senior Engineer	150	95	57.9%
– Junior Engineer	<u>110</u>	<u>95</u>	15.8%
Average	130	95	
Non Routine GIS IT	84	75	12%
Material Mark up	20%	NA	<u>20%</u>
Average WWSC Premium			26.4%

Comments:

WWSC commuting distance is 3 times greater than KPUD.

WWSC currently has no employees residing on Bainbridge Island while KPUD has two.

Therefore deployment cost will be greater and emergency response slower.

Conclusion:

WWSC is a for profit company, therefore their rates include a profit.

A comparison of selected items as included above suggests their prices are 26% higher than KPUD for the same level of service.

EXHIBIT F

RECONCILIATION OF UAC TO CITY'S DEC 13, 2012 ESTIMATE

City of Bainbridge Island
 Reconciliation of UAC to City's Dec 13, 2012 Estimate

		Per the UAC Per the City		Difference	Notes
		Amount	Amount		
Saving Per UAC		348,738	(52,949)	401,687	
Salaries & Benefits	FTE	0.14	1	(0.86)	
	FTE cost	135,000	135,000	(115,650)	H
Professional fees		-	40,000	(40,000)	A
Intergovernmental Services					
	State Tax 5.029%	59,789	131,450	(71,661)	B
	City Tax 6.00%	71,333	93,000	(21,667)	B
	King Co Testing		5,100	(5,100)	C
SSWM		-	1,020	(1,020)	C
Permits			6,100	(6,100)	C
Set up fee		7,000	35,000	(28,000)	D
Rent		1,892	53,097	(51,205)	E
Repairs			35,500	(35,500)	E
Allocation to sewer for billing		(22,440)		(22,440)	F
Repairs Over \$3,500		7,000	-	7,000	F
KPUD Insurance Adjustment		(10,344)	-	(10,344)	G
Total		<u>133,580</u>	535,267	<u>(401,687)</u>	
Less Setup fee above excluded from city's cost			(35,000)		
Add Utilities			73,440		
Insurance			<u>15,000</u>		
Total cost per city, exhibit B Page 7 of 12			<u>588,707</u>		

Notes

- A - Is the city assuming the Rate Payer Alliance legal action will continue?
 KPUD budget include approx \$11K for legal fees.
- B In 2011 City council reduced rate. City staff did not recomputed tax based upon new rates & revenues
- C - Per Bob Hunter KPUD will pay cost
- D Per Bob Hunter the actual number has been obtained and the set up fee is \$7,000
- E It is suspected that the city number is based upon the 2009 cost allocation.
 Working with the city manager to confirm
- F City did not estimate
- G Per Bob Hunter this was included in the base fee, but they subsequently learned they can't pay, therefore the base fee will be reduced
- H UAC developed a budget by activity.

EXHIBIT G

ASSUMPTIONS

City of Bainbridge Island
 - Comparison of Water Management Proposals
 Computation of Incremental Cost

14. Sewer billing	WA Water	
Number of Meter	1,870.00	
Times monthly charge	\$ 2.00	
Times number of Month	<u>6</u>	
	<u>\$ 22,440</u>	<u>A</u>

17. Engineering services		
FTE per City budget	0.58	
FTE retained by the city	<u>0.20</u>	
FTE per Wash Water	0.38	
Times Hours per year per FTE	1,800	<u>D</u>
Times average hourly rate	<u>\$ 130</u>	
	<u>\$ 88,920</u>	<u>B</u>

18. GIS/IT services...water system specific		
- FTE per City budget	0.37	
Times Hours per year per FTE	1,800	<u>D</u>
Times average hourly rate	<u>\$ 84</u>	
	<u>\$ 55,944</u>	<u>C</u>

Meter changes out every 15-20 years

Hours Per FTE

Source: http://en.wikipedia.org/wiki/Full-time_equivalent

U.S. federal government

In the U.S. federal government, FTE is defined by the Government Accountability Office (GAO) as the number of total hours worked divided by the maximum number of compensable hours in a full-time schedule as defined by law.[3] For example, if the normal schedule for a quarter is defined as 411.25 hours ([35 hours per week * (52 weeks per year - 5 weeks regulatory vacation)] / 4), then someone working 100 hours during that quarter represents 100/411.25 = 0.24 FTE. Two employees working in total 400 hours during that same quarterly period represent 0.97 FTE.

	<u>UAC</u>	<u>Above</u>
Number of Weeks	52	<u>52</u>
Number of Days per week	<u>5</u>	<u>5</u>
	260	260
Less		
Holidays	10	-
Sick	7	-
Vacation	<u>18</u>	<u>25</u>
Workdays per year	225	235
Times Hours per work	<u>8</u>	<u>7</u>
Annually	<u>1,800</u>	<u>1,645</u>
quarterly		<u>411</u>

Assumptions

City of Bainbridge Island
 - Comparison of Water Management Proposals
 Computation of Incremental Cost

Water Meter	<u>WA Water</u>	
Cost per meter	145	
Mark up 20% per proposal	29	
Labor 1/4 hour @ 86 Per Ireland	<u>21.5</u>	
	195.5	
Times meter per year see note	<u>141</u>	
	<u>\$ 27,566</u>	E

NOTE Per Mike Ireland life is 15-20 year, therefore need to replace 141 per year Some are concerned that .25 hours to replace one meter maybe overly optimist

	<u>WA Water</u>	
Repairs over \$500 < \$3,500		
- KPUD estimate	20	
- Washington Water estimated	<u>3</u>	
Average	11.5	
Cost per break	<u>\$ 2,000</u>	
	<u>\$ 23,000</u>	F

	<u>WA Water</u>		<u>KPUD</u>
Repairs over 3,500			
Occur infrequently. Some year their will be None.	<u>7,000</u>	G	<u>7,000</u>
Assume on average the amount is			

	<u>WA Water</u>	
Chemical & Fuel		
Cost per general ledger detail	43,218	
Mark up	<u>20%</u>	
	<u>51,862</u>	H

	<u>WA Water</u>		<u>KPUD</u>
Utilities	<u>73,440</u>	I	<u>73,440</u>
Based upon city 2012 budget			

	<u>15,000</u>	J	<u>15,000</u>
Liability Insurance - Assets Only			
Per City			

	<u>WA Water</u>		<u>KPUD</u>
Unplanned capital (\$8 per hook up per year) Add 25% for Wa Water			
Number of hookups	2,471		
Cost per year per hook up	<u>8.00</u>		
	19,768		19,768
Profit	<u>4,942</u>		<u>0</u>
	<u>24,710</u>	K	<u>19,768</u>

Assumptions

City of Bainbridge Island

- Comparison of Water Management Proposals
- Computation of Incremental Cost

Cost to Administer KPUD Contract

	<u>Hours</u>	
	<u>Low</u>	High
City Activities		
- Record monthly receivable and cash		24
- Account payable		
<u>Description</u>	<u>Frequency</u>	
Pay KPUD	12	6
Pay Utilities	12	6
Pay state utility tax	6	6
Pay city utility tax	6	6
Allocate Insurance	<u>1</u>	2
Total	<u>37</u>	
- Quarterly Reporting		16
- Annual budget		8
- Capital Planning		16
- Revenue Audits (1 day per cycle)		48
- Account reconciliation (6 Hours per quarter)		24
- Oversight (1 day per month)		<u>96</u>
Total Hours		<u>258</u>
Divided by hours per FTE		<u>1,800</u>
- City FTE		0.14
Cost per FTE		<u>135,000</u>
Net City personal cost		19,350
Office support		<u>1,892</u>
	L	<u><u>21,242</u></u>

Office Support

Per City Memo 8 Jan 2013

Phone	5,300
Rent	18,857
Total	24,157
Number of FTE	<u>1.8</u>
Cost Per FTE	13,201
Number of FTE above	<u>0.14</u>
Total	<u><u>1,892</u></u>

City of Bainbridge Island
- Comparison of Water Management Proposals
Computation of Incremental Cost

Analysis of Sales

Sales before taxes		1,188,879	
State Tax	5.029%	59,789	<u>M</u>
City Tax	6.000%	<u>71,333</u>	<u>M</u>
Total Sales Per 2013 Plan		<u>1,320,000</u>	

EXHIBIT H

COBI WATER UTILITY MANAGEMENT RFP PROPOSALS RESPONDENT RANKING BY RFP SELECTION CRITERIA

	KPUD	WWSC	NWS
Thoroughness and understanding of the task to be completed;	3	2	0
Background and overall experience in water utility service delivery;	3	3	1
Staff expertise and overall experience of personnel;	3	3	1
Responsiveness to requirements of the project;	3	2	0
Cost:	3	1	0
CUMULATIVE RANKING	15/15 Best	10/15 Better	2/15 Non-Responsiv

EXHIBIT KPUD

Questions posed by UAC to KPUD & Corresponding Responses

To: Kitsap Public Utility District
Bob Hunter / Assistant General Manager
by e-mail / Bob@kpud.org

From: City of Bainbridge Island Utility Advisory Committee
Arlene Buetow / Chair
by e-mail / islandsvcs@aol.com

Date: December 14, 2012

Bob, As you are no doubt aware the City of Bainbridge Island issued an RFP soliciting proposals for “Management Of The Water Utility” on September, 12, 2012. The City Council later made motion on November 19, 2012 directing the Utility Advisory Committee (UAC) to evaluate the individual proposals, compare and contrast the different proposals, and to provide formal comment.

The UAC met to review and informally discuss the individual proposals and finds that additional clarification is necessary to fully understand the differences contained therein. To that end the Committee poses the following set of questions relative to your October 11, 2012 proposal.

We acknowledge that this is a very busy time of year for all of us, but beg your support to provide response on or before December 21, 2012 so that we will have the opportunity to meet and discuss the individual responses and prepare our report to council as per the requested timeline.

On behalf of the UAC and the Bainbridge City Council I would like to thank you for your interest in providing management service for the City’s Water Utility, for you efforts in addressing this inquiry, and wish you and all at the Kitsap Public Utility District a very Merry Christmas.

Regards,

Arlene Buetow / Chair
COBI Utility Advisory Committee

**RESPONSE TO UAC QUESTIONS REGARDING
KPUD's SEPTEMBER 26, 2012 PROPOSAL
FOR MANAGEMENT OF THE CITY'S WATER UTILITY**

Please note: In effort to fully incorporate all committee members' questions in this query, in some cases the list will include seemingly redundant questions. If your answer would be the same to both questions as included herein please identify as such. The items are provided independently so that details included in one query that might be in addition to or inconsistent with another inquiry made by another committee member will be fully addressed but is not intended to require redundant effort on your behalf.

1. General Liability Insurance

Please identify the limits of General Liability Insurance you propose to provide in the Total Management Services Contract (\$48,876), if this coverage extends to additional services and costs identified in your proposal, or if additional services will be subject to "surcharge" for similar indemnification?

2. Customer Records / Set Up

You have identified that the district will require a "transition" fee to populate Kitsap PUD's billing system with COBI's water wand wastewater utility account information. For purposes of your proposal you provided a \$35,000 placeholder until such time as you could obtain a quote from your billing software vendor. Will this fee cover the entire additional cost for setting up the billing system and customer records as required to provide bi-monthly billing? And does the monthly fee cover all costs associated with customer inquiries regarding service, Water and Sewer utility billing?

3. Billing Services / Water Utility

The City has adopted bimonthly billing. The consumption portion of the bill is based on actual bimonthly useage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly useage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. Will your billing system be able to accommodate this? And is the cost of this billing system set up included in your proposed \$48,876 monthly fee?

4. Billing Services / Sewer Utility

Your proposal identifies the ability to provide sewer utility billing. The City has adopted a useage based bimonthly sewer billing. The consumption portion of the bill is primarily based on actual bimonthly water utility useage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly useage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. To further complicate the matter the City bills sewer utility consumption in the summer based on a computed average consumption during the non-summer months. Will your billing system be able to accommodate this? And is the cost of incorporating these algorithms in your billing system rate tables included in the \$7,000 set up fee?

5. Washington State Utility Taxes

Does your proposed fee/fee schedule include the State Utility tax or would that be added?

6. City Municipal Utility Taxes

The City charges a separate municipal/city utility tax on their independently owned Water, Sewer and SSWM utilities. Is your system capable of computing this figure in billing, collecting and separately identifying these receivables when processing utility bill payments, and reporting the associated funds transfer to the City?

7. Comparable Levels Of Service

How do the specific skills, materials, equipment and services that comprise your proposed \$48,876 monthly fee compare to the level of service you provide your existing customers? Does this figure include all services and activities that you currently provide the water utilities that you own and operate? If not what necessary services and activities do you expect the City will continue to provide and what other services and activities do you expect will be required at additional cost? See item 7.3 below relative City maintained costs and services .

7.1 Engineering Services

Your response to the RFP Scope of Services Item 17. “Engineering Services” responded with the “routine” qualifier in describing the level of service you would provide in this capacity. Can you elaborate on how this qualifier differentiates the level of Engineering Services you provide your existing water utility customers from that you propose to provide the City’s customers and what in your opinion would be defined as non-routine?

7.2 GIS/IT Services....water system specific

Your response to the RFP Scope of Services Item 18. “GIS/IT Services....water system specific” responded with the “routine” qualifier in describing the level of service you would provide in this capacity. Can you elaborate on how this qualifier differentiates the level of GIS/IT Services you provide your existing water utility customers from that you propose to provide the City’s customers and what in your opinion would be defined as non-routine?

7.3 Responsibilities to remain with the City

Under your proposed Management Contract what are the services and costs that will be directly managed by the City? Example: electricity, liability insurance and CIP expenditures

8. Emergency Notifications

Does your proposed \$48,876 monthly fee include providing emergency notification to customers when necessary? Do any members of the KPUD operations and maintenance crew live on Bainbridge Island?

9. Water Resource Planning

Does your proposal include any water resource planning services, capability or activity for the City’s Water Utility service area? If so please describe. If so can it be expanded to include similar type service for the entire Island/City?

10. How will KPUD interface with the City

Please describe how your organization will interface with the City of Bainbridge Island. In your discussion please address the following activities:

- a. Reporting monthly sales & cash receipt.
- b. Submitting your monthly invoice.
- c. Annual budgeting of revenue and expenses.
- d. Providing an annual capital improvement plan.
- e. Quarterly reporting (Item 27 to Scope of Services).

11. Skills and Services which while available are in additional to the proposed monthly service charge

It is our understanding that the following services can be provide, however additional fees may apply. Please note some items while identified in the list of services provided have been qualified or restricted elsewhere in the proposal so the extent of these services as they apply to the proposed \$48,876 monthly fee requires further clarification.

17. Non-Routine Engineering services. (Please explain qualifier)
18. Non-Routine GIS/IT services...water system specific. (Please explain qualifier)
19. Overseeing developer extensions.
20. Installing new services.
21. Recommending system capital improvements and managing projects.
22. Special Newsletters or other bill inserts. (Please explain qualifier)

Liability Insurance on the Utility's assets

City Utility's Utility Bills

Repairs over \$3,500

Meter Replacements

State and Local Utility Taxes

Is our understanding correct? If not please elaborate. Are there other critical services that will be performed at additional cost?

From: Bob Hunter <bob@kpud.org>
Subject: **UAC KPUD Inquiry 12-14-2012 Response.docx**
Date: December 20, 2012 4:48:24 PM PST
To: Arlene Buetow <islandsvcs@aol.com>

Hi Arlene,

Attached is our response to UAC questions.

Have a Merry Christmas!

Bob Hunter

Asst. General Manager
Kitsap PUD
1431 Finn Hill Rd.
Poulsbo, WA 98370
Mobile (360)620-1260
Office (360)626-7714



December 21, 2012

To: City of Bainbridge Island Utility Advisory Committee
Arlene Buetow, Chair

From: Kitsap Public Utility District
Bob Hunter, Assistant General Manager

Ms. Buetow;

Attached are Kitsap PUD's responses to the UAC's questions. We trust this will satisfy the UAC and clear up any remaining confusion concerning our proposal.

Two things should be clarified:

Pricing methodology and level of service: Kitsap PUD intends to provide the customers of the COBI water systems with the same level of service that we provide all of our customers, this should minimize the city's day to day responsibilities of operating the water system. Insofar as COBI would be a managed system, the City – as owner – remains responsible for the following: funding capital replacement, insuring capital infrastructure and paying energy bills associated with the water utility. The City is also responsible for its own water system planning. To arrive at a monthly fee, Kitsap PUD backed-out the costs of capital replacement, insurance and energy from our existing operating budget. We divided the balance by our total number of connections to arrive at an operating price per connection. We, then, applied that price per connection to the number of connections on the COBI system, added \$1/month/connection to cover fluoridation (which none of our other systems have) and arrived at a fee that is equitable with that paid by all the District's other customers.

State and Local Utility Taxes: COBI currently collects State and Local Utility Taxes from the water system's customers. These taxes are part of (embedded in) the City's monthly service charge. They are not listed as a line item on customers' bills. Insofar as Kitsap PUD will be applying COBI's rate schedule to the customers of the COBI water system, these taxes will continue to be collected as a component of the City's monthly service charge. Kitsap PUD can, for billing clarity, report State and Local Utility Taxes as separate line items on customers' bills. All State and Local Utility Taxes collected will be transferred, with water receipts, on a bi-monthly basis to the City.

We hope this answers the UAC's questions.

Sincerely,

Bob Hunter
Assistant General Manager

UAC QUESTIONS REGARDING
KPUD's SEPTEMBER 26, 2012 PROPOSAL
FOR MANAGEMENT OF THE CITY'S WATER UTILITY

Please note: In effort to fully incorporate all committee members' questions in this query, in some cases the list will include seemingly redundant questions. If your answer would be the same to both questions as included herein please identify as such. The items are provided independently so that details included in one query that might be in addition to or inconsistent with another inquiry made by another committee member will be fully addressed but is not intended to require redundant effort on your behalf.

1. General Liability Insurance

Please identify the limits of General Liability Insurance you propose to provide in the Total Management Services Contract (\$48,876), if this coverage extends to additional services and costs identified in your proposal, or if additional services will be subject to "surcharge" for similar indemnification? *Response: Kitsap PUD's General Liability insurance (\$5 million) covers Kitsap PUD's employees and any damage to the COBI water system that is a result of PUD negligence. There would be no additional insurance "surcharge" should Kitsap PUD contract to perform additional services. Kitsap PUD can provide a certificate of insurance.*

2. Customer Records / Set Up

You have identified that the district will require a "transition" fee to populate Kitsap PUD's billing system with COBI's water and wastewater utility account information. For purposes of your proposal you provided a \$35,000 placeholder until such time as you could obtain a quote from your billing software vendor. Will this fee cover the entire additional cost for setting up the billing system and customer records as required to provide bi-monthly billing? And does the monthly fee cover all costs associated with customer inquiries regarding service, Water and Sewer utility billing? *Response: We have since been quoted a price of \$7,000 to populate Kitsap PUD's billing system with COBI's water and wastewater account information. This fee will cover the entire cost for setting up the billing system and customer records to provide bi-monthly billing. The monthly fee does cover all costs associated with customer inquiries regarding service as well as water and wastewater billing.*

3. Billing Services / Water Utility

The City has adopted bimonthly billing. The consumption portion of the bill is based on actual bimonthly usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. Will your billing system be able to accommodate this? And is the cost of this billing system set up included in your proposed \$48,876 monthly fee? *Response: Yes, our billing system will be able to accommodate COBI's rate schedule. Initial billing system set-up will be funded by an initial set-up fee of \$7,000. Once set-up, bi-monthly billing will be included in the monthly fee.*

4. Billing Services / Sewer Utility

Your proposal identifies the ability to provide sewer utility billing. The City has adopted a usage based bimonthly sewer billing. The consumption portion of the bill is primarily based on actual bimonthly water utility usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. To further complicate the matter the City bills sewer utility consumption in the summer based on a computed average consumption during the non-summer months. Will your billing system be able to accommodate this? And is the cost of incorporating these algorithms in your billing system rate tables included in the \$7,000 set up fee? *Response: Yes, KPUD's billing system will be able to accommodate COBI's wastewater rate schedule. Yes, incorporating COBI's wastewater rate schedule into KPUD's billing system is included in the \$7,000 set-up fee.*

5. Washington State Utility Taxes

Does your proposed fee/fee schedule include the State Utility tax or would that be added? *Response: The proposed fee does include State Utility Tax. This tax is currently collected as a component of (embedded in) COBI's monthly service charge. As COBI's rate schedule will be applied to COBI water system customers, State Utility Taxes will be collected with water bills. Kitsap PUD can list State Utility Taxes as a line item on customers' bills.*

6. City Municipal Utility Taxes

The City charges a separate municipal/city utility tax on their independently owned Water, Sewer and SSWM utilities. Is your system capable of computing this figure in billing, collecting and separately identifying these receivables when processing utility bill payments, and reporting the associated funds transfer to the City? *Response: Local Utility Taxes are currently collected as a component of (embedded in) COBI's monthly service charge. As COBI's rate schedule will be applied to COBI water system customers, Local Utility Taxes will be collected with water bills. Kitsap PUD can list State Utility Taxes as a line item on customers' bills and provide a bi-monthly summary with fund transfers.*

7. Comparable Levels Of Service

How do the specific skills, materials, equipment and services that comprise your proposed \$48,876 monthly fee compare to the level of service you provide your existing customers? Does this figure include all services and activities that you currently provide the water utilities that you own and operate? If not what necessary services and activities do you expect the City will continue to provide and what other services and activities do you expect will be required at additional cost? See item 7.3 below relative City maintained costs and services. *Response: Kitsap PUD proposes to provide the customers of the COBI system with the same level of service that we provide all our customers. KPUD's proposal to manage COBI's drinking water utility does not include the following: preparation of the water system's "comprehensive" plan, power costs, and insurance for capital plant. The City – as system owner - will remain responsible for these activities and costs.*

7.1 Engineering Services

Your response to the RFP Scope of Services Item 17. “Engineering Services” responded with the “routine” qualifier in describing the level of service you would provide in this capacity. Can you elaborate on how this qualifier differentiates the level of Engineering Services you provide your existing water utility customers from that you propose to provide the City’s customers and what in your opinion would be defined as non-routine? *Response: “Non-routine” engineering includes: engineering associated with preparing the water system’s “comprehensive” plan and engineering required as a result of non-water system activities (for example: the City plans to re-route a storm drain. This requires water infrastructure to be moved. Any engineering associated with this will be “non-routine”).*

7.2 GIS/IT Services....water system specific

Your response to the RFP Scope of Services Item 18. “GIS/IT Services....water system specific” responded with the “routine” qualifier in describing the level of service you would provide in this capacity. Can you elaborate on how this qualifier differentiates the level of GIS/IT Services you provide your existing water utility customers from that you propose to provide the City’s customers and what in your opinion would be defined as non-routine? *Response: “Non-routine” GIS/IT services include: GIS/IT services associated with preparing the water system’s “comprehensive” plan and GIS/IT services required as a result of non-water system activities (for example: the City plans to re-route a storm drain. This requires water infrastructure to be moved. Any GIS/IT services associated with this will be “non-routine”).*

7.3 Responsibilities to remain with the City

Under your proposed Management Contract what are the services and costs that will be directly managed by the City? Example: electricity, liability insurance and CIP expenditures *Response: KPUD’s proposal to manage COBI’s drinking water utility does not include the following: preparation of the water system’s “comprehensive” plan, capital replacement, power costs, and insurance for capital plant. The City will remain responsible for these activities and costs.*

8. Emergency Notifications

Does your proposed \$48,876 monthly fee include providing emergency notification to customers when necessary? Do any members of the KPUD operations and maintenance crew live on Bainbridge Island? *Response: Yes, KPUD’s proposed monthly fee does include providing emergency notification to customers, when necessary. Yes, two members of KPUD’s operations and maintenance crew live on Bainbridge Island.*

9. Water Resource Planning

Does your proposal include any water resource planning services, capability or activity for the City’s Water Utility service area? If so please describe. If so can it be expanded to include similar type service for the entire Island/City? *Response: As it does with all its water systems, Kitsap PUD will monitor aquifer conditions via the system’s groundwater wells. Kitsap PUD monitors groundwater levels; tracking them*

seasonally and over time to assess changes with time and production. Groundwater quality is tracked via regulatory sampling. Broadly, Kitsap PUD monitors hydrologic conditions throughout Kitsap County, including Bainbridge Island. Kitsap PUD maintains precipitation records on the island and correlates these with island groundwater conditions. These data contribute to water resource investigations like that recently done by the USGS. Kitsap PUD can provide additional hydrologic services, however those are outside the scope of this proposal.

10. How will KPUD interface with the City

Please describe how your organization will interface with the City of Bainbridge Island.

In your discussion please address the following activities:

- a. Reporting monthly sales & cash receipt. *Response: These will be reported bi-monthly to coincide with customer billing. Reports can either be electronic or hard copy.*
- b. Submitting your monthly invoice. *Response: Invoicing procedures can be worked out according to whatever is most convenient to the City.*
- c. Annual budgeting of revenue and expenses. *Response: Annually, Kitsap PUD will confer with COBI over budget and capital improvement scheduling.*
- d. Providing an annual capital improvement plan. *Response: Annually, Kitsap PUD will confer with COBI over budget and capital improvement planning and scheduling.*
- e. Quarterly reporting (Item 27 to Scope of Services). *Response: Kitsap PUD will provide quarterly reports to the City. These reports can be in any format and manner that best suits the City's needs.*

11. Skills and Services which while available are in additional to the proposed monthly service charge

It is our understanding that the following services can be provide, however additional fees may apply. Please note some items while identified in the list of services provided have been qualified or restricted elsewhere in the proposal so the extent of these services as they apply to the proposed \$48,876 monthly fee requires further clarification.

17. Non-Routine Engineering services. (Please explain qualifier) *Response: See item 7.1. Non-routine engineering services will be billed at \$95/hour.*

18. Non-Routine GIS/IT services...water system specific. (Please explain qualifier) *Response: See item 7.2. Non-routine GIS/IT services will be billed at \$75/hour.*

19. Overseeing developer extensions. *Response: Kitsap PUD will oversee developer extensions to the COBI water system. Services associated with this will be billed in addition to the monthly charge and at the following rates: Engineering: \$95/hour; GIS/IT: \$75/hour; Construction Inspection: \$52/hour.*

20. Installing new services. *Response: Kitsap PUD will install new services; however, service installations will be billed according to COBI's rate schedule.*

21. Recommending system capital improvements and managing projects. *Response: Annually, Kitsap PUD will consult with COBI on the upcoming year's Capital Improvement program and make recommendations as necessary. This annual consultation is included in the monthly fee.*

22. Special Newsletters or other bill inserts. (Please explain qualifier) *Response: "Routine" newsletters and bill inserts consists of: the water system's annual Consumer Confidence Report, the system's annual Water Use Efficiency Report and any newsletter that Kitsap PUD sends to all customers. "Non-routine" newsletters or bill inserts refer to anything requested by COBI and specific to the COBI water system.*

Liability Insurance on the Utility's assets *Response: This remains the responsibility of COBI.*

City Utility's Utility Bills *Response: This remains the responsibility of COBI.*

Repairs over \$3,500 *Response: These remain the responsibility of COBI, and will be billed on a case-by-case basis..*

Meter Replacements *Response: A meter upgrade schedule and budget can be discussed and set during the annual consultation over Capital Improvements.*

State and Local Utility Taxes *Response: State and Local Utility Taxes are currently embedded in COBI's rate structure (as part of the monthly service charge). As COBI's rate schedule will be applied to COBI water system customers, these taxes will be collected with water bills. Kitsap PUD can list State and Local taxes as line items on customers' bills.*

EXHIBIT WWSC

Questions posed by UAC to WWSC & Corresponding Responses

To: Washington Water Service Company
Michael Ireland/President
by e-mail / mireland@wawater.com

From: City of Bainbridge Island Utility Advisory Committee
Arlene Buetow / Chair
by e-mail / islandsvcs@aol.com

Date: December 14, 2012

Mike, As you are no doubt aware the City of Bainbridge Island issued an RFP soliciting proposals for “Management Of The Water Utility” on September, 12, 2012. The City Council later made motion on November 19, 2012 directing the Utility Advisory Committee (UAC) to evaluate the individual proposals, compare and contrast the different proposals, and to provide formal comment.

The UAC met to review and informally discuss the individual proposals and finds that additional clarification is necessary to fully understand the differences contained therein. To that end the Committee poses the following set of questions relative to your October 11, 2012 proposal.

We acknowledge that this is a very busy time of year for all of us, but beg your support to provide response on or before December 21, 2012 so that we will have the opportunity to meet and discuss the individual responses and prepare our report to council as per the requested timeline.

On behalf of the UAC and the Bainbridge City Council I would like to thank you for your interest in providing management service for the City’s Water Utility, for you efforts in addressing this inquiry, and wish you and all at Washington Water Service a very Merry Christmas.

Regards,

Arlene Buetow / Chair
COBI Utility Advisory Committee

UAC QUESTIONS REGARDING
WWSC OCTOBER 12, 2012 PROPOSAL
FOR MANAGEMENT OF THE CITY'S WATER UTILITY

Please note: In effort to fully incorporate all committee members' questions in this query, in some cases the list will include seemingly redundant questions. If your answer would be the same to both questions as included herein please identify as such. The items are provided independently so that details included in one query that might be in addition to or inconsistent with another inquiry made by another committee member will be fully addressed but is not intended to require redundant effort on your behalf.

1. General Liability Insurance

Please identify the limits of General Liability Insurance you propose to provide in the Total Management Services Contract (\$34,984), if this coverage extends to additional services identified in Exhibit A, or if additional services will be subject to "surcharge" for similar indemnification?

2. Customer Records / Set Up

You have identified that you will provide "Customer Billing" but indicate no cost to "Import/Populate" your billing system with COBI customer records or to set up the unique rate tables or algorithms to compute the City's customers bills. Will the cost of this effort be in addition to your proposed Total Management Services Contract fee? And does the monthly fee cover all costs associated with customer inquiries regarding service, Water, and Sewer utility billing?

3. Billing Services / Water Utility

The City has adopted bimonthly billing. The consumption portion of the bill is based on actual bimonthly usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. Will your billing system be able to accommodate this? And is the cost of this billing system set up included your proposed Total Management Services Contract fee?

4. Billing Services / Sewer Utility

Your proposal identifies the ability to provide sewer utility billing based on "customer's flat fee". The City has adopted a usage based bimonthly sewer billing. The consumption portion of the bill is primarily based on actual bimonthly water utility usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. To further complicate the matter the City bills sewer utility consumption in the summer based on a computed average consumption during the non-summer months. Will your billing system be able to accommodate this? And is the cost of this billing system set up included your proposed Total Management Services Contract fee?

5. Washington State Utility Taxes

Does your proposed fee/fee schedule include the State Utility tax or would that be added?

6. City Municipal Utility Taxes

The City charges a separate municipal/city utility tax on their independently owned Water, Sewer and SSWM utilities. Is your system capable of computing this figure in billing, collecting and separately identifying these receivables when processing utility bill payments, and reporting the associated funds transfer to the City?

7. Comparable Levels Of Service

How does your Total Management Services Contract (\$34,984 monthly) proposal compare to the level of service you provide your existing customers? Does this figure include all services and activities that you currently provide the water utilities that you own and operate? If not what necessary services and costs do you expect will continue to be directly managed by the City and what other items do you believe you can better address through your oversight?

8. Emergency Notifications

Does your Total Management Services Contract (\$34,984 monthly) proposal include providing emergency notification to customers when necessary? Do any members of the WWSC operations and maintenance crew live on Bainbridge Island?

9. Water Resource Planning

Does your proposal include any water resource planning services, capability or activity for the City's Water Utility service area? If so please describe. If so can it be expanded to include similar type service for the entire Island/City?

10. How will your WWSC interface with the

Please describe how your organization will interface with the City of Bainbridge Island. In your discussion please address the following activities:

- a. Reporting monthly sales & cash receipt.
- b. Submitting your monthly invoice.
- c. Annual budgeting of revenue and expenses.
- d. Providing an annual capital improvement plan.
- e. Quarterly reporting (Item 27 to Scope of Services).

11. Skills and Services which while available are in additional to the proposed monthly service charge

It is our understanding that you have offered to provide the following services, however in many additional fees will apply. Please note some items while identified in the list of services provided have been qualified or restricted elsewhere in the proposal so the extent of these services as they apply to the Total Management Services Contract (\$34,984 monthly) proposal requires further clarification.

1. Regular visits to source wells, booster stations, PR stations and reservoirs.
 3. Monitor and maintain the system's SCADA system.
 5. Monitoring and Recording chlorine and fluoride levels.
 7. Annual as opposed to Regular flushing of water system.
 8. Responding to customer inquiries and complaints "limited to general customer service orders".
 9. Preparing and distributing the system's (CCR) annual report to customers.
 14. Sewer billing. Consistent with COBI published rates.
 15. Final meter readings and final billings for account transfers.
 17. Engineering services.
 18. GIS/IT services...water system specific.
 19. Overseeing developer extensions.
 20. Installing new services.
 21. Recommending system capital improvements and managing projects.
 22. Newsletters or other bill inserts.
 23. Notice to Title or Liens for non-payment.
 24. Service lock-off due to non-payment.
 25. On-call and after-hours response services.
 26. Emergency Response procedure.
 27. Quarterly reports to the City of Bainbridge Island.
- B. Schedule and attend meetings with City Staff, City Council and UAC.
- C. Schedule and attend meetings with the public.

Liability Insurance on the Utility's assets

City Utility's Utility Bills

Repairs over \$500

Meter Replacements

State and Local Utility Taxes

Is our understanding correct? If not please elaborate. Are there other critical services that will be performed at additional cost?

From: Ireland, Mike Sr. <mireland@calwater.com>
Subject: **RE: Response to COBI's UAC 12-14-2012 Questions regarding WWSC's Water Utility Management Proposal**
Date: December 21, 2012 12:24:16 PM PST
To: Arlene Buetow <islandsvcs@aol.com>
Cc: Pratt, Charlene <cpratt@wawater.com>, Hull, Sue <shull@wawater.com>, Cox, Zera <zcox@wawater.com>, Houghton, Brian bhoughton@wawater.com

Hi Arlene,
I have attached the questions from the City of Bainbridge Island, Utility Advisory Committee.

Please do not hesitate to contact me with any questions.

Michael P. Ireland
President
Washington Water Service Company
P.O. Box 336
Gig Harbor, WA 98335
mireland@wawater.com
Phone 1-877-408-4060
Direct Line (253) 851-3422 Ext. 1107
Cell (253) 405-9977



**RESPONSE TO UAC QUESTIONS REGARDING
WWSC OCTOBER 12, 2012 PROPOSAL
FOR MANAGEMENT OF THE CITY'S WATER UTILITY**

Please note: In effort to fully incorporate all committee members' questions in this query, in some cases the list will include seemingly redundant questions. If your answer would be the same to both questions as included herein please identify as such. The items are provided independently so that details included in one query that might be in addition to or inconsistent with another inquiry made by another committee member will be fully addressed but is not intended to require redundant effort on your behalf.

1. General Liability Insurance

Please identify the limits of General Liability Insurance you propose to provide in the Total Management Services Contract (\$34,984), if this coverage extends to additional services identified in Exhibit A, or if additional services will be subject to "surcharge" for similar indemnification?

WWSC Response: *Washington Water Service has a general liability insurance of \$9,500,000.00. The \$34,984 is based on \$12.90 per metered customer so the dollar amount will vary based on the number of metered customers.*

2. Customer Records / Set Up

You have identified that you will provide "Customer Billing" but indicate no cost to "Import/Populate" your billing system with COBI customer records or to set up the unique rate tables or algorithms to compute the City's customers bills. Will the cost of this effort be in addition to your proposed Total Management Services Contract fee? And does the monthly fee cover all costs associated with customer inquiries regarding service, Water, and Sewer utility billing?

WWSC Response: *Yes it would be in addition and a one-time charge based on the time it takes to set records up. Yes the Monthly fee does cover costs associated with customer inquiries reading service, water and sewer billing.*

3. Billing Services / Water Utility

The City has adopted bimonthly billing. The consumption portion of the bill is based on actual bimonthly usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. Will your billing system be able to accommodate this? And is the cost of this billing system set up included your proposed Total Management Services Contract fee?

WWSC Response: *Cost to set up customer accounts would be a one-time set up fee as noted in #2, but we would be able to handle the bi-monthly billing method noted above. We could also bill on a monthly basis if the city would wish to help smooth out the billing process and would only add the cost of meter reading in the extra month (six times additional per year) to the contract.*

4. Billing Services / Sewer Utility

Your proposal identifies the ability to provide sewer utility billing based on “customer’s flat fee”. The City has adopted a usage based bimonthly sewer billing. The consumption portion of the bill is primarily based on actual bimonthly water utility usage divided by two, computed against the applicable rate schedule (rate blocks established based on monthly usage), and then multiplied by two to come up with the consumption portion of the bi-monthly billing. To further complicate the matter the City bills sewer utility consumption in the summer based on a computed average consumption during the non-summer months. Will your billing system be able to accommodate this? And is the cost of this billing system set up included your proposed Total Management Services Contract fee?

WWSC Response: *Our system could be set up to handle this type of Sewer billing, but there would be an additional one-time set up fee to bill based on metered usage.*

5. Washington State Utility Taxes

Does your proposed fee/fee schedule include the State Utility tax or would that be added?

WWSC Response: *State Utility Tax is a tax on the utility not the management company and should be included in the City’s rates and collected as part of the water and sewer revenue. However, there would be Washington State Sales Tax added to the monthly management bill the city receives from Washington Water Service.*

6. City Municipal Utility Taxes

The City charges a separate municipal/city utility tax on their independently owned Water, Sewer and SSWM utilities. Is your system capable of computing this figure in billing, collecting and separately identifying these receivables when processing utility bill payments, and reporting the associated funds transfer to the City?

WWSC Response: *Yes, our system can calculate and bill this as we currently do this on owned systems which serve inside city limits.*

7. Comparable Levels Of Service

How does your Total Management Services Contract (\$34,984 monthly) proposal compare to the level of service you provide your existing customers. Does this figure include all services and activities that you currently provide the water utilities that you own and operate? If not what necessary services and costs do you expect will continue to be directly managed by the City and what other items do you believe you can better address through your oversight?

WWSC Response: *It is a lower cost, as it does not include capital improvements, leak repairs, utility costs such as power for pumps, engineering and other responsibilities associated with an owned water system. However, the level of management and response would be equal to those on owned water systems All operation and maintenance service provide.*

Other than power, phone, SCADA and any oversight cost the City may associate with the operation of the water systems.

8. Emergency Notifications

Does your Total Management Services Contract (\$34,984 monthly) proposal include providing emergency notification to customers when necessary? Do any members of the WWSC operations and maintenance crew live on Bainbridge Island?

WWSC Response: *Depends on the type of notification, hand delivered notices, and cost of reverse 911 calls would be additional. Currently we have no employees living on Bainbridge Island.*

9. Water Resource Planning

Does your proposal include any water resource planning services, capability or activity for the City's Water Utility service area? . If so please describe. If so can it be expanded to include similar type service for the entire Island/City?

WWSC Response: *We would include such things as connection summary's and consumption/ production data, but engineering for resource planning, system capability and such would be additional. We can provide at an additional cost to the City.*

10. How will your WWSC interface with the

Please describe how your organization will interface with the City of Bainbridge Island.

In your discussion please address the following activities:

- a. Reporting monthly sales & cash receipt.
- b. Submitting your monthly invoice.
- c. Annual budgeting of revenue and expenses.
- d. Providing an annual capital improvement plan.
- e. Quarterly reporting (Item 27 to Scope of Services).

WWSC Response: *We will provide all the above information via mail, monthly to the City. The monthly sales and cash receipts will show amount billed to each customer, amount paid and amount in arrears, which will be submitted with our monthly invoice. At the beginning of each year we would provide the cost of the annual contract based on a per customer served by the water system along with any anticipated costs of recommended improvements. We would review the annual improvement plan in the City's Coordinated Water System Plan and Notify the City of its recommended improvements. If the City has additional reports they would require, we would review the list and provide an estimate of any additional costs if incurred, to provide. We would be available to attend City Staff meeting as scheduled by the City and could send notices out with customer bill and attend any public meeting held twice per year.*

11. Skills and Services which while available are in additional to the proposed monthly service charge

It is our understanding that you have offered to provide the following services, however in many additional fees will apply. Please note some items while identified in the list of services provided have been qualified or restricted elsewhere in the proposal so the extent of these services as they apply to the Total Management Services Contract (\$34,984 monthly) proposal requires further clarification.

1. Regular visits to source wells, booster stations, PR stations and reservoirs. **WWSC Response:** *Included in contract fee.*
3. Monitor and maintain the system's SCADA system. **WWSC Response:** *Depends on type of monitoring, but maintenance of SCADA would be handled at an extra charge by engineering.*
5. Monitoring and Recording chlorine and fluoride levels. **WWSC Response:** *Included in contract fee.*
7. Annual as opposed to Regular flushing of water system. **WWSC Response:** *Annual and unscheduled flushing is included.*
8. Responding to customer inquiries and complaints "limited to general customer service orders". **WWSC Response:** *Included in contract fee.*
9. Preparing and distributing the system's (CCR) annual report to customers. **WWSC Response:** *Included in contract fee.*
14. Sewer billing. Consistent with COBI published rates. **WWSC Response:** *Included in contract fee, with additional set up fee for billing based on metered usage.*
15. Final meter readings and final billings for account transfers. **WWSC Response:** *Included in contract fee.*
17. Engineering services. **WWSC Response:** *Additional cost.*
18. GIS/IT services...water system specific. **WWSC Response:** *Additional cost.*
19. Overseeing developer extensions. **WWSC Response:** *Included in contract fee, except for contract preparation engineering and onsite inspections would be an additional charge.*
20. Installing new services. **WWSC Response:** *Additional cost.*
21. Recommending system capital improvements and managing projects. **WWSC Response:** *Additional cost.*
22. Newsletters or other bill inserts. **WWSC Response:** *Included in contract fee.*
23. Notice to Title or Liens for non-payment. **WWSC Response:** *Notice to city to start process, included in contract fee.*
24. Service lock-off due to non-payment. **WWSC Response:** *Included in contract fee.*
25. On-call and after-hours response services. **WWSC Response:** *Included in contract fee.*
26. Emergency Response procedure. **WWSC Response:** *Utilizing WWSC Emergency Response plan, included in contract fee.*
27. Quarterly reports to the City of Bainbridge Island. **WWSC Response:** *Included in contract fee.*
- B. Schedule and attend meetings with City Staff, City Council and UAC. **WWSC Response:** *Attending meetings included in contract fee.*
- C. Schedule and attend meetings with the public. **WWSC Response:** *Attendance twice per year, included in contract fee.*

Liability Insurance on the Utility's assets ***WWSC Response:*** *Not included*

City Utility's Utility Bills ***WWSC Response:*** *Utility Bills the City pays is not included.*

Repairs over \$500 ***WWSC Response:*** *Any repairs or improvements done, which are not considered a maintenance contract amount by Washington State Labor and Industries, would be at an additional cost.*

Meter Replacements ***WWSC Response:*** *Additional cost.*

State and Local Utility Taxes ***WWSC Response:*** *should be included in City's rates and collected by the City and paid with its other State and Utility Taxes.*

Is our understanding correct? If not please elaborate. Are there other critical services that will be performed at additional cost?

